Received: 11 June 2020 | Accepted: 8 December 2022

DOI: 10.1002/pop4.380

ORIGINAL ARTICLE

P&PP POVERTY & PUBLIC POLICY

The low odds of poor women with small business loans emerging from poverty: Critical social policy implications for Pakistan

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Funding information

Forman Christian College University, Internal Research and Innovation Fund, Grant/Award Number: 2017/4

Abstract

The government of Pakistan has been relying on the microfinance industry to reduce poverty among poor women in Pakistan. Using a theoretical framework that argues for limiting the abilities and capacity of existing microfinance services, we empirically investigate the odds of poor women remaining in poverty despite microfinance loan provision. We collected data from four provinces in Pakistan and analyzed it using multivariate logistic regression. Three-fourths of the 442 women respondents live below poverty lines and are unable to emerge from poverty due to factors such as: housing instability, food insecurity, lack of savings, insufficient loan size and high installment rates, lack of gender solidarity through group borrowing, and threats of domestic violence. Lack of health insurance and critical health problems such as infectious diseases, having suffered an injury, chronic ailments, and mental health challenges are also preventing poverty emergence. We conclude by recommending key social policy development agendas that need to be introduced by the state, in partnership with the microfinance sector, to support women borrowers and help them emerge from poverty.

KEYWORDS

Pakistan, poor women, poverty, small loans, social policy

INTRODUCTION

A staggering 50% of women worldwide live in extreme poverty, with the majority of these poor women residing in South Asia (Boudet et al., 2018; Santos & Neumeyer, 2021). Though there is a critical issue of the feminization of poverty, global efforts to reduce this humanitarian crisis have to date been ineffective (Deedam & Onoja, 2015; Flor et al., 2022). In Pakistan alone, it is estimated that there are 30 million impoverished women (World Bank, 2017). Factors that contribute to the high prevalence of poverty in Pakistani women include: (i) low literacy and low labor participation (Hussnain et al., 2021), (ii) work in the informal sector which offers low pay and no employment benefits (Waqar et al., 2021), (iii) engagement with agricultural work which offers only in-kind payments (Qaisrani & Batool, 2021), and (iv) cultural barriers which restrict them to home-based or part-time work opportunities (Choudhry et al., 2019). In particular women from underdeveloped areas, both rural and urban, and those from marginalized ethnic and religious groups have fewer opportunities for education, formal sector employment, and professional advancement in the country (Muhammad et al., 2021). Impoverished circumstances are known to further contribute to health vulnerabilities and overall lower well-being among women in Pakistan (Abbas et al., 2021).

Many have argued that for poverty to be reduced among women there is a critical need for social policy development, however, the specific measures that need to be addressed in such an effort depend on region-based needs (Ghina-e-Sahar, 2021; Power, 2020). From a sociocultural perspective and in recognition of the patriarchal climate, we must further recognize that poverty among women in South Asian countries has many facets of deprivation. There are systemic sociostructural barriers to consider and thus, contextualized social policy development is needed in education and domestic life circumstances, work opportunities and security, and health and wellbeing. Researching disadvantaged groups in Pakistan, such as women microfinance borrowers, is a way to better understand which economic and cultural social policy measures need to be targeted for development in the country. This study is an attempt to identify which factors prevent women borrowers of microfinance in Pakistan from emerging from poverty. The study aims to recommend relevant strategies for improved support from loan providers and government social policy.

THE CASE OF MICROFINANCE FOR POVERTY ALLEVIATION AMONG POOR WOMEN

One type of conditional cash transfer to the poor is that of microfinance loans for small business mobilization. Microfinance services have been hailed as the engine for alleviating women's poverty in developing regions (Chatterjee et al., 2018; Duvendack, 2011; Sriram, 2005). Loans provided by the microfinance industry target poor clients who are unable to access loans from conventional banks due to lack of collateral and savings. The microfinance industry is serving 140 million borrowers, out of which 80% were women (Ogden & Bull, 2020). However, scholarship is divided about whether microfinance loans actually alleviate poverty.

Some research highlights the fact that microfinance has been instrumental in providing capital for innovative local business ideas and increasing sales (Khandker, 2005; Mahmood et al., 2014; Mawa, 2008; Morris & Barnes, 2005). It has also been evidenced that small business profits improve the livelihood of poor women and assists them in emerging from poverty over a period of time (Ukanwa et al., 2018). Alternatively, other research contends that microfinance has had no effect on poverty alleviation (Beisland et al., 2017; Van Rooyen et al., 2012; Ukanwa et al., 2018). Women from rural and underdeveloped areas do not benefit from financial injections because of regional disadvantages and cultural constraints which prevent them from developing businesses (Kabeer, 2005; Ukanwa et al., 2018). Additionally, sales networks and market operations are not conducive to business development in underdeveloped areas (Chelekis & Mudambi, 2010). To compound the problem, poorer clients living in disadvantaged areas are known to receive smaller loans and higher interest rates, as microfinance providers (MFPs) require greater investment to operate and deliver services in underdeveloped areas (Ault, 2016).

Though microfinance loans for small business development are intended to benefit the poorest of the poor, ironically it is this group of people that lack business and entrepreneurial skills (Ukanwa et al., 2018). Poor women are unable to benefit from social networking for business development due to social exclusion and immobility (Toindepi, 2016). Poverty not only curtails which businesses women can initiate, but illiteracy and lack of knowledge limits their capacity and competency to develop small enterprises (Ukanwa et al., 2018). Furthermore, with low-yielding businesses, poor women have difficulty in returning loans and emerging from poverty (Toindepi, 2016). Business success is also compromised by a lack of risk-taking in poorer populations who are averse to taking risks due to their disadvantaged circumstances (Ukanwa et al., 2018). The inability to make their businesses return profit traps poorer populations in repeated cycles of debt and poverty (Ukanwa et al., 2018).

