

# Impact of Micro-credit Scheme of NRSP on the Socio-economic Conditions of Female Community in District Rawalakot, Azad Jammu and Kashmir, Pakistan

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## ABSTRACT

Pakistan is facing twin challenges for the revival of his economy and also reduces poverty. For this purpose a number of micro financing institutions provide micro-credit to the people. Through out the world female has given preferences for getting credit from these institutions. NGOs like RSPs in four provinces of Pakistan including Azad Jammu and Kashmir play an important role in disbursing micro-credit especially to female community. The present research study was under taken to find out the impact of micro-credit scheme of NRSP on the socio-economic conditions of female community in district Rawalakot of Azad Jammu and Kashmir. A total of 100 females were selected through simple random sampling technique and interviewed with well designed and pre-tested interview schedule and finally analysed by using SPSS. From the results it was concluded that 48% of the respondents had received information about credit scheme form friends. High majority (87%) of them reported that they receive credit once from the organization. About 42% of the respondents received credit for the purpose of rearing livestock/poultry. It was also concluded that micro-credit scheme had impacts “to some extent” on the socio-economic conditions of female community. It was also concluded that micro-credit scheme of NRSP was served as a better tool for empowering female. It also helps in up-lifting living standard of female community.

**Key Words:** Micro-credit; NRSP; Socio-economic conditions

## INTRODUCTION

Pakistan is facing the twin challenge of revival of its economy and checking of poverty. Nearly half of the population has no access to the basic social services like safe drinking water and primary health care. Although growth is critical for poverty reduction, focus on growth alone is not enough (Almas, 2003). Micro-finance has been considered as the latest panacea for poverty alleviation. Several factors have led to increased interest in micro-credit in promoting growth with greater equity. There has been a growth in the recognition of the importance of empowering all people by increasing their access to all the factors of production, including credit (IFAD, 2001; Ahmad *et al.*, 2004). In addition, the value of the role of non-governmental organizations in development is receiving more attention. It is in that context that micro-credit has recently assumed a certain degree of prominence. This could allow them to be more self-reliant, create employment opportunities and not least, engage women in economically productive activities (Aslam, 2001; Hussain, 2003).

Currently, there are estimated to be about 3,000 micro-finance institutions in developing countries. These institutions also help create deeper and more widespread financial markets in those countries and have succeeded in reaching the poorest of the poor by devising innovative

strategies. These include the provision of small loans to poor people, especially in rural areas, at full-cost interest rates, without collateral, that are repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through, which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor especially female community (Buthe, 2000; Rutherford, 2002). These institutions have preference and priority over men for gaining access to micro credit and micro finance services. There are many different rationales that explain the priority on women's access to these services as gender inequalities in developing societies (CIDA, 1999), women are the poorest of the poor (UNDP, 1995; Chant, 1997), women spend more of their income on their families (Deshpanda, 2001) superior repayment rates than those of men and cooperativeness with the MFIs (Cheston & Kuhan, 2002). Through micro credit programmes women have become empowered to participate in decisions and to make the choices that best serve their needs and resulted in increased recognition of women's productive role (Sosibo, 1999; Bayes, 2005).

A framework of rural support programmes (RSPs) has been established in Pakistan over the last few years. The overall objective of the RSPs is the stimulation and support

of rural development in rural and backward areas of the country that wish to enter in to a partnership with the respective NGOs established for the purpose of development. These RSPs have a positive impact on the socio-economic condition of women living in rural of Pakistan (Iqbal *et al.*, 2004). On the bases of experiences gained from AKRSP and its impact on the socioeconomic conditions of rural community especially on rural female women the Federal Ministry of Local Government and Rural Development set-up the National Rural Support Programme (NRSP), to work in all four provinces and Azad Jammu and Kashmir (IFAD, 2001). NRSP launched his micro-credit programme for female community in 1991 by as a non-governmental organization (Jafri, 1999). NRSP is using this poverty alleviation tool by providing small loans for income generation and rural poor feel this as the most benefiting approach for their development.

The credit programme of NRSP allows women to access the credit facility to meet their basic needs effectively and also help in improving the social and economic condition of female community (NRSP, 1999). To find out the impact of micro credit programme of NRSP, the on the socio-economic conditions of female community in district Rawalakot, Azad Jammu and Kashmir, the present research study has been designed.

