Microfinance Accessibility in the River Nile State, Sudan

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A thesis Submitted in Partial Fulfillment for the Requirements of the
Degree of Master of Science in Agricultural Economics

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February 2010
DEDICATION

For those who are everything I have, my wife, kids, mother and my brothers. The dedications extend to my friends, directors and companions in work, and my professors.
ACKNOWLEDGEMENTS

First of all, I am grateful to Allah, who helped me and gave me health, strength and power to complete this study. Sincere indebtedness and deep thanks are extending to my supervisor Dr. Abubakr I. Mohamed Hussein for his patience, and valuable unlimited assistance and support. Appreciation is extending to Ministry of Social Affairs, Ministry of Agriculture and all Banks operating in River Nile State for their co-operation in compiling the study's information. My limitless thanks, to General Secretary of the Democratic Unionist Party, Ms. Rania and Mr. Abdalrhman for their keen assistance and to every body assisted in away or another.
ABSTRACT

This study was conducted in July 2009 in the River Nile State, particularly in ED-Damer and Atbara localities in order to assess microfinance accessibility for the segments of the low-income and poor people in the State. The study relied on primary and secondary data. Primary data were collected through a questionnaire involving 59 clients who applied to formal funding bodies in order to obtain microfinance announced by the state in 2008 for development and alleviating poverty. The sample was chosen randomly. Secondary information was collected from the Supreme Council of Microfinance in the State, Ministry of Agriculture and Animal wealth and irrigation, Ministry of Social Affairs and banks in the State.

Descriptive statistics and quantitative data analysis were carried out by the statistical packages of social science (SPSS). The results revealed that microfinance is vital for the State which has scarce resources; the access to microfinance is still very weak, especially for rural women and the poor rural population in general. Moreover there were many difficulties preventing the poor from access to microfinance represented by small amount of supply, guarantees, safeguards, conditions of credit, and provision of documents required for financing, due to liquidity constraints.

The study showed that the rate of accessibility, according to the Family Bank information was very low, (about 3.9 %). But despite of these difficulties there are great benefits from microfinance presented in financing about ten thousand citizens and gave them a real opportunity to invest their resources. Finally the study provided recommendations to overcome the difficulties of access to microfinance, such as revising the guarantees and adoption of alternative non-traditional guarantees, and facilitating the conditions of granting and provision of documents, and encourage many financial institutions in the State to patch the roof of microfinance, and stimulate new microfinance institutions to enter the field of microfinance in the state by introducing supportive and stimulating legislations.
مستخلص الطروحه

اجريت هذه الدراسة في ولاية نهر النيل بمحلبي الدامر وعطربة في يوليو 2009 وذلك بهدف التعرف على امكانية الحصول على التمويل الاصغر بالنسبة للشريان ذات الدخل المحدود والفقراء بالولاية. اعتمدت الدراسة على نوعين من مصادر المعلومات. المصادر الأولية والمصادر الثانوية. جمعت المعلومات الأولية عن طريق استبيان عدد 59 عملياً تقدموا لجهات التمويل الرسمية بهدف الحصول على التمويل الاصغر الذي اعثرته الولاية في العام 2008 من اجل التنمية وتخفيف حدة الفقر، واختيرت العينة عشوائياً. جمعت المعلومات الثانوية من المجلس الاعلي لتمويل الاصغر بالولاية، وزارة الزراعة والتنزئة الحيوانية والري، وزارة الشئون الاجتماعية، والقطاع المصرفي في الولاية. تم استخدام برنامج التحليل الاحصائي للعلوم الاجتماعية للتحليل الوصفي. أظهرت نتائج الدراسة ان مشروع التمويل الاصغر موضوع حيوي ومهم جداً للسكان في الولاية شحنة المواد، وامكانية الحصول على التمويل الاصغر ما زالت ضعيفة جداً بالنسبة للمرأة الريفية وسكان الريف عموماً. كما دلت النتائج على ان هناك مصاعبات عديدة تمنع الفقراء من الحصول على التمويل الاصغر ممثلة في قلة العرض، والضمانات، وشروط منح التمويل، واستخراج المصدقات المطلوبة للتمويل، وإيضاً شح المبولة لدى الفقراء التي تمنع الفقراء من استخراج المصدقات ومن ثم عدم الحصول على التمويل الاصغر. أظهرت الدراسة ان نسبة الحصول على التمويل من خلال مصادر البنك الزراعي هي 3.9% ولكن رغم ذلك هناك ايجابيات لتوفير الاصغر بالولاية تمثلت في تمويل ما يقارب من عشرة ألاف مواطن بالولاية اعتماد التمويل الاصغر في بطريقة حقيقية لاستثمار مواردهم. اخيراً قدمت الدراسة بعض التوصيات للانطلاق الصعوبات التي تكبدت عملية الحصول على التمويل الاصغر بالولاية مثل مراجعة الضمانات، واعتماد ضمانات بنكية غير تقليدية، وتيسير شروط المنح واستخراج المصدقات، وتشجيع مؤسسات التمويل في الولاية لرفع سقف التمويل الاصغر، وتحفيز مؤسسات جديدة وذلك بوضع تشريعات داعمة لبرنامج التمويل الاصغر بالولاية ومحفزة للمؤسسات العامة في مجال التمويل الاصغر، والمؤسسات التي ترغب في ذلك.
LIST OF CONTENTS

TITLE........................................................................................................................................ PAGE
DEDICATION..........................................................................................................................ii
ACKNOWLEDGEMENTS.........................................................................................................iii
ABSTRACT..................................................................................................................................iv
ARABIC ABSTRACT................................................................................................................v
LIST OF CONTENTS..................................................................................................................vi
LIST OF TABLES......................................................................................................................x
LIST OF FIGURES...................................................................................................................xi
ACRONYMS.............................................................................................................................xii

CHAPTER ONE: INTRODUCTION...........................................................................................1
1.1 Overview..............................................................................................................................1
1.2 Sudan and poverty..............................................................................................................1
1.3 Microfinance in Sudan......................................................................................................2
1.4 Microfinance is an important tool for poverty alleviation.............................................2
1.5 Problem statement and justifications............................................................................3
1.6 Objectives of the study....................................................................................................5
1.7 Hypotheses of the study...................................................................................................5
1.8 Methodology of the study...............................................................................................5
1.8.1 Primary data..................................................................................................................5
1.8.2 Secondary data..............................................................................................................6
1.9 Organization of the study...............................................................................................6

CHAPTER TWO: LITERATURE REVIEW..............................................................................7
2.1 Introduction.........................................................................................................................7
2.2 Micro-facts. Data snapshots on microfinance...............................................................10
2.3 Microfinance definition..................................................................................................14
2.4 Microfinance principle....................................................................................................18
2.5 Microfinance Access, supply, and demand.................................................................22
2.5.1 Informal financial service provider...........................................................................24
2.5.2 Member-owned organizations..................................................................................25
2.5.3 NGOs.........................................................................................................................25
2.5.4 Formal financial institutions....................................................................................25
2.6 Microfinance as a tool of poverty alleviation...............................................................28
2.6.1 Household income....................................................................................................28
2.6.2 Assess building..........................................................................................................28
2.6.3 Reducing vulnerability .................................................................29
2.6.4 Empowering women .................................................................29
2.6.5 Reducing poverty ........................................................................30
2.6.6 Eradicate extreme poverty and hunger .........................................31
2.6.7 Achieve universal primary education ...........................................31
2.6.8 Promote gender equality and empower women .............................31
2.6.9 Reduce child mortality and improve maternal health ....................31
2.6.10 Develop a global partnership for development ............................32

2.7 UNCDF .........................................................................................34

2.8 The government role in supporting microfinance ..............................35

2.9 Islamic microfinance ......................................................................35

2.10 Microfinance in Sudan ...................................................................36

2.10.1 Sudan microfinance development facilities background .............38
2.10.2 Microfinance Unit. Central Bank of Sudan ................................39
2.10.3 Bases of strategy ......................................................................39
2.10.4 Microfinance sector background ................................................40
2.10.5 Microfinance in southern Sudan ................................................43
2.10.6 Microfinance challenges ............................................................43
2.10.7 Opportunities of success ............................................................45

CHAPTER THREE: RIVER NILE STATE AND MICRO-FINANCE PERFORMANCE .................................................................................................................47

3.1 Background ..................................................................................47
3.2 Agriculture in the River Nile State ..................................................48
3.3 Microfinance in River Nile State ......................................................50

3.3.1 Overview ..................................................................................50
3.3.2 Program vision .........................................................................50
3.3.3 Message ...................................................................................50
3.3.4 Strategic objective ....................................................................50
3.3.5 Program strategy action ...............................................................51
3.3.6 Challenges facing microfinance in the state .................................51
3.3.7 The Keys to the success of the program .......................................51
3.3.8 The most important recommendation of the paper ......................53

3.4 Microfinance performance in the River Nile State ............................53

3.4.1 Microfinance size in the state .....................................................53
3.4.1.1 MF Institutions (Banks) .........................................................53
3.4.1.2 Projects of microfinance in the state .......................................53
i. Gardening project.................................................................54
ii. Animal production ..........................................................55
iii. Resettlement of sheep.........................................................55
iv. Productive families and small business.................................56

3.4.2 Selection of sample ................................................................56

CHAPTER FOUR: RESEARCH METHODS........................................58
4.1 Conceptual framework of the research......................................58
4.2 Sample size ..............................................................................59
4.3 Problems facing the researcher.................................................59
4.4 Data collection procedure..........................................................60
  4.4.1 Primary Data.........................................................................60
  4.4.2 Secondary Data......................................................................60

CHAPTER FIVE: RESULTS AND DISCUSSION.................................61
5.1 Socio-economic characteristics of respondents............................61
5.2 Data of the study........................................................................63
  5.2.1 Reasons why applicants were not given fund.......................63
  5.2.2 Client former source of funding before microfinance...............64
  5.2.3 Projects financed by MFI in the state........................................64
  5.2.4 Requirement for obtaining microfinance.................................65
  5.2.5 Assess the requirement for microfinance fund.........................66
  5.2.6 Reason of requesting microfinance.........................................68
  5.2.7 Time factor in funding process...............................................68
  5.2.8 Transaction cost in order to obtain finance..............................69
  5.2.9 Profit margin effect on microfinance accessibility.....................70
  5.2.10 Payment method effect..........................................................70
  5.2.11 Client advised his friends to get microfinance.......................70
  5.2.12 Mode of finance .................................................................71
  5.2.13 Evaluation of microfinance....................................................71
  5.2.14 Client is reluctant about microfinance...................................73
  5.2.15 Difficulties faced clients in accessing to microfinance............74
  5.2.16 Microfinance problems..........................................................74
  5.2.17 Microfinance and the targeting groups....................................75

CHAPTER SIX: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS...76
6.1 Summary..................................................................................76
6.2 Conclusions..............................................................................76
6.3 Recommendations ................................................................. 77
REFERENCES ............................................................................. 79
APPENDICES ............................................................................. 84
LIST OF TABLES

Table 3.1 Agricultural area 2008 in the River Nile state ........................................ 48
Table 3.2 No. of beneficiaries and size of fund from four banks in the state ............ 54
Table 3.3 State microfinance projects ................................................................. 54
Table 3.4 Performance of horticulture project in the state .................................... 55
Table 3.5 Resettlement of sheep and cattle in the state ......................................... 56
Table 3.6 The productive families ..................................................................... 57
Table 4.1 The volume of microfinance in Atbara and ED-Damer ...................... 60
Table 5.1 The distribution of respondents between Productive sectors ............... 61
Table 5.2 Client's monthly income .................................................................... 61
Table 5.3 Monthly expenditure and deficit facing clients .................................... 63
Table 5.4 Reasons why applicants were not given fund ..................................... 63
Table 5.5 Client former source of fund ............................................................... 64
Table 5.6 Projects financed by MFI ................................................................. 65
Table 5.7 Conditions required for funding ......................................................... 65
Table 5.8 Collaterals and guarantees needed by MFI .......................................... 66
Table 5.9 Assessment of the conditions required for funding .............................. 66
Table 5.10 Fulfillment of the conditions of funding ........................................... 67
Table 5.11 Percentage of client relatives fulfills the conditions of funding .......... 67
Table 5.12 Reasons for requesting microfinance loan ......................................... 68
Table 5.13 The time needed for processing of documents ................................. 68
Table 5.14 Time from the date of submission until getting funding .................... 69
Table 5.15 Disbursement of client in order to obtain finance ............................. 69
Table 5.16 Client lost in order to obtain finance ................................................ 70
Table 5.17 Client advice for his friends about microfinance .............................. 71
Table 5.18 Mode of finance ............................................................................. 71
Table 5.19 Reason of client reluctant about microfinance ................................. 71
Table 5.20 Difficulties faced clients for accessing to microfinance ...................... 74
Table 5.21 Microfinance problems .................................................................. 74
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 5.1 Classifications of clients according to poverty line</td>
<td>61</td>
</tr>
<tr>
<td>Figure 5.2 Microfinance provided real opportunity to invest resources</td>
<td>72</td>
</tr>
<tr>
<td>Figure 5.3 Evaluation of microfinance as a tool of funding</td>
<td>72</td>
</tr>
<tr>
<td>Figure 5.4 Clients perception to microfinance</td>
<td>75</td>
</tr>
</tbody>
</table>
# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>Agricultural Bank of Sudan</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CBOs</td>
<td>Community Based Organizations</td>
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<td>CGAP</td>
<td>Consultative group to assist the poor</td>
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<td>CBoS</td>
<td>Central Bank of Sudan</td>
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<td>CSO</td>
<td>Civil Social Organizations</td>
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<td>GoNU</td>
<td>Government of National Unity</td>
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<td>GoSS</td>
<td>Government of Southern Sudan</td>
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<tr>
<td>ICDB</td>
<td>Islamic Cooperative Developments Bank</td>
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<tr>
<td>FB</td>
<td>Family Bank</td>
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<td>FCB</td>
<td>Farmers Commercial Bank</td>
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<tr>
<td>FIB</td>
<td>Faisal Islamic Bank</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFIs</td>
<td>Microfinance Institutions</td>
</tr>
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<td>NBFIs</td>
<td>Non Bank Financial Institutions</td>
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<td>NIDB</td>
<td>Neilain Industrial Development Bank</td>
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<td>NGOs</td>
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<td>SDF</td>
<td>Social Development Fund</td>
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<td>SIB</td>
<td>Sudanese Islamic Bank</td>
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<td>SMDF</td>
<td>Sudan Microfinance Development Facility</td>
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<td>SSDB</td>
<td>Saving and Social Development Bank</td>
</tr>
<tr>
<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
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<tr>
<td>WNB</td>
<td>Workers National Bank of</td>
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</table>
CHAPTER ONE
INTRODUCTION

1.1 Overview
Microfinance is often considered one of the most effective and flexible strategy in the fight against poverty. It is sustainable and can be implemented on the massive scale necessary to respond to the urgent needs of those living on less than $1 a day, the World’s poorest. The first and most famous pioneer community microfinance institution (MFI) was the Grameen Bank of Bangladesh which became a model for many countries, and various MFI have been established around the world mainly in developing countries. Microfinance appeared in 1980s with growing debates on the viability and effectiveness. Much of the passion behind microfinance is driven by its potential to help poor people better manage their financial resources. Currently microfinance became an essential sector for achieving economic and social development. It is attracting increased attention worldwide. Microfinance programs are effective tools for generating economic development and alleviating poverty by targeting the poor and expanding opportunities through the provision of micro loan, they empower people and their micro-enterprises through increased incomes, increased jobs that create broad access to a means of livelihood. Microfinance refers to small scale financial services for both credits and deposits that are provided to people who operate small or micro-enterprises, also microfinance is defined as providing very poor families with very small loans to help them to engage in productive activities. Overtime microfinance includes a broader range of services (saving, credit and insurance).

Micro and medium enterprises account for 70-90% of the economic activity in most developing and transitional economies which play an important role in the development of the economy because they generate employment, supply the masses with inexpensive goods and services.

1.2 Sudan and poverty
According to a recent joint World Bank – UNDP mission about 60-75% of the population in the north and 90% of the south is estimated to be living below $ 1 Dollar a day in income. Despite the sustained growth since 1997 that is expected to
continue on the basis of oil exploration, most experts believed that poverty has actually increased due in part to rural-urban migration, on top of these Sudan faces the manifold challenges of post-conflict reconstruction. More importantly Sudan growth has not been broad-based and in fact has been accompanied by rising inequality and increasing urban informal sector.

1.3 Microfinance in Sudan
The experience of microfinance in Sudan has begun in 1980s by Sudanese Islamic Bank experience; since 1992 the government declared market liberalization and privatization polices for Sudan which influenced the real income of workers accordingly they elected small jobs to enhance their income. The microfinance sector in Sudan is largely credit-oriented to NGOs, rural development projects, social funds and specialized and commercial banks.

In 2006, a study conducted by UNICONS for Central Bank of Sudan concluded that microfinance is at an infancy stage in Sudan with supply being extremely small compared to demand for these services which cover only 1-3% of the potential demand. Although Sudan has diversified experience of microfinance projects, only in very few cases have there been serious attempt to include the worst-off sections, promote sustainability and mobilize supplementary resources for benefit of the poor, while some of these projects are still existing or expanding many have come to end, reflecting the limited sustainability of the microfinance sector in Sudan (First National Consultative Forum on Microfinance, 2007).

1.4 Microfinance is an important tool for poverty alleviation
In 2006, the Grameen Bank and its founder Muhammad Yunus were awarded the Nobel peace prize for their effort to create economic and social development from below and reduce poverty by providing small loan to extremely poor as a pioneer effort in microfinance. Microfinance is a poverty alleviation tool that has proven to be both effective and adaptable. Microfinance defines providing poor families with very small loans to help them engage in productive activities or grow their tiny businesses.

Microfinance is defined as a term which is used when referring to small scale financial services in general, such as credit and saving as a solution of the poor who lack access to traditional formal financial institutions that require a variety of documents and collaterals. Overtime microfinance has come to include a broader range of services (credit, saving, insurance etc) as we have come to realize that the
poor and the very poor that lack access to traditional formal financial institution require a variety of financial products.

The distinction between micro-credit and microfinance is that micro-credit is referred to the acts of providing loans and microfinance on the other hand is the act of providing the same borrowers with financial services such as saving institution and insurance policies, in short microfinance encompasses the field of micro-credit. Currently, It is estimated that anywhere from 1000 to 2500 microfinance institutions serve some 67.6 million clients in over 100 different countries 50% of them are below poverty line (Micro-credit Summit Campaign, 2002).

