STRATEGY DEVELOPMENT OF MICROFINANCE INSTITUTIONS AND POVERTY REDUCTION IN HARGEISA-SOMALILAND

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By:

Hana Ismail Muse

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DECLARATION

"This thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".

Name and Signature of Candidate

Hana Ismail Muse

29/02/2011

Date

DECLARATION

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision".

Prof. Olwor Sunday

Name and Signature of Supervisor

Prof. Sunday Olwor

Date

APPROVAL SHEET

This thesis entitled *"Strategy Development of Microfinance institutions and Poverty Reduction in Hargeisa-Somaliland"* prepared and submitted by *Hana Ismail Muse* in partial fulfillment of the requirements for the degree Masters of Business Administration has been examined and approved by the panel on oral examination with a grade of PASSED.

Prof. Oluoch Gwadong

Name and Sig. of Chairman

Prof. Oluoch Gwadong

Name and Sig of Supervisor

Dr Mano

Name and Sig. of Panelist

Kiweewa Emmanuel

Name and Sig. of Panelist

____

Name and Sig. of Panelist

Date of Comprehensive Examination: ______________________

Grade: ______________________

Prof. Oluoch Gwadong

Name and Sig of Director, SPGSR

____

Name and Sig of DVC, SPGS

DEDICATION

I dedicated this thesis to my father **Ismail Muse Hassan**, my mother **Kinse Mohamed Ismail**, my Grandmother **Asha Dualeh**, my elder sister **Ayan Ismail Muse** and all my brothers and sisters.

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In the name of Allah, the Most Merciful the Most Gracious, I thank Allah the way he guided to me and gave the ability, the knowledge and the wealth to write this Thesis. Without Allah, I could not be able to successfully complete this thesis.

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ABSTRACT

The study investigated the relationship between strategy development of microfinance institutions and poverty reduction in Hargeisa-Somaliland. The study sought to establish the kind of relationship that exist between the strategy development of microfinance institutions and poverty reduction and provide recommendations based on the research outcomes. This was in view of the fact that accessibility of development and financial services by the microfinance institutions is the cornerstone for strategy development in Somaliland.

The purpose of this study was to establish the relationship between strategy development of microfinance institutions and poverty reduction in Hargeisa-Somaliland. The study was guided by three research objectives. The first one was to evaluate the strategy development program of Microfinance institutions in Hargeisa-Somaliland. The second one was to find out the extent of poverty reduction in Hargeisa-Somaliland. The third one was to determine if there is a significant relationship between strategy development program of Microfinance institutions and poverty reduction in Hargeisa-Somaliland.

The research design based on descriptive correlation and quantitative design was used on existing literature. Data was collected from both primary and secondary sources majorly using questionnaires distributed to a sample size of 137 respondents out of population of 210 respondents. Cross tabulation (frequencies and percentages), mean and correlation analysis using Pearsons' coefficient values was used to analyze data.

The study established that there is a significant relationship between strategy development program of microfinance institutions and poverty reduction in Hargeisa-Somaliland; hence, the null hypothesis was rejected. Basing on these findings, the following recommendations were worthwhile: Guidelines to microfinance institutions need to be flexible to ensure continuous improvement in Somaliland, hence, poverty reduction and through strategy development and capacity building of MFIs, it will increase the development of community capacities building, hence help poverty reduction.

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LIST OF ABBREVIATIONS

APA	American Psychological Association
BDS	Business Developing Services
CDRN	Community Development Resources Network
CBS	Central Bank of Somaliland
DHF	Doses of Hope Foundation
GCAP	Global Call Agent Poverty
GDP	Gross Domestic Product
HDI	Human Development Index
IDP	Individual Development Program
MDGs	Millennium Development Goals
MFI	Microfinance Institutions
MOC	Ministry of Commerce
MOP	Microfinance Outreach Plan
NGO	Non Governmental Organizations
OECD	Organization for Economic Cooperation and Development
PAS	Planning Advisory Services
PAR	Participatory Action Research
PR	Profile of the Respondents
PRSPs	Poverty Reduction Strategy Papers
PSIA	Poverty and Social Impact Analysis
SPSS	Statistical Package for Social Science
SNHS	Somaliland National Household Survey
SSA	Sub-Saharan African
UN	United Nations

UNDP	United Nations Development Programs
WB	World Bank
WFP	World Food Programs
WID	Women In Development
WSP	War-torn Societies Project

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Introduction

This chapter provides background about Strategy Development program of Microfinance Institutions and poverty reduction; it also provides the statement of the problem, objectives of the study, research questions, scope of the study and significance of the study.

Background of the Study

Strategy development is a plan of action resulting to accomplishment of specific goals or it is a specific resource and capabilities embedded in its structure, technology, and process, interpersonal and inter-grow relationships that enable the organization to develop (Conlin, 1999).

The goal of Strategy Development of MFIs is to ensure permanent access to institutional financial services for a majority of poor and low-income households. They support the development of sustainable microfinance systems that can provide diverse services of high quality. However, without reaching a large number of the poor households on a permanent basis, microfinance is not likely to generate a significant overall development impact. The strategy focuses on building financial systems that can grow and provide financial services on a permanent basis to an increasing proportion of the poor, and promotion of pro-poor innovations (Buckley, 1997).

The microfinance revolution begun in Latin America and South Asia starting in the 1970s, which has allowed 65 million poor people around the world to receive small loans. This Idea came from Dr. Yunus, an Asian revolutionist, who began a micro-finance program among women in Bangladesh in 1976 through the University of Chittagong. The basic purpose of micro-finance is to provide credit to working poor who otherwise would not have access to credit services. This service has been provided in different countries by moneylenders within poor communities for a long time (Zeller & Meyer, 2002).

Microfinance is a key policy strategy for Poverty Reduction. Inadequate access to credit by the poor has been identified as one of the contributing factors to poverty (Marcus et al, 1999). To redress the issue, the policy of increasing access to both production and consumption credit by the poor has been articulated. For sustainable Poverty Reduction, the policy also emphasizes the sustainability of the microfinance institutions (MFIs) that deliver services to the poor. It is for this reason that the government credit programmes are to be wound up and all recovered funds from such schemes will be channeled to sustainable MFIs. This leaves the delivery of microfinance services entirely on the private sector, with government only playing the role of policy formulation and provision of an enabling macroeconomic environment for the private sector (Adato & Haddad, 2001).

Although Africa is not the poorest continent, it is the only region where poverty is constantly on the increase. As a result millions of people live each day in abject poverty. Children go without food, their bodies stunted by malnutrition which is wide spread. The commission for Africa finds the conditions of the lives of the majority of Africans to be deplorable and an insult to their dignity. Therefore, there is need to change these conditions in order to make poverty history in Africa (CDRN, 1996).

Bekkin (2007) points out that in the mid 1990s close to 50 percent of Africa's population of 700 million lived in absolute poverty and the majority of the poor live in rural areas. In both urban and rural areas, women as a group comprise of a high disproportion number of people in absolute poverty.

Poverty remains a matter of growing concern in many developing countries of the world. Today, as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but is trapped in a vicious circle of borrowing and donor dependency syndrome which some critics point out as one of the causes practically sabotaging real development. Africa has perpetually failed to focus its development efforts on the optimum utilization of the immense natural resources that many countries are endowed with to turn it into wealth to propel their economies and people towards a high level of economic and social development and as a consequence eliminate pervasive poverty (Adams and Pischke,1992).

In Somaliland Microfinance institutions have actually been able to reach the economically active' poor with their financial services in both urban and rural areas, therefore, the researcher wished to establish the extent to which MFIs have contributed to the development of the MFIs in Hargeisa-Somaliland (Bekkin, 2007).

One of the biggest problems of Somaliland like many other countries in Africa is poverty. The country ranks 158 out of 174 poorest countries in the world. Using international poverty measures, 82.2 percent of the population lives below US$1 a day, 96.4 percent live below US$ 2 a day. Poverty is not only widespread in rural areas but has become part and parcel of the community and yet this core problem has not been given the necessary attention it deserves (UNDP, 2001).

The majority of the people who live in rural areas are women and children and many are dependent on agriculture. However, a large sector of agriculture is still subsistence and women are dominating using poor technology. The poor in rural areas are in most cases not reflected in the macroeconomic interventions and because of this scenario poverty is growing. Society holds women responsible for all the key actions required to end hunger, family nutrition, health, education, and increasing family income. Yet women are still enslaved by customs and traditions which systematically deny those resources and freedom of action to carry out their responsibilities (Ackerly, 1995).

The people of Somaliland operate mainly in the informal economy where the whole context for their lives and economic activities do not produce enough surpluses to lift their standard of living. As a consequence they lack the ability to generate incomes, to save, to start economic activities and to access credit from the formal sector is heavily restricted due to lack of collateral. The poor are traditionally disregarded as "unbankable" and "uncreditworthy" (CDRN, 1996).

Financial markets in developing countries and particularly the sub-Saharan African (SSA) region are largely underdeveloped, lacking in depth, highly inefficient, concentrated in the urban areas and dominated by a few, often foreign-owned commercial banks. In particular, Micro-credit, savings facility and Micro-insurance markets in the rural areas are generally non-existent, and of those that do, many work imperfectly (Parker & Pearce, 2001).

On the other hand, given the agricultural dependence of the rural economies, the importance of financial markets that meet the peculiar requirements of the rural population cannot be over-emphasized. For example, agricultural production exhibits a great deal of correlation across farms such that bad weather may leave an entire village or group of villages clamoring for an insurance pay out (McCulloch & Calandrino, 2003).

It is notable also that government policy and most of the existing literature on provision of rural financial services focused on the scarcity of providers of these services. The government provided micro-credit strategy with the presence of political interest, which limits their efficiency. One of the reasons for the failure or at least poor performance of these forms of micro-credit strategy is that they were not adapted to the demand for the service by the rural households (Hamdok, 1999).

Therefore the problem of microfinance to enable the poor women to pull out of their poverty situation is critical. Although microfinance is a vital component and Poverty Reduction, there is a general consensus among its proponents that it is not for everyone. In order for microfinance to produce results, it requires the support of other factors, most importantly, entrepreneurial skills, proper functioning infrastructure development like capital markets, peace and security, economic improvement, social and cultural settings, and other financial services like insurance, and working institutions (Jalan & Ravallion,2000).

Statement of the Problem

The Strategy Development of Microfinance Institutions (MFIs) is seen as the best alternative source of financial services for low-income earners in different areas as a means to raise their income, hence reducing their poverty level. Strategy Development of MFIs is critical to Africa's quest for solutions to the continent's development challenges. In its broadest sense, Microfinance is defined as the provision of "a broad range of financial services such as deposits, loans, payments services, money transfers, and insurance to the poor and low-income households". Even the existence MFIs in Somaliland since 1998 there was lack of sufficient financial services to the poor people in Hargeisa-Somaliland, which may hinder the growth of Microfinance. The resultant effect is that the un-development situation of the country is getting worse while government seems incapable of taming the ugly incidence. The symptom of this situation is high poverty rate, high unemployment rate, and economic dependence on foreign countries (Karlan & Valdivia, 2006).

Poverty Reduction has been a key strategy development of MFIs over decades. One of the identified key constraints facing the poor is lack of access to formal sector credit to enable them to take advantage of economic opportunities to increase their level of output, hence move out of poverty. This concern for the poor has been responsible for the design of various financial sector policies with conflicting prescriptions (UNDP & WB, 2003).

For the case of Somaliland, the issue of the importance of improving access to the poor was identified as a key development strategy. The formal banks that were inherited from the colonial government were judged to be serving the trade sector and neglecting the agricultural sector that was the backbone of Somaliland's economy employing over 80% of the population especially in the rural sector (WFP, 2002).

Despite the efforts of Microfinance Institutions to improve on their development strategies, the rate of poverty in Somaliland has been on increase with a decrease in per capita income. In addition, the strategy development of microfinance institutions and poverty reduction has not received adequate research in Somaliland. On this study the researcher attempted to fill this gap as well as to investigate the strategy development of Microfinance institutions towards Poverty Reduction of poor people in Hargeisa, Somaliland.

The purpose of the Study

The purpose of this study was to establish the relationship between Strategy Development of Microfinance institutions and poverty reduction in Hargeisa-Somaliland

Research objectives

1. To evaluate the strategy development program of Microfinance institutions in Hargeisa-Somaliland.
2. To find out the extent of poverty reduction in Hargeisa-Somaliland.
3. To determine if there is a significant relationship between strategy development program of Microfinance institutions and poverty reduction in Hargeisa, Somaliland.

Research Questions

1. What is the strategy of development program of Microfinance institutions in Hargeisa-Somaliland?
2. What is the extent of the poverty reduction in Hargeisa-Somaliland?
3. Was there a significant relationship between the strategy development program of Microfinance institutions and poverty reduction in Hargeisa-Somaliland?

Hypothesis

H0 There is no significant relationship between the strategy development of Microfinance institutions and Poverty Reduction in Hargeisa-Somaliland.

Scope of the study

Geographical Scope

The study was conducted in Hargeisa the capital city of Somaliland; the area was selected because it consists of majority of the microfinance institutions in Somaliland, a territory located in the Horn of Africa.

Theoretical Scope

In order to establish the relationship between strategy development of Microfinance institutions and Poverty Reduction in Hargeisa, Somaliland, the research was conducted in a microfinance sector in Somaliland.

This work was a contribution to the existing knowledge in MFIs and will help future research in further researches. Findings were based on theory formulated by Mosley and Hulme (1998) who argued that microfinance can help to establish or expand family enterprises, potentially making the difference between grinding poverty and economically secure life.

Content/time Scope

In terms of time the study was limited to six months, from September 2010 to February 2011. The study concentrated on examining the extent to which strategy development of microfinance institutions lead to poverty reduction of poor people in Hargeisa-Somaliland.

Sample Scope

The study concerned microfinance institutions in Hargeisa city; therefore, the researcher selected 137 microfinance mangers, employees and clients out of 210.

Significance of the research study

This study will serve the following significance;

The Microfinance institutions may use the findings of this study in design, effective strategy development to poverty reduction that may address the community development.

At the end of this study, the findings will guide the Ministry of Commerce (MOC) and Hargeisa Municipality together with strategy development of Microfinance institutions in setting strategies that promote broadly the performance of Microfinance industry in Somaliland with the feedback on capacity building operations set to Microfinance institutions that might be subject to adjustment.

Other beneficiaries include Microfinance's clients and general public, investors, researchers to be aware of trends of Microfinance institutions in Hargeisa-Somaliland in terms of sustainability, promotions and protections put in place by the government in MFIs sector after a downturn of 2006.

Operational Definitions of Key Terms

Microfinance Institutions

A Microfinance Institution (MFI) is an organization or an NGOs, engaged in extending micro-credit loans and other financial services to poor borrowers for income generating and self-employment activities.

Microfinance

Microfinance refers to all types of financial intermediation services (savings, loans, insurance, pension remittances, etc.) provided to low-income households and poor people in both urban and rural areas.

Microcredit

Microcredit refers to programs or services that are poverty focused and that provide financial and business services to very poor persons for generation of self-employment and income. Microcredit is a powerful instrument to fight poverty. The role of micro-credit in reducing poverty is now well recognized all over the world.

Strategy Development

Strategy development is a plan of action resulting to accomplishment of specific goals or it is a specific resource and capabilities embedded in its structure, technology, and process that enable the organization to develop.

Poverty

Poverty is the low level of income which prevents savings, retards capital growth, hinders productivity growth, and keeps income low. Poverty is accompanied by low levels of education, literacy and skill; these in turn prevent the adaptation to new and improved technologies and lead to rapid population growth.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter provides review of related literature about Strategy Development of MFIs and Poverty Reduction in Hargeisa – Somaliland. It also provides Concepts and ideas from different authors concerning the relationship between strategy development of MFIs and Poverty Reduction as far as Hargeisa -Somaliland is concerned.

Concepts, Ideas, Opinions from Authors/ Experts

Microfinance Institutions (MFIs): an overview

Microfinance is defined as the provision of financial services to small economics units such as individual and micro-enterprise for productive purpose as opposed to consumption (Mosley & Rock, 2004).

(Thomas, 2002) defined microfinance institution as entities in the business of providing financial to low income people. The original focus of microfinance was on the provision microcredit strategy usually for short periods to finance working capital for micro-enterprises usually run by low-income people. However the field of microfinance has broaden greatly beyond credits only, to include saving facility strategy, micro-insurance strategy, remittances and other payments all of which have a great impact on the lives of the poor.

According to (Hashemi and Riley, 1996) microfinance is defined as the provision of credit, savings and other financial services to low income households, for very short periods of time and that the lending involved does not require traditional forms of collateral. This definition is in line with the Ministry of Commerce's (MOC) who views it as the act for an individual or legal entity to either grant credit to a clientele which is not normally covered by classic banking and financial systems and/or which has no sufficient collateral as security to ensure full reimbursement of the granted loan; or collect savings from a clientele which is not normally serviced by the classic banking and financial system and/or which has no sufficient collateral as security to ensure full reimbursement of granted loan, if such a loan was granted to it; or grant credit to a clientele which is not usually covered by the classic banking and financial system and/or which has no sufficient collateral as security to ensure full reimbursement of granted loan and collect savings from it (UN, 2005).

The Development of Microfinance Institutions in Somaliland

Microfinance institutions were first introduced in Somaliland In 1998 under Hargeisa Municipality. There are two Organizations that specializes purely small and medium enterprises Amaah kalkaal (translated as loan helper from the Somali language) and Doses of Hope Foundation (DHF).

Amaah kalkaal organization was the first and special institution in micro finance sector in Somaliland. Amaah kalkaal organization was created in 1998, supported by European Union and Hargeisa Municipality. It has the status of a non-commercial organization and therefore does not pay any taxes. The organization is located in Hargeisa district. Recently Amaah kalkaal offered two types of loan: individual and group, both types have been given for further development of already existing business but not for starting up new ones ,individual loans are now no longer available, but the organization continues to work with borrowers who already have them.

The second MFIs in Somaliland are Doses of Hope Foundation, DHF was created in 1999 funded by Rabo bank foundation and Hargeisa Municipality, and the organization is located in Hargeisa. The purpose of Doses of Hope's microfinance programme is to strengthen the economic base of the low-income self-employed through increasing their access to loans and savings services, in both the rural and urban areas. The programme offers different kinds of help; it combines cost-efficient methodologies with a very high level of customer service (Bekkin, 2007).

The objectives of Microfinance Institutions in Somaliland

In any country, there are underserved households, ranging from the ultra poor who may not be economically active, and this range or continuum constitutes the demand size for microfinance services. Microfinance institutions need to supply services that fill the gaps and integrate the underserved group. The goal of microfinance institutions as development organization is to service the financial needs of served and underserved as a means of meeting development objectives and hence help in poverty reduction (Bekkin, 2007).

These development objectives generally include the following:

i. To reduce poverty
ii. To empower women or other Disadvantaged population groups
iii. To create employment
iv. To help existing business grow or Diversify their activities
v. To encourage the development of a new business.

