Transforming Poverty: Assessing the Significance of the Akhuwat Islamic Microfinance Model Across Absolute, Moderate, and Relative Poverty Strata

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Purpose: The goal of this study is to determine how the Akhuwat Islamic Microfinance Mode (AIMM) affects several types of poverty in Pakistan, including absolute, moderate, and relative poverty.

Design/Methodology/Approach: In this study, primary data from Akhuwat Microfinance borrowers were collected using the stratified sample technique. The population was divided into four groups: manufacturing concerns, trading concerns, services concerns, and non-trading concerns. Additionally, a two-stage structural modelling technique was used for further data analysis. The measurement model was used to assess the reliability and validity, while the structural model was used to gauge the link between the underlying variables.

Findings: The study found positive and significant impact of Akhuwat Islamic Microfinance Mode (AIMM) on different dimensions of poverty, including absolute poverty, moderate poverty and relative poverty. Therefore, lending practices of Akhuwat enables the borrowers to reduce their absolute, moderate, and relative poverty.

Implications/Originality/Value: The role Akhuwat's unique approach to address different poverty levels including absolute poverty, moderate poverty and relative poverty is hardly investigate in the context of Pakistan by applying the Abraham Maslow's Hierarchy of Needs Theory.

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Introduction  
Conventional microfinance banks often face various challenges that can hinder their ability to effectively reduce poverty in Pakistan or any other country. Here are some reasons why conventional microfinance banks might struggle to achieve significant poverty reduction. First is the limited outreach (Shafique & Siddique, 2020). Conventional microfinance banks may have difficulty reaching the most marginalized and remote populations, which are often the ones most
in need of financial services. This could be due to factors like inadequate infrastructure, lack of awareness, and high operational costs associated with reaching these areas. Secondly, high interest rate and borrowing cost (Mahmood, 2019). Some conventional microfinance banks charge relatively high interest rates due to the operational costs and risks associated with lending to low-income populations. While these rates might be justifiable given the circumstances, they can still make it challenging for borrowers to escape the cycle of debt and poverty (Khan et al., 2021). Third is the lack of diversified services. Poverty reduction often requires a multidimensional approach. While conventional microfinance banks primarily offer credit services, poverty reduction also depends on access to healthcare, education, and social services. Focusing solely on financial services might not address all dimensions of poverty (Rehman et al., 2020). Fourth is the sustainability challenges faced by the conventional microfinance banks and institutions in Pakistan. Conventional microfinance banks often need to operate sustainably to continue providing services (Shaheen et al., 2018).

However, to manage the said challenges concept of Islamic microfinance was introduced in Pakistan for poverty alleviations. Islamic microfinance, based on principles derived from Islamic finance and ethics, offers a unique approach that can potentially be more effective in poverty reduction compared to conventional microfinance (Abbas & Shirazi, 2015). Here are some reasons why Islamic microfinance might be considered better suited for poverty reduction. It's important to note that while Islamic microfinance has several potential advantages for poverty reduction, its success depends on effective implementation, regulatory support, and cultural acceptance (Hassan & Saleem, 2017). Additionally, both Islamic and conventional microfinance approaches have their strengths and limitations, and the choice between the two depends on the specific context and goals of the poverty reduction efforts. It's important to note that while Islamic microfinance has several potential advantages for poverty reduction, its success depends on effective implementation, regulatory support, and cultural acceptance (Tamanni & Haji Besar, 2019). Additionally, both Islamic and conventional microfinance approaches have their strengths and limitations, and the choice between the two depends on the specific context and goals of the poverty reduction efforts. Introduction: Microfinance has emerged as a powerful tool for poverty alleviation worldwide. In Islamic-majority countries, the Akhuwat model of microfinance has gained prominence for its adherence to Islamic principles and its unique approach to tackling poverty. This study investigates whether the Akhuwat model is effective in reducing absolute, moderate, and relative poverty by examining its impact on income generation, asset accumulation, social welfare, and community development. Islamic microfinance operates within an ethical framework that prohibits charging or earning interest (Rohman et al., 2021). This aligns with the principles of fairness and social justice, which are crucial for poverty reduction efforts. It ensures that financial transactions are conducted in a way that respects the dignity and well-being of the borrower (Hassan et al., 2021).

