

Impact of Microfinance on Employment Opportunities and Income Generation in the Bamyar Province of Afghanistan

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Abstract

Microfinance is widely recognized as a tool of financial development to decrease poverty and assist vulnerable people in accessing financial services. Moreover, Microfinance Institutions (MFIs) have an impactful role in improving the livelihood of the Afghan people, and it has been rapidly growing since 2003. Therefore, the authors examined the impact of microfinance on employment opportunities and income generation in the Bamyar province of Afghanistan. The sample size is made up of 220 borrowers from First Microfinance Bank Afghanistan (FMFB-A), partners of the Microfinance Investment Support Facility for Afghanistan (MISFA), and the Afghanistan Microfinance Association (AMA), which supports beneficiaries by offering a wide range of services while actively engaging in research, product development and innovation that assists borrowers. The quantitative analysis of data was executed by SPSS software 25. The Wilcoxon Signed Rank Test was used to compare employment opportunities and income before and after using FMFB-A loans at a 5 percent level of significance, also used median and percentage. The result found that Microfinance has a significant impact on the job change after availing loans from FMFB-A and proved the positive effect of microfinance on employment opportunities. Furthermore, the authors found that FMFB-A has helped customers raise their family income by generating opportunities for lucrative jobs.

Keywords: Afghanistan, Employment Opportunities, FMFB-A, Income Generation, Microfinance.

Introduction

The Microfin initiative has improved perceptions of poor people in many countries. Some countries have created large credit flows, mostly to communities and households with little income that traditional financial institutions typically excluded them (Kurmanalieva, Montgomery & Weiss, 2003).

Since the end of the 1990s, Microfinance Institutions (MFIs) have developed as an economic development tool for low-income people. As Yunus (2007) defined, microfinance programs can help the poor generate more income and address issues caused by poverty. According to Bikbaeva and Gaibnazarova (2009), microfinance might be an efficient solution for facilitating the poor with viable employment opportunities for poor people. It raises the number of

private businesses and generates extra job facilities. The provision of microloans to the poor allows them to raise their incomes because it can be used for self-employment and other income-generating activities (Ahlin & Jiang, 2008). Because microfinance in developing nations primarily focuses on the poor, these activities enable individuals to build a stable asset base and livelihood security, reducing poverty.

Due to the gradual rise in demand for microfinance in the Afghanistan context, the Islamic Republic of Afghanistan established the Microfinance Investment Support Facility for Afghanistan (MISFA) in 2003. Afghanistan was under an interim government, and a strong contingent of international forces kept militants at bay. The economy had been in a state of disrepair, millions of Afghans didn't have regular jobs, and millions more poured back into the country, ready to take off their refugee status and retake their homes. To help their families, Afghans required income-generating livelihoods. Therefore, the development of employment and private industry prioritized reconstruction, a critical component of a national economy. Moreover, it would not be possible to achieve peace and security, which have long eluded Afghanistan, with a population displeased by joblessness. MISFA partnered initially with 16 MFIs/MFBs working in Afghanistan, mainly operated by overseas-based foreign parent organizations.

Afghanistan Microfinance Association (AMA), which is an Afghan national network development finance institution (DFIs), was founded by the (MISFA), microfinance professionals, and other stakeholders in 2005. AMA is to raise awareness among microfinance borrowers about development finance and address misperceptions and misunderstandings about the sector via lobbying and advocacy, business collaboration and networking, capacity building, and information management. Moreover, AMA aims to increase sustainable development finance sector.

Currently, nine Microfinance Institutions are working in the country with a total Loan Portfolio of 9,607,678,446 AFN (Afghani). There are about 423,357 clients, 150,509 active borrowers, around 37% of them are women active borrowers, and 2,670 staff of these financial intuitions (as of December 2019), who are spread across the country.

The First Microfinance Bank- Afghanistan (FMB-A), founded in 2004, is a member of the Aga Khan Microfinance Agency (AKAM) with financial institutions activities in more than 15 countries across the developing countries. It is related to the Aga Khan Development Network (AKDN), one of Afghanistan's largest Microfinance Institutions. Besides, it is an essential partner

of MISA and AMA, covering 14 provinces, 38 branches, 204,136 clients, 59,383 active borrowers. With a loan portfolio of 5,387,902,857 AFN and 23 % of the borrowers are women (as of December 2019). Most MFIs borrowers obtain loans for employment, decreased poverty, income generation, and other vital purposes in Afghanistan.

This paper explores whether Microfinance positively impacts employment opportunities and income generation of (FMBF-A) borrowers in the Bamyan Province of Afghanistan.

