

**MICROFINANCE INSTITUTIONS AND POVERTY ALLEVIATION IN
WESTERN EQUATORIA STATE OF SOUTHERN SUDAN:
A CASE STUDY OF MARIDI COUNTY**

BY

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DECLARATION

I Adil Peter Darama, a Student of Kampala International University, herein declare that this is my original work done to the best of my knowledge and that it has not been presented by any other person to institution of learning for any academic award.

Sign:  Date: 13/09/2011

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APPROVAL

This research report is submitted for examination with my approval as a designated University Supervisor.

Signature.....

Date.....13th/09/2011

Mr. Mohammed SSENDAGI

DEDICATION

I would like to give special appreciation and thanks .to God the Almighty for having brought me this far, it was not easy to do work and studying at the same time and much thanks goes to my mama for encouraging me and my wife **Jackline Margaret** for her support and encouragement though it was not easy to use home finance to manage both studies and home

Special word of thanks and appreciation goes to my cousin brothers **Jadallah Benjamin, Salim Kparama Gabriel** for their support encouragement from the time I started my study up-to this stage, not forgetting those who wished me success.

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Best wishes

Adil Peter Darama

Kampala International University (KIU)

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ACRONYMS AND ABBREVIATIONS

AED	Academy for Educational Development
BOSS	Bank of Southern Sudan, an affiliate of the Central Bank of Sudan
BRAC SS	BRAC Southern Sudan, a subsidiary of the Bangladesh based International NGO of the same name, and one of the microfinance Institutions operating in Southern Sudan
CPA	Comprehensive Peace Agreement
CBOS	Central Bank of Sudan
FSMF	Frankfurt School of Management and Finance
GOSS	The Government of Southern Sudan
IDP	Internally Displaced persons
IFC	International Finance Cooperation (the private sector arm of the World Bank)
MASS	Microfinance Association of Southern Sudan
MCI	The Ministry of Commerce and Industry of Southern Sudan
MOFEP	The Ministry of Finance and Economic Planning of Southern Sudan
MFI	Microfinance Institution
NGO/ INGO	Non-Governmental Organization / International NGO
ROSCA	Rotating Savings and Credit Associations
SRF -SS	Sudan Recovery Fund – Southern Sudan
SSMDF	Southern Sudan Microfinance Development Facility
SUMI	Sudan Microfinance Institution, one of the microfinance Institutions operating in Southern Sudan
UNDCF	United Nations Capital Development Fund
UNDP	United Nations Development Program
USAID	United States Agency for International Development
GEMSS	Generating Economic Development through Microfinance in South Sudan Project.

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Microfinance as a concept was originated in 1974 by economics Professor Muhammad Yunus in Bangladesh, who was moved by the plight of people when the country faced a famine. Muhammad Yunus felt guilty teaching economics in the cool comfort of classroom scenario and left the campus and went to Jobra, a village in Chittagong of Bangladesh, to learn a new method of banking for the poor. That is where he tried the idea of tiny loans for self-employment of the poor and thus the idea of microfinance was born. It is from here that it took the shape of Grameen Bank, Bangladesh and thereafter, has spread all over the world.

Microfinance is the provision of thrift, credit or loans, savings and other basic financial services and products of very small amount to the poor and women in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Donors these days are interested in supporting micro finance institution so as to alleviate poverty in third world Countries in general and south Sudan in particular.

Microfinance Institution is an organization that provides microfinance services ranging from small non-profit organizations to the large commercial banks to the poor people. Micro credit for the poor has emerged as an idea that appeals to several sections of people. In principle, even the world's poorest people can acquire savings and investments if they have access to capital. The strategy redistributive (appeals to liberals) entrepreneurial (appeals to conservative) and empowering (appeals to radicals).

The emergence of microfinance as an alternative to the existing methods of addressing rural poverty through the provision of loans has questioned the fundamentals of the development paradigm in the developing countries.

Poverty alleviation involves improving the living conditions of the people who are already poor, where their living standard has been largely improved as a result of overall economic growth.

Maridi is located in South Sudan in the state of Western Equatoria State with population of about 82,461 People (censuses result 2008).

There are two functional microfinance institutions in Maridi County known as Sudan microfinance institution (SUMI), and BRAC South Sudan Microfinance institution (BRAC).

It has already mobilized 1000 poor women into 220 groups and disbursed loans to over 3000 women borrowers with a cumulative disbursement close to \$0.8 has been working in Maridi Southern Sudan since 2004 and is running successful in microfinance, income generation for vulnerable groups.

There are no statistics on the number of widows in Maridi Southern Sudan but it is worth noting that due to civil war, there are huge numbers of widows in Maridi. They lack skills in income earning activities, confidence, capital and opportunities to get access to finance for borrowing. These widows face tremendous pressures in maintaining families and the children with no daily meals and limited access to schools and health care.

Moreover there is enough fertile land for cultivation but no capital for using the land for farming due to no access to capital for cultivation due to the scarcity of capital in and around Maridi. BRAC Southern Sudan microfinance institution has been focusing on 500 women, identifying and organizing them and finding out their interests so that they get experiences in income earning activities, hence providing them necessary trainings, supplying inputs, following up the progress of activities and providing them access to savings and credit facilities from BRAC microfinance program, thereby reducing the poverty level in Maridi Southern Sudan.

BRAC Southern Sudan microfinance institution has set up a training center in Maridi which provides capacity building services not only to BRAC staff and its clients but to serve other NGOs and government. The microfinance program in Maridi Southern

Sudan is targeting the poor people particularly women of which are the most affected people as a result of the long civil war in Sudan. And as such the program has been expanded to the other states of Southern Sudan in 2010.

Microfinance institutions in Maridi County Western Equatoria State have played a powerful role in building sustainable peace and stability in Southern Sudan by supporting self-employment in the informal economy which supports the majority of the poor hence alleviating poverty in Maridi and Western Equatoria State as whole.

