The Role of Micro-Finance of Saving and Social Development Bank, Khartoum State - Sudan

By

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I dedicate this work:

To soul of my father,
Dear my mother,
My brothers and my sisters.
Acknowledgements

First, I thank Allah who gave me the health to complete this work. In addition, I would like to express sincere thanks to my supervisor Dr. Hashim Ahmed El Obeid for his support the unlimited to me. I like to thank Dr. Ali Abdel-Aziz for his support and assistance. Also, I thank the Department of Planning and Researches in the Savings and Social development Bank for their support.
ABSTRACT

The main purpose of this study is to assess the role of micro finance offered by two branches of the Saving and Social Development Bank, in Khartoum North locality and Omdurman locality of Khartoum-State, Sudan, on improving the level of income of its small producers clients. The study used primary data collected by a questionnaire from 114 respondents, representing 2%, of a population of 5699 clients. The study also used personal interviews with the randomly selected sample-clients, and secondary data obtained from the Bank annual reports and documents. It applied descriptive statistics analyses for the primary data including calculation of frequencies and percentages, and subjected the results to chi-squares testing.

The results obtained revealed, on identifying the socio-economic structure of clients, that about 72.8% of the clients were married, about 50.9% were female, 39.5% were within the economically active age group of 40-49 years, and 36% had secondary education, while only 0.9% had university education. On analyzing the size of loans and the rate of repayment, the results indicated that about 64.9% of the loans ranged between SDG 1000-3000, as the Bank ceiling does not exceed SDG 3000. Given such a small size loan, about 46.5% of the clients generated revenues ranging between SDG 100-400 SDG per project. Accordingly, only 33.3% of the clients were able to repay their debts fully while the others defaulted.

On analyzing the time period waited between application for loans and receipt of credit, the results showed that buying the loans takes more than one month, such delay could have a negative effect on the performance of the projects, of which 50% were in trade and 2% in agriculture. As it may arise from the possibility
of changes in the input and output prices of the financed projects. On assessing the extent of the follow-up activity of the Bank on micro-finance projects, the results of the analyses depicted a poor monitoring of the extent of the progress of the clients' project performance enroute. The study results also found that applying a high loan-profit-rate of 12% could be one of the problems of small repayment rate. The study recommended the Bank to fulfil its microfinance-principles obligations of providing training, supervision, insurance and reduce the time-span between applying and receiving the loans. The study also recommended selection of potential projects that comply with the market needs and the size of the loans offered.
 MSTCS

دراسة

الغرض الرئيسي

هذه الدراسة تتيح دور التمويل الإصغر المنفي من فرع بنك الأدخائ والتنمية الاجتماعي في محليات بحرى وامدنر في ولاية الخرطوم - السودان في تحسين مستوى الدخل لصغار المنتجين من العمال.

استخدام الدراسة بيانات جماعة بوسطة سطха 114 مشارك تتمثل 2% من مجتمع به 5699 مست舅ب.

استخدام الدراسة مقابلة شخصية مع العمال المنفيين الذين تم اختيارهم عشوائيا. بيانات وثانية محتلة بالقرائير السنوية ملفات وبنك طبقة الدراسة التحليل الإحصائي للبيانات الأولية التي تشمل الارجاعات والنسب المئوية التي انخفضت الاختبار كsand.

نتائج فيما يتعلق بعرفة التركيب الاجتماعي الاقتصادي للزبناء الذين يحتوي 72.8% الزبناء المتزوجين حواليا، 50.9% أثاث، 39.5% من الجنس نارئية LIN. 39 أمنية نجاح 49 - 40 SDG3000-1000 لينكاكك أثلي لين264.9 أباؤه لي أثلي لكش. If U أثلي لي نيديا يدرس على. SDG3000 له ملء الفا بل هو في 2 2 ديزيلا! ل." الأسذذ DSD400-100 لينكاككديغة درست لين264.5 أباؤه لينجوات If يدرس. لينجوات يسكل يس وقادة الكتاب نقية. ليزمر لي جلف لي230151! ل. إعداد U أثلي أيضا وتدريز أو لين نريد كور إثلي يكتشف دار U 2!ديزيلا! لينجوات. 3% أثلي أيضًا يدرس%50 أمنية يدرس من الدراسة. وحكية درست لين450 قاضية يدرس. لينجوات إذا لينجوات بالاشتراك في كوبكسة كار دوسك وراهم يد ود. أبن يد ود يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك وراهم يد ود瘤 يد ود. أبن يد ود يد ود كار دوسك WAD.
لا توجد نص مكتوب يمكن قراءته بشكل طبيعي من الصورة المقدمة. لا يمكنني قراءة النصوص بشكل طبيعي من الصور. إذا كنت بحاجة إلى مساعدة في شيء آخر، فأنا هنا للمساعدة!
# List of contents

Dedication .............................................................................................................i
Acknowledgements ..........................................................................................ii
Abstract ...............................................................................................................iii
Arabic Abstract ................................................................................................v
List of contents ..................................................................................................vii
List of tables .......................................................................................................xi
List of abbreviations..........................................................................................xii

## Chapter One

1-1 Introduction .................................................................................................1
  1-1-1 Alleviation rural poverty in Sudan .........................................................3
  1-1-2 Micro enterprise Development ..............................................................5
  1-2 Problem statement ....................................................................................6
  1-3 The objective of the study .........................................................................7
  1-4 The hypotheses of the study ....................................................................7
  1-5 organization of study .............................................................................8

## Chapter Two: Literature review

2-1 Microfinance clients ...................................................................................9
2-2 Key Principles of MF ................................................................................10
2-3 Micro-Finance at the global context .........................................................13
2-4 Characteristics of MFIs ...........................................................................14
2-5 Microfinance institution in world .............................................................14
  2-5-1 Grameen bank ....................................................................................15
  2-5-2 Bank Rakyat Indonesia .......................................................................16
2-6 Microfinance in Sudan .............................................................................15
2-7 the Financing Policy for the Activities of Social Dimensions in Sudan.. 18
2-8 Microfinance institutions in Sudan ..............................................20
2-8-1 The Banking Sector ..............................................................20
2-8-2 NGOs & CBOs .................................................................21
2-8-3 Rural Development Projects ...................................................22
2-8-4 IFAD’s strategy in Sudan ......................................................22
2-8-5 Social Funds .................................................................23

Chapter Three: Research methodology
3-1 Research area ........................................................................25
3-2 The financing resources of the bank ........................................25
3-3 The objectives of the SSDB ....................................................26
3-4 The working strategy of the bank ............................................26
3-5 The financing approach of the bank ........................................26
3-6 Performance of socio-development during 2008 .......................27
3-6-1 Microfinance .................................................................27
3-6-2 The details of the program and project .................................27
3-7 The target sample ..................................................................31
3-8 Sample techniques .............................................................31
3-9 Methods of data collection ..................................................31
3-10 Analytical produce ............................................................31

Chapter Four: Result and Discussion
4-1 Socio-economic of clients ......................................................33
4-1-1 Age ................................................................................33
4-1-2 Education level ...............................................................34
4-1-4 Marital status .................................................................35
4-1-5 Clients job .......................................................................36
4-2 Size of loan .........................................................................37
4-3 Activity of loans ...............................................................37
4-4 The returns from project funding ........................................38
4-5 the period between application and funding.........................39
4-6 follow-up of the bank .......................................................40
4-7 repayment of the loans ....................................................41
4-8 Risks of micro finance ....................................................41
4-8-1 risks of market ..........................................................42
4-8-2 credit risks ..............................................................42
4-8-3 the risks management processes .................................43
4-8-4 risks of sector ............................................................44
4-8-5 risks of region ............................................................44
4-8-6 risks of associated with human behavior ....................45
4-8-7 physical risks associated with external factors .............46
4-8-8 risks of confrontation to the individuals .......................47
4-9 Chi - square tests .........................................................48
4-9-1 Client’s job*Guarantors ................................................48
4-9-2 Size of loans *Guarantors .............................................49
4-9-3 Repayment of loans *Guarantors ................................50
4-9-4 market risk *Guarantors ..............................................50
4-9-5 credit risk *Guarantors .................................................51
4-9-6 risk of sector *Guarantors ...............................................51
4-9-7 the risks management processes*Guarantors ................51
4-9-8 risk of region *Guarantors .............................................52
4-9-9 Physical risks associated with external factors *Guarantors ....52
4-9-10 Risks of confrontation to the individuals *Guarantors ....54
Chapter Five: Summary, Conclusion and Recommendations

5-1 Summary ........................................................................................................58
5-2 Conclusion ........................................................................................................59
5-3 Limitation ..........................................................................................................60
5-4 Recommendations .............................................................................................60
List of Tables