Literature Review

Microfinance Institutions have emerged as a platform for poverty reduction and economic empowerment; further, the author has noted that MFIs provide services to the vulnerable, pursue income-generating services, and lead to higher recovery levels (Rajasekar, 2004).

Barr (2004) stated that access to finance would improve the income status of the poor by enabling them to get better access to healthcare and education, which effectively helps improve the labor force's efficiency. Thus, the provision of microfinance should support the formal financial system since it can provide the poor with credit. Moreover, since microfinance can help raise poor people's income and asset base, it can allow the poor to apply for conventional financial sector loans. Garikipati (2008) stated that microfinance enables vulnerable people to enhance their standard of life by allowing the impoverished to produce income and accumulate assets in India.

Nader (2008) revealed that microfinance did play an essential part in the wellbeing of the family members in Cairo. It assists them in obtaining assets and creating income, enhances education for children, and advances their health and harmony. Mokhtar (2011) emphasized the significant role of microfinance in improving the jobs, properties, and standard of living of customers in Malaysia.

Alhassan and Akudugu (2012), in a study in northern Ghana's Tamale, discovered that microfinance has a significant effect on women's ability to generate income to sustain livelihoods in the home. Subsequently, they noticed that women are more empowered to engage in income-generating activities that preserved men until now. Mamun et al. (2012) explored that the role of microfinance positively impacted borrowers' income generation and job employment opportunities. Burjorjee and Jennings (2008) have shown that microfinance benefits Yemen's women entrepreneurs by enhancing new businesses and poverty alleviation. Augsburg et al. (2015) found that microfinance organizations contributed to a rise in self-employment, business ownership, inventories, and a move away from

wage labor in Bosnia and Herzegovina. Besides, the authors considered the effect of being optimistic and essential and recorded a decline in consumption, a rise in savings, and improved durables for the households.

Tripathy (2006), in a study in Kurukshetra, Haryana, found that microfinance, including micro-savings, is slowly evolving as one of the useful, practical approaches to decrease poverty. Therefore, the author stated that offering job opportunities would efficiently create jobs and support household incomes.

Folmer (2012) concluded that microfinance enables women in Ethiopia to improve their decision-making ability, gain money, and boost household spending. Okurut et al. (2014) observed that loans helped empower the customers through decision-making on family expenses. Furthermore, the authors found that the clients' gained respect from family and community members.

In a research study in the Kasur district of Pakistan, Shah and Butt (2011) concluded that most women who used the microfinance facility gained full socio-economic empowerment. Additionally, the study found that it is directly related to raising socio-economic equality of working women in the Kasur district. However, Asencios-Gonzalez et al. (2018) conducted a study to evaluate the incidence of economic violence towards women, especially in the formal sector of women-managed micro-companies in Peru. The authors found that some of the women entrepreneurs were influenced by economic violence. Simultaneously, some of the participants were pressured by their spouses to receive credit towards their will.

Areeley and Chaturvedi (2007) observed early indications that MISFA had a significant effect on employment development in Afghanistan. The authors stated that expansions and start-ups had equipped their clients with work openings. The authors concluded that each participant generated one and a half job prospects. After entering the system, 80 percent of female participants indicated an 'improved attitude' towards their husbands and other relatives. PARWAZ is an organization that played a significant role in offering microfinance loans to consumers in Afghanistan. The study found that people can carry out business activities such as farming, home-based tailoring facilities, poultry, carpet weaving, jewelry making, and shopkeeping with microfinance. Further, the report described that customers record higher incomes, a rise in household income (such as home electronic devices, mobile phones, kitchen products). The general pattern is that people already have more trust than before taking out the loan (PARWAZ, 2006).

Another research by Greeley (2007) considered the evidence available to support the real potential of microfinance to encourage women in Afghanistan, especially in programs aimed at women entrepreneurs, to agree on the usage of loans and engage in income-earning activities. The study result showed that microfinance could affect women's and men's empowerment, reducing poverty. BRAC (2008) also indicated that involvement in microfinance assisted customer families in accumulating assets and diversifying sources of income in Afghanistan.

Echavez et al. (2012) findings indicate that people enrolled in the MIFs initiative are more active than other communities in Afghanistan and can move quickly beyond their households. In this sense, the wearing of Chadaris by women (garments that cover the whole body with a mesh curtain for the eyes). However, the notion of women working to gain an income was widely embraced in the culture. Society respected and promoted the commitment of women to participate with their households in successful work. Throughout this study, it was a significant influencing factor in motivating all-female borrowers to use the loan to develop or grow a small company. According to Hussein (2009), a loan benefits a larger family or community of men. Furthermore, it is often typical for families to depend on numerous sources of income and companies to rely on labor and support from various family members in Afghanistan.

