THE ROLE OF MICRO-CREDIT ON POVERTY ERADICATION:

A CASE STUDY OF BRAC SUDAN LIMITED IN

BOR COUNTY, SOUTH SUDAN

BY

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BEC/10007/81/DF

A DISSERTATION SUBMITTED TO THE SCHOOL OF ECONOMICS

AND APPLIED STATISTICS IN PARTIAL FULFILLMENT

OF THE REQUIREMENTS FOR THE AWARD OF A

DEGREE OF BACHELOR OF ARTS IN ECONOMICS

OF KAMPALA INTERNATIONAL

UNIVERSITY

JULY, 2011

DECLARATION

I, Ateny Mayom Daniel, do hereby declare that this is my original work and that it has never been produced by anyone in any other university.

Signature of student: Dmawaichor

Ateny Mayom Daniel

Date: 15/07/2011.

APPROVAL

This research study was carried out under my supervision and it is ready for submission to the examining committee.

Supervisor Signature :

Ssekajugo Derrick

Date : 15/07/011

DEDICATION

I dedicate this book to my beloved parents Mr. Ateny Wai Chol and Mrs. Nyanachiek Manyang Jok and my wife Adhin Ngang, son Wai Mayom for their unwaving support during the period of study and appreciation for their support. I thank them for their prayers and words of encouragement.

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ABSTRACT

The study was conducted in order to assess the role of micro-credit on poverty eradication in Sudan using Brac Sudan limited in South Sudan. The study sought to; assess the activities offered by micro-credit facilities among the family households, establish the implications of the major derivatives which related to poverty eradications and micro-credit establishments and establish the relationship between Brac Sudan Ltd and poverty reduction strategies in Bor County, Southern Sudan.

The literature review was conducted with the aim of establishing and shading more light on the role of micro-credit on poverty eradication in the area under study in developing countries and developed countries. And the study used a descriptive cross-sectional survey design based on quantitative and qualitative techniques of data analysis.

The researcher collected the necessary data using questionnaire and interview methods of data collection. Data was tabulated and then analyzed in order to draw inference from the data collected. The information collected from the respondents through questionnaires and interview guide questions were used in order to answer the objectives of the study.

The study fund out that, Brac Sudan Ltd, as a provider of micro-credit, has a key role in ensuring not only the survival of its borrowers and their family members during crisis but also during their rehabilitation after it. The crisis management capacity of Brac Sudan Ltd borrowers was found to be higher than others.

It was concluded that, poverty reduction is undoubtedly a doable proposition. It can be significantly and rapidly reduced with Brac Sudan Limited micro-credit programs provided; the required funds are available to the nascent micro-credit industry at reasonable costs, a professionally, competent and motivated staff is engaged in performing the operational tasks,

This study recommended that in order to enhance the participation of farmer in accessing loans for agricultural production aimed at reducing poverty at household level, incentives must be provided, such as development of financial markets to improve credit access to private traders, reduce taxes on imports of purchased inputs, and improve transaction rules/regulations.

CHAPTER ONE

1.0 Introduction

The study was carried out in order to assess the role of micro-credit on poverty eradication in Sudan using Brac Sudan limited in Bor County as a case study. This chapter presents the background of the study both historical and conceptual perspective, statement of the problem, purpose, objectives, research questions, scope and significant of the study.

1.1 Historical perspective

Poverty reduction has always been a high priority for governments in Africa and Micro-credit is a one of the innovative solutions which has been identified in this regard. As the global recognition for Micro-credit as a powerful instrument for empowering people continues to rise, governments are also increasingly under pressure to document the outcomes of their Micro-credit programs and to come up with better policies to exploit the possibilities of Micro-credit. This is based on the observation that the Micro-credit industry is promoted not only by market forces but also by concrete actions of governments.

Micro-credit aims to provide financial services to poor and self-employed people (Otero 1999) including services such as savings and credit as well as expanded services such as insurance (Ledgerwood 1999). It has been perceived that Micro-credit is still relatively underdeveloped in Africa. Blavy (2003) noted that African enterprises and poor population still do not have the desired facility to avail of Micro-credit services compared to other third world countries and showed while Micro-credit institutions have started up in African countries to provide financial services; their activities still need to expand.

In the experience of Africa, savings depend a lot on public savings. The main aim of Micro-credit institutions to develop in African regions is to fulfill the financial needs of households and small enterprises that do not get sufficient help from banks where there is difficulty in procuring credit facilities. Moreover, they also are instrumental in improving the economic growth by reducing poverty and being instrumental in encouraging savings services. It can be one of the best sourcing of finance to African regions. Also it can be instrumental in eradicating poverty by providing capital on easy terms, encouraging investments by providing exciting schemes or providing finance in emergency on easy terms. Micro-credit can also provide lucrative savings schemes, thus encouraging people to invest their savings and increase their funds. Thus, it also provides safety to their hard earned and saved money. Moreover, interest on their fund would be a bonus for the people. This provides poor people with the advantage of meeting their contingencies and make sufficient investments for their future. The outreach of these Micro-credit institutions and their ability to encourage the people to save and invest with them would show their performance and the viability of opening of these institutions ("Micro-credit" 2010).

1.2 Conceptual perspectives

According to John S (2001), poverty is the lack of the basic human needs such as clean water, nutrition, health care, education, clothing and shelter due to inability to afford them, which is termed as absolute poverty. Similarly, relative poverty is the condition of having fewer resources or less income than others within a society or country.

Micro-credit has been defined by Farlex Jeen (2009), as any institution that collects money and puts it into assets such as stocks, bonds, bank deposits and loans.

1.3 Statement of the problem

Micro-credit institutions have been established in almost all parts of the country, with the main objective to eradicate poverty among the households. This micro-credit have been focusing on the ways of improving households incomes as well as social welfare by providing credit services to the poorest people in the society. However, these micro-credit institutions have not been able to meet their core objectives of eradicating poverty among the poorest people in the rural areas (King and Levine 1993).

It is due to this inefficiency of the micro-credit to meet their core objective which has prompted the researcher to conduct a research which will investigate the extent to which the micro-credit has helped in alleviating household poverty. In the study, the researcher will research on the effects of micro-credit on poverty eradication, whereby Brac Sudan Ltd was taken into consideration.

1.4 Purpose of the study

The purpose of the study was to establish the effect of micro-credit on poverty alleviation in Bor County.

1.4 Objectives of the study

The study was guided by the following objectives;

1. To assess the activities offered by micro-credit facilities among the family households in Brac Sudan Ltd, Bor County, Southern Sudan.
2. To establish the implications of the major derivatives which related to poverty eradications and micro-credit establishments in Southern Sudan
3. To establish the relationship between the activities offered by micro-credit facilities and family households

1.6 Research Questions

Concretely, the research answered the following research questions:

1. What are offered by micro-credit facilities among the family households in Brac Sudan Ltd of Bor County, South Sudan?
2. What are the implications of the major derivatives that are related to poverty eradications and micro-credit establishments in South Sudan?
3. What is the relationship between the activities offered by micro-credit facilities and family households

1.7 Scope of the study

The study was carried out in Bor County which is located in Jonglei State of South Sudan with a total surface area of 2804179 sq Km (www.Borcounty.go.sd). The County borders five Counties, that is; Terekeka in South, Torit in the East, Pibor in the North East, Twic in the North and Awarial in the West. Basically, the researcher intends to carry out research on the effect of micro-credit on poverty alleviation which will take place between May and August 20011.

1.8 Significance of the study

The researcher believes that this research will be beneficial to the better understanding of the effects of micro-credit on poverty alleviation.

The researcher believes that the results may be beneficial to policy makers in developing appropriate policies which will help small and large micro-credit's in achieving their overall goal which is alleviating poverty.

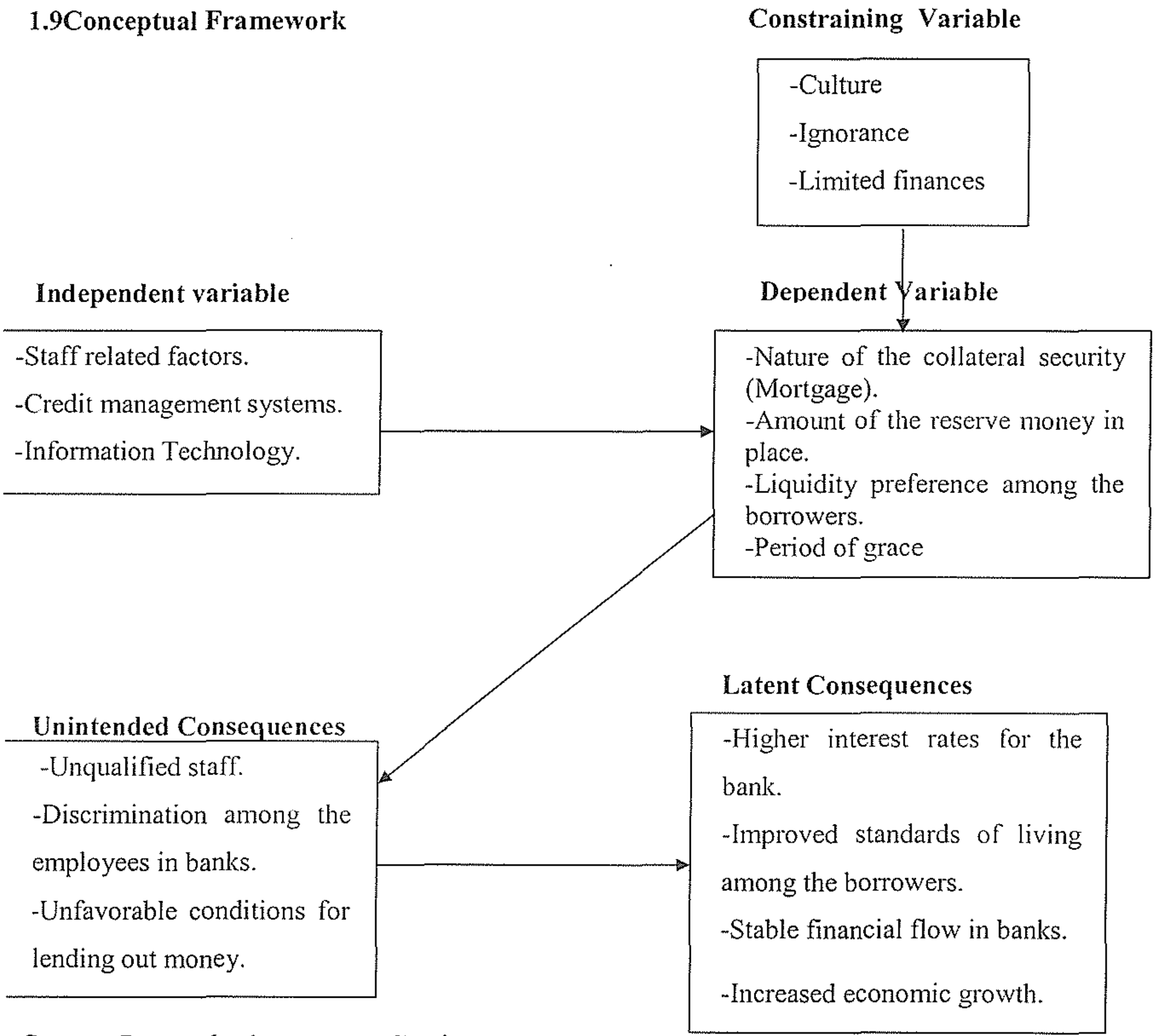
The research study findings will help the NGOs to formulate and implements new strategies which will help in alleviating poverty through local micro-credits.