1.1 Statement of the Problem

For about six years now microfinance institutions in Maridi in Western Equatoria Southern Sudan registered a number of problems towards alleviating poverty in the communities where they have been operating. While there only two microfinance institutions (MFIs) currently in Maridi providing microfinance services in Maridi WES , there is only about 2% of potential clients, the IMF's offers a limited range of products and do not as yet address the productive, rural and agricultural sectors effectively. Certain MFIs suffer from a high default rate and feedback from microfinance agencies detail limitations including unstable access to funds (particularly in terms of grant and equity), the lack of a regulatory framework that would enable them to better fund themselves through savings, poor capacity (poorly trained staff, lack of IT systems, poor monitoring and control. Further issues that have been hindering the MFIs provision of microfinance in Maridi Southern Sudan include, high interest rates, Micro credit, problem of group lending, accessibility to micro finance services, low staff retention and the demolition of markets by local government entities, communication infrastructure limits out reach to rural areas, Mobility of borrowers tends to affect work of MFI, while their geographical and sectoral outreach is limited respectively by security concerns and clients access to productive training.

Many efforts have been put by the NGOs, other charity organizations and donors in establishing microfinance industry in Southern Sudan, the problem still remain persistent as a result of poor economic activities, political instability, social behaviors

and technological awareness also influences the growth of microfinance industry sector. The 2005 comprehensive peace agreement (CPA) created a cessation of most fighting and has set the stage for development. There has been significant economic growth since the signing of the CPA, fuelled by policy reforms to encourage investment, a high level of foreign direct investment and macroeconomic stability. But that economic growth has benefited the Sudanese inequitably, with those in the formal economic sector profiting more than those in the informal and today over 90% of people living in Southern Sudan continue to survive on less than \$1 per day. Development efforts to alleviate that disparity have been weak, with development money pledge before the signing of the agreement failing to materialize. There is a history of microfinance efforts in Sudan, going back as far as 1992. However, most efforts at providing financial services are been done either through a charity based model or the already established formal financial sector. The charity based model have failed to address the need for long term sustainability, the formal sector is failing to adopt to the needs of the poor, specifically the rural people who do not have access to finance.

1.2 Purpose of the Study

The main aim of the study is to assess the impact of microfinance institutions on poverty alleviation in Maridi County Western Equatoria State (WES).

1.3 Specific Objectives of the Study

- 1) To find out how interest rate charged on the loans affects the clients borrowing power and income in Maridi County.
- 2) To find out the effect of group lending in microfinance services providers in Maridi County Western Equatoria State.
- 3) To find out whether Microfinance Institutions are accessible to the poor in Maridi County.
- 4) To find out the whether micro credits helps the poor in Maridi County improve their income level.

1.4.0 Scope of the Study

This research is intended to be conducted in Maridi County of the Western Equatoria State. Western Equatoria is made up of ten (10) counties of which the population of Maridi County is about 82,461 people (2009 census result) Southern Sudan where the government of Southern Sudan (GOSS) has been established since the signing of the comprehensive peace agreement (CPA).

1.4.1. Time Scope

This research is intended to cover a period of 18 weeks or 4 and half months. Three weeks will be spent during the research field in the county. In addition one week will be devoted for library research, two weeks for compilation, writing and processing of the data got from respondents, three weeks for writing the research dissertation and one week for editing, as being clarified in the timeframe of appendix b.

1.5 The Conceptual Framework

This explains the relationship between the variables in the research problem. In this particular topic, the effects of interest rates, group lending, micro credit effects on the clients and the accessibility of Micro finance services to the poor community in order to alleviate poverty, and the dependant variable which is poverty alleviation in Maridi County Western Equatoria State.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the examination of research materials on the microfinance and poverty alleviation. It involves the, interest rate charged on loans, effects of group lending, micro credits advantages and problems associated with it and the accessibility of microfinance services, and the overview of microfinance, its global origins, the Current provision of MF in Maridi County Western Maridi WES, challenges and constraints faced by microfinance, its contributions to the economy, factors affecting its operations and sustainability, reasons for poor or delayed loans payments.

2.1 Interest rates on the loans

High interest rate charged on loan by the lender on the borrowers makes it difficult for the borrowers to re- pay loan. Hence there are many cases of defaults because the borrowers could not afford to pay back the loan in time (Yunus Muhammad, 2003).

Another thing is also time given for the client to pay the loan is very short many borrowers find it difficult to bring the installment of loan repayment hence leading to many cases of defaults.

2.2 Group lending of loans and the clients

Over the last six years, microfinance has proved to be a significant intervention tool for poverty alleviation, particularly in urban places such as Maridi Western Equatoria State and rural areas especially but the problem of group lending has limited the services in many ways like when one wants startup a business for you to get another trust person is very difficult hence limiting the improvement in life of the poor. Sometimes also you may be in a group with some body who may default and the burden of repayment is

shifted all on you instead of progressing your incomes tend to come down (Matin, Hulme 2003).

2.3 The Global Origins of Microfinance

Microfinance was first started in 1974 in Bangladesh by Muhammad Yunus the professor for economics. As a result of famine, floods, wars and economic depression that have been affecting mankind globally, microfinance was initiated to offer access to financial resources to the poorest of the poor in the rural areas, so that they undertake self-employment activities or venture in very small businesses in order to alleviate them from their poverty. According to (Vinod Kothari and Neha Gupta) microfinance is the provision of thrift, credit or loans and other financial services and products of very small amount through a variety of institutions to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. According to the World Bank, it estimates that there are now over 7000 microfinance institutions, serving some 16 million poor people in the developing countries. The total cash turnover of MFIs worldwide is estimated at us \$ 2.5 billion and the potential for new growth is outstanding. It is estimated that worldwide, there are 13 million microfinance borrowers and growing rate is 30% annually, according to Data Snapshots on microfinance- the virtual Library on microfinance. Since, the signing of the comprehensive peace agreement (CPA) in 2005, there has been significant economic growth fuelled by policy reforms to encourage investment, a high level of foreign direct investment and macroeconomic stability. The Southern Sudan BRAC microfinance in Maridi aims to increase the productivity and ability of women borrowers in order to build assets and create better livelihoods by providing trainings in life skills and agriculture particularly in livestock and poultry sectors.