Therefore, to cope the all said challenges, Akhuwat Islamic Microfinance Model was introduced in Pakistan for poverty alleviation. "Akhuwat" is an Islamic microfinance model that is often associated with providing interest-free loans to low-income individuals and communities based on the principles of Islamic finance (Alkhan & Hassan, 2021). This model emphasizes the concept of brotherhood, community support, and interest-free lending. While both Akhuwat and conventional microfinance banks have their own strengths and weaknesses, here are some reasons why Akhuwat could be considered beneficial in the context of poverty reduction compared to conventional microfinance banks: However, it's important to acknowledge that the effectiveness of the Akhuwat model depends on proper implementation, operational sustainability, and addressing any potential challenges such as reaching scale and ensuring equitable access (Shahid et al., 2021). Both Islamic microfinance models like Akhuwat and conventional microfinance banks have their merits, and the choice between them should be based on the specific context, cultural factors, and the needs of the target population. Akhuwat operates
on the principle of interest-free lending, which is in line with Islamic ethics (Saha & Qin, 2023). This approach eliminates the burden of interest payments on borrowers, making it more conducive for them to invest in income-generating activities without being trapped in debt cycles. With interest-free lending, borrowers are less likely to accumulate excessive debt, reducing the risk of over-indebtedness that can occur with conventional microfinance loans carrying interest (Mohamed & Elgammal, 2023). Akhuwat's emphasis on interest-free lending and community development aligns with a long-term perspective on poverty reduction. It seeks to empower individuals and communities in a sustainable manner rather than focusing solely on short-term financial gains (Hassan & Saleem, 2017).

In recent years, numerous studies on Islamic microfinance, reducing poverty, and microfinance in general have been published. For instance, in Sudan, the impact of welfare indicators (Income & Expenditure) was shown in the context of Sudanese Microfinance Institutions on the alleviation of poverty (Mosley, 2001). Similar to this, a study was carried out in Pakistan by analyzing the effect of the ideal loan size on the performance of the women entrepreneurs and the decrease of poverty (Mahmood et al., 2014). In the meantime, the original study was used to perform a study in the context of Punjab, Pakistan. The author of this study noticed how microfinance affected self-employment, basic requirements, and living standards (Iqbal & Rao, 2022). Additionally, a study was also carried out in Vietnam using a two-stage data envelopment analysis (DEA) to estimate the efficiency scores of MFIs in Vietnam and their determinants, while meta-analysis and statistical descriptions were used to investigate the connection between MFI efficiency and poverty reduction (Blanco-Oliver et al., 2023). The study also discovered that Islamic microfinance is limited by the lack of expertise, professionalism, and knowledge of the supporting staff. Despite this, Islamic bankers have demonstrated strong agreement that Islamic banks should provide Islamic microfinance products and instruments to address the needs of the underprivileged for poverty alleviation (Rashid & Kumar, 2023). Additionally, a study was carried out considering how Islamic microfinance affected the long-term advantages and developmental activities of the female clients (Iqbal & Rao, 2022). Meanwhile, in this study the impact of size and age of the receipts was observed on the poverty reduction in the context of MFIs in Pakistan (Rashid & Kumar, 2023). In this study size and age of MFIs were taken as independent variables and its impact was observed on poverty alleviation (Blanco-Oliver et al., 2023).

This study attempts to bridge the research gap in the three ways: First this study considering the direct impact of Akhuwat Islamic Microfinance Model (AIMM) on the absolute poverty (Food consumption, clothing pattern and residential condition). Secondly, this study considering the direct impact of Akhuwat Islamic Microfinance Model (AIMM) moderate poverty (Health, education, and provision of electricity & gas). Third, this study considering the direct effect of Akhuwat Islamic Microfinance Model (AIMM) on relative poverty (Income of client is higher than the per capital income of citizen).

The remainder of the research article is structured as follows: A review of the literature, a theory, and a hypothesis that have been used to support this investigation are presented in Section 2. Section 3 of this article provides a description of the research methodology. The study's results and discussions of its results will be offered in section 4 of this article in the context of literature and theory, while section 5 of this article contains a discussion, a conclusion, a limitation, an implication, and information about the research's future course.