1.5 Problem statement and justification

The financial services usually available to the poor have a serious limitation in term of cost, risk and convenience, even when poor appear to have access to formal financial institutions. The services offer may not match their needs; loans from formal institutions usually have collateral requirements that exclude most of the poor.

Lack of credit is regarded as one of the most important constraint that micro-enterprises and individuals in the developing countries experience when they try to improve their economic activities and/or living condition. Ms Najee (2007) stated that there has been steady growth in the number of micro and small enterprises in Sudan, in response not only to the growing demand among poor and low income groups, but also as a result of an economic situation. Sudan lacks specialized banks that could offer microfinance operation accordingly the banks implemented microfinance services separate of banks duties. Ms Habibi (2007) concluded that credit is not adequate to cover all segment of the communities and there is a lack of training to improve capacity of the target groups. The core issue for the poor is access to credit rather than the cost of credit, poor borrowers have a lower accessibility in the formal financial system than the rich borrowers due to many reasons. First, they lack collaterals and guarantee which required by the financial institution for the borrowing. Second most of the poor are concentrated in the rural areas engaged in agricultural practices in small scale as small holders or as agricultural workers, where the financial providers like to deliver their services to the formal sector in the urban areas, where the risk is less. Third, these poor's lack knowledge to deal with these institutions. Forth and finally the financial amount directed toward the rural sector is very small and can not cover the potential demand. Sudan as considered one of the poorest countries where poverty, unemployment and illiteracy are a major obstacles for a large population which prevent them from having enough capital to establish small enterprise activities or obtain loans due to the insufficient finance.
UNICONS (2006) stated that there are many factors constraining microfinance in Sudan which are:

1. A limited volume of fund earmarked for microfinance.
2. Banks do not follow microfinance best practice in lending, and their services are not in conformity with the special needs and characteristics of the targeted clients.
3. Lack of knowledge among microfinance clients of the available microfinance programs particularly in rural areas.
4. Lack of coordination between banks.

There are (32) Banks operating in Sudan recently more than 20 Banks of them are offering microfinance services. UNICONS (2006) concluded that microfinance in Sudan is at an infancy stage with supply being extremely small compared to demand for these services which cover only 1-3% of the potential demand.

The River Nile State, the case of study is a poor state; its major economic activity is agriculture. The national comprehensive strategy 1992-2002 adopts micro-finance as a tool for combating or mitigating poverty by using simple procedure of loaning. With this concept the River Nile State started this project (microfinance industry) as its determined goals in the year 2008 under the supervision and coordination of the Social Affairs Ministry.

The state designed many small enterprises suitable to the state resources and the poor knowledge and experience and the marketing access. These include small farmers and productive families, and services providers and small producers and small traders and craftsmen and professionals. The policymakers in the state believed that by financing these small enterprises will generate income and increase growth and improve the quality of live for 80% of the state population and finally will minimize poverty impact. The project in the state composed of three units. The administrative unit represented by the microfinance council. The support and technical unit consist of the consultants, experts and advisers of the governmental units concern. The financial unit is the formal financial Institutions in the state, the specialized and commercial banks with a partnership between some banks and Central Bank of Sudan.

1.6 Objectives of the study

The study attempted to explain microfinance accessibility in Sudan. The case study is River Nile State. The main objective of the study is the assessment of microfinance accessibility in the state focusing on the access to the formal financial institutions.

The specific objectives of the study are:
1. Evaluate microfinance accessibility in the state, mainly for the rural people and women.
2. Investigate the challenge facing microfinance in the state.
3. Investigate constraints and limitations for microfinance accessibility and intend to highlight future prospects for microfinance in the state.

1.7 Hypotheses of the study
The research questions or the hypotheses of the study were stated according to the objectives of the study as below:
1. Access to loans is very little among poor and the target groups (rural people and women).
2. The conditions of lending and guarantees exclude poor from access to microfinance.

1.8 Methodology of the study
The study is conducted in the River Nile State to assess the performance of microfinance in the state which has been started in the year 2008 under supervision of Ministry of Social Affairs and Ministry of Agriculture and Animal Wealth and irrigation giving technical aids and banks giving financial services. Both primary and secondary data are needed for the study while descriptive and statistical analysis methods were applied in the analysis of data.
The sample design is multi-stage cluster sampling. The State consists of six provinces and each consists of a number of administrative units which further divided into cities and villages.

1.8.1 Primary data
Obtained through:
1. Direct personal interviews.
2. Structural and non-structural questionnaire to clients and non-clients sample.

1.8.2 Secondary data:
Collected from:
1. The Microfinance Council in the state.
2. Ministry of Social Affairs
4. Banks operating in the state.
5. Administrative units which collect and organize the application forms of microfinance applicants to select clients.

The study used statistical packages for social science (SPSS) include descriptive methods and excel program.

1.9 Organization of the study

The study consists of six chapters. Chapter one is an introductory chapter negotiating microfinance as a tool of poverty alleviation, and microfinance in Sudan, problem statement, objectives, and hypotheses of the study. Chapter two is concerned with literature review which represents microfinance definition, accessibility, supply and demand, principles of microfinance, microfinance in Sudan. Chapter three gives general information about River Nile State and the performance of the microfinance in the state. Chapter four deals with the research methodology and Chapter five presents the results and discussion. Chapter six includes the summary, conclusions and recommendations of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

Since the 1990s there have been growing enthusiasms for promoting microfinance as a strategy for poverty alleviation because it provided optimal solution to the poor. Currently, microfinance became an essential sector for achieving economic and social development in both developed and developing countries. It is attracting increased attention worldwide, in developing countries microfinance programs are effective tools for generating economic development and alleviating poverty. By targeting the poor and expanding opportunities through the provision of credit, they empower people and their micro- and small enterprises through increased incomes, increased jobs that create board access to a means of livelihood.

Globally 1–2 billion people are extremely poor, and three quarters live in rural areas. Poverty is predominantly a rural phenomenon. Extremely poor people spend more than half of their income to obtain staple food, which accounts for more than two thirds of their caloric intake, most of these people suffer from nutritional deficiencies, and many go hungry at certain times of the years. In recent years development agencies and national government have renewed this commitment to reduce poverty, hunger and other human deprivations, as evidences by the Millennium Development Goals (MDGs).

The extent and depth of poverty in the world is astonishing. 30% of the population (301 billion) lives in absolute poverty, hunger, malnutrition and associated diseases are widespread. Such problems are more likely need financial services for the poor focused on access to credit and improving access to production and meet their consumption needs and reduce poverty.

Microfinance appears in 1980s with growing debates on the viability and effectiveness. Much of the potential to help poor people better manages their financial resources, take on new economic opportunities, mitigate every day risk, reduce vulnerability, and improve their living condition.

Yet the success of microfinance is often measured by the financial performance of the institutions, not on how client are faring, nor on how well institutions are meeting their social objectives, in fact just a couple of years ago there was significant opposition in the industry to introducing performance criteria to assess social achievement. The assumption was that high loan repayment rate proved that microfinance benefited the poor and that adding more performance indicators would
be burdensome and would dilute the focus on financial sustainability the industry had struggled to achieve.

Social performance is the effective implementation of an institution’s social mission into practice. This mission may include serving larger numbers of poor and excluded people, delivering high – quality and appropriate financial services, creating benefits for clients, and improving the social responsibility of microfinance financial institutions (CGAP. November 2007).

Microfinance enables the poor to build assets, diversity and increase income, and reduce their vulnerability to economic stress. Contrary to a common impression poor people need and use financial services all the time, like everyone else. They need savings, loans, and other services to take advantage of business opportunities, improve their homes, deal with other large expenses, and cope with emergencies.

Poor often lack access to formal financial institutions and enter into a variety of financial relationship. Informal systems like money – lenders, saving and credit clubs, and mutual insurance societies are pervasive in nearly every developing country. The financial services usually available to the poor have a serious limitation in term of cost, risk and convenience. Even when the poor appear to have access to formal financial institutions, the services offer may not match their needs (CGAP).

The stark reality is that most people in the world still lack access to sustainable financial services, whether it is savings, credit, or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.

Many people in our partner countries neither have their own bank accounts nor are they able to take out loans, transfer money or insure their families against risks such as illness, accident or death. All too often, access to the financial services that are so central to sustainable development are either denied or made very difficult. Consequently, people frequently have no choice but to resort to local moneylenders charging usurious rates of interest or to use informal – and therefore insecure – ways of performing transactions such as payments. The International Year of Microcredit, declared by the United Nations for 2005, spotlighted these inadequacies and emphasized the central role played by a healthy and stable financial sector in effectively reducing poverty in our partner countries. (Agriculture and Rural Development EUROPA, conference 2006)

The main idea behind microfinance is that poor people, who can provide no collateral, should have access to some sort of financial services. Microfinance began with microcredit: the provision of small loans (20-50 euros) to very poor families to help them engage in productive and self-sustaining activities. Since the successful
initiation of formalized microcredit in the 1980's a number of other complementary services have popped up around the globe, including micro savings, micro insurance etc… (David Loris - Waterberry staff).

Microfinance is not a solution to all the world’s problems, but seems to be effective in encouraging entrepreneurship, increasing the income of the poorest and helping them to build viable businesses. The United Nations has declared that 2005 is “the year of microfinance”. The sector is booming and there has never been so much attention given to this sector. Furthermore, there seems to be a great deal of opportunity for young professionals… (David Loris - Waterberry staff).

The achievement of the internationally agreed development goals of the United Nations agenda, including the MDGs, represents one of the greatest challenges of our times. As microfinance (MF) directly provides low-income people the tools to protect, diversify and increase their sources of income, it can greatly contribute to poverty reduction and economic growth. It is also a means that donors and development actors rely upon in their cooperation strategies to reach the poor and the society’s marginalized groups effectively.

During the 1990s, large numbers of microfinance institutions (MFIs) were set up across Eastern Europe, with a mandate to foster microenterprise development and address rapidly spreading poverty. These MFIs had by the end of 2005 served over 4 million active clients, predominantly low-income families and microenterprises that would not otherwise have had access to financial services. By now, most of these MFIs can be considered a success, for they have moved from reliance on donor funding towards sustainability, serving low-income clients and gradually integrating with the formal financial sector. (Grzegorz Galusek is Executive Director of the Microfinance Centre, Warsaw, Poland)

While many factors contribute to poverty, its most obvious manifestation is insufficient household income. Both the extent of income-generating opportunities and ability to respond to such opportunities are determined to a great degree by access to affordable financial services. Increasing the access of poor households to microfinance is therefore being actively pursued worldwide. Once almost exclusively the domain of donors and experimental projects, microfinance has evolved during the last decade with prospects for viability, offering a broader range of services and significant opportunities for expansion.

Development practitioners, policy makers, and multilateral and bilateral lenders, recognize that providing efficient microfinance services is important for a variety of reasons. Improved access to microfinance services can enable the poor to smooth out their consumption, manage their risks better, build their assets, develop their micro enterprises, enhance their income-earning capacity, and enjoy an improved
quality of life. Microfinance services have a significant positive impact on the depth (severity) of poverty and on specific socio-economic variables such as children’s schooling, household nutrition status, and women’s empowerment.

Despite this, about 95 per cent of some 180 million poor households in the Asian and Pacific region still have little access to affordable institutional microfinance services. Significant resources are required to meet the potential demand. This chapter argues that on the supply side there is a need to build microfinance systems that can grow and provide microfinance services on a permanent basis to an increasing number of the poor through domestic resource mobilization. On the demand side, there is a need to invest in social intermediation to enable the poor to optimally utilize microfinance services. The chapter analyses the status of microfinance in Asia and the Pacific, discusses means to develop microfinance systems capable of financing their growth for sustainable expansion, and provides an overview of the microfinance activities supported by the Asian Development Bank (ADB). (Ashok Sharma Senior Financial Economist Asian Development Bank Developing sustainable microfinance system).

Microfinance is the provision of a range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro enterprises. Microfinance institutions (rural banks, cooperatives, NGOs etc.) are defined as institutions whose major business is the provision of microfinance services. Improve the condition for the excluded to access finance, for example, through grass-root straining in group formation and vocational and financial skills). The interest in microfinance has burgeoned during the last two decades: multilateral lending agencies, bilateral donor agencies, developing and developed country governments, and nongovernmental organizations (NGOs) all support the development of microfinance. A variety of private banking institutions has also joined this group in recent years. As a result, microfinance services have grown rapidly during the last decade, although from an initial low level, and have come to the forefront of development discussions concerning poverty reduction.

### 2.2 Micro-facts

#### Data Snapshots on Microfinance

These data or microfinance facts were abstracted from various sources and collected by Hari Srinivas. These micro-facts are:

In the 1990s, average per capita income growth was less than 3% in 125 developing and transition countries, and was negative in 54 countries. In a further 71 countries,
growth was below the 3%, a year needed to double incomes in a generation. (UNDP, 2003).
At least 30 million people now have access to microfinance. The existing 10,000 Microfinance Institutions (MFIs) reach only 4% of the potential market (World Bank, 2001). At least 90% of eligible self-employed lack access to microcredit programs. Unmet demand is around 270 million clients (www.unitus.com). In Africa, women account for more than 60 per cent of the rural labor force and contribute up to 80 per cent of food production, yet receive less than 10 per cent of credit provided to farmers.
The World Bank estimates that there are now over 7000 microfinance institutions, serving some 16 million poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US$2.5 billion and the potential for new growth is outstanding.
There is concern that official assistance will be diverted from vital primary care aid programmes such as health, water projects and education into MFIs, owing to their popularity among donors.
Though women appear to benefit most, studies indicate that many loans awarded to and paid back by women are in fact used by men.
The widely-imitated Grameen Bank in Bangladesh aims to provide credit to those in extreme poverty. Some 94 per cent of those who meet the bank's criteria and take up loans are women. Grameen borrowers keep up repayments at a rate of around 98 per cent. The Bank lends US$30 million a month to 1.8 million needy borrowers. Savings are important both as a vital safety net for the poor and as a source of funding that do not rely on external sources. Many strong MFIs, notably in Africa, recycle the savings of needy clients as a principal source of loan funds for their customers.
The Microcredit Summit estimates that US$21.6 billion is needed to provide microfinance to 100 million of the world's poorest families. The Summit planners say it should be possible to raise US$2 billion from borrowers' savings alone. The final figure may be even higher.
Studies have shown that during an eight year period, among the poorest in Bangladesh with no credit service of any type, only 4 percent pulled themselves above the poverty line. But with individuals and families with credit from Grameen Bank, more than 48% rose above the poverty line.
It is estimated that, worldwide, there are 13 million microcredit borrowers, with US$ 7 billion in outstanding loans, and generating repayment rates of 97 percent. It has been growing at a rate of 30 percent annual growth.
Fewer than 2 per cent of poor people have access to financial services (credit or savings) from sources other than money lenders. (Data Snapshots on Microfinance - The Virtual Library on Microcredit)

Under 10 million of the 500 million people who run micro and small enterprises have access to financial support for their businesses.

There is a potential demand for microcredit services from seven million borrowers.

There is a potential demand for micro savings services from 19 million savers.

The world's seven richest men could wipe out global poverty. Their combined wealth is more than enough to provide the basic needs of the poorest quarter of the world's people. (The Virtual Library on Microcredit)

Studies of the impact of microcredit in more than 24 countries found dramatic improvements in household income levels. These improvements took place primarily through growth in the borrower's business, which translated into increased household income. The studies found that access to microcredit allowed the borrower to increase the number of goods or services sold and reduce the costs of supplies and raw materials. As a result, sales increased and profits grew 25% to 40%. (wwwnitus.com).

The top 5 MFIs reach almost half of the market (World Bank Statistics 2001). Only 1% of MFIs are financially stable (2001 World Bank Statistics). The number of poor people with access to microcredit schemes rose from 7.6 million in 1997 to 26.8 million in 2001—21 million of them women, enabling them to control assets, make economic decisions and assume control of their lives. According to some estimates, 5% of microfinance programme participants could lift their families out of poverty each year (UNDP, Human Development Report, 2003).

The accepted human rights are food, shelter, health and education, and the basic responsibility of a society is to make sure that an environment exists so that people can have these things. Employment is also a right, but society can't assure wage-based work for everybody, so the alternative is self-employment. The big financial institutions currently ignore almost two-thirds of the world's population. So I say the right to credit should have the topmost priority on the list of human rights (Yunus 2006).

The movement to expand financial services for the poor as a grassroots development strategy is a relatively recent phenomenon. Microfinance, which emphasizes granting small loans to the poorest of the poor without requiring collateral, rests upon the notion that the most impoverished people in developing countries typically don't otherwise have access to traditional financial services, but that they do possess modest survival skills that make them credit-worthy. Credit programs can offer the poor access to small amounts of capital (and often other low-cost financial services),
and, in turn, they use these loans for self-employment projects, to generate income and eventually become self-reliant. Though the model was rare and considered revolutionary in the 1970s, when there were only a handful of fledgling enterprises in Asia and Latin America, the popularity and acceptance of microfinance has become manifest in the vast numbers of microfinance institutions - recently estimated at more than 7000 by the World Bank - serving more than 20 million poor people in developing countries. In fact, the true numbers are difficult to estimate, because institutions are community-based, informal, and in many countries relatively unregulated. But where there were virtually none 35 years ago, there are undeniably many today. This acceptance has culminated in the awarding of the 2006 Nobel Peace Prize to Muhammad Yunus and the Grameen Bank of Bangladesh, early pioneers in the movement. Microfinance is still considered a relatively new strategy to combat poverty, but the model has been studied and copied enough that some preliminary conclusions can be drawn about its rightful role in international development. Proponents point to the fact that microcredit does a better job targeting the poor, and it offers a smart alternative to the top-down macroeconomic approaches that have characterized traditional development policy strategies. Critics suggest that microcredit by itself is ineffective at targeting the poorest, and it may also be at odds with public welfare programs, so its role should be limited to the Informal sectors. The United Nations Millennium Declaration, signed in September 2000, set eight goals for the UN member states to reach by 2015. The first of these is to reduce by half the proportion of people living on less than one U.S. dollar a day. What role is microfinance playing in the reduction of poverty in the developing world? To what degree is microfinance, in fact, a panacea?. This essay first discusses some basic features of microfinance programs and explains why they work. The subsequent section discusses some of the major criticisms of microfinance programs. The final section draws implications for microfinance programs in general and the role of microfinance in the global fight against poverty in particular (The Promise of Microfinance for Poverty Relief in the Developing World Matthew Ruben 2007).

2.3 **Microfinance Definitions:**

Microfinance is meant to provide financial and banking services which are in the first range, finance and serving devices which offers services to poor clients who are economically active but unable to obtain the services rendered by official financial corporations, i.e., less than or equal to one million SDD in the first stage.
Microfinance includes the entire spectrum of financial services for broad sectors of the population, but particularly for the poor. It refers not only to small and micro loans, but also to savings products, insurance and money transfers. In short, microfinance means specialist financial institutions offering financial services to disadvantaged people at market conditions.

