

CONTRIBUTION OF MICROFINANCE SERVICES ON POVERTY REDUCTION IN RWANDA

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ABSTRACT

The study entitled the role of microfinance service in alleviating poverty. It considered these objectives: to identify the accessibility of microfinance services, to assess the contribution of microfinance services in reducing poverty and to find out alternative solutions for challenges about microfinance services in alleviating poverty. Literature reveals that Microfinance provides savings accounts, loans, insurance and money transfers among others to customers that lack access to traditional financial services. The researcher used qualitative and quantitative approaches as the study was descriptive. The total population was 9263 in a period of 2015-2018 with a sample size of 98. Findings related to the objective one revealed that the number of clients who were committed to asking microcredit was increasing by 48.98%; 60.2%, 68.37% and 88.76% from 2015 to 2018. The second objective revealed that achievements were starting a small business with 89 respondents which were the main activity proposed by respondents; The third objective revealed various challenges in the process of poverty alleviation. My the conclusion, it is clear from the study area that microfinance contributed to poverty reduction. However, they are still facing some challenges and once they are mitigated with proposed strategies the poverty could be reduced at a high rate.

Keywords: Microfinance, Services, Poverty, Rwanda.

1.0 INTRODUCTION

Microfinance contributed greatly to poverty reduction since its initiation through its services mainly microcredit. In fact, microcredit is the extension of a very small loan (microloan) to impoverished borrowers who typically lack collateral, steady employment and verifiable

credit history. It is designed not only to support entrepreneurship and reduce poverty but also in many cases to empower people and uplift entire communities by an extension (Deborah,2002).

Microcredit is part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. As of 2012, microcredit is widely used in developing countries and is presented as having enormous potential as a tool for poverty reduction (Jason Cons Et al, 2008).

Globally, the origins of microcredit in its current practical incarnation can be linked to several organizations founded in Bangladesh, especially the Grameen Bank. The Grameen Bank, which is generally considered the first modern microcredit institution, was founded in 1983 by Muhammad Yunus(Bateman, Milford,2010). Yunus began the project in a small town called Jobra, using his own money to deliver small loans at low-interest rates to the rural poor. Grameen Bank was followed by organizations (Drake, 2002).

Microcredit reached Latin America with the establishment of microfinance in Bolivia in 1986; a bank that later transformed into the for-profit Banco Sol (Armendariz, Beatriz,2005). Microcredit quickly became a popular tool for economic development, with hundreds of institutions emerging throughout the third world(Bateman, Milford,2010). Though the Grameen Bank was formed initially as a non-profit organization dependent upon government subsidies, it later became a corporate entity and was renamed Grameen II in 2002(Drake, Deborah,2002). Muhammad Yunus was awarded the Nobel Peace Prize in 2006 for his work providing microcredit services to the poor(Nobel Prize, 2012).

Microcredit organizations were initially created as alternatives to the "loan-sharks" known to take advantage of clients (Bateman, Milford, 2010). Indeed, many microlenders began as non-profit organizations and operated with government funds or private subsidies. By the 1980s, however, the "financial systems approach," influenced by neoliberalism and propagated by the Harvard Institute for International Development, became the dominant ideology among microcredit organizations.

This has led to their charging higher interest rates on loans and placing more emphasis on savings programs((Bateman, Milford, 2010). The application of neoliberal economics to microcredit has generated much debate among scholars and development practitioners, with some claiming that microcredit bank directors, such as Muhammad Yunus, apply the practices of loan sharks for their personal enrichment (Drake, Deborah,2002). Indeed, the academic debate foreshadowed a Wall-street style scandal involving the Mexican microcredit organization Compartamos ((Bateman, Milford, 2010).

On the side of the African continent, it was seen that microfinance was very important and African countries implemented them, the East African community established microfinance to reduce poverty and Rwanda saw that it is important to integrate the micro finances to provide with microcredits to people and those microcredits help the community to raise their living standards as those microcredits help the Rwandan community to start small businesses.

Though lending to groups has long been a key part of microcredit, microcredit initially began with the principle of lending to individuals (Drake, Deborah, 2002). Despite the use of solidarity circles in 1970s Jobra, Grameen Bank and other early microcredit institutions initially focused on individual lending (Milford, 2010).

The impact of microcredit is a subject of much controversy. Proponents state that it reduces poverty through higher employment and higher incomes. This is expected to lead to improved nutrition and improved education of the borrowers' children. Some argue that microcredit empowers people in all community (Bateman, 2010).

Moreover, this survey will highlight a comprehensive model which integrates microfinance services into poverty reduction. A number of risk tools, improvements to be made by borrowers and a practical application of the model are presented in order to make possible the establishment and deployment of an effective strategy by the different micro finances which offer microcredit, so to ensure effective use of microcredit and eradication of poverty in Rwandan society particularly in the study area.

1.1 Problem Statement

Though microfinance contributes in reducing poverty; some people were yet found to remain in extreme poverty due to inadequate implementation of microfinance services or due to lack of support; In fact, in the mid-19th century, individualist anarchist Lysander Spooner talked about the benefits of numerous small loans for entrepreneurial activities to the poor as a way to reduce poverty (Spooner, Lysander, 1846). At about the same time, but independently to Spooner, Friedrich Wilhelm Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany (Deutscher Raiffeisenverband, the 1950s), Akhtar Hameed Khan began distributing group-oriented credit in East Pakistan. Khan used the Comilla Model, in which credit is distributed through community-based initiatives (Bateman, Milford, 2010). The project failed due to the over-involvement of the Pakistani government, and the hierarchies created within communities as certain members began to exert more control over loans than others (Bateman, 2010).

In many communities, people lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete the paperwork required to get conventional loans. As of 2009, an estimated 74 million people held microloans that totalled US\$38 billion. Grameen Bank reports that repayment success rates are between 95 and 98 per cent. (Frigo, Mark L. et Al, 2011). Critics argue, however, that microcredit has not had a positive impact on gender relationships, does not reduce poverty, has led many borrowers into a debt trap and constitutes a "privatization of welfare. (Gina Neff, 1996).

Rwanda's latest data release in 2011 shows enormous improvement in the living standards of citizens over the past five years, and progress towards the Millennium Development Goals (MDGs) - eight internationally-agreed goals aimed at reducing poverty and improving education, health, gender equality and environmental sustainability by 2015. Critics say that microcredit has not increased incomes, but has driven poor households into a debt trap, in some cases even leading to suicide. They add that the money from loans is often used for

durable consumer goods or consumption instead of being used for productive investments, that it fails to empower people in society, and that it has not improved health or education (Milford, 2010). So, this study was designed to highlight the importance of microfinance services in the reduction of poverty and to identify different challenges met in getting or using microcredit in the Rwandan community, particularly in the study area.