**Literature Review**

**Theoretical Background**

The Abraham Maslow Hierarchy of Needs theory is used in this study. According to this theory, the relationship between Maslow's Hierarchy of Needs and types of poverty is one where
poverty, whether absolute (facing problems in fulfillment of basic needs like foods, clothes, and shelter for resident), moderate (facing problems in achieving the health, education, and electricity & gas), and relative (Income of client less than the per capital income of normal citizen), can significantly impact an individual's ability to progress through the hierarchy (Tavanti, 2023; Warby, 2014). Poverty can hinder the fulfillment of basic physiological needs as well as higher-level psychological needs, making it challenging for individuals to reach self-actualization. Different types of poverty may influence different stages of the hierarchy, but they generally impede progress toward higher levels of need fulfillment (Zhou et al., 2023).

Definition of Underpinning Variables
In this study four variables used, one is the independent variable and three dependent variables. Akhuwat Islamic Microfinance Model (AIMM) has been taken as independent variable, whereas absolute poverty, moderate poverty, and relative poverty have been taken as independent variable. The details of each construct have been given as under.

<table>
<thead>
<tr>
<th>Name of Constructs</th>
<th>Definition of Constructs</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akhuwat Islamic Microfinance Model</td>
<td>Giving unbanked, impoverished people access to loans with no interest or processing fees, as well as with insurance and educational options.</td>
<td>(Shafique &amp; Siddique, 2020; Silva Afonso &amp; Khan, 2019; Shahid et al., 2021)</td>
</tr>
<tr>
<td>Absolute Poverty</td>
<td>A circumstance where someone is unable to provide for their fundamental requirements, such as clothing, food, and shelter for residents.</td>
<td>(Benfica &amp; Nin-Pratt, 2023; Want et al., 2021)</td>
</tr>
<tr>
<td>Moderate Poverty</td>
<td>A situation where someone is unable to pay for their basic needs, such as their health, education, and utility (gas and electricity) expenses.</td>
<td>(Benfica &amp; Nin-Pratt, 2023; Shah &amp; Quin, 2023; Westover, 2008)</td>
</tr>
<tr>
<td>Relative Poverty</td>
<td>An improvement in general wellbeing as measured by a client income increase over the average citizen's per capital income.</td>
<td>(Luo et al., 2022; Anwar &amp; Siddiqui, 2005; Jetin, 2019)</td>
</tr>
</tbody>
</table>

Akhuwat Islamic Microfinance Model (AIMM) & Absolute Poverty
The impact of Akhuwat Islamic microfinance on absolute poverty can be significant, as it offers a unique approach to poverty alleviation that aligns with Islamic values. Here are some ways in which Akhuwat Islamic microfinance can impact absolute poverty including helping clients in fulfillment of their basic needs including foods, clothes and improvement in residential facility (Shafique & Siddique, 2020). In addition, Akhuwat Islamic Microfinance Model provides access to capital for individuals who might not have access to conventional financial services. This allows them to start or expand small businesses, invest in income-generating activities, and improve their livelihoods. By providing a source of funds, Islamic microfinance helps individuals move away from subsistence living and gradually lift themselves out of absolute poverty (Shahid et al., 2021). One of the key principles of Akhuwat Islamic Microfinance Model is the prohibition of interest (riba). Instead of charging interest on loans, Islamic microfinance institutions often use profit-sharing or equity-based models. This reduces the burden on borrowers and ensures that they are not trapped in cycles of debt, which is a common issue in conventional microfinance that can perpetuate poverty (Rohman et al., 2021). Moreover, Akhuwat Islamic Microfinance can play a significant role in improving the access to food, clothing, and residential facilities for poor people by providing them with financial support, promoting self-sufficiency, and fostering community collaboration (Rashid & Ejaz, 2019).

