

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



معهد المصارف الإسلامية
Institute of Islamic Banking

IMPACT ASSESSMENT AND FUTURE POTENTIAL OF ISLAMIC MICROFINANCE

Muhammad Zubair Mughal

**A thesis submitted in partial fulfillment of the requirements for the
MS degree in Islamic Banking and Finance**



**University of Management and
Technology**



Institute of Islamic Banking

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CERTIFICATE OF APPROVAL

The thesis entitled *Impact Assessment and Future Potential of Islamic Microfinance* has been accepted in partial fulfillment of the requirements for the degree of MS in Islamic Banking and Finance by the Institute of Islamic Banking, University of Management and Technology, Lahore, Pakistan.



Mr. Muhammad Mahmood Shah Khan
Research Supervisor

Date: 10-08-2014



Mr. Ashfaq Ahmad
Co-Supervisor

Date: 15-8-14



Mr. DR. Hafiz Zahid Mahmood (CIIT LHR)
External Supervisor

Date: 12/8/2014



Mr. Muhammad Mahmood Shah Khan
Chairman, IIB's Graduate Committee (IGC)

Date: 10-08-2014



Mr. Muhammad Mahmood Shah Khan
Director,
Institute of Islamic Banking

Date: 10-08-2014

Muhammad Mahmood Shah Khan,
Director
Institute of Islamic Banking
University of Management and Technology
Lahore, Pakistan.

DECLARATION

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Mr. Muhammad Zubair Mughal

Date: _____

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Mr. Muhammad Mahmood Shah Khan

Date: _____

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DEDICATION

I dedicate this piece of writing to poorest of the poor, who are looking for a solution of poverty alleviation through Islamic Microfinance.

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All praise and exaltation is for Allah S.W.T., the Creator and Sustainer of all Seen and Unseen worlds. First and foremost I present highest gratitude to Him for providing me the bounties and blessings to complete this work. I pray that this project may prove instrumental for the flourishing Islamic banking system. May blessings of Allah SWT be upon our beloved Prophet Muhammad (P.B.U.H) who is the sole source of guidance for us. Our love for him is ever-lasting and would remain forever.

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Ameen

May, 2014

Muhammad Zubair Mughal

ABSTRACT

Initially microfinance was introduced for the first time in 1970s and now, actually, Islamic microfinance has been proved as successful poverty alleviation tool. The purpose of this descriptive study is to evaluate the Islamic microfinance impact on poverty alleviation in Pakistan and Yemen. This research project was designed to study Islamic microfinance institutions and the impact of the Islamic Microfinance on their IMF clients in Pakistan and Yemen. Surveys (Structured Questionnaires), Focus Group Discussions (FGDs) and Interviews were conducted for data collection. Data source was primary and collected through structured questionnaires from Islamic Microfinance beneficiaries/ clients of Islamic Microfinance institutions in Pakistan and Yemen. The sample selection technique was non probability and convenience based. The variables were Living Standard of Islamic Microfinance clients, Income Level, Health conditions, availability of Islamic Microfinance, Islamic Microfinance innovative products and level of knowledge. The approach of this research study was mixed and I relied on both quantitative and qualitative data. In this descriptive research study I found that Islamic microfinance had positive impact on its beneficiaries in both the countries of this research study and future potential to address the poverty problems. I, on the basis of this research study, am confident in saying that the Islamic Microfinance product line needs to be innovative to benefit more untapped and potential clients of Islamic Microfinance in financially excluded segments of these countries for ultimate poverty alleviation and generation of economic activities. Finally, it is explicitly stated that this research work is as original as done by the candidate solely which was not utilized for any other academic title/ degree and would be a good contribution to research studies in Islamic Microfinance industry and may identify the future areas of research for Islamic microfinance researchers.

Key Words: Islamic Microfinance, Poverty Alleviation, Impact, Potential & Funding Sources.

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