The poor are also hampered by challenges of ill-health and under-nutrition, thus compromising their ability to make their businesses a success and emerge from poverty (Bradley et al., 2012; Shaw, 2004; Ukanwa et al., 2018). Hunger and food shortages can lead to an inability to invest time and energy for business development and income generation (Toindepi, 2016). For South Asian women especially, the ability to emerge from poverty is strongly associated with a combination of nonmaterial factors such as housing, family structures, and culture (Toindepi, 2016). Social norms and religious interpretations which influence inheritance rights and ownership are also important in determining the success of a business and the emergence from poverty among women borrowers (De Vita et al., 2014). Finally, the success of small businesses is dependent on the support and security provided by family and the local community (Drori et al., 2019). Traditional divisions of gender roles and lack of symmetrical assistance also have an influence on business outcomes for women who are overburdened by family responsibilities (De Vita et al., 2014). In families that do not permit women autonomy and decision-making authority, there is less likelihood of the development of entrepreneurial vision and business progress (Chelekis & Mudambi, 2010). It is thus important to have regional and regular assessment about the impact of microfinance and identify if women from unfavorable sociodemographic backgrounds and inherited disadvantages face challenges in making their business yield sufficient profit to return loans and emerge from poverty.

PAKISTAN GOVERNMENT POVERTY ALLEVIATION SCHEMES

The initial mobilization for social policy protection in Pakistan, in 1967, did not target women's poverty alleviation directly, but instead focused on public sector employee social security, worker's welfare, and employee old age benefits (Syeda, 2015). There was no recognition for nonworking or informal sector workers. During the 1980s and 1990s the following measures were taken to provide financial relief for the poor: (i) the Zakat and Ushr Ordinance[1] was introduced to collect taxes by the state and (ii) a social welfare organization named the Bait-ul Maal[2] was launched to collect and distribute funds to the poor. However, the collection and distribution of taxes and charity through both these systems, across the nation, has been very weak and women have not been a priority as a disprivileged group (Irfan, 2003). It was the launch of the Benazir Income Support Program (BISP), in 2008, which finally recognized the immense poverty rates among women and began to transfer cash and in-kind support to women in the country. Despite the gender focus, BISP had little impact on poverty alleviation among women in the country, due to the following reasons: (i) inadequate cash transfer and limited funding, (ii) delay in fund transfer and low coverage across the country, (iii) allocation to nonpoor, and (iv) weak infrastructure and limited transparency by the government about program efficacy (Amjad et al., 2018; Bari et al., 2005).

The more recent Ehsaas Programme of 2019, which also targets poverty reduction among women, was still in planning phase (Latif, 2019) when it had to launch efforts to address poverty caused by the COVID-19 pandemic. Ground reports suggest that the Ehsaas Programme suffers from the same problem as the BISP, in that coverage is low and the long-term impact cannot be measured as yet. A major problem with both the BISP and the Ehsaas Programme has been that they have been introduced in response to problems and crises, as opposed to being planned and implemented as a core social policy framework from a human rights development approach. Thus, both programs lack adequate reach and efficacy in poverty alleviation for women in the country. Both the BISP and Ehsaas Programme have entirely neglected to cover poor, informal, and home-based women workers or poor women microfinance borrowers, assuming that they are on their way to poverty alleviation due to temporary employment or loan provision (ShuHong et al., 2017). Finally, the biggest limitation of the BISP and Ehsaas programs lies with their assumption that a cash-transfer will eliminate poverty in women (Mumtaz & Whiteford, 2017). Empirical evidence suggests that cash transfers alone cannot alleviate poverty (Corona & Gammage, 2017), and even when they are conditional and specify a course of action there may be significant limitations (Bastagli, 2010).

MICROFINANCE SERVICES IN PAKISTAN

Only 23% of women in Pakistan are employed in the country, with the majority working in the informal sector of the economy, devoid of employment benefits and security (Pakistan Bureau of Statistics, 2019). For many of the women in the country who are culturally restricted to working from their home or within the community, microfinance loans for small businesses become attractive options to earn an income and emerge from poverty (Hussain, 2004). Women are able to secure loans by providing (i) their national identity card, (ii) their husband's or father's national identity card, and (iii) one or two guarantor's in the community. Annual loans to poor women are provided between an average of PKR 50,000–PKR 100,000 (USD 224.77–USD 449.54), depending on the individual MFP and loan officers, with monthly installments due at an average of 10% per month.

In 2001 the Government of Pakistan published an Interim-Poverty Reduction Strategy Paper, in which the government concluded that microfinance was the best means of empowering the poor and improving their income-generating opportunities. In the last of its four pillars to reduce poverty in the country, the State Bank of Pakistan aimed to expand microfinance services to the poor, listing women as an important target group (Oxford Policy Management, 2006). In lieu of this, the Microfinance Sector Development Programme was launched with the aim of creating a conducive policy environment for private and public sector collaboration and increase in credit services. In addition, the Microfinance Institutions Ordinance, 2001 was announced to support the microfinance industry. Under this ordinance, MFPs were to be created with the necessary amount of capital and to offer services to the general public, including the poor, without savings and collateral.

Key stakeholders for the microfinance sector include the Pakistan Poverty Alleviation Fund (PPAF), Pakistan Microfinance Network (PMN), State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), and National Financial Inclusion Strategy (NFIS). Through collaboration with Transparency International, PPAF, PMN, and SBP, completed the Transparent Pricing Initiative in 2014. The agencies collected information about pricing and interest rates, with the objective of supporting the industry for long-term survival and reduction of credit risk for the industry. However, there was no emphasis on collection of data regarding client emergence from poverty. In terms of client protection, PPAF and PMN's Codes of Conduct for client protection has been made an essential component of all financing agreements between PPAF and its partner organizations (Pakistan Microfinance Network, 2015). Yet, again, the emphasis has been on good governance and management of clients, not capacity building or the social development of individual borrowers (Hameed et al., 2020).

The transparent reporting by MFPs about the impact on poverty reduction due to loan provision has not been shared and there are no studies about the actual service delivery of planned PPAF inspection teams who were meant to supervise minimum standards for client protection. Evidence for the impact of microfinance on poverty alleviation on women groups in Pakistan is not certain and requires careful investigation and follow-up (Khan et al., 2021). Local research from Pakistan suggests that nonfinancial and social development services by MFPs may have taken a backseat (Pakistan Microfinance Network, 2014). Some researchers also argue that microfinance market forces are not providing substantial enough loan amounts to the poorest populations to enable them to emerge from poverty (Haq & Safavian, 2013). It is also believed that women are being used by their families to access loans and that women are neither making autonomous decisions (Haq & Safavian, 2013) nor collecting independent earnings (Asim, 2009).

