Efficiency of Microfinance Banks and Institutes: In Creation of Self-Employment in Pakistan

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ARTICLE INFO

Article History:
Received: 24 May, 2023
Revised: 29 Aug, 2023
Accepted: 29 Aug, 2023
Available Online: 14 Dec, 2023

DOI:
https://doi.org/10.56536/ijmres.v13i4.467

Keywords:
Microfinance Banks,
Microfinance Institutes, Self-Employment

JEL Classification:
G21, M51

ABSTRACT

The aim of this research is to make comparison between the microfinance banks and microfinance institutes in creation of self-employment in Pakistan. The data extract from the years 2018-2022, the 4 financial banks and institutes has been taken. The different types of profitability ratio are used in this research. The population of the research is twenty-seven but the sample size of this research is eight and the random sampling technique is used. The SPSS was used and the t-test was applied to the data. To analyze for the purpose of investigating for their performances. The various ratios to apply for their productivity, rates of lending loans as well as how much people got loans from them and what are the criteria of lending loans, feasibility of lending the loans and profitability trend in each sector. This research concludes that after applying all the ratios analyzing its return and seeing the efficiency of microfinance banks and institutes, as their major focus is to make the country prosperous by lending the loan to the people as it has consumed less days to grants loans that creates self-employment in Pakistan. The researcher comes to this point that from considering all the facts and figures, terms and conditions, rules and regulations of all aspects of microfinance banks and institutes. The basis of this research, its profitability is more, the customers are more attracted towards it. The less working days it consumes than the other ones. Its liabilities and expenses are less than the others.

INTRODUCTION

As it is suggested the name of the microfinance banks are the monetary institutes which lends small portions of loans and exactly the same other monetary services to the poor people. As per the State Bank of Pakistan the minimum capital that is requiring for this is Rs. 1000 million. Moreover, in regard of initiate’s banks which are the microfinance then the stipulation of establishing it is must have to first performs its services as a microfinance institute for minimum three years and then converts itself into a microfinance bank as per the law stated in section 13 of the Microfinance institute Ordinance 2001. The background of these microfinance first initiates by Bangladesh in 1984, the first Microfinance bank ever in this world, this microfinance serves as a tool for the poverty reduction and creating self-employment. It sets the benchmark and admires the sectors of public and private’s institute to follow their lead (Maeenuddin et al., 2023). During 1990s, the imperative of this microfinance has been considered as most imperative tool at international level. Moreover, International Financial institute initiates giving funds for improvement of Microfinance sector. In current situation prosperous of microfinance sector has
been the main muscle in poverty reduction this is the core strategy of developing countries (Kamarudin et al., 2021).

The poor of Pakistan ordinarily depends upon these sources for accomplishing most of their credit needs. These servers serve to a lower income group they targeted to those who are not be able to establish their own business, “un-bankable” due to that they are not in a significant state to approach commercial banks and get loan from there. There are multiple providers including friends and family, landlords, moneylenders etc. most encounters in Sindh and Southern Punjab that landlords lend credit to their tenants for the acquiring of agriculture materials (Jafri, 2023). Agriculture Census of 2010 concluded that 65% of debt that are outstanding of overall rural households was provided by these microfinance institute and microfinance banks. In Pakistan microfinance institute as well as microfinance banks are performing services effectively and efficiently but due to the procedural activities it lacks smoothness to approach common civilians (Pakistanis). The microfinance institute are targeted mostly to the middle and lower middle classes (Qadri & Ahmed, 2023).

Rural Support Programs are designed and launched in Pakistan during the period of 1980s when the first RSP the Agha Khan Rural Support Program was established in Northern Areas of Pakistan. In passing the years, the RSP model is purely community organization and mobilization oriented all over the country. However, the potential market which can be effect of the microfinance institute giving them non-bank status, they do not intermediate deposits instead some made transfer of savings from their clients. All originated in Punjab and almost all their operations are treated in this province. At the end of December 2008, these MFIs market share of 28% of active borrowers. An amazing strategy it is not charging any kind of interest against lending but they have raised their funds through alternative source that is someone contributes known as philanthropic contributions (Kamran & Omran, 2023). Due to the diversity in nature, the microfinance services are served by most Rural Support Programs are limited to one or two basic credit tools. RSPs also had mobilized save from their members but as it is declared of non-bank status so they are not be allowed to take deposits they put all the deposits in commercial banks in the name of the community organizations (Simo, et al., 2023).