1.2 Objectives of the study

1. To identify the accessibility of microfinance services in Nyamasheke district.
2. To assess the contribution of microfinance services in reducing poverty in Nyamasheke district.
3. To find out alternative solutions for challenges which hinder the access of microfinance services in alleviating poverty in Nyamasheke district.

1.3 Research questions

1. At which level population access microfinance services in Nyamasheke district.?
2. What is the contribution of microfinance services in alleviating poverty in Nyamasheke district?
3. Which could be alternative solutions to challenges which hinder the access and effective use of microfinance services in reducing poverty in Nyamasheke district?

2.0 LITERATURE REVIEW

2.1 Definition of key concepts

2.1.1 Microfinance

According to Lami (2009) microfinance is the provision of financial services for the poor including savings, transfers, insurance and credit.

2.1.2 Microfinance services

Microfinance services is category of financial services targeted at individuals and small businesses who lack access to conventional banking and related services (Caramela,, 2018).

2.1.3 Microcredit

Microcredit could be defined as the supply of small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families (Grameen Bank, 2002).

2.1.4 Poverty reduction

According to (Owen Barder, 2009), poverty reduction is often used as a short-hand for promoting economic growth that will permanently lift as many people as possible over a poverty line.

2.1.5 Integration of microfinance in poverty reduction

Poverty is a complex phenomenon and its causes and effects are more complex process (Ismail, 2000). In every developing nation, the ongoing crucial issue is socio-economic development and poverty reduction.

"It is very difficult for the poor to get small working capital from the formal banking system for various reasons. Money makes money and when you got a little, it is often easy to get more. The great hardship is to get the little"(Adam Smith, 1976). Rodenbeck (1998) observed that it is an emerging agenda for development in the Middle East and North Africa to have access to credit.

As a developing country, Rwanda has been putting vigorous attempts towards achieving this goal. Micro-credit is considered as one of the vital tools for poverty reduction in a developing country, particularly in Rwanda.

2.1.6 Microcredit as a tool to the reduction of poverty

Since the 1970s, especially during the new wave of microfinance in the 1990s, microcredit has come to be seen as an important development policy and a poverty reduction tool. Some suggest (Littlefield et al., 2003; World Savings Bank Institute, 2010) that micro-credit is a key tool to achieve the Millennium Development Goals (MDGs). It is the most sensational anti-poverty tool for the poorest, especially for women (The Microcredit Summit, 1997), because only less than 10% of the adult populations in many Asian and African countries have a bank account. The success of micro-credit has captured the interest of many researchers in broad areas, for example, in the field of women's empowerment (Hashemi and Schuler, 1996; Goetz, Marie & Sengupta, 1996), sustainability and outreach, (McNamara and Morse, 1998; Sharma and Zeller, 1999), group-based lending, (Ghatak, 1999; Stiglitz, 1990; Varian, 1990) and poverty reduction. The assumption is that if one gives more micro-credit to poor people, poverty will be reduced, but evidence regarding such impact is challenging and controversial.

Based on the success stories (Montgomery et al. 1996) it is assumed that micro-credit is a pioneer in improving the standard of living and well-being of the borrowers by way of their level of consumption. Questions regarding impact of micro-credit on the welfare and income of the poor have therefore been raised many times (Copestake, 2002; Khandker, 2003; Rogaly, 1996). Despite various studies, the effectiveness and impact of microcredit programs on the poor are still highly in question" (Westover, 2008).

2.1.7 Impact of micro-credit provide by microfinance program on poverty reduction

Impact of micro-credit program on poverty reduction was measured by considering three dimensions: change in income, change in farm and household assets and change in living standard.

2.1.8 Change in income

Micro-credit respondents earned income by undertaking different productive activities utilizing credit received from microfinance.

Main sources of income could be used in raising crops, animal, fisheries, business and other livelihood activities (Sen, 1997)

2.1.9 Change in farm and household assets

Household assets include furniture, farm implements, poultry, livestock and electrical goods could change when microcredit was effectively offered and used in proper, and it could be justified by the change in a number of different assets at the household (Mohammed S. U. M., 2013).

2.1.10 Change in the standard of living

Standard of living includes sources of drinking water, toilet condition, Medicare, number of clothing per year and electricity consumption level. It was reviewed that this standard of living could change when microcredit are properly integrated into fighting against poverty (Lu W., 2013).

2.1.11 Challenges related to Microfinance services in poverty reduction

The administrative structures governing Microfinance institutions are commonly either fragile or rudimentary and often involve large transaction costs. A study by the Organisation for Economic Cooperation and Development (OECD), for example, found that many specialized agricultural institutions were not designed to serve as financial intermediaries. The success of financial intermediation at any time depends significantly on how efficiently the transaction is completed. If the transaction costs, combined with high-interest rates, require that the operation in question generate profit margins of the order of 30 to 50 per cent, it is not clear that this would be economically beneficial. It is not surprising that in many micro-lending operations, trading activity with quick turnover and large profit margins dominates (Johnson, S. & Ben R. 1997). At the same time, it is necessary to develop and strengthen microfinance institutions in order to sustain the provision of financial services to a growing number of low-income households, The crucial problem is that both approaches are usually not coordinated within an overall microfinance strategy.

3.0 RESEARCH METHODOLOGY

3.1 Research approaches

This research has two approaches including quantitative and qualitative.

- Quantitative approaches: In this approach, focuses on collecting and analyzing numerical data; it concentrates on measuring the scale, range, frequency etc... phenomena.
- Qualitative approach: In this approach, is more subjective in nature than quantitative and involves examining and reflecting on the less tangible aspects of a research subject, e.g. values, attitudes, perception.

3.2 Research Design

The research was descriptive and it was designed as the stage of social research where the researcher must decide on how to measure the two main variables in his or her hypothesis and what group of people could be used as subjects and what their particular characteristics should be and what circumstances the data could be gathered. Concerning this part of the study, the main research question was to find out the benefit of microfinance in reducing poverty in the study area.

3.3 Target population

The population is the total membership of a defined class of people, objects, or events. The population is the totality of persons, objects or events with which a study is concerned (Grinnell Jr.&Williams 1990). The researcher considered the target population which includes; members, and staff of Amizero Macuba SACCO operated in Macuba sector of Nymasheke District. The total target population is 9263 people including six staff.

3.4 Sampling procedures

The researcher used stratified random sampling to select the respondents. This design allows the population to have an equal chance of being selected in the different strata. The strata, in this case, are the different categories within the organization.