The study will also act as a benchmark for future researchers in their research. In this case, the study will act as a guideline especially on the same problem as well as helping to identify gaps being left.

To the donor community, the research findings may reveal the extent of accountability for their long time support to the micro-credit institutions in achieving the overall goal which is poverty alleviation.

The researcher conceptualizes this conceptual framework in the following diagrams

1.9Conceptual Framework



Source: Researcher's conceptualization

Credit facilities introduced in rural areas have previously been ineffective as they were misused by farmers for example farmers used loan funds to educate their children, marry second wives while others used that money for personal issues rather that invest it in their agricultural businesses. Other farmers on the other hand were completely ignorant about services offered by the credit institutions, others were afraid to access the credit because they were given biased information that it would make them poorer because of the high interest rates placed on the loans, and yet other farmers were too poor that they did not have security to access credit, which is still evident even today among farmers.

Therefore the conceptual framework shows that if there is an increase in the access of credit facilities by rural farmers through increase of number of credit institutions as well as terms of service in terms of security and increased information about credit institutions available to farmers by the institutions through workshops and seminars to educate farmers on how best to use this loan money, will lead to agricultural development, despite the fact that some constraints like poor infrastructure like roads communication, traditional conservativeness, insecurity and strong traditional ties may exist, the increased access of credit facilities by credit institutions will lead to increased incomes which will in turn reduce on poverty, as well as increased output as farmers can now afford to buy more capital to supplement labour like machinery, fertilizers, better quality seeds and as a whole there will be an improvement in the standards of living of the farmers, hence rural development.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

Under this chapter the researcher brings out a critical review of the issues that have been explored and studied both theoretically and empirically in the existing literature on the role of micro-credit on poverty eradication in Uganda and else where in the world. It is important to note that the greatest part of the existing literature on the works of other scholars who have written about the topic of the study or those who have addressed similar issues as those of the variable that was available in the study.

2.1 Activities offered by micro-credit facilities among the family households

Micro-credit refers to programs that are poverty focused and that provide financial and business services to very poor persons for generation of self-employment and income. Credit is a powerful instrument to fight poverty. The role of micro-credit in reducing poverty is now well recognized all over the world. It is no longer the subject matter of micro-credit practitioners alone. Governments, donors, development agencies, banks, universities, consultants, philanthropists and others have increasing interest in it.

Micro credit is a program that extends small loans to people with low incomes for self-employment projects that generate income, allowing them to care for themselves and their families. As 50 percent of the population in developing countries comprised of the self-employed in the labor force, access to small amounts of credit with reasonable interest rates provides an opportunity for poor people to improve from a meager income generating activity to small micro enterprises. As micro credit programs offer a variety of services and resources, i.e. saving facilities, training, networking, and peer support, it allows families to work to end their poverty with dignity and it has been shown that poor people achieve high repayment records. Although the World Bank is a major possible key player in making the U.N. Millennium Development Goals a possibility, it has yet to make a significant effort in investing in microfinance to help the population living with less than $1 a day. The Micro credit Summit Campaign was re-launched in November 2006 to 2015, with reaching the poorest, reaching and empowering women, building financially self-sufficient institutions and ensuring a positive, measurable impact on the lives of clients and their families as the core themes of the Summit.

There is a need for governments in developing countries to resolve the problems of poverty and agricultural decline in rural areas. The means of achieving this is through the revitalization of the agricultural sector (Badru, 1997). Capital surpluses must thus be transferred from other sectors of the economy to agriculture. This is best facilitated by credit institutions (Ajobo and Oguntade, 1996). Such involvement would lead to improved agricultural production and rural development. Furthermore, it would lead to higher incomes and better quality of life of the rural population. Experience has however shown that while Nigeria farmers over-utilize labour and land, they under-utilize credit. Many reasons are adduced for this but the primary reasons are its insufficiency and limited sources from which it can be obtained (Ajobo and Oguntade, 1996).

Adams et al (1980), states that credit plays an important role in improving production by either helping to acquire improve technology or by supporting increased production activities and consequently improving the income of the beneficiaries. Its effectiveness however depends on a number of factors, which may range from type of enterprise, duration of credit, risks and uncertainties and socio-economic demographic characterizes of the borrower. However not every farmer in this case accesses the credit. It is usually limited to a few members of the community who can afford the interest rate, the collateral required and the enterprises sometimes choose whom to give the credit basing on status such that the poor farmers who should be the ideal beneficiaries do not get access to it and thus their production remains meagre.

Odoemenem (1991) identified production expansion as the primary motivation of farmers for borrowing. Others are profit optimization and improved family standard of living. Yet just a third of the credit needs in rural areas are met by formal lending agencies (Obeta, 1992). This has led to the dominance of informal credit associations. These include cooperatives, community development associations and moneylenders. Many reasons are given for the inability of formal institutions to meet credit needs in Nigeria. Firstly, they are controlled through their headquarters located in the cities. This has put them out of touch with the needs of subsistence farmers. Also, untimely release of funds, cumbersome loan procedures and high interest rates limit farmers' access to loans from this sector. In light of the substantial resources possessed formal lending sources relative to inadequacy of credit, there is a need to evolve a means of stimulating formal credit availability to rural areas (Obeta, 1992).

Many Sub-Saharan African countries including those in the Sahel experienced growth in the use of modern inputs during the 1970s and early 1980s. However, government-financed structures supporting the use of these technologies proved to be inefficient and financially unstable contributing to huge government deficits that led to extensive economic reforms (Kelly, 2000). Reardon *et al.* (1997) note that during and after these reforms (1980s and 1990s) Sahel farmers' use of improved inputs and equipments (such as fertilizers, fungicides, improved seed, animal traction and organic matter) stagnated or declined due to limited access to financial services. Reardon *et al.* (1996) found that in Senegal, fertilizer use on peanuts dropped/reduced from 38,000 tons in 1976 to 3,000 tons in 1988 and overall consumption of fertilizer went from 75,000 tons in 1980/81 to 27,100 tons in 1985/86, 19,900 tons in 1986/87, and 22,400 tons in 1987/88. In Zimbabwe Reardon *et al.* (1996) also found that smallholders rapidly adopted hybrid maize when fertilizer credit was available and output market prices were guaranteed. When fertilizer credit was eliminated in 1985, fertilizer use declined. The amount that could be purchased with government credit to smallholders was 44,000 metric tons in 1992 compared with 148,000 tons in 1986.

Studies in Africa show that credit oriented production, creates incentives for farmers to use inputs (Strasberg *et al.*, 1998). Goverch and Jayne (1999), show that access to purchased inputs, in many cases depends on the existence of viable and sustainable marketing arrangements for crop output. This means that for the demand of inputs to increase there should be in existence-integrated markets for both products and inputs. Likewise where improved inputs are not used, it is either because farmers lack access to them or because improved input use is not justified, in terms of profitability and risk, under current agronomic and economic conditions (Reardon *et al.*, 1997). On the other hand, a farmer's perception on which crops to apply fertilizer is often determined by the marketing prospects of the crops and, therefore the ability to generate adequate cash to reimburse fertilizer loans. As a result, farmers tend to use fertilizer on crops that have fixed prices known in advance, guaranteed purchases of unlimited quantities, and well developed markets (Yanggen *et al.*, 1998).

Reardon *et al.* (1997) note that the presence of financial institutions that provide cash to buy inputs, and increase access from the supply side to improved inputs and low-risk output marketing, stimulates farmer investment in improved input use. Farmers are attracted to participate in such loan giving institutions because they are profitable, and because the schemes are vertically coordinated, providing both access to inputs and credit as well as a stable market for output. Savadogo *et al.* (1994, 1995) found that in Burkina Faso the payoff (in terms of marginal value product) in the use of animal traction, manure, and fertilizer was 13 times higher on cash crops (cotton and maize) than on semi-subsistence food grains (millet and sorghum). Al Hassan, Kyyd and Waner (1996), found that in northern Ghana fertilizer use is low and varies over farms, but tends to be applied only on marketed crops (hybrid maize, cotton, rice) and not on the subsistence food crops (millet, sorghum, and cowpeas). Clay *et al.* (1995) found in Rwanda that fertilizer use is strongly correlated with a crop's profitability; hence, more fertilizer is used on cash crops (white potatoes and coffee) as the payoff is much higher than on subsistence food crops. Debrah (1999) found that in Guinea, most fertilizer (60-70%) is used on cotton, but the estimated 12% that is used on maize, millet, and sorghum, is used by farmers who have access to fertilizer through the cotton companies. In addition, Dione (1989) in a study conducted in Mali shows that cash crop production and use of fertilizer are key determinants in the use of and investment in animal traction. Barrett *et al.* (1982) also found in Eastern Upper Volta that market conditions for cash crops affect farmers' capacity and decision to invest in draft animals and equipment. This shows that the promotion of high-value, high return enterprises may improve the households' ability to invest in lumpy assets such as animal traction.