3-1 Summary of performance in micro funding
4-1 distribution of the clients according their age
4-2 distribution of the clients according their education level
4-3 distribution of the clients according the Sex
4-4 distribution of the clients according family size
4-5 distribution of the clients according marital status
4-6 distribution of the clients according client’s job
4-7 distribution of the clients according size of loan
4-8 distribution of the clients according activity of loans
4-9 distribution of the clients according the returns from project funding
4-10 Tables
4-11 distribution of the clients according the period between application and funding
4-12 Tables
4-13 distribution of the clients according the repayment of the loans
4-14 Risks of market
4-15 Credit risks
4-16 the risks management processes
5-17 Risks of sector
4-18 Risks of region
4-19 Risks of associated with human behavior
4-20 Physical risks associated with the counted of external factors
4-21 Risks of confrontation with the individuals
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>SSDB</td>
<td>Saving and Social Development Bank</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
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<td>UN</td>
<td>United Nations</td>
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<td>WSSD</td>
<td>World Summit for Social Development</td>
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<td>NPES</td>
<td>National Poverty Eradication Strategy.</td>
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<td>NGOS</td>
<td>Non-Governmental Organizations</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>MF</td>
<td>Micro-Finance</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<td>MDGS</td>
<td>Millennium Development Goals</td>
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<td>MFI</td>
<td>Micro-Finance Institutions</td>
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<td>GB</td>
<td>Grameen Bank</td>
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<td>BRI</td>
<td>Bank Rakyat Indonesia</td>
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<td>INGOS</td>
<td>International Non-Governmental Organizations</td>
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<td>CBOS</td>
<td>Community Based Organizations</td>
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<td>NPF</td>
<td>National Pensioners’ Fund</td>
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<td>GEP</td>
<td>Graduates Employment Project</td>
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<td>NFSI</td>
<td>National Fund for Social Insurance</td>
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<td>NFSS</td>
<td>National Fund for Students Support</td>
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<td>NCHI</td>
<td>National Corporation for Health Insurance</td>
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<td>SAP</td>
<td>Structural Adjustment Programs</td>
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Chapter one
Introduction

1-1 Introduction:
Microfinance emerged due to impact of poverty, which hits roughly 1.3 billion people in the world. They lived below one dollar a day. These people suffer from absolute poverty; although they are capable of producing their necessities to sustain their living, they lack finance to establish their small enterprises. Yet commercial banks deliver finance to large and well-equipped businesses and ignore the small ones.
The term microfinance refers to the provision of banking and financial services, primarily lending and savings products to economically active poor clients who are unable to access services offered by formal financial Institutions. “(Ahmed, 2006) Sudan is one of the developing countries suffering from an escalating rate of poverty. The number of people living on less than 1$ a day during 1995-1999 was about 6.5 million. The incidence of extreme poverty is about 23.4%. And the average daily consumption of the poor is $ 0.94, on the other hand, the population living on less than $2 a day was estimated at 19 million during (1995-1999). The incidence of absolute poverty is about 69.5%. The average consumption of the poor is 1.36 $ a day.” (UNICTAD, LDCS Report, 2002).
The government of Sudan in its excessive search for poverty alleviation tools attended the 1995 World Summit for Social Development (WSSD). The summit was held in heads of state, governments and representatives of 186 countries attended the summit.
The investments in microfinance lead to poverty alleviation and economic growth. Governments and donors need to see its development as integral part of national
formal financial system. The experience of microfinance institutions (MFIs) around the world has demonstrated that the poor are credit-worthy, and microfinance - when properly planned and implemented - is a lucrative business that is both attractive and commercially viable for formal financial institutions. By the 2003, microcredit throughout the world are reached to 80.9 million clients, according to the microfinance summit companions, there are 54.8 million microfinance clients were within the poorest economic strata when they took their first loan. The availability of microfinance, for poor entrepreneurs, contributes to the growth and improvement of small-scale businesses within framework of private sector.

According to the United Nation (UN) commission on private sector development report, a reform strategy, that incorporate legal, financial and structural reforms will eliminate the obstacles that block the expansion of the private sector in the poorest regions and communities in developing countries.

Reforming the basic elements of country’s economic environment will bring about changes in institutional frameworks that will unleash and foster the private sector at all levels. Poor entrepreneurs play a critical role in the emergence of local businesses, empowering local communities by creating employment opportunities, and increasing incomes, thus making a vital contribution to economic growth and poverty alleviation.

1-1-1 Alleviation rural poverty in Sudan

The Government of the Sudan is committed to making structural reforms and addressing the root causes of poverty in the country. The comprehensive Peace Agreement (CPA) has allowed the government to take a new direction in addressing pressing socio-economic concerns. The tenets of the peace agreement have been designed to redistribute wealth and authority more evenly, and surplus revenue from oil exports will be allocated for poverty reduction.
In 2004 the Government of Sudan and the Sudan People’s Liberation Movement reached an agreement regarding the main objectives of the policy framework for a National Poverty Eradication Strategy (NPES), the NPES has two overall objectives:
• achieving lasting peace and reducing the risk of future conflicts
• making substantial progress towards reducing poverty and other development goals, such as drought or conflict. In addition, erosion, loss of soil fertility and damage to watersheds are affecting resources.
Agricultural productivity is decreasing as a result of a lack of technological breakthroughs in rain fed agriculture, and food security and livelihoods are threatened in turn. Malnutrition, tuberculosis and malaria have become rampant. The World Health Organization estimates that 22 % of children in the South and Darfur are suffering from acute malnutrition, and the incidence of diarrhea in children may be as high as 45 % in southern Sudan.
In general, small-scale farmers and herders in the traditional rain fed farming and livestock sectors are more prone to poverty than those in irrigated areas. Those without land are dependent on cash earnings from casual labor, such as collecting firewood and making charcoal. Many people depend on humanitarian aid, in 2006 about 2.5 million people in Darfur, and nearly 3 million in the south, east and transitional areas required food assistance.
Isolation is one of the key factors affecting poverty. Settlements located away from main thoroughfares have little or no access to social services and markets. Within rural communities, households without assets and labor power are the poorest – consisting of elderly or disabled people, or households headed by women with young dependants. Women and girls are the most disadvantaged members – less than one third of them have access to education.
Inadequate development strategies, slow adaptation to climatic volatility, and erosion of natural resources are the root causes of poverty. These causes have also fuelled the prolonged civil conflicts that have had a devastating effect on the rural population.

Poverty levels in the country are closely linked to the strengths and weaknesses of agricultural productivity. In the 1970s the Sudan, along with many countries of sub-Saharan Africa, began to introduce large-scale mechanized farms and to expand the irrigation sector in a bid to increase crop production, especially cash crops. The new farming systems and land allocation policies displaced subsistence farmers and nomads from their land, and dismantled traditional systems of communal ownership and management that had previously discouraged local conflict. They proved inappropriate for ecologically fragile areas that are much better suited to traditional agricultural methods characterized by livestock herding and the mobility of farmers.

Small holder farmers are hindered by the limited size of their land holdings, low rates of productivity and an inability to improve their incomes. Because of the lack of rainfall and domestic water supplies, for most farmers the growing season is brief and crop failures are frequent. Pests and disease are problems they are ill-equipped to combat. Existing systems for research and agricultural support are unable to produce and disseminate new technical packages capable of overcoming these problems. Because they have limited access to credit, distribution and marketing channels, and because of their inadequate technical knowledge and poor skills in production and marketing, farmers find it difficult to break out of the cycle of low productivity and income. Seasonal migration in pursuit of wage labor opportunities on mechanized and irrigated farms and in urban areas has become widespread (Source: IFADS, 2007)
1-1-2 Micro enterprise Development

The problems that constrain the development of micro enterprises in developing countries are markets for the product they sell, access to inputs required for these products, finance and lack of incentives and norms that generate a propensity for entrepreneurial discovery. Other barriers to continual micro enterprise growth identified in the literature include structural and socioeconomic conditions, increasing competition, and lack of micro entrepreneur business skills and understanding. Member-based institutions at the community level, such as credit Groups, can be built on and make use of the principles of informal finance by using locally-available information and social contacts in enforcing contracts. Thus, a good institutional framework is required to create an enabling environment for micro enterprise Development. (Zeller, 1997),

1-2 Problem statement:

Small – scale producer need capital to produce goods and services for life sustenance. The financial institutions (such as banks) have been absent from this area, a large number of Non- Governmental Organizations (NGOS) and other specialized institutions have created financial technologies that serve the increasing number of the poor and sustain loan repayment that are not only competitive with traditional commercial banks but offer profit without interest rate.