Since poverty alleviation program came to ascend a prominent role in development strategies of the Government of Southern Sudan (GOSS), the Central Bank of Sudan (CBOS) AND THE Bank of Southern Sudan (BOSS) are now paying close attention to microfinance projects through formulating a viable comprehensive policies and plans to

channel the necessary efforts and resources so as to alleviate poverty in the country. The Central Bank of Southern Sudan (CBOSS) through its annual credit policy direct commercial banks to allocate a certain proportion of (12%) from their total lending portfolio to microfinance projects, moreover a great focus and emphasis has been lied on agriculture, households sectors and the disadvantaged groups in the community particularly women and the youths.

2.4 Micro credit and its effects on the poor

The microfinance services in Maridi Southern Sudan is that clients receive loans in small amounts since the loans given are starting with small amount you can not been give bigger amount when you just starting taking loan this tends to limit the capacity of the borrower who could take larger amount of money which could increase their level of income (Ledgerwood, Joanna and Victoria White, 2006).

The are two microfinance institutions (MFIs) that operate in Maridi County in Southern Sudan, as well as a number of small cooperatives or rotating savings and credit associations (ROSCA's) The six (6) main Main's consist of BRAC SS (a subsidiary of the Bangladeshi INGO of the same name), SUMI (the result of Greenfield investment by USAID), and FSL (funded by ARC International and micro Africa Limited), and the Rural Finance Initiative (RUFi). They give a micro credit to the clients until a certain level that the amount could be increased.

2.5 Accessibility of microfinance services.

Most of the services of micro finance are situated in urban areas leaving other areas without like the villages. Some of the people from the villages could be included in the service but due to distance and road condition it makes it difficult to have those services.

Table 1: Showing the microfinance providers in Maridi Western Equatoria Southern Sudan

NAME	TYPE OF COMPANY	BRANCHES	STATUS	DETAIL
BRAC SS	NGO (Locally incorporated INGO) & Licensed by BOSS	2	11	One of the major MFIs expanding exponentially since establishment in 2010
Sudan Microfinance Institution (SUMI)	Company Limited by Guarantee & Licensed by BOSS	Main office	10	One of the major MFIs established in 2003

Presently, the MFIs estimate that they cover 8% of the available clients in the greater Maridi region and less than 3% of the potential market in Southern Sudan. Whilst the majority of clients still focused in urban hubs and have a very low rural penetration, the MFIs address mainly women (67%) and the rest of the 23% to the other disadvantaged groups.

Loans range from 75 to 3000 USD and are usually issued for a period between 4 to 8 months (depending on the particular MFI and the respective product type). The MFIs rates are not unduly excessive (range of 15 to 36% per annum) given the high costs of Southern Sudan and the Kenyan averages (30% per (30% per annum), but their products are not greatly diversified (mainly group loans, individual loans and salary loans), and they have not as yet serviced the strong demand for savings products and housing loans.

MFIs clients mainly consist of informal vendors that operate without license or registry. Trade and services sectors are the main clients sectors (68%), with only a sprinkling of loans to agriculture and livestock (15%) and manufacturing (11%). Clearly there is much room for expansion both in terms of breadth and depth of coverage, along with a more clear set support for the productive sectors.

2.6 Principles Governing MFIs

- 1) Appropriate legal and regulatory structures are needed in microfinance to enable institutions to provide responsive, efficient and sustainable service to the poor and to integrate themselves into the financial system.
- 2) Performance standards, prudential norms and regulations and reporting requirements should fit the characteristics of the microfinance sector. For instance, reliance on overall portfolio performance rather than on traditional collateral on loans.
- 3) MFIs should be able to charge interest rates needed to cover the high costs of making small loans and to become sustainable.
- 4) Requirements on good governance and management in MFIs are needed to ensure fiduciary oversight and to generate the needed credibility.
- 5) Government should not involve in lending out money but it should rather help as an advisory body only by setting a supporting policy environment that accommodates MFIs.
- 6) Donors' funds that are contributed towards MFIs success should have impacts on the communities. The donor funds should complement private capital to assist establishes the microfinance industry to the point where it can privately fund sources from savings by the clients.
- 7) There should be supervision of MFIs usually done by the Central Bank, which requires the MFIs to adhere to the laws and policies of the Central Bank.

2.7 Factors for responsive provision of MFIs

- 1) The commitment and passion of the microfinance practitioners to liberate the majority and vulnerable groups in the society out the vicious cycle of poverty by providing them with financial services that meet their needs hence contributing to improvement of their livelihoods.
- 2) Having a clear definition of microfinance developmental driven financing and how it differs from commercial driven financing.
- 3) Having a variety of innovative financial products and services delivery models that are able to effectively, efficiently and sustainable meet the changing needs of the poor or the disadvantaged groups in the society.
- 4) The driving forces of profitability that the institution achieves make them actively in the market.
- 5) Government support towards the microfinance institutions has led to their continued growth in the market.
- 6) Donor funding that substitutes the local capital contributions has led to their success.