Over a hundred thousand people gathered on 17 October 1987 at Trocadero in Paris in order to honor the victims of extreme poverty, violence and hunger. On this day, poverty was proclaimed as a violation of human rights and ever since then, every October 17th has been declared as the International Day for the Eradication of Poverty and was reinforced by resolution 47/196 on December 22, 1992. Poverty not only include financial resources to ensure sustainable livelihoods, but also hunger and malnutrition, limited access to education and basic services, social discrimination and exclusion in decision-making. The World Social Summit defined poverty eradication as an ethical, social political and economic imperative of mankind and called on governments to address the root causes of poverty, as well as provide for productive resources, credit, education and training. The Second United Nations Decade for Eradication of Poverty (2008 – 2017) was proclaimed by the General Assembly on December 2007, supporting the broad framework for poverty eradication with emphasis on the need to strengthen the role of the UN in promoting international cooperation. Despite the commitments made previously in trying to eradicate poverty, progress made around the world has been uneven and although some regions may have experienced overall reduction in poverty, others have been rising, especially for women and children. The second Decade further goes to supporting the internationally agreed development goals, such as the Millennium Development Goals, and stresses the importance of mobilizing financial resources, both nationally and internationally. It was also noted through the analysis of the first Decade that the successful strategies used by countries were long-term, focused on national economic, social and cultural dimensions.

2.2 Implications of the major derivatives which related to poverty eradications and micro-credit establishments

Poverty is not a concept that can be easily defined or explained. Questions on whether poverty has increased throughout the world cannot be easily answered as records of such standings have only been recently recorded if recorded at all. Ironically, it is considered not the growth of poverty around the world that has brought attention of many nations to such an issue, but it is due to the economic growth that we are now being able to compare the better off from those of the poor. The concept of being poor is such a new idea that even a solid definition that can be accepted around the world in regards to poverty or poor has not yet been created. Nevertheless, household incomes throughout the world have been compared and though many statistics may differ in the scale poverty have been measured, it is evident contrary to what the media may portray, that the level of poverty has been declining the past few decades.

Poverty is a global issue. Despite changes in development paradigms in the last half of the 20th century, the promise to bring wellbeing to all human being remained unfulfilled. As it stands, more than 100 million children of primary school age have never stepped inside a class room, about 29000 children die each day from largely preventable malnutrition and disease and more than 1.2 billion people in the world are struggling to survive - at the margins of human existence " on under a dollar a day. Poverty is a problem for all the countries irrespective of their level of development. It can be observed in many forms. It has both income and non-income dimensions. It may be a lack of income or resources, a lack of coping capacity, a lack of basic human capabilities, a lack of institutional defenses or in extreme cases a lack of all of these. In a wider sense, it may be a combination of economic, social and political deprivations. In consideration of poverty line, people in each country can broadly be divided into 2 categories namely poor and non-poor. The non-poor are living above and the poor are living below the poverty line. The poor may be divided into destitute (bottom 10 percent below the poverty line), extreme poor (those in the bottom 10 to 50 percentile of households below the poverty line), and moderate poor (the top 50 percent of households living below the poverty line).

According to an analysis made by Columbia University professor Xavier Sala-I-Martin in 2002, the share of the world population in severe poverty $555 per year declined from 17.2% in 1970 to 6.7% in 1998; nearly two-thirds. Most of the headway against poverty can be seen from 1980 and has been continuously increasing. 85% of the 1.3 trillion people living with less than $3 a day live in Asia. However, through the economic prosperity Asia has been increasingly experiencing since the 1980s has gotten hundreds of millions of people out of this category. Unfortunately, the poverty level in Latin America had remained constant and Africa has seen a significant increase the level of poverty.

It is in a bid to redress this situation that the Agricultural Credit Guarantee Scheme (ACGS) was established in 1977. Initial fund made available to the programme was 100 million naira. A development activity under the Central Bank of Nigeria, the scheme was designed to encourage commercial banks to increase lending to the agricultural sector by providing guarantees against inherent risk in agricultural lending. At inception, maximum loan to be guaranteed was one hundred thousand (N100, 000) naira for individuals and one million naira for cooperatives and corporate bodies. Such loans would require collateral. Collateral would however be waived for loans below 5000 naira. In case of default, the lending bank is expected to exhaust all forms of loan recovery, including the realization of any security pledged for loans, before the ACGS pays the 75% of guaranteed loans in default (Central Bank of Nigeria, 2000).

A large proportion of the population in India is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability. In India, although the share of agriculture in real GDP has declined below one-fifth, it continues to be an important sector as it employs 52 per cent of the workforce. The growing adult population in India demand large and incessant rise in agricultural production. But per capita availability of food, particularly cereals and pulses, in recent years has fallen significantly. As a result, slackening growth of agriculture during last decade has been a major policy concern.

Three main factors that contribute to agricultural growth are increased use of agricultural inputs, technological change and technical efficiency. With savings being negligible among the small farmers, agricultural credit appears to be an essential input along with modern technology for higher productivity. An important aspect that has emerged in last three decades is that the credit is not only obtained by the small and marginal farmers for survival but also by the large farmers for enhancing their income. Hence, since independence, credit has been occupying an important place in the strategy for development of agriculture. The agricultural credit system of India consists of informal and formal sources of credit supply. The informal sources include friends, relatives, commission agents, traders, private moneylenders, etc. Three major channels for disbursement of formal credit include commercial banks, cooperatives and Micro-Finance Institutions (MFI) covering the whole length and breadth of the country. The overall thrust of the current policy regime assumes that credit is a critical input that affects agricultural/ rural productivity and is important enough to establish causality with productivity. Therefore, impulses in the agricultural operations are sought through intervention in credit.

Despite the unwillingness and or inability of banks to lend to micro businesses in deprived areas, Park house and Drury (1994) argue that banks are best placed to lend to micro businesses in deprived areas. This is because whereas the banks are not forced to lend to all businesses, businesses are forced to use at least some aspects of the formal finance system. They have to open bank accounts and need the money clearing mechanism, which is currently run by the major banks. Businesses need other financial services such as savings and a comprehensive financial system that takes care of all their business needs not just credit needs. The banks reduction in their branch system accentuates the problem as evidence shows that small businesses and especially those in deprived areas tend to use more cash and as such need branches. Copisarow (2000) further argues that lending to micro business in deprived communities requires a specialized approach, thus supporting the establishment of alternative institutions such as CDFIs. She is quick to note that the banks should have an interest in supporting such institutions as the micro businesses represent the next generation of small business clients for the banks and an additional market for non-credit products. A partnership approach, which enables the banks and CDFIs to share information and experience, will be of benefit to both the banks and the CDFI industry.

Banks however, have not completely neglected 'non-bankable' businesses in deprived areas. The banks have recognized the importance of alternative institutions such as Community Development Finance Institutions (CFDIs) providing credit to those the banks do not lend to. Though banks may not directly lend to micro businesses in deprived areas, they run or contribute to a number of

CDFIs providing over 20% of total funding and by providing bank staff as seconded to the institutions. In summary, the banks have an important role to play in the provision of credit to micro businesses in deprived areas. Though they are not likely to lend directly to micro businesses in deprived areas, they collaborate with CDFIs to facilitate lending Greenbaum, 1990).

Lenders may fail to allocate loans efficiently because of information problems in the market for small business loans. For example, lenders may not be able to obtain reliable information concerning a potential borrower's ability to repay a loan. Information problems may be so severe that they lead to credit rationing and constitute a credit market failure. In Stiglitz and Weiss's (1981) classic analysis of credit market equilibrium in the presence of information frictions, banks consider both the interest rate they will receive on a loan and its riskiness when deciding to lend. However, in the presence of imperfect information, banks face two information effects that may cause the riskiness of the bank's loan portfolio to be affected by the bank's choice of a lending rate; this in turn, makes it unlikely that a rate will emerge that suits both the available buyers and sellers (that is, no interest rate will "clear the market").One information effect, adverse selection, impedes the ability of markets to allocate credit using just the lending rate because it increases the proportion of high-risk borrowers in the pool of prospective borrowers. The other information effect, moral hazard, reduces the ability of rates alone to clear lending markets because once loan is extended the actions of borrowers is not independent of the lending rate.

Adverse selection is a consequence of an environment in which lenders can only observe the risk characteristics of a pool of borrowers but not those of any individual borrower. The inability of lenders to determine the risk characteristics of an individual borrower would not be a problem if loan applicants were drawn randomly from the borrower pool. In such a case, banks could post a loan rate that the reflected the risk of the average potential borrower. The bank could make a large number of small loans to borrowers in the pool, and the bank's loan portfolio would have the same risk and return characteristics as the pool of borrowers. Unfortunately, the willingness of a borrower to pay any posted lending rate is not independent of his risk. Borrowers who are willing to pay a higher interest rate are likely to be, on average, worse risks, since they are likely willing to borrow at a higher interest rate because they perceive their probability of repaying the loan to be lower. So, as the interest rate rises, the average "riskiness" of those who are willing to borrow increases-the adverse selection effect-and this may actually result in lowering the bank's expected profits from lending (Melnik, 1986).

Evidence from a recent survey (Board of Governors of the Federal Reserve System [1988]) is consistent with these motives. The most highly ranked reasons given for revolving commitments were "general convenience and minimizing loan arrangement costs," and "protection against general credit crunches," both of which are consistent with the liquidity flexibility motive. The next most highly ranked reasons were "to ensure credit access against a creditworthiness deterioration," and "to lock in a fixed markup over a reference interest rate," both of which are consistent with the risk aversion motive. A bank can escape its obligation to lend on a formal commitment only if the borrower's condition has suffered "material adverse change," or if the borrower has violated some other covenant in the commitment contract. Although material adverse change clauses are some what vague, banks may nevertheless honor commitments to borrowers to whom they would otherwise refuse credit or charge a higher rate in order to maintain the bank's reputation for future commitments or to avoid legal costs. Note that if banks did not generally lend under commitment when circumstances would dictate different spot market loan terms or rationed credit, then commitments would lose much of their insurance value and would not purchase them for the protections cited above. This is discussed further in section Confirmed lines of credit is the other broad category of loan commitment (one-third of the total dollars). These are expressions of a bank's willingness to lend to a customer that are normally extended in order to insure liquidity or to provide third-party guarantees for the commercial paper market or other lenders. Confirmed lines have much lower fees than formal commitments and are generally viewed as much less risky because (1) they usually are issued to higher quality borrowers, (2) they often confer no interest-rate guarantees, and (3) they are taken down much less frequently than formal commitments.