Hence the role of the Microfinance banks primarily becoming the microfinance institute so let’s just seek out the functions of it as well. As by the State Bank of Pakistan offers the monetary services to the poor women off and on describe by the central bank. The loan he lends with the or can be made without the performance of collateral. The services of monetary also be given in the form of cash as well as all aspects of economic cycle except the activities of foreign exchange transactions. These institute avail the remittances that be given by the creditor’s in abroad (Hasan et al., 2022).
Microfinance banking and Microfinance institute are getting well known day to day. Many researchers were already debates and giving their verdict in their similarities as well as difference between them. But there is still a hallow space left which must be fill, identified and rectify because in Pakistan the potential market for Microfinance is generally being noticed about 7 to 8 million household, which is almost one third of altogether household in the country (Simo et al., 2023). Because of the inefficiency and laciness of the food, clothing, shelter, education and health among the people in Pakistan that are poor this is the main reason of them that they are backward and hence they are deprive of these necessities of life. The standard of these necessities of a house hold directly dependent on the income of a person, which further depend on the opportunities and the nature of the employment for those who are the sole responsible of their families. On the other side, the land resources of mother land are decreasing just because of the rapid growth in population, and on the other hand agriculture is showing declining trend due to the non-availability of water. In this environment, it becomes necessary to create the self-employment to enhance earnings if want to have a sufficient purchasing power and see that there must be the way to accomplish the target so have to increase the income (Chikwira et al., 2022).

The first step to have a self-employ needs the finance, which the people of Pakistan facing this and deprive of it therefore if these activities are not in hand and are difficult to grab then only one final resort is left of financing which is known as micro financing. In developing countries like Pakistan formal as well as informal financial institutes had failed to serve the poor at optimum level. In the formal sector mighty loans, he lends and has an absurd procedure for getting those loans this makes the poor disappointed and not to approach over there. (Nizami & Hizam, 2023). Informal institute or these are the second source sector to serves the poor also failed to serve poor correctly. Informal sector lenders lend the poor but the consequence of it are they charge at very high and kept the laborer’s collateral. There is spoliation of the actual value collateral’s high interest rate and as per the strategy of these lenders keep them away from the informal financial sectors of serving the poor finance from revenue generation performances reduction of poverty (Jafri, 2023).

The term micro credit is as modern as this world is and this proves to fulfill the desires of poor masses. It actually means the small amount of financing. Its initial and major objective is to transform the living standard of poor from poverty to self-employ. Pakistan has more than 240 million populations with plentiful resources that are utilize for the reduction of poverty. It is shocking that the rate of savings in homeland are devastative low and on the other side of investment is showing amazingly high from abundant research materials. Those peoples who had taken the benefits from the Microfinance are about less than 5% of the whole population. The services of Microfinance were started on a small scale by multiple Non-Government Organizations running prosperous programs when they came to know that credit was a necessary tool for the development and enhancing incomes. Microfinance banks are the new entries in the core market of microfinance market in Pakistan, but have gotten the preference swiftly (Basri, & Hushmat, 2023).
All MFBs are initiated under the Microfinance institute ordinance 2001 and govern by the central bank. There are six microfinance banks under this they are arrange in order of four national level and two district level. Most of the banks follow the same pattern as the pattern fallowed by the microfinance institute but there is the one bank that is not followed and it is Tameer MFB this deals with the solo clients and offering the large loans instead of the small ones (Maeenuddin et al., 2023). The Khushali Bank is the first bank in microfinance banks that took initiates and serving to poor without any incentives the funds to support this bank was provided by the Asian development Bank and the other commercial banks who have their shares to buy them from the Government of Pakistan. As per the microfinance banks the role of it plays in making the self-employment in economy reduction in poverty has the following statistics that indicates its importance and also it performs its level best in the cut down the poverty. As per the microfinance institute the role of it plays in making the self-employment in economy reduction in the poverty has the following statistics that indicates its importance and also it performs its level best in the cut down the poverty (Lal, et al., 2023).

The objective of this research, to evaluate the efficiency of both MB and MI. To identifying all the ways from the microfinance banks and microfinance institutes to help reducing poverty, improve the living standard of the people who are and below the poverty line and enhancing the growth. To analyze and comparing between the microfinance banks and microfinance institutes in creating people of Pakistan especially poor people self-sufficient and self-employed.