To get a sample size, the slovin's formula is calculated as follows

$$n = \frac{N}{1 + Ne^2}$$

Where;

N: Population size,

e: Level of precision equals to 10%

n: Sample size

e= Error tolerance=0.1

$$n = \frac{N}{1 + Ne^2} = \frac{9263}{1 + 9263(0.1)^2} \approx 98$$

The sample size used is equal to 98 respondents which are made by 92 customers and 6staff.

4.0 DATA INSTRUMENTS AND DATA COLLECTION PROCESS

Data for this research were collected through documentary sources, electronic search, observation, questionnaire and interview guide. The mentioned instruments were used in collecting two types of data including; primary data and secondary data.

While carrying out this research, each respondent was provided with a questionnaire and responded to the questions by giving his/her own ideas or argument to know information about how microfinance contributed in alleviating poverty; while the interview guide used in order to find out what the respondents do know, think or feel about some things asked

The research begins by studying documents, the review of related literature. The reason for this is mainly is to find out what has been done in a given area and plan the research in such a way that it contributes to the present state of knowledge. The study of documents becomes a method of data collection if the research is mainly based on the available documents.

In this research therefore, the researcher consulted both primary and secondary documents within or outside of the institution.

5.0 ANALYSIS

5.1 Distribution of respondents by sex

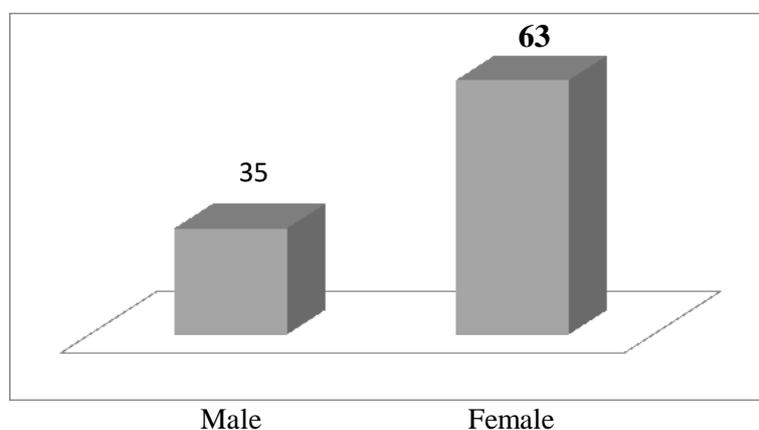
While carrying out this research, both sexes were considered to put into practice the policies and regulations of gender balance.

Table 1: Group of respondents by sex

Sex	Frequency	Percentages
Male	35	35.71
Female	63	64.29
Total	98	100

Table 1 and graph 1 highlight that among all respondents 35 who is 35.71% represent male and 63 who represent 64.29% are women.

Figure 1: Group of respondents by sex



The reason of selecting a high number of women was because they are used to be committed in small businesses and know much how to use microcredit and make huge benefit; hence they could provide more information about the contribution of microcredit in poverty eradication.

5.2 Distribution of respondents by age

Respondents also were selected by taking into account their ages to ensure reliable ideas about microcredit and poverty reduction.

Table 2: Group of respondents by age

Class of ages	Frequencies	Percentages
14-25	9	9.18
26-30	24	24.48
31-36	31	31.63
37-44	28	28.57
45-50	6	6.12
Total	98	100

Table 2 shows how the researcher considered different categories of age to make sure that all related information was collected by comparing the information in previous years and nowadays. The researcher considered the respondents between 14 to 50 years old. Between 14-25, there were 9.18% of respondents, between 26-30 it appears 24.48%, 31.63% were found between age of 31 and 36; 28.57% and 6.12% were found to have respectively between 37 – 44 and 45-50.

5.3 Distribution of respondents by marital status

Marital status was a considerable criterion while carrying out this research because it was found those respondents who have families know more about the role of microcredit in reducing poverty in the study.

Table 3: Group of respondents by marital status

Status	Frequency	Percentages
Single	5	5.10
Married	89	90.80
Divorced	0	0
Widower	5	5.10
Total	98	100

In fact, table 3 indicates that respondents who are married participated mostly in providing with information with 90.80%. On other hand, singles were considered some of them are entrepreneurs and they could provide with information; table 6 shows that singles

represent 5.10 %, widowers were found to be 5.10% and finally, there were no divorced found in the study area.

5.4 Distribution of respondents by education

Likely, while selecting sample size in this research, it was observed that respondents had not the same level of studies and the researcher preferred to classify them according to their education qualifications; because education skills also play a great role in requesting and effective use of microcredit to poverty reduction.

Table 4: Group of respondents by the level of education

Education	Frequency	Percentages
Illiterate	12	12.24
Primary	45	45.92
Secondary	34	34.69
University	7	7.15
Total	98	100

Referring to table 4; 12.24% who participated in this researcher was found to do not attend any class, 45.92 % were found to attend primary schools, as the study area locates in a rural area, most of the respondents who are 34.69% were found to attend secondary schools due to new program of 12-year basic education implementation and few of them who are 7.15% were found to attend universities.

Knowledge and level at which populations in the study area use microfinance services.

In the study area, respondents were found to have different attitudes about SACCO services. In any case, respondents were found to know about deposit service but they were found to be afraid of asking for micro-credits which help them to start small businesses to reduce poverty.

Table 5: Knowledge about microfinance services

Knowledge	Frequency	Percentages
High	92	93.88
Medium	4	4.08
Low	2	2.04
Total	98	100

Figure 2: Knowledge about microfinance services

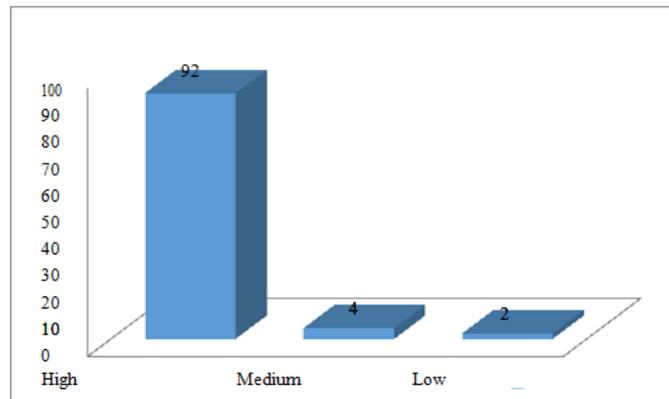


Table 6 and figure 2 highlight that among 98 respondents who were considered in the study area; 92 respondents who represent 93.88% have a high understanding on microfinance services, 4 respondents who were 4.08% had a medium understanding and 2.04% have no idea about what the microfinance was doing even if they were clients.