2.3 Relationship between the activities offered by micro-credit facilities and family households

Micro finance is recognized as an effective tool to fight poverty by providing financial services to those who do not have access to or are neglected by the commercial banks and financial institutions. Financial services provided by Micro Finance Institutions (MFIs) generally include savings and credit. According to an estimate, currently 67.61 million people around the world have access to micro financing. This number is expected to grow steadily in the future since the target is to reach 100 million poor people with credit by the end of the year 2005.

With the advent of Grameen Bank and other such programs micro-credit obtained a new identity, a new meaning and a place in development literature. It is no more a mere concept. It is now a worldwide movement. The total outreach of Micro credit Programs (MCP) as compiled by the Micro-credit Summit (MCS) is 54.9 million clients including 26.8 million very poor when they started with the program. According to a guess estimate of Muhammad Yunus, however, the number of poorest clients' families reached by MCPs would be at least 35 million by the end of 2002. This includes those who have not been reported by the MCS. Credit 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 ones destiny and the agent of change not only for ones family but also for the society.

Guirkinger and Boucher (2005) found that informal credit and productive assets endowments were the factors that increases credit constrained household's productivity. Nuryartono et al. (2005) found that under certain condition 18.1 percent of the household were addressed as no credit constraints household. 21.5 percent of households have access to formal credits in the rural areas of Central Sulawesi Province. Self selection problem and collateral constraints were the factors of credit constraints. The study tried to dig out the determinants of credit constrained household, focusing on the formal credit market by using a probit model. By applying switching regression model the study tried to highlight the affect of credit constrained household on the production of rice. Probit model results showed that human capital, wealth and risk-bearing indicators were significant in determining whether a household is credit constrained or not. Ducan and Rosenthal (1993) argued that if a farmer's demand for credit exceeds than lenders supply of credit he will be credit constrained.

What role do financial markets play in the evolution of people's well-being over time in a poor agrarian economy? It is well known that rural economies in developing countries are subject to market failures. Imperfections in credit markets, in particular, have a number of serious consequences for production and consumption in the short run, and for asset accumulation, poverty reduction, and the evolution of well-being in the long-run. For example, credit constraints could obviate the supervision cost advantage of small farmers (Kevane 1996), lead them to adopt costly and less efficient insurance substitutes, such as low return-low risk crop and asset portfolios (Rosenzweig and Binswanger 1993), and result in an inability to smooth consumption in the face of income shocks. As a result, credit-constrained farmers may hold a portfolio of less risky but less productive assets, affecting their productive performance and income paths over time. Credit constraints do not limit investments in physical capital alone: if parents cannot borrow to finance their children's health and education, they may not be able to invest optimally in their children's human capital, with consequences for the well-being of future generations (Taubman 1992; Foster 1995).

Credit constraints may also result in behavioral adaptations such as fragmentation of fields, migration of and remittances by family members, gift-giving, and patron-client relationships that are often characterized as being part of peasant rationality. (Deininger, 2001) because multiple market failures are likely in developing countries, it is almost impossible to focus on imperfections in one market without paying attention to its inter-linkages with others. In part due to the prevalence of multiple market failures, the welfare implications of credit constraints for poor farmers are deeply interlinked with the structure of agricultural production, and particularly with the degree of commercialization. The production of crops primarily for sale rather than for subsistence generally leads to greater use of marketed inputs and can also affect the distribution of land if the optimal farm size differs between the cash and subsistence crops. In addition, many cash crops are subject to greater production risk than basic food crops. Indeed, the decision to grow semi-subsistence food crops may reflect greater risk aversion, particularly for the poor. These factors affect the sources of demand for credit between the two types of farming. Commercialized farmers are likely to have greater demand for credit to finance crop production than semi-subsistence food crop farmers. Whether commercialized farmers also have greater demand for credit as a form of insurance and consumption smoothing depends on the relative riskiness of the cash crop. As a result, the presence of credit constraints will have different implications for asset accumulation and welfare for cash crop and food crop farmers. The differences in production environment also affect default risks and loan sizes, so that the probability of being credit constrained differs by degree of commercialization as well. Moreover, the development of rural financial institutions such as group-lending programs and Rotating Savings and Credit Associations (ROSCAs) will reflect the differences in sources of credit demand in regions dominated by commercialized versus subsistence farming.

Most empirical studies of credit market constraints have focused on outcomes in the short to medium term. However, there is scant evidence on the long run effects of credit constraints. For example, Zeller and Sharma (1998) were unable to find any short-run impact of access to financial services on nutrition, perhaps due to an insufficiently long timeline for measuring credit access. Similarly, while economic models have simulated the impact of credit market imperfections on long-term accumulation and the resulting structure of production (e.g. Carter and Zimmerman 2000), empirical studies of long-term economic mobility are limited, in large part due to the absence of longitudinal data linking past credit market imperfections to current outcomes.

Bouis et al. (1998) and at the household level (e.g. farm production, production and consumption credit, housing, total expenditures). The research site was selected to study the effects of agricultural commercialization on consumption and nutrition outcomes. Construction of a sugar mill in the area in 1977 led to a major shift from corn production to sugar production for many households in the region. A revisit to the site in 1999 and a random sampling of previously surveyed households indicates that a very high percentage of households and individuals can be found for resurvey, including households formed from marriages of the children in the respondent households who have reached adulthood since the original surveys were undertaken. This site also provides a particularly policy-relevant case study of possible avenues for asset accumulation under credit constraints under different crop production regimes and land tenure distributions.

Stiglitz and Weiss (1981) found that amount of available credit is directly influenced by income or wealth level of borrowers, whereas wealth level has inverse relationship between costs of credit. The problem where the lender bears risk of the transaction and the borrower project benefits can be referred as an information problem among both. Without partial or full collateral first-best allocation of credit is not possible. Thus scarce collateral implies that some individuals will be deprived of credit but those who have the collateral they obtain the credits. Similarly, Banerjee (2001) was of view that high-income individuals borrowed large amounts of credit at low costs but low-income borrowed a small amount of credit at high cost. The study suggested a direct relationship between amount and credit and level of income or wealth, whereas level of income or wealth was inversely related with amount of credit.

There is an on going debate whether credit alone or credit plus is needed for poverty reduction. There are views that credit 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 credit; fail to appreciate the role of credit on its own merit. Nobody says that credit alone is cure for all. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her 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 overemphasizing that micro-credit is not a panacea is in a sense overreacting and underestimating the role of credit as an instrument to combat poverty. Micro-credit is itself a very powerful tool. But if it is combined with others, it is definitely more empowering.

How micro-credit 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. It is known 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 micro-credit programs and their accrued benefits in terms of employment, income generation and promotion of social indicators. A recent study concluded by the Bangladesh Institute of Development Studies and the World Bank in Bangladesh provides a strong indication that Micro-credit do help the poor in consumption smoothing as well as in asset building. The study also suggests that micro-finance programs promote investment in human capital like schooling. It raises awareness to reproductive health and increases both individual and household welfare.

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. It may be argued if significant poverty reduction is mainly a function of sustained high economic growth, what is then the net over all contribution of micro-credit movement? These and so many other questions may be raised in connection with impacts and effectiveness of micro-credit programs but the fact remains that it helps the poor participants to overcome their poverty and also benefits the non-participants because of its externality at the micro level. If one considers the benefits of micro-credit programs enjoyed by different categories of poor one gets mixed feelings. The ongoing debate whether micro credit programs benefit the extreme poor deserves critical evaluation. While many argue that the extreme poor get little benefit from it as they are mostly excluded, a recent World Bank study in Bangladesh has come with encouraging results. It reconfirms that micro-finance matters a lot for the very poor borrowers and also for the local economy. It helps reduce extreme poverty more than moderate poverty. Many MCPs ignore their commitment to the bottom poor on the grounds that sustainability cannot be attained by providing financial services to the extreme poor. They forget that sustainability is a directional goal.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with the methodology that was used in the study. In this case, the section covers the research designs, study population, data collection methods and sampling.

3.1 Research design

The study used a descriptive cross-sectional survey design based on quantitative and qualitative techniques of data analysis in Brac Sudan Ltd in Bor County. According to Amin (2005), a cross-sectional research design is the most commonly used research method in social research.

3.2 Research population

The study involved 100 respondents who included 10 officials from Micro-credit Brac Sudan Ltd, and 70 respondents from Payams of Baidit, Jallei, Mackuach, Anyidier, and Kolnyang Bor County Southern Sudan. Local council chairpersons, community development officers, health officials and representatives from Non-governmental organizations.

3.3 Sample and sampling procedures

3.3.1 Sample Size

The study was carried out within the extremes of the poor households and their composition comprised of mainly a limited selection of family units. A sizeable proportion of the respondents was chosen and then rationalized to obtain an ideal proportion of the study class

(Blanton, 2006). In this study, the overall coverage level was approximately 70 respondents. To avoid putting the information forward that contains biased standards, simple random selection was used.

3.3.2 Sampling procedure

According to Trochim (2005), sampling is the process of selecting units from a population of interest so that by studying the sample the researcher may fairly generalize the result back to the population from which the sample is chosen.

Stratified sampling method was used to obtain the respondents. For the purposive sampling, only those respondents with ability to provide the types of information sought through each research instruments were involved. With stratified random sampling, various strata and classes were constructed basing on different age groups, occupation and sex from which required numbers of respondents were selected randomly.

Table 1. Sample Size and Sample Size Selection

Responses	**Population**	**Sampling Technique**	**Sample Size**
Community development officers	30	Purposive	5
Micro-credit officials	30	Purposive	20
Clients	30	Purposive	20
Representative from NGOS	40	Purposive	25
Total	**100**		**70**

Source; Primary data

The sample size was determined using Sloven's formula;

$$n = \frac{N}{1+Ne2}$$

Where by; n = Sample Size

N = Population (constant)

e = 0.05 (Level of accuracy)

3.4, Data collection methods

3.4.1 Primary sources

3.4.2 Questionnaires

In this study, the questionnaires was preferred because they enable the researcher to reach a larger number of respondents within a short time, thus, made it easier to collect relevant information. Questionnaires were developed basing on the objectives of the study and the personal profile of the respondents. A likert scale was used to determine the effects of credit finance on the eradication of poverty among family units. The questionnaires for the research comprised of closed ended questions. In this case, the researcher used corresponding likert rating scale and this was given as follows:

A: Agree - meaning that the respondent agrees with some doubt.

D: Disagree – meaning that the respondent disagrees with some doubt.

SA: Strongly agree – Meaning that the respondent agrees with no doubt at all.

SD: Strongly disagree – meaning that the respondent disagrees with no doubt at all.