The comparison between the microfinance banks and microfinance institute it gains the benefit for the Investors who wants to invest in the Pakistan that to seek out where this is properly functioning, government who make sure that which microfinance field be choose to develop the country of which time, policy makers also be beneficial in the regard of the making prosperous policy, teachers and students also gain benefits that they make sure of whom the best way of funding mobilization and sources as well. This will make sure in the project that it will notifies the weak links connections of people living in or under the poverty line of Pakistan and suggesting the measures to improve the life style, standards of living in long term. The study also be signific ant to see the enhancement, prosperous in the sector of economy after providing microcredit facility.

**LITERATURE REVIEW**

There are ninety percent of people who are in developing countries that they have lack of financial institute and their services either the purpose of lending or saving purpose. Especially for those poor who have lack assets this makes the situation more curtail for them small scale capital also made hamper for the poor people to manage (Robinson, 2012). In the past two decades microfinance becomes an imperative tool for the progress of the economy, especially for the lending is providing to the women and the famous saying is that women are empowered and are mature enough for having a creative and productive role this makes them a gate way to pass a freedom line for themselves (Moore, 2014).
Microfinance is the best way to cut down the poverty, increase the economic growth and made development in economy. Asian Development Bank (ADB) states microfinance serves a broad range of financial service like deposits, lending loans, payment services, transfers of money, and making insurance to poor peoples (ADB, 2015). Microfinance bank’s role is to have promotion and prosperity of indentureship in semi urban and rural areas. Central Bank of Nigeria (CBN) identified microfinance use as a tool to reduction of the poverty through making self-employ. Central Bank of Nigeria financial service oriented for those people who cannot be able to reach the financial institute (Mukhtar, 2016). The study of Islamic and conventional banking system in Pakistan, the conclusion is that the efficiency of convocational banks is better then the efficiency of Islamic banks (Ali, 2020).

Working with an efficient employer is not becomes obvious that you are now be the same one as your employer for self-employed have to find him or her way not be dependent, income that they are generating from trade or business that they can control. All around the world that nations like United States and United Kingdom are focusing more in self-employment not to depend on government or others (Awan, 2010). In the form of small size financial executions to people who are not be controllable such services from financial institute pleads Microfinance (MF) is the security of financial services. After the initialization of Graeme in Bangladesh in 1984, is the first Microfinance bank ever in the world, this microfinance bank has identified as an imperative gadget for the reduction of poverty (Ali & Fatima, 2021). It serves the poor people who are in needs of finance so that they can be self-sufficient this bank shows the light to the public and private financial institute not only in Bangladesh but in other countries as well. In the International platform the importance of Microfinance be recognized more noticeable is that International Financial Institute (IFI’s) initiates its funding towards the development of Microfinance sector. In present situation progression of Microfinance sector is one of the strong pillar in the world to reduce the poverty in developing countries (Awan et,al., 2015).

Pakistan is the developing country and the concept of Microfinance coming late but the impact of it made tremendous progress in this field. Government also made effort for its prosperity under the ordinance 2001. The income changes and fiscal sustainability of microfinance institute is better year to year (Githaiga, 2022). There are multiple Microfinance Institute working in Pakistan like National Rural Support Program (NRSP), Wasila Bank, Microfinance Tameer Bank and many more. In present situation PM youth loan scheme makes self-employment increases ratio in Pakistan (Awan and Hashmi, 2014). People who are living in developing countries are majority in low income facing the problems this has to be address. In developing countries like Bangladesh, microfinance use as an important tool for the accelerating living standard of poor people (Akram et al., 2011).

Majority of microfinance institute are charge their high rates of interest as high as approximately 36% but noticing this factor still microfinance institute are famous it is just because of the functioning are easier, quickly funding is provided, there is no such essential of collateral, and some provide foster in technicality (Rao, 2018). Microfinance Institute are helpful in the creation
of people economy more efficient that they are self-employed in the country, not only focusing on men but it plays role in the development of women in the society to provide loans (Chavan & Ramakumar, 2019). The query arises that why it focusing on women as well? Answer is that the women in the developing countries are not be support to take charge and not be allowed to give opportunities so these microfinance institute make it considerable and has better clients for the micro lending because they use it well for those who are more essential (Osazebaru & Oyibo, 2023). Comparisons between the developed countries to developing ones is that developed countries are those who can be living in a high standard like the people who save the week to buy there meal, over the six month savings they can pay for the apartment rent, but on the contrary developing countries reality is that mostly people lives hand to mouth statistics shows that 1.4 billion people on the globe facing the same scenario this poverty be vanish from the developing countries by the microfinance (Sohn & Ju, 2023).