However, Islamic microfinance programs often target vulnerable and marginalized groups, such as women, orphans, and refugees. By providing financial services to these groups, the programs address specific challenges that these individuals face in escaping poverty and achieving sustainable livelihoods (Maulana et al., 2018). In conclusion, Akhuwat Islamic microfinance can
have a positive impact on absolute poverty by providing access to capital, promoting ethical financial practices, fostering community support, and empowering individuals to improve their economic situations. By adhering to Islamic principles and emphasizing mutual assistance, Islamic microfinance offers a holistic approach to poverty alleviation that goes beyond simple financial transactions (Rohman et al., 2021). Islamic microfinance institutions can promote social entrepreneurship projects that address specific needs within the community. For instance, a cooperative might be established to provide affordable and nutritious food options, create local clothing manufacturing units, or build affordable housing solutions. These initiatives not only provide essential goods and services but also generate employment opportunities (Benfica & Nin-Pratt, 2023). Islamic microfinance programs can conduct awareness campaigns and workshops on topics related to nutrition, hygiene, housing improvement, and clothing care. Educating beneficiaries about better practices can lead to improved utilization of resources and a better quality of life (Silva Afonso & Khan, 2019). The following research hypotheses are presented in light of the theoretical setting and examination of the existing literature:

**H1:** Akhuwat Islamic Microfinance Model (AIMM) has significant impact on absolute poverty in the context of Pakistan.

**Akhuwat Islamic Microfinance Model (AIMM) and Moderate Poverty**

Islamic microfinance focuses on empowering individuals to become self-reliant and economically independent. By offering financial education and training alongside the provision of funds, borrowers can learn how to manage their finances effectively, make informed business decisions, and break the cycle of poverty more effectively (Benfica & Nin-Pratt, 2023). Moreover, Akhuwat Islamic Microfinance can have a positive impact on the health, education, and payment of utility bills for poor people by providing them with financial support, promoting knowledge and awareness, and fostering a sense of community (Shah & Quin, 2023). In addition, Akhuwat Islamic Microfinance Programs can conduct workshops and awareness campaigns on health and hygiene practices. By educating beneficiaries about preventive measures and healthy habits, Islamic microfinance can contribute to better overall health outcomes (Shahid et al., 2021). Similarly, Islamic microfinance institutions offer micro insurance plans that cover medical expenses. This helps individuals mitigate the financial burden of unexpected health crises (Luo et al., 2022). Meanwhile, Islamic microfinance can provide loans for educational purposes, such as tuition fees, school supplies, and transportation to school. This allows children from poor families to attend school regularly (Jetin, 2019). On the other hand, Islamic Microfinance programs can support vocational training and skill development initiatives, enabling individuals to acquire skills that can lead to better employment opportunities and increased income (Saha & Qin, 2023).

However, some Islamic microfinance initiatives offer scholarships and grants to promising students from disadvantaged backgrounds, encouraging them to pursue higher education (Wan et al., 2021). Besides these, Islamic microfinance can help fund energy-efficient appliances and solutions, reducing utility bills for poor households. This can include solar panels, energy-efficient stoves, and lighting systems (Shafique & Siddique, 2020). Furthermore, Islamic Microfinance programs can invest in community infrastructure projects that provide access to clean water and sanitation facilities, reducing utility costs associated with water and waste management (Ben Salem & Ben Abdelkader, 2023). Thus, Microfinance institutions can offer loans to help individuals pay for utility bills, such as electricity, water, and gas. This prevents disconnection due to non-payment (Lawhaishy & Othman, 2023). Therefore, Akhuwat Islamic Microfinance can contribute to the improvement of health, education, and payment of utility bills for poor people by providing access to funds, promoting awareness, supporting skill development, and fostering community cohesion. By addressing these key areas, Islamic microfinance aligns with the broader goals of poverty reduction and sustainable development.
In light of the theoretical framework and the examination of the existing literature, the following research hypotheses are presented:

**H2:** Akhuwat Islamic Microfinance Model (AIMM) has significant impact on moderate poverty in the context of Pakistan

**Akhuwat Islamic Microfinance Model (AIMM) and Relative Poverty**

The concept of Akhuwat emphasizes mutual support and solidarity within the community. Islamic microfinance programs often involve the community in the decision-making process and encourage members to support one another. This sense of belonging and communal responsibility can provide a safety net for individuals facing financial difficulties and contribute to poverty reduction (Shafique & Siddique, 2020). Moreover, Akhuwat Microfinance, rooted in the principles of Islamic finance and community support, can play a significant role in enhancing the per capita income of poor people by offering financial services, promoting economic empowerment, and fostering a supportive environment (Shahid et al., 2021). Meanwhile, Akhuwat Microfinance can encourage diversification of income sources. Borrowers are empowered to explore multiple streams of income, reducing reliance on a single source. This resilience can lead to more stable and sustainable earnings (Alkhan & Hassan, 2021). Similarly, some Akhuwat Microfinance initiatives have graduation programs that support borrowers in moving from subsistence activities to more profitable ventures. These programs provide targeted assistance and resources to help individuals transition to higher income levels (Mohamed & Elgammal, 2023).