In this study, the respondents were expected to tick and fill in the most appropriate alternative. Likert scale uses a standard set of response options that represent varying degrees of agreements (Amin 2005).

3.4.2 Observation

Further in the view of establishing the behavioral aspect of the people within the study area, a formal observation technique was availed at assumingly measured to an average level in the study. There are certain social behaviors that feature within an environment over a certain period of time (Sechrest, 2006). Additionally, there is likeliness that a motivational environment provides a comprehensive study standard and would most probably give a better response. In this study, observation was used to know how things were happening in the selected villages through their activities. This involved almost all the participants in the research (Kuhn, 2007).

3.4.3 Interview Guide

Structured interviews were conducted with the participating households. Interviews were used because they provide additional information for triangulation purposes. (Hunter, 2008)

3.5 Validity and reliability of instruments

3.5.1 Validity

In the determination of information, as per Moser and Kalton (1971), validity is the consequential ability to scale a measurement with a minimum level with what is set out to measure certain scales so that differences in individual scores can be taken as representing true differences in characteristics under study.

The study involved consulting statistical formulas to ensure that the relevance and suitability of the content in the questionnaire would provide coverage of the objectives of the study.

The validity of the questions was checked by the responses acquired and the content validity index. The validity of the questionnaire was calculated by using the formula below:

$$CVI = \frac{\text{No of valid items}}{\text{Total number of items}}$$

CVI means content validity index

$$\text{Therefore CVI} = \frac{40 \text{ (valid items)}}{50 \text{ (No of items)}}$$

$$= 0.90$$

In order for an instrument to receive an appropriate acceptance point, the average content validity index (CVI) is thought to be above 0.720. From the mathematical estimation above therefore, the contents of the instruments were valid.

3.5.2 Reliability

Reliability is a measure which provides a high level of certainty which allows the research instrument to yield the results which are consistent even after being subjected to trials several times. To establish the reliability of the questionnaire, the researcher used the ideal methods that comprise of expert judgment and pre-test in order to test and improve the reliability of the questionnaire.

3.6 Data gathering procedures

The gathering technique of data involves the distribution of questionnaires to different respondents within the area covered by the study. Questionnaires were delivered and collected at appropriate times according to the scheduled procedures.

3.7 Data Analysis

During data analysis, quantitative and qualitative methods of research were used to analyze the data. Data were mainly analyzed using descriptive statistics such as frequency tables, percentages, bar charts and histograms. This enabled the researcher to meaningfully describe distribution of scores or measures on the role micro financial institutions play in eradicating poverty. Data were presented in text as well as frequency tables.

3.8 Ethical Consideration

The ethical aspect of finding out the role played by financial institutions in containing poverty was carefully evaluated and proper steps were undertaken to enhance data acquisition. The relevant authorities were met and the program schedule was presented early enough to enable them to equally provide the required time and security for the study. A procedural programming aiding the fundamental objectives of the study was tabled and the average time span for the activity was calculated. The identity of the respondents was concealed to enhance the accuracy and reliability of information being given. This confidentiality supported the understanding that specific independent decisions were relevant in the depiction of the final report.

3.9 Limitations of the study

Some of the limitations encountered included incorrect responses due to the approaching case methodology. Their aptitudes were also limited by their financial positions. This was further advanced by the timings and the scale of work that the local households were engaged in.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the facts, which the research discovered. The findings were presented in line with the objectives of the study whereby the raw data in form of questionnaires was edited and interpreted which ensured uniformity, legibility and consistency. The data-filled questionnaires were copied and analyzed by tallying and tabling in frequency polygons while identifying how often certain responses occurred and later evaluation was done. The information was then recorded in terms of percentages. Also, interview results were coded on frequency tables which were calculated in terms of percentages and presented in this study as illustrated below.

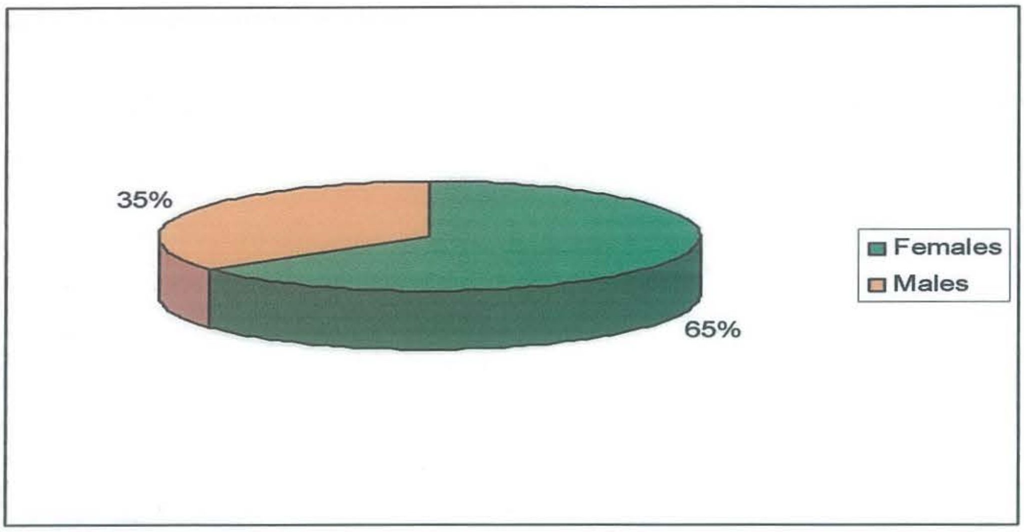
Background characteristics of the respondents

The background information of the respondents was important because they comprised of both sexes but of different marital status and age groups from various settings. This was intended in order to get a variety of views and unbiased responses which made the study a reality. The respondents were divided into the administrative and general staff groups. The findings are shown in the subsequent illustrations;

Gender of respondents

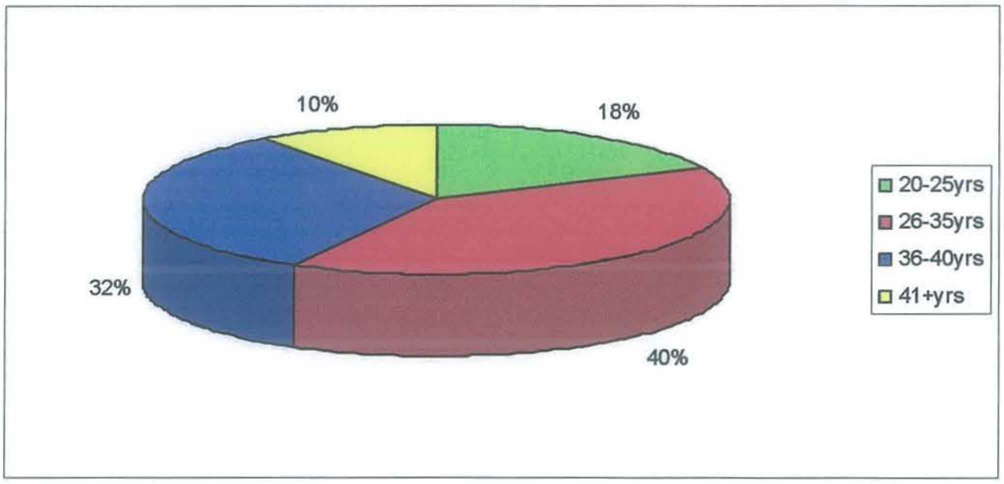
During the field it was found out that, females took a greater percentage in the survey as represented by 65% whereas 35% represented males, implying that, females to a greater extent participated in the study as portrayed in figure 1 below.

Figure 1: Classification of respondents by gender



Source: Primary data

Figure 2: Classification of respondents by age



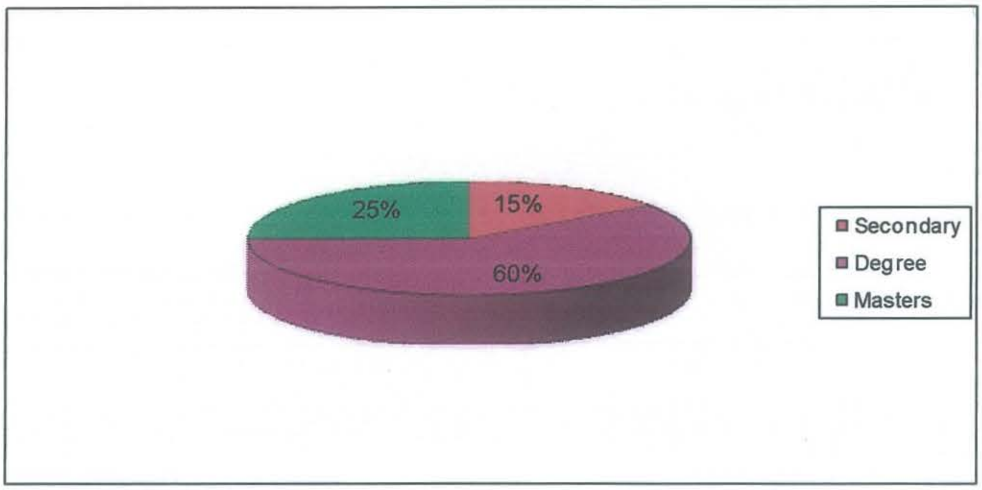
Source: Primary data

Figure 2 above shows that the biggest percentage of the interviewees were in the age bracket of 26-35 years as showed by 40% while 32% represents interviewees who were in the age bracket of 36-40 years, then 10% of the respondents were 41 and above years, implying that, to a greater extent respondents in the age bracket between 26-35 years actively participated in the study as portrayed in figure 2 above.