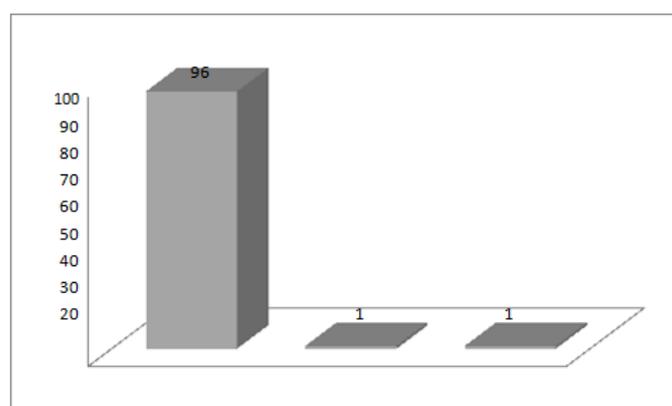
5.5 Knowledge of respondents about the importance of microcredit

Most of the respondents knew the importance of microfinance services in starting small businesses, but it was found that a small number of them is engaged in accessing or properly using the microfinance services to fight against the poverty. Referring to collected data the following table and figure show the attitude of respondents about knowledge of respondents about the importance of microcredit.

Table 6: Knowledge of respondents about the importance of microcredit

Knowledge	Frequency	Percentages
High	96	97.96
Medium	1	1.02
Low	1	1.02
Total	98	100

Figure 3: Knowledge of respondents about importance of microcredit



Referring to table 6 and figure 3, 96 respondents who are 97.96% had a high understanding about the importance of microfinance services in starting small businesses in alleviating poverty, 1.02% were reported to have a medium and low understanding about the involvement of microcredit in alleviating poverty in the study area.

5.6 Clients access to microcredit in Microfinance

This study assessed the number of clients who were able to get microcredit in study period to be able to evaluate the level of microcredit access among the population living in the study area.

Table 7: Clients access microcredit

Year	Frequency(customers who accessed microcredit)	Percentages
2015	46 among 98	48.98
2016	59 among 98	60.20
2017	67 among 98	68.37
2018	87 among 98	88.76

In table 7, it is obvious that the number of clients who were committed to asking microcredit was increasing as in 2015 that number was 46 among the sample size of 98 which represent 48.98%; in 2016 the number raised on 60.2% of the selected sample size and in 2017, 2018 the number become respectively 67 and 87 which represent 68.37% and 88.76%. It is clear that the number of clients who are committed to requesting microcredit continue increasing due to sensitization from the government; however, the problem remains in using the microcredit to fight against poverty till its eradication.

5.7 Amount of loan accessed by customers in 2015

The customers reported that they do not get the equal amount of loan depending on their savings, collateral and other related reasons and they were not well committed in asking microcredit referring to next years.

Table 8: Amount of loan accessed in 2015

Amount	Number of respondents	Percentages
50,000Frw	45	45.92
100,000Frw	34	34.69
200,000Frw	15	15.31
300,000Frw and above	4	4.08
Total	98	100

Figure 4: Amount of loan accessed in 2015

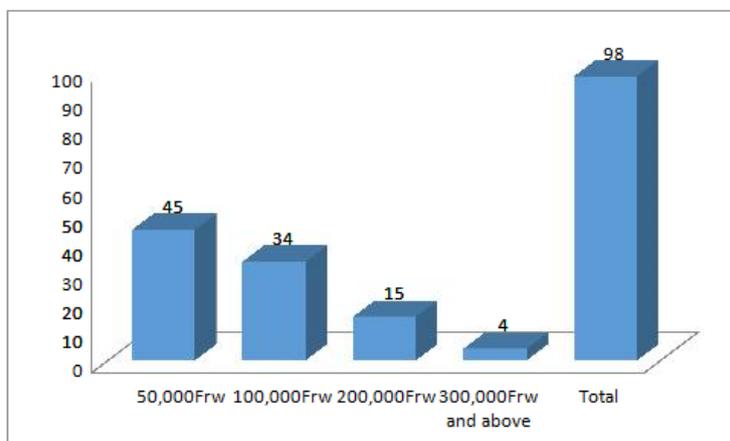


Table 8 and figure 4 shows that the respondents’ categories allowing to the size of loan given to them. It was found that below 50% of respondents were on the level of 50,000Frw and 100,000Frw. This shows that the people were not aware of microcredit importance and many of them were afraid of requesting a high amount of loan but indeed local people were poor and had no collateral to access microcredits.

5.8 Amount of loan accessed in 2016

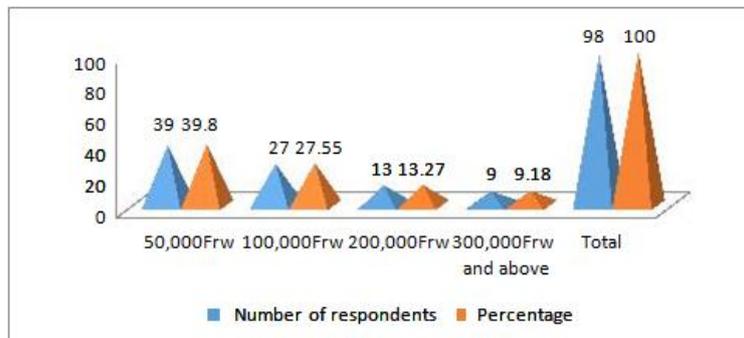
The customers reported that they do not get the equal amount of loan depending on their savings, collateral and other related reasons.

Table 9: Amount of loan accessed in 2016

Amount	Number of respondents	Percentage
50,000Frw	39	39.80
100,000Frw	27	27.55
200,000Frw	13	13.27
300,000Frw and above	9	9.18
Total	98	100

Table 9 and figure 4 shows that respondents categories allowing to the size of loan given to them. Respondents who accessed 50000 Rwf were 39.8%, customers who got microcredit of 100000 Rwf were 27.55%, customers with 200000 Rwf were 13.27%; 9.18% of clients were accessing 300000Rwf in 2015. It was found customers who request high amount were increasing as above 50% of respondents were on the level of 50,000Frw and 100,000Frw. This shows that the microfinance giving the loan according to the plan of small business means that small size of amount to the applicants justified the poor people who want to start a small business.

Figure 5: Amount of loan accessed in 2016



5.9 Amount of loan accessed in 2017

The customers reported that they do not get the equal amount of loan depending on their savings, collateral and other related reasons.