According to Yaron, Benjamin & Piperk (1997), the most value objectives, include the following:

i. To create employment and income opportunities through the creation and expansion of micro enterprises.
ii. To increase the productivity and income of vulnerable groups, especially women and the poor.
iii. To reduce rural families dependence on drought prone crops through diversification of their income generating active.

Strategy Development Program of Microfinance Institutions

The goal of Strategy Development program of MFIs is to ensure permanent access to institutional financial services for a majority of poor and low-income households. They support the development of sustainable microfinance systems that can provide diverse services of high quality. However, without reaching a large number of the poor households on a permanent basis, microfinance is not likely to generate a significant overall development impact. The strategy focuses on building financial systems that can grow and provide financial services on a permanent basis to an increasing proportion of the poor, and promotion of pro-poor innovations (Buckley, 1997).

On the other side, the basic policies under the strategy development of MFIs include the strategy supports investments in social intermediation; financial infrastructure and institutional development. The strategy supports investments in social intermediation have resulted in a general improvement of the policy environment. However, in many countries, lack of an enabling policy environment for microfinance continues to be a major constraint. Hence, this issue must be addressed effectively. Nonfinancial policies such as agricultural pricing and taxation of microenterprises have also played a critical role in sustainable development of microfinance. The policy reforms were extended to address such issues as where they constitute significant constraints (Suryahadi, Wenefrida & Sudarno, 2003).

The Financial infrastructure; underdeveloped financial infrastructure continues to constrain the deepening and broadening of microfinance services and participation of private institutions as service providers. While MFIs in Somaliland, have grown without a proper financial infrastructure, such growth, can pose a systemic risk within the microfinance subsector. MFIs can develop sustainable commercial services on a permanent basis, and expand their scope of operations and outreach, only if they operate within an appropriate financial infrastructure. The improved financial infrastructure contributes to the development of the entire microfinance subsector, therefore, critical elements of financial infrastructure, such as information systems and training facilities necessary for microfinance strategy development (Bekkin, 2007).

Institutional development; the institutional capacity building is as an important requirement for sustainability and expanding outreach. Strong institutions with good governance are required to provide quality services to the poor on a permanent basis. A good MFI with a commitment to provide microfinance services to the poor should have the capacity in particular to mobilize resources in the market, including public deposits, to meet its resource requirements; provide products and services that are attractive to the poor at minimal transaction costs to the clients and the institution itself (Greene, 2000).

These can be achieved through a number of strategies including microcredit strategy, saving facility strategy, micro-insurance services strategy, training and development strategy and businesses information strategy as discussed below:

Microcredit Strategy

It is a component of microfinance and its enables the poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families (Diagne and Zeller, 2001).

Microcredit strategy creates opportunities for self-employment rather than waiting for employment to be created. It liberates both poor and women from the clutches of poverty. It brings the poor into the income stream. Given the access to credit under an appropriate institutional structure and arrangement, one can do whatever one does best and earn money for it. One can overcome poverty. One can become the architect of one–s destiny and the agent of change not only for one–s family but also for the society. It is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families (Ojo, 2009).

Many MFIs in Somaliland started as NGOs with missions and objectives for poverty reduction, social development and economic empowerment of poor communities. In general terms, MFIs operated outside the regulatory framework of the Financial Institutions Statue in 1993, though they provided both savings and credit services. Some MFIs were mobilizing client deposits either as part of their lending methodology (compulsory savings linked to loans) or for safe custody which they kept on their bank accounts with commercial banks. Some MFIs even developed the habit of illegally intermediate these public deposits which was against the provisions of the Financial Institutions Statute in 1993. As a result of this development, Bank of Somaliland-Central Bank of Somaliland (CBS) got concerned about the safety of public savings being intermediated by the unregulated informal financial sector (UN, 2005).

The challenge here is that most MFIs have until then been reliant on donor grant funds to subsidize their operations. The policy changed to ensure that MFIs have sustainable growth to guarantee continuity of access to financial services by the poor, thus increased outreach. Of course financial sustainability actually is all about profitability which is expected to have a number of positive effects. First the more profitable the MFIs operations, the higher the stake of the shareholders and the more they will take all actions to safeguard the collapse of such an institution. Secondly since the licensed MFIs will be allowed to intermediate deposits, the sustainability of the MFIs will ensure the safety of deposits. So the Central Bank of Somaliland policy clearly focuses on the safety of these deposits to enhance the stability of the financial system (Buckley, 1997).

Saving Facility Strategy

Generally, savings are a source of funds with low financial costs for example, interest costs, compared to other commercial funds. With regard to financial costs, most of the institutions apply a differentiated interest rate schedule, compensating for the higher administrative costs with no or low interest rates on small savings and increasing them according to the size of the deposit. It is often argued that small deposits entail high administrative costs that will turn them into an unprofitable business for MFIs (Thomas, 2002).

The microfinance services are supplied mainly by informal sources. Their collective outreach, both breadth and depth, is vast in most countries. They supply mainly savings facility strategy and charge higher interest because of the relatively greater bargaining power enjoyed by the informal suppliers in general; the terms and conditions under which services are provided do not enable the clients to fully harness economic opportunities (Burger, 1989).

The involvement of savings facility strategy in the MFIs has increased during the last two decades. This greater involvement has stemmed from (i) the expansion of the scope of formal institutions into microfinance through downscaling and establishment of linkage programs with semiformal sources of different types; (ii) the emergence of new formal institutions focused on microfinance, such as the Grameen Bank of Bangladesh; (iii) reforms of state-owned financial institutions; and (iv) the introduction of new microfinance programs by the governments through nonfinancial institutions. However, the formal operations concentrate mostly on providing savings facilities (Coleman, 1999).

Micro-Insurance services strategy

Although Micro-insurance services strategy has not received the same attention that microcredit has, investors, governments and financial institutions have slowly come to realize that microfinance clients need a range of financial services of which micro-insurance services are crucial parts. Micro-insurance services strategy is one of the financial services associated with microfinance, along with savings and fund transfers, and is increasingly being sold in conjunction with the distribution of microcredit loans (Conning, 1999).

Micro-insurance services strategy is insurance characterized by low premiums and coverage limits, designed to service low-income people and businesses not served by typical social or commercial insurance schemes.

The most frequent micro-insurance services strategies are:

- Life micro-insurance (and retirement savings plans);
- Health micro-insurance (hospitalization, primary health care);
- Disability micro-insurance;
- Property micro-insurance assets, livestock, and housing;
- Crop micro-insurance.

A micro insurance scheme encompasses both the design and delivery of insurance products to clients, which will primarily be borrowers. Designing a sound micro insurance scheme is challenging and complex requiring specific technical expertise and/or data that most MFIs do not posses (Burger, 1989).

Implementation of a micro insurance scheme will include development of the following:

- Insurance products (in conjunction with insurance carrier or captive).

The demand for savings services is ever higher than for credit. Studies of rural households in various states in India show that the poor, particularly women, are looking for a way to save small amounts whenever they can. The irregularity of cash-flows and the small amounts available for savings at one time, deter them from using formal channels such as banks (Diagne, 1998).

The poor want to save for various reasons – as a cushion against contingencies like illness, calamities, death in the family, etc; as a source of equity or margin to take loans; and finally, as a liquid asset. The safety of savings is of higher concern than interest rates. Almost all women's begin with regular savings and their savings exceed the loans they give from their funds. Of course, part of this lower demand for credit is the inadequate absorption capacity of women, which comes from long years of exclusion from economic sphere outside their homes (Burger, 1989).

The demand for micro-insurance services strategy, though not very well articulated, is also substantial. This comes from the fact that not only incomes of MFIs customers low, but are also highly variable. Insurance by the poor is needed for assets such as livestock and death would also reduce the shocks caused by such contingencies, which lead the poor into taking loans at such times at high interest (Diagne, 1998).

Training and development strategies

In a rapidly changing and increasingly knowledge-based economy, competitive advantage is built where individuals actively seek to acquire the knowledge and skills that promote the organization's objectives. MFIs that have the capacity—including a proven lending methodology, a well-managed staff learning program, an effective information system, access to large volume of loan capital, and the administrative capacity to process volumes of applications efficiently; are probably ready to achieve economies of scale in operation. HRD interventions that are explicitly linked to MFI business requirements evidently stand the best prospect of gaining acceptance. (Bane & Ellwood, 1986).

MFI, like any other organization, have resources for developmental activities. Likewise, not all of the gaps in knowledge, skills and attitudes are urgent, to be filled in a short-term timescale. The process needs to take a holistic view of developmental requirement by conducting learning need assessment at individual, departmental and organizational level (Diagne, 1998).

An MFI needs to see that, when staff is promoted, they are well trained for their new responsibilities before assumption of responsibilities. This may comprise of three stage development. In their *preoperational development* for new role, they need to learn new skills for higher responsibilities. *Transitional development* may include timely and focused coaching or mentoring support. Finally in their *role development* – again they need facilitation by superiors while adjusting to new demands. MFIs that promote from within make the transition easier (Sumarto & Wenefrida, 2005).

Training can act as force multiplier, if the recruitment section hires people with specific traits and abilities that are compatible with the MFI culture. Similarly incentives also play an important aspect of staff development. *Economic democracy* (a share in prosperity or otherwise of organization) helps in the growth of MFI (Diagne, 1998).

Staff learning is an ongoing process throughout the entire relationship between the employee and the MFI. Ongoing learning is required to help employees grow as business grows. This involves planning to identify the new skills that employees need to fulfill personal and corporate objectives. Learning may also involve cross-learning so people can perform a variety of jobs. This can reduce the business' vulnerability to absenteeism and attrition, thus creating flexibility. This is despite the fact that building long-term relationships with the clients improves the quality of business and has a positive effect on delinquency management (Goetz & Senpta, 1994).

Training and Development strategy is subject to the elements of a situation that lead to human performance. According to Rothwell and Kazanas (1992), in any job an individual will be required to make a response to a situation, or to take a decision. This response leads to consequences or outcomes to the individual and the organization. Information about the consequences provides feedback to the individual.

The job situation defines when a desired performance or action is required. The response or action is an observable demonstration by the individual that they have both recognized the situation appropriately, and have the necessary underlying attributes to deliver the required action (Sumarto & Wenefrida, 2005).

Hoffmann's (1999) defines Training and Development as knowledge, expertise and capabilities which have been collectively learned by a institutions and which enable it to distinguish its performance from that of its competitors.

General training and development strategy is the way in which a person interacts with other people in the institutions, such as peer, superiors, staff and subordinates. The interactions should create an environment that produces the desired results. In brief this is the provision of leadership with vision, capacity to plan, motivate, learn and accept new ideas. An institution's culture is often unique, as it develops in response to a particular circumstances encountered in its history (Hannig & Bohnstedt, 1999).

Training and Development are divided in *Corporate output based-Training and Development strategies,* such as customer satisfactions which are distinctive outputs produced by the institutions through their staff. The determining factor is the individual, knowledge, skills, attitudes, or other abilities or attributes. The underlying attributes could include personality, motivation, intelligence and other forms of psychological measures but the *Corporate input-based Training and Development* is defined the underlying attributes existing in the company rather than what they achieve. The knowledge and skill base of institutions' operations may provide the information on the distinctive attributes and how they are supported and maintained. The classification of Training and Development limits to individual performance and human relations. Other material inputs and processes have been overlooked (Greene, 2000).

The consequences or outcomes are of the standards desired. If they are not known or they are not clear, the performer has no guide for their action. By putting the consequences or outcomes in writing, Training and Development standards may set required quality standards for individuals to meet. The feedback that the individuals receive from the achievement or failure guides future actions if they gain rewards or avoid punishments (Buckley, 1997).

Business Information Strategy

Business Information Strategies include the unique capabilities of organization's strategic leaders to articulate a strategic vision, communicate the vision throughout the organization, and empower the organization members to realize that vision. They embody such capabilities as provision of supervisory support, ability to plan, to motivate, and to guide implementation to manage change and enabling empowerment, and interpersonal and inter- group relationship. Supervisory support and empowerment provides employees with confidence, morale and flexibility to effectively meet customers demand and considered important factors to customer satisfaction (Ojo, 2009).

Human resources can be source of sustained organizational competitiveness as long as the skills of the work force are distinguishable, and cannot be copied by the competitors. It is a major determinant of the outcome of managerial and organizational entrepreneurial competencies. The effectiveness of managerial Business Information Strategy greatly depends on the quality of the human resource (Cascio, 1998).

(Bane & Ellwood, 1986) describes four "characteristics" or attributes that enable a manager to make things happen "towards a goal or consistent plan" and these include; efficiency orientation, diagnostic use of concepts, pro- activity and concern with impact. The quality of human resources related input can be developed and maintained through organizational assessment and development center. It is essential that managerial behavior that facilitates the use of innovation, knowledge and skills are developed for effectiveness of organizational performance (Boyatzis, 1981).

Problems associated with the quality of the human resources input and management processes is experiences mainly because of state control and Somaliland's history. Business Information Strategies considered of importance for commitment and performance leading to customer satisfaction is organizational structure and process and organizational learning. These attributes of Business Information Strategy are said to be determinants in the acquisition, development and utilization of organizational resources. There is a critical linkage among the ability of managers to make organization work effectively and the complex environmental and organizational structure and processes (Adato & Haddad, 2001).

Input-based Business Information Strategy encompass the physical resources, organizational capital resources, human resources, knowledge, skills and capabilities that enable firm's transformation process to create and deliver products and services that are values by customers while the Output-based Business Information Strategy include all knowledge based, invisible strategic assets such as institutions image or reputation, service quality, and satisfaction. The output Business Information Strategies arise from the institution's dedication to creating and delivering service of superior quality (Jalan & Ravallion, 2000).

Poverty and Poverty Reduction

Poverty is the lack of income and material assets and social aspects that support life. Among the social aspects responsible for poverty is the absence of social support creating a feeling of isolation and exclusion, powerlessness, deprivation of basic human rights and a feeling of helplessness. A distinction is made between individual or household poverty and community poverty. *Individual or household poverty* is seen as a situation of perpetual need for daily necessities of life and a feeling of powerlessness, while *community poverty* is regarded as the absence of basic physical infrastructure and services, productive assets and social harmony within the community. People's perspective of poverty is that it is not uniform. It is complex, multi-dimensional, cyclic and seasonal (Navajas, 2000).

According to Pitt and Khandker (1995), *Poverty is not uniform;* There exist predominant features that distinguish rural from urban poverty. While rural poverty manifests itself predominantly in failure to educate children, limited access to infrastructure facilities and services, poor yields, impoverishment at old age and men abandoning their families, while urban poverty predominantly manifests itself in HIV/AIDS, unemployment or low pay compared to cost of living, frequent family misunderstandings, idleness, early marriages and pregnancies, as well as poor drainage and sanitation facilities in the city.

Poverty could be manifested as the lack of basic human needs, such as clean water, nutrition, health care, education, clothing and shelter, because of the inability to afford them. This is also referred to as absolute poverty or destitution. Relative poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages. About 1.7 billion people lived in absolute poverty; before the industrial revolution, poverty had mostly been the norm. Poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. It's manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion as well as the lack of participation in decision-making. Various social groups bear disproportionate burden of poverty (Nissanke, 1994).

Poverty is usually measured as either absolute or relative poverty. Absolute poverty refers to a set standard which is consistent over time and between countries. The World Bank defines extreme poverty as living on less than US $1.25 per day, and moderate poverty as less than $2 a day (WFP, 2000).

According to UN (2000) report, Six million children die of hunger every year - 17,000 every day. Selective Primary Health Care has been shown to be one of the most efficient ways in which absolute poverty can be reduced in comparison to Primary Health Care which has a target of treating diseases. Disease prevention is the focus of Selective Primary Health Care which puts this system on higher grounds in terms of preventing malnutrition and illness, thus putting an end to Absolute Poverty (World Bank, 1989).

Table 2.1: The percentage of the population living with income below the poverty line in each region of the world since 1990;

Region	1990	2002	2004
East Asia and Pacific	15.40%	12.33%	9.07%
Europe and Central Asia	3.60%	1.28%	0.95%
Latin America & the Caribbean	9.62%	9.08%	8.64%
Middle East and North Africa	2.08%	1.69%	1.47%
South Asia	35.04%	33.44%	30.84%
Sub-Saharan Africa	46.07%	42.63%	41.09%

Source: World Bank, 1989.

The 2007 World Bank report "Global Economic Prospects" predicts that in 2030 the number living on less than the equivalent of $1 a day will fall by half, to about 550 million. An average resident of what we used to call the Third World will live about as well as do residents of the Czech or Slovak republics today. Much of Africa will have difficulty keeping pace with the rest of the developing world and even if conditions improve in absolute terms, the report warns, Africa in 2030 will be home to a larger proportion of the world's poorest people than it is today (WFP, 2002).

Relative poverty views poverty as socially defined and dependent on social context, hence relative poverty is a measure of income inequality. Usually, relative poverty is measured as the percentage of population with income less than some fixed proportion of median income. The measurements are usually based on a person's yearly income and frequently take no account of total wealth (WFP, 2002).

A social perspective on development requires addressing poverty in all its dimensions. It promotes people-centered approach to poverty reduction advocating the empowerment of people living in poverty through their full participation in all aspects of political, economic and social life, especially in the design and implementation of policies that affect the poorest and most vulnerable groups of society. An integrated strategy towards poverty reduction necessitates implementing policies geared to more equitable distribution of wealth and income and social protection coverage (UNDP & WB, 2003).

A social perspective on poverty should contribute to the debate on the effectiveness and limitations of current poverty reduction strategies. Poverty analysis from a social perspective requires thorough examination of the impact of economic and social policies on the poor and other vulnerable social groups. Poverty and Social Impact Analysis (PSIA) serves as a tool to assess both the economic and social impact of reforms on different social and income groups (Wright, 2000).

Poverty reduction has historically been a result of economic growth as increased levels of production, such as modern industrial technology, made more wealth available for those who were otherwise too poor to afford them. Also, investments in modernizing agriculture and increasing yields is considered the core of the antipoverty effort, given three-quarters of the world's poor are rural farmers (UNDP & WB, 2003).

Poverty and food insecurity also affect vulnerable groups such as nomadic pastoral communities and internally displaced people particularly, as well as the rural population as a whole. Agriculture and livestock rearing are the most important sectors of the economy, but the country is still heavily dependant on external aid and remittances from Somali living abroad. The population is predominantly rural and very young, with a high crude birth rate and a very high dependency ratio. Somaliland has been classified as one of the world's poorest countries. All Human development indicators remain low. The prolonged civil war, the collapse of social services and the number of IDPs contribute to the high prevalence of poverty in the country (SNHS, 2000).

Presently, poor infrastructure and insecurity are a major hindrance to economic development especially in southern parts of the country. In terms of economic performance, there are wide disparities between southern and northern parts of the country (UNDP, 2001).