The commercial banks deliver financial services to big companies or rich businesses men for export or import purpose or for industry to generate profits. Delivery of finance is subject to certain conditions or restrictions designed by the financial authorities or central banks. These conditions are mainly designed on strong collateral to avoid the risk of default.

The United Nation organizations (UN), such as the International Fund for Agriculture Development (IFAD), the Food and Agriculture Organization (FAO),
in addition to United Nation Children’s Fund (UNICEF) have exerted considerable efforts to alleviate poverty for example IFAD’s main objective is to finance the agricultural food projects in the developing countries. It is one of the distinctive agencies in the development of saving and micro-finance for combating poverty and famine in rural areas. So the main objective of the Food and Agriculture Organization (FAO) is to realize food security to rural poor.

The research seek to verify unified understanding to micro-finance as means of accelerating micro-enterprises it tries to find problems and risk of micro-finance in Sudan.

The research focused on assesses impact of micro-finance of saving and social development bank branches, in Khartoum state. This analysis provides indicators of success from the study; this will support using of micro-finance as vital mechanism for increasing income and improving standard level of living of the poor.

1-3 the objective of the study:

The main objective of this study is to assess the impact of micro-finance of saving and social development in Khartoum state- Sudan.

The specific objectives of the study are:

1- Identify the socio-economic structure of clients.
2- Evaluate impact of micro-finance loans on clients
3- Assess credit problems and constraint that faced small producer during implementation
4- Identify the time period between application and funding.
5- Identify the size of loans, its activity, and repayment rate.
6- Assess the extent of follow – up activities of the bank on micro projects.
1-4 the hypotheses of the study:
1- The micro-finance loans increase clients’ returns.
3- The socio-economic structure of clients.
4- Long time period between application and funding of micro projects.
5- Size of microfinance loans is small, with low repayment rate.
6- Poor follow – up activity of the bank on micro projects.

1-5 Organization of study
The study is designed into five chapters, chapter one contains an introduction, problem statement, the objective of study, the hypotheses of the study, and the Organization of study. Chapter two focuses on literature review, Chapter three deal whit research methodology, Chapter four deal whit result and discussion, chapter five focuses on recommendation ,conclusions and summary.
Chapter two
Literature review

Due to national planning as result of incompetence and efficiency in developing countries, a new trend came into existence. This trend believes that is more feasible to gear resources directly to rural and urban poor as anti-poverty mechanisms and focus on base level participation in planning.

Micro credit has been considered as important tool for combating poverty. It provides working capital inputs, for the economic activities of the poor to increase income, and improve livelihood security or empowers people who lack control and choices in their lives.

2-1 Microfinance clients

Microfinance clients are often described according to their poverty level - vulnerable non-poor, upper poor, poor, and very poor. This can obscure the fact that microfinance clients are a diverse group of people – and require diverse products. While women clients are the majority of clients - and in some instances comprise 100% of an MFI’s clients, 33 % of all microfinance clients are men.

These clients operate small businesses like working on small farms, or working for themselves or others in a variety of business– fishing, carpentry, vegetable selling, small shops, transportation, and much more. Some of these microfinance clients are truly entrepreneurs – they enjoy creating and running their own businesses. Others become entrepreneurs by necessity when there are few jobs available in the formal sector.

Success in reaching poorer people with microfinance is determined by the mission of a microfinance institution, and its ability to translate that mission into effective products and services.
2-2 Key Principles of microfinance (MF)

A major initiative towards achieving the Millennium Development Goals (MDGs) is formation of the Consultative Group to Assist the Poor (CGAP), a multi-donor consortium dedicated to, advancing microfinance. It is a Consortium of 31 public and private development agencies working together to expand access to financial services for the poor, referred to as microfinance. The Consultative Group to Assist the Poor (CGAP) envisions a world in which poor people everywhere enjoy permanent access to a range of financial services that are delivered by different financial service providers through a variety of convenient delivery channels. It is a world where poor and low-income people in developing countries are not viewed as marginal but, rather, as central and legitimate clients of their countries’ financial systems. In other words, this vision is about inclusive financial systems, which are the only way to reach large numbers of poor and low-income people. As a way forward to realize this vision, CGAP has come up with eleven key Principles of microfinance (MF) based on decade-long consultations with its members and stakeholders.

These are as follows:

1. Poor people need a variety of financial services, not just loans. In addition to credit, they want savings, insurance, and money transfer services.

2. Microfinance is a powerful tool to fight poverty. Poor households use financial services to raise incomes, build their assets, and cushion themselves against external shocks.

3. Microfinance means building financial systems that serve the poor. Microfinance will reach its full potential only if it is integrated into a country’s mainstream financial system.

4. Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people. Unless microfinance providers charge enough to cover
their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors.

5. Microfinance is about building permanent local financial institutions that can attract Domestic Deposits, recycle them into loans, and provide other financial services.

6. Micro credit is not always the answer. Other kinds of support may work better for people who are so destitute that they are without income or means of repayment.

7. Interest rate ceilings hurt poor people by making it harder for them to get credit. Making Many Small loans cost more than making a few large ones. Interest rate ceilings prevent Microfinance Institutions from covering their costs, and thereby choke off the supply of Credit for poor people.

8. The job of government is to enable financial services, not to provide them directly. Governments can almost never do a good job of lending, but they can set a supporting policy Environment.

9. Donor funds should complement private capital, not compete with it. Donor subsides should be Temporary start-up support designed to get an institution to the point where it Can tap private Funding sources, such as deposits.

10. The key bottleneck is the shortage of strong institutions and managers. Donors should focus their support on building capacity.

11. Microfinance works best when it measures—and discloses—its performance. Reporting not only helps stakeholders judge costs and benefits, but it also improves performance.

MFIs need to produce accurate and comparable reporting on financial performance (e.g., Loan repayment and cost recovery) as well as social performance (e.g., number and poverty Level of clients being served).’ (Working paper form Islamic Microfinance Development (IFSD) Forum, 2007).
2-3 Microfinance at the global context

To give an idea of the magnitude of MFI activities, one may refer to a survey conducted by the World Bank in 1995. The survey showed that there were 1,000 institutions that provided Microfinance services, each reaching at least 1,000 clients. By September 1995, approximately US$7 billion in loans had been provided to more than 13 million individuals and groups. In addition, more than US$19 billion had been mobilized in 45 million active deposit accounts. Nevertheless, much still remains to be done.

The Consultative Group to Assist the Poor (CGAP) estimates that of the three billion poor people of working age who could be making use of these services, about 500 million - one sixth - currently have access to formal financial services.

It is now widely accepted that it will require a whole range of institutions, not just traditional NGO microfinance institutions, to reach the estimated three billion poor people who could use financial services. Microfinance institutions have played a key role in the development of microfinance and will need to continue to do so. But what is really needed – to reach both further and deeper - is a whole range of institutions that serve poor people and to innovate to reach more and more poor people.

The objective of microfinance is to cover critical gaps in formal financial systems in order to address a specific aspect of the problem of poverty – access to financial instruments - in a manner sensitive to the needs of the worst off and consistent with gender equity. Microfinance does not aim at, nor can it address, all dimensions of the complex and cumulative micro-deprivations that trap people in poverty, including lack of access to basic services and infrastructure, inadequate skills, low productivity, limited market penetration, lack of access to power, seasonality, vulnerability to crisis, and gender related disabilities. Rather, it is only one of many instruments, which may do little by itself. However, when microfinance forms part
of a broader national anti-poverty policy, it is possible to liberate its full potential to derive steadily increasing benefits for the poorer sections of the population. (Unicon consultancy LTD, 2006)

2-4 Microfinance institutions in the world

A microfinance institution (MFI) is an organization that provides financial services to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristic of providing financial services to clients who are poorer and more vulnerable than traditional bank clients. During the 1970s and 1980s, the micro enterprise movement led to the emergence of nongovernmental organizations (NGOs) that provided small loans for the poor. In the 1990s, a number of these institutions transformed themselves into formal financial institutions in order to access and on-lend client savings, thus enhancing their outreach; specialized microfinance institutions have proven that the poor are “bankable”. Today, formal institutions are rapidly absorbing the lessons learned about how to do small-transaction banking. Many of the newer players in microfinance, such as commercial banks, have large existing branch networks, vast distribution outlets like automatic teller machines, and the ability to make significant investments in technology that could bring financial services closer to poor clients. Increasingly, links among different types of service providers are emerging to offer considerable scope for extending access.