Respondents' level of education

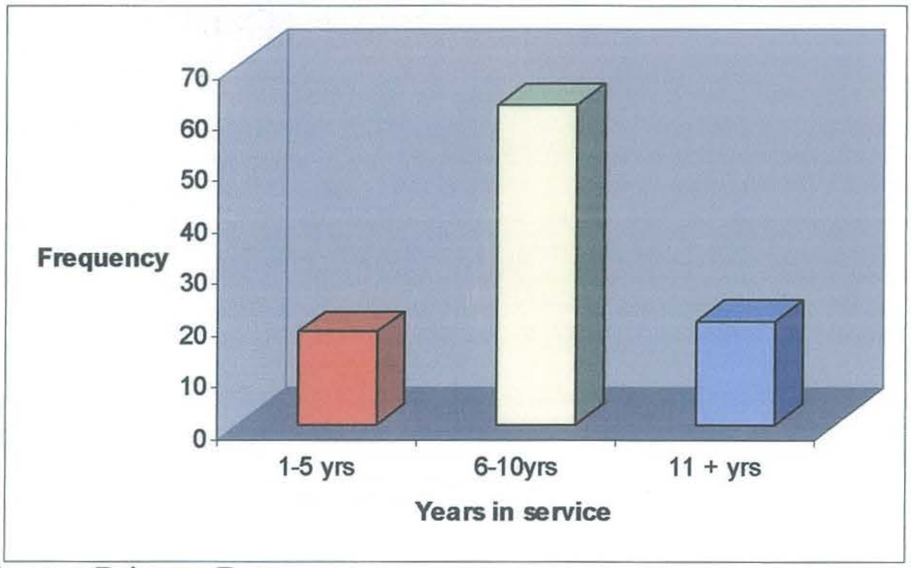
The biggest percentage of respondents had completed Bachelors degree in Education as it was revealed by 60% of the respondents, then 25% represented respondents who had Masters' degrees in different fields whereas 15% of the interviewees were secondary school level as shown in figure 3 below.

Figure 3; Respondents' level of education



Source: Primary data

Figure 4: Number of years of service of respondents



Source: Primary Data

From the figure above, it was found out that the biggest percentage of the respondents had worked in the school for a period between 1-5 years as represented by 50% whereas 25% shows respondents who had stayed in the school for the period between 6-10 years, 15% represents interviewees who had worked in the school for the period of 11 years and above, implying that they have been employers of Brac Sudan Ltd for a long time.

Table 1; Respondents' marital status

Marital status	**No of respondents**	**Percentage**
Married	20	40
Single	18	36
Separated	10	20
Living with partner	02	04
Total	50	100

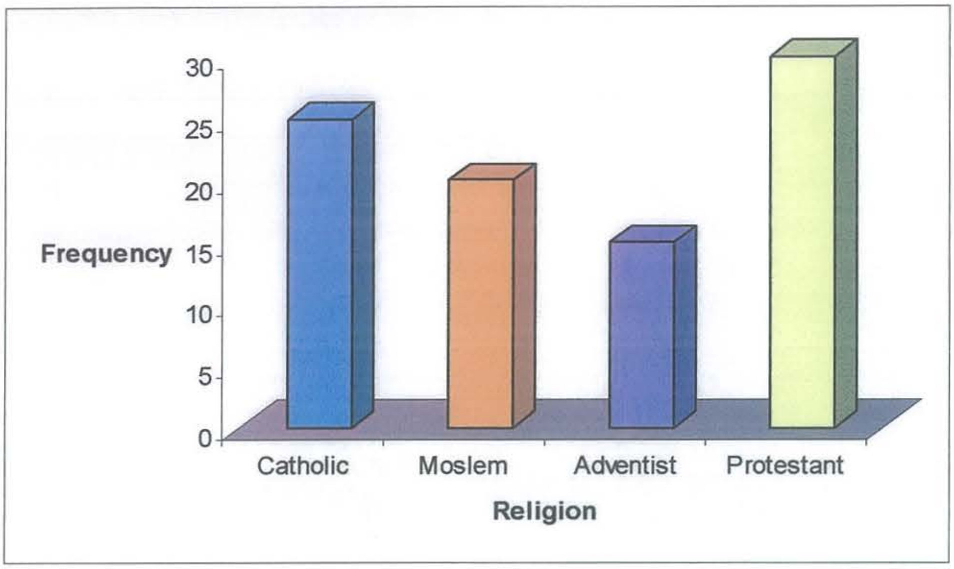
Source: Primary data

An assessment of the respondents' marital status was as follows; the biggest percentage of the respondents were found to be married as shown by 40% where as 36% of the interviewees were single, 04% of them were living with partners but were not officially married lastly 20% of the respondents were separated from their spouses as illustrated in table 1 above.

Respondents' religion

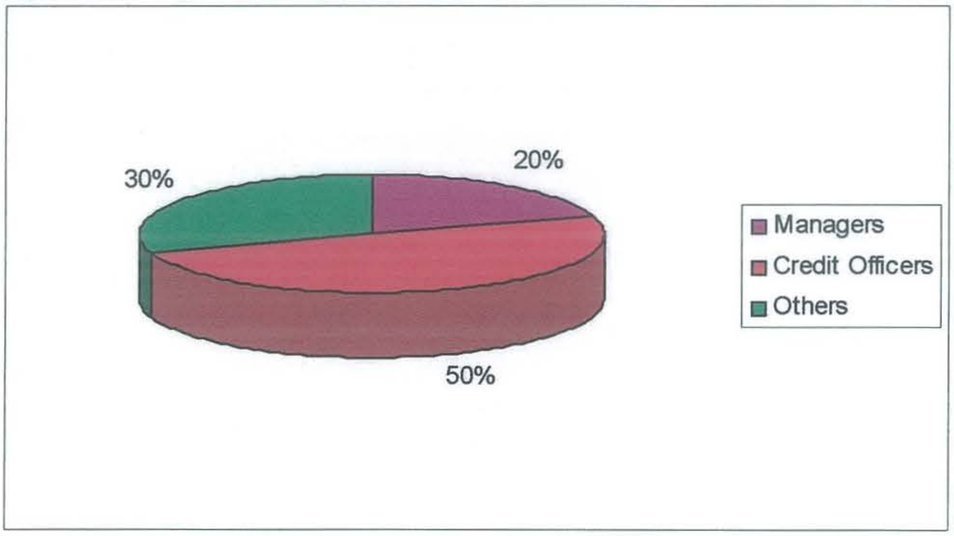
During the field study, it was found out that majority of the respondents were Protestants making 30% of the respondents, 20% of the respondents were Moslems and 15% were Adventists and lastly the Roman Catholics which were revealed by 25% of the respondents in figure 5 below.

Figure 5: Respondents' religion



Source: Primary data

Figure 6; Respondents' job title at Brac Sudan Ltd



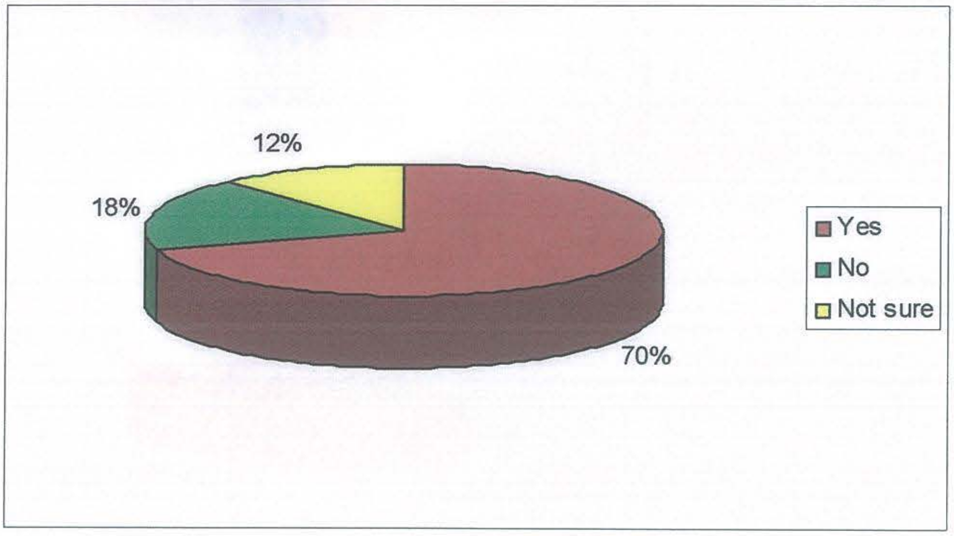
Source: Primary Data

During the field survey, it was established that; the biggest percentage of the respondents were credit officers as represented by 50% followed by 30% who portrayed others who included; tellers and authorized institution staff then 20% of the respondents were managers, implying that;

credit officers to a greater participated in the study because they are the ones concerned with credit facilities at Brac Sudan Ltd as illustrated in figure 6 above.

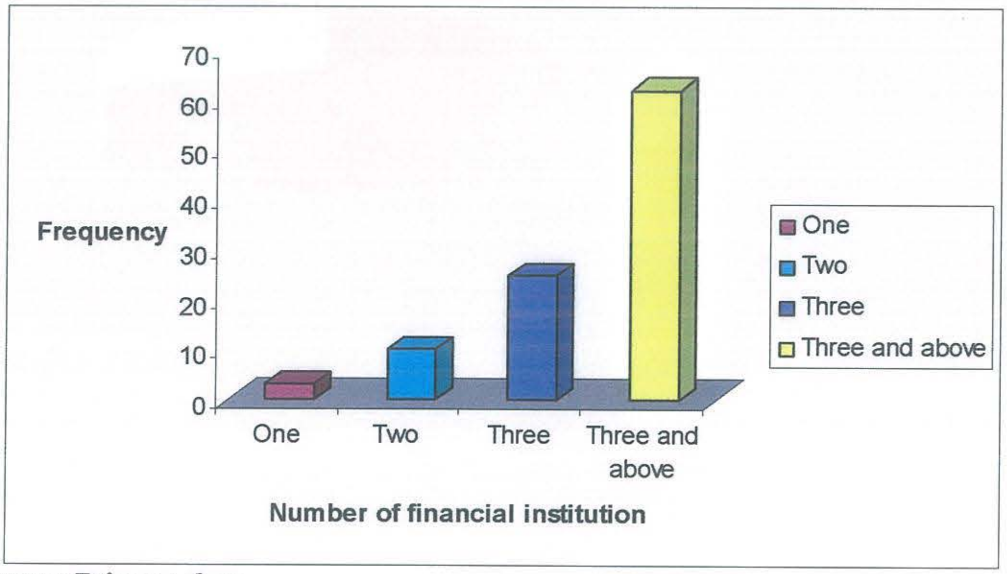
ACTIVITIES EMPLOYED BY BRAC SUDAN LTD IN POVERTY REDUCTION

Figure 7; Awareness of activities employed by micro credit programmes in poverty reduction