Conventional commercial banks often have little interest in offering microfinance services, since most poor people (EUROPA agriculture & rural development conference 2006).

Microfinance is the provision of a broad range of financial services such as:

- Deposits.
- Loans.
- Payment services.
- Money transfers.
- Insurance to poor and low-income households and their microenterprises.

**Three Types of Sources of Microfinance:**

- Formal institutions - i.e. rural banks and cooperatives.
- Semiformal institutions - i.e. nongovernment organizations.
- Informal sources - i.e. money lenders and shopkeepers.

Institutional microfinance includes microfinance services provided by both formal and semiformal institutions. Microfinance institutions are institutions whose major business is the provision of microfinance services.

Microfinance refers to the provision of financial services to poor clients, including consumers and the self-employed. The term also refers to the practice of sustainably delivering those services. Microcredit (or loans to poor microenterprises) should not be confused with microfinance, which addresses a full range of banking needs for poor people.

More broadly, it refers to a movement that envisions “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” Those who promote microfinance generally believe that such access will help poor people out of poverty.

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their micro enterprises. Microfinance services are provided by three types of sources: Formal institutions such as rural banks and cooperatives, semiformal institutions such as nongovernment organizations, and informal sources such as money lenders and shopkeepers.
Institutional microfinance is defined to include microfinance services provided by both formal and semiformal institutions. Microfinance institutions are defined as institutions whose major business is the provision of microfinance services.

A good definition of microfinance as provided by Robinson is: 'Microfinance refers to small-scale financial services for both credits and deposits - that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas'. (R Srinivasan and M S Sriram)

Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without.” (Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit, 2004)

“(Microcredit) is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor….charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual’s initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.” (Muhammad Yunus, Expanding Microcredit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Microcredit, Dhaka, Bangladesh, January, 2003)

Microcredit belongs to the group of financial service innovations under the term of microfinance, other services according to microfinance is micro savings, money transfer vehicles and micro insurance. Microcredit is a innovation for the developing countries. Microcredit is a service for poor people that are unemployed, entrepreneurs or farmers who are not bankable. The reason why they are not bankable is the lack of collateral, steady employment, income and a verifiable credit history, because of this reasons they can't even meet the minimal qualifications for a ordinary credit. By helping people with microcredit's it gives them more available choices and opportunities with a reduced risk. It has successfully enabled poor people to start their own business generating or sustain an income and often begin to build up wealth and exit poverty. The amount of money that is lend out seldom exceeds USD 100.

Microcredit fits best to those with entrepreneurial capability and possibility. This translates to those poor who work in growing economies, and who can undertake
activities that generate weekly stable incomes. For those who don't qualify because they are extreme poor like destitute and homeless almost every microcredit institution have special safety programs that offer basic subsistence and later endeavors to graduate this members in their microfinance program making ordinary microcredit's available.

Microfinance is the supply of loans, savings, and other basic financial services to the poor." (CGAP)

As the financial services of microfinance usually involve small amounts of money – small loans, small savings etc. – the term "microfinance" helps to differentiate these services from those which formal banks provide.

Why are they small? Someone who doesn't have a lot of money isn't likely to want to take out a $5,000 loan, or be able to open a savings account with an opening balance of $1,000. Hence – "micro".

A microfinance institution (MFI) is an organization that provides microfinance services, ranging from small non-profit organizations to large commercial banks.

An MFI can be broadly defined as any organization—credit union, down-scaled commercial bank, financial NGO, or credit cooperative—that provides financial services for the poor." (CGAP)

"The World Bank estimates that there are now over 7000 microfinance institutions, serving some 16 million poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US$2.5 billion and the potential for new growth is outstanding.

"Microfinance” is often defined as financial services for poor and low-income clients. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality financial services to finance their income-producing activities, build assets, stabilize consumption, and protect against risks. These services are not limited to credit, but include savings, insurance, and money transfers. Microcredit refers to very small loans for unsalaried borrowers with little or no collateral, provided by legally registered institutions. Currently, consumer credit provided to salaried workers based
on automated credit scoring is usually not included in the definition of microcredit, although this may change.

Microfinance typically refers to microcredit, savings, insurance, money transfers, and other financial products targeted at poor and low-income people. Typical microfinance clients are poor and low-income people that do not have access to other formal financial institutions. Microfinance clients are usually self-employed, household-based entrepreneurs. Their diverse “microenterprises” include small retail shops, street vending, artisanal manufacture, and service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing and trade; some but far from all are farmers.

Hard data on the poverty status of clients is limited, but tends to suggest that most microfinance clients fall near the poverty line, both above and below. Households in the poorest 10% of the population, including the destitute, are not traditional microcredit clients because they lack stable cash flows to repay loans. Most clients below the poverty line are in the upper half of the poor. It is clear, however, that some MFIs can serve clients at the higher end of the bottom half. Women often comprise the majority of clients.

Most MFIs started as not-for-profit organizations like NGOs (non-governmental organizations), credit unions and other financial cooperatives, and state-owned development and postal savings banks. An increasing number of MFIs are now organized as for-profit entities, often because it is a requirement to obtaining a license from banking authorities to offer savings services. For-profit MFIs may be organized as non-bank financial institutions (NBFIs), commercial banks that specialize in microfinance, or microfinance departments of full-service banks. Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks.

Poor people usually address their need for financial services through a variety of financial relationships, mostly informal. Credit is available from informal moneylenders, but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and other mutual savings societies. But these tend to be erratic and somewhat insecure. Traditionally, banks have not considered poor people to be a viable market.

Different types of financial services providers for poor people have emerged - non-government organizations (NGOs); cooperatives; community-based development institutions like self-help groups and credit unions; commercial and state banks;
insurance and credit card companies; telecommunications and wire services; post offices; and other points of sale - offering new possibilities.

These providers have increased their product offerings and improved their methodologies and services over time, as poor people proved their ability to repay loans, and their desire to save. In many institutions, there are multiple loan products providing working capital for small businesses, larger loans for durable goods, loans for children’s education and to cover emergencies. Safe, secure deposit services have been particularly well received by poor clients, but in some countries NGO microfinance institutions are not permitted to collect deposits.

2.4 Microfinance principles:

Principles for Sustainable Microfinance Lending

Principle 1: Offer Services that Fit the Preferences of Low-Income Entrepreneurs:
- Give short-term loans
- Give small loans
- Give repeat loans
- Allow relatively unrestricted use
- Be customer friendly

Principle 2: Streamline Operations to Reduce Costs
- Highly streamline operations
- Standardize the lending process
- Decentralize loan approval
- Maintain inexpensive offices
- Select staff from local communities

Principle 3: Motivate Clients to Repay Loans
- Do not require formal collateral.
- Use character references or group lending with joint liability to motivate repayments.
- Use incentives for prompt repayment.
- Develop a public image that signals seriousness about loan collection.

Principle 4: Charge Full-Cost Interest Rates and Fees
- Recover the costs of the loan. Small loan sizes and personalized service result in costs per loan that require interest rates significantly higher than commercial banks (although significantly lower that informal sector rates).

Expect repayment. Low income entrepreneurs have shown a willingness and ability to pay interest rates higher than commercial banks for services that fit their needs.
Microfinance is the provision of financial services to the poor. This involves small amounts – hence “micro” – of savings, credit, insurance and money transfer services. There is significant net demand for financial services in many areas of the developing world, especially in rural areas. The formal banking system has so far been unable to fill the gap, even for the core services of safe savings and short-term credit for both productive activities and consumption. As a result a niche microfinance industry has emerged, and innovation and experimentation has led to success that has promoted the renewed interest and involvement of the commercial banking sector. A wide variety of methods have been used to reach these low-income communities with appropriate and affordable services, reflecting the diversity of contexts and environments in which these services are provided. While there are no specific methods that are appropriate in every context, there are certain principles that are recognized as good practice in delivering microfinance services. These principles are common to the range of institutions involved in the delivery of microfinance and reflect the fundamental principles of appropriateness and sustainability (AMIR Programme Sustainable Microfinance Initiative Principle of microfinance lending).

The following is a summary of principles that are supported and promoted by (the World Education Australia 2005) which are:-

**Principle One:** Microfinance services must fit the needs and preferences of clients. The delivery of appropriate financial services to low-income people requires a good understanding of their needs and desires. For example, loan sizes, terms and repayment frequency should match the affordability constraints of clients. Likewise, facilities for deposit collection and withdrawal should be accessible and convenient. A good understanding of these factors requires an ongoing investment in client research and feedback mechanisms, as it is the clients themselves that are best positioned to determine whether their needs and preferences are being met. Institutions should be willing to test new products, seek ongoing client feedback, and respond to client demands and preferences as required.

**Principle Two:** Poor households and communities need access to a variety of financial services, not just loans. Like other people, the poor need access to a wide range of financial services that are convenient, flexible, and reasonably priced. Depending on their circumstances, poor people generally need not only credit, but also access to savings, cash transfers, and insurance.

**Principle Three:** Microfinance is a powerful instrument against poverty. Access to appropriate and sustainable financial services enables the poor to increase incomes, build assets and reduce their vulnerability to external shocks.

**Principle Four:** Microfinance means building financial systems that serve the poor In many countries, microfinance continues to be seen as a marginal sector
and primarily a development concern for donors, governments, and socially responsible investors. In order to achieve its full potential of reaching a large number of poor people, microfinance needs to become an integral part of the financial sector. This requires the involvement of conventional financial service providers, regulators and related industry bodies.

**Principle Five:** Financial sustainability is necessary to reach significant numbers of poor people. Most poor people are not able to access financial services because of the lack of strong retail financial intermediaries. Building financially sustainable institutions is not an end in itself - it is necessary in order to reach significant scale and impact, far beyond what government or other donors can fund. Financial sustainability is the ability of a microfinance provider to cover all of its costs. It allows the continued operation of the microfinance provider and the ongoing provision and expansion of financial services to the poor. Achieving financial sustainability requires minimizing costs, offering products and services that meet client needs, finding innovative ways to reach the un-banked poor, and charging interest rates and fees that cover costs. Microfinance providers should always strive to achieve maximum efficiency in their operations so that they can provide their services at the lowest possible cost to clients.

**Principle Six:** Interest rate ceilings can damage poor people’s access to financial services. The per unit costs involved in making many small loans are significantly higher than those associated with fewer, larger loans. Likewise, operating in high inflationary environments with weak financial markets, and engaging in uncollateralized lending to people living in remote areas, is considerably more expensive than collateralized lending to urban residents in a developed and stable economy. It is therefore not appropriate to compare interest rates and fees across countries, geographical locations, and clients. Unless microfinance providers can charge interest rates that are above average bank loan rates, they invariably cannot cover their costs, and their growth and sustainability will be limited by the scarce and uncertain supply of subsidized funding. When governments regulate interest rates, they usually set them at levels too low to permit sustainable microfinance.

**Principle Seven:** Credit is not always appropriate. Credit is not appropriate for everyone or every situation. The destitute and hungry who have no income or means of repayment typically need other forms of support before they can make effective use of loans. In many cases, small grants, community infrastructure improvements, health and education services, employment and training programs and other non-financial services may be more appropriate tools for poverty alleviation. Wherever possible, poor clients should be encouraged and supported to build a small savings
Principle Eight: The role of governments is as an enabler, not as a direct provider of financial services. Governments play an important role in setting a supportive policy environment that stimulates the development of financial services while protecting poor people’s savings. Governments can best support microfinance by promoting macroeconomic stability, avoiding interest-rate caps and refraining from distorting the market with unsustainable, subsidized loan programs. Governments can also support financial services for the poor by improving the business environment for micro-entrepreneurs, clamping down on corruption, and improving access to markets and infrastructure. Government’s are not well placed to provide financial services directly to clients, and tend to distort the market and reduce the quality and level of service provision when they do so. In certain situations, government funding for sound, independent microfinance institutions may be warranted when other funding sources are not available.

Principle Nine: Donor subsidies should complement, not compete with private sector capital. Donors should use appropriate grant, loan, and equity instruments on a temporary basis to build the institutional capacity of financial providers, develop supporting infrastructure (like rating agencies, credit bureaus, audit capacity, etc.), and support experimental services and products. In some cases, longer-term donor subsidies may be required to reach sparsely populated and otherwise difficult-to reach populations. To be effective, donor funding must seek to integrate financial services for the poor into local financial markets; apply specialist expertise to the design and implementation of projects; require that financial institutions and other Principles of Microfinance – updated Sep 06 Page 4 of 4 World Education Australia partners meet minimum performance standards as a condition for continued support; and plan for exit from the outset.

Principle Ten: The lack of institutional and human capacity is the key constraint to the expansion of microfinance. Microfinance is a specialized field that combines banking with a social agenda. The technology and finance required to extend these services to the poor already exists, what is lacking in most cases is the institutional and human capacity required to link financial markets with poor clients. To address this constraint, capacity needs to be built at all levels, from financial institutions through the regulatory and supervisory bodies and information systems, to government entities and donor agencies. Investments in the sector, both public and private, should focus on building the human and institutional capacity to release the full potential of microfinance.
**Principle Eleven: The importance of financial and outreach transparency.**

Because microfinance has a social agenda and involves a wide range of stakeholders, it is important that accurate and comparable information be available to monitor and assess the social and financial performance of programs. This information is required by bank supervisors, regulators, donors, investors and clients so that they can adequately assess the risks and returns associated with various providers and services. The microfinance industry is vulnerable to political interference because of its need to charge higher than usual levels of interest to poor clients. Transparent financial and outreach reporting can help to mitigate concerns related to unfair pricing of products and thereby promote the sustainability of the microfinance industry as a whole.

### 2.5 Microfinance Access

Microfinance has proven to be a very effective development tool because it provides empowerment instead of charity. Typically, microfinance clients are self-employed household entrepreneurs who lack the resources to invest in their business and their future and thus cannot escape the grips of extreme poverty. Here is a typical microfinance success story taken from the United Nations Capital Development Fund (David Loris - Waterberry staff)

The landscape of microfinance is changing as a result of increasing understanding of how the poor use money and their diverse demands for financial services. Correspondingly, the microfinance industry is evolving into an increasingly commercial operation to serve a larger segment of the potential market. A number of challenges need to be overcome to facilitate and accelerate this process to realize the vast potential of microfinance. (Ashok Sharma, Senior Financial Economist Asian Development Bank)

Traditionally, Banks have not provided financial services to clients with little or no cash income. Banks must incur substantial costs to manage a client account, regardless of how small the sums of money involved. For example, the total revenue from delivering one hundred loans worth $1,000 each will not differ greatly from the revenue that results from delivering one loan of $100,000. But the fixed cost of processing loans -- of any size -- is considerable: assessment of potential borrowers, their repayment prospects and security; administration of outstanding loans, collecting from delinquent borrowers and so on. There is a break-even point in providing loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below it.
In addition, most poor people have few assets that can be secured by a bank as collateral. As documented extensively by Hernando de Soto and others, even if they happen to own land in the developing world, they may not have effective title to it. This means that the bank will have little recourse against defaulting borrowers. Seen from a broader perspective, it has long been accepted that the development of a healthy national financial system is an important goal and catalyst for the broader goal of national economic development (see for example Alexander Gerschenkron, Paul Rosenstein-Rodan, Joseph Schumpeter, Anne Krueger etc.). However, the efforts of national planners and experts to develop financial services for their nations’ majorities have often failed since World War II, for reasons summarized well (Adams, Graham & Von Pischke, 1984).

Because of these difficulties, when poor people borrow they often rely on relatives or a local moneylender, whose interest rates can be very high. An analysis of 28 studies of informal money lending rates in fourteen countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceed 100% per month. Moneylenders usually charge higher rates to poorer borrowers than to less poor ones. While moneylenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business have proven unrealistic, even in places where microfinance institutions are very active.

Over the past centuries practical visionaries from the Franciscan monks who founded the community-oriented pawnshops of the fifteenth century, to the founders of the European credit union movement in the nineteenth century (such as Friedrich Wilhelm Raiffeisen) and the founders of the microcredit movement in the 1970s (such as Yunus M) have tested practices and built institutions designed to bring the kinds of livelihood opportunities and risk management tools that financial services provide to the doorsteps of poor people.

While the success of Grameen Bank (which now serves over seven million poor Bangladeshi women) has inspired the world, it has proved difficult to replicate this success in practice. In nations with lower population densities, meeting the operating costs of a retail branch by serving nearby customers has proven considerably more challenging.

Although much progress has been made, the problem has not been solved yet, and the overwhelming majority of people who earn less than $1 a day, especially in the rural areas, continue to have no practical access to formal sector finance. Microfinance has been growing rapidly with $25B currently at work in microfinance loans. It is estimated that the industry needs $250 billion to get capital to all the poor
people who need it. The industry has been growing rapidly and there have been concerns that the rate of capital flowing into microfinance is a potential risk unless managed well.

The microcredit era that began in the 1970s has lost its momentum, to be replaced by a ‘financial systems’ approach. While microcredit achieved a great deal, especially in urban and near-urban areas and with entrepreneurial families, its progress in delivering financial services in less densely populated rural areas has been slow. Another major goal of the microcredit movement was to put the traditional moneylender, who typically charges at least 10% a month and often much more, out of business. There is little evidence of progress towards this goal.

The new financial systems approach pragmatically acknowledges the richness of centuries of microfinance history and the immense diversity of institutions serving poor people in developing world today. It is also rooted in an increasing awareness of diversity of the financial service needs of the world’s poorest people, and the diverse settings in which they live and work. (Brigit Helms) in her book 'Access for All: Building Inclusive Financial Systems', distinguishes between four general categories of microfinance providers, and argues for a pro-active strategy of engagement with all of them to help them achieve the goals of the microfinance movement.

2.5.1 Informal financial service providers
These include moneylenders, pawnbrokers, savings collectors, money-guards, and input supply shops. Because they know each other well and live in the same community, they understand each other’s financial circumstances and can offer very flexible, convenient and fast services. These services can also be costly and the choice of financial products limited and very short-term. Informal services that involve savings are also risky; many people lose their money.