Indicators of poverty

Table 2.2: Indicators of poverty at individual, household & community level

A POOR PERSON often ...	**A POOR HOUSEHOLD** often ...	**A POOR COMMUNITY** often....
• Lacks a proper shelter – house is in the region • Owns nothing – *not even* • *a chicken* • Lacks productive and household assets • Lacks income • un-employed • Depends on the goodwill of others to survive • Poor health • Eats poorly and infrequently • Dresses poorly, lacks • clothes • Lacks personal hygiene – *looks poor* • Feels helpless	• Has many children • Has social problems • Has little cash, and cannot afford the costs of education and health • Has few productive and household assets • Has limited income • Cannot guarantee food security throughout the year	• Has inadequate basic services and infrastructure • Has limited livelihood opportunities, and productive assets, including access to credit and fertile land • Lacks adequate food • Has poor co-operation amongst community members • Is affected by insecurity • Lacks development projects • Is poorly planned • Is poorly governed

Source: Scoones, 1998

These indicators have been explained in the pervious, under the poverty reduction variable, the table only indicates these distinct classes.

The Extent of Poverty in Somaliland

1991 was the year that Somaliland was reborn. Legitimate government was restored and statehood reclaimed, ushering in a period of healing, reconciliation, and growth. A decade of bloodshed, chaos and human suffering came to an end. Hundreds of thousands of refugees returned home. Somaliland looks forward to the 21st century with confidence and hope. Nearly a decade has passed since Somaliland embarked upon the path to recovery (Wright, 2000).

In those early days, the task of reconstruction appeared as immense as to be insuperable. But today it is easy to forget how far the country has come, and how much has already been achieved (WFP, 2002). Companies offering telecommunications, airlines, and financial services have mushroomed, are also making a comeback (Wright, 2000).

The vitality of Somaliland's private sector has led many observers to describe it as the engine of national recovery. But there is also widespread concern that economic trends are not all for the public good. Commercialized livestock trading is creating unprecedented environmental pressures. The absence of an effective regulatory framework has encouraged irresponsible and sometimes noxious practices like charcoal trading, overfishing and uncontrolled pharmaceutical traffic. Unproductive competition in the telecommunications and energy sectors has led to the irrational and inefficient proliferation of small service providers. In many sectors, the profit motive is unrestrained by considerations of quality control, consumer protection, or environmental conservation (Zeller & Meyar, *2002)*.

Hargeisa, Somaliland has been classified as one of the world's poorest countries. All Human development indicators remain low. The prolonged civil war, the collapse of social services and the number of IDPs contribute to the high prevalence of poverty in the country. The poorest populations are the pastoral and agropastoral communities affected by drought, and the urban (UNDP, 2001).

GCAP Somaliland had planned some synchronized actions for 17th of October 2007 to coincide with the International Day for the Eradication of Poverty. Indeed, plenty of events have taken place in important districts the country. The following is a highlight of what occurred in Mogadishu (the capital), Baidoa (the temporary seat of the Transitional Federal Parliament), Bossaso, and Beled-weyne, two strategic regional capitals. Activists in Hargeisa, Somaliland also held some important GCAP actions. Simultaneous press conferences were held in all the five cities whereby GCAP values and ideals were explained, especially the global movement's determination to campaign against factors causing and indeed propagating poverty and inequality around the world, especially in the southern states. Clear demands on public accountability, just governance and the fulfillment of human rights and trade justice were repeated. A major increase in the quantity and quality of aid and financing for development is to be complemented by Savings facility cancellation were demanded (SNHS, 2000).

The under five mortality is over 220 per 1000 live births while infant mortality is equally bad at 132 deaths per 1000 births. The scenario is worsened by predicament faced by women as 1,100 die in every 100,000 live birth situations, which is coupled with rising prevalence of HIV/AIDS, tuberculosis, malaria and other deadly diseases. The degrading environment, the ceaseless soil erosion, poor water supply, especially lack access to clean ones, inadequate sanitation and public services need rapid solution. This state of affairs leads many people's lives to a cycle of poverty (UNDP, 2001).

Poverty Reduction level

MFIs are considered a powerful tool to poverty reduction. Since the independence of Somaliland, many of that institution (MFIs) have been created to help in reconstruction period, and the government of Somaliland had a list of two Microfinance institutions and donor programs as in the report by government of Somaliland's consultant, Enterprising Solutions Global Consulting. The number of registered institutions was two. However, in 2006, chaos rocked the Microfinance sector resulting into the Ministry of Commerce's (MOC) decision to close many of them - citing mismanagement and big losses after they lent out to thousands of often none-credit-worthy clients. The Ministry of Commerce's (MOC) also pointed to failure to meet minimal conditions for licensing, loss of customer confidence resulting in massive withdrawals of deposits and failure to attract any more new deposits (SNHS, 2000).

Huge sums of money geared to building capacity in the sector have been earmarked but this money comes along with serious warnings against its abuse. In order to verify microfinance sector, microfinance institutions back in business after a serious downturn in the industry since 2006. Although concerted efforts are geared into regulating this sector in Somaliland, there are still concerns whether this industry was developed after a shocking downturn of 2006 that absolved billions of innocent poor people who were saving money with Microfinance. A number of initiatives to boost the MFIs sector in Somaliland have put in place so far, including the development of a legal and regulatory framework (WFP, 2002).

Historically, poverty reduction has been largely a result of economic growth. The industrial revolution led to high economic growth and eliminated mass poverty in what is now considered the developed world (SNHS, 2000).

Economic liberalization

Zeller & Meyar (2002) indicate that the extending property rights protection to the poor is one of the most important poverty reduction strategies a nation could take. Securing property rights to land, the largest asset for most societies, is vital to their economic freedom. The World Bank concludes increasing land rights is 'the key to reducing poverty such as that land rights greatly increase poor people's wealth, in some cases doubling it.

In China and India, noted poverty reduction in recent decades have occurred mostly as a result of the abandonment of collective farming in China and the cutting of government red tape in India. The reconfiguration of public financing in former Soviet states during their transition to a market economy called for reduced spending on health and education, sharply increasing poverty (Ghatak, 1999).

Trade liberalization increases the total surplus of trading nations. Remittances sent to poor countries, such as India, are sometimes larger than foreign direct investment and total remittances are more than double aid flows from OECD countries. Foreign investment and export industries helped fuel the economic expansion of fast growing Asian nations. However, trade rules are often unfair as they block access to richer nations' markets and ban poorer nations from supporting their industries. Processed products from poorer nations, in contrast to raw materials, get vastly higher tariffs at richer nations' ports. Deals can also be negotiated to favor developing countries such as China, where laws compel foreign multinationals to train their future Chinese competitors in strategic industries and render themselves redundant in the long term (Pitt and Khandker, 1995).

Capital, infrastructure and technology

Investments in human capital, *in the form of health,* is needed for economic growth. Nations do not necessarily need wealth to gain health.

For example, Sri Lanka had a maternal mortality rate of 2% in the 1930s, higher than any nation today. It reduced it to 5-6% in the 1950s and to 06% today while spending less each year on maternal health because it learned what worked and what did not. Cheap water filters and promoting hand washing are some of the most cost effective health interventions and can cut deaths from diarrhea and pneumonia. Knowledge on the cost effectiveness of healthcare interventions can be elusive but educational measures to disseminate what works are available, such as the disease control priorities project (World Bank, 1989).

Human capital, *in the form of education*, is an even more important determinant of economic growth than physical capital. De-worming children costs about 50 cents per child per year and reduces non-attendance from anemia, illness and is only a twenty-fifth as expensive to increase school attendance as by constructing schools (Ghatak, 1999).

Wright (2000), argue that *good infrastructure*, such as roads and information networks, helps market reforms to work. China claims it is investing in railways, roads, ports and rural telephones in African countries as part of its formula for economic development. It was the technology of the steam engine that originally began the dramatic decreases in poverty levels. Cell phone technology brings the market to poor or rural sections. With necessary information, remote farmers can produce specific crops to sell to the buyers that bring the best price.

Such technology also makes financial services accessible to the poor. Those in poverty place overwhelming importance on having a safe place to save money, much more so than receiving loans. Also, a large part of microfinance loans are spent on products that would usually be paid by a checking or savings account. Mobile banking addresses the problem of the heavy regulation and costly maintenance of saving accounts. Mobile financial services in the developing world, ahead of the developed world in this respect, could be worth $5 billion by 2012. Safaricom launched one of the first systems where a network of agents of mostly shopkeepers, instead of bank branches, would take deposits in cash and translate these onto a virtual account on customers' phones. Cash transfers can be done between phones and issued back in cash with a small commission, making remittances safer (World Bank, 1989).

Aid

Aid in its simplest form is a basic income grant, a form of social security periodically providing citizens with money. In pilot projects in Namibia, where such a program pays just $13 a month, people were able to pay tuition fees, raising the proportion of children going to school by 92%, child malnutrition rates fell from 42% to 10% and economic activity grew by 10%. Researchers say it is more efficient to support the families and extended families that care for the vast majority of orphans with simple allocations of cash than supporting orphanages, who get most of the aid (Ghatak, 1999).

Some aid, such as Conditional Cash Transfers, can be rewarded based on desirable actions such as enrolling children in school or receiving vaccinations. In Mexico, for example, dropout rates of 16-19 year olds in rural area dropped by 20% and children gained half an inch in height. Initial fears that the program would encourage families to stay at home rather than work to collect benefits have proven to be unfounded. Instead, there is less excuse for neglectful behavior as, for example, children stopped begging on the streets instead of going to school because it could result in suspension from the program (Wamasembe, 2001).

According to Diagne (1998), there is another form of aid is microloans, made famous by the Grameen Bank, where small amounts of money are loaned to farmers or villages, mostly women, who can then obtain physical capital to increase their economic rewards. For example, the Thai government's People's Bank, makes loans of $100 to $300 to help farmers buy equipment or seeds, help street vendors acquire an inventory to sell, or help others set up small shops. While advancing the woman and her household's position economically, microloans empower women and enable them to voice their opinions in general household decisions.

Aid from non-governmental organizations may be more effective than governmental aid; this may be because it is better at reaching the poor and better controlled at the grassroots level. Critics argue that some of the foreign aid is stolen by corrupt governments and officials, and that higher aid levels erode the quality of governance. Policy becomes much more oriented toward what will get more aid money than it does towards meeting the needs of the people. Supporters of aid argue that these problems may be solved with better auditing of how the aid is used. Immunization campaigns for children, such as against polio, diphtheria and measles have save millions of lives (World Bank, 1989).

Building Good institutions

Efficient institutions that are not corrupt obey the rule of law make and enforce good laws that provide security to property and businesses. Efficient and fair governments would work to invest in the long-term interests of the nation rather than plunder resources through corruption.

With their related concept of good governance World Bank have shown several measures of good institutions and governance such as accountability, effectiveness, rule of law, low corruption to be related to higher rates of economic development. The United Nations Development Program published a report in April 2000 which focused on good governance in poor countries as a key to economic development and overcoming the selfish interests of wealthy elites often behind state actions in developing nations. The report concludes that "Without good governance, reliance on trickle-down economic development and a host of other strategies will not work" (Wamasembe, 2001).

Empowering women

According to Ackerly (1995) empowering women has helped some countries increase and sustain economic development. When given more rights and opportunities women begin to receive more education, thus increasing the overall human capital of the country; when given more influence women seem to act more responsibly in helping people in the family or village; and when better educated and more in control of their lives, women are more successful in bringing down rapid population growth because they have more say in family planning.

Theoretical Perspectives between Strategy Development program of Microfinance institutions and Poverty Reduction

Several authors have discussed some theoretical issues associated with microfinance. First of all, notice that access to microcredit strategy is potentially more productive than other kinds of development assistance. The reason is that loans give the borrowers the freedom to obtain the resources they need the most and the freedom to deploy those resources in the manner they deem most and the freedom to deploy those resources in the manner they deem most useful. Regardless of how well-intentioned outsiders are, the poor are in the best position to know their own needs and microcredit strategy enables them to satisfy those needs.

Microfinance theoreticians have advanced two theories regarding their aims-an economic and a psychological. The economic theory treats microfinance institutions (MFIs) as infant industries, while the psychological theory differentiates from traditional money lenders by portraying them as "social consciousness driven people."

According to Marget & Ashie (2004), the gist of the economic argument is that success in any business venture, including MFIs, is determined by ability to deliver appropriate services and profitably access to the poor people.

According to Hulme (2000), the professed goal of microcredit is to improve the welfare of the poor as a result of better access to small loans. The lack of adequate access to microcredit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households, hence enabling poor households with little or no savings to acquire agricultural inputs.

Mosley and Hulme (1998) argued that microfinance can help to establish or expand family enterprises, potentially making the difference between grinding poverty and economically secure life and observed that microfinance tends to stabilize rather than increase income, and tends to preserve rather than create jobs.

Relationship between Micro-credit and Poverty reduction

According to Kabeer (2001) there is an ongoing debate whether microcredit alone is needed for poverty reduction. There are views that microcredit strategy alone on its own is inadequate to fight poverty. The need for other services is also important in this respect. Such views, although, do not negate the role of microcredit; fail to appreciate the role of microcredit on its own merit.

Nobody says that microcredit is cure for all. Most of the practitioners believe that microcredit plays a vital role as an instrument of intervention for a poor person to discover their potential and to stride for better living. Muhammad Yunus advocates that Credit is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be panacea, by over emphasizing that microcredit is not a panacea is in a sense overreacting and underestimating the role of microcredit as an instrument to combat poverty. Microcredit is itself a very powerful tool. But if it is combined with others, it is definitely more empowering. How microcredit can reduce poverty may better be understood by understanding conceptually the mechanisms by which financial services can affect the lives of the poor. It is important to consider the fulfillment of basic needs (food, clothing, shelter, health, education and psychological well-being), the means to achieve welfare at present and in the future, social networks and empowerment and vulnerability to risk (Rahman, 1986).

Ackerly (1995) argue that poor people live in a high risk and vulnerable conditions. Their ability to take advantage of opportunities that will lead to increasing their income or economic status, to protect themselves against risks of crises, and to cope with these when they occur is very important. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and access to different kinds of services. This may also be understood in the form of developing a range of assets that will reduce the vulnerability of the poor to physical, economic and social shocks. These assets may be defined as financial (income size, regularity and security, savings, loans or gifts), human (skills and knowledge, ability to work, good health, self-esteem, bargaining power, autonomy and control over decisions), physical (housing, land, productive and nonproductive possessions etc.) and social (networks, group and centre membership, trust based relationship, freedom from violence and wider access to society and social institutions.

Poverty reduction may also be considered from both short term and long term perspectives. In the short term it can be understood with reference to individual borrowers, their households and also the society at large. Different studies conducted in Bangladesh and elsewhere show that there is positive correlation between microcredit strategy and their accrued benefits in terms of employment, income generation and promotion of social indicators. Given the high incidence of poverty in countries like Bangladesh where micro-credit programs are widespread and successful, critics argue that this reflects the limitations of micro-credit as an instrument for poverty reduction. The question, however, remains whether high incidence of poverty is a result of failure of micro-credit movement or it is an outcome of a low economic growth rate but the fact remains that it helps the poor participants to overcome their poverty and also benefits the nonparticipants because of its externality at the micro level (Ghatak, 1999).

In order to meet the client's needs and satisfaction, it is important that microcredit strategy should have considered appropriate services development that will serve different needs of clients and enables them to improve the quality of their lives. Given the assumption that at the entry point all clients should come from the poorest, the need for developing different products for different levels of borrowers is also important. Once this, as well as appropriate mechanism for credit delivery and recovery are in place, it will not only reduce individual and aggregate poverty (may not be very significant) but will also help create a strong foundation for sustainable operation (Heidhues, 1995).

Microcredit strategy is considered to be an essential input to increase agricultural productivity, mainly land and labour. It is believed that microcredit boosts income levels, increases employment at the household level and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints and undertake some investments, especially in improved farm technology and inputs, thereby leading to increased agricultural production. Furthermore microcredit strategy helps poor people to smooth out their consumption patterns during the lean periods of the year. By so doing, microcredit maintains the productive capacity of poor rural households (Rahman, 1986).

According to Hulme (2000), the professed goal of microcredit is to improve the welfare of the poor as a result of better access to small loans. The lack of adequate access to microcredit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households, hence enabling poor households with little or no savings to acquire agricultural inputs.

Van Tassel (1999) argued that financially sustainable MFIs with high outreach have a greater likelihood of having a positive impact on Poverty Reduction because they guarantee sustainable access to credit by the poor. Outreach is the number of clients served by the MFI. Financial sustainability on the other hand measures the extent to which the MFI covers its operational and financial costs from internally generated revenues (interest and commissions). MFIs with higher repayment rates are more likely to be financially sustainable.

Evidence by Van Tassel (1999) suggested that for first time female borrowers from microcredit; only 9% had sole authority over funded projects; while 87% reported that the projects were managed as a family partnership. Whereas for male first time loaners, 33% had sole authority over funded projects while 56% were managed as family partnerships.

Mosley and Hulme (1998) argued that microfinance can help to establish or expand family enterprises, potentially making the difference between grinding poverty and economically secure life and observed that microfinance tends to stabilize rather than increase income, and tends to preserve rather than create jobs.

Evidence by Wamasembe, 2001 suggested that the village bank credit did not have any significant impact on physical asset accumulation; production and expenditure on education. The women ended up in a vicious cycle of debt as they used the money from the village bank for consumption and were forced to borrow from money lenders at high interest rates to repay the village bank loans so as to qualify for more loans. However there was significant positive impact for women who had access to bigger cheap loans from the village bank which they also re-lent at higher interest rates. The main conclusion from this study was that credit is not an effective tool for helping the poor to enhance their economic condition and that the poor are poor because of other factors (such as lack of access to markets, price shocks, inequitable land distribution) but not lack of access to credit.

Using gender empowerment as an impact indicator, some studies argue that microcredit strategy has a negative impact on women empowerment (Goetz, 1994). He concluded that the majority of women (especially married women) did not have control over loans.

Other studies on the other hand argue that microcredit strategy has had a positive empowerment impact on the women. The positive impact of microcredit on women empowerment was because joint decision making was interpreted as a positive impact (Zeller, 1993).

Another factor why formal banks are reluctant to lend to people employed in agriculture is the high uncertainty of their incomes, which is highly dependent on weather and sheer luck. As a result of these factors, poor households rely almost exclusively on informal credit markets (Heidhues, 1995).

Relationship between Savings facilities and Poverty Reduction

There is general consensus that savings facility strategy is important, because there is a high demand for it among the poorest and because savings play a role in protecting against the seasonality of cash-flows and fulfilling an insurance function. In addition, building up deposits reinforces financial discipline for customers and can eventually yield collateral and serve as a source of funding for MFIs (Rahman, 1986).

Savings alone, however, have only a minor developmental impact; the protection against shocks might allow children to remain in school or income-earners to get medical treatment and minimize time away from work, but it is slow to create any significant wealth in itself unless credit is also available. MFIs that focus on savings more than credit tend to reach a smaller proportion of the poorest, have a lower and slower impact on poverty reduction, and are therefore less conducive to reaching the Millennium Goals by the target dates. While the savings-first institutions are easier to finance by donor agencies (far less start-up capital required), the few comparative studies available show that borrowers fare better than non-borrowers (Ghatak, 1999).