As it is stated that in those countries who are in developing stage formal as well as informal financial institute has showed that they are losing control are not be able to serve the poor well as per their required level. We see the formal sector mighty loans; bureaucratic and long procedural works be done for getting the loans kept them away the poor from coming towards financial sectors. On the other hand, if see the informal sector it also has proven failed to accomplish the target of getting the poor loans. They charge very high because of this keeping the laborer as collateral. This keeps them away from the informal financial institute. Microfinance had been starting with an aim of serving credit to poor people without collateral (Sohn & Ju, 2023). The procedure of serving lending the loan, discipline of rhythm of group members, monitoring of borrower’s activities in microfinance system, accumulation of repayments, has playing an imperative role to replace the collateral. These factors are imperative in gaining the loan from financial institute sector. This is why the sectors are improving and as well as State Bank of Pakistan (SBP) has played a big role in expanding the service of lending. Some active NGO’s also plays an important role in making more and more approaches to as expand as possible. Developing countries population in majority are poor main focus is to survive is the strategy in rural areas (Naveed & Usman, 2022).

It is stated that people who are living in the rural areas are aiming towards the bright opportunities to flourish their income as determined the human, natural and physical. People who are living in Pakistan majority of it depending on the rural areas but have to stabilize there earnings as well, needs approaches rural people towards a multi dimension livelihood tactics. Hence the microfinance scheme is an impressive tool for the reduction of poverty, yet this creates the urging results firstly due to higher markup rate even higher than the commercial banks. In multi number of times it is be stated that Pakistan have quite accomplishing and discussed the bottleneck relating to poverty reduction (Bros et al., 2022). Some researchers have already concluded the fact that showing measurement of the poverty reduction, while on the other side some are performing to break the ice of poverty growth. It is figure out that poverty makes the people more dependent therefore the ratio of dependency in poor is more, they are the sole earner in family, have not be
Ownership is one of the useful terms in business, management, economics, and other related sectors. This makes people innovative, creative and self-employed. This microfinance helps in process to increase employment generation as well. Study on Pakistan and Nepal microfinance and microenterprise development it stated that their input to economic empowerment of women found that microfinance and development provides as effective tool towards the positive social change and creating enhancement in the field of political and social for women. Microfinance plays an imperative role in microenterprise development. (Mohammad & Adnan, 2022).

Microenterprise not only need lending credit but also needs a variety in other services of growth and prosperity. Lending is not appropriate for promoting for microenterprise but in the presence of insufficient of access to lending also hamper for non-financial foster to work. The role of microfinance services such as savings, insurance and transfer of money promoting constant micro entrepreneurship essential to be search and giving attention. Microfinance bank’s role is to have promotion and prosperity of indentureship in semi urban and rural areas. Central Bank of Nigeria (CBN) identified microfinance use as a tool to reduction of the poverty through making self-employ. Central Bank of Nigeria financial service oriented for those people who cannot be able to reach the financial institute. In 1970; s microcredit was lending to the poor people who have not the capability to reach the financial institutes, but the drawback was then is in system politics as well as corruption has the curse that eaten up it so fast, so that in 90’s it was scattered both to the residents in rural as well as urban areas. (Naveeda & JALAL, 2021)

In the form of small size financial executions to people who are not be controllable such services from financial institute pleads Microfinance (MF) is the security of financial services. After the initialization of Grameen in Bangladesh in 1984, is the first Microfinance bank ever in the world, this microfinance bank has identified as an imperative gadget for the reduction of poverty. Microfinance is one of the main ingredients for the development of economy by reduction of the poverty, it supports the people of generating income and also foster in own business decrease the weaknesses. In development of any country the microfinance and the entrepreneurship help as a combine tool. This will create a better and self-employ of people reduce poverty, it also gains the satisfaction towards the clients of their respective banks. Self-employment rates show the increasing trend and have the diversity in their level refer by the official records across countries. Such kind do dimensions are more attracts to developing countries rather for industrial ones (Maeenuddin et al., 2023).