2.5.2 Member-owned organizations
These include self-help groups, credit unions, and a variety of hybrid organizations like ‘financial service associations’. Like their informal cousins, they are generally small and local, which means they have access to good knowledge about each others’ financial circumstances and can offer convenience and flexibility. Since they are managed by poor people, their costs of operation are low. However, these providers may have little financial skill and can run into trouble when the economy turns down or their operations become too complex. Unless they are effectively regulated and supervised, they can be ‘captured’ by one or two influential leaders and the members can lose their money.
2.5.3  NGOs

The Microcredit Summit Campaign counted 3,316 of these MFIs and NGOs lending to about 133 million clients by the end of 2006. Led by Grameen Bank and BRAC in Bangladesh, Prodem in Bolivia, and FINCA International, headquartered in Washington, DC, these NGOs have spread around the developing world in the past three decades; others, like the Gamelan Council, address larger regions. They have proven very innovative, pioneering banking techniques like solidarity lending, village banking and mobile banking that have overcome barriers to serving poor populations. However, with boards that don’t necessarily represent either their capital or their customers, their governance structures can be fragile, and they can become overly dependent on external donors.

2.5.4  Formal financial institutions

In addition to commercial banks, these include state banks, agricultural development banks, savings banks, rural banks and non-bank financial institutions. They are regulated and supervised, offer a wider range of financial services, and control a branch network that can extend across the country and internationally. However, they have proved reluctant to adopt social missions, and due to their high costs of operation, often can’t deliver services to poor or remote populations. The increasing use of alternative data in credit scoring, such as trade credit is increasing commercial banks' interest in microfinance.

With appropriate regulation and supervision, each of these institutional types can bring leverage to solving the microfinance problem. For example, efforts are being made to link self-help groups to commercial banks, to network member-owned organizations together to achieve economies of scale and scope, and to support efforts by commercial banks to ‘down-scale’ by integrating mobile banking and e-payment technologies into their extensive branch networks.

Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually, develop their microenterprises, enhance their income earning capacity, and enjoy an improved quality of life (Box 2). Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development.

The demand for microfinance services is largely unmet. Estimates of the global demand ranges from 400 to 500 million households of which only around 30 million
are reported to have access to sustainable microfinance services in 2002. Although many poor and low-income people do not yet have access to financial services, the number of customers that use microfinance, has grown between 25 and 30 percent annually over the past five years.

Microcredit has widely been directed by the non-profit sector while commercial lenders require more conventional forms of collateral before making loans to microfinance institutions. But now it’s successfully growing bigger and getting more credibility in the traditional finance world. Due to that the traditional banking industries have begun to realize that these borrowers fit more correctly in a category called prebankable. The industry has realized that those who lack access to traditional formal financial institutions actually require and desire a variety of financial products. Nowadays the mainstream finance industry is counting the microcredit projects as a source of growth. Before almost everyone where neglecting the success of microcredit in the beginning of the 1970s when pilot projects such as ACCION where released until the United Nations declared 2005 the International Year of Microcredit.

The most of the microcredit institutions and agencies allover the world focuses on women in developing countries. Observations and experience shows that women are a small credit risk, repaying their loans and tend more often to benefit the whole family. In another aspect it’s also seeing as a method giving the women more status in a social economic way, and changing the current conservative relationship between gender, and class when women are able to provide income to the household. Women are in most cases responsible for children, and in poor conditions it results in physical and social underdevelopment of their children. 1.2 billion People are living on less than a dollar a day. There are many reasons why women have become the primary target of microfinance services. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. At a macro level, it is because 70 percent of the world’s poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution’s activities, benefiting multiple generations. They invest in assets such as gold, jewelry, domestic animals, building materials, and things that can be easily exchanged for cash. They may set aside corn from their harvest to sell at a later date. They bury cash in the garden or stash it under the mattress. They participate in informal savings groups where everyone contributes a small amount of cash each day, week, or month, and is successively awarded the pot on a rotating
basis. Some of these groups allow members to borrow from the pot as well. The poor also give their money to neighbors to hold or pay local cash collectors to keep it safe. However, widely used, informal savings mechanisms have serious limitations. It is not possible, for example, to cut a leg off a goat when the family suddenly needs a small amount of cash. In-kind savings are subject to fluctuations in commodity prices, destruction by insects, fire, thieves, or illness (in the case of livestock). Informal rotating savings groups tend to be small and rotate limited amounts of money. Moreover, these groups often require rigid amounts of money at set intervals and do not react to changes in their members’ ability to save. Perhaps most importantly, the poor are more likely to lose their money through fraud or mismanagement in informal savings arrangements than are depositors in formal financial institutions.” (CGAP)

"The poor rarely access services through the formal financial sector. They address their need for financial services through a variety of financial relationships, mostly informal." (CGAP)

Why is this? For a moment pretend that you are a poor goat herder walking into a bank:

- You don't have any money to open a savings account with
- You don't have any collateral to secure a loan with
- You don't have a credit record as you have never been formally employed and you've never taken out a loan before
- You might even be unable to complete the necessary paperwork as you are illiterate.

Formal financial institutions were not designed to help those who don't already have financial assets – they were designed to help those who do. Imagine trying to get a loan in the United States without any savings, an employer or a credit report. "Credit is available from informal commercial and non-commercial money-lenders but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and mutual insurance societies that have a tendency to be erratic and insecure." (CGAP)

### 2.6 Microfinance as a tool of poverty Elevation

People living in poverty need a diverse range of financial services to run their businesses, build assets, stabilize consumption, and shield them against poverty. Microfinance can help lessen poverty, although this can take time.
2.6.1 Household income

Financial services can improve poor people’s lives by providing needed financing for business activities, which can increase their household incomes. By offering a variety of financial products such as savings, insurance, loans, and remittances, microfinance empowers poor people to diversify their income sources, meet basic needs and cope with shocks to their income. While increased earnings are by no means automatic, reliable sources of credit provide a fundamental basis for planning and expanding business activities, which can enable clients to save, manage cash flows, and reduce the need to sell assets to in times of crisis.

2.6.2 Asset building

Due to increased income, and the ability to save and take on credit, microfinance can provide the means for poor people to acquire land, construct or improve their home, purchase animals and consumer durables, or create or expand their businesses. Studies have shown that clients who take part in microfinance acquire more productive assets over time than those who do not.

2.6.3 Reducing vulnerability

By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from every-day survival to planning for the future. Households are able to send more children to school for longer periods and to make greater investments in their children's education. Increased earnings can lead to better nutrition and better living conditions, which translates into a lower incidence of illness. Increased earnings and access to micro insurance also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates.

2.6.4 Empowering women

Many microfinance programs target poor women. For women, money management, greater control over resources, and access to knowledge leads to more choices and a voice in family and community matters. Economic empowerment is accompanied by growth in self-esteem, self-confidence, and new opportunities. Many qualitative and quantitative studies have documented how access to financial services has improved the status of women within the family and the community. Women often become more assertive and confident. In regions where women’s mobility is strictly regulated, women have often become more visible and are better able to negotiate the public sphere. Women involved in microfinance may also own assets, including land and housing, and play a stronger role in decision making. In some programs that
have been active over many years, there are even reports of declining levels of violence against women.

In conclusion, access to financial services creates the possibility of improving the economic conditions of the poor. However, we should not lose sight of the fact that credit, or debt, is a big responsibility. Incidences of over-indebtedness do occur and clients may end up less well-off, reminding all of us that microfinance, in particular credit, must be used judiciously.

About 1.2 billion people live on less than $1 a day, and around 70% of these people are women. With little or no access to healthcare, and without the means to provide nutritious food for themselves and their families, poverty-stricken women and their children are particularly vulnerable. Without permanent access to institutional microfinance, most poor households continue to rely on meager self-finance or informal sources of microfinance, which limits their ability to actively participate in and benefit from the development opportunities.

Microfinance can provide an effective way to assist and empower poor women, who make up a significant proportion of the poor and suffer disproportionately from poverty.

Microfinance can contribute to the development of the overall financial system. Comprehensive impact studies have demonstrated that:

(i) Microfinance helps very poor households meet basic needs and protect against risks.

(ii) The use of financial services by low-income households is associated with improvements in household economic welfare and enterprise stability or growth.

(iii) By supporting women's economic participation, microfinance helps to empower women, thus promoting gender-equity and improving household well-being.

(iv) For almost all significant impacts, the magnitude of impact is positively related to the length of time that clients have been in the program.

In September 2000, the member states of the United Nations unanimously adopted the Millennium Development Goals (MDGs), a set of eight, specific, measurable, time-bound targets that challenge countries to improve the welfare of the world’s poorest people. There is mounting evidence to show that the availability of financial services for poor households – microfinance – can help achieve the MDGs.
2.6.5 Reducing poverty
Plan, a child-centered community development organization, helps empower women around the globe. It works hard to increase their access to education and healthcare, and supports their efforts to achieve economic security.
Plan’s 'Because I Am a Girl' campaign aims to transform the lives of millions of young women and girls in response to particularly bleak global statistics: girls aged 15-19 account for 50% of sexual assault worldwide; 62 million girls are denied a primary education.
But perhaps one of the most life-changing and little-known aspects of Plan’s work is in the field of microfinance – the provision of small loans and savings facilities to increase economic security and reduce poverty.
Plan works in partnership with local microfinance organizations to establish and support lending and saving programmes. Through them, women can be granted small loans that can help them start up their own business and lift themselves and their families out of poverty. In time, the programmes become self-financing.

2.6.6 Eradicate extreme poverty and hunger
Empirical evidence shows that, among the poor, those participating in microfinance programs who had access to financial services were able to improve their well-being both at the individual and household level much more than those who did not have access to financial services.

2.6.7 Achieve universal primary education
Increased incomes, savings and education loan products provide poor people with the ability to invest in their children’s future, particularly in their education. Empirical evidence indicates that, in poor households with access to financial services, children are not only sent to school in larger numbers, but they also stay in school longer. Even where children help out in family enterprises, the poverty-induced imperative of child labor decreases, and school drop-out rates are much lower in client households than in non-client households.

2.6.8 Promote gender equality and empower women
There is strong evidence that access to financial services and the resultant transfer of financial resources to poor women, over time, lead to women becoming more confident and assertive. Access to finance enables poor women to become economic agents of change by increasing their income and productivity, access to markets and information, and decision-making power. This empowerment is very real, and can take different forms:
2.6.9 Reduce child mortality and improve maternal health

Hunger and illness are generally the most important risk that poor people face. Time taken off from work because of an illness and health care-related expenses erode incomes and savings and often force the poor to sell assets and go into debt. The death of a breadwinner further decreases a poor family's well-being. Increased earnings, savings, and, increasingly, insurance allow clients to seek out health care services earlier, before conditions deteriorate. In addition, many microfinance institutions actively promote health education. This may take the form of a few simple, preventive health care messages on immunization, safe drinking water, and pre-natal and post-natal care. Some programs provide credit products for water and sanitation that directly improve clients' living conditions.

2.6.10 Develop a global partnership for development

Microfinance alone will not bring about the achievement of the Millennium Development Goals. Government, donors and key stakeholders will need to work together on a series of strategies and activities to reduce poverty and achieve the MDGs, among them: education, health care, housing, transportation, improved agriculture, expanded markets, and access to information.

That being said, access to financial services does allow people to improve their own human capital (schooling, health care) and allows for the potential for improved social capital as clients become more empowered and integrated into markets. Whether they save or borrow, evidence shows that when poor people have access to financial services, they choose to invest their loans, additional earnings, or savings in a wide range of activities and assets that benefit not only their businesses but also their households. Thus access to financial services provides the poor with the means to achieve most of the MDGs—on their own terms, in a sustainable way.

Microcredit plays an important role in fighting the multi-dimensional aspects of poverty. Microfinance increases household income, which leads to attendant benefits such as increased food security, the building of assets, and an increased likelihood of educating one's children. Microfinance is also a means for self-empowerment. It enables the poor to make changes when they increase income, become business owners and reduce their vulnerability to external shocks like illness, weather and more.

Poor people, with access to savings, credit, insurance, and other financial services, are more resilient and better able to cope with the everyday crises they face. Even the most rigorous econometric studies have proven that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic
needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets.

Access to credit allows poor people to take advantage of economic opportunities. While increased earnings are by no means automatic, clients have overwhelmingly demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities. Many studies show that clients who join and stay in programs have better economic conditions than non-clients, suggesting that programs contribute to these improvements. A few studies have also shown that over a long period of time many clients do actually graduate out of poverty.

By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from "every-day survival" to "planning for the future." Households are able to send more children to school for longer periods and to make greater investments in their children's education. Increased earnings from financial services lead to better nutrition and better living conditions, which translates into a lower incidence of illness. Increased earnings also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates." (CGAP)

"Empirical evidence shows that, among the poor, those participating in microfinance programs who had access to financial services were able to improve their well-being—both at the individual and household level—much more than those who did not have access to financial services.

"In the last two decades, substantial progress has been made in developing techniques to deliver financial services to the poor on a sustainable basis. Most donor interventions have concentrated on one of these services, microcredit. For microcredit to be appropriate however, the clients must have the capacity to repay the loan under the terms by which it is provided. Otherwise, clients may not be able to benefit from credit and risk being pushed into debt problems. This sounds obvious, but microcredit is viewed by some as "one size fits all." Instead, microcredit should be carefully evaluated against the alternatives when choosing the most appropriate intervention tool for a specific situation.

Microcredit may be inappropriate where conditions pose severe challenges to standard microcredit methodologies. Populations that are geographically dispersed or nomadic may not be suitable microfinance candidates. Microfinance may not be appropriate for populations with a high incidence of debilitating illnesses (e.g., HIV/AIDS). Dependence on a single economic activity or single agricultural crop, or reliance on barter rather than cash transactions may pose problems. The presence of hyperinflation or absence of law and order may stress the ability of microfinance to operate. Microcredit is also much more difficult when laws and regulations create
significant barriers to the sustainability of microfinance providers (for example, by mandating interest-rate caps).
The impact of microcredit has been studied more than the impact of other forms of microfinance. Microcredit can provide a range of benefits that poor households highly value including long-term increases in income and consumption. A harsh aspect of poverty is that income is often irregular and undependable. Access to credit helps the poor to smooth cash flows and avoid periods where access to food, clothing, shelter, or education is lost. Credit can make it easier to manage shocks like sickness of a wage earner, theft, or natural disasters. The poor use credit to build assets such as buying land, which gives them future security. Women participants in microcredit programs often experience important self-empowerment.

Empirical studies on the impact of credit are difficult and expensive to conduct and pose special methodological problems. Most impact studies to date have found significant benefits from microcredit. However, only a few studies have made serious efforts to compensate for the methodological challenges. In fact, many studies would not be regarded as meaningful by most professional econometricians. A new wave of randomized trial studies is now in process, which should yield a more definitive picture.

Even so, there is a strong indication from borrowers that microcredit improves their lives. They faithfully repay their loans even when the only compelling reason is to ensure continued access to the service in the future.

Other microfinance services like savings, insurance, and money transfers have developed more recently, and there is less empirical research on their impact. Client demand indicates that poor people value such services. MFIs that offer good voluntary savings services typically attract far more savers than borrowers.

Microfinance - a powerful poverty-fighting tool: Microfinance helps people to escape poverty by giving them collateral-free loans and other financial services to support income-generating businesses. As each loan is repaid, the money is redistributed as loans to others, thereby multiplying its impact. For Fatima, a FONDEP client in Morocco, the loans have helped her build a business and new horizons for her children. Grameen Foundation

2.7 UNCDF (United Nations Capital Development Fund)

UNCDF vision of inclusive finance is of large-scale access to a variety of financial services for poor and low-income people and micro and small enterprises. Inclusive financial sectors are defined by a continuum of financial institutions that together offer appropriate financial products and services to all segments of the population. To
operate effectively, inclusive financial sectors need to be supported by sound policy, legal and regulatory frameworks. Overall they are characterized by:-

- Access at a reasonable cost of all households and enterprises to a broad range of financial services including savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances;
- Sound institutions guided by appropriate internal management systems, industry performance standards, performance monitoring, institutional transparency, accountability and sound prudential regulation;
- Financial and institutional sustainability as a means of providing access to financial services over time;
- Multiple providers of financial services, wherever feasible, so as to bring cost-effective and a wide variety of alternatives to customers.

Financial services for poor and low-income people and micro and small enterprises should be seen as an important and integral component of the financial sector. This sector should also include variety of financial institutions, each with its own comparative advantages and business models. The provision of financial services is primarily a private sector activity, with the role of government focused on creating an enabling environment.

### 2.8 The Government’s Role in Supporting Microfinance

Government’s most important role is not provision of retail credit services, for reasons mentioned in FAQ #12. Government can contribute most effectively by:

- Setting sound macroeconomic policy that provides stability and low inflation.
- Avoiding interest rate ceilings – when governments set interest rate limits, political factors usually result in limits that are too low to permit sustainable delivery of credit that involves high administrative costs—such as tiny loans for poor people. Such ceilings often have the announced intention of protecting the poor, but are more likely to choke off the supply of credit.
- Adjusting bank regulation to facilitate deposit taking by solid MFIs, once the country has experience with sustainable microfinance delivery.
- Creating government wholesale funds to support retail MFIs if funds can be insulated from politics, and they can hire and protect strong technical management and avoid disbursement pressure that force fund to support unpromising MFIs.
2.9 Islamic Microfinance

An estimated 72 percent of people living in Muslim-majority countries do not use formal financial services (Honohon 2007). Even when financial services are available, some people view conventional products as incompatible with the financial principles set forth in Islamic law. In recent years, some microfinance institutions (MFIs) have stepped in to service low-income Muslim clients who demand products consistent with Islamic financial principles—leading to the emergence of Islamic microfinance as a new market niche.

Islamic microfinance represents the confluence of two rapidly growing industries: microfinance and Islamic finance. It has the potential to not only respond to unmet demand but also to combine the Islamic social principle of caring for the less fortunate with microfinance’s power to provide financial access to the poor. Unlocking this potential could be the key to providing financial access to millions of Muslim poor who currently reject microfinance products that do not comply with Islamic law.

Islamic microfinance is still in its infancy, and business models are just emerging. In a 2007 global survey on Islamic microfinance, CGAP collected information on over 125 institutions and contacted experts from 19 Muslim countries. The survey and a synthesis of other available data revealed that Islamic microfinance has a total estimated global outreach of only 380,000 customers and accounts for only an estimated one-half of one percent of total microfinance outreach.

The supply of Islamic microfinance is very concentrated in a few countries, with the top three countries (Indonesia, Bangladesh, and Afghanistan) accounting for 80 percent of global outreach. Nevertheless, demand for Islamic microfinance products is strong. Surveys in Jordan, Algeria, and Syria, for example, revealed that 20–40 percent of respondents cite religious reasons for not accessing conventional microloans.