Poor infrastructure and insecurity are a major hindrance to economic development especially in southern parts of the country. Poverty, measure by the Proportion of population living below the poverty line, is observed it declining over time in Hargeisa, Somaliland. *Global Call to Action against Poverty* (GCAP) Somaliland had planned some synchronized actions for 17th of October 2007 to coincide with the International Day for the Eradication of Poverty. Indeed, plenty of events have taken place in important districts the country. The following is a highlight of what occurred in Somaliland (World Bank, 1989).

Simultaneous press conferences were held in (*In Hargeisa, Bossaso, Beled-weyne, Baidoa and Kismayo*), all the five cities whereby GCAP values and ideals were explained, especially the global movement's determination to campaign against factors causing and indeed propagating poverty and inequality around the world, especially in the southern states. Clear demands on public accountability, just governance and the fulfillment of human rights and trade justice were repeated. A major increase in the quantity and quality of aid and financing for development is to be complemented by Savings facility cancellation were demanded (World Bank, 1989).

Relationship between Micro-Insurance services and Poverty Reduction

A deposit account can help the rural poor to obtain micro-insurance, giving a sense of security, and it can help them to take out a loan when they need it. Credit facilities are generally not extended to the rural poor, even for highly productive activities, because they have few or no assets to offer as collateral. Unless the poor can borrow, they are likely to remain trapped in poverty. The people who have been able to borrow have often seen their incomes rise and their future transformed. And, overwhelmingly, they have repaid their loans (Zeller, 1993).

The last two decades have seen "a rapid growth of microfinance institutions across the world", states the Rural Poverty Report 2001. These include community-run rural banks, savings and credit cooperatives, and grass-roots organizations of indigenous origin. And yet the very poorest households often have not been reached by such initiatives. Their need to borrow small amounts of money is not always recognized and they may find it hard to conform with some of the requirements involved for example, attending meetings. The fight against poverty would be given an enormous boost if microfinance facilities were to be extended to the poorest peoples. The type of microfinance institution required varies from country to country. These institutions are likely to be informal – in parts of Africa and Asia, such informal institutions have been successful in mobilizing savings and organizing credit and insurance. The increased availability of microfinance facilities is no 'magic bullet' for poverty reduction. Many other changes are also needed, but microfinance can make an important contribution (Ackerly, 1995).

Micro-insurance strategy is the most effective means of reducing the vulnerability of the poor from the impacts of disease, theft, violence, disability, fire and other hazards. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical form of protection. Policyholders only pay the average loss suffered by the group rather than the actual costs of an individual event; insurance replaces the uncertain prospect of large losses with the certainty of making small, regular, affordable premium payments. The primary function of insurance is to act as a risk transfer mechanism, to provide peace of mind and protect against losses. Risk can be handled by assumption, combination, transfer or loss prevention activities. Insurance schemes utilize the combination method by persuading a large number of individuals to pool their risks into a large group to minimize overall risk (Ali 2000). In the developed world insurance is part of society, such that some forms of cover are required by law. In developing countries the need for such a safety net is much greater, particular at the poorest levels where vulnerability to risks is much greater and there are fewer opportunities available to recover from a large loss (Ghatak, 1999).

Loan protection micro-insurance ensures that in the event of death all outstanding repayments are written off. Health and disability insurance enables the poor to cover the costs of medicines, hospital stay and treatment as well as protecting the loss of income due to sickness or injury. Funeral insurance covers the costs of burial, and property insurance replaces assets lost due to theft, damage or destruction. Livestock insurance is important in developing countries where animals are not only a source of food but are used for agricultural production and transport. Life savings insurance, which pays the deceased beneficiary the amount held in the savings account plus a benefit, enables funeral expenses to be taken care of and replaces some of the loss of income source (Heidhues, 1995).

Micro- insurance services strategy can cover the risks of damage, piracy and theft of goods in transit which is much greater in developing countries, particularly for those that are landlocked. Commodities account for about 34 per cent of the export earnings of developing countries, in Africa they represent 79 per cent. Producers are vulnerable to a number of geological and environmental risks including floods, earthquakes, droughts, typhoons and hurricanes. Crop insurance schemes can protect the producer from the losses of climatic and natural disasters.18 The availability of agricultural insurance including crop insurance, machinery, raw materials and even life-insurance gives greater assurance to credit providers to service the poor. Insurance is vital to ensure the continued access to credit and greater security for the individual. For the MFI, providing insurance products lowers default rates and reduces the clients need to draw down on savings, which improves the profitability and sustainability of the organization (Zeller, 1993).

In the past poverty has been measured solely by per capita income, however, it is now widely recognized that poverty also includes deprivation from health, education, food, liberty and opportunity. The Human Development Index (HDI) measures welfare of people using three factors, income (GDP per capita), educational attainment and life expectancy at birth. Micro-insurance programs can increase HDI by providing lenders with greater security and incentive to provide credit to micro-enterprises. For the individual, reducing risk through insurance enables credit and savings to be used more productively on income-generating opportunities. With greater resources and a safety net the borrower can take on greater risk to achieve higher income and stimulate outside investment (World Bank, 1989).

Micro-insurance strategy enables the policyholder to save a portion of his income, without the need to use it on medication, fire, theft and death, it can instead be invested in a child's education. The requirement for less income also enables parents to send their children to school instead of working in the fields, better education leads to better health and better income earning potential as well as population control (Heidhues, 1995).

Health insurance enables access to better medical services and a better quality and longer life. Access to adequate insurance protection can assist the poor to achieve sustainable growth and provide them with the capability to attain a better standard of living. It can mitigate the impact of personal and national calamities on the build up of assets, providing escape from the viscous circle of poverty that engulfs each new generation. Insurance can also protect those that have risen above the poverty level against unforeseen events that may cause them to fall into poverty again. Insurance provides security where none is available from the state, it facilitates self-sufficiency and empowers people to build for their own future. Whilst the benefits of insurance for the poor are clear there are still very few micro-insurance schemes which have proved their viability and sustainability (Ghatak, 1999).

Relationship between Training & Development and Poverty Reduction

Because of conflict and lack of a fully-functioning central government, public institutions at national level are virtually non-existent in Somaliland. At present the country does not have a national strategy for reducing rural poverty. Functioning administrations do exist at regional level in both Somaliland and Puntland. But they are limited in scope because of a lack of funds and they focus on a narrow range of issues such as security, education and health. In both regions there have been efforts to create an enabling environment and legal framework in which development organizations, both public and private, can work (Heidhues, 1995).

Somaliland and, to a lesser extent, Puntland have begun to develop policy documents regarding rural development issues. In Somaliland the Ministry of Pastoral Development and Environment has formulated a strategic plan and has produced documents on environmental policy, land resources tenure and agricultural land use. The Ministry of Water and Mineral Resources has issued a Somaliland National Water Policy and Water Act. But external support is needed to help implement these policies and plans (Zeller, 1993).

In the absence of a national poverty reduction strategy, the United Nations Development Programme (UNDP) and World Bank (WB) Joint Needs Assessment of Somalia provides guidelines concerning the opportunities and challenges of rural development operations in the country. the guidelines address the development of livelihood opportunities in livestock and agricultural production (World Bank, 1989).

Relationship between Business Information and Poverty Reduction

The promise of Business Information to contribute to poverty reduction lies in its power to give poor women and men access to improved information and communications. Business Information, broadly, allows for a reduction in transactions costs, improved communications with markets and within the supply chain, and improved information about new opportunities. Business Information s can also improve the internal information systems of enterprises Ackerly (1995).

More specifically, Business Information strategy can provide reliable access to markets (local, regional and international) through increased use of affordable communications (phone, fax, email), Improve contact with suppliers, and transport links to and from markets (e.g., through databases of enterprises, products, and suppliers), Inform choices, particularly regarding prices of raw materials and finished goods, enabling better prices for enterprises when dealing with traders, Provide information about locally and internationally available non-financial business development services (BDS) (e.g., training schemes, business skills, and marketing), Provide access to legal information, including information on contract law, tax law, registration and regulation and Provide improved access to information about financial services, and access to financial services (Ghatak, 1999).

In both the developed and the developing countries, business information strategy is most likely to be communicated through informal networks or business relationships. Information via the latter is provided either free of charge or for a hidden or indirect fee, through forward and backward linkages to customers and suppliers. While the importance of social networks and family relationships in providing informal business information is emphasized in research findings, the ability to acquire market information has been shown to be a significant factor in the success of new enterprises (Heidhues, 1995).

The role of Business Information strategy in combating poverty and contributing to sustainable socio-economic development is subject to increasing debate. Business Information has played a leading role in driving economic growth and development in the industrialized and new industrializing countries, whilst the eradication of poverty and hunger worldwide remains at its early stages, with evidence of growing inequality in much of the developing world and a deepening of the poverty crisis across much of Africa (UN, 2005).

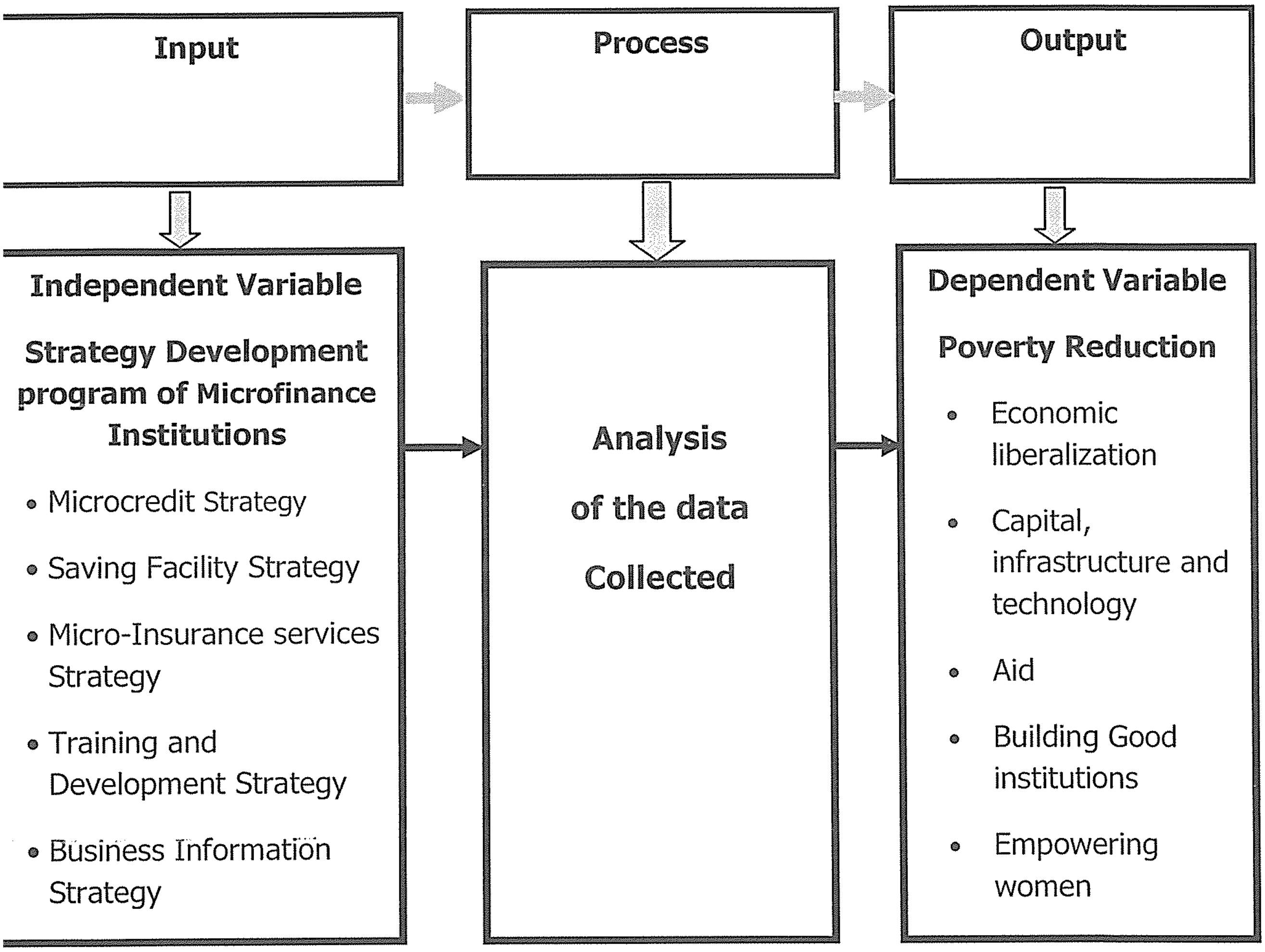
On the one hand, Business Information has the potential to promote global connectivity, economic prosperity, social development, good governance, and democracy, and thus create conducive environment for the reduction of poverty (Zeller, 1993).

Historical parallels are drawn, suggesting a pervasive role for technology leading to rapid modernization: such as derived from the development of printing and the railways in previous eras. Furthermore, Castells (1995) highlights the importance of the emerging network society, strongly advocating that development without Business Information in the current milieu is unthinkable, as Business Information s are now fundamental for a country's potential to enhance their productivity and competitiveness, mobilize resources, build managerial capacity and develop the political systems that are required to achieve development goals (World Bank, 1989).

Despite the debate, Business Information strategy for development has been widely endorsed by most multilateral development agencies and carried into their development programmes. In fact, the lack of Business Information strategy penetration and diffusion (the notion of the digital divide) is packaged as a development problem in its own right. Likewise, many of the corporate sponsors have established 'Business Information for development' projects in collaboration with local or national governments and NGOs. These include initiatives offering Business Information access, telemedicine, e-learning, e-government, e-agriculture, e-commerce and e-democracy solutions to development problems. With such a plethora of largely uncoordinated activities taking place, questions are inevitably raised about the impact of such interventions, including the extent to which Business Information strategy are impacting toward attaining the Millennium Development Goals (Zeller, 1993).

There is now greater emphasis on defining a role for Business Information strategy that is able to contribute to achieving the stated MDGs that have poverty reduction as their overriding priority. There is little reference to a broader role for Business Information within the poverty reduction strategy papers (PRSPs) of individual developing countries, within which, Business Information is not generally regarded as a strategically important component. There is still a need, therefore, to define more clearly how Business Information strategy can be effectively integrated into practical strategies for poverty reduction (Ghatak, 1999).

Figure2.1 Schema of the Study



The above Schema of the study presented the input factors which focus on microcredit strategy, saving facility strategy, Micro-insurance services strategy, Training and Development Strategy and Business information strategy. The process involved the analysis of the data collected where as the output was directed towards economic liberalization, capital infrastructure and technology, Aid, good institutions and empowering women.

Related Studies

Studies on MFIs have been conducted in various countries all over the world. The findings from these studies are useful to new researches on microfinance. Some of the studies, which had a significant contribution, include the study by Mosley (2004). In his study on Microfinance and Poverty in Bolivia, Mosley assessed the impact of microfinance on poverty. The study was conducted through small sample surveys of four microfinance institutions, two urban and two rural, using a range of poverty concepts such as income, asset holdings and diversity, and various measures of vulnerability.

Mosley & Rock (2004), examine a range of six African microfinance institutions with a view to assessing and if possible enhancing their poverty impact. The impact of microfinance loans is variable between institutions, with a tendency in particular for savings facility strategy to be taken up by people well below the poverty line, especially in South Africa and Kenya. They examine three of these indirect routes: Microfinance to the non-poor can reduce poverty by sucking very poor people into the labor market as employees of microfinance clients.

Amin, Rai, and Topa (2003), focus their article on the ability of microfinance to reach the poor and Vulnerable. They focus their article in such a manner because of concerns that microfinance is only serving people slightly below or above the line of poverty, however the really poor and destitute are being systematically excluded. By contrast, Copestake, Halotra and Johnson (2001) analyze the impact of microfinance on firms and individual wellbeing. Copestake focus on business information strategy performance and household income to establish a link between the availability of microfinance and overall wellbeing of the poor.

Evans and Adams (1999), approach the microfinance question at a slightly different angle. However, they seek to explain non participation in the microfinance evolution, stating that while microfinance is used as a viable tool in fighting poverty, more than 75% of the poor individuals choose not to participate for various reasons. Ryne and Holt (1994) provide a meta-analysis of microfinance and focuses on women empowerment, intending to show while various studies conflict in their conclusions as to the impact of microfinance on women empowerment.

According to Suryahadi, Wenefrida & Sudarno (2003), during the economic crisis, the poverty rate in Indonesia changed relatively quickly in short periods of time, implying that there were a large number of households, which moved in and out of poverty relatively frequently and experienced relatively short periods of poverty. Using panel data of over 10,000 rural households, which were visited four times in 14 months, this study finds that changes that took place at the household level were even greater than what were indicated by the aggregate figures. The total number of households, which experienced a change in their poverty status, have always been found to be substantial and much greater than the change in poverty rate. Hence, looking only at the changes in the total poverty rate could give a misleading impression on the actual poverty dynamics of households. The analysis also indicates that in order to be invulnerable to poverty, households need to have a mean real per capita consumption over time, which is substantially higher than the poverty line.

Adato, & Haddad (2001), examined poverty targeting of 7 programs in South Africa's Western Cape Province using mixed-method research, both quantitative and qualitative, and economic and sociological perspectives. It analyses the role of government, community-based organizations, trade unions, and the private sector in explaining targeting outcomes. It shows that the programs were not well targeted geographically in terms of poverty, employment, or infrastructure. That within localities, jobs went to the poor and unemployed, though not always the poorest. The programs did well in reaching women, despite local gender bias.

CDRN (1996), the study challenges the notion that economic growth automatically leads to poverty reduction through the trickle down process. Accordingly, 'promotion of suitable macroeconomic policies is unlikely to be sufficient to improve the livelihood of poor people unless this is done by also considering the non-economic factors' (p96). It advances the view that only some sections of the rural and urban population can take advantage of the policy environment created by reforms due to the heterogeneity of communities and poverty causes of poverty were viewed as historical (including socio-cultural factors), imbalance between populations and resources, institutional of microfinance, and structural nature of the economy. Poverty is spatially concentrated in the hinterland further away from main roads, affecting mainly women, children, and the disabled and elderly persons. Poverty in all the communities6 visited was characterized by social exclusion, loss of traditional values, a growing lack of access to health and education facilities, poor housing conditions, lack of food security, and other forms of security like the feeling of helplessness. The paper advocates for involvement of the poor in research and development of an anti-poverty policy agenda. This is based on the argument that poverty needs a multi-disciplinary approach, which requires an integrated poverty reduction approach. The paper proposes that policy should encompass institutional, cultural, legal and economic initiatives, and suggests policy options that can be pursued especially at micro-level to reduce poverty.

Hamdok, (1999), provided a brief analysis and documentation of the experience of a recent poverty assessment exercise in Zimbabwe. It starts with a reflection on the background and context of the (PAS) followed by a review of conceptual issues in the measurement of poverty and the construction of poverty lines. It also provides a brief analysis of the poverty profile in Zimbabwe. The study showed that poverty at the time was very high in the rural areas compared to the urban areas and particularly higher in the communal lands. Other observed characteristics were the 'juvenization and feminization' of poverty, as it had been noticed there was a greater incidence of poverty among children and female-headed households.

