

Abstract

The purpose of this study was to investigate the paradigm shift of Pakistani microfinance sector from serving the basic principles of microfinance. Another aim was to find out the standing of the industry in between the debate of Welfarist and commercialism approaches of microfinance. This study defines the basic principles as small financial services to the poor, by targeting more females and rural areas as both are hit by more poverty. Qualitative and quantitative methods were applied for data collection from both primary and secondary sources. In depth interviews and questionnaires were applied for primary data collection from staff members and clients of microfinance institutes. Total 172 questionnaires from clients and 27 questionnaires from staff members of microfinance institutes based in District Sanghar of Sindh province were collected. The results of the study show that microfinance banks are moving away from serving as per the basic principles of microfinance. It was also discovered that no tradeoff exists between sustainability and outreach. Both have been achieved simultaneously among non regulated microfinance programs. Thus this tradeoff exists in the regulated microfinance institutes (MFBs). The results of perception analysis indicated that no staff and clients perceived that microfinance is for the poorest of the poor. Furthermore staff has verified that the clients selection is affected by the pressure of sustainability. The clients are presenting themselves as wealthy and able to repay the loan rather as the poor. Hence commercialism is dominating the sector rather than the Welfarist.