On the other hands, Islamic microfinance operates without charging interest, which can be particularly beneficial for poor borrowers. Without the burden of high interest payments, individuals can allocate more of their earnings towards investment and savings, leading to a higher per capita income (Elsafi et al., 2020). Besides this, as businesses grow and generate profits, borrowers can reinvest a portion of those profits back into their businesses. This reinvestment can lead to business expansion, increased production, and higher earnings (Gupta & Sharma, 2023). Thus, some Akhuwat Microfinance programs offer micro-insurance services that protect borrowers against unexpected events that could negatively impact their income. This reduces the financial risks associated with economic uncertainty (Mahmood, 2019). Moreover, Akhuwat Microfinance programs can provide market linkages and connections to supply chains, helping borrowers reach larger markets for their products or source materials at more competitive rates. This can enhance the profitability of their businesses (Rashid & Kumar, 2023). Finally, by addressing financial constraints, offering training, fostering community cooperation, and aligning with Islamic principles, Akhuwat Microfinance can contribute to lifting poor individuals out of poverty and enhancing their per capita income, ultimately leading to improved livelihoods and better economic prospects (Mohamed & Elgammal, 2023). The following hypothesis is possible in light of the information presented:

**H3:** Akhuwat Islamic Microfinance Model (AIMM) has significant impact on relative poverty in the context of Pakistan.
Research Methods

Study Sample and Data Collection

The core objectives of this study to measuring the Akhuwat Islamic Microfinance Model (AIMM) impact on different types of poverty including absolute poverty, moderate poverty and relative poverty in the context of Pakistan. Therefore, to obtain the objectives of this study we employed a structural questionnaire for data collection by employing stratified sampling technique by dividing the target population into four meaningful groups including clients pertaining to manufacturing concerns, trading concerns, services concerns and non-trading concerns (Iqbal & Rao, 2022). However, in order to reduce the possibility of difficulties stemming from the small sample size, 263 respondents were reached through the stratified sampling techniques.

Survey Instrument

In this study absolute poverty, moderate poverty and relative poverty have been taken as independent variables, whereas Akhuwat Islamic Microfinance Model (AIMM) has been taken as independent variable. Therefore, to measures the underpinning four variables total twelve items were considered in survey instrument (Absolute poverty = 03, moderate poverty = 03, relative poverty = 01, and Akhuwat Islamic Microfinance Model = 05). However, Table-III presents the details of all the items of each construct adopted for the assessment of the previous studies.

Data Analysis Technique

In this study, two-stage structural equation modelling approaches were applied for additional data analysis. This strategy would employ two distinct techniques: the measuring model (outer model) and the structural model (inner model). Measurement model used to access the reliability and validity of the questionnaire. Contrarily, structural models are utilized to assess the percentage of variation in dependent variable (absolute poverty, moderate poverty, and relative poverty) due to the independent variable (Akhuwat Islamic Microfinance Model) as well as the relationship between the underlying factors and the productive powers (Joseph F Hair, Risher, Sarstedt, & Ringle, 2019; Henseler et al., 2014; Joe F Hair et al., 2014). However, assessment criterion/threshold pertaining to measurement model (reliability and validity) structural model (Intensity of relationship between the dependent and independent variables) and have been given in Table-II and Table-III respectively.

<table>
<thead>
<tr>
<th>“Table-II: - Assessment Criteria for Measurement Model”</th>
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</thead>
<tbody>
<tr>
<td>Sr. #</td>
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<tr>
<td>-------</td>
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<tr>
<td>1</td>
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<tr>
<td>2</td>
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<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>
“Table-III: Assessment Criteria for Structural Model