2-4-1 Grameen bank

Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in rural Bangladesh, without any collateral. At GB, credit is a cost effective
weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. Professor Muhammad Yunus, the founder of "Grameen Bank" and its Managing Director, reasoned that if financial resources can be made available to the poor people on terms and conditions that are appropriate. And reasonable, "these millions of small people with their millions of small pursuits can add up to create the biggest development wonder."

As of May, 2009, it has 7.86 million borrowers, 97 % of whom are women. With 2,556 branches, GB provides services in 84,388 villages, covering more than 100 % of the total Villages in Bangladesh.

2-4-2 Bank Rakyat Indonesia (BRI)

Bank Rakyat Indonesia is a century old state owned commercial bank whose traditional mission was to provide financial services to rural areas of Indonesia. Headquartered in the capital city of Jakarta. BRI is Indonesia largest bank in term of total employees and number of banking offices.

BRI has 23 branches in Indonesia located in large cities and district capital, under the BRI branches banking system is an extensive net work of local banking or village units.

In 1984, rural credit loans were first introduced, and by the end of 1996, BRI units had out more than 22,379billion rupiah (RP).

Losses were only 2.2% for the period1984-1996. Each unit is viewed as separate profit centre, has separate financial statement, and earns profit.

About a quarter of all the borrowers were women, but it is estimated that a greater proportion of the total amount borrowed is actually used by women because many loans taken by husbands (Because land is usually registered in their names) are actually used by their wives. Therefore, the obligation against the loan was shared
between Man and women.
BRI management authority preferred individual lending over group lending. The main reason behind that is to meet the financial obligations. In addition, this policy has something to do with the economic and psychological structure of the community in Indonesia.

2-5Microfinance in Sudan
The demand for microfinance services in Sudan far outstrips the supply which remains exceptionally small covering only about 1-3% of the potential market. This can be attributed to a number of factors, but most importantly, the lack of a clear policy direction for MFIs and Absence of coordination between them. This has resulted in an underserved market that is not being offered a sufficient range of demand-driven microfinance products. A microfinance sector offering financial services such as micro loans, repeated and larger loans, consumption loans, savings, deposits, money transfers, insurance and adopting acknowledged performance measurement indicator does not really exist in Sudan. Accordingly, there is a need for a comprehensive strategy to support MFIs, including banks, to provide non-conventional products and services to a broad based constituency of poor women and men. Such a strategy must include the setting of standards of performance for the industry as a crucial element in the sound development and sustainability of the sector. However, supportive microfinance policies cannot succeed in isolation and the sustainability of the sector will also be dependent on overall country level structures such as payment systems, accounting and legal systems.
A number of agencies have been involved with small and micro lending in Sudan, each with their own approaches, delivery mechanisms and target groups. Only in very few cases have there been serious attempts to include the worst off sections,
promote recoveries for sustainability, and mobilize supplementary resources from formal or informal sources for the benefit of the poor. Hence the degree of success has been very varied.

The microfinance providers in Sudan:
1. The Banking Sector.
2. International Non-Governmental Organizations (INGOs).
3. Local Non-Governmental Organizations (NGOs) and Community Based Organizations (CBOs).
4. Social Funds.
5. Development Projects funded by multi-national donors.

2-6 The Financing Policy for the Activities of Social Dimensions in Sudan:
To formulate and materialize a future vision and a strategic plan to Develop and promote the micro-finance, the Central Bank of Sudan established specialized micro-finance unit to assume the task of encouraging and fostering the micro-finance activities in Sudan in accordance with the objectives drawn for it. Accordingly, the guidelines, policies, rules and regulations set for achieving the objectives of the microfinance are including the following:-

1- The Central Bank of Sudan shall encourage, in his circulars which will be issued later, the Islamic and conventional banks to allocate a minimum ratio of not less than 12% of its finance portfolio -at any time- to the micro-finance and meager micro-finance activities pursuant to the move towards directing more resources to the sectors that serve minimizing the intensity of poverty and fostering development.

2- Banks must establish specialized departments or units for microfinance in their headquarters, and those entities shall assume the task of working out -and submitting to the Central Bank- annual plans for micro-finance of banks.

3- Activating the roles of banks in providing micro-finance through promoting the
specialized operating departments or units in banks and encouraging establishing new units or departments in the banks which still lacking them, besides encouraging them to recruit qualified and well trained personnel in the field of micro-finance in those units.

4- Banks may establish separate micro-finance branches to provide micro-finance services after obtaining the approval of the Central Bank, of Sudan.

5- Banks may establish subsidiary companies for micro-finance in accordance with the regulations governing the licensing and organizing the business of micro-finance for the year “2006” amended “2007”.

6- Banks willing to apply the mobile banking units to serve their clients in micro-finance must obtain prior approval for that service from the Central Bank of Sudan.

7- Continuation in building the capacities of personnel and strengthening the institutions undertaking the implementation of the micro-finance operations in coordination with the micro-finance unit of the Central bank of Sudan besides; working towards setting-up the supervisory and regulatory frameworks for those institutions.

8- Banks must carry out media-based awareness raising programmes to inform the vulnerable segments by the various aspects of micro finance so as to properly serve combating poverty in the context of the overall general macro-economic policy of the government and on the light of the nature of that finance, as also being lucrative rewarding activity for banks. Such efforts should be carried out by banks in collaboration with the micro-finance unit of the Central Bank of Sudan.

9- The Central Bank of Sudan will consider establishing an institution to guarantee the finance provided to the small activities, and will also consider benefiting from the insurance services-coverage after being approved by the Higher Shari Supervisory Board, besides also working towards attracting the services of the international credit guarantees.
10- Banks shall assume the task of simplifying the procedures and observing flexibility in demanding guarantees against micro-finance and consider searching for alternatives for the conventional guarantees and expanding the scope of accepting the guarantees offered by the civil society organizations and the workers' associations and unions.

11- Encouraging the establishment of micro-finance consortium financing funds through the participation of banks, the social funds and the civil society organizations.

12- The Central Bank of Sudan will encourage the banks operating in micro-finance not to restrict their activities to the micro-finance operations only, and to diversity their financial products to include savings and remittances operations.

13- The Central Bank of Sudan encourages banks to perform the microfinance business through the sales-agents in the traditional informal sector to facilitate and encourages its integration into the formal sector.

14- The Central bank of Sudan encourages banks with specialized Expertise to serve the segments and a sector related to its specialization, and also encourages it to select and approve the Projects of developmental advantages.

15- The Central Bank of Sudan encourages banks operating in microfinance to engage in arrangements with the tele-communication Companies -as third party- to facilitate, through it, executing this savings and remittances operations. (Central Bank of Sudan, 2008)

2-7 Microfinance institutions in Sudan

2-7-1 The Banking Sector:

There are 23 banks operating country-wide; with branches concentrated in the main cities and in particular in Khartoum state. The banking system (comprising one of the appropriate types of institutions for the delivery of microfinance) is composed of commercial and specialized banks both privately and publicly owned.
Specialized banks target specific Sectors, such as social development, agriculture, animal resources, and industrial development; or specific groups such as farmers. Most Sudanese banks started providing microfinance services in the early 1990s and have since been expanding their operations to cover different regions and various productive sectors.

In accordance with the financing terms and regulations of CBS’ financing policy, which stipulates the allocation of 12% of the annual lending ceiling of each bank to microfinance (targeting craftsmen, professionals and small producers, including productive families), 20 Sudanese banks are currently providing microfinance services. Most banks, however, have concentrated on the delivery of microfinance services in Khartoum state, which in addition to being the capital city of Sudan, and its commercial and financial centre, presents an infrastructure appropriate for microfinance operations that is more readily available and developed than in other regions of Sudan. (Central Bank of Sudan & unicons, 2006)

2-7-2 Non- Governmental Organizations (NGOs) & Community Based Organizations (CBOs):

It includes local and foreign organization. A survey covering the major NGOs, currently Providing microfinance in the country, revealed that more than 90 % started after1991 following the announcement of the economic liberalization policy (1992) and Structural adjustment programs. Both local and foreign NGOs act as community focused Grass-roots operations rather than formal lending institutions. They work directly with Communities and other CBOs and adopt flexible methods in using credit as a poverty alleviation tool. Due to the influx of rural migrants and Internally-Displaced Persons (IDPs) to urban areas, and the increasing level of urban poverty, the majority of NGOs operates in urban areas in the informal sector. Nongovernmental organization whether local or international organization; played role in achieving micro finance goals.
In 2004, about 165 local Non government organization in Sudan operating in Khartoum, but the census showed the majority of population suffered from poverty and small income. Hence Non government organization alone could not combat Poverty unless government intervention takes place by incorporating micro finance in the Country formal credit policy.
(Central Bank of Sudan & unicons, 2006)

2-7-3 Rural Development Projects
Microfinance sector, offering financial services such as micro loans, repeated and larger loans, consumption loans, savings, deposits, money transfers, insurance. The overall goal of Rural Development Projects is to improve the living standards and incomes of poor Residents in rural communities that have suffered from civil strife or drought and other Natural disasters.
They target specific niches of clients according to their particular mandate, although some of the projects are expanding their scope to target other poor segments of society. Many of These rural development projects include the establishment of sustainable rural credit Services among their integrated services.