In these developing countries self-employment shows the major factor to eliminate the poverty from the countries and makes it economic progression. In these criteria the self-employment made it efficient in high value-added manufactured exports, expressing the dynamic form of ownership. Those sectors who are affected by the natural disasters and people in those countries do not know of their future they are in hand to mouth so this Microfinance makes it more efficient plays an imperative role to dominate the poverty and hence increasing the ratio of self-employment. This may create positive image in performance as well as productivity. Primary objective of social
support is to credit restriction institute it is more sustain oriented. But this may not be the central part of adopting the growth strategy scope of it is mostly related to the credit. Microfinance is giving to the people who are financially need of it and it segment to society for the reduction of the poverty, this is not only creates the improvement of educational sector, health sector and financial position of the poor but also boost the economy (Saad et al., 2022).

Majority of microfinance institute are charge their high rates of interest as high as approximately 36% but noticing this factor still microfinance institute are famous it is just because of the functioning are easier, quickly funding is provided, there is no such essential of collateral, and some provide foster in technicality. Microfinance not only be supportive to the clients of financial capital but social capital as well, due to this microfinance makes the people self-confident and has a capability of the facing the bottlenecks in the way, so due to this reduces the poverty in the developing countries (Basri, & Hushmat, 2023).

These microfinance traits make the people supportive in relationship that its experience result of gaining the credit, establishing the business, earning revenues and so much more. The new assumption of regarding the microfinance of social capital is enhancing financial institute helps from others. The main reason of the approaches women is to the lending them microcredit in these countries is that women access to credit has been identified as an imperative factor that sufficiently inputs to the welfare of the society. Poor people are more attractive towards the informal financial institute because of the market imperfection, high rates charge and lengthy procedure of formal financial institute may reluctant them. moreover, this makes the poor people enhancing their financial positions, improving the approach towards the financial services that makes them productive and potential for the consistent living standard The influence of income change policy on credit & market risk between microfinance institute (Duho et al., 2023).

![Figure 1. Theoretical framework](image)

H1: There is a significant between MB and its efficiency.
H2: There is a significant between MI and its efficiency.
DATA AND METHODOLOGY

It is a comparative analysis research study regarding the Microfinance Banks (MB) and Microfinance Institute (MI) in Pakistan. The researcher takes the data from secondary source, all data used in this research from banks websites, financial reports and published data. The collected data is analyzed by using different ratios of the recent five years up to 2022. The researcher used different ratios like Return on Assets (ROA), Return on Equity (ROE), Gross Profit (G.P), Net Profit (N.P), Current Assets (C.A), Total Equity (T.E), Total Assets (T.A), Total Liabilities (T.L) and Current Ratio (C.R). The sampling random plus convenient that easily available get the data.

The population of the research is twenty-seven but the sample size of this research is eight. For the present research, the random sampling technique is used, four Microfinance Banks; first is first microfinance bank, second is Khushali microfinance bank, third is NRSP microfinance bank and the fourth is Tameer microfinance bank and four Microfinance Institute; first is Akhuwat microfinance institute, second is Deep foundation microfinance institute, third is Kashf Foundation microfinance institute and the fourth is Naymet Trust microfinance institute have been taken as a sample. To analyze for the purpose of investigating for their performances. The criteria of taking sampling data are randomly. In the research, there are two data has been taken who has capital in large and two data has been taken who has capital in small from each Microfinance Banks and Microfinance Institute.