The major criticism against the Pakistani microfinance sector has been that their goal is to provide loans and increase their client base, not to evaluate potential reductions in relative poverty among their borrowers. Some have recommended that the microfinance industry plan a revised model of delivering services to the poor and simultaneously transform their organizational culture to reach poor households, and then monitor their poverty reduction over the short and long-term (Malik et al., 2020). In addition, the sector needs to include mandatory social protection features such as skill development, and savings and health insurance schemes to ensure that women are able to improve their income-earning opportunities and build their businesses effectively (Muhammad, 2010). Pakistan is not alone in facing this problem of commercialization of the microfinance sector and separation from the original Grameen model of loan provision with the objective of social development (Radhakrishnan, 2015). Most microfinance sectors in South Asian countries now focus on assessing loan return and sustainability instead of borrowers' emergence from minimum poverty lines.

SIGNIFICANCE OF STUDY AND MEASURING POVERTY

Almost 60% of Pakistani microfinance consumers, two million individuals, are women borrowers, with this ratio expected to grow in the coming decade (Pakistan Microfinance Network, 2018). The aim of this study is to present recent evidence about the assessment of the relationship between the types of business activities and poverty levels of women borrowers and to predict the odds of women borrowers emerging from below poverty levels. This study is important for the country, as there is a need to develop solutions for reforming microfinance services in order to support poverty alleviation among women, given the limitations of government cash transfers (Haq & Safavian, 2013). In addition, recent research of microfinance service provision and loan utilization in business activities can help guide reform in both microfinance loan design and social policy development in the region. The study findings will be of relevance for other developing regions attempting to support poor women through microfinance and social policy.

It is not uncommon for researchers to use income as a measure of poverty, utilizing internationally agreed-upon poverty lines as a benchmark (Duncan, 1984). Studies have also highlighted the role of using income below the poverty line for research on the poverty of informal workers, as it captures greater vulnerabilities with respect to basic purchasing power (Vollmer et al., 2017). Other researchers have also used household income to measure poverty and link it with the health status of family and children (Halfon et al., 2017). Another study that has used income differences to assess health status, has concluded that even when personal income is above the poverty line, women and other minority groups can suffer from great health and social vulnerabilities (Kennedy et al., 1998). In addition, income levels have been used to assess the relationship between poverty and housing instability and food insecurity (Ma et al., 2008). Some researchers have used the bottom 20% of the income distribution to categorize poor populations and conduct life-course analyses of poverty (Rank & Hirschl, 2015; Rank et al., 2014).

Other developing countries have also used income as the dependent variable to identify poverty, as it is cheaper to implement and less prone to manipulation, especially in the case of research from low-income countries and perception-based surveys (Barrios & Mina, 2009; Reyes, 2003). Even research from the developed world has used income levels to understand inequality and poverty levels over time, as income is a traditional and efficient method of assessing deprivation (Vinh et al., 2010). Though some studies have used relative income to identify poverty levels for the whole population (Subramanyam et al., 2009), as our research sample was focused on women from the same reference group (poor, informal women workers from Pakistan who are microfinance loan borrowers) it was considered best to use absolute income (Singer, 1981). For this study, we have chosen to use the reported daily income of individual women microfinance borrowers as well as internationally-defined poverty lines for low-middle income countries, which is less than USD 3.20 per day (Jolliffe & Prydz, 2016).

THEORETICAL FRAMEWORK

We used two theories, as shown in Figure 1, to ascertain which variables to use in this study and to develop our hypotheses. The Absolute Deprivation Hypothesis suggests that poor women trying to run small businesses with microfinance loans are crippled by inherited disadvantages and thus find it more difficult to emerge from poverty (Bowles et al., 2011;

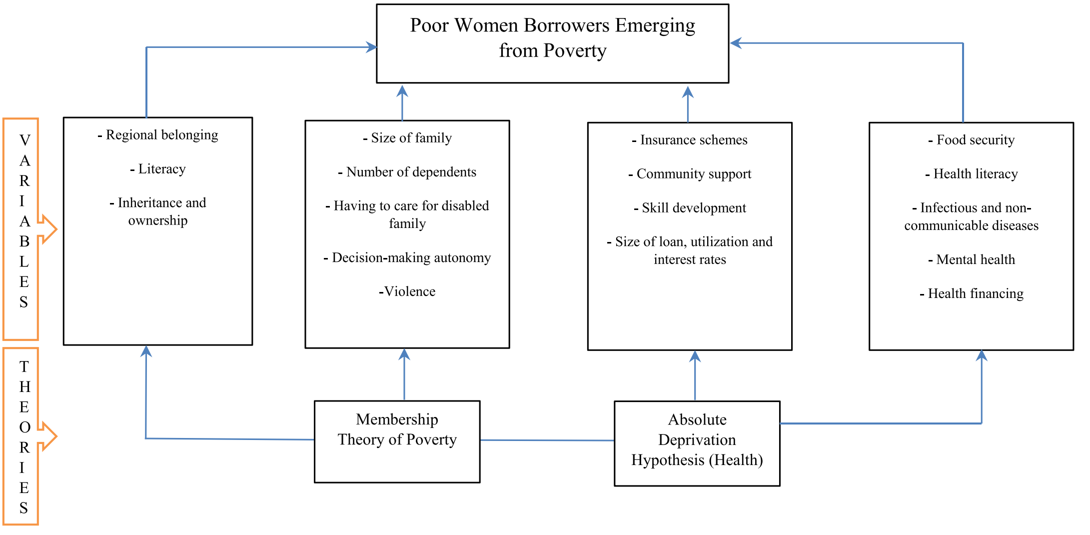

FIGURE 1 Theoretical model for this study describing the ability of poor women borrowers of microfinance to emerge from poverty.

Tanima et al., 2021). Prominent disadvantages that women inherit are illiteracy, low health awareness, belonging to an underdeveloped community with bad quality housing, and not having inherited assets (Lopez-Claros & Zahidi, 2005; Shohel et al., 2021). Similarly, poor women in paid work suffer time and strain conflict in more extremity compared to working women from the upper classes, as they have less symmetrical assistance in household management and childcare (Greenhaus & Powell, 2006; Naithani, 2009). Women from lower-income families also tend to have larger families and a greater number of family dependents, which not only burdens them with the "triple shift," but also means that there is less income left over for business growth (Brett, 2006; Lazar et al., 2010).