2-7-4 International Fund for Agriculture Development (IFAD’s) strategy in Sudan
For more than 20 years the Sudan has been a priority country for IFAD. Since 1979 the organization has helped rural poor people in the Sudan by funding a total of 15 projects for a loan amount of US$211.8 million. A further US$316.5 million has been contributed for the projects by the government, co financiers and project participants.
To ensure a balanced allocation of public resources to the agricultural sector, IFAD’s activities in the Sudan target areas in which poor rural people are concentrated. In the first half of the 1980s IFAD’s work focused on rehabilitation
of the irrigated farming sector. From the mid-1980s the emphasis began to shift towards developing the traditional rain fed farming sector. In 2002 the Government of the Sudan, together with IFAD, agreed that future IFAD investments will be concentrated in rain fed areas, which are characterized by a higher level of poverty. All of IFAD’s projects in the Sudan feature community-based and community-driven processes, working with local people to ensure food security and income from agriculture within a framework of sustainable natural resource management. Establishing self-reliance is an essential aim of all projects. Community members are encouraged to form organizing groups to manage newly introduced credit services. The projects tend to bring together a broad range of community members representing different socio-economic groups, and they actively involve women in the development process. (International Fund for Agriculture Development IFADS, 2007)

2-7-5 Social Funds

There are many institutions for social development in the Sudan. The objective of these Institutions to help poor families, social and economic development, while grants and subsidies consume a major part of the resource of the social funds, two funds, the National Pensioners’ Fund (NPF) and the Graduates Employment Project (GEP), have had some limited experience in micro lending. These social funds started their microfinance activities between 1991 and 2000, as Sudan witnessed the world food security declaration, and the onset of the pro Poor microfinance activities. Another important social fund is the Social Development Fund. There are six types of social funds established to contribute to poverty reduction, each using varying modalities. These are the Zakat, the National Pensioners Fund (NPF), and the National Fund for Social Insurance (NFSI), the National Fund for Students Support (NFSS), The National Corporation for Health Insurance (NCHI) and a fund established to assist those affected by the Structural
Adjustment Programs (SAP). Some of them, like NPF and NFSI do have windows for M-Finance for their specialized clients.
Chapter three

Research methodology

3-1 Research area

Saving banks were first established in the European countries in the early 19th century. The purpose was to assist the poor and destitute who suffered under the burnet need. Such banks later spread into other parts of the world.

The Sudanese saving bank was inaugurated on the international savings day on 31st October 1974. Wadmedani was chosen to accommodate the head quarter of the bank simply because the Gezira area teems with craftsmen and the recipients of the limited and medium income segments of the society.

In 1995 the name of the bank was changed into saving and social development bank. The main reason behind this change was to emphasize stress to combat poverty via financing small producers.

On such basis, the president of the republic issued the transitional republican decree it initiate the saving and social development bank on 19th November 1995 in order to help the poor.

3-2 The financing resources of the bank:

The financial resources of the bank consist of the following:-

1- Net profit returns from the bank owned establishments and companies.

2- Revenues and profit incurred by the bank because of its activities.

3- Aid, Grants Bequests, endowments and donations accepted by the corporation of trustees or the directors.
4- Current deposits, savings and investment accounts.

5- The bank is proprietor of funds endowed on behalf of the small producers.

3-3 The objectives of the SSDB:

1- To improve the conditions of life for the different sectors of the community through:-
A- Create new job opportunities of work (such as small producers).
B- Provision of food security (agricultural development project).
C- Improve standard of income.

2- Directing its resources toward economic activities so as to serve comprehensive socio-economic development.

3- Providing the required financing to various sectors especially small producers.
   ((Small farmers, vocational, artisans, craftsmen and productive families, etc...))

4- The amount of the resources and saving for all members of the community irrespective to gender

3-4 The working strategy of the bank:

1- The bank operates as a mechanism for poverty alleviation beside the local and foreign institution and utilization and organization.

2- The banks operate to improve small –scale producers through training in business administration.

3-5 The financing approach of the bank:-

   The bank delivers financing via two windows:-

1- Commercial financing which is subject to the terms of the central bank in terms of rates, collaterals, regulation, accountability….etc
2- Social financing which has some exemptions from the terms of the central bank in terms of rates, types of collaterals or guarantees, accountability and other necessary concessionaires.

3-6 Performance of socio-development during 2008

3-6-1 Microfinance

They aim at achieving the goal of bank plan in the same season, which are based on Social banking approach; the last expression is complementary Package of funding service of the poor to attach them in the formal financial sector.

The micro finance reached more than 86 million SDG in the period from 1-1-2008 up to 31-12-2008 which is benefited from it 16.675 family.

The Bank to pay monthly support to more than 92000 students in higher education on behalf of the National Fund for the care of students

3-6-2 the details of the programs and projects as the following:-

1- Funding small workers, professional and small companies (small producers):

This program targeted the owner of small project established, which was needed for funding to increase assets, this program carried out in all bank branches and will continue in the new branches ((Genaina, Elfashir). In 2008 the mount of funding reached 66,001,951 SDG which covered 13 state and benefit from it 8,910 family.

2- Project of eradication poverty coordination with ministry of social affair of Khartoum state, the project launched in 2005 and continuously target the poor that economically active cross their localities.

3- The commencement participation was since 2008, with capital estimated 15 million SDG, the bank share with 50%, microfinance unit of central bank also 50%. The purpose of participation is targeting the poor economically active.

The project cover eight states, by funding estimated 9,566,125 SDG the benefited from it 2,336 families.
4- Project for development women: This project especially for funding women owner’s small workers. The most important project (the project incentive women) by coordination with general Sudanese women society, started in 2001 covered 14 states. The size funding in this project reached 3.033.250 SDG, benefiting from it about 1000 women during 2008.

5- Fund for support the poor

The bank and Arab Corporation for development and agricultural investment both established participation targeted the poor in rural areas, which include six states, the project launched in 2006 funding reached 364.000 SDG for 470 family.

6- Funding program of gandato project farmers (gandato village, south of Shandi) were targeted to increase earning opportunities to farmers, through increase the source of income by introduce new variety from the fruit seedling, in addition to grew clover as source additive income. The funding condition was easy. The paying period reach 3 years.

7- Funding program of displaced people in Elsalam and Wad elbashir camps in Khartoum state.

Families of displaced people in camps, funding them to established small projects to increase their incomes.

8- The mount of supporting reached 90.000 SDG for 82 families in 2008.
Table (3-1) Summary of performance in micro-funding:

<table>
<thead>
<tr>
<th>Item</th>
<th>Funding amount</th>
<th>families No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding small state Craft and Small industries</td>
<td>SDG 66,007,951</td>
<td>8,915</td>
</tr>
<tr>
<td>Project of Eradication the Poverty coordination</td>
<td>SDG 6,280,456</td>
<td>3,424</td>
</tr>
<tr>
<td>with ministry of Social affairs in Khartoum state</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program of bank Participation and Sudan central bank for development and promote the Micro-finance sector</td>
<td>SDG 9,566,125</td>
<td>2,336</td>
</tr>
<tr>
<td>Project for women development</td>
<td>Funding program of Gandeto project farmer in Naher Elnile State</td>
<td>SDG 1,026,740</td>
</tr>
<tr>
<td>Funding program of displayed people in Elsalam and Wad Elba sheer Camps in Khartoum state</td>
<td>SDG 90,000</td>
<td>82 family</td>
</tr>
<tr>
<td>TOTAL</td>
<td>SDG 86,362,523</td>
<td>16,675</td>
</tr>
</tbody>
</table>

*(Saving and Social Development Bank, 2008)*
3-7 The target sample:
The sample of study is composed of saving and social development bank, Omdurman and north Khartoum branches, during 2008, field survey had been Omdurman, karary, eastern Nile, north Khartoum localities.

3-8 Sample techniques:-
The sampling has been based on full coverage of the sample. The researcher has identified all clients from the bank lists during 2008, the researcher has aimed to interview all finance clients in the mentioned period.