Marcus, Rachel & Harper (1999), states: "Whilst more analysis is needed, there is *some evidence that programmes tackling some of the broader aspects of poverty and powerlessness, such as illiteracy, poor health, and providing financial services, are more effective in assisting the poorest people* than minimalist programmes (Glaser et al, 1992) "An important conclusion is that *microfinance has a greater impact on poorer, more disadvantaged people, on social relations (including gender relations) and on children when it is combined with other activities*. Typically, these activities try to address the root causes of their disadvantage, such as discriminatory social attitudes as well as supporting them to develop more secure livelihoods, and reducing their vulnerability to discrimination or exploitation. Or they combine microfinance with training or services that enable participants to make the most of increases in income.

"Furthermore as Wright, Graham (2000), point out that the greater the Microfinance institution's outreach, (i.e. the more clients it serves), the more cost effective and sustainable it becomes. *In most development initiatives, the more people you serve, the greater the cost becomes; which will help to reduce poverty with Microfinance initiatives, the opposite is true.* "It is clear that, in these days of dwindling development budgets, *the cost-effectiveness and sustainability of interventions is one of the most important criteria for programming funds. It is here that Microfinance has a particular advantage over almost (and probably) all other interventions*".

Parker and Pearce (2001), suggest that for microfinance to be an appropriate intervention in reduction poverty, certain pre-conditions should NOT hold. Lending under these conditions may not produce tangible benefits. These include: *Immediately after emergencies, For the chronically destitute and In severely disadvantaged areas lacking infrastructure, services or markets Where illness such as HIV/AIDS pervades*.

Bane, & Ellwood (1986), examined the dynamic of poverty. Previous analyses have examined either fluctuations in the male heads' earnings or the frequency of poverty periods over a fixed period. Their approach depends on a definition of spells of poverty. Using this methodology they find that the majority of poor persons at any time are in the midst of a rather long spell of poverty. The methodology allows estimating that less than 40% of poverty spells begin because of a drop in the heads' earnings, while 60% of the spells end when the heads' earnings increase. Thus, researchers must focus on household formation decisions and on the behavior of secondary family members.

Jalan, & Ravallion (2000), define 'transient poverty' as the component of time-mean consumption poverty at household level that is directly attributable to variability in consumption; this can be thought of as a measure of vulnerability to falling consumption. The non-transient component then depends solely on mean consumption over time, and we call this 'chronic poverty'. Using robust semi-parametric methods and household panel data for rural China, we test whether transient poverty is determined by a process that is similar to chronic poverty. Commonly identified causes of poverty in this setting have weak explanatory power for transient poverty and some of the factors determining transient poverty do not matter to chronic poverty, or even have the opposite effect.

McCulloch, N. & Calandrino, M. (2003), state that Chinese anti-poverty policy stresses the long-term structural nature of rural poverty. This paper shows that poverty in rural Sichuan during 1991–95 was both dynamic and persistent. A new measure of chronic poverty is defined—as a high vulnerability to being poor—and compared with traditional interpretations of chronic poverty as low mean consumption. Households are highly vulnerable to falling into poverty even when their average consumption is some distance above the poverty line. The determinants of low mean consumption and high vulnerability appear however to be similar suggesting that policies to increase mean consumption will also reduce vulnerability.

Schrieder and Sharma (1999) state that in early 1998 the government of Indonesia established several social safety net programmes to help the poor and the newly poor cope with the impact of the impending economic crisis, covering food security, employment creation, and education, health, and community empowerment. This article evaluates the impact of these programmes on household welfare and poverty, utilizing a panel data set of over 10,000 households, which were visited four times in a 14- month period. The impact of participation in the social safety net programmes on household consumption is found to be generally positive. However, only the subsidized rice programme appears to have significantly reduced the risk of poverty among participating households.

According to Schrieder and Sharma (1999) the study challenges the notion that economic growth automatically leads to poverty reduction through the trickle down process. Accordingly, 'promotion of suitable macroeconomic policies is unlikely to be sufficient to improve the livelihood of poor people unless this is done by also considering the non-economic factors'. It advances the view that only some sections of the rural and urban population can take advantage of the policy environment created by reforms due to the heterogeneity of communities and poverty causes of poverty were viewed as historical (including socio-cultural factors), imbalance between populations and resources, institutional of microfinance, and structural nature of the economy. Poverty is spatially concentrated in the hinterland further away from main roads, affecting mainly women, children, and the disabled and elderly persons. Poverty in all the communities6 visited was characterized by social exclusion, loss of traditional values, a growing lack of access to health and education facilities, poor housing conditions, lack of food security, and other forms of security like the feeling of helplessness.

Challenges of Microfinance Institutions as an instrument for Poverty Reduction; Despite the achievements of MFIs, the recent developments in the MFIs raise a number of challenges to MFIs as an instrument for poverty reduction.

Targeting of the Poor

MFIs have been compelled to re-think their strategies from social development and humanitarian focus towards poverty reduction. The MFIs have embarked on strategies to improve and stabilize their respective capital asset bases to enable them attain full financial institutional self-sustainability; towards attaining the poor people. While the strategy development's policy document assumes that the poor who do not have access to formal financial services will be targeted by the MFIs, the MFIs are targeting only a small proportion of the poor whom they have code named the economically active poor. The MFIs definitions of the economically active poor are those that have businesses and the capacity to repay back the loans. From the poverty spectrum, the economically active poor are the richest of the poor just close to the poverty line. This has serious policy implications for the poor of the poor (Rahman, 1986).

From capacity analysis, the MFIs have come up with a categorization of the poor into economically active poor and the core poor. The economically active poor have the repayment capacity and therefore can qualify to get credit from the MFIs, but the core poor do not have the repayment capacity and so are not eligible to get MFIs credit. The other issue that came to the forefront was the return to investment to attract investors in the MFIs. Their argument is those private sectors investors will mainly be motivated by the expected return on their investment; hence the importance of screening out the core poor that will spoil the portfolio quality and profitability. It therefore follows that targeting all the poor, including the core poor who have no repayment capacity, would be a bad investment decision (Pitt and Khandker, 1995).

The third issue that arose was in connection with their strategy development to identify the poor. While the poor is mentioned in most of MFIs mission statements as the target group, they do not have any operational parameters to identify the poor. Since the driving factor is the repayment capacity and profitability, it may not be surprising that some of the clients of the MFIs are the non-poor. What was also evident in the MFIs lending operations was the increasing level of collateralization even among the group lending methodology. Apart from the group guarantee, most MFIs require the members to pledge some form of collateral either in the form of household chattels and land (Robb, 1999).

(Staschen, 1999) argue that the challenge therefore is that if the microfinance services are not accessible to the core poor, how will their welfare be improved? In addition, given the persuasive economic arguments of having private sector led provision of microfinance services and the distortions generated by grants or subsidized government credit schemes, the core poor stand the risk of being the forgotten lot in the development process.

Interest Rates

The other challenge relates to the terms of microcredit strategy is to the poor especially interest rates. Profitability and sustainability is a key indicator of success that is used to judge whether the MFIs will qualify to move on. From the MFIs institutional side, the sustainability equation relates the revenue side and the expenditure side. The revenue side can improve by either increasing interest rates and commissions or portfolio volumes (Serpa, 2008).

Currently the interest rates charged by the microfinance institutions range between 2.5% - 4% per month, before factoring in the other commissions and fees which vary across MFIs. It is also true that under the liberalized environment, interest rates cannot be controlled. However it can be argued that competition in the microfinance sector can be enhanced if there is perfect information flow about interest rates charged by the different players, a role that the government can do without necessarily fixing interest rates (Nissanke, 1994).

MFIs Being Urban-based

On the expenditure side, the MFIs can improve their financial sustainability by minimizing their operational costs which is consistent with the microfinance best practices. However this has implications on the location of the MFIs office and definition of the operational area which in turn has implications for access to microfinance services by the rural poor. As observed by Kabeer (2001), MFIs that follow the microfinance best practices prefer to operate only in urban and peri-urban areas (usually within a radius of 5 kilometers for town centers). Clearly the motivation for this is to minimize the heavy transaction costs that are associated with rural credit operations, thereby denying the rural poor with access.

The policy implication is that big MFIs will definitely need some incentives to increase their rural outreach. The policy incentive structure as outlined by the Microfinance Outreach Plan (MOP) in their document entitled —Matching Grant Facility for Capacity Building (MCAP) Design is a step in the right direction. Basically the MCAP is a fund initiated by Government and supported by key donors and other stakeholders in the microfinance sector with the overall aim of providing a coordinated donor-funding mechanism for microfinance capacity building, based on agreed Best Practice principles and cost sharing basis, in ways that would enhance impact, market responsiveness and sustainability (Karlan, 2006).

The proposed incentive structure is such that good performing MFIs (thus those abiding by Microfinance Best Practices) that will be willing to expand their outreach into remote rural areas will have their operational losses for first year for the specific rural branch opened under this arrangement (and possibly at most second year losses) refunded. However existing rural branch losses incurred before the signing between the MFIs and MCAP/MOP are not covered by this policy. The additional incentive is that part of the new rural branch set up costs will also be refunded from this fund, which amount depends on the extent of remoteness of the branch. This proposed incentive mechanism is expected to lure the urban based MFIs to the rural areas, thus making the services more accessible to the rural poor (Kabeer, 2001).

Design of Appropriate Financial Products for the Poor

According to Nissanke (1994) the poor are not a homogeneous lot of people, hence the challenge of designing appropriate financial products that meet their diverse needs. Currently the MFIs are mainly providing generic products with standardized features. The current product features of most MFIs are characterized by short loan periods (on average 4 to 12 months), no grace periods, weekly repayments and small loan amounts. These product features may not be suitable especially for agriculture related investments, from which the rural poor mainly derive their livelihoods.

However Hashemi and Riley (1996) argue that these MFIs product features are consistent with microfinance best practices as the small loans which are progressively increased over time provide dynamic incentives to the clients to repay the loans in anticipation of getting bigger loans. The weekly repayment schedules are also preferred by MFIs on account easing their cash flow problems and also enhancing high repayment rates. The MFIs rationale is that regular repayment keeps clients on their toes rather wait up for longer periods to receive the installment. If the poor farmers took the MFIs loans to purchase production inputs say like high yielding seeds, the first weekly installment repayment will be due even before they plant the seeds or before the seeds even germinate which raises the issues of sources of funds for loan repayment. Such restrictive MFIs credit products will constraint the uptake of new, more productive and high-yielding technologies by poor farmers which would have a profound impact on household income and poverty alleviation.

Katimbo (1999) argued that payment of small period installments may not be a good method of collecting loans from poor people experiencing persistent negative shocks, despite being accepted as a best practice. He also further argues that for MFIs to meet the needs of the poor, they need to understand the vulnerabilities that the poor operate in and design flexible products that cater for the income vulnerabilities of the poor.

Anecdotal evidence also suggests that these generic features of MFIs products have made the clients to develop the culture of multiple borrowing from MFIs so as to get commensurate loan amounts and subsequently raised their vulnerability to the debt burden. However an empirical investigation is required to assess the extent to which this could be affecting poverty levels at the household levels so as to appropriately inform policy (Diagne, 1998).

In addition credit from the informal sector was also utilized for heath and consumption purposes. The other consumption purposes included purchase of durable assets, ceremonies etc. Interestingly 15.7% and 29.1% of all the loans from money lenders/commercial firms is utilized for heath care and consumption respectively. This underscores the productivity of consumption credit in enhancing household welfare irrespective of the interest rates. What all this points to is that there is a demand for consumption credit which the MFIs need to take on board in the design of products (Conning, 1999).

Gender Bias of Microfinance Interventions

The major challenge is that MFIs perceive gender responsiveness to be focus on women. One MFIs Executive when asked about how gender responsive their policies were said the Microfinance is the most gender responsive in the whole world because it targets mainly the women clients and employs many women as loan officers". This clearly demonstrates a high degree of misunderstanding of gender issues which have implications for microfinance as an instrument for poverty alleviation.

Gender however refers to cultural and social ascriptions given to women and men by society. These include different attributes, status, roles and responsibilities, opportunities accorded to women and men as well as their access to and control over resources and the benefits. All these distinctions can be time and location specific (Katimbo, 1999).

The MFIs need to know and understand the gender relations and issues, appreciate how it impacts on men and women so that their policies can be gender responsive thus enhancing the participation of both men and women in micro finance activities. The critical gender issues relate to the gender roles, the ownership and control of resources, decision making. Despite the famous rhetoric that If you empower the woman, you empower the whole household", it is critical that MFIs review their policies, procedures and products to make them more gender responsive to enhance the participation of both sexes in the microfinance programmes for effective poverty alleviation (Nissanke, 1994).

The MFIs also need to understand the practical and strategic gender needs of their clients. Practical gender needs relates to survival like food, clothing, shelter or health and Strategic needs aim at changing the status quo of the community for example the means through which poverty eradication can be achieved through training, giving skills supporting business. The MFIs need to design products that meet both practical and strategic needs (Conlin, 1999).

Policy environment

Despite general improvement in the policy environment for financial sector programmes, the policy environment for microfinance in many countries remains unfavorable for sustainable growth in microfinance operations. For example, in countries such as Viet Nam and China, ceilings on interest rates limit the ability of microfinance institutions to expand and diversify. Governments continue to intervene in microfinance to address the perceived market failure through channeling microcredit to target groups that are considered to have been underserved by the existing institutions (Burger, 1989).

Furthermore, government programmes with subsidized interest rates and poor loan collection rates undermine sustainable development of microfinance. As a result, most countries are crowded with poorly performing government microfinance programmes that distort the market, discourage private sector institutions from entering the industry, and affects the integration of microfinance into the financial sector (Adato & Haddad, 2001).

Inadequate financial infrastructure

Inadequate financial infrastructure (legal, information, and supervision and regulation) is another major problem. Most governments have focused on creating institutions or special programmes to disburse funds to the poor with little attention to building the financial infrastructure that supports, strengthens and ensures their sustainability. Lack of a legal framework conducive for the emergence and sustainable growth of small-scale microfinance institutions and corresponding supervisory and regulatory systems have impeded the expansion of market-based microfinance services by limiting their access to commercial sources of funding (Nissanke, 1994).

Limited retail level institutional capacity

Most retail level institutions do not have adequate capacity to expand the scope and outreach of sustainable microfinance services. Many institutions lack the capacity to leverage funds, including public deposits, in commercial markets and are unable to provide a range of products and services compatible with client characteristics. In the absence of an adequate network and delivery mechanisms, many microfinance institutions are unable to cost-effectively reach the poorest of the poor, particularly those concentrated in resource-poor areas and areas with low population densities (Katimbo, 1999).

Inadequate emphasis on financial viability

Inadequate emphasis on financial viability is the most serious problem of microfinance institutions in the region. This prevails among many NGOs, government directed microcredit programmes, state-owned banks, and cooperatives providing microfinance services. As a result, only a few microfinance institutions are sustainable; most are neither moving toward sustainability nor reducing subsidy dependence. Viability is important from an equity perspective because only viable institutions can leverage funds in the market to serve a significant number of clients (Bekkin, 2007).

Inadequate investment in agriculture and rural development

Agricultural growth, which underpins much of the growth in the rural non-farm subsector, significantly influences rural financial market development. Inadequate investment in the sector is a major constraint on the development of sustainable microfinance services. The insufficient investments in physical infrastructure (especially irrigation; roads; electricity; and support services for marketing, business development and extension) continue to increase the risk and cost of microfinance and particularly discourage private investments in the provision of microfinance services on a significant scale. In addition, in the absence of economic opportunities created by growth-inducing processes, microfinance cannot be expected to play a significant role in poverty reduction (Nissanke, 1994).

Inadequate investment in social intermediation

The low level of social development, a distinctive characteristic of the poor in Somaliland and the Africa as a whole is another major constraint. This is particularly true with respect to the poorest, women in poor households, the poor in resource-poor and remote areas, and ethnic minorities. The development of sustainable microfinance to reach a large segment of the potential market requires supporting social intermediation on a large scale. Private sector investments in social intermediation are unlikely in view of the externalities associated with such investments (Katimbo, 1999).

Achievement of Strategy Development Program of Microfinance Institutions as an instrument for poverty reduction

The MFIs have expanded their outreach from a few thousand clients in the 1970s to over 10 million in the late 1990s. The developments in microfinance in Asia and the Pacific have set in motion a process of change from an activity that was entirely subsidy dependent to one that can be a viable business:

a. The myth that poor households cannot and do not save has been shattered. Savings can be successfully mobilized from poor households.
b. Poor, especially poor women, have emerged as creditworthy clients, enabling microfinance service delivery at low transaction costs without relying on physical collateral.
c. Microfinance services have strengthened the social and human capital of the poor, particularly women, at the household, enterprise and community level.
d. Sustainable delivery of microfinance services on a large scale in some countries has generated positive developments in microfinance policies, practices and institutions.
e. Microfinance services have triggered a process toward the broadening and deepening of rural financial markets.

Potential for Financial Sector Deepening

The restructuring and divestiture of Central Bank of Somaliland (CBS) has led to the closure of most of the unviable rural branches. The microfinance institutions stepped in to provide savings and credit services to the underserved population.

Microfinance enables low-income people access financial and non-financial services. As a discipline, micro finance has created financial products and services that are packaged in a manner that enables low-income people who are unable to access formal financial services to access comparatively small loans, saving schemes and other services for working capital and income generation. These small income earners and users of micro finance services sometimes later graduate to be clients of larger financial intermediaries. Therefore MFIs provide a stepping-stone for the poor to access informal and formal financial markets and to use micro finance services to bridge cash gaps in their work systems (Kabeer, 2001).

By linking microcredit strategy to savings facility strategy in their lending methodology, the MFIs inculcate a culture of saving among the clientele. The clients are required to save upfront an amount proportional to the size of the required loan which varies across MFIs (ranges from 10% -30%). Savings facility services strategy plays a critical role in the development process for financing investments (Navajas, 2000).

Innovation of lending technologies for the poor

One of the achievements of the microfinance intervention has been the innovation of lending technologies that are more suitable for the poor. While the formal banking system was inclined to using the collateral based lending technology which was inaccessible to the poor on account of lack of collateral. The NGO Microfinance sector therefore emerged to provide microcredit for poverty alleviation to poor households using mainly group lending (joint liability contracts), small progressive loans and targeting especially women. Under the joint liability contracts, members are responsible not only for the repayment of their personal loans, but also for the loans of other group members in case of default (Robb, 1999).

The joint liability contracts are largely used because they: (i) provide a screening mechanism for borrowers separating them into different risk types; (ii) utilize unique penalty mechanisms on members who willfully default, thereby improving repayment rate; (iii) induce endogenous peer monitoring to resolve the moral hazard problems in borrower investment choices; (iv) reduce transaction costs for the MFIs; (v) provide insurance to other members in case their projects fail; (vi) the group guarantee acts as social collateral (Serpa, 2008).