This Focus Note provides an overview of the current state of the Islamic microfinance sector and identifies possible challenges to its growth. It is intended as an introduction to Islamic microfinance primarily for the donor community and other potential entrants into the market. (Nimrah Karim, Michael Tarazi, and Xavier Reille (2008)
2.10 Microfinance in Sudan

The recognition of microfinance as one of the priority sectors for Sudan started only in the mid-1990s. The financing regulations of the Bank of Sudan are still being revised, and lack proper identification of microfinance activities. In microfinance, traditional Islamic financial products, such as the murabaha, the salam, the musharaka and the mudarba play an important role in Sudan. For example, the murabaha is a buy and resell contract, under which the bank purchases the goods ordered from the client and resells it to the customer at a marked-up price, usually on a deferred payment basis. This is the preferred product and is also the closest to standard interest-bearing financial contracts. The salam is also a buy and resell contract, but here the bank purchases the goods from the client, who then delivers the goods in the future. Mainly used for agriculture, the bank pays the farmer on the day the contract is signed and the farmer delivers the crop to the bank after harvest.

A number of banks, NGOs and social funds have been involved with microfinance in the Sudan, and more MFIs are slowly being launched. Over 100 local and foreign NGOs, in direct coordination with gov’t authorities, are active in providing microcredit, emergency loans, medical care and educational services to poor people in the Sudan. In addition, many rural development projects include components of microfinance support. Microfinance NGOs have been much closer to grassroots operations than have the formal lending institutions. The main NGOs active in microcredit have between 15-20,000 clients and registered repayment rates on average of 85 percent. Their success is often due to being community-based; often having simpler procedures; adopting flexible collateral terms; and sometimes creatively partnering with the formal banking system; they finance a variety of activities, i.e. they are not confined to "productive activities"; and they adopt different microfinance mechanisms and approaches. NGO microfinance institutions face problems, however, in shifting from
providing grants to providing credit, when credit is newly introduced to customers after a period of charity-based operations. They also face sustainability problems when moving from donors to commercial sources of funding.

Some of the MFIs making a difference in Sudan include SUMI, the Sudan Microfinance Institution, Aljawda Microfinance Bank launched in December 2007 and Five Talents International, whom have recently launched a program in Sudan. SUMI is an innovative and high-risk microfinance institution based in southern Sudan helping small borrowers eager to grow their fledging businesses. Isaac Sadik, a used clothes dealer and tailor, started his business in 2001 with $40 he had raised by selling a bicycle. “I joined SUMI in November 2003 with a loan of Ush200,000,” says Sadik. “My stock has increased to Ush350,000. In fact, my stall is now too small so I am looking for space to construct another stall.”

Working with a consortium of partners including the Episcopal Church of Sudan, Five Talents will be assisting a village banking project in Wau Diocese, which was started in September 2005, and currently has 270 members. This is one of the first projects of this type in southern Sudan. (Angelo Santamaria 2007 in Africa, MF Investment, MFI News | Permalink)

2.10.1 Sudan Microfinance Development Facility Background

The Bank of Sudan recently commissioned a study of the microfinance sector with the objective of preparing a long term development strategy for the sector. The resulting strategy includes a five year action plan that aims at enhancing the sectors contribution to economic and financial sector development as well as reducing poverty in the country. The strategy also aims to take proactive steps to support women entrepreneurs who lack support when compared to their male counterparts.

In 2006, the study concluded that microfinance, as it is known and practiced worldwide, is at an infancy stage in Sudan with supply being extremely small compared to demand for these services. Rough estimates have put the demand covered at only about 1-3%. A microfinance sector, offering financial services such as micro loans, repeated and larger loans, consumption loans, savings, deposits, and money transfers, insurance and adopting acknowledged performance measurement indicators, does not really exist in Sudan. Despite the several experiments in micro lending launched to extend 'small' loans to small producers and low-income groups, including women, yet there is no conformity in approach among the institutions/agencies undertaking these endeavors. This is probably a result of dissimilar objectives in terms of poverty alleviation and the absence of a clear strategy for microfinance.
A growing focus on poverty alleviation has developed during the last few years, as reflected by the establishment of several social funds; specialized institutions such as the Savings and Social Development Bank (SSDB) and the Social Development Fund (SDF); and the launching of several, albeit, scattered poverty alleviation initiatives. Nevertheless, the government's efforts in developing microfinance policies that tackle poverty in a most efficient manner remain limited and uncoordinated. NGOs and rural development projects have continued to be the main providers of microfinance to the poor, but these initiatives have remained limited in coverage and impact when compared to the size of the problem of poverty in the country.

There is a huge potential for the development of microfinance programs in the country, particularly in light of current social and economic conditions, and the Government's declarations for prioritizing poverty alleviation in its policies. However, there are many challenging constraints facing this nascent microfinance sector which unless addressed will limit its effectiveness in fulfilling its role in poverty alleviation and economic development.

2.10.2 Microfinance Unit Central Bank of Sudan

The microfinance Unit is responsible for executing strategy of the Central Bank of Sudan to develop social and economic banking in the field of microfinance with the aim of establishing effective corporations and activities to eliminate poverty in the poorest classes of the society and increase production to achieve balanced economic development according to CPA.

Accordingly, the Unit shall persevere to support banking and non-banking corporations through careful programs to build up technical and human capabilities of these corporations. It shall also find the suitable structures and legislations which provide for development of supportive practices and policies for microfinance corporations like similar international success and according to Islamic and traditional banking.

2.10.3 Bases of Strategy

First: The Necessity of establishing a specialized unit for microfinance

Banks which wish to render microfinance services through established branches or opening new independent branches or founding companies with affiliated microfinance units in their head offices to carry out microfinance and draw directions and policies according to the best practices prescribed by the microfinance unit of the Central Bank of Sudan should carry out the following:

1. to execute a microfinance strategy including the following:
   - A vision and purposes of the microfinance policy
• To fix target of quantity for time limited stages in order to measure and review the performance during the different stages according to agreed standards.

• To develop and versify credit products, criteria and procedures of giving microfinance the accompanied guarantees which achieve the microfinance policy.

• To simplify the procedures, methods and standards microfinance services along with technical and administrative supervision to meet the market conditions and the service recipients.

2 To build up the capabilities of the employees and clients of the microfinance banks and corporations by providing suitable training in this stage especially in less developed rural areas with the aim of supplying serviced to microfinance clients.

3 To develop administrative information system to follow up and control the performance and enlist microfinance operations in different outlets and branches as independent centers for making profits.

4 To introduce the latest IT to accelerate branch operations and improve the reports, their regularity and type.

5 To build up capabilities of employees concerned with microfinance through training and acquainting with regional and international experiences.

6 To make use of technical assistance given by local and foreign experts in the field of microfinance and implementation of the best practices.

Second: Finance

• Indirect finance (Group finance of corporations)

• Direct Finance) individual finance of corporation)

• Individual finance

2.10.4 Microfinance sector Background

In 2006, a study conducted by UNICONS for the Central Bank of Sudan concluded that microfinance is at an infancy stage in Sudan with supply being extremely small compared to demand for these services. It is estimated that the supply of microfinance covers only about 1-3% of the potential demand, although this figure might be revised once better and more comprehensive industry data is collected. Although Sudan has a diversified experience of microfinance projects scattered throughout the country, which provide lessons for future activities, only in very few cases have there been serious attempts to include the worst off sections, promote
sustainability, and mobilize supplementary resources for the benefit of the poor. While some of these projects are still existing or expanding, many have come to an end, reflecting the limited sustainability of the microfinance sector so far.

The microfinance sector in Sudan is largely credit-oriented, with NGOs and rural development projects having continued to be the main providers of micro loans to the poor. Some specialized and commercial banks have provided small scale and microfinance services for more than 15 years. These include the Agricultural Bank of Sudan (with some experience in rural areas and with community-based and civil society organizations, CBOs and CSOs), and the Savings and Social Development Bank (SSDB) that serves as intermediary for INGOs and UN agencies.

Following a growing focus on poverty alleviation during the last few years, the GoNU has established several social funds. However, most are largely grant or charity based with a negligible share of micro credit and with limited exposure to modern microfinance practices. Only the Social Development Fund (SDF) operating in Khartoum state and acting as a counterpart for donor-funded poverty-alleviation projects, has growing activities.

Several integrated rural development projects also had or have microfinance elements. These were successful in using credit as a tool for poverty alleviation, forming and working with CBOs as intermediaries, good coordination with government, and financing agricultural production, but were hampered by capital erosion (earlier projects), high management costs, low skills and inadequate training, provided no savings mobilization and consumption loans, and had a limited impact on women, the poorest and groups with special needs.

While some commercial banks have also been engaged, their outreach remained minimal. They include the Sudanese Islamic Bank, the Faisal Islamic Bank, Albaraka Bank, and the Islamic Cooperative Development Bank. Overall characteristics of bank engagement include conventional procedures, lack of exposure and training in microfinance facilitation and management, concentration on urban and semi-urban areas and the formal sector, little emphasis on the savings component, and no allowance for consumption/emergency loans. Furthermore, none targets the poorest of the poor, and they have limited links with grass root organizations. Their efforts depend entirely on individual bank initiatives and are not part of a national policy framework.

NGOs have been much closer to grass root organizations, as far as microfinance is concerned. However, their efforts are often hampered by a social ‘beneficiary’ rather than a client approach and an external funding dependency. Some microfinance services are also provided through Community-based organizations (CBOs), mainly in or around Khartoum. A successful experience of urban microfinance is PASED -
Port Sudan Association for Small Enterprise Development, the first (operating since 1984 as ACORD) and the largest provider of microfinance services in Sudan with 4010 clients (December 2006) and an average repayment rate of 85%. Other experiences include a Grameen-type credit programme for IDP women in IDP settlements by Elkifaya Bank, the Sudanese Development Association helping poor communities, especially women, to set up CBOs for savings and credits, varied experiences of Plan-Sudan, changing between commercial and charity, a micro lending project for the urban poor in Khartoum North by Sudanese Red Crescent, and the Women’s Fund of the Women Union of Khartoum State, administered through the ABS and SSDB.

The Khartoum Network of NGOs providing microfinance services (MON) has played a recognized role in awareness rising among communities and they have led capacity building programs despite their limited resources.

So far, out of all these experiences emerged no sustainable, i.e. profitable, microfinance model for the rural areas, which constitute more than 90% of the geographical area of Sudan, mainly due to lack of road and transportation infrastructure, lack of market access, lack of business skills and recurring conflicts.

In Southern Sudan, microfinance has recently been set up by a few major players according to international standards, and it is growing rapidly as well as attracting new providers. Currently there are three main microfinance institutions operating: Sudan Finance (a partnership between ARC and Micro Africa Limited, an East Africa holding company), Sudan Microfinance Institution (SUMI) and BRAC Sudan. At least one more player might enter the market in the near future.

BRAC, an international microfinance provider, started a women-only microfinance program in Southern Sudan in March 2007. It has now six branches around Juba in the state of Central Equatorial, with 4,500 clients. BRAC plans to grow rapidly in other Southern Sudan states and foresees reaching one million clients and financial sustainability in 4-5 years.

The two other microfinance providers in Southern Sudan, Sudan Finance and SUMI, have both reported very high demand for their services and have forecast considerable growth for the rest of 2007 and 2008. Sudan Finance has about 680 clients and SUMI about 6,000. All three microfinance providers have experienced very high repayment rates. On the other hand, the key common challenges in providing microfinance services seem to be very high operation costs due to poor infrastructure and communication, as well as difficulties in attracting and retaining qualified staff.
2.10.5 Microfinance in Southern Sudan

The Southern Sudan Microfinance Forum was established in 2006 to offer microfinance practitioners a platform to share experiences and discuss topics of common interest. The network organizes regular meetings, where active MFIs and other international agencies interested in microfinance have an opportunity to exchange experiences and discuss topics of common interest. The network is now looking at becoming more formal and is developing a Memorandum of Understanding for current and future members.

According to the currently discussed proposal for a regulatory framework, there are four categories of microfinance providers: Banks, MFIs, NGOs, and Funds. Only microfinance banks are allowed to take deposits. Capital requirements to set up a microfinance bank are USD 5 million to operate at the national level and USD 2.5 million to operate at the state level. Neither MFIs nor NGOs are allowed to take interest-paying deposits but only to mobilize member savings as collateral or voluntary savings. The Central Bank of Sudan intends to review its policies annually.

2.10.6 Microfinance challenges

There is a huge potential for the development of microfinance programs in the country, particularly in the light of current social and economic conditions, and the Government's declarations for prioritizing poverty alleviation in its policies. However, there are many challenging constraints facing this nascent microfinance sector which, unless addressed, will limit its effectiveness in fulfilling its role in poverty alleviation and economic development. Some of these challenges are:

1. Lack of clear policy direction for MFIs: Although microfinance is recognized in Sudan as an important development element, it does not find its place in relevant policy documents. The implication of Sudan's dual financial system for microfinance also needs to be clarified. Overall, a conducive national policy on MF is as yet missing.

2. Outreach to the poor is still limited among many microfinance service providers. In almost all of the country and especially in peripheral regions in Eastern, Western and Southern Sudan, MFIs face very high operational costs due to poor communication and road infrastructure, which limits their ability to offer services outside the main towns. When it comes to banks, the procedures and requirements for loan provision in the banking system (licenses, clearance from Zakat and taxes, land lease, Banking accounts, requirements of cheques and collateral) are structured to serve those in the formal sector. Generally speaking, despite the fact that demand for
microfinance has been steadily growing in Sudan during the last decade, most bankers are still reluctant to do business with the poor as a large-scale profitable activity. They still perceive microfinance as a charitable activity that is better dealt with by other more socially oriented organizations. Additionally, more than half of bank branches are concentrated in the regions of Khartoum State and Central States, so that a large part of the poor does not have easy access.

3 Microfinance programs offer only a limited number of products. Different products are needed to meet the specific demands of a broad spectrum of clients. Especially rural clients, including farmers, and agribusiness entrepreneurs among others, are not being effectively targeted. Rural financial intermediation, in general, does not meet the specific demands of a broad spectrum of clients.

4 For most target groups and areas, microfinance needs complementary strategies to be effective, including strengthening community institutions, training and capacity development for clients and personnel, value chain integration and marketing support as well as a so far virtually non-existent cooperation among the different service providers.

5 Absence of coordination between microfinance providers: There is only a very limited exposure and ongoing sharing of ideas and experiences among microfinance providers, in particular between banks and non-banks. At this nascent stage of the sector’s growth, efforts should be made to increase the level of coordination among practitioners and create regular opportunities to discuss topics of concern and share experiences among practitioners and other stakeholders.

6 There is a lack of exposure to international, state-of-the-art microfinance good practices. The training and experience of the personnel in commercial banks is unsuitable for servicing poor clients. Similarly, with the exception of a few international NGOs, non-bank microcredit providers have experienced shortage of qualified credit and micro enterprise specialists to handle small business and microfinance operations which is constraining their ability to expand their services and better cater to clients’ needs.

7 No aggregate data on national microfinance industry size and performance is available. Statistics, surveys, baselines, and research that provide estimates of the volume of the microfinance market and its characteristics in the different geographic areas and sectors of the economy are very limited or unavailable. There is no one-stop-shop where all available information is tracked.
An independent, strong microfinance provider network is missing. The government-initiated network of Khartoum-state based microfinance providers MON is severely under-resourced and is unable to perform its activities. The Southern Sudan Microfinance Forum has been initiated by the locally active microfinance providers themselves, but it consists yet of only three participating organizations. The linkage between both networks has only been created during the preparation on this forum.

2.10.7 Opportunities of success
The GoNU and GOSS have both endorsed microfinance as a crucial component of their poverty reduction strategies, and the CBoS has recently approved a National Vision for the Development and Expansion of the Microfinance Sector in Sudan. This, together with the experience of Sudan microfinance providers, creates a good momentum to build on these efforts and jointly work on setting the foundations of a sound microfinance industry. Some of the current opportunities are:

- **Development of a Microfinance Regulatory Framework**
  MFU is working on developing regulations for the sector to create an enabling environment that would allow MFIs to operate effectively and to serve their clients efficiently. International experiences of good practice regulation and supervision systems as well as close consultations with Sudanese practitioners and stakeholders are a crucial contribution in this phase of the process towards designing a conducive regulatory framework. There is an active role to play for Sudanese microfinance providers and stakeholders.

- **Technical and Financial Assistance through planned and new activities**
  The Consultative Forum can identify options and possibilities to include microfinance elements in new technical assistance projects. Capacity building and access to capital for microfinance providers can be addressed with the establishment of the Sudan Microfinance Development Facility (SMDF), an apex institution which will be funded by development partners (through MDTF) and CBoS (each USD 10 million). The apex will engage directly with the financial sector, i.e. it will offer grants, on-lending financing and equity investment as well as general capacity building and training. The process for setting up the facility is under way. In addition, CBoS has allocated USD 40 million for 2007 in order to encourage corporations (new microfinance banks and existing commercial banks) to invest in microfinance. Thus, there is plenty of opportunities to invest in different promising microfinance models and innovative pilot projects with a better potential of sustainability than has been experienced in the past.
First National Consultative Forum and follow-up Action

The Forum is an excellent opportunity to take stock of Sudan’s microfinance experience so far, assess key challenges and opportunities and discuss suitable actions to support the development of the industry. It is also a very good opportunity to hear the practitioners’ voices on what they see as key priorities to develop the sector, and to foster dialogue and networking among microfinance practitioners and stakeholders, in view of establishing a channel for regular communication and coordinated action with the full ownership of the people of Sudan. (Assessment of the current status of the industry for the First National Consultative Forum on Microfinance Khartoum 12-14 November 2007)
CHAPTER THREE

RIVER NILE STATE AND MICROFINANCE PERFORMANCE

3.1 Background

River Nile is one of the Northern Sudan States which located to the north of Khartoum State the capital of the Sudan. The economy of the State depends on traditional and modern agriculture and the most important agricultural crops are soybeans, Dura, fruits and vegetables. In the Nile State exist cement industry and the State is very rich with mica and some metals like gold extracted by primitive ways.

River Nile State is located between Latitudes 16 - 22 north and Longitudes 32 - 35 south, from the North it's bordered by the Arab Republic of Egypt, from the East by Kassala state and Red Sea States, from the South by Khartoum State and from West by the Northern State. The State’s area is about 122.1 thousand square Kilometers. It is ranked as a sixth State in terms of area among the Northern States, where it comes after the Northern State, Northern Darfur, Red Sea, Northern Kordofan and South Darfur.

The State weather is very hot in summer and cold in winter, rainfall is rare and with a few rates in the State and it is affected by the north-west dry wind, and completely lay in the dry desert region of Sudan, which is characterized by its fragile limited resources soil and high deterioration.

Population of the State according to the last census (2008) is about one million. Algalyyeen tribe who makes about 68% of the State’s population and there are Elmanaseer tribe and Elrubatab tribe who are living mostly on the river Nile banks, and depends for their living on agriculture. Also the people of the state exercise trade within the state and all parts of the Sudan.