The Membership Theory of Poverty suggests that destitution may be influenced by the groups that an individual is associated with (Durlauf, 2001). Women microfinance borrowers who are not provided social development services inherent in the original Grameen model of microfinance are known to remain in poverty (Al-shami et al., 2021; Bernasek, 2003). Special features like loans for home ownership, bi-weekly meetings with loan officers, group borrowing, and skill development training is required for improved business planning and profitability (Cheston & Kuhn, 2002; Mohindra et al., 2008; Saha, 2011; Rajjula Bali Swain, 2007). Similarly, loan size, installment rate, and insurance schemes for health and savings are critically important for poorer loan takers who belong to a region plagued by natural disasters, health crises, and unexpected business slumps (Dyar et al., 2006; Meyer, 2002). Belonging to a state that does not have universal health coverage, not participating in a private health insurance scheme, or not receiving support from MFP for health insurance, also has an influence on business development and productivity in poor women (Batinge & Jenkins, 2021; Zaidi et al., 2009). Poor families are known to have lower nutritional intake, making them more vulnerable to health challenges, including communicable and non-communicable diseases, which can affect productivity negatively (Phipps, 2003). In countries where women face food insecurity and nutritional inadequacy, the role of MFPs in improving access to food is vital, before women can be expected to use their loan efficiently for business development (Kianersi et al., 2021).

Research design

This is a cross-sectional study which uses quantitative data from a wider mixed-methods research effort. Based on the literature review and study objectives, we aimed to test the following four main hypotheses:

H1 When sociodemographics (literacy concepts, regional belonging, house ownership, and quality) are unfavorable, there are lower odds of women emerging from poverty;

H2 When work-life balance (family size, number of dependents, decision-making autonomy, and experiences of violence) is unfavorable, there are lower odds of women emerging from poverty;

H3 When social development services (such as insurance schemes, skill and development programs, and effective loan design) are missing, there are lower odds of women emerging from poverty;

H4 When health and nutrition is not accessible there are lower odds of women emerging from poverty.

Study population

We sampled women clients of MFPs that provided loans to poor women for small businesses in underdeveloped areas or urban slums. A list of 43 recorded MFPs by Pakistan Microfinance Network (Pakistan Microfinance Network, 2014) was used to randomly sample MFPs for data collection. From the 20 MFPs randomly selected and contacted from the list, only seven gave us permission to collect data from their clients. All the seven sampled MFPs were delivering services in underdeveloped areas to clients from low socioeconomic backgrounds. The specific underdeveloped areas are listed in Supporting Information: Appendix B and information about the loan services provided to the clients/participants of this study by the sampled MFPs are presented in Supporting Information: File S1. The selection criteria for the women respondents was that each be: (i) loan borrowers for more than 1 year, (ii) currently part of a loan cycle and paying loan installments, and (iii) currently running a small business. Every other woman that visited the office for loan repayment was invited to participate in the study.

Sample size estimation

We used the Taros formula to determine the sample for this study (Adam, 2020). Based on the formula, we set a goal to collect data from 500 women across four provinces, which was more than the sample size estimation of 339.9 women. We sampled each province based on their population as shown in Supporting Information: Appendix B.

Research instruments

An instrument with 250 questions divided in seven sections was used to collect data (for the full instrument, see Supporting Information: Appendix A). Three of the sections included questions related (i) sociodemographic characteristics, (ii) loan portfolio characteristics, and (iii) open-ended questions. The other four sections included questions from internationally standardized scales, including (i) The Women's Healthcare Experiences Survey, (ii) The UNICEF Baseline Nutrition and Food Security Survey, (iii) The World Health Organization Multi-Country Study on Women's Health and Domestic Violence against Women, and (iv) The World Health Organization Survey on Workplace Violence.

Data collection method

Data were collected in confidential areas at the sampled microfinance loan offices from February 2018 to November 2018. A private room at the microfinance loan office was deemed suitable as women are reluctant to answer questions related to work, family, or health in their homes and in the presence of family and in-laws due to the conservative family culture in the country. Twenty-one female research assistants, with prior experience in field and social science research, were trained by the authors in the objectives of the study over a 2-week period. The research assistants read the questions and wrote the answers on behalf of illiterate and semi-literate women respondents. A total of 442 women were finally sampled with a response rate of 88.4%. The breakdown of the sample (Supporting Information: Appendix B) was: (1) 252 in Punjab Province (Cities: Gujranwala, Lahore, Khanewal, Sheikhapura); (2) 100 in Sindh Province (City: Matiari); (3) 50 in Baluchistan Province (City: Lasbela) and (4) 40 in KPK Province (City: Abbatobad).

Ethical consideration

Ethics approval for this research project was provided by the Institutional Review Board at Forman Christian College University. All women respondents were informed of the research objectives and consent was recorded before data collection. Anonymity and confidentiality of the women respondents and MFPs was secured. Each participant and MFP was assigned a code before data was shared and analysis was repeated by the third author for confirmation. All data were stored confidentially with the PI of the study/first author of this paper and preserved on Google Drive.

Data analysis

As data were collected through face-to-face surveys, the data were first transcribed to a spreadsheet by the first author with assistance of student researchers. The data were then coded and transferred to SPSS 25.0 for analysis. Descriptive statistics are used to represent the poverty levels and health indicators of women borrowers, and linear regression has been used to show the association between poverty levels and business types. Poverty was measured using the daily income of women participants and the World Bank poverty lines (USD 3.20 for lower-middle-income countries and USD 5.50 for upper-middle-income countries) (Jolliffe & Prydz, 2016). As all of the sampled participants earned less than USD 4.82 per day, for analysis we classified our sample in the following way: (i) the "poorest of the poor" women borrowers who earn below USD 3.20 per day and (ii) "poor" women borrowers who earn between USD 3.61 and USD 4.82 per day. Independent variables of this study include (i) literacy, regional belonging, and house ownership/quality; (ii) size of family, number of dependents, decision-making autonomy, and experiences of violence; (iii) insurance schemes, skill and development for launching, expanding and maintaining small businesses, and loan design; and (iv) participant health and nutrition. The full instrument is listed in Supporting Information: Appendix A.