Employment creation

By financing small and medium scale enterprises, the MFIs have made a significant contribution to creation of employment levels and also household income. According to Wamasembe (2001), the SMEs provide employment opportunities to approximately 90% of the school drop-outs, retired and retrenched civil servants, the skilled unemployed, women and army veterans.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter presents the methods and procedures of the study. It presents research design, target population, sample size and sampling procedure, research instrument that is used in data collection, research procedure, validity and reliability, and data analysis.

Research Design

This study was based on descriptive correlation research design, which involved collecting data in order to determine whether, and what degree the relationships existed between the two variables. This study highlighted the relationship between Strategy Development program of Microfinance institutions and poverty reduction in Hargeisa-Somaliland. There was a systematic collection and presentation of data to give a clear insight of the issues under discussion in the research.

Target Population

Due to the nature of this study, which is heterogeneous, the population was included two Microfinance institutions with 15 managers, 80 microfinance institution employees, and 115 Microfinance clients; the target population was 210 in Hargeisa city. The study was conduct in Hargeisa the capital city of Somaliland, where most Microfinance institutions in Somaliland are located.

Sample size

The study concerned microfinance institutions in Hargeisa city; therefore, the researcher selected 137 microfinance mangers, employees and clients out of 210. This study employed stratified random sampling. Stratified sampling technique was used to select the respondents to be included in the sample using the following criteria:

1. The (Managers and staff) respondent should be in the institutions;
2. Microfinance institution's clients should be getting the service within 3 year and above.

Here below is, the study sample structure presented in table 3.1, as suggested by Sloven, 1978, which states as follows:

$n= N/1+Ne^2$ where *"e"* is equivalent to 0.05 of level of significance, *"N"* is equal to target population, and finally *"n"* is equal to the sample size.

Table 3.1 Study Sample Structure

Categories	**Target Population**	**Sample Size**	**Sampling Method**
MFIs Managers	15	10	Purposive Sampling
MFIs Employees	80	52	Random
MFIs Clients	115	75	Random
Total	**210**	**137**	

Source: Primary data, 2011

From the above table 3.1, it is evident that the largest sample of respondents will be from the Employees of the Microfinance institutions, and the client of the microfinance Institutions.

Sampling Procedure

Because of the nature of the study, simple random sampling and purposive sampling technique were employed where a sample was selected without bias from accessible population. The study was conducted in Microfinance institutions in Somaliland. Stratified sampling was undertaken to ensure the management and the staff having microfinance in their attributions. This was to ensure that correct and reliable information was obtained from the relevant people.

Research Instruments

A questionnaire was design to a sample of 137 respondents and administered by the researcher. This comprised of three sections; section one strategy development program of microfinance institutions (SDPMFIs), section two Extent of Poverty reductions (EPR), and the third section is there a significant relationship between strategy development of microfinance institutions and poverty reduction.

The questionnaire included close-ended questions where respondents were asked if strategy development of microfinance institutions have a relation to the reduction of poverty. This method was select because it was easy to administer questionnaires, due to time saving capability hence helping to collect information that was applicable to the study.

Validity and reliability of the instrument

To ensure that the data was reliable and valid, standard tests were done. The reliability test involved a "test and retest" exercise. The instruments were subject to a representative sample, where the researcher used four sample respondents that are not included in the study.

In order to ascertain the reliability of the data collection instruments, pre-testing of the instruments was conducted. The reliability of measure indicates the extent to which it is without bias and hence ensures consistent measurement across the across time and across the various items in the instrument, (Sekaran 2003). The researcher used the Cronbach's coefficient Alpha to determine how items correlate among themselves basing on the formula given below;

$$KR_{20} = \frac{(K)(S^2 - s^2)}{(S^2)(K-1)}$$

Where: KR20 = reliability coefficient of internal consistency

K = Number of items used to measure the concept

S2 =variance of all scores

s^2 = variance of individual items.

(Mugenda & Mugenda 1999).

The designed instruments will be tried out on selected individuals to ensure reliability. Pre testing the instruments will help to show clarity of the instruments for example, unclear instruction, wrong numbering, similar questions, these can be corrected or modified before being administered to the actual sample

Validity is a measure of how well the questions asked make sense to the respondent. A few select respondents were used to advise whether the questions make sense by ranking it on a scale of: very relevant, quiet relevant, somehow relevant and not relevant so questions that were ranked as not relevant were amended. The instruments were given two variables to evaluate the relevance of each item in the instrument to the research objectives so the content validity index (CVI) was 0.85, therefore, the instrument were accepted as valid, because the average index is above 0.7 (Appendix III)

Data Gathering Procedures

After the research proposal was approved, the researcher passed through administrative process to obtain introduction letter from academic authorities in order to get permission to collect data within the selected MFIs. The researcher distributed the questionnaire with attached letter of introduction from the university to the selected MFIs. After receiving the questionnaire back, the researcher analyzed the collected data by using SPSS package.

Data Analysis

After collection of data described above, the researcher concentrated on data analysis. This was carried out thorough a systematic analysis that provided answers to the research questions. The study used quantitative data analysis; based on tabulation (frequencies and percentages) in order to analyze the profile of respondents.

Similarly, mean was used to analyze the extent to which the strategy developments of microfinance institutions have been implemented, and the level of poverty reduction. Correlation analysis based on Pearson's product correlation coefficient, which was used to analyze the relationships between strategy development of microfinance institutions and poverty reduction.

Ethical Consideration

The questionnaire was administrated after prior information had been delivered to the respondents. This was to ensure safety, social and psychological well-being of the respondent or the community targeted.

The researcher provided the respondents with the necessary information as regards the main purpose of the research, the expected duration and procedures to be followed. The respondents were informed that participation was voluntary. In order to encourage them to take a decision to participate in the research study and make them more comfortable, I had to accompany myself with an introductory letter from the university.

Limitation of the study

Respondents were not readily available at the designed time for interview. This was solved through the issuing of questionnaires to them or making appointments at the time best for them.

Similarly, some of the respondents did not know English language so translating English to local was quite difficult. However, to overcome this, the researcher consulted experts to translate. Similarly, the researcher was faced with problem on questionnaire construction where some were forced to be restructured by the researcher. Another great challenge was when the researcher was endeavored to attain validity and reliability coefficients, this was not easy because some questions were not well answered by the respondents; however, the researcher had to use knowledge in research method to be able to restructure them for convenience.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Introduction

This chapter presents data analysis, presentation, and interpretation. The data analysis and interpretation was based on the research questions as well as research objectives, the presentation is divided in to two parts. The first part presents the respondents profile or demographic information, while the second part deals with presentation, interpretation, and analysis of the research questions and objectives. Below are the data presentations and analysis of research findings.

Research question one: the Profile of the Respondents

This part presents the background information of the respondents who participated in the study. The purpose of this background information was to find out the characteristics of the respondents and show the distribution of the population in the study. Their distribution is established as it follows in the following tables.

Demographic Information

Gender of respondents

Findings from above table 4.1 indicate that different categories were involved in the study 43.8% of the respondents were male and 56.2% were Female.

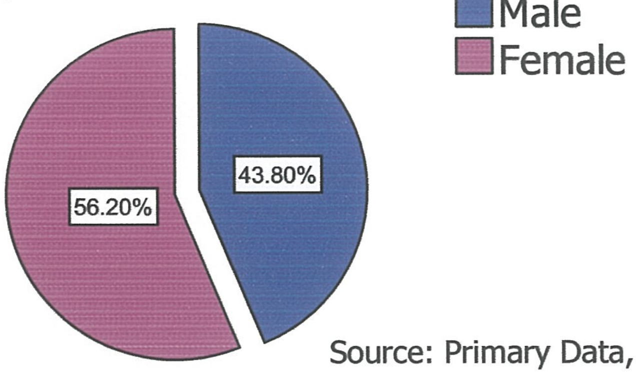
The MFIs focus on women may be explained by their perception of women being a disadvantaged group whose traditional social and economic deprivation warranted some form of affirmative action. The MFIs adopted the Women in Development (WID) approach to enable disadvantaged women access financial resources for economic empowerment, to generate income and to support household domestic needs. The women as a specific target group are articulated in the mission statements of many of the MFIs, which clearly shows that the men are a secondary target group. However for enhanced poverty alleviation, there is need for equal participation of men and women in MFIs microcredit strategy.

Table 4.1: Gender of respondents

Gender			
		Frequency	Percent
Valid	**Male**	60	43.8
	Female	77	56.2
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.1: Gender of respondents Pie Chart



Source: Primary Data, 2011

Age of respondents

Based on the table4.2; 28.5% of the respondents are at the age of 20-30; 45.3 % of the respondents were at the age of 31-40 and the remaining 26.3% were the age of 41 and above.

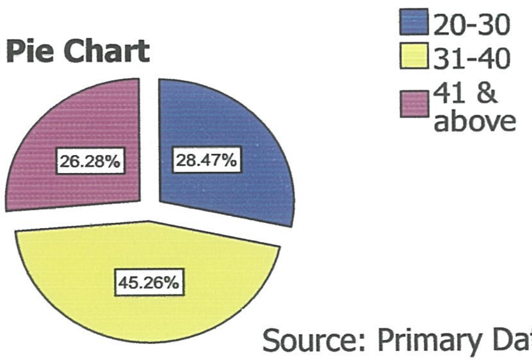
Age is an important dimension of poverty that featured strongly in community. Both the elderly as well as youth were encounter problems in gaining access to livelihood resources, due to the following factors: Lack of vocational skills and lack of accessible, affordable training; Lack of productive assets, particularly land; Lack of income, capital, and Lack income-generation opportunities, such that they often depend on employment by the *better-off* in return for low and irregular wages.

Table 4.2: Age of respondents

Age			
		Frequency	Percent
Valid	**20-30**	39	28.5
	31-40	62	45.3
	41 and above	36	26.3
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.2: Age of respondent Pie Chart



Source: Primary Data, 2011

Level of education for the respondents

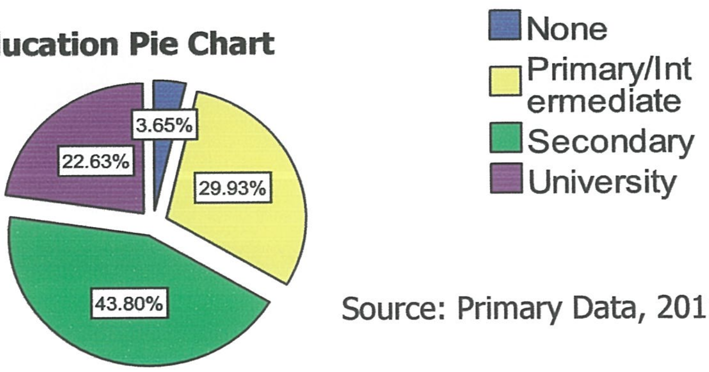
Among the sample respondents, 29.9% hold primary/intermediate, 43.8% hold secondary certificate, 22.6% hold university degree and the remaining 3.6% were hold none. This variation in education level reveal that majority of the respondents had some education which enable easy interpretation of the questions hence improving on the reliability of the analysis. However, Poor people perceived their limited education as a cause of household poverty. In turn, being poor restricted their ability to educate their children, thus continuing the cycle of poverty.

Table 4.3: Level of education for the respondents

Level of Education			
		Frequency	Percent
Valid	**None**	5	3.6
	Primary/Intermediate	41	29.9
	Secondary	60	43.8
	University	31	22.6
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.3: Level of education Pie Chart



Source: Primary Data, 2011

Family size of the respondents

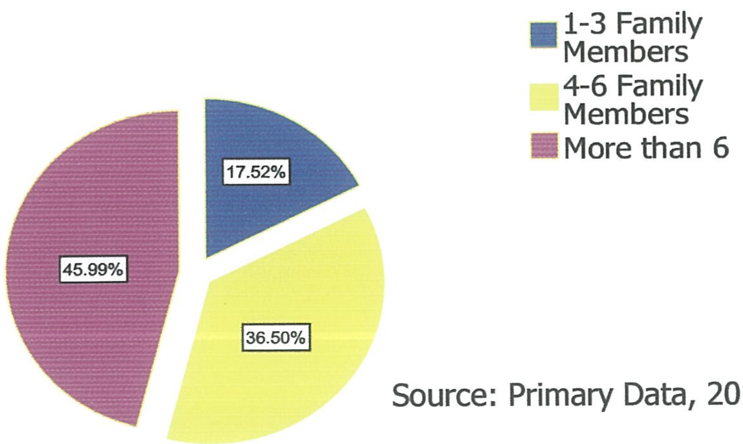
17.5% of the respondents were 1-3 family members (*small size family*), 36.5% of the respondents were 4-6 family members (*middle size family*), and the remaining 46% were more than 6 family member (*large family size*), meaning that family size heavily affects the need for MFIs. That is why the larger the family size is, the more there is a need for MFIs.

Table 4.4: Family size of the respondents

Family Size			
		Frequency	Percent
Valid	**1-3 Family Members**	24	17.5
	4-6 Family Members	50	36.5
	More than 6	63	46.0
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.4: Family size of the respondent's Pie Chart



Source: Primary Data, 2011

Years of experienced and dealing with the MFIs

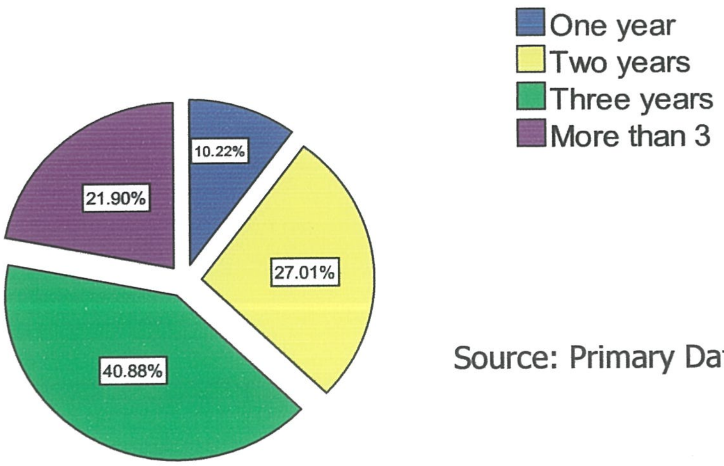
On the other hand regarding the experience of the respondents in dealing with MFIs, 10.2% have one year experience, 27% have two years, 40.9% have three years and 21.9%have more than three years.

Table 4.5: Years of experienced and dealing with the MFIs

Experience with MFIs			
		Frequency	Percent
Valid	**One year**	14	10.2
	Two years	37	27.0
	Three years	56	40.9
	More than 3	30	21.9
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.5: Years of experienced and dealing with the MFIs



Source: Primary Data, 2011

Rural/Urban Location of Microfinance Clients

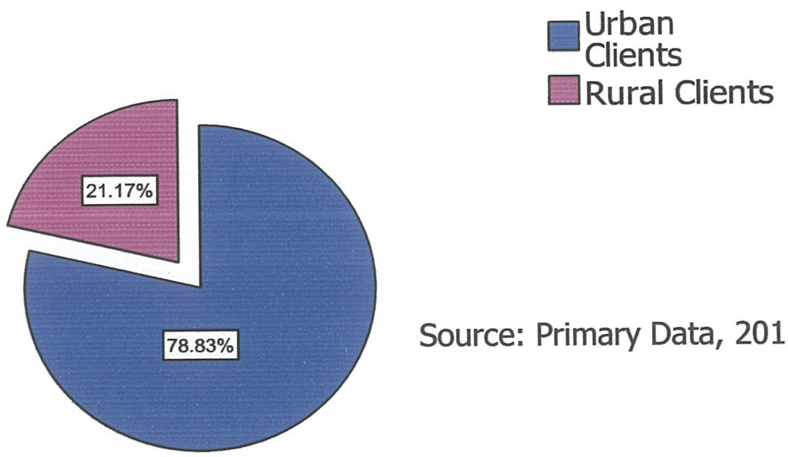
78.8% of urban people was accessed to MFIs services more than that of the rural people (21.2%). The implication here is that the MFIs favor the urban sector in their provision of services. This could be attributed to the good urban infrastructure which minimizes transaction costs, the diversified household income bases of the urban households as opposed to those in the rural sector that are dependent on agricultural income which is characterized with high variations.

Table 4.6: Rural/Urban Location of Microfinance Clients

Rural/Urban Location of Microfinance Clients			
		Frequency	Percent
Valid	**Urban Clients**	108	78.8
	Rural Clients	29	21.2
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.6: Rural/Urban Location of MFIs Client's Pie Chart



Source: Primary Data, 2011

Strategy offer by the MFIs to poverty reduction

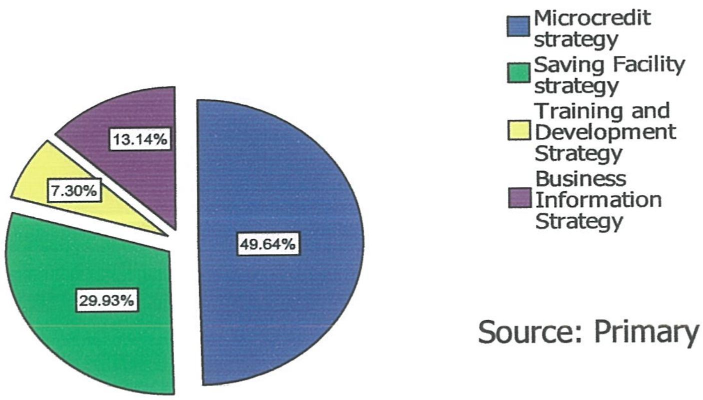
49.6% of the respondents supported that the microcredit strategy which offered by the MFIs to help in poverty reduction, 29.9% supported savings facility strategy while7.3% said that training & development strategy was the best strategy to poverty reduction and the remaining 13.1% supported the business information strategy.