2.8 Challenges and constraints to the provision of microfinance in Maridi western Equatoria Southern Sudan

There is huge potential of development of microfinance programs in Southern Sudan, particularly in the light of the current social and economical conditions. The government is prioritizing poverty alleviation in its policies. However, there are several and substantial challenges and constraints facing the microfinance sector which unless addressed will limit the effectiveness in fulfilling its role in poverty alleviation and economic development. Some of these challenges and constraints include:

1. *Limitation of outreach:* The limitation of the out-reach tacking services to the poor by microfinance and institutions which are in turn encountering problems of poor

communication and infrastructure hindering services delivery outside the main towns.

2. *Lack of coordination:* Absence of coordination between microfinance providers in term of data, information and exposure of best practices, experiences and networking, especially between banks and non- banks sectors.
3. *Capacity building programs:* Strengthening community institutions through capacity building programs for the target group including clients and microfinance providers as well as including complementary and effective microfinance strategies.
4. *Scarcity of skilled labor and low staff retention:* As with commercial banks, the MFIs have difficulties finding staff with good financial sector skills given the national human resource base in Southern Sudan. While the MFIs provide trainings to their staff, they have difficulties matching the salary levels of NGOs and international organizations, and consequently struggle to retain their staff for over the two (2) years.
5. *The previous and reoccurring market demolitions:* The microfinance clientele often consists of informal vendors that operate without license or registry, often occupying land without the formal title to do so. The previous and reoccurring destructions of informal markets by the local government entitles in Maridi have thus caused severe losses to the micro- entrepreneurs, with echoing consequences to the MFIs who had loaned them funds.
6. *Access to funds:* The MFIs lending has been limited by low levels of liquidity, their loan portfolio ranging from 70 to 90% of their deposits. While this was a major problem in 2010, the incoming donors and funding agencies still suffer from delayed and irregular disbursements of such funds, as well as the scarcity of grant and equity capital in their early stages of development. Once the MFIs are able to access a more consistent flow of funds, they will better be able to market their services and outreach to new clients.

7. *Lack of a regulatory framework:* Given the risks that depositors incur of losing their deposits in the case of an institution's default, microfinance organizations are not usually allowed to take savings (non- collateral savings) from their clients without the appropriate regulation and supervision from the Central Bank. Currently in Maridi Southern Sudan, the MFIs are issued a license to operate, but the precise circulars ordaining regulations are still pending production (the equivalent of the microfinance Act in Uganda). This delay in setting up a regulatory framework is limiting the MFIs ability to take clients deposits (savings), and thus curtails their ability to both to service demand as well as to access's an importance source of finance. Further, since savings are a key development tool in their own right, it would be a key to facilitate the provision of saving products (example through the introduction or entry of microfinance banks) whilst the development of appropriate regulation is being undertaken.
8. *The need for technical support:* The MFIs currently operating in Maridi suffers from a low access to best practices (such as the ability to develop new products, train their staff and monitor their operation adequately). This is especially important in maintaining a low cost structure, and low default rate and a rapid replication and expansion of operations. The support agencies operating in Maridi are now addressing this issue.
9. *Lack of knowledge of government institutions:* The MFIs note a general misunderstanding of the government institutions about microfinance and the facilitation of facilitate of its development. The drafting of policy at the government level as well as the training of key officials at BOSS, the MOFEP, would be recommended.
10. *Limited diversification across sectors and productive activities:* Due to the low availability of training and sector specific skills transfer in Maridi Southern Sudan, lending is concentrated in the services and trade sectors. If further support is provided to micro- entrepreneurs to expand diversify their businesses into other productive activities, the MFIs would be able to service a greater clientele and diversify their risk of their portfolios.

11. *Lack of security and transport facilities in non- urban areas:* In certain rural areas, businesses expansion is limited due to the lack of security and lack of transport availability. The provision of these would enlarge the MFIs client base in rural areas.

12. *High cost of operation in Maridi Southern Sudan:* The comparatively higher cost structure in Maridi Southern Sudan (compared to other states in the region) curbs the speed at which the MFIs can reach sustainability (with comparatively similar interest rate and fees). Certain states in particular have high costs of operation and establishment (given low infrastructure levels) relative to the market size.

Empowerment of women

The major spin- off of the microfinance movement at the grassroots level has been that fact that women have used this system to come out and join a mainstream activity in the village. In many areas, particularly where there has been support from NGOs, women have gained a voice and have been able to use this space to come out of their traditional roles into a more proactive male space.

Capital mobilization

Women have been able to mobilize capital and in the process they have acquired skills have enhanced their economic, social and political power. Their positive growth has usually been achieved or realized where microfinance are linked with NGOs that have facilitated training and capacity building with additional inputs.

Poverty alleviation

The targets of microfinance facility are the low income earners in communities particularly those who cannot raise money to start business. Microfinance extends those loans to those people so as to finance very small businesses or to buy assets for the business hence improving their standards of living and fosters economic growth and development.

Skills acquisition and development

The microfinance facility has also been extending to accommodate skills acquisition and development. Skills in welding, hairdressing, dress- making, and use computers to set up business centers from the microfinance facility. In this regards, microfinance will help people who will also be employers of labor transferring the skills they have acquired from the microfinance scheme to set up for them businesses. Given the emphasis on skill development and acquisition, more people may smile as the microfinance scheme goes deeper into the rural areas.

Employment opportunities

With the loans extended to the people and the skills acquired, people engage in self-employment projects that allow them to generate their income, saved and continue to invest as they begin to build on their wealth and gradually poverty alleviation program can be achieved.

Microfinance also helps in development of the economy

With giving of the loans to people who are interested and committed to establish a sustainable business so as to realize income hence eventually increases their disposal income which leads to economic growth and development.

Asset building

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

Reducing vulnerability

By reducing vulnerability and increasing earnings and savings, financial services allow the poor households to make the transformation from every day survival to planning for the future. Increased earnings and access to micro- insurance also means that clients

may seek out and pay for health services when needed, rather than go without or wait until their health seriously deteriorates.

