

## An Analysis of the Effect of Microfinance on Urban and Rural Households' Poverty in Iran

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### Abstract

Microfinance is an effort to alleviate poverty and improving the living conditions of low-income groups through the provision of micro-financial services. Hence, the present study investigates the effect of microfinance on the possibility of getting out of urban and rural households' poverty in Iran. For this purpose, firstly, based on the method of 66% of the average per capita household expenditure, the poverty line was calculated in general and provincial. Initial processing demonstrated that the amount of poor households among households with financial facilities is much lower than deprived households of these facilities. Finally, the model was estimated based on pseudo-panel data and random effects in logistic regression in a separate format throughout the country, urban and rural areas. The results show the reverse effect of financial facilities on the probability of households' poverty, while the size of the favorable effect of financing in urban areas is more than rural areas. Also, being male, the age and education level of a household's head has a reverse effect, and the square of the age of

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a households' head and the size of the household have a direct effect on the probability of poverty, while the favorable effect of education and age, and the unfavorable effect of household size on the probability of poverty in urban areas is more than rural areas.

**Keywords:** Microfinance; Pseudo- Panel Data; Poverty; Urban and Rural Areas.

**JEL Classification:** C23, G21, I32.

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