Chi-square tests and Pearson correlation analyses were conducted to assess associations between variables and to test for multicollinearity, respectively. Variables that showed significance and were not higher than the recommended threshold (Shrestha, 2020) were included in the regression analysis. *p* Values were considered significant at less than 0.05 and correlation coefficient of <0.7 among two or more predictors was considered indicative of absence of multicollinearity. Logistic regression has been used to predict the odds of an individual emerging from poverty levels given their sociodemographic and loan portfolio characteristics. Questions related to three constructs were combined to create a summary measure: (i) housing quality (the presence of a drainage system, flushable toilet, adequate drinking water supply, and accessible energy source for cooking); (ii) decision-making autonomy (whether approval was needed from a husband, in-laws, or relatives); and (iii) the presence of domestic violence or workplace violence (if the individual was insulted or made to feel bad, was belittled or humiliated, was scared or intimidated, threatened, slapped, had something thrown at them, was pushed, shoved, hit, or harassed or abused sexually). Odds ratios were calculated using a 95% confidence interval. Women borrowers were classified into categories of poverty based on their current daily earnings. To calculate bivariate odds ratios, the dependent variable of poverty level was assigned a value of "0" for individuals with daily earning below USD 3.20 and "1" for individuals with daily earning above USD 3.20. Multivariate logistic regression models weres calculated holding the continuous variable of age as a constant.

RESULTS

Descriptive results

A total of 442 women respondents participated in this study, all of whom can be classified as poor. At the time of response, the majority of our sample (72%) earned less than USD 3.20 a day, and survived below poverty lines, while 28% earned between USD 3.20 and USD 4.82 a day. Women in the sample were mostly married (93%), between the ages of 20 and 29 years old (57%), and from the province of Punjab (58%). The majority of the impoverished women were illiterate (66%), had an illiterate spouse (63%), and had more than three children (62%). Though 74% owned a home, the same percentage were not satisfied with their housing quality. Most of the women (63%) lived in houses with more than six people and 40% were responsible for taking care of a disabled or physically dependent family member. Twenty-six percent of women had run out of money to purchase food at some point in the last 6 months and a significant number of women (36%) did not have decision-making autonomy. A significant number of women had faced domestic (41%) and workplace (76%) violence.

The majority of women were not being provided health insurance (65%), a savings scheme (72%), or awareness information for their health (60%) from the MFP. Forty-six percent of the women were not receiving skill and development training and 59% were not participating in group loans. The majority of the women (68%) were using their loan for a family business and the loan range for most (80%) was between USD 61 and USD 249. Thirty-one percent of women were paying interest rates between the ranges of 11% and 30%. In the 6 months before their response, participants encountered the following health challenges: (1) contracted the flu or an infection (52%); (2) had to pay for health services (43%); (3) experienced an injury (27%); (4) were diagnosed with a chronic ailment (20%); (5) had to undergo surgery (17%); (6) experienced depression, anxiety, or stress (18%); and (7) experinced hypertension or blood pressure (BP) (54%). We cross-tabulated our measure of poverty (daily earning) with other responses in sampled women to identify the relationship between study variables with respect to “poorest of poor women” ($n = 315$) and “poor” women ($n = 127$) (see Supporting Information: File S1). Variables with significant χ^2 results were used for further analysis.

Business type and linear regression

At the time of their response, all participants in the sample were part of the informal sector of the economy and running small businesses. The average income of the sample was USD 2.28 per day (SD = USD 1.08), which is far below international poverty lines. The majority of the sample (67%) was working with their husband, father, or son in a business and had taken the loans predominantly for: (i) a livestock purchase for farming (21.7%), (ii) the purchase of agricultural fertilizers and equipment (14.7%), or (iii) to pay installments for shop ownership (9.7%). Thirty-three percent of the women borrowers were running small businesses independently, and were mainly working from home in activities such as: (i) buying material for stitching or embroidery (10.0%), (ii) setting up a tuition center (6.3%), and (iii) buying stones for work on cloth (5.0%) (Tables 1–3).

Linear regression analysis was done to assess the relationship between poverty levels of women respondents and their business activity with their husband, father, or son. The regression model for business type accounted for a significant amount of poverty (adjusted $R^2 = 0.12$) and is statistically significant ($p < 0.01$). Results show that using the loan for engaging in a business activity with a male family member, as opposed to independently, is associated with increased poverty ($p < 0.01$). In addition, four independent variables show significant association with increased poverty in women who had taken a loan to run a business or do agricultural work with their husband, including: (i) nonownership of a house, (ii) taking out a small loan, (iii) high-interest rates, and (iv) loan not taken in groups.

Logistic regression results

Women who do not own their own house (adjusted odds ratio [AOR]: 2.37, 95% confidence interval [CI]: 1.24–3.53) and have unsatisfactory housing quality (AOR: 2.09, 95% CI: 1.09–3.99) have higher odds of remaining below poverty lines. Women running out of money for food (AOR: 3.02, 95% CI: 1.49–4.68) are also more likely to remain below poverty lines, as are women without health insurance (AOR: 1.96, 95% CI: 1.17–3.28) or a savings scheme (AOR: 1.83, 95% CI: 1.06–3.15). Women not taking loans as part of a group (AOR: 2.93, 95% CI:

TABLE 1 Type of business activity of women after taking a loan.

Family business; with husband (294), father (1), or son (2) 297 (67%)	
Purchase of livestock for farming	96 (21.7%)
Purchase of agricultural fertilizers and equipment	65 (14.7%)
Installment for ownership of shop	43 (09.7%)
Auto rickshaw instillation	32 (07.2%)
Biryani food stall	18 (04.1%)
Rent for retail shop	15 (03.4%)
Buy fruits to sell on vendor	08 (01.8%)
Rent for electric store	06 (01.4%)
Shoe business	04 (00.9%)
Buying cloth for sale	04 (00.9%)
Tailor shop	02 (00.5%)
Paint material for free-lance painting	01 (00.2%)
Money for preparing room for rental	01 (00.2%)
Material for marble work	01 (00.2%)
Cloth business	01 (00.2%)
Independent small business from home or rental shop in community	145 (33%)
Material for stitching or embroidery from home	44 (10.0%)
Setting up tuition center at home	28 (06.3%)
Buying stones for work on cloth from home	22 (05.0%)
Rent for clothes shop	17 (03.8%)
Buying stitching machine	12 (02.7%)
Rent for parlor shop	11 (02.5%)
Rent for training institute for stitching	04 (00.9%)
Rent of stitching center	02 (00.5%)
Preparation of bakery goods to sell to retailers	02 (00.5%)
Mat work at home	02 (00.5%)
Cap making at home	01 (00.2%)

Note: Average Income per day USD 2.28. Standard deviation USD 1.08.