Access to the credit has allowed the poor people to take advantage of the economic opportunities

With the increased earnings clients have overwhelmingly reliable resources of credit to provide a fundamental base for planning and expanding their businesses activities. Many studies have shown that clients who join and stay in micro credit programs have better economic conditions than non- a client suggesting that these programs contribute to their improvements hence alleviates them from their poverty gradually.

2.8.4. The credit standards in MFIs

This credit standard focuses on the person who wants credit from financial institutions. These are the criteria which the MFIs follow in selecting customers for credit extension. This is a very fundamental credit policy and requires intensive analysis. The loan officer will consider the following about the applicant that is his or her character, capacity, capital, collateral, the economic conditions and the cash flow of that particular applicant.

2.8.5 The guidelines that donors follow in MFIs

In following that the MFIs work runs, donors make sure that the guidelines they give are considered accordingly such as outreach, depth of outreach, portfolio, financial sustainability, efficiency and capacity building.

2.8.6 The challenges faced by MFIs from donors

Rigid conditions

Donors give MFIs rigid conditions when giving those donations. For example they may require them to spend the money on some specific developments which may not be a priority then.

The donors may also require the MFIs to employ their own employees.

This becomes a big challenge to the MFIs because they could be having their own employees that they want to work with them. The challenges here become either to retrench the MFIs employees or employ the donor's employees or not.

The donors may also provide expatriates to MFIs who may not be well qualified

These expatriates will be employed and then fail to perform their duties as expected which in turn may lead the MFIs in incurring losses due to mismanagement of resources.

Capacity building

This is yet another challenge faced by MFIs from the donors. Donors may train the MFIs on how to be more effective and efficient but eventually do not give them funds needed to make them more efficient and effective.

Interest rates

This is another challenge faced by MFIs from donors. Donors charge a certain percentage of the interest on the funds they lend to MFIs. MFIs in return charge another percentage of interest to the clients so as to make some profit from that money given to them by the donors. The overall effect is that the interest rate will eventually become high which in turn will discourage the poor from borrowing and hence MFIs will find difficulties in repaying back the funds to the donors.

2.8.7 How donors, investors and policy makers can effectively help build the financial sectors that serve the poor

Since, microfinance is the provision of loans, credit, saving services and other basic financial services to the economically active people to enable them sustain their income generating activities with the aim to improve on their standards of living. Donor, investors and policy makers can effectively build financial sectors that serve the poor by ensuring the going concern concept aiming at satisfaction of clients needs, sustaining the financial sector in terms of operating cost, availability of funds among others so as

to ensure the effectiveness of the financial sector however the financial sector should have the required processes and considerations.

2.8.8 The current support to the microfinance sector in Maridi western Equatoria Southern Sudan

Currently the main providers of financial and technical support to microfinance agencies are the SS MDF, USAID, GEMSS, VOCO, ACDI, UNCDF and UNDP.

2.9 The reasons for poor or delayed loans payments of MFIs

High Interest rates

The people/ clients who are given loans complaints for the high interest rates charged on the loans which makes time not repay the loans in time, the repayment period is also another reason because the time given is sometime very short.

Lack of saving culture

Normally, the people targeted by microfinance institutions most all the first timers in the industry have the problem of saving. They do not have the culture of saving and also do not believe in credit saving making it hard to recover the loans in time.

Inflation rate

The inflation rate that a country faces makes it uncertain as to when the loans repayment can be made possible. The fluctuation of the rates from time to time makes it unclear as to when will the individual pay back the loans.

Natural calamities

One of the most uncertain forces of nature that play part in delaying loans repayment is the natural calamities which includes; the war, drought, flooding, earthquakes and volcanic eruption. It is very hard for financial institutions to recover their money from the clients after such an event thus resolving to writing off the debts by the various financial institutions.

Diversion of funds

Some of the loaned people tend to use the funds for other reasons other than those specified in the terms of obtaining the loans. The end result is that time of repayment of the mature without any fund available therefore, making it impossible to keep the loans available for someone else interested.

Inside lending

When the management decides to lend out huge sum of money to staff within the company and once that borrowed funds are not used wisely, it extends the period at which it is suppose to be paid hence impact on the reasons for delay in loans payments hence affecting the operations of the microfinance industry.

Corruptions

It is always common that when there are a lot of corrupted official, there is a lot of funds that are normally transferred to individuals' interest rather than using it for the organization. Hence it affects the microfinance industry in the sense that the company can not have enough liquidity for its daily operations and for settling other obligations.

Lack of willingness to pay

There are many clients who have borrowed money from the microfinance industry that uses this funds in their respective businesses and continue with their activities thereby do not want to pay back the microfinance due to lack of willingness and commitment hence delay loans payments.

Over lending

It is ideal that the management of the microfinance sector should make sure that the loans extended to the clients are within their budget line because when it is beyond their planned budget line it makes it hard for the clients to pay within the agreed period thereby making the clients to request for more period of time so as to get money in order to clear their debts hence delay loans payments

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter basically focuses on the methods that the researcher will be using in examining the research design, the area of study, study population, sampling size, sample technique, sampling procedure and also explains the various methods of data collection that will be used. Additionally, this chapter will also explain the data processing and data analysis and the limitation of the study.

3.1 Research Design

The Research Design is a case Study of Maridi County. It is designed in Kampala Uganda for the purpose of Study.

The study is both quantitative and qualitative in nature aimed at giving detail account to the microfinance institutions towards poverty alleviation of the communities in Western Equatoria State Maridi County Southern Sudan.

3.2 Area of Study

This study will be conducted in Maridi County of the Western Equatoria State Southern Sudan. Respondents will be selected from the various groups in Maridi including women, youths, traders, entrepreneurs, businessmen and the MFIs staff.