3-9 Methods of data collection
The case study of research covers the micro- enterprises that are financed by saving and social development bank (SSDB) under the umbrella of microfinance. The study used two types of data:

1- Primary data
Primary data was obtained by questionnaires, personal interviews with clients in field of the study.

2-Secondary data
Secondary data collected from saving and social development office and branches in Khartoum state, research, books, annual reports and internet website were the main source used to obtain information related to subject.

3-10 analytical producers
The data has been analysis by using a computer program of Statistical package for social sciences (spss), included estimation of frequencies, Percentage and diagrams, in addition to using chi-square test.
Chi-square test used to test nil imposition and alternative imposition, nil imposition means that there is no significant relationship between the two variables; alternative imposition means that there is significant relationship between the two variables, from results analysis, we found that some variables proved the correctness of the alternative imposition; others proved the correctness of nil imposition.
Chapter four
Result and Discussion

Introduction
This chapter investigates the impact of micro finance on small producers. The risks and other problem that faced them, the study was curried in Ombaddah, Karary, Khartoum North and Eastern Nile localities. Computer analysis techniques and management with statistical program statistical package for social science (spss) were used to examine some characteristics of sample of small producers which include age, education level, social status, client’s job activity, the time period between application and funding, repayment of loans and risk.

4-1 The Socio- economic of clients
4-1-1 Age
The advancing in age reduces participation in activities (Elhadari, 1967). The result showed that, the age of respondents are ranging from 20 to more than 60`years old, the majority of them are small producers, of which 93% are within active age group (20-60 years), and only 7% are above 60 years. Figure (4-1) and appendix table (6-1).
Figure (4-1) distribution of the clients according to their age

(Source: data survey, 2009)

4-1-2 Education levels

Education is defined as accumulation of experience to prepare and individual for life (Elamin, 2001). Through education we can change people knowledge, attitudes and skills. Education stimulates people to realize their needs, to understand the problems and their rights and duties as citizens, (Malik, 1984). According to that 8.8% of clients are illiterate; the primary education about 17.5%, the survey showed that, 36% of clients are secondary education, the university education about 24.6%, and the up-university about 0.9%. Figure (4-2) and appendix table (6-2).
4-1-3 Family structure (sex and size)

Family is the basic unit of society; the family plays an important role in development (Malik, 1984), the family size has great effect on the client’s economic status (Al habibi, 2007)

The table (4-1) revealed that, the clients in sample were 50.9% females, the rest were males.

(Source: data survey, 2009)
Table (4-1) distribution of the clients according to the Sex

<table>
<thead>
<tr>
<th>sex</th>
<th>frequency</th>
<th>frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>females</td>
<td>56</td>
<td>50.9%</td>
</tr>
<tr>
<td>males</td>
<td>58</td>
<td>49.1%</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)

Figure (4-3) indicated that, the majority of the sample have a family size between (5-8) persons constituting about 45.6% of the total sample, while their families constitute of (1-4) person were 35.1%, but only 19.3% more than 8. Appendix table (6-3).

Figure (4-3) distribution of the clients according to family Size

(Source: data survey, 2009)

4-1-4 marital status

The majority of selected clients are married (about 72.8%). The married clients
seek for incomes improvement and income generation to secure a better life for their families which faced by higher expenses, about 11.4% were single, while only 7.9% of them were widow, divorced respectively. Figure (4-4) and appendix table (6-4).

**Figure (4-4) distribution of the clients according to marital status**

(Source: data survey, 2009)

4-1-5 Clients job

The result revealed that, the free works represent the highest percentage of the funding activities about 34.2%, while agricultural activity represent the lowest percentage about 1.8%, The official workers, house wife, handcraft, industries and other represent 28.1%, 15.8%, 14.92 %, 4.4%, and 0.9% of the respondents respectively. Figure (4-5) and appendix table (6-5).
Figure (4-5) distribution of the clients according to client’s job

(Source: data survey, 2009)

4-2 Size of loan

The size of finance for individual Clients varies between less than SDG 1000, at the lowest level and SDG 10000 at its higher level.

The majority of loans ranged between SDG 1000-3000, because bank set ceiling for funding not exceed SDG 2000 (localities funding and women’s unions), 12.3% of clients received the funding between (SDG 4000- SDG 6000), less than 1000 respectively, and only 10.5% of clients received the funding between SDG 7000-10000. Figure (4-6) and appendix table (6-6).
Figure (4-6) distribution of the clients according to size of loan

(Source: data survey, 2009)

4-3 activity of loans
The micro project includes trade, handcraft, and free works, agricultural, industry, and official workers. The Figure (4-7) showed that, the trade projects represent the highest percentage of microfinance projects about 50%, that’s because the majority of loans not exceeding SDG 3000, this amount are not enough for most projects proposed, while handcraft recorded 18.4%, free works recorded 19.3%, and industry recorded 7.9%, and agricultural recorded the lowest percentage 4.4%. Appendix table (6-7).
**Figure (4-7) distribution of the clients according to activity of loans**

(Source: data survey, 2009)

**4-4 The returns from project funding**

The return from project funding varies between less than SDG 100, at lowest level, and more than SDG 1000 at the highest level. Figure (4-8) showed that, the return from project less than SDG 100 about 7.9%, as results of the small amount of funding 46.5% of projects' revenue ranging between SDG 100-400, (SDG 400- SDG 700) recorded 30.7%, (SDG 700- SDG 1000) recorded 12.3% and more than SDG 1000 recorded the lowest percentage of clients About 2.6%. Appendix table (6-8).
Figure (4-8) distribution of the clients according to the returns from project funding

(Source: data survey, 2009)

In addition low quality of projects, bad project management, and low returns have a negative impact on economic feasibility of projects. Table (4-2) indicated that, about 64.9% of clients that said returns are satisfied, while 35.1% said that the returns no satisfied.
4-5 The time period between application and funding

The time period between application and funding plays an important role in success full of the most of funding project. The delay in funding would lead to project delays, which may be followed by fluctuations in input prices and output in the market.

The study showed that, the important constraints and problems were led to the failure of many projects was the long time period between application and funding, which exceeded in many cases one month, Figure (4-9) showed that 48.2% of clients were financed after more than month after application, while 43.9% of clients after one month, about 4.4% of clients after one week, but only 3.5% of clients after two weeks. Appendix table (6-9).
Figure (4-9) distribution of the clients according to the time period between application and funding

(Source: data survey, 2009)

4-6 follow-up of the bank

Is there a follow-up of the bank after funding?
Poor follow-up of projects after funding was one of the reasons that led to the failure of many projects, and disability in repayment. From the result of the survey indicated to that 64% of clients said that the bank not followed them, while 36% of clients the bank followed them, this follow-up was either in the form visits or contact via phone.18% of clients said that follow-up was in the form of field visit,
while only 17% said that the follow-up was via phone, Figure (4-10) and appendix table (6-10).

**Figure (4-10) The Follow-up of the bank**

(Source: data survey, 2009)

**4-7 repayment of the loans**

The survey results indicated that, about 33.3% of clients have paid their loans in full, while 57% of clients paid part of loan, despite the ending of the funding term, and 9.6% of them were not able to pay for their loans. This means that 57% and 9.6% of clients were defaulters. In addition to that, the main reasons of disability in repayment were market problem, low production, raising profit margin (12%), and
poor the follow up of the bank, low quality of projects, bad of project management, and low returns of projects. Figure (4-11) and appendix table (6-11).

**Figure (4-11) distribution of the clients according to the repayment of the loans**

![Bar chart showing distribution of clients according to their repayment of loans.

(Source: data survey, 2009)](image)

**4-8 Risks of micro finance**

There are many risks, which faced clients of micro finance, in absence of insurance, supervision and training on micro project management. These risks such as market risk, sector risk, and region risk which led to fluctuation in returns and disability in repayment of loans.
4-8-1 risks of market

Market risk includes: liquidity and the interest rate. The majority of clients (76.3%) said that the interest rate and liquidity did not have a negative impact on projects, while 16.7% of clients indicated to the high interest rate (12%), and only 1.8% of clients indicated to liquidity risk. Figure (4-12) and appendix table (6-12).

Figure (4-12) Risks of market

(Source: data survey, 2009)

4-8-2 credit risks

Figure (4 - 13) showed that, the small number of clients affected by credit risks which includes: 0.9% of clients affected by mortgages risk, 3.5%, and 3.5% of clients affected by loans, and investment risk respectively. Appendix table (6-13).
4-8-3 the management processes risks

The survey results revealed that, 27.2% of clients affected by management processes risks which include processes, system, documents and loans. While majority of clients 72.8% had no management processes risk. Figures (4- 14) and appendix table (6-14).
The risk management processes

(Source: data survey, 2009)

4-8-4 risks of sector

Sector risk includes; market risk, macroeconomic and political circumstances. The higher percentage of the clients affected by market risk, whereas that 65.1% of them their project influenced by market risk, while 0.9% and 1.8% of the clients affected by macroeconomic and political circumstances respectively.