<table>
<thead>
<tr>
<th>Sr. #</th>
<th>Measures</th>
<th>Threshold</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coefficient of Determination ($R^2$)</td>
<td>$R^2$ values are between 0 and 1. $R^2$ value of 0.75 is considered good, 0.50 considered normal, and 0.25 considered weak.</td>
<td>Joseph F. Hair et al., 2017; Hair et al., 2019; Iqbal &amp; Rao, 2022</td>
</tr>
<tr>
<td>2</td>
<td>Path Coefficients ($\beta$): Size and Significance of Path Coefficients ($\beta$), T-values = ≥ 1.96, and P-values ($p &lt;0.01$) at ($\alpha$)= 10% significance level</td>
<td>Hair et al., 2017; Hair et al., 2019; Iqbal &amp; Rao, 2022</td>
<td></td>
</tr>
</tbody>
</table>

Results & Discussions

Test of Reliability

In this study indicator reliability has been established because factors loading of all the items of the constructs that are mentioned in Table-IV are higher than the minimum value of 0.6 as recommended by (Oke et al., 2022; Hair Jr et al., 2021; Hair et al., 2014). Moreover, internal consistency reliability was also established because the value of Cronbach’s Alpha and composite reliability of all the constructs (Akhuwat Microfinance Islamic Model, absolute poverty, moderate poverty and relative poverty) given in Table-VI were higher than the minimum threshold value 0.7 as proposed by (Kline, 2016; Oke et al., 2022; Hair Jr et al., 2021; Burns & Bursn, 2000; Lai, 2021).

Test for Validity

However, reliability and validity are intertwined, and reliability would not be helpful until the validity of the instrument was established (Ahmed & Ishtiaq, 2021; Shafie et al., 2021; Oke et al., 2022; Kumar et al., 2021). In this study two types of validity were accessed one is the convergent validity which were accessed through the average variance extracted (AVE). Whereas second one is the discriminant validity which were accessed through the Hetrotrait-Monotrait Ratio ($HTMT$ Ratio). In this study convergent validity was established because the value of AVE of all the constructs (Akhuwat Microfinance Islamic Model, absolute poverty, moderate poverty and relative poverty) that are indicated in Table-VI higher than the threshold value of 0.50 as recommended by the (Hair Jr et al., 2021: Iqbal & Rao, 2022). This study also used HTMT for robustness because it consistently outperformed the Fornell-Larcker criterion in various contexts. Table-V displays the results of the HTMT ratio values. The values are less than the cutoff values of 0.85/0.90, indicating that the study’s goal of discriminant validity was achieved (Roemer et al., 2021; Joseph F. Hair et al., 2019; Oke et al., 2022).

Test for Multicollinearity

In this study no correlation between the underpinning (Akhuwat Microfinance Islamic Model, absolute poverty, moderate poverty and relative poverty) variables were found because the value of variance inflation factor (VIF) mentioned in Table-IV are less than the recommended value 5 as recommended by (Joseph F. Hair, 2019; Joseph F. Hair, 2019; Iqbal & Rao, 2022).
Table-V: HTMT Ratio:

<table>
<thead>
<tr>
<th>Constructs</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Absolute Poverty</td>
<td></td>
<td>0.758</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Microfinance</td>
<td>0.690</td>
<td>0.560</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Moderate Poverty</td>
<td>0.790</td>
<td>0.650</td>
<td>0.550</td>
<td></td>
</tr>
<tr>
<td>(4) Relative Poverty</td>
<td>0.790</td>
<td>0.650</td>
<td>0.550</td>
<td></td>
</tr>
</tbody>
</table>

Test for Predictive Power of the Model

Table-VI indicates the overall predictive power of the underpinning model of the study. According to the findings 43% variance in absolute poverty, 47.1% change in moderate poverty, and 12.5% variation in relative poverty incurred due to the Akhuwat Islamic Microfinance Model (AIMM) in this regard (Joseph F. Hair et al., 2017; Hair et al., 2019; Iqbal & Rao, 2022).