Table 10: Amount of loan accessed in 2017

Amount	Number of respondents	Percentage
50,000Frw	25	25.51
100,000Frw	20	20.41
200,000Frw	42	42.86
300,000Frw and above	11	11.22
Total	98	100

Figure 6: Amount of loan accessed in 2017

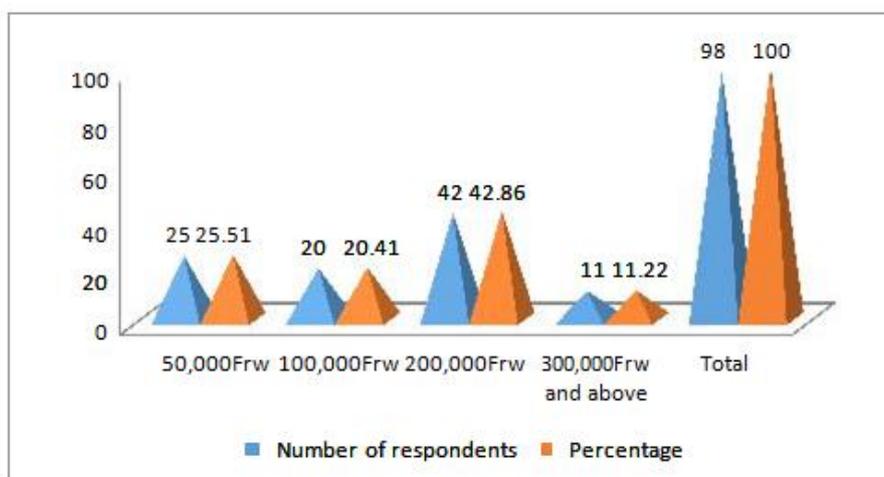


Table 10 and figure 6 shows the amount accessed by a given number of respondents referring to required conditions. Respondents who accessed 50000 Rwf were 25.5%, customers who

got microcredit of 100000 Rwf were 20.41%, customers with 200000 Rwf were 42.86%; 11.12% of clients were accessing 300000Rwf in 2016. It was found customers who request high amount were increasing as above 50% of respondents were on the level of 200000Frw, 300000Frw and above.

5.10 Amount of loan accessed in 2018

The customers reported that they do not get the equal amount of loan depending on their savings, collateral and other related reasons.

Table 11: Amount of loan accessed in 2018

Amount	Number of respondents	Percentage
50,000Frw	20	20.41
100,000Frw	15	15.31
200,000Frw	43	43.87
300,000Frw and above	20	20.41
Total	98	100

Figure 7: Amount of loan accessed in 2019

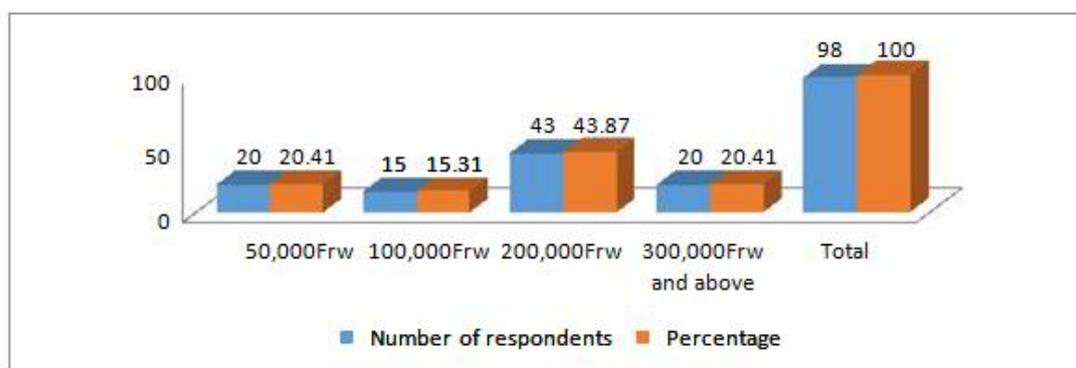


Table 11 and figure 7 indicate the level of amount accessed by a given number of respondents referring to required conditions. Respondents who accessed 50000 Rwf were 20.41%, customers who got microcredit of 100000 Rwf were 15.31%, customers with 200000 Rwf were 43.87%; 20.41% of clients were accessing 300000Rwf in 2016. It was found customers who request high amount were increasing as above 50% of respondents were on the level of 200000Frw, 300000Frw and above.

5.11 Payback period

The researcher was interested in assessing the period in which customers payback the requested microcredit to know whether this case could be a challenge for local people to request microcredit which could help them to reduce poverty.

Table 12: The payback period of AMIZERO MACUBA SACCO loan

Payback period	Frequencies	Percentage
Below 1 month	14	14.28
Between 1-3 months	18	18.37
Between 3-6 months	48	48.98
Between 6-12 months	19	19.37
Total	98	100

Figure 8: The payback period of the loan

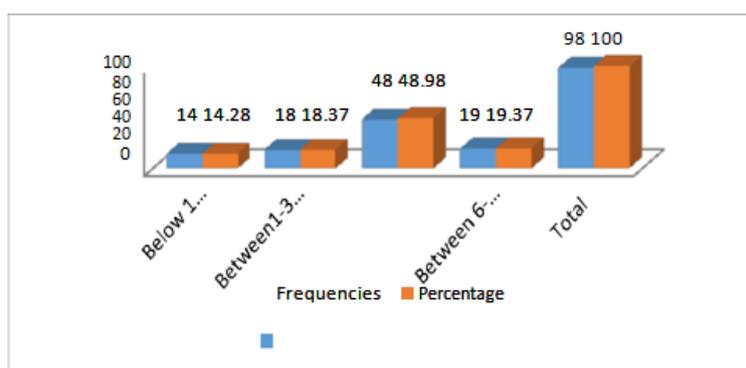


Table 12 and figure 8 show that the payback periods of loans given to clients are always different depending on the size of the loan, the use of loan and the contract between the microfinance and the applicant. The minimum period is two times in a month and the maximum period is 1 year equivalent to 12 months. The majority of respondents' clients were found in the range of 3 months and 6 months with 48%.

5.12 Respondents and interest payment

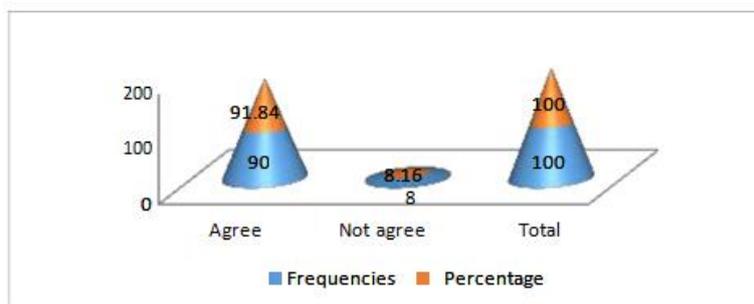
Respondents reacted about the interest rate while they are accessing and using microcredit.