Therefore, there are many challenges, as well as in Afghanistan. Hargreaves et al. (2009) discuss the challenges of accessing the resources required for rural women to startup or develop a small business. They claimed that women lack control over and access to assets such as property, facilities, and resources in Afghanistan in reality. The authors also argued that women's legal right to inheritance is traditionally circumvented, refusing them protection required for commercial bank loans. Moreover, the authors mentioned that most commercial banks in Afghanistan are based in urban areas and offer conventional loans to qualified customers with collateral.

Hussein (2009) described that providing loans to women in Afghanistan implies that women make all financial transactions and repay loans, but they have no authority regarding their loans. The researcher also mentioned that it is usual to depend on multiple sources of income for homes and firms to draw on labor and input from various family members. Tracking the use of loans is hard and expensive and almost complicated to identify who is in control. Ritchie (2013) found that poor females fail to go beyond the current system, mainly because of restricted qualifications, skills, and independence. In the demanding context of Afghanistan, the author emphasized the

structural barriers to developing poor women's enterprises in the context of Afghanistan.

The objective of the study

The study examines the impact of microfinance on employment opportunities and income generation through First Microfinance Bank borrowers in Afghanistan.

Hypothesis

H1: Microfinance loan offered by First Microfinance Banks to its beneficiaries positively impacts their employment opportunities.

H2: Microfinance loan offered by First Microfinance Banks to its beneficiaries positively impacts their income generation.

Methodology

Data Collection and Sample Size

This study used primary data collected through a questionnaire, and the questionnaire was prepared in the

Persian language (Afghanistan formal Language) for easy understanding of the bank's customers. A systematic random sampling method has been adopted for the survey and considered 220 respondents of the First Microfinance Bank Afghanistan (FMFB-A) in Bamyan province and its districts. Bamyan is the biggest province in the Hazarajat region of Afghanistan.

The data analysis was carried out using the SPSS, version 25. The authors analyzed the primary data using a nonparametric test (Wilcoxon Sign Rank Test) since the collected data was not normally distributed. Wilcoxon Sign Rank Test is an alternative test (Paired T-Test) used when the data violate the parametric assumptions.

The authors have selected the First Microfinance Bank because it is one of the largest microloan providers in Afghanistan. In addition, the bank has various financial programs considering the rural empowerment of women and men in the region.

Effect of Microfinance on Employment Opportunities

Table 1. Descriptive Statistics of Demographic

	N/Valid Cases	Median	Std. Deviation
Gender	220	139 Male	0.483
Marital Status	220	117 Married	0.500
Age	220	20-30 Years old	0.761
Education	220	79 Secondary School	1.465
Types of House	220	196 Private House	0.32

Source: field survey data

Out of the 220 sample sizes, 139 (63.2 %) of them were male, 117 (53.2%) respondents were married, between the ages of 20–30 years old. Besides, 79 (35.9%) respondents of the survey had secondary school qualifications, and

finally, 196 (89.1%) of the borrower lived in a private house (own house). (Table-1)

Table 2. Effect of Microfinance on Job

	Frequency	Percent
Very High	31	14.1
Medium	96	43.6
Less	67	30.5
Nothing	26	11.8
Total	220	100.0

Source: field survey data

The respondents also opined that microfinance had a positive effect on their employment opportunities. Most respondents (57.7 %) were agreed that the impact of microfinance on employment opportunities is very high to

medium. However, (30.5 %) stated that microfinance has a lower impact on employment opportunities. The remaining (11.8 %) believed that microfinance hadn't had any positive impact on their employment. (Table-2)

Table 3. Types of occupations before and after obtaining a loan from FMFB-A

	Occupation before availing of loan		Occupation after availing of loan	
	Frequency	Percent	Frequency	Percent
Ordinary Labour	138	62.7	7	3.2
Agriculture	45	20.5	72	32.7
Ranch	9	4.1	54	24.5
Driving	22	10.0	63	28.6
Others	6	2.7	24	10.9
Total	220	100.0	220	100.0

Source: field survey data

Table 3 displays the analysis of the effects of microfinance on employment opportunity changes after availing of a loan from FMFB-A. (62.7 %) of the participants were ordinary labor before obtaining a loan from FMFB-A. However, after availing of the service, this amount declined to (3.2 %). In addition, before availing of the service (20.5 %), participants worked in agriculture sectors, but after obtaining the services, this amount improved to (32.7 %). Considering the Ranch respondents increased to this field

from (4.1%– 24.5%). The remaining driving and other occupations also increased from (10%– 28.6%) and (2.7 % – 10.9%) respectively. Overall, according to the table, the survey respondents obtained better occupations compared to their previous jobs before availing of the loan from FMFB-A.