Source: Primary Data

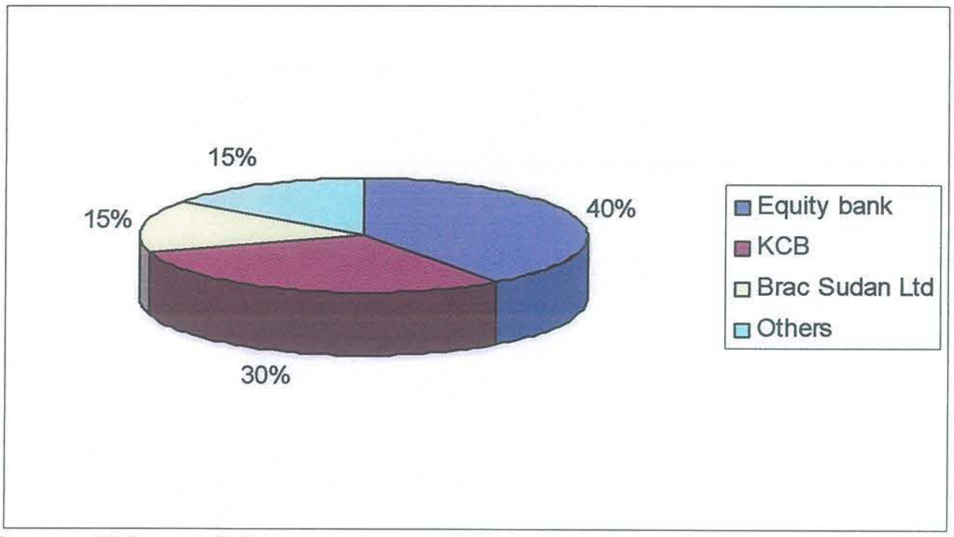
Figure 8; Number of financial institutions in South Sudan



Source: Primary data

According to the findings, the biggest percentage of the respondents represented by 60% were of the view that the number of financial institutions in South Sudan were three and above implying that borrowers have a opportunity of getting the financial services from those institutions whereas 30% of respondents revealed the number of financial institutions were three lastly but not the 10% of the respondents said they only know two financials institutions and lastly 05% alleged that only one institution exists in their area as showed in figure 8 above.

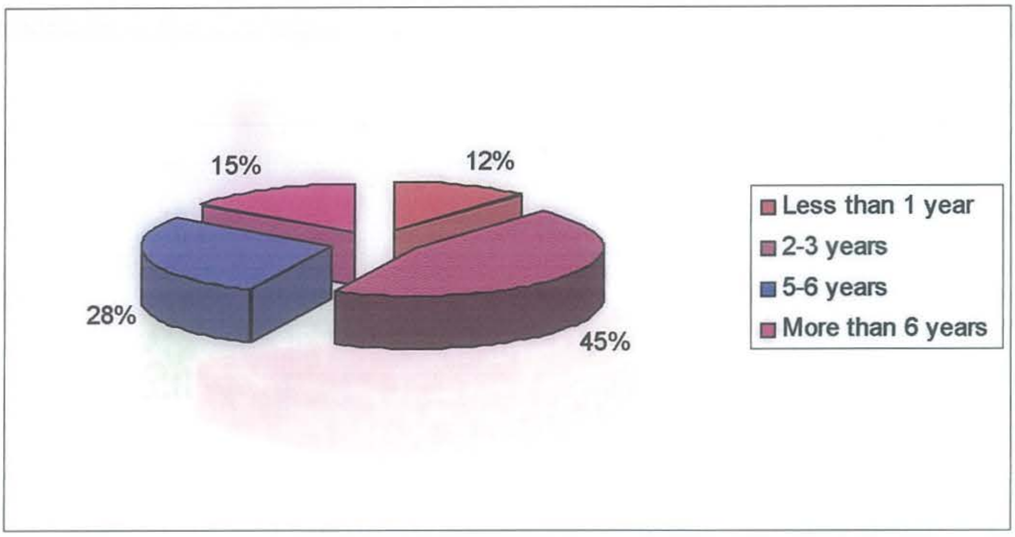
Figure 9; Financial institutions in South Sudan which offer loans



Source; Primary data

An assessment of financial institutions in South Sudan which offer loans were as follows; majority of respondents represented by 40% attributed to others like; Equity bank reason being that, this financial institution to a greater extent does not ask for collateral security while offering financial assistance, followed by 30% who emphasized that KCB offer loans to clients compared to other institutions then Brac Sudan Ltd which was represented by 15% of respondents similarly 15% of respondents said they get their loans from other MFIs lastly such as group loans from individually created organizations.

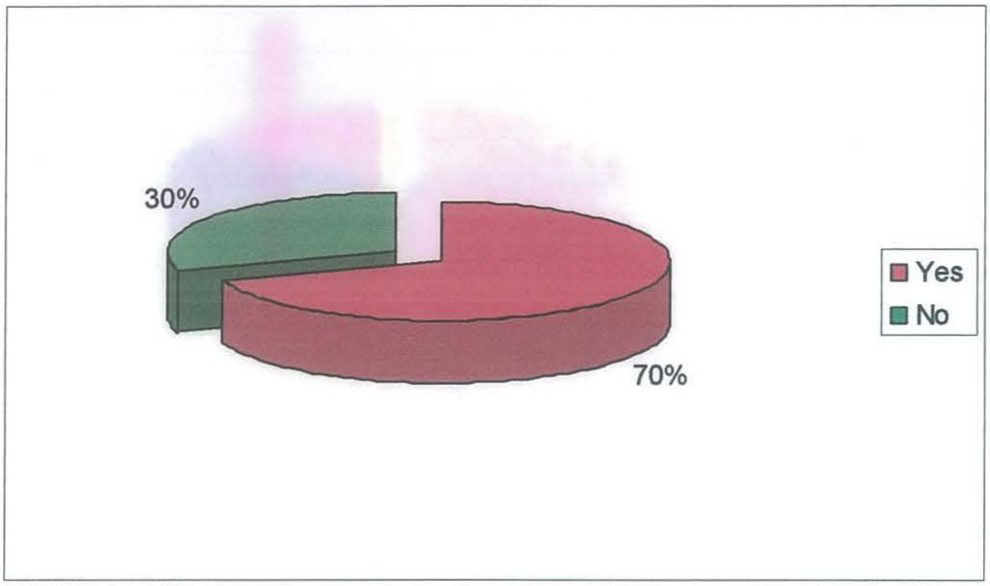
Figure 10; For how long have you been getting financial services from banks



Source: Primary data

Numerous responses were put forward when respondents were asked the period they have spent getting financial services from this institution and they as follows; majority of the respondents said 2-3 years represented by 45% implying that these farmers greatly depend on these financials services in the production of their agricultural products these were followed by 28% of respondents who said they have spent a period between 5-6years while getting financial services whereas 15% of respondents revealed that they have spent more than 6years getting financial services from this institution and lastly only 12% of respondents said they have spent less than 1 year receiving financial services as showed in figure 10 above.

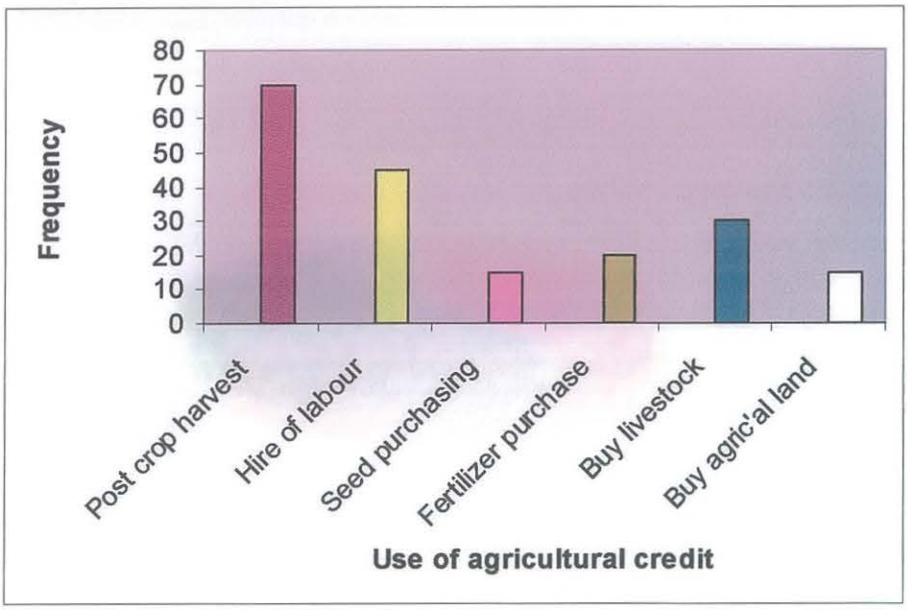
Figure 11; Awareness of the relationship between Brac Sudan Ltd and poverty reduction strategies in Bor County, Southern Sudan



Source: Primary data

An assessment of these services was as follows; the biggest percentage of the respondents emphasized that they were aware of the relationship between Brac Sudan Ltd and poverty reduction strategies in Bor County, Southern Sudan as showed by 70% whereas 30% surprisingly was ignorant about the relationship between Brac Sudan Ltd and poverty reduction strategies in Bor County, Southern Sudan, implying that they rarely or not access loans from banks.

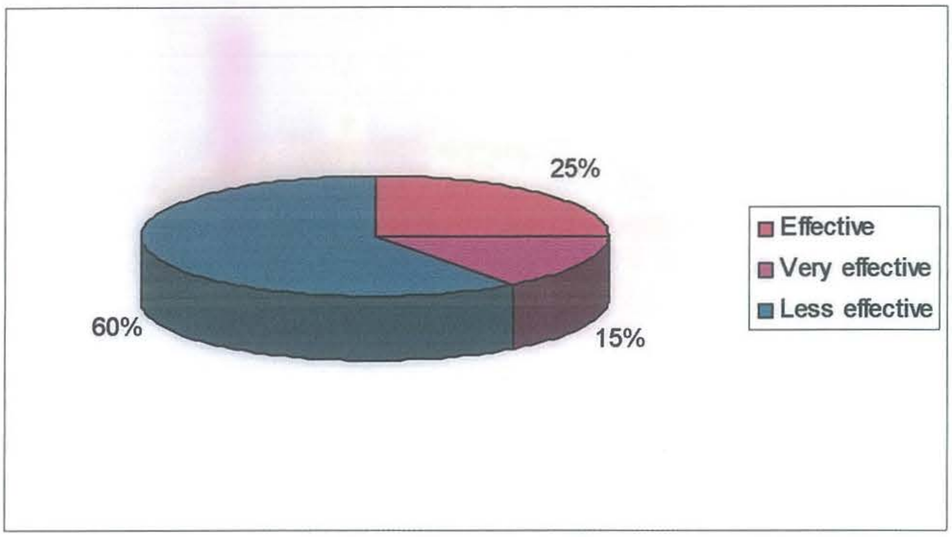
Figure 12; Uses of financial services offered by Financial Institutions to reduce poverty



Source: Primary data

Numerous responses were put forward when respondents were asked how they utilize the financial services offered by financial institutions and they were as follows; 70% of respondents said they use the financial services for post crop harvest, followed by close to 45% of respondents who revealed they use the financial services for hiring labour whereas close to 15% of respondents said they purchase seeds using the financial services, 20% said they purchase fertilizers using the financial services offered by financial institutions and 30% of respondents said they financial services offered to buy livestock lastly 10% said they buy agricultural land using the financial services as showed in figure 12 above.