Table 4.7: Strategy offer by the MFIs

strategy offer by the MFIs			
		Frequency	Percent
Valid	**Microcredit strategy**	68	49.6
	Saving Facility strategy	41	29.9
	Training and Development Strategy	10	7.3
	Business Information Strategy	18	13.1
	Total	137	100.0

Source: Primary Data, 2011

Figure 4.7: Strategy offer by the MFIs



Source: Primary Data, 2011

Research Question One

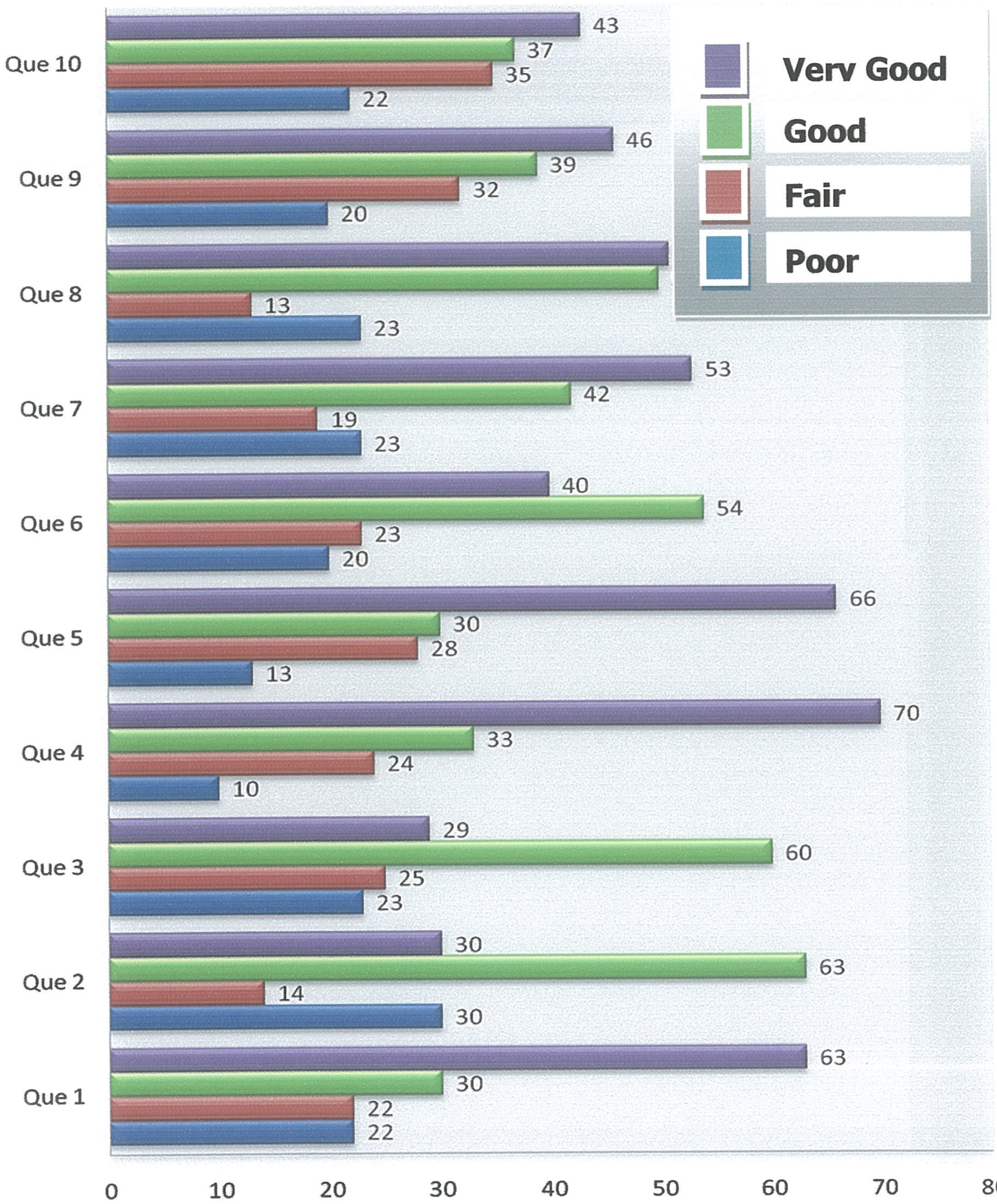
Research question one was derived from the first objective of the study. The objective aimed at evaluating the strategy development program of Microfinance institutions in Hargeisa-Somaliland. To achieve this objective Respondents were subjected to a number of questions to provide answers to research question two mentioned above.

The questions administered to the respondents were aimed at investigating the respondent's view towards the stated research objective. These included; Strategy Development of MFIs contributed provision of microcredit, Major Challenge facing the MFIs is the lack of cooperation, Absence of the right organizational structures affects MFIs, MFIs contributed provision of business information, The main goal of microcredit strategy is to increase the welfare, The strategies/ services offered by MFIs are sufficient, MFIs increase their productivity through training, Strategy Development of MFIs plays role in economic development, Lack of access to microcredit has negative effect on outcome and MFIs increase number of clients who expanding their existed business. The results are presented in table 4.8 below:

Table 4.8: Strategy Development Program of MFIs (SDPMFIs)		
Areas rated	**Mean**	**Interpretation**
1. Strategy Development of MFIs contributed provision of microcredit.	3.18	Good
2. The only challenge facing the MFIs is the lack of cooperation.	2.68	Fair
3. Absence of the right organizational structures has a little affects on MFIs.	2.69	Good
4. MFIs contributed provision of business information strategy.	3.19	Good
5. The main goal of microcredit strategy is to increase the welfare.	3.09	Good
6. The strategies/ services offered by MFIs are sufficient.	2.83	Good
7. MFIs increase their productivity through training.	2.91	Good
8. Strategy Development of MFIs plays role in economic development.	2.94	
9. Lack of access to microcredit has negative effect on outcome.	2.81	Good
10. MFIs decrease number of clients who starting/expanding their business.	2.74	Fair
Overall Mean	**2.91**	Good

Source: Primary data, 2011.

Table: 4.8: % Column Chart of Strategy Development Program



Source: Primary data, 2011.

From the table 4.8 above, majority of the respondents agreed that Strategy Development of Microfinance institution has a good contributed towards provision of microcredit strategy. On the other hand, the majority of the respondents fairly agreed that the only challenge facing the MFIs is the lack of cooperation. Similarly, the respondents fairly agreed that the absence of the right organizational structures has a little effect on MFIs. In addition, the respondents agreed that MFIs has a good contributed to the provision of business information strategy. Similarly, majority of the respondents agreed with a good percentage that the main goal of microcredit strategy is to increase the welfare.

Table 4.8 further indicates that the majority of the respondents agreed with a good percentage that the strategies/services offered by MFIs are sufficient. The respondents agreed with a good percentage that MFIs increase their productivity through training of their employees. Finally the majority of the respondents agreed with a good percentage that the Strategy Development of MFIs plays a positive role in economic development of the country.

Table 4.8 further indicates that the respondents agreed with a good percentage that Lack of access to microcredit strategy has negative effect on outcome. Finally, the majority of the respondents fairly agreed that the MFIs decrease number of clients who starting/expanding their business.

These findings reveal that strategy development of MFIs is fairly focused towards poverty reduction through their successful strategies and they increases their productivity through training on skill development of the employees which leads to overall development, hence help in reducing poverty in Hargeisa-Somaliland.

Research Question Two

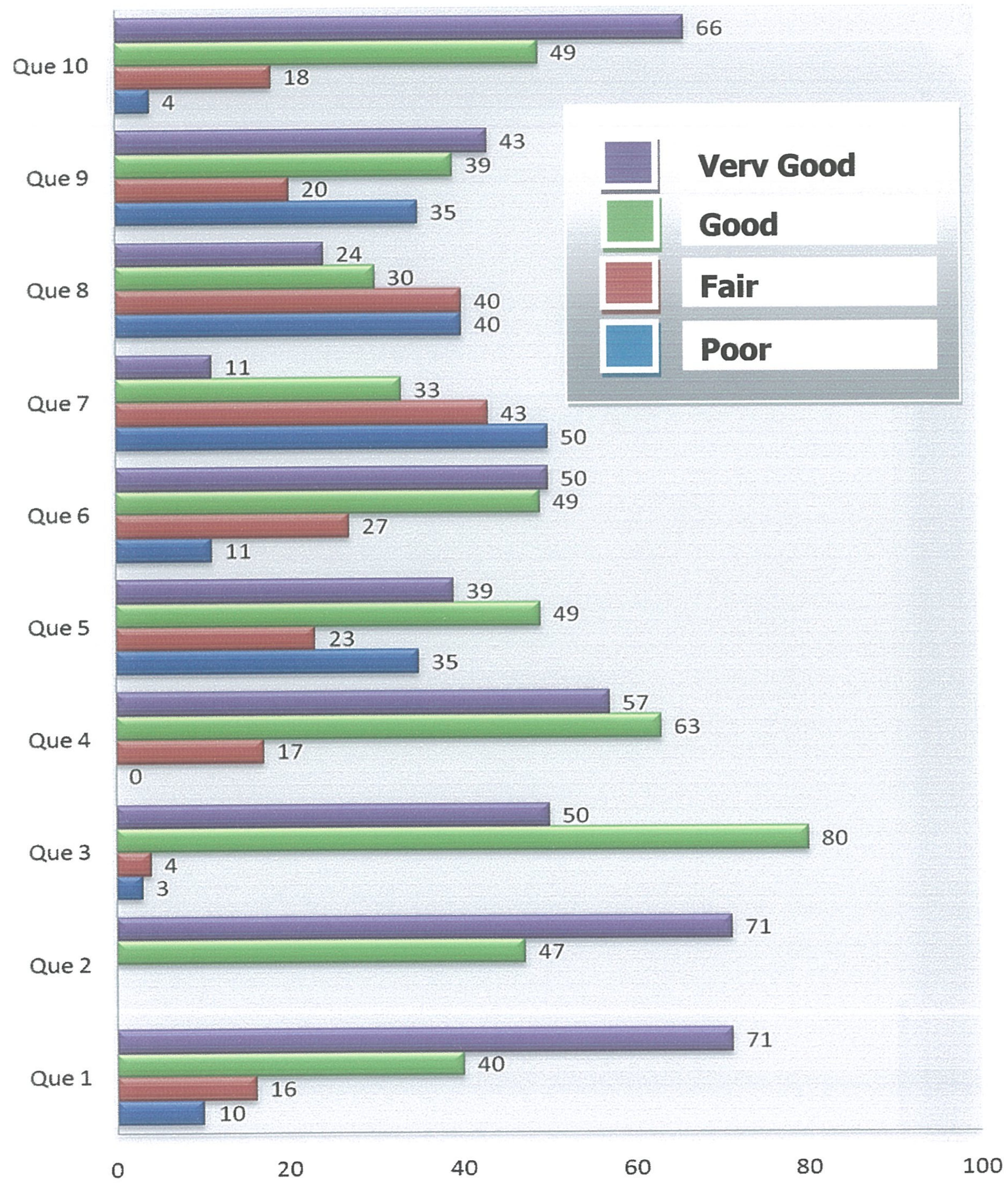
Research question two was derived from the second objective of the study. This was based on finding out the extent of poverty reduction (EPR) in Hargeisa-Somaliland. To achieve this objective, Respondents were subjected to a number of questions to provide answers to research question.

The questions included: MFIs strategies are in line with poverty reduction, MFIs are provision of financial services to the low-income people, MFIs contributed self employment of poor people in Hargeisa, MFIs contributed to the development of housing facilities, MFIs contributed to the development of water projects, MFIs maintained the food security for the poor family in Hargeisa, MFIs facilitations on easy access to shops and retails facilities, Microfinance institutions built a public sheds and shelters to the poor, MFIs managers have a well articulated vision in reduce poverty and MFIs play a role in the economic development of the country. The results are presented in table 4.9 below:

Table 4.9: Extent of Poverty Reduction (EPR)		
Areas rated	**Mean**	**Interpretation**
1. MFIs strategies are in line with poverty reduction.	3.26	Good
2. MFIs are provision of financial services to the low-income people.	3.66	Very Good
3. MFIs contributed self employment of poor people in Hargeisa.	3.29	Good
4. MFIs contributed to the development of housing facilities.	3.29	Good
5. MFIs could not contribute to the development of water projects.	2.61	Fair
6. MFIs maintained the food security for the poor family in Hargeisa.	3.01	Good
7. MFIs facilitations on difficult access to shops and retails facilities.	2.04	Fair
8. MFIs could not build a public sheds and shelters to the poor.	2.32	Fair
9. MFIs managers have not a well articulated vision in reduce poverty.	2.66	Fair
10. MFIs play a role in the economic development of the country.	3.29	Good
Overall Mean	**3.00**	Good

Source: Primary data, 2011.

Table: 4.9: Percentage Column Chart of extent of poverty Reduction



Source: Primary data, 2011.

From the table 4.9 above, findings reveal that majority of the respondents agreed with a good percentage that the MFIs strategies are in line with poverty reduction. On the other hand, the majority respondents agreed with a very good percentage that those MFIs are provision of financial services to the low-income people.

Table 4.9 shows that the majority of the respondents agreed with a good percentage that MFIs contributed self employment of poor people in Hargeisa and housing facilities. In addition, majority of the respondents agreed with a fair percentage that MFIs could not contribute to the development of water projects. Further findings shows that majority of the respondents agreed with a good percentage that MFIs maintained the food security for the poor family in Hargeisa.

Further findings shows that the majority of the respondents agreed with a fair percentage that MFIs facilitations on difficult access to shops and retails facilities. Again, the majority of the respondents agreed with a fair percentage that MFIs could not build a public sheds and shelters to the poor. Similarly, the majority of the respondents agreed with a fair percentage that MFIs managers have not a well articulated vision in reduce poverty. Finally, the majority of the respondents agreed with a good percentage that MFIs play a role in the economic development of the country.

This interprets that the MFIs are very active in maintaining the level of poverty reduction to the poor people in Hargeisa Somaliland; it is also clarify that the MFIs cannot perform well to reduce poverty in Hargeisa Somaliland unless there is a strong positive relationship between MFIs with a clear vision and goal to improve the strategy development of the MFIs.

Research Question Three

Research question three was derived from the third objective of the study that focused on determining if there is a significant relationship between the strategy development of microfinance institutions and poverty reduction in Hargeisa-Somaliland. To achieve this objective Respondents were subjected to a number of questions aimed at establishing answers. The results are presented in table 4.10 below:

The Relationship between the Strategy Development of MFIs and Poverty Reduction

Table 4.10: Pearson's Correlations

Pearson's Correlations			
		Strategy Development of MFIs	**Level of Poverty Reduction**
Strategy Development of MFIs	Pearson Correlation	1	0.984**
	Sig. (2-tailed)		.000
	N	137	137
Level of Poverty Reduction	Pearson Correlation	0.984**	1
	Sig. (2-tailed)	.000	
	N	137	137
****. Correlation is significant at the 0.01 level (2-tailed).**			

Source: Primary data, 2011.

From table 4.10 above shows that Pearson Correlation=0.984** between strategy development of MFIs and level of poverty reduction in Hargeisa-Somaliland which suggesting that the two variables, the strategy development of the Microfinance institutions and poverty reduction were related.

The above table gives the nature and type of relationship between the two variables which reveals that there is strong and positive significant relationship between the strategy development of MFIs and poverty reduction in Hargeisa, Somaliland. Thus, the null hypothesis is rejected.

This implies that as long as the strategy development of the microfinance institutions are being implemented, the level of poverty will decline; hence indicate improved living standard and social development.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the discussion of the findings, conclusions and recommendations.

Discussion of the Research Findings

Research Question One:

The first objective of this study was to evaluate the strategy development program of Microfinance institutions in Hargeisa-Somaliland. Data analysis and interpretation revealed the following findings under this objective. Based on analysis of chapter four, majority of respondents reported that the Strategy Development of Microfinance Institution contributed provision of microcredit strategy to poor people in Hargeisa, and there are challenges of microfinance institutions such as Lack of adequate capital for MFIs which negatively affects the microfinance activities, Microfinance institutions contributed provision of business information to the poor, the services of MFIs are sufficient compared to the need of the poor, Lack of adequate access to credit may negatively affect for the poor.

Therefore the findings are in line with Hamdok (1999) which says that the strategy development of microfinance institutions cover a large scale of social and development problems. Most common social service activities offered educations, micro-credits, public shelters, health care centers, and provision of business information to the poor, package distribution (food, cloth and medicaments).

The findings of this study also in line with McCulloch & Calandrino (2003) which says that MFIs are professionally-staffed institutions aiming at contributing to the reduction of human suffering and to the development of poor areas, the MFIs take part in reducing poverty in various ways, for example by funding projects, engaging in service provision and capacity building, contributing to awareness, and promoting the self-organization of various groups.

On the other hand the findings are also in line with Mosley & Rock (2004) they noted the three major challenges for MFIs such as (1) lack of adequate capital (2) lack of adequate access to credit (3) public Misunderstanding about the microfinance institutions.

The study revealed several measures that determine Strategy Development of Microfinance Institutions and they include; Strongly agree, agree, disagree and strongly disagree. The influence is seen on the indicators of microcredit strategy, savings facility strategy, micro-insurance services strategy, training and development strategy and business information strategy.

This is in line with Binswanger and Ojo (2009) who state that specific financial strategies include loans to acquire fixed capital and saving services that enable reserves to be built by borrowers. Access to financial services enables an asset base to be built and therefore improves ability to generate revenue from the assets acquired.

Referring to the previous chapter, Strategy Development of Microfinance Institutions has a moderate relationship with performance which is in line with (Serpa, 2008) who states that if for some reason, the Strategy Development of Microfinance Institutions is falling, the productivity ratio can only remain good when output is falling at a slower rate than the fall in Strategy Development of Microfinance Institutions value. Effectiveness in the use of inputs is important because it achieve set output targets at less cost per unit of output.

Research Question Two:

The second objective of this study was to find out the extent of poverty reduction in Hargeisa-Somaliland. Data analysis and interpretation revealed the following findings under this objective. Based on analysis of chapter four, majority of respondents reported that there are benefits of MFIs services by the poor in Hargeisa-Somaliland, MFIs contribute to the development of housing facilities, such as toilets, swages and bins. MFIs also contribute to the development of water projects, MFIs are maintaining the food security (enough food) for the poor people, MFIs improve the education needs of children, MFIs facilitate on easy access to shops and retails facilities to my people

This findings of this study are in line with Serpa (2008) Microfinance is considered as the provision of financial services to the low-income clients including the self-employed which has evolved as social and economic development approach intended to benefit the marginally poor especially the women.

In addition, this is also in line with Parker & Pearce (2001) state that MFIs are very crucial to the development of a country's economy, strategy development of MFIs are in line with national development, poverty reduction and employment generation. It is the bedrock of any nation's industrialization. A number of studies have been carried out on the impact of microfinance on poverty reduction. In fact, academic interest that shows the impact of Microfinance on poverty reduction is evidenced by the fact that some academic journals have devoted special issues to research establishing this linkage. Some scholars focused on the mechanism by which poverty is reduced.

Poverty reduction Levels of Hargeisa, Somaliland is majorly classified into Assisting Business and human Levels of the reduction of poverty. Human Poverty reduction Levels has a direct impact on strongly Agree, Agree and Disagree. This is in line with Thomas (2002) who states that in any job an individual was required to make a response to a situation, or to take a decision. This response leads to consequences or outcomes to the individual and the organization. Business information strategy and Poverty reduction Levels depends on how Hargeisa, Somaliland laid down its structure to interrelate the knowledge, skills and assets to serve and reach its goal.

Wright, (2000) defined Poverty reduction Levels from a structural viewpoint as a system of technology, human beings, Assisting Business and cultural elements and the interactions of these elements. According to finding discussed in the previous chapter, Business information strategy in relation to poverty reduction levels of Hargeisa, Somaliland has a great impact on its poverty reduction, which is in line with the significant link between microcredit strategy competency and effectiveness of the MFIs.

On the other hand, MFIs managers must have a well articulated vision, interpret events, mobilize employees to aim at the vision and facilitated the institutions to achieve superior performance through effective achievement of poverty reduction goals.