1.65–3.20), taking a loan less than USD 289 (AOR: 2.36, 95% CI: 1.39–3.98), and paying loan installments above 11% of a loan's amount (AOR: 2.02, 95% CI: 1.19–3.43) are more likely to remain below poverty lines. Women who face domestic violence also face higher odds of remaining below poverty lines (AOR: 3.43, 95% CI: 1.86–4.31). The likelihood of women remaining below poverty lines is high when the following health problems have been encountered by them in the last 6 months: (i) flu or infection (AOR: 1.72, 95% CI: 1.07–2.87); (ii) physical injury (AOR: 2.03, 95% CI: 1.17–3.53); (iii) chronic ailment diagnosis (AOR: 2.02,

TABLE 2 Regression analysis results for poverty levels of women borrowers and business activity with husband/father/son.

	Unstandardized coefficients		**Standardized coefficients**		
	B	**SE *B***	**Beta**	***t***	***p* Value**
Variable					
(Constant)	0.164	0.148		1.105	
20–29 years old	0.005	0.004	0.076	1.337	0.270
Own house	0.111	0.055	0.114	2.004	0.023
Group loan	0.147	0.055	0.164	2.647	0.009
No savings	0.014	0.063	0.014	0.225	0.822
No health insurance	−0.055	0.060	−0.61	−0.926	0.355
Larger loan (USD 249.5–623.8)	−0.090	0.065	−0.097	−1.383	0.041
Low-interest rate (2.5%–10%)	0.005	0.064	0.006	0.083	0.046
Regular flu (last 6 months)	0.056	0.057	0.063	0.968	0.334
Depression (last 6 months)	−0.016	0.061	−0.015	−0.260	0.795
Injury (last 12 months)	−0.115	0.059	−0.114	−1.949	0.052
Hypertension (last 6 months)	−0.059	0.060	−0.066	−0.978	0.329
Business with male family	0.058	0.046	0.060	1.267	0.000

Note: Adjusted R^2 0.12 (<0.001). *F* Value 4.23 (<0.001).

95% CI: 1.10–3.69); (iv) depression, anxiety, or stress (AOR: 1.99, 95% CI: 1.07–3.71); and (v) hypertension (high blood pressure) (AOR: 2.50, 95% CI: 1.45–3.30).

DISCUSSION

The limitations of this research include its cross-sectional design and the absence of data from the Gilgit Baltistan region. In addition, survey responses are based on respondent self-perceptions and analysis was limited to using income as a dependent variable to assess poverty status. However, this study is extremely significant in helping us understand the needs of poor women in Pakistan in relation to poverty alleviation. In addition, the study findings and implications for social policy development may be generalized for other poor women residing in the Global South. Almost three-fourths of sampled women live below poverty lines and based on their responses, we can conclude that the microfinance sector in Pakistan is serving the poorest populations, despite suggestions by other research that the poorest are not being reached (Mohsin et al., 2018).

Our first hypothesis predicted that unfavorable sociodemographic characteristics, such as illiteracy, rural residence, nonownership of a house, and inadequate housing are associated with low emergence from poverty. We found that illiteracy and rural belonging were not significantly associated with poverty status. However, we found that women have higher odds

TABLE 3 Bivariate and multivariate regression results for odds of women microfinance users remaining below poverty lines.

Variable	Odds of remaining below poverty lines USD 3.20	*p* Value	Adjusted odds of remaining below poverty lines USD 3.21–USD 4.82	*p* Value
Illiteracy	1.19 (0.77–1.82)	0.439	1.41 (0.80–2.49)	0.411
Spouse illiteracy	1.03 (0.67–1.57)	0.898	1.25 (0.74–2.11)	0.411
Not living in Punjab	4.37 (2.66–7.18)	0.015	1.04 (0.99–1.08)	0.070
Do not own house	2.24 (1.31–3.82)	0.030	2.37 (1.24–3.53)	0.009
Unsatisfactory house quality	2.12 (1.24–3.58)	0.029	2.09 (1.09–3.99)	0.062
More than 3 children	1.52 (0.98–2.36)	0.057	1.44 (0.83–2.49)	0.193
More than 6 people living in house	1.41 (0.91–2.18)	0.122	1.47 (0.86–2.50)	0.151
Caring for disabled/dependent family member	1.31 (0.86–1.98)	0.210	1.42 (0.85–2.38)	0.183
No autonomy in decision-making	1.60 (1.02–2.49)	0.039	2.64 (0.94–2.85)	0.082
Face domestic & workplace violence	3.11 (1.94–4.97)	0.000	3.43 (1.86–4.31)	0.000
Face workplace violence	1.25 (0.78–2.03)	0.349	1.62 (0.89–2.91)	0.111
No health insurance	2.11 (1.37–3.21)	0.011	1.96 (1.17–3.28)	0.051
No saving scheme	2.50 (1.61–3.87)	<0.01	1.83 (1.06–3.15)	<0.05
No skill and development training	1.14 (0.69–1.91)	0.606	1.61 (0.95–2.70)	0.074
No awareness for health maintenance	1.82 (1.19–2.76)	0.023	1.51 (0.90–2.52)	0.116
Loan used for family business	1.33 (0.85–2.09)	0.206	1.22 (0.71–2.09)	0.460
Not group loan	2.33 (1.48–3.64)	0.000	2.93 (1.65–3.20)	0.000
Loan amount less than PKR 40,000 (USD 289)	2.66 (1.73–3.08)	0.000	2.36 (1.39–3.98)	0.000
Loan installment above 11%	2.35 (1.53–3.63)	0.001	2.02 (1.19–3.43)	0.032
Suffered from flu/infection (in last 6 months)	1.72 (1.13–2.61)	0.011	1.72 (1.07–2.87)	0.050
Paid for healthcare services (in last 6 months)	1.72 (1.13–2.61)	0.049	1.18 (0.70–1.99)	0.517
Suffered injury (in last 6 months)	2.05 (1.31–3.19)	0.032	2.03 (1.17–3.53)	<0.021
Was diagnosed with chronic ailment (in last 6 months)	1.91 (1.17–3.10)	0.044	2.02 (1.10–3.69)	0.049