Table 13: Respondents agreement on interest payment

Category	Frequencies	Percentage
Agree	90	91.84
Not agree	8	8.16
Total	98	100

Source: Primary data, August, 2019

Figure 9: Respondents agreement on interest payment



According to table 13 and figure 9, out of all respondents, 91.84% responded that are agree with the interest rate charged while 8.16% answered that they were not happy with the interest charged and they need to decrease the rate of the interest rate.

5.13 Usage level of microcredit service

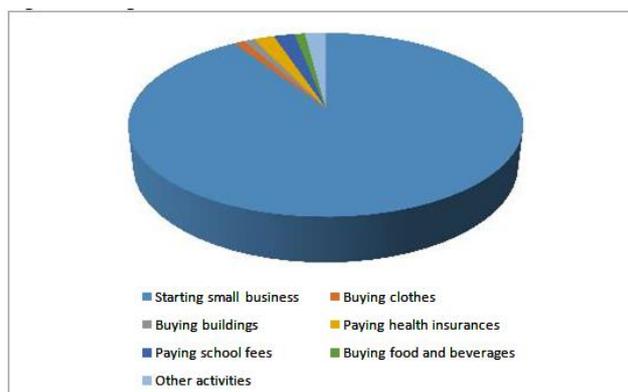
Respondents were found to start different activities use the provided microcredit by microfinance but it was found that some of the clients misuse the microcredit and they could not reduce the poverty in their household.

Among the use of provided microcredit, the following were found in the study area; starting a small business, buying clothes, buying buildings, paying health insurances, paying school fees, buying food and beverages as well as other related activities.

Table 14: Uses level of microcredit service

Use	Frequency	Percentage
Starting small business	89	90.82
Buying clothes	1	1.02
Buying buildings	1	1.02
Paying health insurances	2	2.04
Paying school fees	2	2.04
Buying food and beverages	1	1.02
Other activities	2	2.04
Total	98	100

Figure 10: Usage level of microcredit service



The table 14 and figure 10 show different achievements in which customers had realized as regards start-up in small business with 90.82% of respondents which was the main activity proposed by respondents while requesting microcredit to reduce poverty, 1.02% of respondents were found to buy part of microcredit to buy clothes, 1.002% of respondent said that one part of microcredit while buying buildings, 2.04% Of respondents showed that some amount is used to pay health insurances, also 2.04% of respondents pointed out that another amount is used to pay school fees, while this study some cases were reported by 1.02% of respondents to misuse some amount of microcredit for buying food and beverages as well as other related activities were reported at 2.04%.

5.14 Types of small businesses available in the study area from microcredit

The respondents showed several small businesses after getting microcredit but the main reported were: small trade, production, services, hand-craft, agriculture and other activities which request a small amount of money to start.

Table 15: Types of small businesses available in the study area from microcredit

Sector	Frequencies	Percentage
Trade	15	15.31
Production	3	3.06
Services	14	14.28
Hand-craft	18	18.36
Agriculture	32	32.65
Other	16	16.32
Total	98	100

Table 15 highlights that small businesses which were from microcredit offering include; small trade which was reported by 15.31% of respondents, 3.06 % of respondents said that production is one of those small businesses, services were pointed out by 14.28% of respondents, 18.36 Of respondents revealed hand-craft a small business, agriculture and other activities were reported by 32.65 and 16.32% respondents respectively.

5.15 Achievements of customers from AMIZERO MACUBA SACCO microcredit offering

The respondents showed different benefits in which they gain from small businesses supported by AMIZERO MACUBA SACCO microcredit

Table 16 shows that the benefits from AMIZERO MACUBA SACCO loan used in different activities. Among them are; to pay school fees for children, buying home materials, to get employment facilities to the family and mostly in others like to pay health insurance and buying domestic animals.

Table 16: The main achievements of AMIZERO MACUBA SACCO to the respondents

Responses	Frequencies	Percentage
School fees for children	---	84.69
Repair house	16 on 98	16.33
Buying home materials	97 on 98	98.9
Employment facilities to the family	63 on 98	64.28
Opening bank account	4 on 98	4.08
Others	92 on 98	93.8

5.16 Contribution (Level) at which AMIZERO MACUBA SACCO reduced poverty

Microcredit was found to contribute greatly to reducing poverty since respondents in the study area were found to start different activities and they reached different achievements.

The researcher evaluated the number of respondents who have at least raised their standards of living by using microcredit; actually the researcher classified respondents into three categories; high, medium and low level.

Table 17: Level at which level poverty was reduced due to microcredit

Level	Frequencies	Percentage
High	74	75.51
Medium	23	23.47
Low	1	1.02
Total	98	100

Table17 shows that the level at which poverty was reduced in the study area at high level of 75.51%, at the medium level at 23.47% and at a low level at 1.02%. Actually, the living conditions of the population in the study area were not at the interesting level because they could not get basic capital to start their own small business but after microfinance was implemented and allow to poor people to get microcredit; the people in study area started to request for microcredit and use it to change their living conditions by reducing poverty in their families.

5.17 Institutional Challenges related to microcredit service

Microfinance faces several challenges in offering services effectively but in the study area, main challenges were reported including long time of payment which could lead to bankrupt of microfinance, lack technology access, lack training of worker, clients who do not pay back microcredit. As a matter of clarification, findings here were revealed by Amizero SACCO staff.

Table 18: Institutional Challenges related to microcredit service

Challenge	Frequency	Percentage
Time of payment	1	16.67
Lack of technology	1	16.67
Lack of training	3	50
Irresponsible clients	1	16.67
Total	6	100

Figure 11: Institutional Challenges related to microcredit service

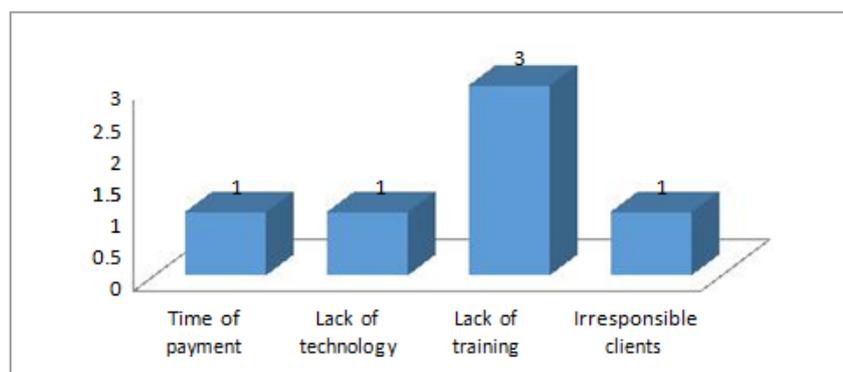


Table 18 and figure 11 show that challenges to, microfinance is a long time of payment reported at 16.67% which could lead to bankrupt of microfinance, lack technology access at 16.67%, lack training of worker at 50%, clients who do not pay back microcredit at 16.67%.