Figure (4-15) and appendix table (6-15).
The results showed that, 57.2% of the sample clients affected by region risk which includes; social conditions, environmental, and infrastructure risk, because the survey include some areas which suffer from poor infrastructure (electricity, safe water, paved roads and sanitation services) which affected negatively on their environmental and social conditions. All this constraints led to failure of projects in these areas, in addition to increases percentage disability in repayment, while 43.9% of clients were not influenced by this risk. Figures (4-16) and appendix table (6-16).
(Source: data survey, 2009)

4-8-6 risks of associated with human behavior

Figure (4-17) indicated that, about 36.5% of clients affected by the risks associated with human behavior which include honesty, sincerity, and administration. The rest (53.5% of clients) didn’t affected by the risk associated with human behavior. Appendix table (6-17).
4-8-7 physical risks associated with external factors

There are some of physical risks results from external factors includes: fire, theft, drought and natural risk, death of animal, depression. All these risks have direct impact on micro project success.

Table (4-3) indicated that, about 1.8%, 21.9% of clients affected by fire and theft risks respectively, while 2.6%, 13.2% of clients affected by death of animal, depression risks respectively.
Table (4-3) Physical risks associated with the counted of external factors

<table>
<thead>
<tr>
<th>Risks</th>
<th>frequency</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>fire</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>theft</td>
<td>25</td>
<td>21.9</td>
</tr>
<tr>
<td>death of animal</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>depression</td>
<td>15</td>
<td>13.2</td>
</tr>
<tr>
<td>drought and natural risk</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>no</td>
<td>69</td>
<td>61.5</td>
</tr>
<tr>
<td>total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)

4-8-8 risks which confront the individuals

The study showed, there are many risks confront the individuals, where 37.7% of them affected by market depression, while 28.9% of clients affected by business needs risks, 14.9% of clients affected by low market product, 6.1% of clients affected by waste of many project, 0.9% of clients affected by agricultural risk, and death of incapacity of owner respectively. Table (4-4)
Table (4-4) risks which confront the individuals

<table>
<thead>
<tr>
<th>Risks</th>
<th>frequency</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>business needs</td>
<td>33</td>
<td>28.9</td>
</tr>
<tr>
<td>low market product</td>
<td>17</td>
<td>14.9</td>
</tr>
<tr>
<td>waste of many project</td>
<td>7</td>
<td>6.1</td>
</tr>
<tr>
<td>agricultural risk</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>death of incapacity of owner</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>No risk</td>
<td>55</td>
<td>48.3</td>
</tr>
<tr>
<td>total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)

4-9 Chi - square tests results

4-9-1 The relation between Client’s job and Guarantors
Table (4-5) explained that, there is relation between Client’s job and the guarantors which choose, clients who think they were from the economically active poor, this means that there another source of income, and ensure that no dependence on these projects that are characterized by low capital and lack of revenues, the possibility of repayment.

The table (4-5) the relation between Client’s job and Guarantors

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2- sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>57.748</td>
<td>42</td>
<td>.054</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)
4-9-2 The relation between size of loans and Guarantors
The table (4-6) showed that, there is relation between size of loans and Guarantors all projects funded by ensure localities (Ombaddah, Karary, Khartoum North), and women's unions (Khartoum North, Eastern Nile) were set ceiling for funding not exceed SDG 2000, this roof was set to provide this loans to the largest number of poor beneficiaries, with the majority of the proposed projects for funding need to more than that.

The table (4-6) the relation between size of loans and Guarantors

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>92.998</td>
<td>21</td>
<td>.000</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)

4-9-3 The relation between the time period between application and funding, Guarantors
The table (4-7) showed that, there is relation between the time period between application and funding, and Guarantors. This period is often one month or more, the risk of this period is in change the commodity prices of inputs and output, increased imports of goods, which is characterized by cheap price.
Table (4-24)
The table (4-7) the relation between the time period between application and funding, Guarantors

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>70.561</td>
<td>21</td>
<td>.000</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)

4-9-4 The relation between repayment of loans and Guarantors

The table (4-7) showed that, there is relation between repayment of loans and Guarantors, all projects funded by ensure localities (Ombaddah, Karary, Khartoum North), and women's unions (Khartoum North, Eastern Nile) was follow-up the loan the responsibility of localities staff, in addition to their jobs in the localities, weak follow-up repayment of the loan from the direct reasons in the increase the default.

The table (4-7) the relation between repayment of loans and Guarantors

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>64.239</td>
<td>21</td>
<td>.000</td>
</tr>
</tbody>
</table>

(Source: data survey, 2009)
Chapter five
Summary, Conclusion and Recommendations

5-1 Summary
The main purpose of this study is to assess the role of micro finance offered by two branches of the Saving and Social Development Bank, in Khartoum North locality and Omdurman locality of Khartoum-State, Sudan, on improving the level of income of its small producers clients. The study used primary data collected by a questionnaire from 114 respondents, representing 2%, of a population of 5699 clients. The study also used personal interviews with the randomly selected sample-clients, and secondary data obtained from the Bank annual reports and documents. It applied descriptive statistics analyses for the primary data including calculation of frequencies and percentages, and subjected the results to chi-squares testing.

The results obtained revealed, on identifying the socio-economic structure of clients, that about 72.8% of the clients were married, about 50.9% were female, 39.5% were within the economically active age group of 40-49 years, and 36% had secondary education, while only 0.9% had university education. On analyzing the size of loans and the rate of repayment, the results indicated that about 64.9% of the loans ranged between SDG 1000-3000, as the Bank ceiling does not exceed SDG 3000. Given such a small size loan, about 46.5% of the clients generated revenues ranging between SDG 100-400 SDG per project. Accordingly, only 33.3% of the clients were able to repay their debts fully while the others defaulted. On analyzing the time period waited between application for loans and receipt of credit, the results showed that buying the loans takes more than one month, such delay could have a negative effect on the performance of the projects, of which
50% were in trade and 2% in agriculture. As it may arise from the possibility of changes in the input and output prices of the financed projects. On assessing the extent of the follow-up activity of the Bank on micro-finance projects, the results of the analyses depicted a poor monitoring of the extent of the progress of the clients project performance enroute. The study results also found that applying a high loan-profit-rate of 12% could be one of the problems of small repayment rate. The study recommended the Bank to fulfil its microfinance-principles obligations of providing training, supervision, insurance and reduce the time-span between applying and receiving the loans. The study also recommended selection of potential projects that comply with the market needs and the size of the loans offered.

5-2 Conclusion

This study reached to these conclusions:

1- Most of the projects given were traditional ones and similar projects, created risks, and led to the deterioration of these projects.

2- The study showed the amounts of credit offered to beneficiaries were small.

3- These amount did not assist target people or improve their conditions of life, because they were small and there was hard competition in markets which needed more developed type projects, which needed large amount of money.

4- The time period between funding and the application was more likely than a month, and this created many of the risks to the projects funded.

5- follow-up of the bank to financed projects was weak.

6- 57% of clients paid part from the financing installments, despite the end of the repayment period.

7-This project encountered many of the risks and problems, which affected negatively on these projects, and led to the failure many of them.
5-3 Limitation
The discussion with clients about project failure, they cannot repayment is sensitive issue, in addition to considering the researcher collect information to the bank, cast aside the co-operation, or nothingness guides by correct information.

5-4 Recommendations
Based on this study, the researcher arrived to these recommendations:
1- The funding Provide for the economically active clients (client is the person economically active, he is having a monthly income less than twice the minimum wage, or productive assets worth less than 10000 SDG and does not benefit from the funding source.
2- Amount of funding should cover the total cost of the project, and this is important for the success of the project.
3- Cooperation between the Bank and the guarantors to reduce the time between application and funding, as much as possible.
4- Training clients on the proper planning, and management of their projects.
5- Micro- insurance on the projects to reduce many of risks.
6- We find that banks follow –up of its projects was not perfectly completed. And for the bank to reach its goals and targets effectively these projects out to succeed. This needs continuous follow-up from the bank management.
7- Projects that were given to small producers were small. This leads to many problems in short run; we recommend the work of many of the studies for the selection of appropriate projects to the nature of the market.
References


- Elmin, N.M. (2001). The economics of union production and impact of storage profitability in Bahari province Khartoum state. M.se thesis Faculty of agriculture, University of Khartoum-Sudan.

institution. Faculty of agriculture, University of Khartoum-Sudan.