Table-VI: Coefficient of Determination (R²)

<table>
<thead>
<tr>
<th>Constructs: -</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Poverty</td>
<td>0.432</td>
<td>0.430</td>
</tr>
<tr>
<td>Moderate Poverty</td>
<td>0.473</td>
<td>0.471</td>
</tr>
<tr>
<td>Relative Poverty</td>
<td>0.128</td>
<td>0.125</td>
</tr>
</tbody>
</table>

Test for Hypothesis

The structural equation modeling (Inner-Model) technique was applied to the hypothesis of the study, and final results in this regard presented in Table-VII. According to the outcomes which is presented in Table-VII affirmative the significant impact of Akhuwat Islamic Microfinance
Model (AIMM) on the absolute poverty ($\beta = 0.641; t = 14.456; p<0.000$) which validating the acceptance of ($H_1$). It means that Akhuwat Islamic Microfinance Model offer loans to the destitute people without interest, charging no processing fee, provide insurance services, and also provide educational services. Therefore, those people who took loan from Akhuwat Microfinance successfully fulfillment their food needs, clothes needs and shelter needs positively. Finally, we can say that after taking loan from Akhuwat clients enables themselves to reduce the absolute poverty. This result is consistent with findings from prior research (e.g., Shafique & Siddique, 2020; Shahid et al., 2021; Rohman et al., 2021; Rashid & Ejaz, 2019; Maulana et al., 2018; Rohman et al., 2021; Benfica & Nin-Pratt, 2023; Silva Afonso & Khan, 2019).

Subsequently, a positive and significant effect of Akhuwat Islamic Microfinance Model (AIMM) was observed on moderate poverty ($\beta = 0.676; t = 18.086; p<0.000$), which corroborating the acceptance of ($H_2$). It means those borrowers who took loan from Akhuwat Microfinance under the Akhuwat Islamic Microfinance Model (AIMM) enables themselves to meet educational expenses, health & medical expenses, and utility expenses (electricity & gas bills) of their family member after taking loan from Akhuwat Microfinance Banks. This result is consistent with findings from prior research (e.g. Benfica & Nin-Pratt, 2023; Shah & Quin, 2023; Shahid et al., 2021; Luo et al., 2022; Jetin, 2019; Saha & Qin, 2023; Wan et al., 2021; Shafique & Siddique, 2020; Ben Salem & Ben Abdelkader, 2023; Lawhaishy & Othman, 2023; Zitouni & Jedidia, 2022; Maulana et al., 2018) which indicates that the borrowers of Akhuwat Microfinance banks reduce their moderate poverty because under the Akhuwat Microfinance Islamic Model (AIMM) Akhuwat provide interest fee loan along with the free insurance and no application.

Meanwhile, ($H_3$) proposes the positive and significant impact Akhuwat Islamic Microfinance Model (AIMM) on relative poverty that is accepted ($\beta = 0.346; t = 5.940; p<0.000$). Its means that potential borrowers of Akhuwat Microfinance, who took loan under the Akhuwat Islamic Microfinance Model (AIMM) enables themselves to enhance their per capital income as compare to the normal citizen. It was also found that per capital income of Akhuwat borrowers found higher because, borrowers of Akhuwat Microfinance banks received interest free loan without any additional charges. Moreover, under the Akhuwat Islamic Microfinance Model (AIMM) borrowers received free insurance along with the additional loan facility for educational and health facility in case of emergency. These findings are also supported by the various studies (e.g. Shafique & Siddique, 2020; Shahid et al., 2021; Hassan et al., 2021; Alkhan & Hassan, 2021; Mohamed & Elgammal, 2023; Elsaifi et al., 2020; Gupta & Sharma, 2023; Mahmood, 2019; Rashid & Kumar, 2023; Mohamed & Elgammal, 2023).

**Table-VII: Hypothesis Testing Results (Bootstrapping @5000 subsamples)**

<table>
<thead>
<tr>
<th>Hypothesis:</th>
<th>Coefficient ($\beta$)</th>
<th>SD</th>
<th>T-Stat</th>
<th>P-Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effects: -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$H1$: Microfinance -&gt; Absolute Poverty</td>
<td>0.641</td>
<td>0.044</td>
<td>14.465</td>
<td>0.000***</td>
<td>Accept</td>
</tr>
<tr>
<td>$H2$: Microfinance -&gt; Moderate Poverty</td>
<td>0.676</td>
<td>0.037</td>
<td>18.086</td>
<td>0.000***</td>
<td>Accept</td>
</tr>
<tr>
<td>$H3$: Microfinance-&gt; Relative Poverty</td>
<td>0.346</td>
<td>0.058</td>
<td>05.940</td>
<td>0.000***</td>
<td>Accept</td>
</tr>
</tbody>
</table>