5.18 Challenges met in accessing and using microcredit from microfinance for customers

Actually, as customers are the main beneficiaries of microcredit they are the main to have great challenges. Several challenges were reported including; small time of paying microcredit, uncomfortable interest rate, lack of confidence of requesting microcredit, misuse of microcredit, insurance, taxes for started businesses, lack of requirements, collateral and other related.

Table 19: Challenges met in accessing and using microcredit for microfinance for customers

Challenges	Frequency	Percentage
Time to pay microcredit	15	15.30
Uncomfortable interest rate	20	20.40
Lack of confidence	16	16.32
Collateral	35	35.71
Misuse of microcredit	7	7.14
Insurance	2	2.04
Taxes	8	8.16
Lack of requirement	4	4.08
Other	1	1.02
Total	98	100

Table 19 indicates different challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those challenges the following were summarized with the frequency of respondents who made remarks on those challenges; small time of paying microcredit (15.3%0), uncomfortable interest rate(20.40%), lack of confidence of requesting microcredit (16.32%), misuse of microcredit (7.14%), insurance (2.04%), taxes for started businesses (8.16%), lack of requirements (4.08%), collateral (35.71%) and other related (1.02%).

5.19 Proposed solutions to the challenges

Putting into consideration the challenges the respondents proposed these solutions; to hire professionals and to reduce the interest rate.

Table 20: Proposed solutions to the challenges

Solutions	Frequency	Percentage
Increase the time to pay microcredit	15	15.30
Minimize interest rate	20	20.40
Training customers about the role of entrepreneurship	16	16.32
Sensitization about the role of business development fund	35	35.7
Training about use of microcredit	7	7.14
Providing insurance	2	2.04
Minimize taxes	8	8.16
Request easy requirements	4	4.08
Other	1	1.02
Total	98	100

Table 20 indicates different solutions were proposed to challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those solutions, the following were summarized with the frequency of respondents who made remarks on those challenges; increase the time of paying microcredit (15.3%0), reduce the interest rate(20.40%), provide training to customers about role of entrepreneurship (16.32%), provide training about the use of microcredit (7.14%), provide insurance (2.04%), reduce taxes for started businesses (8.16%), ask easy requirements (4.08%), provide sensitization about use of BDF (35.71%) and other related (1.02%).

6.0 DISCUSSION OF FINDINGS

6.1 Accessibility of microfinance services

In table 7, it is obvious that the number of clients who were committed to applying microcredit was increasing as in 2015 that number was 46 among the sample size of 98 which represent 48.98%; in 2016 the number raised on 60.2% of the selected sample size and in 2017, 2018 the number become respectively 67 and 87 which represent 68.37% and 88.76%. It is clear that the number of clients who are committed to requesting microcredit continues increasing due to sensitization from the government; however, the problem remains in using the microcredit to fight against poverty till its eradication. Obviously, along the period of the

study, the number of people who were committed to accessing microcredit was increasing due to sensitization from the government about the importance of microcredit.

6.2 Use of microfinance services and their contribution

The table 14 and figure 10 show different achievements in which customers including; starting a small business with 89 respondents which was the main activity proposed by respondents while requesting microcredit to reduce poverty, 1 respondent was found to buy part of microcredit to buy clothes, 1 respondent said that one part of microcredit while buying buildings, 2 respondents showed that some amount is used to pay health insurances, also 2 respondents pointed out that another amount is used to pay school fees, while this study some cases were reported by 1 respondent to misuse some amount of microcredit for buying food and beverages as well as other related activities. Micro-credit increased income and savings, improved health/nutrition knowledge and practice, as it has empowered people to reduce poverty.

6.3 Challenges which hinder the access and effective use of microcredit in reducing poverty.

Actually, as customers are the main beneficiaries of microcredit they are the main to have great challenges. Several challenges were reported including; small time of paying microcredit, uncomfortable interest rate, lack of confidence of requesting microcredit, misuse of microcredit, insurance, taxes for started businesses, lack of requirements, collateral and other related.

Table 19 indicates different challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those challenges the following were summarized with the frequency of respondents who made remarks on those challenges; small time of paying microcredit (15.3%0), uncomfortable interest rate(20.40%), lack of confidence of requesting microcredit (16.32%), misuse of microcredit (7.14%), insurance (2.04%), taxes for started businesses (8.16%), lack of requirements (4.08%), collateral (35.71%) and other related (1.02%). But in respect of control group members, no considerable change took place in their income. It may be due to unavailability of money for the initial investment or perhaps misused the workable time.

6.4 Proposed solutions to challenges

Table 20 indicates different solutions were proposed to challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those solutions, the following were summarized with the frequency of respondents who made remarks on those challenges; increase the time of paying microcredit (15.3%0), reduce the interest rate(20.40%), provide training to customers about role of entrepreneurship (16.32%), provide training about the use of microcredit (7.14%), provide insurance (2.04%), reduce taxes for started businesses (8.16%), ask easy requirements (4.08%), provide sensitization about use of BDF (35.71%) and other related (1.02%).

7.0 SUMMARY

Referring to the first objective, table 7 and figure 5, it is obvious that the number of clients who were committed to asking microcredit was increasing as in 2015 that number was 46 among the sample size of 98 which represent 48.98%; in 2016 the number raised on 60.2% of the selected sample size and in 2017, 2018 the number become respectively 67 and 87 which represent 68.37% and 88.76%. It is clear that the number of clients who are committed to requesting microcredit continues increasing due to sensitization from the government; however, the problem remains in using the microcredit to fight against poverty till its eradication.

Obviously, along the period of the study, the number of people who were committed to accessing microcredit was increasing due to sensitization from the government about the importance of microcredit.

Secondly, table 15 and figure 12 show different achievements in which customers including; starting a small business with 89 respondents which was the main activity proposed by respondents while requesting microcredit to reduce poverty, 1 respondent was found to buy part of microcredit to buy clothes, 1 respondent said that one part of microcredit while buying buildings, 2 respondents showed that some amount is used to pay health insurances, also 2 respondents pointed out that another amount is used to pay school fees, while this study some cases were reported by 1 respondent to misuse some amount of microcredit for buying food and beverages as well as other related activities.

For the third objective showed how microfinance contributed in raising living conditions of the population in the study area were not at the interesting level because they could not get basic capital to start their own small business but after microfinance was implemented and allow to poor people to get microcredit; the people in study area started to request for microcredit and use it to change their living conditions by reducing poverty in their families.