-IFADS. 2007. (Enabling the rural poor to overcome poverty in Sudan).

Appendix

Table 1: distribution of the clients according their sex

<table>
<thead>
<tr>
<th>sex</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>male</td>
<td>56</td>
<td>49.1</td>
</tr>
<tr>
<td>female</td>
<td>58</td>
<td>50.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2: distribution of the clients according their age

<table>
<thead>
<tr>
<th>age</th>
<th>frequency</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>7</td>
<td>601</td>
</tr>
<tr>
<td>30-39</td>
<td>36</td>
<td>3106</td>
</tr>
<tr>
<td>40-49</td>
<td>45</td>
<td>39.5</td>
</tr>
<tr>
<td>50-59</td>
<td>18</td>
<td>15.8</td>
</tr>
<tr>
<td>More than 60</td>
<td>8</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 3: distribution of the clients according their education level

<table>
<thead>
<tr>
<th>Education level</th>
<th>frequency</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>10</td>
<td>8.8</td>
</tr>
<tr>
<td>Primary</td>
<td>20</td>
<td>17.5</td>
</tr>
<tr>
<td>Intermediate</td>
<td>14</td>
<td>12.3</td>
</tr>
<tr>
<td>Secondary</td>
<td>41</td>
<td>36.0</td>
</tr>
<tr>
<td>University</td>
<td>28</td>
<td>24.6</td>
</tr>
<tr>
<td>up-university</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 4: distribution of the clients according marital status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>married</td>
<td>83</td>
<td>72.8</td>
</tr>
<tr>
<td>single</td>
<td>13</td>
<td>11.4</td>
</tr>
<tr>
<td>Widower</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>detached</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5: distribution of the clients according client’s job

<table>
<thead>
<tr>
<th>Job client</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>handicrafts</td>
<td>17</td>
<td>14.9</td>
</tr>
<tr>
<td>free works</td>
<td>39</td>
<td>34.2</td>
</tr>
<tr>
<td>agricultural</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>industry</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>employee</td>
<td>32</td>
<td>28.1</td>
</tr>
<tr>
<td>house wife</td>
<td>18</td>
<td>15.8</td>
</tr>
<tr>
<td>others</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 6: distribution of the clients according family size

Number of family members

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 4</td>
<td>40</td>
<td>35.1</td>
</tr>
<tr>
<td>5 - 8</td>
<td>52</td>
<td>45.6</td>
</tr>
<tr>
<td>more than 8</td>
<td>22</td>
<td>19.3</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 7: distribution of the clients according activity of loans

Type of activity, which used the loan

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>handicrafts</td>
<td>21</td>
<td>18.4</td>
</tr>
<tr>
<td>free works</td>
<td>22</td>
<td>19.3</td>
</tr>
<tr>
<td>agriculture</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>industry</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>trade</td>
<td>57</td>
<td>50.0</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 8: distribution of the clients according size of loan
Table 9: distribution of the clients according the returns from project funding

<table>
<thead>
<tr>
<th>Size of loan</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 10000 pounds</td>
<td>14</td>
<td>12.3</td>
</tr>
<tr>
<td>1000 - 3000 pounds</td>
<td>74</td>
<td>64.9</td>
</tr>
<tr>
<td>4000 - 6000 pounds</td>
<td>14</td>
<td>12.3</td>
</tr>
<tr>
<td>7000 - 10000 pounds</td>
<td>12</td>
<td>10.5</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Return from loan activity

<table>
<thead>
<tr>
<th>Return from loan activity</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 100 pounds</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>100 - 400 pounds</td>
<td>53</td>
<td>46.5</td>
</tr>
<tr>
<td>400 - 700 pounds</td>
<td>35</td>
<td>30.7</td>
</tr>
<tr>
<td>700 - 1000 pounds</td>
<td>14</td>
<td>12.3</td>
</tr>
<tr>
<td>more than 1000 pounds</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 10: distribution of the clients according the time period between application and funding

<table>
<thead>
<tr>
<th>What time period between application and funding</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>one week</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>two weeks</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>one month</td>
<td>50</td>
<td>43.9</td>
</tr>
<tr>
<td>more than month</td>
<td>55</td>
<td>48.2</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 11: distribution of the clients according the safeguard required to give you microfinance
Table 12: do you take micro finance before

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>13</td>
<td>11.4</td>
</tr>
<tr>
<td>no</td>
<td>101</td>
<td>88.6</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 13: do you take micro finance before

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>13</td>
<td>11.4</td>
</tr>
<tr>
<td>no</td>
<td>101</td>
<td>88.6</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 14: Is the funding was sufficient

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>61</td>
</tr>
<tr>
<td>no</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
</tr>
</tbody>
</table>

Table 15: Distribution of the clients according to funding formula

What are the funding formula for the loan

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>murabaha</td>
<td>97</td>
</tr>
<tr>
<td>hassan loan</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
</tr>
</tbody>
</table>

Table 16: Distribution of the clients according to funding formula

What are the funding formula for the loan

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>murabaha</td>
<td>97</td>
</tr>
<tr>
<td>hassan loan</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
</tr>
</tbody>
</table>
Table 17: distribution of the clients according to the Follow-up of the bank

If the answer is yes, explain type

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field visits</td>
<td>20</td>
<td>17.5</td>
</tr>
<tr>
<td>by phone</td>
<td>21</td>
<td>18.4</td>
</tr>
<tr>
<td>no continue</td>
<td>73</td>
<td>64.0</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 18: distribution of the clients according to market risk

Market risk

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>liquidity</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>interest rate</td>
<td>19</td>
<td>16.7</td>
</tr>
<tr>
<td>no market risk</td>
<td>87</td>
<td>76.3</td>
</tr>
<tr>
<td>liquidity &amp; interest rate</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 19: distribution of the clients according to credit risk

Credit risk

<table>
<thead>
<tr>
<th>Credit Risk</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>lienes</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>loan</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>investment</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>no credit risk</td>
<td>105</td>
<td>92.1</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 20: distribution of the clients according to sector risk

The risk of sector

<table>
<thead>
<tr>
<th>Sector Risk</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>macro-economic</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>market</td>
<td>64</td>
<td>56.1</td>
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<tr>
<td>political circumstances</td>
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<td>34.2</td>
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</tr>
<tr>
<td>macro-economic &amp; market</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>market &amp; political circumstances</td>
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</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
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Table 21: distribution of the clients according to risk management processes
The risk management processes

<table>
<thead>
<tr>
<th>Risk Management Processes</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>processes</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>systems</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>documents</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>loans</td>
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<td>10.5</td>
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<td>72.8</td>
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<tr>
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<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>processes &amp; documents</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>processes, documents &amp; loans</td>
<td>2</td>
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</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
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</table>

Table 22: distribution of the clients according to region risk

Risk of region

<table>
<thead>
<tr>
<th>Risk of Region</th>
<th>Frequency</th>
<th>Percent</th>
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</thead>
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<td>social conditions</td>
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<td>43.9</td>
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<tr>
<td>social conditions &amp; infrastructure</td>
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<td>10.5</td>
</tr>
<tr>
<td>enviromental &amp; infrastructure</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>social conditions &amp; enviromental</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>social conditions, enviromental &amp; infrastructure</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
</tr>
</tbody>
</table>
Table 23: Risks of associated with human behavior

Risks associated with the context of human behavior

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>honesty</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>sincerity</td>
<td>3</td>
<td>2.6</td>
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<tr>
<td>administration</td>
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<tr>
<td>no risks</td>
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<td>53.5</td>
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<tr>
<td>honesty, sincerity &amp; administration</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>sincerity &amp; administration</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>honesty &amp; sincerity</td>
<td>9</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Figure 1: Physical risks associated with the counted of external factors (fire)
Figure 2: Physical risks associated with the counted of external factors (theft)
Figure 3: Physical risks associated with the counted of external factors (death of animals)

Figure 4: Physical risks associated with the counted of external factors (depression)
Figure 5: risks of confrontation to the individuals (depressed markets)

Figure 6: risks of confrontation to the individuals (low market product)
Figure 7: risks of confrontation to the individuals (business needs)

Figure 8: risks of confrontation to the individuals (agriculture risk)
the risk of confrontation with members
(death or incapacity of owner)

Figure 9: risks of confrontation to the individuals (death or incapacity of owner)
Figure 10: The relation between Client’s job and Guarantors
Figure 11: the relation between Size of loans and Guarantors
Figure 12: the relation between the Time period between application and funding, Guarantors
Figure 13: The relation between repayment of loans and Guarantors