The surface of the state is a desert flat level surface, which is of low hills in most cases, except some mountains in the south of the state and spread sand dunes animation by wind percolate throughout the valleys of medium depth, and the Nile and desert represents the natural phenomena in the State.

The investment in the state in the year 2008 as the Strategic planning council documents are 32 industrial projects and 19 agricultural projects and 42 services projects.
3.2 Agriculture in the River Nile state

According to the Ministry of Agriculture and animal wealth and irrigation records the agricultural area in the year 2008 was as presented in table 3.1

Table 3.1 Agricultural area in the River Nile state 2008

<table>
<thead>
<tr>
<th>The season</th>
<th>Area/fed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Damira cultivated area</td>
<td>327258</td>
</tr>
<tr>
<td>Summer area</td>
<td>141341</td>
</tr>
<tr>
<td>Winter season area</td>
<td>431225</td>
</tr>
</tbody>
</table>

Wheat cultivated area was about 153362 fedan

The agriculture in the state is mainly irrigated agriculture include private pumps, public schemes and some basins. The most cultivated crops are Wheat, Dura, Faba Beans, Check pea, fruits, Lucerne, lentils and Vegetables.

Veterinary services and livestock:

- The numbers of cattle heads are 175,755.
- The number sheep heads are 1,804,447.
- The numbers of goats are 2,462,872.
- The numbers of camels are 154,233.
- The number of donkeys and horses are 300,112

The numbers of veterinary hospitals in the state are six in the six localities.

Also there are about 18 veterinary care centre's spreading all over the state.

The state annual consumption of wheat is about 56652 tones and the annual consumption of Dura is about 67980 tones. The annual consumption of Lentils and rise respectively is 11328 tons and 9444 tons.

The protein consumption in the state was estimated to be as follow:

1. Fish consumption is about 5000 kilocalories per day.
2. Chicken consumed in the state 20000 kilo today.
3. Beef consumption in the state is about 15000 kilograms a day.
4. The amount of milk consumed per day about 7000 lbs.
5. State eggs consumption is about 30000 tablets per day.

Fruit and vegetables consumed in the state are about 240 tons of vegetables of various kinds.

With regard to crop markets in the state, there are no specific markets for crops known, there is only one livestock market in ED-Damr

3.3 Microfinance in the River Nile state

3.3.1 Overview
In the year 2008, the Government of National Unity in the state established a Council for the microfinance headed by Ms. Shama Ahmed Mohamed (Alwali advisor) and consisted of all interested participants, implementing and financing institutions in the state. The Council began its functions and formed its committees and holding workshops and seminars and listened to experts and partners and selected three projects to be funded through microfinance for their economic importance to the achievement of development and food security.

The Council presented a paper entitled: (Microfinance in the River Nile State, concept, challenges, and opportunities for success). This paper determined the goals and the role required from institutions to ensure the success of the Microfinance Program in the state and became State National Unity Government program for executive microfinance strategy in the state.

3.3.2 Program visions
Successful endeavors is needed to create a society based on equality and social justice, where the segments of the poor and people with limited income apart from partners in the creation of overall social and economic development.

3.3.3 Message
Provide financial resources and in-kind and technical assistance to the vulnerable sections of the society. And to facilitate the access of microfinance services to all people who live in low economic levels to take advantage of the service in the development of income.

3.3.4 Strategic objective
Develop a framework of policies to provide more effective and widespread range of financial services responsive to customer with optimum pricing. This framework has two objectives:
1. Find the proper status of the microfinance as for a broader poverty alleviation and economic development and social empowerment of the poor to access unlimited financial services, which include credit, savings and insurance.
2. Sustainable microfinance industry, institutionally and financially, and built-in the formal financial sector.
3.3.5 Program strategy action
The paper stated the strategy action of the microfinance as follow:
1. Targeting the poor and the transformation of their lives to a better one.
2. Making and identify policies that lead to the fight against poverty.
3. Encourage the participation of women sector and youth to receive service.
4. Sense of moral responsibility towards the community and transparent approach.
5. Communities mobilize savings and promote the culture of savings.
6. Design projects in view of the factors of sustainability.
7. Allocate 70% of the resources to the rural finance and 30% for the urban poor, but not less than 30% for women (According to Sudan Bank policies).

3.3.6 Challenges facing microfinance in the state
The paper counted challenges facing microfinance project in the state as follow:
1. Opportunities for cooperation between the government and private effort to play an active role in the development of microfinance and small business.
2. Gap between demand and supply of microfinance, and the wide geographical area.
3. Ensure high rates of repayment of the loans and to allow greater flexibility and to identify non-traditional type of safeguards that are more appropriate for microfinance and reduce the credit risk ratios.
4. Many local taxes and fees on small businesses and their products work on the erosion of capital.

3.3.7 The keys of successful of the program
The paper determined the program keys of success as follow:
1. Provide appropriate atmosphere to ensure the sustainability of the sector as well as laws and legislations support the viability of microfinance to achieve its objectives, which are able to provide a degree of autonomy.
2. Scrutiny in the market to be the target group of customers who share certain characteristics and tend to act the same way likely, and to be attracted by a special mix of products.
3. Sound lending and systematic policies.
4. Design and development of strategies able to take advantage of opportunities in the microfinance sector, as well as to avoid threats.
5. Choice of cadres working in the areas of service with enough training and skills.
6. Mechanisms of effective follow-up of the loans granted through the periodic visits of the projects funded to examine the benefit of the loans granted to customers.
7. Development of traditional and non-traditional guarantees incentives for customers to receive service and guarantee the repayment of loans, such as social security and micro insurance.

8. Successful selection of the customer and the ability to test the development of income and access to loans and the need for studies of micro-credit funding applications before the award of the credit.

9. Develop methods to enable access seekers at low cost service.

10. Continue in the preparation of studies and research on the market.

The Council guides its work as the best, and formed specialized committees; the first committee provides specific vision on the management mechanisms and implementation, held many seminars and workshops, and pointed the program vision, the second committee specializes in the provision of vision on the composition of portfolio funds. This committee consists of all bank representatives in the state.

**First Committee (Administrative Committee)**

The committee had formulated a new vision of microfinance and its message and objectives contribute to the economic boom. The committee provided an idea about how to finance, the institution and its management structure and strategies for action and the keys to success, as well as the challenges that may face the institution's performance, and formulate the policies needed to overcome these challenges.

**Second Committee (Financial Committee)**

The Finance Committee held a meeting attended by the representative of Central Bank of Sudan – Atbara- and state branches of commercial banks and other institutions to study the composition of the portfolio of the microfinance in the state, and had been conceived of the portfolio as follows:

**First: The members of the portfolio:**

1. Central Bank of Sudan – Atbara
2. Bank of Khartoum
3. Islamic Cooperative Developments Bank
4. Faisal Islamic Bank
5. Agricultural Bank of Sudan
6. Workers National Bank of
7. Savings and Social Development Bank
8. Farmers Commercial Bank
9. Neilain Bank for industrial development
10. Sudanese Islamic Bank
Second: the capital of the portfolio:
Portfolio consists of the total capital contributions of its constituent Banks (ten Banks), each Bank paid the amount of one million pounds as a minimum starting capital of 10 million portfolio, as well as the contribution of the symbiotic other institutions such as the Zakat Office, which expressed its readiness to contribute by SDG 485 000.

3.3.8 The most important recommendations of the paper
1. Design legislations and laws to promote and develop the microfinance sector and small business.
2. Stand on the policies of the Bank of Sudan and the other banks to take advantage of supportive policies and funding specific ceils.
3. Guidance for harmonization of efforts towards poverty alleviation and embodied in the plans, programs, ministries and localities of the state and the efforts of the state in the area of microfinance.
4. Policies in order to permanently change the awareness of concepts and behaviors of individuals and groups to the concept of microfinance and the provision of the conviction of the need to have savings and credit rather than support, the state information system should plays an important role in this area.
5. Review the laws of cooperatives and similar entities to enable them to work within the system of the microfinance sector.
6. To take advantage of state training institutions and involve them in the capacity-building programs for the target beneficiaries of the financial services, before and during the implementation of an economic activity.
7. Benefit of the local and global experiences in the development of microfinance sector and small business.
8. Thinking in appropriate formulae for microfinance funding and consistent with the policy of the State.

3.4 Microfinance performance in the River Nile state:
Microfinance started in the River Nile state in the year 2008, where it was agreed to fund the projects of horticulture, animal production, resettlement of sheep with the Bank of Sudan and the Agricultural Bank of Sudan and the Saving and Social Development Bank and the Ministry of Finance in River Nile State as detailed later. In the year 2009 the Family Bank opened anew branch in Adamar and appeared to practice its activity (microfinance funding) in July 2009.
3.4.1 Microfinance size in the state

3.4.1.1 MF Institutions (Banks):
Four banks were selected to study the case of microfinance in the state and the information's about it were collected because these four banks operate around the state. These four bank are Agricultural Bank of Sudan (ABS) and Saving and Social Development Bank (SSDB), Family Bank (FB), Workers National Bank (WNB)

Table 3.2 Size of microfinance and number of beneficiaries funded from four banks in the River Nile state:

<table>
<thead>
<tr>
<th>Banks</th>
<th>Beneficiaries 2008</th>
<th>Fund size</th>
<th>Beneficiaries 2009</th>
<th>Fund size</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>7532</td>
<td>22943050</td>
<td>1537</td>
<td>4973552</td>
</tr>
<tr>
<td>SSDB</td>
<td>419</td>
<td>not available</td>
<td>285</td>
<td>not available</td>
</tr>
<tr>
<td>FB</td>
<td>-</td>
<td>not available</td>
<td>40</td>
<td>not available</td>
</tr>
<tr>
<td>WNB</td>
<td>66</td>
<td>not available</td>
<td>-</td>
<td>not available</td>
</tr>
<tr>
<td>Total</td>
<td>8017</td>
<td>not available</td>
<td>1862</td>
<td></td>
</tr>
</tbody>
</table>

Source: (above Banks internal document and data and field interview, 2008)

The total number of beneficiaries was 9879. Banks had refused to give microfinance ceilings (sogova) and the names of client whom received microfinance. Also there is no data or record about the number of applications received to determine the demand amount in the state, except Family bank where the number of applicants until mid July 2009 was 1020 applicants, while the number of clients funded was 40, with a percentage of implementation of about 3.92%.

3.4.1.2 Projects of microfinance in the state
The microfinance council in the state selected four projects to be funded through MFIs in the state. These projects are horticulture project, animal production project, sheep resettlement project and productive families as it shown below in table 3.3.

Table 3.3 River Nile State microfinance projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Under implementation</th>
<th>Implemented</th>
<th>Target No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horticulture</td>
<td>983</td>
<td>233</td>
<td>-</td>
</tr>
<tr>
<td>Animal production</td>
<td>-</td>
<td>405</td>
<td>2842</td>
</tr>
<tr>
<td>Sheep resettlement</td>
<td>-</td>
<td>613</td>
<td>1060</td>
</tr>
<tr>
<td>Productive families</td>
<td>-</td>
<td>66</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Settlement of sheep began since 2005
Source ;( internal document of Ministry of Social Affairs 2008)
The projects which were chosen by the state are:

i. Horticulture project

The project aims to increase the farmer's income, increase the area of horticultural crops and to diversify the crop structure in the state. The project also aims to introduce anew varieties of crops. The project funded by the Agricultural Bank of Sudan and the Central Bank of Sudan at a volume of SDG 10 million.

The varieties of fruit targeted are: Mango Abu smaka, South Africa imported mango, orange, grape fruit, soft date (Wad lagi date and tissue date palm), Lime.

The Implementation in the year 2008 is shown in table 3.4. Implementation in the year 2009 until July 2009 is 22 clients had been funded and 62 under implementation. Ministry of Agriculture and animal wealth and irrigation trained 37 agricultural inspectors for the management of the state horticulture project.

<table>
<thead>
<tr>
<th>Table 3.4: Performance of microfinance horticulture project.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under implementation (No. of target clients)</td>
</tr>
<tr>
<td>Implemented (No. of clients received fund)</td>
</tr>
<tr>
<td>Mango Abu smaka (target No.)</td>
</tr>
<tr>
<td>Imported mango (target No.)</td>
</tr>
<tr>
<td>Orange (target No.)</td>
</tr>
<tr>
<td>Grape fruit (target No.)</td>
</tr>
<tr>
<td>Wad lagi date (target No.)</td>
</tr>
<tr>
<td>Tissue date (target No.)</td>
</tr>
<tr>
<td>Lime (target No.)</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture internal document & Reports 2008

ii. Animal production project

Animal products represent the foundation in the human food. Within the public policy of providing food security the state appointed the animal production project to be financed through microfinance. Project component are: Cows, Sheep, Goats, Fish, Apiaries, Poultry, Fishing gear. The project includes food processing, transportation and handling to ensure a free pollution commodity. The capital of the project amounts SDG10 million , is a partnership between the State Government and the Agricultural Bank of Sudan. The number of households targeted is 2842 family, and each family should be given (2) dairy cows or (10) heads of sheep for fattening, or (10) heads of sheep for breeding or (500) egg-laying hens. The number of beneficiaries of the project in the state was 158 families. Implementations until the
end of December 2008 are 158 clients funded through the project 91 of them have dairy cows, 5 clients had sheep, 35 clients had fish gear and 32 had poultry. 
Source: (Ministry of Agriculture and Animal wealth and Irrigation internal documents & Reports 2008)

iii. Resettlement of sheep project in the state
The Capital of the resettlement sheep project is SDG 3 million shared between Saving and Social Development Bank, and Ministry of Finance in the state. The project aimed to cover 1060 families and each family should have (10) heads of sheep, or (2) dairy cow. The mortality percent is 3.62% and the proper herd number was 2460 Table 3.5 shows the Implementation till the end of December 2008.

Table 3.5: Resettlement of sheep and cattle in the River Nile state

<table>
<thead>
<tr>
<th>Locality</th>
<th>Sheep</th>
<th>Cows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barber</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>ED-Damer</td>
<td>146</td>
<td>1</td>
</tr>
<tr>
<td>Atbara</td>
<td>38</td>
<td>3</td>
</tr>
<tr>
<td>Abuhamed</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Total No. of beneficiaries</td>
<td>263</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: (Ministry of Agriculture and Animal wealth and Irrigation internal document and Reports, 2008)

Vi. Productive families and small businesses:
The capital of the project was shared between the Workers National Bank and the Central Bank of Sudan which amounts SDG 3 million but the microfinance ceil for Atbara branch was only SDG 500,000.

Table 3.6: Productive families and small businesses implementation.

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and animal production</td>
<td>21</td>
</tr>
<tr>
<td>Services and productive families</td>
<td>14</td>
</tr>
<tr>
<td>Craftsman</td>
<td>2</td>
</tr>
<tr>
<td>Trade</td>
<td>9</td>
</tr>
<tr>
<td>Professionals</td>
<td>1</td>
</tr>
<tr>
<td>Transport</td>
<td>7</td>
</tr>
<tr>
<td>Real state</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: (Workers National Bank internal document and interview 2009)
3.4.2 Selection of the sample

The state is divided into 6 provinces or localities which are Abuhamed, Berber, Atbara, ED-Damar, Shendi, and Matumma. The state's population is about one million and the main activity of the population is agriculture (80%). In order to study microfinance in the state two provinces were selected randomly, which were Atbara and Adamr. The study was intended to focus on formal Microfinance institutions because of the interest by the government of the National Unity of the state and also because all efforts are directed towards this sector. The formal microfinance institutions are including the following:

1. Bank of Sudan in the state
2. Specialized banks
3. Commercial Banks
4. Zakat Pureau

Banks operating in Atbara province are Bank of Sudan, Agricultural Bank of Sudan, The Workers National Bank, Faisal Islamic Bank, Bank of Khartoum, and The Islamic Development Bank. Banks operating in ED-Damer are Agricultural Bank of Sudan, Bank of Khartoum, and Farmers Commercial Bank. The Bank of Khartoum in the state is not engaging in financing aspects, it is only dealing with transfers and savings. Family Bank began its operations in microfinance in July 2009. The Agricultural Bank stated that the microfinance ceils approaches 60% of the total financing ceil and more than 90% of clients who received microfinance funds are rural people, and it is the only Bank which spreads throughout the state and deals with small farmer. Both the Family and Agricultural Banks stated that existing safeguards do not exclude the poor to access microfinance, while the investment manager in Saving Bank agreed that it will do to some extent. All Banks are similar in funding guidelines as they are determined and controlled by the Bank of Sudan. Through field visits to customers it had been found that about 60% of the customers had sold their animals for many reasons, but the most important and untold fact is that the Banks are not funding integrated projects, where customers faced a shortage of fodder. Also the beginning of microfinance was fraught with the political factor, and has not been checking in customer's liability. Also, there was no prior study of those who are microfinance clients, and who have the economics feasibility. There are also problems of poverty, as some customers directed their funds to spend on the requirements of subsistence. Microfinance is an essential sector to advancing development and helping the poor to earn a livelihood, but needs further revising and promotions and strategies. Also, there is a need for further training of cadres working
in the field of microfinance, and further studies and researches in order to assess the experience and hold more seminars, workshops, and diversification of public information programs on microfinance to reach all segments of the target groups and simplify the procedures and conditions of funding.
CHAPTER FOUR
RESEARCH METHODS

4.1 Conceptual framework of the research

This study was designed to investigate microfinance accessibility in the River Nile state and potential demand and supply. The River Nile state consists of six provinces which are Abuhamed, Barber, Atbara, ED-Damar, Shandi, Matumma with a total population about one million. The main activity of the state population is agriculture and to some extent they practice trade. The state is considered a poor state according to its limited resources and depends mainly on the federal subsidy for its development programs. Both formal and informal funding are practiced in the state, where the informal funding has different kind and different agencies and sources, but lack records and data to determine to what extent and percent it contributes to the state finance for different sectors.

The formal financial system which is represented by Banks practice microfinance long time especially agricultural credits and the productive families through Agricultural Bank of Sudan and Saving and Social Development Bank. Microfinance has been adopted by the state in the year 2008 as announced and directed by the Bank of Sudan. Two provinces were selected randomly in order to carry out this research. The study was intended to focus on formal Microfinance institutions because of the great attention of the Government of the state for the field of microfinance, also for the easy access of information from official bodies, and also because it has become a State National Unity government policy to fight and mitigate poverty and all efforts are directed towards this sector.

The state determined four projects to be financed through microfinance, and for each project determined the Bank which financing it. Sheep resettlement project financed through Family Bank and Saving and Social Development Bank and Horticulture and animal production financed by Agricultural Bank of Sudan. Productive families and small enterprises financed through the Workers National Bank. Other banks also engaging in microfinance, but these four banks are the core institutions of microfinance in the state.