3.3 Research Population

The Population of the people in Maridi County is about 82,461(2009 census result) eighty two thousand four hundred sixty one and out of this 30 will be chosen at random for the Study so as to get the data needed for the research work.

3.4 Study Population and Area

This study will be conducted in Maridi County's Payams and bomas of the Western Equatoria State Southern Sudan. Respondents will be selected from the various groups

in Maridi including women, youths, traders, entrepreneurs, businessmen and the MFIs staff. The research is intended to cover a total of thirty (30) different respondents.

3.5 Sampling Technique

This study shall be carried out by use of random sampling technique. This study will also involve a purposive sampling method that will be used in carrying out on the selected informants. Respondents will be identified depending on their willingness and their availability so as to take part in this exercise or study. With this arrangement manner, the researcher would be able to arrive at full information from the respondents that will be sampled randomly.

3.6 Sampling Procedure

Prior to its commencement, an introductory letter will be sought from the Department of Distance learning (CDOL) of Kampala International University (KIU) after the submission of this research proposal to the supervisor, which will then be presented to the local authorities in Maridi Southern Sudan. With this approach, a permission to conduct the research in Maridi would be granted to the researcher by the County Executive director of Maridi County, who will therefore access the needed information and the respondents for this study.

3.6.0 Methods of Data collection

3.6.1 Research instruments

Questionnaires

These are pre- formulated written set of questions to which the respondents will record their answers. It is an efficient data collection mechanism especially when the researcher knows exactly what is required. The researcher will use questionnaire in getting information from the various respondents. The questionnaire, which will comprise of open and close- ended questions that will require respondents to answer all the questions to the best of their knowledge.

Questionnaires can be administered personally or mailed to the respondents but for this study, the questionnaire will be self- administered to the targeted respondents.

Participants willing to provide information will be guided in the questionnaire filling process and questions will be asked from the respondents by for any clarification from the researcher.

The questionnaire will be the most preferred because it saves time especially when the group is big and geographical scattered, it gives straight forward answers and therefore easy to evaluate and it can be stored for future reference.

3.7 Sources of data

The researcher shall make use of both primary and secondary sources of data:

Primary sources of data

These primary sources of data will be used for collecting the first hand data or information directly from the field (or respondents). The data will be acquired using this source includes instruments such as questionnaires, interviews and observation among others would be utilized accordingly.

Secondary sources of data

Secondary sources of data regarding this study will include data obtained from libraries, journals, newspapers and internet among others. The information acquired from these sources would be helpful in the review of related literature and for comparison and analysis of work by other researchers in their respective fields of research.

3.8 Data Processing

There are three key activities that will be involved in the data processing of this research work. These three essential activities involve are coding the collected data from the field, editing it and compiling the whole work using different information got from the findings. In order to realize efficiency, every question in the questionnaire will have to be answered and errors involved in the coding process, if at all there is any that appears,

will be checked and verified, thereby enhancing the actual professional nature of this study.

3.9 Data Analysis and Presentation

The researcher will organize and extract the needed information from the data collected during interviews, and use frequency tables and pie chart to analysis the information needed, then do the presentation to the Department of college of open and distance learning (CODL) and Management of Kampala International University as a dissertation for the award of a Bachelor degree in Commerce. (Finance)

3.10 Limitations of the study

- (a) The study will not involve other vital respondents from other part of Southern Sudan because of the time factor. Therefore, too limited time is likely to pose a problem to the researcher.
- (b) Negative attitudes of some people in Maridi WES those that are not willing to give out information due to lack of trust on the researcher hence making it difficult for the researcher to get enough and the required information.
- (c) Some organizations ask for payments in order to reveal information of their organizations for instance, organization profiles and the names of employees.
- (d) The difference in language between the researcher and the people in Maridi Western Equatoria hinders interviews with illiterate respondents, though this is not so much evident but it also accounts to certain degree to the research limitation.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATIONS

4.0 Introduction

This chapter gives the presentation interpretation of the field results. The results are presented on table and form of frequency counts and percentages. The results and discussions are centered on the set objectives.

4.1 Profile of the respondent

Table 2: Profile of the respondent

Respondent	frequency	Percentage
Sex		
Males	29	45
Females	36	55
Total	65	100
Youth	23	35
Traders	10	15
Microfinance Staff (MFIS)	4	6
Farmers	28	43
Total	65	100

Source Primary Data

Eighty (80) questionnaires were distributed to the people and 65 were filled and returned. This therefore, represents 81 % of the total number of the questionnaires that were distributed.

The Study covered 65 randomly selected people of who 29 (45%) are males and 36 (55%),

The other groups were Youths 23 representing 35%, Traders 10 representing 15%, MIF Staff 4 represent 6 % farmers 28 representing 43 %.

Interviews were held with other church leaders 15 church members participated in the study. Of the fifteen 7 were males and 8 were females.

4.2 Effects of high interest rate on the clients borrowing power.

The first objective of study was to find out the effect of high interest rate on the borrowing power of the client and their income. To achieve this, respondents were asked question related to interest rate. The result was as in subsection table below:

Table 3: Opinion on effect of high interest rate that affect the borrowing power of client

Response	Frequency	Percentage
Strongly Agree	16	25
Agree	29	45
Strongly disagree	10	15
Disagree	10	15
Total	65	100

Source Primary Data

Figure 1: Opinion on whether high interest rate affects the borrowing power of the clients.