## METHODOLOGY

The basic objective of this paper was to determine the impact of micro-credit programme of National Rural Support Programme (NRSP) on the socio-economic conditions of female community in district Rawalakot Azad Jammu and Kashmir. District Rawalakot act as a universe for the present study. NRSP disbursed his credit through Community Organizations (COs). More than one hundred COs were working in Rawalakot out of which some were male, some female and others were mixed. A sample size of 100 women, who received credit through COs of NRSP was selected by the help of simple random sampling technique from all the communities' organizations (COs) working under the supervision of NRSP and who were the beneficiaries of their micro credit programme (Acharjee *et al.*, 2002; Hossain & Mishra, 2002; Kumar & Tripathi, 2002). The data was collected through a pre-tested interview schedule (Wingenbach *et al.*, 2003). A three point Likert type scale was used to find out the responses of the respondents regarding the impact of micro-credit on their socio-economic conditions. The data thus collected were analyzed by using suitable statistical technique, SPSS (Statistical Package for Social Sciences) to draw conclusions and interpret results (Bonne *et al.*, 2002; Davis *et al.*, 2004).

## RESULTS AND DISCUSSION

The data presented in Table I shows that most of the respondents 48% had taken information about credit scheme

form friends, 32% had taken information from staff, 12% and taken from seminar and only 8% had taken from relatives. This shows that friends play most effective role in transmitting information.

Table II shows that an over-whelming majority of the respondents (87%) were first time borrowers, 11% of the respondents reported that they were the second time borrowers of credit and only minor majority of them (2%) had received credit from the organization for the 3<sup>rd</sup> time.

The data given in Table III shows that majority of the respondents (42%) received credit for the purpose of rearing livestock/poultry, 21% of them were interested in development of micro enterprise by getting credit. While on the other hand 19% of the respondents get credit for agricultural purpose, 18% received for knitting and only 10% of the respondents received micro-credit for embroidery.

Respondents were asked questions about the impact of micro-credit scheme of NRSP on their livelihood and their responses are presented in Table IV, which shows that that most of the respondents 72% had "to some extent" fulfilled their purposes of receiving credit. About 78% of the respondents reported that their income increases to some extent after receiving credit. The results show that micro-credit is economically served as a better tool for empowering. Most of the respondents (70%) purchase better food items to some extent after taking the credit. This shows that micro-credit is really up-lifting life standards. More than half of the respondents (51%) reported that their clothing becomes better "to some extent" after receiving

**Table I. Percentage distribution of the respondents with regard to getting of information about the credit scheme**

Source of information	Frequency	Percentage
Staff	39	39
Friend	52	52
Relatives	9	9
Total	100	100.00

**Table II. Percentage distribution of the respondents with regard to the frequency of getting credit**

Frequency	Frequency	Percentage
Once	87	87.00
Twice	11	11.00
Thrice	2	2.00
Total	100	100.00

**Table III. Percentage distribution of the respondents with regard to the purpose of loan**

Purpose of loan	Frequency	Percentage
Embroidery	10	10.00
Knitting	18	18.00
Development of Micro Enterprises	21	21.00
Agricultural purpose	19	19.00
Livestock/poultry rearing	42	42.00
Total	100	100.00

**Table IV. Percentage distribution of the respondents regarding the impact of micro-credit scheme**

Impact	To great extent		To some extent		Not at all	
	No.	%	No.	%	No.	%
Fulfillment of the purpose of getting credit	26	26.00	72	72.00	2	2.00
Income increases after getting credit	22	22.00	78	78.00	-	-
Purchase better food items after getting credit	4	4.00	70	70.00	26	26.00
Better clothing	39	39.00	51	51.00	10	10.00
House conditions becomes better	24	24.00	-	-	76	76.00
Improve health facilities	2	2.00	28	28.00	70	7.00
Help in reducing poverty	38	38.00	62	62.00	-	-
Enhancement in business related to agriculture, livestock or poultry	59	59.00	24	16.00	17	17.00

credit, more than seventy % (76%) of the respondents said that the conditions of their homes were “not at all” change after credit, similarly 70% of them reported that credit “not at all” improve the health facilities of the respondents, about 62% of the respondents reported that micro-credit scheme of NRSP helped in reducing poverty “to some extent” and majority (59%) of the respondents reported that their business related to agriculture, livestock or poultry enhanced after receiving credit.

### CONCLUSIONS

From the results it was concluded that 48% of the respondents had received information about credit scheme form friends. High majority (87%) of them reported that they receive credit once from the organization. About 42% of the respondents received credit for the purpose of rearing livestock/poultry. It was also concluded that majority (72%) of the respondents “to some extant” fulfilled their purposes. The income of female increases “to some extant” as reported by 78% of the respondents. Most of the respondents (70%) purchase better food items to some extant after taking the credit. Fifty one % of the respondents reported that their clothing becomes better “to some extent” after receiving credit, 76% of the them said that the conditions of their homes were “not at all” change after credit, similarly 70% of them reported that credit “not at all” improve the health facilities of the respondents, about 62% of the respondents reported that micro-credit scheme of NRSP helped in reducing poverty “to some extent” and majority (59%) of the respondents reported that their business related to agriculture, livestock or poultry enhanced after receiving credit.

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