The fourth objective was shown in table 21 indicates different challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those challenges the following were summarized with the frequency of respondents who made remarks on those challenges; small time of paying microcredit (15.3%0), uncomfortable interest rate(20.40%), lack of confidence of requesting microcredit (16.32%), misuse of microcredit (7.14%), insurance (2.04%), taxes for started businesses (8.16%), lack of requirements (4.08%), collateral (35.71%) and other related (1.02%).

Referring to the findings it was seen that microcredit contributed greatly in alleviating poverty by some challenges still exist and they have to be reduced but the researcher provided the suggestions gathered from respondents.

8.0 CONCLUSION

It is generally perceived that microfinance helps to improve the socio-economic status of poor people. Accordingly, this program increased the economic status of the credit recipients and also increased the farm and household assets. The involvement in the credit program had a positive impact on different dimensions of the participants' standard of living. Majority of the respondents appear to upscale their poverty situation by properly utilizing the credit

received. This implies that there is a positive relationship between poverty reduction and access to micro-credit, i.e., after taking loan poverty level of the participants decreased significantly, whereas in respect of control group members, the poverty level remained almost unchanged. A sample of 98 respondents was selected using the appropriate formula and they received questionnaires to give their views and opinion about what was been researched into. Afterwards gathered ideas were analyzed, interpreted and finally discussed.

Referring to the first objective, table 6 and figure 5, it is obvious that the number of clients who were committed to asking microcredit was increasing as in 2015 that number was 46 among the sample size of 98 which represent 48.98%; in 2016 the number raised on 60.2% of the selected sample size and in 2017, 2018 the number become respectively 67 and 87 which represent 68.37% and 88.76%. It is clear that the number of clients who are committed to requesting microcredit continues increasing due to sensitization from the government; however, the problem remains in using the microcredit to fight against poverty till its eradication.

Obviously, along the period of the study, the number of people who were committed to accessing microcredit was increasing due to sensitization from the government about the importance of microcredit.

Secondly, table 16 and figure 15 show different achievements in which including; starting a small business with 89 respondents which was the main activity proposed by respondents while requesting microcredit to reduce poverty, 1 respondent was found to buy part of microcredit to buy clothes, 1 respondent said that one part of microcredit while buying buildings, 2 respondents showed that some amount is used to pay health insurances, also 2 respondents pointed out that another amount is used to pay school fees, while this study some cases were reported by 1 respondent to misuse some amount of microcredit for buying food and beverages as well as other related activities.

For third objective showed how microfinance services contributed in raising living conditions of the population in the study area were not at the interesting level because they could not get basic capital to start their own small business but after microfinance was implemented and allow to poor people to get microcredit; the people in study area started to request for microcredit and use it to change their living conditions by reducing poverty in their families.

The fourth objective was shown in table 19 indicates different challenges met by the customer in requesting and using microcredit and these challenges could hinder the target of reduction of poverty. Among those challenges the following were summarized with the frequency of respondents who made remarks on those challenges; small time of paying microcredit (15.3%0), uncomfortable interest rate(20.40%), lack of confidence of requesting microcredit (16.32%), misuse of microcredit (7.14%), insurance (2.04%), taxes for started businesses (8.16%), lack of requirements (4.08%), collateral (35.71%) and other related (1.02%).

Finally, it is claimed that in addition to poverty reduction, microcredit has a salutary impact on family wellbeing through its influence on the pattern of household consumption. It is argued that microcredit, which creates economic opportunities, helps alter the household power dynamics, improves the woman's agency to make family decisions and tilts household

consumption more toward family goods that improve health, nutrition, and educational outcomes.

9.0 RECOMMENDATIONS

9.1 To government

Taking into account the findings of this study the researcher, recommended to the government that microfinance should be strengthened so that they could be able to offer a high amount of microcredit without a high-interest rate and without asking for collateral.

9.2 To microfinance

Microfinance should provide enough training to their workers so that they could be able to provide with their customers with advice to request for microcredit and use them in a good way.

9.3 To customers

Customers should be committed in asking for microcredit and use them to produce other money and not misuse microcredit.

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QUESTIONNAIRE AND INTERVIEW GUIDE

Appendix 1: Questionnaire

I. INSTRUCTIONS:

Read all the questions carefully before answering.

Put a cross (x) in the box corresponding to your point of view and justify clearly and concise answer where necessary.

II. RESPONDENT IDENTIFICATION

1. Category of respondents Workers

Customers

2. Gender: -

Male

Female

3. Age

Between 14 and 25 years old

Between 26 and 30 years old

Between 31 and 36 years old

Between 31 and 36 years old

Between 37 and 44 years old

Between 45 and 50 years old

4. Level of education

Illiterate

Primary

Secondary

University

5. Marital status

Single

Married

Widows

Widowers

Divorced

III. QUESTIONS

PART ONE: INTERVIEW GUIDE

1. At which extent do you know about microfinance services?

- a) High
- b) Medium
- c) Low

2. At which extent do you access microfinance services?

- a) High
- b) Medium
- c) Low

3. How many clients did access microcredits in your institution?

4. What kind of small business do you practice in your daily life?

5. What is the source of the money which helps you in doing that business?

6. Do you involve in saving your money in one of surrounding microfinance?

7. Do you see microfinance helpful in your business?

8. Which reason did you choose to be a client of that microfinance?

Near me

Source of income

Getting microcredit

Saving

9. Do you ask for microcredit in your nearby microfinance?

Yes

No

10. At which extent do you get microcredit to improve your business?

High

Medium

Low

11. Which project did plan to access the microcredit?

Modern cultivation

Modern livestock

Rehabilitation of house

Built a house

Large commerce

School fees

Easy transport

Fine arts (hand, craft)

12. How many years did you start using microcredit in your business?

Less than one year

Two years

Three years

Four years

Five years

More than five years

13. How much do you get as income from your business?

Less than 100,000 Rwf

Between of 100,000 and 500,000Rwf

More than 500,000 Rwf

14. Do you see microcredit improving your business?

Yes

No

15. How do you see the interest rate of microcredit comparing to the profit you get?

Very high

High

Low

Compatible

16. What is your improvement change in your family after being a client of microfinance?

Able to pay insurance of health (mutual de santé)

To pay school fees

Build a house

Access on food

Purchase of farm

Others

16. How many clients did your institution offer microcredit?

17. Which challenges do you face in getting microcredit?

18. Which alternative solutions could be implanted to ensure effective microcredit delivery?

PART TWO: INTERVIEW GUIDE

1. At which level population access microfinance services and how microfinance services are used in the study area?
2. What is the contribution of microfinance services in alleviating poverty in the study area?
3. Which could be alternative solutions to challenges which hinder the access and effective use of microfinance services in reducing poverty?