TABLE 3 (Continued)

Variable	Odds of remaining below poverty lines USD 3.20	*p* Value	Adjusted odds of remaining below poverty lines USD 3.21–USD 4.82	*p* Value
Needed surgery (in last 6 months)	1.86 (1.11–3.11)	0.019	1.49 (0.79–2.82)	0.219
Felt depressed, anxious, stressed (in last 6 months)	1.91 (1.15–3.14)	<0.05	1.99 (1.07–3.71)	<0.05
Take medicine for hypertension (in last 6 months)	2.61 (1.67–4.05)	<0.001	2.50 (1.45–3.30)	<0.001
Ran out of money to purchase food	2.69 (1.55–4.68)	<0.001	3.02 (1.49–4.10)	<0.005

Note: The dependent variable is poverty, defined as women participants daily earning of less than USD 3.20. Multivariate regression results have been derived holding age constant.

of remaining in poverty when they do not own houses or live in adequate quality housing, implying that the pressure of rental payments and health expenditures associated with bad housing quality are significant financial burdens. Additionally, bad housing quality implies that women may be spending more time collecting water, boiling water, or collecting wood for fire to cook food, leaving less time for business development. Women need to be supported through additional microfinance services like loans for house ownership and house development, such as the construction of flushable toilets, a gutter system, safe energy supplies for cooking, and permanent housing structures (Ferguson, 2003). Poor populations facing housing instability may be prevented from business activity and poverty emergence due to diverse problems such as frequent moves, difficulty in paying rent, the risk of eviction, and living in overcrowded conditions (Phinney et al., 2007).

The second hypothesis of this study predicted that an unfavorable work-life balance, such as a larger family, higher number of dependents, limited decision-making autonomy, and more frequent experiences of violence in women have association with low emergence from poverty. We found that family size, number of dependents, and decision-making autonomy were not significantly associated with poverty status, but that the more domestic violence a woman faces within her home, the greater the odds of her inability to develop business and build revenue streams. Other research confirms that women who face domestic violence face multiple physical and mental health challenges, preventing them from optimal and consistent production for income-related work (Showalter, 2016). The work-life balance of women in Pakistan has been consistently precarious due to regressive cultural forces which sustain patriarchy and structural inequalities (Rehman & Azam Roomi, 2012). Other scholarship has also confirmed that women microfinance borrowers may face abuse and violence within their home as a consequence for working outside the home, and that many do not receive support in loan repayment or substitute care for domestic duties (Idris, 2015; Mayoux, 2006). It may also be that domestic violence is exacerbated due to an inability to balance pressures of paid and domestic work (Kabeer, 2005). The implication is that poor, working women in Pakistan will not benefit from business loans or emerge from poverty unless there is cultural reform for symmetrical household assistance from husbands and in-laws.

The third hypothesis of this study predicted that when a loan provider does not provide social development services such as insurance schemes, skill and development, and favorable loan design, women face lower odds of emerging from poverty. Our findings reveal that women who are provided smaller loans–below USD 289 a year–with high-interest rates–above 11% per month–have less chance to emerge from poverty cycles. Recent scholarship also confirms that MFPs distribute smaller loans with high-interest rates to the poorest of the poor in an effort to secure higher returns and prevent financial losses. This prevents women from expanding their business and retaining profits to improve their work-life balance (Ahmed, 2009; Mersland & Strøm, 2013; Swain & Wallentin, 2009). Smaller loans have also contributed to women borrowers becoming trapped in a vicious cycle of debt as they have to retake loans to meet old needs and not for the expansion of their business (Agier & Szafarz, 2013). High installment rates can also keep women confined to low-income activities and entrap them in endless debt cycles and loan repayment pressure, which increases their work strain and causes deterioration of mental health (Fernald et al., 2008).

Our results also show that women who are not borrowing in groups have lower odds to emerge from poverty. In recent years, the global microfinance industry has abandoned group borrowing in order to retain more commercialized features (Duvendack, 2011). Group borrowing for women has been associated with greater gender-based solidarity for multiple benefits, including home management, self-care, childcare, and family health (Mersland & Strøm, 2010; Pomeranz, 2014). In a conservative country like Pakistan, where women are restricted to the home and are not encouraged to have friends or socialize with other women (Roomi & Parrott, 2008), group borrowing is an important loan feature which can support women's capacity building.

The results also reveal that women who do not receive health insurance, have lower odds of emerging from poverty. Results imply that numerous health challenges prevent women from an optimal output for business development and poverty emergence. MFPs can play an active role in health support for women borrowers, specifically disease prevention and improvement in health-seeking behavior as well as health camps for checkups and early detection of diseases (Saha, 2011). Health insurance is also needed as a compulsory product for women microfinance borrowers, given the lack of state financial protection for health in the country (Banerjee et al., 2014).

Our findings confirm that microfinance loans are keeping women marginalized in the informal sector of the economy and in semi-skilled businesses (Fridell, 2008). Home-based employment prevents women from gaining social and financial benefits acquired through mobility in the market (Al-Dajani & Marlow, 2010). In addition, the majority of the women in our sample were not working independently, but with male members of their family in joint business or agricultural work. When women engage in small businesses or agricultural work with male members of their family (e.g., a husband, father, or son), they have a positive association with lower income. The findings imply that for poverty emergence, women need to be supported for independent and service sector work opportunities. Independent businesses would also assist in autonomous decision-making for expenditure in women (Garikipati, 2013). It is also true that in most cases women use their independent incomes for both self- and childcare (Owusu-Addo & Cross, 2014), making it even more important that autonomous businesses are a condition for loan provision.

Our fourth and final hypothesis predicted that unfavorable health and nutrition conditions are associated with lower odds of women emerging from poverty. Women with access to microfinance can build profitable small businesses only if they remain healthy enough to repay those loans and secure their work participation (Leatherman et al., 2012; Littlefield et al., 2003). Our study findings also confirms that poor women in Pakistan working in small businesses have a higher risk of remaining below poverty lines due to multiple health challenges related to infectious diseases, noncommunicable chronic ailments, injuries, having to undergo surgery, and mental health issues. The impoverished working woman is known to be vulnerable to the triple health burden caused by a combination of communicable diseases, non-communicable diseases, and injuries (Ladusingh et al., 2018).