Research Question Three:

The third objective of this study was to determine if there is a significant relationship between the strategy development program of MFIs and poverty reduction in Hargeisa-Somaliland. Data analysis and interpretation revealed the following major findings under this objective; it revealed that there is a significant relationship between strategy development of MFIs and Poverty reduction in Hargeisa Somaliland. These findings indicate that the relationship between MFIs strategy development and poverty reduction is strong and there is a significant relationship between MFIs strategy development and poverty reduction in Hargeisa-Somaliland. Thus, the null hypothesis is rejected.

This is in line with Zeller & Meyar (2002) that says there is relationship between the strategy development of MFIs, their functions, empowerment and poverty reduction of the poverty oriented population in the third world countries, From this viewpoint, MFIs' functions in the community develop the local production of the local markets; help the community to develop the socio-capital development, increase the knowledge and skills; encourage people to participate in activities, and act as a network between community and systems. The involvement in these activities would lead to them become empowered, which is the output of community development and poverty reduction. In the long run, the outcome would be sustainable community development.

In the view of the above mentioned findings, the null hypothesis was rejected.

CONCLUSIONS

This study investigated the relationship between strategy development program of microfinance institutions and poverty reduction in Hargeisa-Somaliland. The results obtained in this study showed that the strategy development of MFIs is considered for reducing poverty in Hargeisa-Somaliland. Similarly, findings reveal that MFIs play a vital role in the economic development of the country.

Majority of the respondents agreed that MFIs increases on their productivity through various activities related to training on skill development, which leads to poverty reduction. Finally, the findings of the study showed that there is a significant relationship between strategy development of microfinance institutions and poverty reduction in Hargeisa, Somaliland.

Further findings reveal that Hargeisa, Somaliland has a number of microfinance institutions that are fighting to reduce on the levels of poverty through several Strategies that are geared towards development. These eventually boost performance which can be seen in terms of efficiency, coordinating programs, self sustainability. Therefore, the emphasis on proper strategies on development is a driving tool that will see Hargeisa adversely reducing on their poverty levels.

According to Pearson's correlation, there is significant positive relationship between strategy development of microfinance institutions and poverty reduction levels as far as Hargeisa, Somaliland is concerned. This makes the earlier hypothesis invalid.

RECOMMENDATIONS

To realize the poverty reduction, substantial continuing resources are required to provide strategy development of the MFIs to the potential clients who are currently outside formal services. Efficient institutional and market mechanisms are needed whereby funds can be sourced and allocated efficiently through appropriately designed services to the poor for profitable investment in agriculture and micro-enterprises. Hence, there is a need to catalyze the growth in supply of sustainable microfinance services and strengthen the capacity of the potential clients to access the services.

This can be facilitated through support for the following mutually reinforcing areas:

- Creating a conducive Strategy on environment
- Developing critical Strategy on financial infrastructure
- Developing Strategy on viable microfinance institutions
- Strategy on Pro-poor innovations in financial technology
- Strategy on Social intermediation

Strategy on Increased Access to Microfinance Services for the Rural Poor

To motivate sustainable MFIs to extend their services (savings and credit) to remote rural areas where the poorest of the poor are, the incentive mechanism in the design document must be immediately implemented. The incentive mechanisms, which must be time bound, could include refund of genuine first year branch operational losses after which the rural branch would be expected to break-even.

Those in resource-poor and low-population density areas, the poorest of the poor and ethnic minorities often tend to be excluded by financial institutions because of risk-return considerations, although the social returns to reaching these clients may be high. Therefore, it is important to support microfinance institutions and other financial institutions to expand the services to these categories through innovative programmes, the development of financial technology that contribute to breaking these barriers through pilot projects and other measures that aim at establishing linkages between formal financial institutions and informal service providers.

Strategy on Policy of Publication of MFIs Interest Rates and Commissions

To enhance competition within the MFIs, the policy of mandatory publication of their interest rates and related charges must be adopted. It should be noted that the policy of publication of interest rates and fees has two important benefits for poverty reduction. First it forces the MFIs Managers and employees to improve on their levels of efficiency which will be translated into lower interest rates to the poor. Secondly it will improve the decision making level at the poor household level for the cost effective source of credit.

Strategy on Design of Appropriate capacity building

The policy option to address this challenge of limited financial products is to build the capacity of MFIs to develop appropriate and flexible products that meet the diverse needs of the poor for both production and consumption microcredit strategy.

Strategy on Gender Responsiveness

There are therefore two policy issues regarding microfinance as an instrument for poverty reduction. First is the capacity building of MFIs in gender to enhance their capacity in the design of policies, procedures and products that meet the practical and strategic gender needs of the poor people. This will enhance the participation of both men and women in MFIs programmes thereby lead to poverty reduction through increased access to both production and consumption microcredit strategy. This can be achieved through the Microfinance Capacity Building Plan, and equity in access and control of productive resources, thereby systematically reduce poverty across all sexes.

Strategy on Policy environment

In many countries, the lack of an enabling policy environment for microfinance continues to be a major constraint. Relevant policy reforms include undertaking interest rate reforms for microcredit and savings strategies, creating an environment sufficiently flexible to accommodate a wide array of microfinance service providers to meet the diverse demand, and redefining the role of the state and the central banks in microfinance development to facilitate the participation of private sector financial institutions. Given that non-financial policies such as agricultural pricing and taxation of micro-enterprises also have a critical role in the sustainable development of microfinance, the policy reforms need to be extended to address such issues where they constitute significant constraints.

Strategy on Financial infrastructure

Microfinance institutions can develop sustainable commercial services on a permanent basis and expand their scope of operations and outreach only if they operate within an appropriate financial infrastructure, such as information systems and training facilities. The legal framework and supervision and regulation of microfinance institutions, including self-regulation and performance standards need to be established to facilitate sound growth and improve the capacity of microfinance institutions to leverage funds in the market and provide competition. However, legal and regulatory systems should not discourage financial innovations, stunt institutional growth, and prevent the emergence of a diverse set of dynamic institutions. Legal barriers preventing banks from establishing business relationships with informal or semiformal bodies, such as community-based organizations or self-help groups, will need to be removed.

Strategy on developing viable microfinance institutions

Viability is critical for expanding the outreach of microfinance institutions to achieve the primary objective of poverty reduction. The institutional development support for viability needs to encompass; (a) ownership and governance, (b) diversified products and services, (c) management information systems and accounting policies and practices, (d) management of portfolio quality and growth, (e) systems, procedures and financial technology for reducing transaction costs, and (f) training facilities. In countries where state-owned agricultural and rural development banks continue to undermine the development of sustainable microfinance operations, reform of such banks is necessary. In some circumstances, especially in transitional economies that lack appropriate institutions to efficiently provide microfinance, new institutions may be needed.

Strategy on Social intermediation

Investment in social intermediation is necessary to increase the capacity of the poor to access and productively use microfinance services. Such investments, among other things, should support; (a) awareness-building programmes on a broad range of microfinance services; (b) information dissemination on service providers; (c) basic literacy, numeracy and skills training for women, ethnic minorities, and other disadvantaged groups; and (d) social mobilization for the formation of community-based organizations and solidarity groups to actively participate in microfinance markets.

There is need for a broad survey in all microfinance institutions in Hargeisa, Somaliland so that a clear view on what is happening in microfinance can be summarized. This survey can help display collective problems affecting microfinance and individual problems and hence look for possible solutions. There is need to source for more funds especially from bigger financial organization like the central MFI in order to increase on its loan disbursing abilities and hence be able to fulfill all the requests of their customer.

Hargeisa-Somaliland needs to open up more branches in the country in order to improve on its Performance and be able to compete with well-established Microfinance institutions in the country. This will help it capture more clients and hence its performance and development may increase.

Areas for further studies

Basing on the research findings, the following topics are worthy researchable as far as Hargeisa, Somaliland is concerned:

i. Loan portfolio and the performance of microfinance institutions.
ii. Working capital management and profitability of microfinance institutions.
iii. Lending terms of Microfinance institutions and their financial performance.

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APPENDIX I

TRANSMITTAL LETTER

KAMPALA
INTERNATIONAL
UNIVERSITY

Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256- 41- 266813 / +256- 41-267634
Fax: +256- 41- 501974
E- mail: admin@kiu.ac.ug,
Website: www.kiu.ac.ug

OFFICE OF THE COORDINATOR, BUSINESS AND MANAGEMENT
SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH (SPGSR)

December 15, 2010

Dear Sir/Madam,

RE: REQUEST FOR HANA ISMAIL MUSE MBA/ 42729/92/DF
TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing a Master of Business Administration, she is currently conducting a field research of which the title is **"Strategy Development of Microfinance Institutions and Poverty reduction ".**As part of her research work, she has to collect relevant information through questionnaires, interviews and other relevant reading materials.

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her will be used for academic purposes only and we promise to share our findings with your organization. Rest assured the data you provide shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Coordinator
Business and Management (SPGSR)

"Exploring the Heights"

APPENDIX II

AUTHORIZATION LETTER

REPUBLIC OF SOMALILAND	**JAMHUURIYADA SOMALILAND**
HARGIESA MUNICIPALITY	**DAWLADA HOOSE HARGEYSA**

REF :XDH/H 175 /2011.

DATE: 20TH FEBRUARY 2011.

RE: Hana Ismail Muse

This is to satisfy that the above mentioned person, a student of Kampala International University (K.I.U) was granted permission to undertake her research entitled "Strategy Development of Microfinance Institutions and Poverty Reduction in Hargeisa-Somaliland" in the Amaah Kalkaal and Does of Hope institutions.

Humble environment was granted and all the necessary information given as requested.

Yours Truly,

Signature:

Eng.Husein Mohamoud Jeir

Mayor of Hargeisa City, Somaliland

Hargeisa Municipality

HARGEISA MUNICIPALITY THE MAYOR/DUQA DHH HARGEISA CAPITAL CITY DAWLADA HOOSE HARGEISA

APPENDIX III

QUESTIONNAIRE FOR SELECTED *MICROFINANCE INSTITUTIONS* IN HARGEISA, SOMALILAND

Dear sir/madam

I am a student of Kampala International University pursuing masters' degree in Business Administration Human Resource Management option. I am carrying out a research study titled."**STRATEGY DEVELOPMENT OF *MICROFINANCE INSTITUTIONS AND POVERTY REDUCTION IN HARGEISA, SOMALILAND".*** You have been selected to participate in this study and therefore kindly requested you to answer the questions below the information given here will be solely for academic purposes and will be treated with at most confidentiality.

Thank you very much in advance.

Yours truly,

Hana Ismail Muse

Candidate for Master of Business Administration

Kampala International University

Kampala, Uganda

SECTION A: PROFILE OF THE RESPONDENT (PR)

(*Please tick the appropriate position)*

1. Gender of the respondent

a) Male ☐ b) Female ☐

2. Age of the respondent

☐

3. Level of Education

a) None ☐
b) Primary/ Intermediate ☐
c) Secondary ☐
d) University ☐

4. What is your family size (Husband, Wife and Child)?

a) 1 - 3 family Members ☐
b) 4 - 6 family Members ☐
c) More than 6 ☐

5. How many years have you operated in microfinance institutions?

a) One year ☐
b) Two years ☐
c) Three years ☐
d) More than three years ☐

6. As a clients of the Microfinance institutions, are you in a rural locations or in urban Location?

a) Urban location ☐
b) Rural location ☐

7. What strategy offer by the MFIs helped in poverty reduction in your area?

a) Microcredit strategy ☐
b) Saving Facility strategy ☐
c) Micro-insurance services strategy ☐
d) Training and Development Strategy ☐
e) Business Information Strategy ☐

Section B: Strategy Development of MFIs (SDMFIs)

Please use the key to answer the following statements by indicating:

(4) Excellent **(3)** Good **(2)** Fair **(1)** Poor

- Please tick in the blanks provided as your response √

Scale	**4**	**3**	**2**	**1**
1. Strategy Development of Microfinance Institution contributed provision of microcredit strategy to poor people in Hargeisa.				
2. The only challenge facing the MFIs is the lack of cooperation between MFIs and traditional banking system to improve the financial capacities, cultural and social development to the poor people in Hargeisa.				
3. Absence of the right organizational structures and the lack of adequate capital have a little affects the MFIs development plan.				
4. Microfinance institutions contributed provision of business information strategy for better access to small loan to poor people in Hargeisa.				
5. The main goal of microcredit strategy is to increase the welfare and economic level of the poor				
6. The strategies/ services offered by MFIs are sufficient compared to the need of the poor people in Hargeisa.				
7. MFIs increase their productivity through Managerial and Leadership training of their employees which leads to overall development skills.				
8. Strategy Development of Microfinance Institution plays a vital role in the economic development of the country				
9. Lack of adequate access to microcredit for the poor may have negative consequences for various household level outcomes including technology adaptation, agricultural, food security health and over all welfare.				
10. MFIs contributed decrease number of MFIs clients who starting/expanding their business.				

SECTION C: Extent of Poverty Reduction (EPR)
Please use the key below to answer the following statements by indicating:

(4) Excellent **(3)** Good **(2)** Fair **(1)** Poor

- Please tick in the blanks provided as your response

Scale	4	3	2	1
1. MFIs strategies are in line with poverty reduction, national development, and business opportunity generation.				
2. MFIs is considered as the provision of financial services to the low-income to benefit the poor especially women				
3. MFIs contributed self employment of poor tin Hargeisa to help in poverty reduction.				
4. Microfinance institutions contributed to the development of housing facilities i.e. public sheds and shelters, toilets, swages and bins to the poor people.				
5. Microfinance institutions could not contribute to the development of water projects in to benefit the poor in Hargeisa.				
6. MFIs maintained the food security (enough food) for the poor family who live under the poverty line in Hargeisa.				
7. MFIs facilitations on difficult access to shops and retails facilities to poor people in Hargeisa as a way to reduce poverty.				
8. Microfinance institutions could not build a public sheds and shelters to poor people in Hargeisa as a way to reduce poverty.				
9. MFIs managers have not a well articulated vision to be achieved through poverty reduction goals.				
10. MFIs plays a vital role in the economic development of the country				

Thank you for your cooperation

APPENDIX IV

CALCULATION OF CONTENT VALIDITY INDEX

$$CVI = \frac{\text{Number of all relevant questions}}{\text{The total number of the items}}$$

Section A:

$$CVI = \frac{6}{7} = 0.86$$

Section B:

$$CVI = \frac{9}{10} = 0.9$$

Section C:

$$CVI = \frac{8}{10} = 0.8$$

Therefore, Average of content validity index is

$$CVI = \frac{2.56}{3} = 0.85$$

APPENDIX V

INTERPRETATION OF MEANS

Range	Interpretation
3.41- 4.00	Very Good
2.81- 3.40	Good
1.66- 2.80	Fair
1.00- 1.60	Poor

APPENDIX VI

RESEARCHER'S CURRICULUM VITAE

Personal Details

Name:	Hana Ismail Muse
Date of Birth:	June, 1980
Place of Birth:	Jeddah, Saudi Arabia
Citizenship:	Somaliland
Mobile:	+252 2 442 3443
Address:	October Street Hargeisa, Somaliland.
E-mail:	hanaim01@hotmail.com

Background

Post Graduate

MBA-Human Resource Management, Kampala International University, Uganda, thesis On Strategy Development of Microfinance Institutions and Poverty Reduction in Hargeisa, Somaliland, 2011.

Undergraduate

Bachelor of Business Administration in Accounting and Finance, With Grade Point Average (GPA): 3.95 at University Hargeisa (UOH), Somaliland. Thesis on Training and Employee Performance, A case study Somaliland telecommunication Company, Hargeisa, Somaliland, 2008.

Diplomas

- Diploma on Leadership and Strategic Management, Faid Technology, Hargeisa, Somaliland, 2004.
- Diploma on Management Accounting, Faid Technology, Hargeisa, Somaliland, 2006.

Secondary School

2003 Graduate, IMAM SHAFI Secondary School, Hargeisa Somaliland.

Certificates

- Financial Planning and Management Certificate, led by International Management Consultant Limited (IMCL), UK, and University of Fort Hare, South Africa. ODL Course (Online Distance Learning) University of Hargeisa, 2007
- Six certificates in IT Master, Information Technology led by African Virtual University (AVU), Nairobi. New Jersey Institute of Technology. Division of continuing Professional Education. University of Hargeisa, 2005

  6 Certificates:

  - A+ PC Repair.
  - Visual Basic.
  - Multimedia.
  - Web Author.
  - Web Manager.
  - Web Developer.

- Certificate in Project Planning and Management, Makarere University, Kampala Uganda, 2010.
- Certificate in Computerized Accounting, Quick books, ACT school of computing Kampala, 2010.
- Certificate in Computerized Accounting, Tally, ACT School of Computing Kampala, 2010.
- Certificate in Research Methodology Training workshop, Kampala International University, 2010.
- Certificate in HIV, AIDS Counseling and Guidance, Vision Counseling and Support Centre, Uganda, 2009.
- Certificate in Customer Care Management, Africa population Consult, Uganda, 2010.
- Certificate in Social Work and Social Administration, Africa population Consult, Uganda, 2010.
- Certificate in Counseling and Guidance,_Africa population Consult, Uganda, 2010.

Work Experience

- **2006-2009 Deputy Registrar in the Registration office University of Hargeisa**

Duties and Responsibilities

1. Administering and implement appropriate internal control systems in the Registration office.

2. Reviewing and checking up all monthly and final exams for all Faculties in the University of Hargeisa.
3. Preparing the official and accumulative Transcript for the University of Hargeisa graduation students
4. Prepare the official Academic records for the University of Hargeisa undergraduate students.
5. Maintaining files system and procedure manuals.
6. Take full Responsibility for all University's certificates Degree, Diploma and ODEL (Online Distance Learning)'s Certificates
7. Training and supervising staff.
8. Prepare an effective procedures system of the New Academic Year.
9. Prepare quarterly students progress reports to the University of Hargeisa's Registrar.
10. Providing all the necessary information to the Vice Chancellor and Deputy Vice Chancellor

- **2004 – 2005 Executive Secretary for the Vice Chancellor University of Hargeisa**

<u>Duties and Responsibilities</u>

1. Prepare administrative final reports for the office.
2. Take the responsibility for all administrative aspects of the Vice-Chancellor Office.
3. Organize a weekly meeting accurately and on time

- **2001 - 2002** **General Secretary for the Head officer**
  Liibaan Construction Company

<u>Duties and Responsibilities</u>

1. Develop a suitable filling system for all Administration Issues
2. Keeping a daily attendance-sheet for all office staff
3. Handling the incoming and outgoing files
4. Prioritize and organize workload.

Languages

- Arabic: Mother language
- Somali: Mother Tongue
- English: Fluent

Additional Skills

- Computer literate
- Good understanding of Microsoft Word and Excel
- Familiar with various statistical packages

Reference

1. Prof. Sunday Olwor - Kampala International University, School of Post Graduate Studies. Tel: 0782960495
2. Dr. Ibraim Liiban Jama - Dean of Student Affairs –University of Hargiesa. Tel: +252218117202
3. Dr. Abdillahi Ali Shaqalleh. Ali- Dean of Academic Affairs –University of Hargiesa. Tel: +2522181126402
4. Dr. Hassan Mohamed Jama- Registrar of University of Hargiesa. Tel: +252244237687