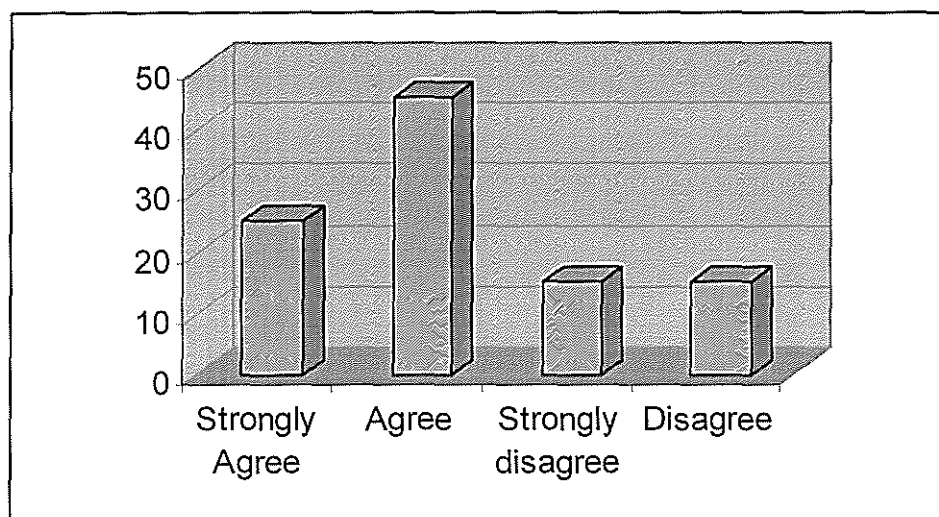


Table 3 indicate that 16 (25%) of the respondents strongly agree that high interest rate charged affect the borrowing power of the clients. 29 (45%) agree while 10 (15%) strongly disagree and 10 (15%) disagree.

The clients in the interviews revealed that a high interest rate charged on loans affect however improve the income level of the borrowers.

Respondents were asked on the effect of group lending affecting Micro finance service in Maridi County. The table below shows the opinion.

Table 4: Opinion on the effecting of group lending that affects micro finance service in Maridi County.

Response	Frequency	Percentage
Strongly agree	25	38
Agree	20	31
Strongly disagree	9	14
Disagree	11	17
Total	65	100

Source primary Data.

Table 4 shows that 25 (38%) of the respondent strongly agree that group lending affect service provided by micro finance service in Maridi County. 20(31%) agree while 9(14%) strongly disagree and 11(17%) disagree.

According to the other people group lending is good in that it safeguard the issue of defaulting.

Table 5: Opinion on whether micro finance institutions are accessible to the poor in Maridi County.

Response	Frequency	Percentage
Strongly agree	20	31
Agree	25	38
Strongly disagree	9	14
Disagree	11	17
Total	65	100

According to finding 20(31%) of the respondents strongly agree that the poor have access to Micro finance in Maridi County. 25(38%) agree while 9(14%) strongly disagree and 11(17%) disagree.

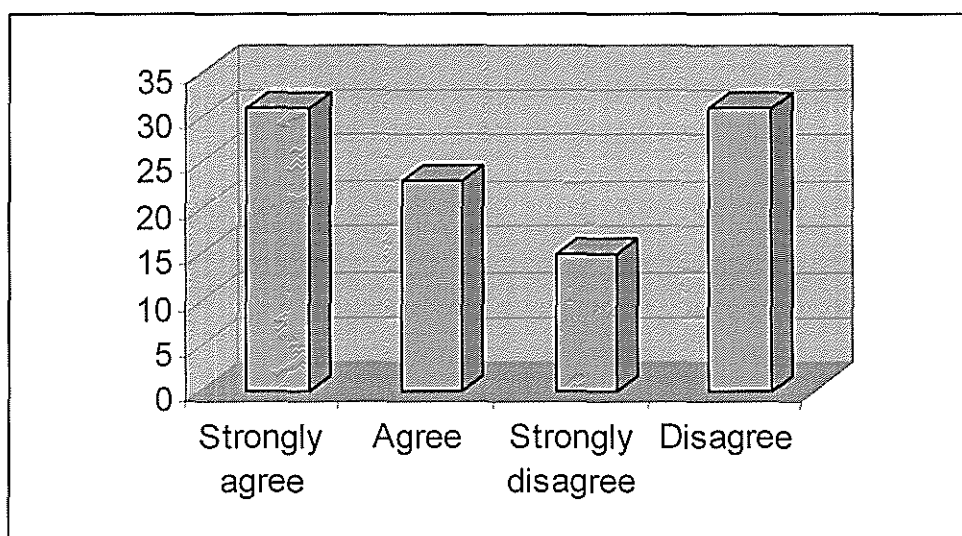
Respondents were asked on whether micro credits help the poor in Maridi County to improve their income level.

Table 6: Find out whether micro credit helps the poor to improve their income level.

Response	Frequency	Percentage
Strongly agree	20	31
Agree	15	23
Strongly disagree	10	15
Disagree	20	31
Total	65	100

Source: Primary Data

Figure 2: Find out whether micro credit improve the income level of the poor.



The table and chart indicate that 20(31%) of the respondents strongly agree that micro credit improve the income level of the poor people in Maridi County.18 (28%) agree while 11 (16%) strongly disagree and 18(28%) disagree. According to the Microfinance staffs they said that micro credit improve the income level

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study looked into the micro finance Institutions and poverty alleviation in Maridi County Western Equatoria state. Southern Sudan. Four objectives were developed now this chapter presents and summary, conclusions and recommendations of the findings.

5.1 Summary of the findings and their relevance

This section summarizes the finding of micro finance institutions and poverty alleviation.

5.1.1 How high interest rate charged on loans affects the borrowing power and income level of the borrower.

The study wanted to establish the effect of high interest rate charged on loan whether it is affecting the borrowing power of the clients and it found out that 29(45%) agree that high interest rate charged on loans affect the borrowing power of the clients and their level of income.

5.1.2 Effect of group lending on micro finance service provider in Maridi County.

The study revealed that 25 (38%) strongly agree that grouping lending affect the service delivery to the poor by microfinance service.

5.1.3 Accessibility of micro finance by the poor in Maridi County

The study showed that 25(38%) agree that the poor do not have access to micro finance facilitates due to poor roads, distance and the conditions put for them to access micro finance.