RESULT AND DISCUSSION

Results

Table 1: Average of Microfinance Banks

<table>
<thead>
<tr>
<th>Years</th>
<th>ROA</th>
<th>ROE</th>
<th>G.P</th>
<th>N.P</th>
<th>C.A</th>
<th>T.E</th>
<th>T.A</th>
<th>T.L</th>
<th>C.R</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1</td>
<td>1</td>
<td>3,504,221</td>
<td>3,152,154</td>
<td>13,630,072</td>
<td>13,732,130</td>
<td>16,676,557</td>
<td>12,220,563</td>
<td>9</td>
</tr>
<tr>
<td>2019</td>
<td>2</td>
<td>4</td>
<td>6,113,083</td>
<td>5,049,446</td>
<td>11,541,215</td>
<td>5,201,175</td>
<td>15,910,451</td>
<td>14,152,152</td>
<td>6</td>
</tr>
<tr>
<td>2020</td>
<td>2</td>
<td>3</td>
<td>8,719,640</td>
<td>4,051,215</td>
<td>10,268,327</td>
<td>5,866,367</td>
<td>17,451,541</td>
<td>10,571,915</td>
<td>4</td>
</tr>
<tr>
<td>2021</td>
<td>3</td>
<td>4</td>
<td>11,147,910</td>
<td>7,207,573</td>
<td>13,928,227</td>
<td>7,154,541</td>
<td>14,251,351</td>
<td>7,011,254</td>
<td>5</td>
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Table 2: Average of Microfinance Institutes

<table>
<thead>
<tr>
<th>Years</th>
<th>ROA</th>
<th>ROE</th>
<th>G.P</th>
<th>N.P</th>
<th>T.A</th>
<th>T.E</th>
<th>C.A</th>
<th>T.L</th>
<th>C.R</th>
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<tr>
<td>2018</td>
<td>1</td>
<td>3</td>
<td>1,502,874</td>
<td>8,231,933</td>
<td>15,087,124</td>
<td>11,599,837</td>
<td>13,309,227</td>
<td>13,114,076</td>
<td>19</td>
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<tr>
<td>2019</td>
<td>1</td>
<td>2</td>
<td>4,541,215</td>
<td>9,720,029</td>
<td>16,632,612</td>
<td>8,128,613</td>
<td>6,956,049</td>
<td>12,881,858</td>
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<tr>
<td>2020</td>
<td>2</td>
<td>1</td>
<td>2,946,318</td>
<td>8,370,072</td>
<td>14,425,724</td>
<td>8,435,125</td>
<td>8,430,898</td>
<td>6,941,572</td>
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<tr>
<td>2021</td>
<td>3</td>
<td>3</td>
<td>1,932,786</td>
<td>9,512,135</td>
<td>17,570,257</td>
<td>12,505,803</td>
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<td>8,893,707</td>
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<td>2022</td>
<td>3.5</td>
<td>5</td>
<td>2,012,512</td>
<td>11,155,155</td>
<td>16,154,121</td>
<td>13,215,121</td>
<td>11,854,215</td>
<td>9,521,512</td>
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### Table 3: T-Test Results

<table>
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<th>One-Sample Statistics</th>
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<td></td>
<td>N</td>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Std. Error Mean</td>
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<tr>
<td>Profitability Ratio (MB)</td>
<td>5</td>
<td>81.846</td>
<td>22.130</td>
<td>13.317</td>
<td></td>
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<tr>
<td>Profitability Ratio (MI)</td>
<td>5</td>
<td>162.437</td>
<td>32.456</td>
<td>18.342</td>
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### Table 4: One-Sample Test

<table>
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<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability Ratio (MB)</td>
<td>5.345</td>
<td>4</td>
<td>0.000</td>
<td>81.846</td>
<td>61.358 - 102.357</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability Ratio (MI)</td>
<td>8.257</td>
<td>4</td>
<td>0.000</td>
<td>162.437</td>
<td>132.125 - 192.423</td>
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</tbody>
</table>

*Significant at the 0.05 level (2-tailed)

### Discussion

In Table 1, the average of four Microfinance Banks; first is first microfinance bank, second is Khushali microfinance bank, third is NRSP microfinance bank and the fourth is Tameer microfinance bank. The net profit shows in these years 2018-2022: there is a fluctuation in these years have the upward and downward trend but ultimately have the upward trend in net profit, reason is that reducing the cost of goods also makes it possible that it has low rate of interest that is ten percent. As far as ROA is concern that it shows positive trend that depict profits and has more effectively managing its assets to produce the slow rate amount of net income, the rest of ROE is showing in the data of first microfinance bank that its trend is growing in a slow manner which is shareholders who are seeing their investment in return effectively and efficiently so according to this data trend of ROE rate is generating profits of shareholder in a slow manner.