We also found that women who run out of food and have no savings face higher odds of remaining below poverty lines. Despite business mobilization many women borrowers are unable to meet basic nutritional needs and have no savings safety net for food shortages and other life emergencies. Though the responsibility of introducing compulsory savings schemes for women borrowers lies with the MFP (Adeola & Evans, 2017), there is an important intermediary role MFPs can play in raising state awareness for food security and food subsidies for disadvantaged populations (Barinaga, 2014). Previous research confirms that developing nations have experienced benefits of linking microfinance services with primary healthcare services at the community level, promoting a balanced life, and providing nutritional awareness in women (Mohindra et al., 2008; Saha, 2011; Rajjula Bali Swain, 2007).

Both the theories for this study, Absolute Deprivation Hypothesis and The Membership Theory of Poverty, are valuable frameworks on which to build hypotheses and results confirm that women microfinance borrowers in Pakistan are prevented from emerging from poverty due to inherited disadvantages, sociodemographic characteristics, and the quality of loan provider service or loan portfolio design. It is thus imperative to focus on a dual approach to poverty alleviation in women, which includes reform in microfinance services to include social development features, as well as support through social policy to ensure women have capacity-building potential. The latter are discussed below in context of study results and the region-specific needs for women in the country.

SOCIAL POLICY RECOMMENDATIONS

All poor women, home-based workers, and clients of the microfinance industry are part of the informal sector, without benefits such as pensions, provident funds, health insurance, maternal benefits, and skill and development training. In addition, despite small business mobilization women face serious life vulnerabilities regarding housing instability, food insecurity, health risks, and violence. The results of this study highlight the critical need for the government to introduce a separate and comprehensive social policy plan for women, which currently does not exist in the country. An annual graduation scheme for impoverished and disadvantaged women populations to assess and monitor their transfer out of poverty must also be introduced. As Pakistan's Constitution has legislated provincial devolution, alignment at the federal level and benchmarking between provinces is essential so social policy services are consistent across the country.

Based on our findings we recommend the following seven social policy agendas for the government to be introduced in the country: first, housing stability, including. loans and schemes for house ownership, home quality, and the provision of low-price housing for poor women and single women households, as well as capping the cost of house rental. Second, food security, including food cash transfers for poor households, food subsidization and provision of food rations, and price capping for basic food items. Third, savings and health insurance schemes such as support for women opening bank and savings accounts and mandatory savings and health insurance schemes. Fourth, skill development and training. This would include mandatory and regular training for basic accountancy, reading and writing, and business capacity skill building for women. Fifth, community awareness, including community and family awareness campaigns for support of autonomous businesses and incomes of women, awareness about women's rights and anti-violence laws, and health literacy and improved health behavior. Sixth, primary health services such as the provision of free primary health services that are accessible and good quality, with immediate care for infectious and non-communicable ailments, mental health, and injuries. Seventh, regulation of microfinance sector to a social development model. This would include urgent introduction or revision for: (i) group loans, (ii) exclusive loan provision for independent businesses of only women, (iii) increase in loan size for the poorer strata and fixing of interest rates, (iv) mandatory skill development, and (v) health and savings insurance.

CONCLUSION

A comprehensive and effective social protection floor must be in place for poor women borrowers of microfinance. For this, the state and microfinance sector must partner to deliver services for women's protection and wellbeing. Housing stability, food security, and savings and health insurance are predisposing factors for poverty emergence of women loan borrowers and long-term business sustenance. Other areas of collaboration for state and MFPs must include awareness and training for health, capacity development, and women's protection. Though both state and MFPs must exert pressure to provide dual services for reinforcement and upscale in such a largely populated country like Pakistan, the ultimate regulation of the microfinance industry for minimum standards and return to the Grameen model of social development must be enforced by the state. We recommend that the state-initiated Microfinance Sector Development Programme of Pakistan redirect policy from a risk reduction approach which focuses on MFPs financial survival to a social development approach that concentrates on the type of services provided, which must target women borrowers' wellbeing. In addition, the client protection features of PPAF and PMN's Codes of Conduct need to be gender-specific, more detailed, and focus on training needs and loan portfolio expansion to cover social features. Finally, a more proactive and transparent role of PPAF inspection teams and community social workers is needed in monitoring poverty reduction and social protection for poor women as well as promoting advocacy.

AUTHOR CONTRIBUTIONS

Sara Rizvi Jafree designed the study and was responsible for the research project, including data collection and analysis. Humna Ahsan and Mudasir Mustafa contributed to the data collection. Sara Rizvi Jafree prepared the results and drafted the manuscript. All authors approved the published version.

ACKNOWLEDGMENTS

We thank the women respondents for their generous time and our research team leaders Rizwan Haider and Amir Naseem. We would also like to acknowledge the microfinance providers who provided us with permission and information to interview their clients. We thank our FCCU students for their assistance in data entry and data coding, namely Amna

Maryam, Sadaf Qayyum, and Asad Bukhari. Finally, we would like to thank the Editors and Reviewers of the Journal for their detailed recommendations and efforts in helping us to improve the manuscript. This study received funding from the Forman Christian College University, Internal Research and Innovation Fund, Grant Number: 2017/4.

CONFLICT OF INTEREST STATEMENT

The authors declare no conflict of interest.

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ENDNOTES

[1] The Zakat and Ushr Ordinance refers to the system of compulsory collection and distribution of religious taxes which makes a 2.5% annual deduction from the personal bank accounts of all Muslims citizens of Pakistan once a year. This revenue is used for poverty relief schemes managed by the government. The terms Zakat and Ushr both refer to religious taxes for the poor.

[2] The Bait-ul-Mal is a semi-autonomous body set up through a 1992 Act of the Government of Pakistan, which is responsible for distributing charity to the poor and needy of the country. Revenue for the Bait-ul-Mal is generated from the government revenue base, Zakat and Ushr tax collections, and donations.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

How to cite this article: Rizvi Jafree, S., Ahsan, H., & Mustafa, M. (2023). The low odds of poor women with small business loans emerging from poverty: Critical social policy implications for Pakistan. *Poverty & Public Policy*, 1–24. https://doi.org/10.1002/pop4.380