Sample selection

The sample of the research was selected randomly from all the beneficiaries in the two localities which cover all sectors financed. Both primary and secondary data were collected and the sample of the study was selected and designed. The sample design is multi-stage cluster sampling. The State consists of six provinces and each
consists of a number of administrative units which further divided into cities and villages. There are two localities selected randomly which are Atbara and ED-Damer and the sample selected from clients financed through the four mentioned banks in the two localities.

Table 4.1 The volume of microfinance in Atbara and Adamr provinces:

<table>
<thead>
<tr>
<th>Project</th>
<th>No.of beneficiaries in Adamr province</th>
<th>No.of beneficiaries in Atbara province</th>
<th>Total clients No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheep resettlement</td>
<td>141</td>
<td>38</td>
<td>179</td>
</tr>
<tr>
<td>Horticulture and animal production</td>
<td>1149</td>
<td>761</td>
<td>1910</td>
</tr>
<tr>
<td>Family Bank</td>
<td>28</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Productive families</td>
<td>36</td>
<td>30</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>1354</td>
<td>841</td>
<td>2195</td>
</tr>
</tbody>
</table>

Source: (Ministry of Social Affairs and Ministry of Agriculture and Animal wealth and Irrigation in the state record and internal documents 2008).

4.2 Sample size of the study
Sample size represents 2.5% of the number of beneficiaries of the microfinance in the two provinces. The total number access microfinance was 2159 clients. So, the sample size was 54 respondents which extended to 59 respondents to include some percent of respondents who tried and requested microfinance but were not granted.

4.3 Problems facing the researcher in data collection, gathering information and identifying the sample frame:
1. Banks had refused to give the ceiling size of microfinance (Alsogova).
2. Banks had refused to give the names of clients and beneficiaries who were funded through microfinance to identify and prepare the sample frame of the study.
3. Samples were taken from the Department of horticulture and animal production and the Ministry of Social Affairs and the cooperative societies which had been financed through collectives guarantee which take much time and more revision.

4.4 Data collection procedure:
The field survey of the research was organized and carried by the researcher, which took place from mid June to 31 July 2009 in the two selected provinces Atbara and
Adamar. The measurement instrument used for data collection was a previous questionnaire about microfinance in the state carried by the researcher on behalf of Central Bank of Sudan and had been supervised by Dr. Abubakr Ibrahim Mohammed Hussein which provided the researcher an overview of the microfinance in the state and facilitated the process of selecting the sample and identifying the respondents in this research.

4.4.1 Primary data

The study used a questionnaire to collect primary data in order to identify microfinance accessibility in the state and the constraints that faced poor people for access to microfinance. The questionnaire contains approximately 64 questions which were detailed and specific so that the respondent would be able to answer the questions. Accordingly, the questionnaire includes mainly the research questions that were discussed in the study. It contains information about conditions of credit, collaterals and guarantees needed, time needed for examination of the applications by the technical committees and the bank, and time needed for preparing of documents, method of reimbursement, profit margin, funding formula, difficulties in granting finance, problems faced by microfinance, microfinance projects, and who are the microfinance clients. The questionnaire conducted in the period from mid June to 31 July 2009.

4.4.2 Secondary data

Secondary data was collected from various sources. The most important sources are formal financial institutions in the state represented by the Agricultural Bank of Sudan, Saving and Social Development Bank, Workers National Bank, Family Bank, Ministry of Social Affairs, Ministry of Agriculture and Animal Wealth and Irrigation, the Microfinance Council in the state, the National Council for Strategic Planning in the state, previous studies and researches in Khartoum University, reports, books, journal and internet.
CHAPTER FIVE

RESULTS AND DISCUSSION

This study was carried out to assess the microfinance accessibility, demand and supply side in the River Nile state, and the possibility of outreaching to the poor. In this study the questions targeted the accessibility of microfinance, such as the conditions required for financing, collateral and guarantees, profit margin, previous funding, the media about microfinance, the percentage of those who can fulfill the conditions of credit, the time factor and the difficulties faced by the client, and other related questions were asked to 59 respondents. Questions were aimed to answer the research questions or the hypotheses. Data collected and analyzed and the results gained were as discussed below.

5.1 Socio-economic characteristics of clients

The questionnaire tends to determine the socio-economic characteristics of clients to investigate its effects on microfinance accessibility. The sample of the study consist of 59 respondents, the respondents are 55 men and 4 women and 3 of the women are in Adamar city and one from Atbara city and all women are employees.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>43</td>
<td>72.9</td>
</tr>
<tr>
<td>Livestock</td>
<td>4</td>
<td>6.8</td>
</tr>
<tr>
<td>Craftsmen</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Trade</td>
<td>6</td>
<td>10.2</td>
</tr>
<tr>
<td>Productive families</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Services</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

The statistical data in table 5.1 show the clients distribution between sectors. The data show that the sample covers all the productive sectors and seemed to be well representing the population. Also show that most of clients seeking finance are rural people who lack finance.

The statistical data in table 5.2 and figure 5.1 shows that most of clients who had access to microfinance are not poor. The total number of people below the poverty line is one client, with a percentage of 1.7%, and the poor population’s number are 20 with a percentage of 33.9%, and the owners of middle-income clients are 28 with a
percentage of 47.5%, and the numbers of high income clients are 10, with a percentage of 16.9%. So there are 38 respondents with a percentage of 64.4% are not poor. This classification based on poverty line. This indicates that poor lack access to microfinance which is relevant to the hypotheses.

**Table 5.2 Monthly incomes of clients**

<table>
<thead>
<tr>
<th>Income</th>
<th>SDG 75</th>
<th>SDG 250</th>
<th>SDG 500</th>
<th>&gt; SDG 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>1</td>
<td>21</td>
<td>28</td>
<td>9</td>
</tr>
<tr>
<td>Percentage</td>
<td>1.7</td>
<td>35.6</td>
<td>47.5</td>
<td>15.3</td>
</tr>
</tbody>
</table>

Source: Field questionnaire

**Figure 5.1 Classification of clients according to poverty line**

The data in the table 5.3 presents customers deficit in their budgets, there are 37 clients with a percentage of 63% suffering deficit in their budgets. Clients did not

**Table 5.3 Monthly expenditure and deficit facing the client**

<table>
<thead>
<tr>
<th>Expenditure deficit</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>37</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>62.7</td>
<td>37.3</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009
suffer from deficits are 22 with a percentage of 37%, and can thus be seen that all poor people suffer from deficit, and there may be a risk of using the fund for expenditure and not for financing their projects, which cause the failure of the projects.

5.2 Data of the study
The results show that 57 clients requested microfinance and two clients didn't. From those who requested finance 46 clients were funded and 11 clients were not given funds.

5.2.1 Reasons why applicants were not given fund from MFIs
Statistical data in table 5.4 show that guarantees and the conditions of credit deprived one client from access to microfinance with a percentage of 2%, and 10 clients with a percentage of 17% had formal depts. This indicate that Banks regulation prevent any client with a former dept from accessing microfinance.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not find guarantee</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Did not have Bank account</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Did not have trade license</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Could not provide documents</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Did not have money</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Have a bank former debt</td>
<td>10</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

5.2.2 Clients former sources of fund before microfinance program
This question aimed to investigate the status of finance in the state pre-adopting microfinance.

<table>
<thead>
<tr>
<th>Form of finance</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self finance</td>
<td>42</td>
<td>71.2</td>
</tr>
<tr>
<td>Formal finance</td>
<td>5</td>
<td>8.5</td>
</tr>
<tr>
<td>Informal finance</td>
<td>9</td>
<td>15.3</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009
Data and statistics in table 5.5 show that the informal finance is a prevailing finance in the state, and most people have no access to both formal and informal finance. This reflects that microfinance accessibility is very limited because only 8.5% of the population had access to formal financial institutions. Both formal and informal finance cover only 23.8%, so there is an actual need to cover all segment of population specially rural people where poverty is concentrated, which is the role of financial institutions in the state to outreach these poor people. This data indicated that before adopting microfinance the access to the financial institutions was very low.

5.2.3 Projects financed by MFIs in the River Nile state

According to the statistical data in table 5.6 which show the projects financed by microfinance institutions in the state, the animal production had the highest percentage (56%) with few percent for agricultural sector (8.5%) which came in stage three after trade (10%). This indicates that microfinance in the state neglected the most important sector where 80% of the state population is farmers. This result indicates that rural people lack access to microfinance, and prove that the project objectives can not be achieved.

<table>
<thead>
<tr>
<th>Project</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5</td>
<td>8.5</td>
</tr>
<tr>
<td>Trade</td>
<td>6</td>
<td>10.2</td>
</tr>
<tr>
<td>Animal production</td>
<td>33</td>
<td>55.9</td>
</tr>
<tr>
<td>Service</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Craftsman</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Productive families</td>
<td>4</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Source: Field survey. 2009

5.2.4 Requirements for obtaining microfinance

In order to obtain microfinance there are many requirements that should be fulfilled by the customers, but the most important requirements are:

i Conditions of funding
1. Bank account
2. Business license
3. Prepare documents like bills, ownership certificate, and housing certificate.
4. Personal papers.
5. Economic feasibility.

ii Guarantees and safeguard

Table 5.7 Conditions required to be fulfilled for funding

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank account and documents</td>
<td>48</td>
<td>81.4</td>
</tr>
<tr>
<td>Bank account and documents and business license</td>
<td>8</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Source: field survey, 2009

Agricultural and livestock finance need a bank account and providing documents. The commercial and services sector finance need a bank account and providing documents, and a business license. In table 5.7, the number of clients who were asked to open a bank account and the provision of documents is 48 with a percentage of 81.4%. The number of clients who were asked to open an account and provide documents and business license is 8 with a percentage of 13.6.

Table 5.8 Collateral and guarantees needed for microfinance fund

<table>
<thead>
<tr>
<th>Guarantees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chattels &amp; portabes</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Guarantor check</td>
<td>39</td>
<td>66.1</td>
</tr>
<tr>
<td>Salary guarantee</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Group guarantee</td>
<td>17</td>
<td>28.8</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Statistical data in table 5.8 prove that microfinance funding did not need collateral. Only group or cheques guarantee, or salary guarantee. Although it seems to be very simple conditions for lending in general, but to have a cheque from a guarantor is so difficult, because he must not been financed or had no debt or did not guarantee another client which is rarely found. And this seems to be a great limitation for microfinance access.

5.2.5 Assessing the requirements for microfinance fund

Requirements which must be fulfilled by customers to obtain microfinance are guarantees and the conditions of credit. To what extent these requirements can deprive poor from accessing microfinance? The answer can be found in the analyzed data below.
Table 5.9  Assess the conditions required for fund

<table>
<thead>
<tr>
<th>Condition assessment</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impossible</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Very difficult</td>
<td>8</td>
<td>13.6</td>
</tr>
<tr>
<td>Difficult</td>
<td>12</td>
<td>20.3</td>
</tr>
<tr>
<td>Moderate</td>
<td>24</td>
<td>40.7</td>
</tr>
<tr>
<td>Easy</td>
<td>13</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: field survey, 2009

Statistical data in table 5.9 show that customers were asked about the financing terms and conditions. Are they impossible, or very difficult, or difficult or moderate, or easy? About 20 clients believed that it is difficult or very difficult, their percent is 33.9%, and there are 24 clients thought it was moderate conditions with a percentage of 40.7%, and 13 clients with a percentage of 22% believed it was easy conditions, and 44 clients with a percentage of 74.6% thought that it was difficult and not easy. This indicates that financing terms and conditions are depriving poor from accessing microfinance which need more revising.

Table 5.10  Fulfillment of the conditions of funding by clients relatives

<table>
<thead>
<tr>
<th>Answer</th>
<th>Yes (could)</th>
<th>No (couldn’t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>8</td>
<td>50</td>
</tr>
<tr>
<td>Percentage</td>
<td>13.6</td>
<td>84.7</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Statistical data in table 5.10 show that about 50 clients out of 59 with a percentage of 84.7% believed that their relatives can not fulfill these conditions required for funding. This proved that still credit conditions prevent poor from accessing microfinance.

Statistical data in table 5.11 show that 38 respondent believed that only 30% and less than that can fulfill this conditions of funding, and 48 respondent believed that only 50 % of their relatives and less than that can fulfill this conditions. Only 5 respondents believe that 100 % of their relatives can fulfill that. This again proved that funding terms and conditions deprive poor from access microfinance.

5.2.6  Reasons of requesting microfinance

Clients were asked why they request microfinance to show to what extent clients are serious in investing their resources.
Table 5.11 Percentage of client relatives who can fulfill conditions of grant

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Total of frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>9</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>13</td>
<td>38</td>
<td>30</td>
</tr>
<tr>
<td>1</td>
<td>39</td>
<td>35</td>
</tr>
<tr>
<td>2</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>7</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>52</td>
<td>70</td>
</tr>
<tr>
<td>5</td>
<td>57</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Table 5.12 Reasons why clients requesting microfinance loan

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have advice from a friend</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Need liquidity</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Need to finance my project</td>
<td>43</td>
<td>72.9</td>
</tr>
<tr>
<td>Want to gain profits</td>
<td>9</td>
<td>15.3</td>
</tr>
<tr>
<td>It is an easy way of lending</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>For the payment of indebtedness</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Data in table 5.12 show that 43 clients with 72.9 % requested microfinance loan because they want to finance their projects and resources, and 9 clients with 15.3 % requested microfinance for gaining profits. This indicates that people do have resources like land, pasture and assets and they lack finance, which indicate that accessibility is very low.

5.2.7 Time factor in funding process

The research aimed to find the effect of time needed to gather and prepare documents and the time clients waiting for funding on microfinance accessibility.
Table 5.13  Time for preparing documents by microfinance clients

<table>
<thead>
<tr>
<th>Time</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One week</td>
<td>26</td>
<td>44.1</td>
</tr>
<tr>
<td>Two weeks</td>
<td>21</td>
<td>35.6</td>
</tr>
<tr>
<td>Month</td>
<td>8</td>
<td>13.8</td>
</tr>
<tr>
<td>More than month</td>
<td>3</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Data in table 5.13 show that 46 clients with a percentage of 79.7% stated that preparing and processing of documents completed within one or two weeks. About 11 clients with a percentage of 19% were delayed for some reasons like the lack of money, or difficult to obtain documents or provide it. This statistical data in table 5.13 prove that conditions of funding (provide document) and the time factor can deprive poor from access to microfinance or even delayed them when a fund lose its value.

Table 5.14  Time from the submission of documents to the Bank until getting fund

<table>
<thead>
<tr>
<th>Time</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One week</td>
<td>9</td>
<td>15.3</td>
</tr>
<tr>
<td>Two weeks</td>
<td>14</td>
<td>23.7</td>
</tr>
<tr>
<td>Month</td>
<td>10</td>
<td>16.9</td>
</tr>
<tr>
<td>More than month</td>
<td>20</td>
<td>33.9</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

Statistical data in table 5.14 show that delayed in funding is often due to Bank procedures. There are 30 clients representing 50.5 % of the sample funded after month and more. The reason for that as they interviewed was the coding application process which takes long time.

5.2.8 Transaction cost in order to obtain microfinance

Data in table 5.15 show that 46 respondents with a percentage of 78 % expended between 0-200 SDG in order to obtain financing, and 10 respondents expended between 201-300 SDG. This means that money can be a limited factor to access to microfinance, because they had to pay for other items directly like opening a bank
account and pay for preparing documents and pay for provide business license beside the formal mentioned costs and the client self expenditure.

Table 5.15  Transaction cost of client in order to obtain finance

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>29</td>
<td>49.2</td>
</tr>
<tr>
<td>101-200</td>
<td>17</td>
<td>28.8</td>
</tr>
<tr>
<td>201-300</td>
<td>10</td>
<td>16.9</td>
</tr>
<tr>
<td>301-500</td>
<td>3</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source:  Field survey.2009

Table 5.16  Client loss in looking after microfinance (opportunity cost)

<table>
<thead>
<tr>
<th>Loss</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-250</td>
<td>44</td>
<td>74.6</td>
</tr>
<tr>
<td>251-500</td>
<td>14</td>
<td>23.7</td>
</tr>
<tr>
<td>501-1000</td>
<td>1</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source:  Field survey, 2009

Data in table 5.16 show that 44 clients with 74.6% lost from 0-250 SDG in order to obtain finance, which reflect the opportunity cost for obtaining microfinance and indicate that as the loss becomes greater this means that client have along time looking for microfinance which proves that the Banks have along and complex procedure for funding.

5.2.9  Profit margin effect on accessibility

Only 30 clients out of 59 clients said that they know the profit margin value, and only 24 of them with a percentage of 40.7% mentioning the right figure (10% profit margin). And only 13 clients with a percent of 22 % said that it is reasonable. This indicates that there is still alack of awareness among clients, and also there are other costs doubling the loan and reduce the profits like insurance, the cost of transport, veterinary care cost, which were untitled to clients.

5.2.10  Payment method effect

About 19 clients out of 59 clients said that the payment method is reasonable, and 20 said that it is not bad, 9 said that it is difficult, and two clients said that it causes deficit. Payment method seems to have no effect on microfinance accessibility.
5.2.11 Client advice for his friends to get microfinance

Data in table 5.17 show that 45 respondents with a percentage of 76.3 % advised their relatives to get microfinance and 12 with a percent of 20% did not because they thought that microfinance had a difficult and complex procedures and the percentage of deficit is substantial. This indicates that most of the customers who had access to microfinance felt its importance, relevance and benefits in financing their projects and resources and so they encouraged their friends to have finance.

Table 5.17 clients advise to his friends to get microfinance

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>76.3</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

5.2.12 Mode of finance

Data in table 5.18 show that microfinance funded through morabaha formula was 46 clients, and according to the interview which had been carried out with Banks they indicate that the formula for funding now is morabaha with some extent mogawla form used in land preparation by the Agricultural Bank. About 49 clients said that morabaha is reasonable or not bad, and 33 thought that it is a best form of funding, while 12 saw that Qard Hassan is the good one. This indicates that funding formula for the time being had no effect on microfinance accessibility although Banks deal with one form.

Table 5.18: Mode of finance in the River Nile state.

<table>
<thead>
<tr>
<th>Form</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morabaha</td>
<td>46</td>
<td>78</td>
</tr>
<tr>
<td>Mosharka</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Modarba</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Qard Hassan</td>
<td>5</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

5.2.13 Evaluation of microfinance

Data in figure 5.2 show that all clients who had been funded (46 clients) agreed that microfinance provided them a real opportunity to invest their resources except one. This proved that microfinance have a great power in fighting poverty and enhancing the livelihood of the low income families.
Figure 5.2: Client perceptions on microfinance.