5.1.4 Effect of Micro credit help the poor to improve their income level.

The study revealed that 20(31%) strongly agree that micro credit helps the poor by improving their income level.

5.2. Conclusions.

Based on the findings it was concluded that micro finance institutions alleviate poverty in Maridi County Western Equatoria State Southern Sudan. The study shows that fair interest rate and group lending are good for development of the poor in Maridi.

According to the study group lending is also good for safe guarding issue of defaulting though sometimes all the groups can default.

5.3 Recommendations

Based on the on the conclusions of this study the following are some of the recommendation.

1. The micro finance institution managers should charge a fair interest rate in order to enable the poor to access the credit facilities.
2. Group lending is to be managed well in order to reduce the issue of defaulters and hence collateral security should be allowed.
3. Accesses to the micro credit facilities should be taken seriously by government to allow opening of branching in all the payams so as to reduce the issue of no where credit is only to few hands. And most the rich are the ones who have access to these credits forgetting the poor who are supposed to be ones to benefit.
4. Micro finance should continue to provide credit facilities to the poor because it was found that it keeps on improving the income level of the poor. The only improvement is that security put for securing credit should be a bit low to allow the poor to access loans.

Areas of further research

The researcher appeals to researchers to venture in details on issue of high interest rate charge on loans. And collateral security this is only in support of the rich leaving out the poor.

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APPENDICES

APPENDIX A

RESEARCH QUESTIONNAIRE

Dear Respondent

I am Adil Peter Darama, a student of Kampala International University (KIU), pursuing a bachelor in Commerce. I am carrying out a research entitled "Microfinance Institutions and Poverty alleviation in the community of the people of Western Equatorial State in Southern Sudan: A case study of Maridi County". I am conducting this research as partial fulfillment of the requirements for the award of the bachelor's degree in the course I am offering. I therefore, kindly request you to answer the questions in the questionnaire to the best of your knowledge. All the information that you will provide herein will be treated privately and confidentially.

1- Gender

Male ☐ Female ☐

2. Age 18 -35 ☐ 36-90 ☐

3. The current interest rates charged on the Loans very high they discourage borrowers from borrowing.

Strongly agree ☐ Agree ☐ strongly disagree ☐ Disagree ☐

4. What are the challenges and constraints affecting clients in paying back the loan as per the time stipulated in loan contracts in Maridi County?

.....
.....

5. Group lending is the best means of giving out loans in Maridi County.

Strongly Agree ☐ Agree ☐ Strongly disagree ☐ Disagree ☐

6. The services provided by Microfinance Institutions are Accessible to the poor people in Maridi County and its villages?

Strongly Agree [] Agree [] Strongly Disagree [] Disagree

7. Micro credits help the poor to improve their income level in Maridi County

Strongly agree [] Agree [] strongly Disagree [] Disagree []

8. What are some of the recommendations to the challenges and constrains of Microfinance Institutions in providing services to the poor in Maridi County?

.....
.....

9. How many people you know that have benefited from Microfinance service in Maridi County.

.....
.....

10. Why do you think Micro finance focus mostly on women?

.....
.....

11. Is micro finance solution to poverty alleviation in Maridi County?

.....
.....

12. Dose the government of Southern Sudan support Micro finance and provide training to the people of Maridi County.

.....
.....

13. Name the organization that support Micro finance you know of in Maridi County.

.....

.....

(b) INTERVIEW GUIDE

- 1) What is microfinance?
- 2) What is microfinance institution?
- 3) Does microfinance exist in Maridi?
- 4) Do poor people in Maridi need financial services from microfinance?
- 5) Do poor people have access to credit facilities?
- 6) Who are the clients of microfinance?
- 7) Have you known of any person that I have benefited from microfinance loans?
- 8) Why do so many MFIs focus on women?
- 9) Is microfinance the solution to poverty alleviation?
- 10) Interest rates are charged highly on the borrowers which discourage borrowing
- 11) Can microfinance be profitable?
- 12) Is there any problems encountered when getting loans from microfinance?
- 13) Is the government strengthening communities' institutions through capacity building programs?
- 14) Why does microfinance lend primarily to women?
- 15) Does microfinance help poor people?
- 16) Why do Microfinance Institutions (MFIs) charge high interest rates to the poor people?
- 17) Are poor people too poor to save?
- 18) What is the role of Regulation and Supervision in microfinance?
- 19) What is the Government's role in supporting Microfinance?
- 20) 20). How does microfinance help the poor people?
- 21) Which organization provides funds and supports the microfinance industry?
- 22) Is there any microfinance Association that exists in Maridi?
- 23) How many females and males the receive loans from your institution.

APPENDIX B
RESEARCH BUDGET

ITEMS	QUANTITY	UNIT PRICE	AMOUNT
STATIONERY			
Pens	02	2.0	4.00
Memory Stick	01	80	80
Rim of Papers	01	50	50
TRANSPORT & COMMUNICATION			
Travels	-	-	80
Meals	-	-	80
Water & soft drinks	-	-	40
DATA COLLECTION			
Library	5 days		
Online Surfing	10 hours		
TYPING & PRINTING			
Research Proposal	1 copy	30	30

Research Dissertation	1 copy	50	50
PHOTOCOPYING & BINDING			
Research Proposal (Photocopy)	2 copies	10	20
Research Proposal (Binding)	2 copies	20	40
Research Dissertation (Photocopy)	1 copy	20	20
Research Dissertation (Binding)	2 copies	3.50	7.00
OTHERS			
Research Questionnaires questions & Interview Questions (Photocopy)	30 copies	5.0	150
Miscellaneous (contingency)	-	50	50
GRAND TOTAL	-	681	SDG

Six hundred and eighty one Sudanese pounds only