The gross profit is moderate in nature but the effect in net profit is also in moderating nature, some years in decreasing trend and some years in increasing trend, reducing the cost of goods also makes it possible that depict profits and has more effectively managing its assets to produce the slow rate amount of net income. The current assets are decreasing trend year to year but the total assets are also in fluctuate, the effectively and efficiently so according to this data trend is generating profits of shareholder in a slow manner. The total equity and total liabilities are also in moderate in nature. The current ratio is also in decreasing trend with a flatter slope.

In Table 2, the average of four Microfinance Institute; first is Akhuwat microfinance institute, second is Deep foundation microfinance institute, third is Kashf Foundation microfinance institute and the fourth is Naymet Trust microfinance institute. The net profit from 2018-2022, there is a rapidly increasing in these years have the upward trend in net profit, reason is that reducing the cost of goods also makes it possible that it has low rate of interest that is 15%, and expenses are in a high rates reason is that sales ratio or selling price is high. As far as ROA is concern that it shows decreasing trend that depict profits and has less effectively managing its assets to produce slow rate amount of net income, the rest of ROE is showing in the data of Akhuwat microfinance
institute that its trend is growing in a deviating manner which is shareholders who are seeing their investment in return effectively and efficiently so according to this data trend of ROE rate is generating profits of shareholder in a significant manner.

The gross profit is moderate in nature but the effect in net profit is also in moderating nature, some years in decreasing trend and some years in increasing trend, reducing the cost of goods also makes it possible that depict profits and has more effectively managing its assets to produce the slow rate amount of net income. The current assets are moderating trend year to year but the total assets is also in fluctuate, the effectively and efficiently so according to this data trend is generating profits of shareholder in a slow manner. The total equity and total liabilities are also in moderate in nature. The current ratio is also in decreasing trend with a flatter slope.

In Table 3, shows the valuation results of the MB and MI by using the t-test on Statistical Package for Social Sciences (SPSS). The five years of the mean, standard deviation and the standard error mean of the both Microfinance Banks (MB) and Microfinance Institute (MI) are given and comprising of its efficiency. The profitability ratios of the mean, standard deviation and the standard error mean of the MB is less as compare to MI, this means that the MI is more efficient as compared to MB according to the sampling data.

In Table 4, shows the valuation results of the both Microfinance Banks (MB) and Microfinance Institute (MI) by using the (SPSS). The collected data is analyzed by using different ratios of the recent five years up to 2022. The result shows that the profitability ratios of the both Microfinance Banks (MB) and Microfinance Institute (MI) is significant and according to the results both the hypothesis is accepted.

CONCLUSION AND POLICY IMPLEMENTATION

Conclusion

This research is to make comparison between the microfinance banks and microfinance institute in creation of self-employment in Pakistan. The researcher takes the data from secondary source, all data used in this research from banks websites, financial reports and published data. The collected data is analyzed by using different ratios of the recent five years up to 2022. The different types of profitability ratio are used in this research. The sampling random plus convenient that easily available get the data. The population of the research is twenty-seven but the sample size of this research is eight. For the present research, the random sampling technique is used, four Microfinance Banks and four Microfinance Institute have been taken as a sample. To analyze for the purpose of investigating for their performances.

This is all done by seeing the literature review from national and international level that researcher have view to suggest that microfinance is a tool to reduce the poverty level. The conclusion of this research, the researcher comes to this point that from considering all the facts and figures, terms and conditions, rules and regulations of all aspects of microfinance banks and microfinance institute. The various ratios to be apply on each microfinance banks and microfinance institute,
data also analyzing their productivity, rates of lending loans as well as how much people got loans from them and what are the criteria of lending loans, feasibility of lending the loans and profitability trend in each sector. The ratios analyzing its return and seeing the efficiency of microfinance banks and microfinance institute, as their major focus is to make the country prosperous by lending the loan to the people as it has consumed less days to grants loans that creates self-employment in Pakistan. The basis of this research, its profitability is more, the customers are more attracted towards it. The less working days it consumes than the other ones. Its liabilities and expenses are less than the others.

**Policy Implementation and Recommendation**

The Government should focus its activities towards a few critical areas mainly poverty reduction through employment generation. It should protect the poor farmers from volatility in prices of agriculture produce and it should not act as a facilitator but actively engaged in developing economic and social infrastructure, particularly water, schools, hospital, training and skill development facilities. The effectively operations should be taken by the microfinance banks and institutes so to encourage the economy by paying all the expenses and hence the liabilities minimized.
REFERENCES