Statistical data in figure 5.3 reflect that about 34 clients with a percent of 57.7% believed that microfinance is an excellent and good financing method, about 20 clients with a percent of 33.9% thought that it is not bad, and 5 clients said that it is unsuitable. This result show that microfinance is not accompanied by enough media in the first, and started in the state as a political issue. Also there are still many procedures which deprive many poor people to access microfinance, such as guarantees and the long complicated application process and its cost, also there are many added costs like transport cost, insurance, veterinary caring cost which doubling the price, for example the price of the sheep from the bank is 320 Sudanese pound and in livestock market is 150-170 Sudanese pound. Finally as the result show we can say with confidence that microfinance is a good method of funding.
5.2.14: Client is reluctant about microfinance

Statistical data in table 5.19 show that 30 clients with a percentage of 50.8 % said that the reason for client reluctance about microfinance despite his ability of funding conditions because of the fear of disability to repay and 14 clients with a percentage of 23.7 % thought that because of the banks complex procedures. This proved that rural residents do not have economic feasibility for their projects, and lack experiences as they lack the training to plan and manage projects, and this behavior also contribute in reduction of microfinance accessibility among rural people.

Table 5.19 Reasons for client reluctance of microfinance despite his ability to fulfill funding conditions

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Complex procedures</td>
<td>14</td>
<td>23.7</td>
</tr>
<tr>
<td>High profit margin</td>
<td>3</td>
<td>5.1</td>
</tr>
<tr>
<td>Payment method is difficult</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>A small amount of funding</td>
<td>6</td>
<td>10.2</td>
</tr>
<tr>
<td>Fear of disability to repay</td>
<td>30</td>
<td>50.8</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009
5.2.15: **Difficulties faced clients in accessing microfinance**

Data in table 5.20 show that the most difficulties faced by the clients for microfinance access was the long Bank administrative process where 31 clients said that with a percentage of 52.5 %, and this is due to the new process applied by the Central Bank which is the fund coding system. Some clients (9) with a percentage of 15.3 % said that guarantees are the basic limitation for microfinance accessibility. This percent is very high because many clients in the sample were had collective guarantee by societies.

### Table 5.20: Difficulties faced by the client in accessing microfinance

<table>
<thead>
<tr>
<th>Difficulties</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding requirements and conditions</td>
<td>6</td>
<td>10.2</td>
</tr>
<tr>
<td>Guarantees and collateral</td>
<td>9</td>
<td>15.3</td>
</tr>
<tr>
<td>Complex application process</td>
<td>7</td>
<td>11.9</td>
</tr>
<tr>
<td>Long Bank administrative process</td>
<td>31</td>
<td>52.5</td>
</tr>
<tr>
<td>Far away of financial institutions</td>
<td>2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009

5.2.16: **Microfinance problems**

Data in table 5.21 attribute microfinance problems to many reasons, and each one had its significance, and can play an important role in deprivation of poor from access to microfinance. But the results show that the most important problems are the lack of enough supply as 25 clients with a percent of 42.4 % believed so, and also Banks deals with fixed financing formula (morabaha), this was said by 12 clients with a percentage of 20.3 %, and 8 clients with a percent of 14% thought that it was according to financing limited projects.

### Table 5.21 Microfinance problems

<table>
<thead>
<tr>
<th>Problem</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scarce and few supply</td>
<td>25</td>
<td>42.4</td>
</tr>
<tr>
<td>Fixed financing formula</td>
<td>12</td>
<td>20.3</td>
</tr>
<tr>
<td>Financing limited projects</td>
<td>8</td>
<td>13.6</td>
</tr>
<tr>
<td>Weakness of media</td>
<td>5</td>
<td>8.5</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Source: Field survey, 2009
5.2.17: Microfinance and the targeted groups

There is always a question about who is the microfinance client? And how the microfinance institutions can outreach the target groups (The active poor)? And also to what extent the transparency can be found and deal with among microfinance institutions.

Figure 5.4: Client perception of microfinance targeting

Source: field survey, 2009

Data in Figure 5.4 show that 32 clients with a percentage of 54.2% believed that microfinance fund went to the target groups, and 27 clients with a percentage of 45.8% thought that microfinance fund did not go to the target group. These percentages are close to some extent, which indicate that many who received fund were not active poor. They used their relationships and power to fund with simple funding conditions. This shows that there is a lack of transparency principle in funding procedure, and the poor again lack an access to microfinance.
6.1 Summary
This research is designed to investigate and assess microfinance accessibility in the River Nile State as a new and easy method of funding aimed to improve poor people lives by providing needed financing for small business activities, which can increase their household incomes. Microfinance is a powerful poverty fighting tool. The state adopted microfinance since 2008 through three projects which are horticulture, animal production, and resettlement of sheep, financing through the formal financial sector. Microfinance Project found much interest by the state government, and the Banking sector began microcredit funding according to the regulations of the Bank of Sudan. The state effort in this area where valuable effort, benefited from microfinance projects in the state were 9879 clients till June 2009 and the access to microfinance percent was 3.9% as the information of the Family Bank. There are difficulties facing the microfinance project in the state which needs concentrated efforts to overcome these difficulties, but this will not reduce the successes of the newborn experience. These difficulties and failures presented in short supply, people had assets and lack finance, the condition of funding continues to deprive large segments of the poor and a weak-oriented media. And the application process is long and expensive, and also there is a lack of transparency.

6.2 Conclusions
Microfinance began in the state in 2008, and despite the difficulties that accompanied the project but achieved tangible successes. Thus, the research concludes that:
1. The people own land and resources, but there is scarcity of finance, both formal and informal finance. The supply side is very weak, and represents a small percentage.
2. Despite the fact that microfinance does not need collaterals, but guarantees continued to deprive a large segment of the poor, especially women and rural people.
3. Procedures and conditions of funding exclude large segments of poor and low-income families from access microfinance services.
4. There are enough media about microfinance in the state, but people are unaware of the details of the methods of application, and the conditions required for funding, and the size of profit margin, and management of their projects.
The application process takes a long time. This happened after the Bank of Sudan enters the coding system of funding; also the searching procedure about formal debts in the banking system takes a long time.

Through the study and survey it is noted that, some Banks, and financiers do not work the principle of transparency. This deprives large segments of the target groups, and active poor.

Political factors in the beginning of the project came with eligible customers who do not have real resources and cause the failure of their projects.

Women do not have microfinance access especially in rural areas, because there is no women’s associations looking after the membership, and women by nature are afraid to deal with banks. Also documents required for the financing of specified projects was exclude women because the certificates of title registered with the man's name.

All clients who had been funding stated that microfinance gave them a real opportunity to invest their resources, and thus microfinance is very important to get the low-income families out of poverty, and cause economic development.

6.3 Recommendations

The study concluded that microfinance is a very important factor for poor families to give them a real opportunity to invest their resources, and to improve their income, and it is an effective means to fight poverty, and mitigate it. Also microfinance causes economic development from below.

In order to achieve the highest level of success of microfinance, the state must be concerned about accessibility for the sectors they targeted. The poor and women and the rural people, and should take into consideration the following factors:-

1. Adoption of non-traditional guarantees and revitalization of the collective security, unions, associations, federations and organizations guarantees. Also, should encourage people to organize themselves in the form of assemblies and societies to solve the problem of safeguards, as well as to monitory the success of a project of the member and to guarantee payment. This experiment has achieved success in most countries.

2. Simplifying the requirements and conditions of funding, especially most of the rural people do not have identity papers, or cards, or certificate of ownership of holdings. Microfinance institutions should adopt the certificate of the People's Committees to check the honesty of clients.

3. Most poor people do not have the money to pay the costs of providing documents, and open a bank account, and obtaining a business license. The State
must therefore revise these costs because these costs deprive the poor to access microfinance.

4 The studies of the Ministry of Social Affairs and other social organizations in the state is essential to determine who is the rightful microfinance clients, and enable the active poor access to finance, and to identify the productive sectors to bring a real development in the state.

5 Microfinance Institutions in the state must deal with the principle of transparency in financing and screening applications, in order to achieve microfinance objective in getting low-income families out of poverty, and ensure that microfinance do not go to non-targeted groups.

6 Development is an economic process, and should not be defeated with policy interventions and the political media in order to achieve its goals.

7 Develop a supporting legislation to attract other financing institutions to engage in microfinance. The supply side must coincide with the real size of demand in the state. The supply size at its best covers 3.9%, according to the information from Family Bank.

8 The state must also identify projects beside the three specified projects for the development of rural women. These projects should have simplified procedures, and forced banks to fund it.

9 Enough information is available about microfinance in the state, but the clients requesting the fund is lost for a long time because they are unaware about what are required for funding, and guarantees needed, and the required documents, so it must involve community leaders to share in the media about microfinance, and enlighten people.

10 This study did not asses the experiment, but focused on microfinance accessibility in the state. There is considerable need for further studies on microfinance in the state to assess the experiment after 36 months from the beginning and after the projects funded completed their cycles. These studies must include economic impact studies made on the scope of family-funded, and on the scale of development that occurred in the state, and must also evaluate the performance of MFIs in the state, and assess the projects of microfinance identified by the Council of Microfinance.
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APPENDICES

Appendices-1

بسم الله الرحمن الرحيم:

جامعة الخرطوم

كلية الزراعة - قسم الاقتصاد الزراعي

الحالة الاجتماعية: □ متزوج □ laminate □ جامعى
المستوى التعليمي: □ أولي □ ثانوي □ أساسي □ تجارة
المهنة: □ زراعة □ تربية حيوان □ تجارة □ أخرى
الدخل الشهري: □ 75 جنيه □ 250 جنيه □ 500 جنيه □ أكثر من 500 جنيه

هل تتلقى منح أو مساعدات من الأهل؟ □ نعم □ لا

إذا كانت إجابتك بنعم فكم مجموعها في العام؟ □ جنيه

تصنيف العميل: □ فقير جدا □ فقير □ دخل متوسط

٤.٥
<table>
<thead>
<tr>
<th>حجم الافتاق الشهري</th>
<th>حجم الافتاق السنوي</th>
</tr>
</thead>
<tbody>
<tr>
<td>أ. الغذاء</td>
<td></td>
</tr>
<tr>
<td>ب. العلاج</td>
<td></td>
</tr>
<tr>
<td>ج. التعليم</td>
<td></td>
</tr>
<tr>
<td>د. الملابس</td>
<td></td>
</tr>
<tr>
<td>ه. السكن</td>
<td></td>
</tr>
<tr>
<td>ط. الطاقة والوقود</td>
<td></td>
</tr>
<tr>
<td>ز. المياه</td>
<td></td>
</tr>
<tr>
<td>ن. أخر</td>
<td></td>
</tr>
</tbody>
</table>

الجملة

6. هل قمت بالمحاولة لأخذ تمويل أصغر؟ نعم    لا

7. إذا كانت الإجابة بلا لماذا لم تحاول؟

لا أعرف كيفية طلب التمويل الأصغر
لا أجد جهات التمويل الأصغر
لا أحتاج لتمويل أصغر
لا أريد التعامل مع البنك

لا نعم    لا

8. إذا كانت الإجابة في (6) بنعم هل تحصلت على التمويل الأصغر؟ نعم    لا

9. إذا كانت الإجابة بلا لماذا لم تنجح محاولتك؟

لا أجد ضمان
لا حساب مصرفي
لا أمك المال
لا نعم    لا

10. إذا كانت الإجابة بنعم من أين حصلت على التمويل الأصغر؟

بنك تجاري
مؤسسة اجتماعية

11. ما هو اسم المؤسسة أو البنك الذي منحك التمويل؟

100-3000 جنيه

12. ما هو حجم التمويل الذي منحته؟

أقل من 1000 جنيه

13. كيف كنت تمويل نشاطك قبل التمويل الأصغر؟

تمويل ذاتي
تمويل مصرفي
روض من تجار

أخر

14. ما هي طبيعة خبرتك في ممارسة هذا النشاط؟

خبر جدا
خبر

15. ما هو المشروع الذي منحت له التمويل الأصغر؟

.................................................................................................
16. هل هو المشروع الذي كنت ترغب أصلا في تمويله حسب خبرتك؟ □ نعم □ لا
17. إذا لم يكن مشروعك الذي ترغب في تمويله لذا وافق عليه؟ □ لأن المشروع المتاح للتمويل لأن البنك يمول مشاريع محددة. □ لأنني كنت أرغب في التمويل الأصغر بغض النظر عن ما هو المشروع. □ لأنني رأيت نجاح هذا المشروع عند عملاء آخرين.
18. فيما كنت تفضل أن يتم تمويلك (أي المشروعة)؟ □ لا □ نعم
19. ما هي الشروط التي طلبت منك للحصول على التمويل الأصغر؟ □ توفير مستندات □ رسخة تجارية □ توريد مبلغ مالي □ تقديم دراسة جدي □ أخرى ............ □
20. ما هي الضمانات التي طلبت منك للحصول على التمويل الأصغر؟ □ ضمان شيك □ ضمان أضلاع □ رهن عقاري □ رهن منقولات □ أخرى □
21. كيف تصف الظروف المطلوبة للحصول على التمويل الأصغر؟ □ مستحيلة □ صعبة جدا □ صعبة □ لا بأس بها □ سهلة □
22. تم منحك التمويل الأصغر لأجل؟ □ ماهي علاقاتك الاجتماعية ومعرفتك بجهة التمويل □ استفزاك الشروط المطلوبة كليا □ هل تعتقد بأنك محظوظ للحصول على التمويل الأصغر؟ □ نعم □ لا □ هل تعتقد أنه يمكنتك كل معاييرك استفادة هذه الشروط؟ □ نعم □ لا □ من جملة معاييرك كل نسبة من يستطيعون استفادة هذه الشروط؟ □ % □ هل هناك إعلام كاف عن التمويل الأصغر بمنطقةك؟ □ نعم □ لا □ هل هناك مشاريع ناجحة للتمويل الأصغر بمنطقةك؟ □ نعم □ لا □
23. لماذا طلبت قرض التمويل الأصغر؟ □ نصحك أحد الأصدقاء بذلك □ للحوجة الماسة للسيدة □ لتمويل مشروعك ومواردك □ للحوجة الماسة للسيدة □ لتحقيق الأرباح □ لسداد ديون مدنية عجزت عنها □ كم استغرقت المدة لتحييز مستندات التقدم للحصول على التمويل؟ □ أربعين □ شهر □ أكثر من شهر □
24. إذا كانت المدة شهر أو أكثر فماهي الأسباب برأيك؟ □ صعوبة الحصول على المستندات □ التكلفة المالية كانت عائق □ أخرى □

83
31. كم استغرقت المدة من تاريخ تقديم المستندات حتى الحصول على التمويل؟
   □ أسبوع □ أسبوعين □ شهر □ أكثر من شهر
   إذا كانت المدة أكثر من شهر فماهي الأسباب برايك؟

32. لأستطاع تقديم الضمانات □ إجراءات البنك الإدارية ضعيفة □ إجراءات التقديم طويلة
   الأخرى .
33. كم جملة المبلغ الذي صرفته في سبيل الحصول على التمويل الأصغر؟ 
   جمه. 
34. كم هي خسارتك لتخليك عن الإنتاج سعيًا للحصول على التمويل الأصغر؟
   جمه. 
35. ماهي الفترة الزمنية لسداد المشروع؟

36. كم هي فترة السماح؟
37. هل تعرف نسبة هامش الربح على التمويل الممنوح؟ 
   نعم □ لا □
   إذا كنت تعرف فكم هي النسبة؟ %
38. كيف تصف هذا الهامش؟
   مناسب □ برسبه □ عاليًا جداً يعجز بالسداد □
   أقسام □ أقسام دفعات واحدة □
39. ماهي طريقة السداد؟ □ أقساط □ دفعات واحدة
   إذا كان أقساط فكم عدتها؟
40. كيف تصف طريقة السداد هذه؟
   مناسبة □ لا بأس بها □ صعبة □ تعجز بالموضوع
41. عندما علمت بطريقة السداد ونسبة هامش الربح هل فكرت بالتخلي عن التمويل الأصغر؟
   نعم □ لا □
   إذا كانت إجابتك بنعم لماذا؟ □ خفت أن أعجز □ الأرباح ضئيلة جداً
42. هل نصحت معارفك بالحصول على التمويل الأصغر؟ □ نعم □ لا
   إذا كانت الإجابة بنعم لماذا أم لا تنصحك؟
43. إذا كنت إجابتك بنعم لذا ماذا كان يوجد?
44. هل تمت زيارة مشروعك وتقييمه قبل منحك التمويل الأصغر؟ □ نعم □ لا
45. إذا كانت الإجابة بالنعم فما هو نوع التدريبات؟

46. هل صاحب التمويل خدمات أخرى؟
47. تأمين □ إخبار □ تحسين □

48. هل تلقين دعم من أو تدريب من الجهات المتاحة أو الداعمة؟ □ نعم □ لا

49. إذا كانت الإجابة بنعم ما هو الدعم؟ □ إرشادات ونصائح □ دورة تدريبية □
50. زيارات ميدانية للمشروع □ خدمات إشراف ورعاية □
51. ما هي الصيغة التمويلية التي منحت بها التمويل.

[ ] مراحة [ ] شرارة [ ] قرض حسن [ ] غير

52. مارأيك في هذه الصيغة؟ [ ] سهلة [ ] معقدة [ ] لا يرد

53. ماهي أفضل الصيغ في رأيك؟

[ ] مراحة [ ] شرارة [ ] قرض حسن [ ] غير

54. هل تعتقد بأن التمويل الأصغر وفر لك فرصة حقيقية لإستثمار مواردك؟ [ ] نعم [ ] لا

55. يحجم العميل عن التمويل الأصغر برغم إستيفائه الشروط لأن:

[ ] إجراءاته معقدة [ ] المبلغ غير جيد [ ] الخوف من العجز [ ] غير

56. ما هي الصعوبات التي واجهتك للحصول على التمويل الأصغر؟

[ ] إجراءات التقديم معقدة [ ] الضمانات [ ] الشروط المطلوبة التمويل الأصغر [ ] غير

57. كيف تقيم مشروع التمويل الأصغر؟

[ ] طريقة تمويل ممتازة جدا [ ] طريقة تمويل جيدة [ ] طريقة تمويل لاباس بها [ ] غير

58. ما هي إشكالات التمويل الأصغر أليك؟

[ ] تعامل المؤسسات بصورة تمويلية محددة [ ] تعامل المؤسسات مع مشروعات تمويلية محددة [ ] ضعف الإعلام عن المشروع [ ] غير

59. هل تعتقد بأن التمويل الأصغر يذهب للقطاع المستهدف (الفقراء النشط)؟ [ ] نعم [ ] لا