Table. 4 Wilcoxon Signed Ranks Test (Ranks)

		N	Mean Rank	Sum of Ranks
Number of Respondents Before Availing Loan from FMFB-A – Number of Respondents After Availing Loan from FMFB-A	Negative Ranks	12 ^a	55.50	666.00
	Positive Ranks	163 ^b	90.39	14734.00
	Ties	45 ^c		
	Total	220		

a. Number of Respondents After Availing Loan from FMFB-A < Number of Respondents Before Availing Loan from FMFB-A

b. Number of Respondents After Availing Loan from FMFB -A > Number of Respondents Before Availing Loan from FMFB-A

c. Number of Respondents After Availing Loan from FMFB -A = Number of Respondents Before Availing Loan from FMFB-A

Tables 5. Test Statistic ^a

Number of Respondents Before and After Availing Loan from FMFB-A	
Z	-10.877 ^b
Asymp. Sig. (2 - tailed)	.000

a. Wilcoxon Signed Ranks Test *Source: field survey data*

b. Based on negative ranks

As the p-value calculated is 0.000 and Z value= -10.877, in a sense, P-value cal=0.000<0.05 (table value) from the Wilcoxon test, we conclude that microfinance positively impacted the respondents' types of jobs and have obtained better occupations after using loans from FMFB-A.

Effect of Microfinance on Income Generation

Table 6. Sources of Family Income

	Frequency	Percent
Driving	75	34.1
Ranch	57	25.9
Agriculture	54	24.5
Shopkeeping	34	15.5
Total	220	100.0

Source: field survey data

The majority of the survey participant's income was from the drivingfield (34.1%). Followed by Ranch (25.9 %) and agriculture (24.5%). Moreover, shopkeeping (Petty Shops) was another source of income (15.5%). Table 6 shows the respondents' high level of satisfaction with the impact of microfinance on their income.

Table 7. Descriptive Statistics

	Monthly Income Before Availing loan from FMFB-A	Monthly Income After Availing loan from FMFB-A
N	220	220
Median	5,000.00	10,000.00
Std. Deviation	2996.868	4405.702

Source: field survey data

The average monthly income of the FMFB -A customers before using the loan was 5,000 AFN and increased to 10,000 AFN after availing of a loan from FMFB-A (Table 7).

Table 8. Wilcoxon Signed Ranks Test (Ranks)

		N	Mean Rank	Sum of Ranks
Monthly Income Before Availing loan from FMFB-A –	Negative Ranks	0 ^a	.00	.00
Monthly Income After Availing loan from FMFB-A	Positive Ranks	214 ^b	107.50	23005.00
	Ties	6 ^c		
	Total	220		

a. Monthly Income After Availing loan from FMFB -A < Monthly Income Before Availing loan from FMFB-A

b. Monthly Income After Availing loan from FMFB -A > Monthly Income Before Availing loan from FMFB-A

c. Monthly Income After Availing loan from FMFB -A = Monthly Income Before Availing loan from FMFB-A

Table 9. Test Statistics^a

Monthly income Before and After Availing loan from FMFB-A	
Z	-12.727b
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test *Source: field survey data*

b. Based on negative ranks

As the p-value calculated is 0.000 and Z value = -12.727, in a sense P-value $\text{cal} = 0.000 < 0.05$ (table value) from the Wilcoxon test, we conclude that microfinance positively impacted income generation after using loans from FMFB-A (Table 8, 9).

Conclusion

The microfinance program is considered an essential development strategy to reduce poverty, improve the borrowers' income, and significantly impact employment opportunities around nine MFIs/MFBs operating in Afghanistan, covering seventeen provinces to eradicate poverty and meet financially excluded people's needs. The finding of this study describes that First Microfinance Bank, like many other banks in developing countries,

empowers urban and rural people in Afghanistan.

The study reveals that microfinance positively impacts male and female empowerment in Afghanistan, although the extent of impact varies on different measures. The authors found a significant effect on the customer's income generation and employment opportunities. Furthermore, it is also found that the change in types of jobs after availing a loan from MFIs/MFBs is favorable. MFIs/MFBs helped customers increase their family income by generating gainful employment opportunities. Microfinance may not always empower all borrowers, but most customers experience some degree of empowerment by this opportunity. Therefore, it can have a powerful impact on borrowers' empowerment by strengthening their financial base and enhancing their economic contribution to their

families and communities.

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