*Note: *** , **, * Denotes significance Level @1%, 5% and 10%*

**Conclusion, And Managerial Implications of The Study**

Over the past few decades, the scientific community, academics, and professionals have paid more attention to different lending schemes under the umbrella of microfinance projects, especially on the importance of the Akhuwat Islamic Microfinance Model (AIMM) in the context of Pakistan. The primary objectives of this study are to examine the effects Akhuwat Islamic Microfinance Model (AIMM) on absolute poverty, moderate poverty and relative poverty.
According to the empirical findings relating to ($H_1$) which indicates that Akhuwat Islamic Microfinance Model (AIMM) has positive and significant impact on absolute poverty was accepted (Shafique & Siddique, 2020; Shahid et al., 2021; Rohman et al., 2021; Rashid & Ejaz, 2019; Maulana et al., 2018; Rohman et al., 2021; Benfica & Nin-Pratt, 2023; Silva Afonso & Khan, 2019). It means that borrowers of Akhuwat Microfinance who secured loan under the Akhuwat Islamic Microfinance Model (AIMM) successfully fulfill reducing absolute poverty in terms of fulfillment of their foods, clothes and shelter needs.

The findings support hypothesis ($H_2$) which indicates that Akhuwat Islamic Microfinance Model (AIMM) has significant and positive effect on moderate poverty is also accepted (Benfica & Nin-Pratt, 2023; Shah & Quin, 2023; Shahid et al., 2021; Luo et al., 2022; Jetin, 2019; Saha & Qin, 2023; Wan et al., 2021; Shafique & Siddique, 2020; Ben Salem & Ben Abdelkader, 2023; Lawhaishy & Othman, 2023; Zitouni & Jedidia, 2022; Maulana et al., 2018). It means that lending practices of Akhuwat Microfinance under the Akhuwat Islamic Microfinance Model (AIMM) providing loan without any interest and application charges, which enables the borrowers to reduce their moderate poverty by fulfilling the health, education, and utility (electricity & gas) requirements.

Lastly, empirical findings validating the ($H_3$) which supports the proposition that Akhuwat Islamic Microfinance Model (AIMM) has significant and positive impact on relative poverty (Shafique & Siddique, 2020; Shahid et al., 2021; Hassan et al., 2021; Alkhan & Hassan, 2021; Mohamed & Elgammal, 2023; Elsafi et al., 2020; Gupta & Sharma, 2023; Mahmood, 2019; Rashid & Kumar, 2023; Mohamed & Elgammal, 2023). It means provision of interest free loan along with the no application charges and free insurance under the Akhuwat Islamic Microfinance Model (AIMM) enables the borrowers to enhance their per capital income as compare to the others citizen. However, in the context of Pakistan, the role of Akhuwat Islamic Microfinance Model (AIMM) in the context of absolute poverty, moderate poverty and relative poverty is hardly investigated. Besides this Abraham Maslow's Hierarchy of Needs theory also applied in the context of Islamic Microfinance and types of poverty (absolute poverty, moderate poverty and relative poverty) which is also a unique contribution of this study in the context of Pakistan.

**Managerial Implications**

The study hypothesizes that the interest-free nature of Akhuwat loans will lead to increased income and entrepreneurship opportunities, potentially enabling beneficiaries to escape absolute poverty, moderate poverty and relative poverty. Moreover, it is expected that Akhuwat's Islamic Microfinance Model (AIMM) emphasis on asset-based financing will facilitate the accumulation of productive assets, thus reducing moderate poverty through enhanced economic security. In addition, the study explores whether the community-oriented approach of Akhuwat's Islamic Microfinance Model (AIMM) fosters social ties, shared resources, and improved access to services, thereby addressing relative poverty. The research findings will offer insights into the effectiveness of the Akhuwat model for poverty reduction and inform policymakers and practitioners about the potential of Islamic microfinance models in addressing diverse dimensions of poverty (absolute poverty, moderate poverty and relative poverty). Lastly, this research aims to contribute to the growing body of knowledge on Islamic microfinance and poverty reduction. By assessing the impact of the Akhuwat's Islamic Microfinance Model (AIMM) on absolute, moderate, and relative poverty, the study seeks to provide a comprehensive understanding of how this unique approach can contribute to the broader goal of sustainable development and poverty alleviation.
References


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