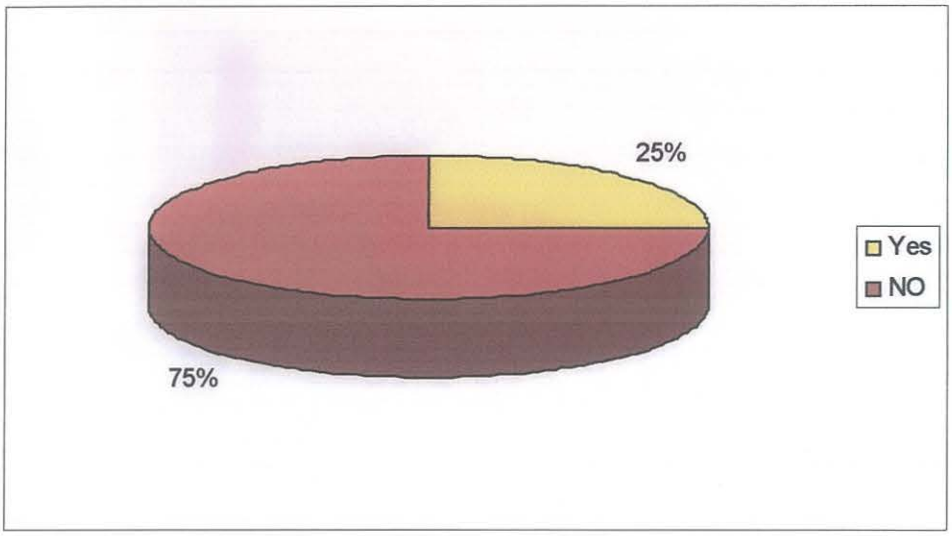
Figure 13; Responses of the level of effectiveness of financial services offered by financial institutions to reduce poverty



Source: Primary data

During the field study, majority of the interviewees represented with 60% revealed that the financial services offered by financial institutions were less effective implying that these financial services offered to the farmers with heavy conditions attached for example high interest rates were imposed on them, this was followed by 25% of the interviewees who said that financial services offered were effective and lastly 15% of the interviewees said financials services offered to the farmers were very effective as one of the interviewees was quoted to have said *" I pay school fees for my children from the farm products I cultivated using financial services offered to me by banks"* as clearly stipulated in figure 13 above.

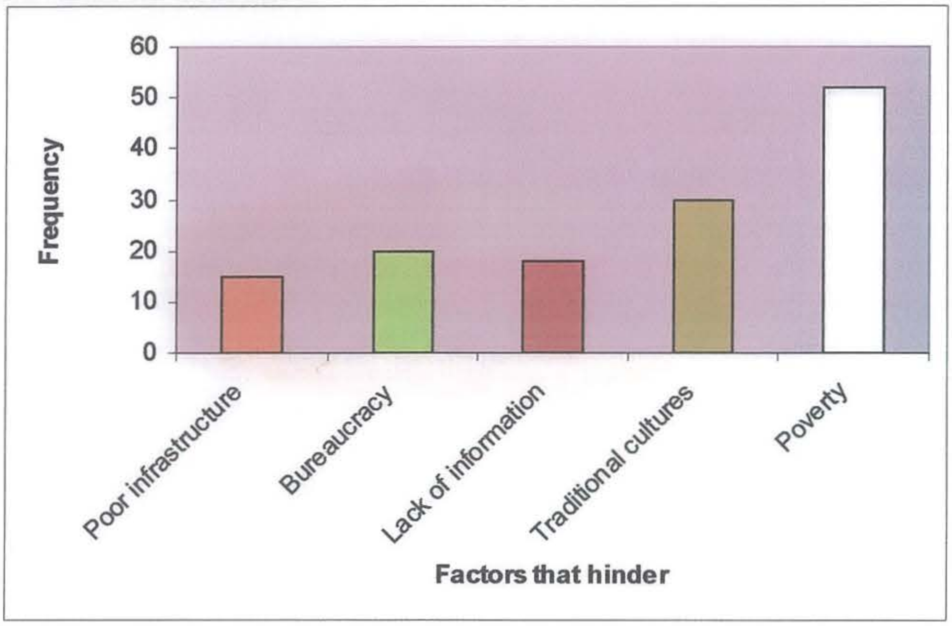
Figure 14; Responses on whether borrowers utilize the financial services offered by these institutions effectively



Source: Primary data

According to figure 14 above, the biggest percentage of the respondents represented by 75% revealed that borrowers do not utilize the financial services offered by the institutions effectively implying that either the institutions themselves do not give the borrowers the financial services or they do not know the availability of the those financial services whereas surprisingly on 25% of the respondents revealed that borrowers utilize the financial services offered by these institutions effectively.

Figure 15; Factors that hinder people of Bor-County from accessing micro-credit facilities from financial institutions



Source: Primary data

The biggest percentage of the interviewees represented by 55% were of the view that poverty hinders farmers from accessing financial services from financial institutions this was followed by 30% of the interviewees who said traditional culture hinder farmers from accessing financial services whereas lack of information as a factor hindering farmers from accessing financial services was represented by close to 20% not forgetting the 20% of interviewees who said bureaucracy hinders farmers from accessing financial services from financial institutions and lastly 15% of respondents alleged that poor infrastructure hinders farmers from accessing financial services from financial institutions

CHAPTER FIVE

SUMMARY OF KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter mainly deals with summary of key findings, conclusions and recommendations related to the role of micro-credit on poverty eradication in South Sudan drawn from the findings and analysis made after conducting the study. The role of these MFIs' aspect were characterized by accessibility to loans for hiring labour, buying agricultural inputs such as; pesticides, seeds and fertilizers among others while poverty was characterized by; low standards of living, practices of subsistence farming, low agricultural productivity accompanied by high levels of illiteracy.

5.1 Summary of Key findings

Basing on the field findings, it was found out that; Brac Sudan Ltd, as a provider of micro-credit, had a key role in ensuring not only the survival of its borrowers and their family members during crisis but also during their rehabilitation after it. The crisis management capacity of Brac Sudan Ltd borrowers was found to be higher than others. In fact, the severe poverty provided both a challenge and an opportunity for the micro-credit program in Bor-County. The challenge was to recover from the losses caused by the crisis and to bring the poor back onto the path of sustainable development. The opportunity was to consolidate and improve upon the existing modalities in order to bring the most affected families within the fold of the Micro credit Programs (MCPs) and to have more impact on the socio-economic condition of the poor. Brac Sudan Ltd and other MCPs could do more under such disastrous situations if they had access to more funds. Such funds are needed to replenish their cash flow which gets depleted due to withdrawal of savings by members, fresh loans to old borrowers, new loans to new borrowers and non-recovery of loans from flood affected borrowers.

Major loans demanded by the farmers in Bor-County include areas with low and relatively high numbers of input stockists were seed, insecticide, fungicide and fertilizer. Results show that areas with relatively high numbers of input stockists on average purchased and sold more agricultural inputs than areas with low numbers of input stockists. The probable reason could be that there is higher demand for purchased inputs in areas with relatively high numbers of input stockists compared to areas with low numbers of input stockists. The use of funds from the returns to the input business plus own savings and only funds from the returns to the input business were the two major ways agricultural input purchase was financed. The use of funds from outside sources like micro finance institutions (MFIs), banks and relatives was more or less non-existent.

Results of the study reveal that agricultural loans in the rural areas of Bor-County are not evenly distributed, with areas categorized as areas with relatively high numbers of farmers having on average 6 acres and areas with low numbers of input stockists as having on average 1 acre of land. The major reasons pointed out for the location of the financial institutions in the area were the availability of market for inputs and easy access by farmers to the business premise. There were differences in the major reasons in areas with low and relatively high numbers of agricultural productivity. The major views pointed out for the improvement of the distribution of financial institutions to consider agricultural loans were the improvement of the credit system and reduction of high interest rates.

The discriminant analysis results for Bor-County in Southern Sudan show that agricultural production is taking place in areas where farmers are more mechanized in terms of ox-plough and tractor use. As a result of the level of mechanization, farmers in these areas grow maize on a relatively large scale and incur less labour input costs per hectare. Farmers in these areas perceive that they have reliable rainfall and that soils on their farms are generally poor and therefore invest more in purchased inputs, which results in high maize yields. The results also show that in these areas farmers have high levels of maize crop commercialization due to better access to output markets and better maize crop output prices. This probably could be because farmers in areas with high numbers of agricultural out-put invest more in yield augmenting inputs like improved seed and fertilizer and use more of crop labour saving technologies like ox-ploughs and tractors.

5.2 Conclusions

In conclusion, it adhered to that; poverty alleviation does not only mean meeting basic food and non-food requirements but also exercising political rights and enjoying political freedom. Freedom of speech, choice, human rights, casting and seeking votes for public office and other posts are some of the indicators by which it may be measured whether the poor organized under Brac Sudan Limited have a better understanding of their political rights and obligations. Although it is a modest beginning, it is significant to note that Brac Sudan Limited borrowers and their household members are taking part in larger numbers as clients.

Poverty reduction is undoubtedly a doable proposition. It can be significantly and rapidly reduced with Brac Sudan Limited micro-credit programs provided; the required funds are available to the nascent micro-credit industry at reasonable costs, a professionally, competent and motivated staff is engaged in performing the operational tasks, the communication or knowledge gap between donors and practitioners is minimized, the gap between words and deeds, assurances and actions, is narrowed down and an enabling environment is created by removing the obstacles that stand in the way of growth of micro-credit industry.

Institutional credit disbursement shows an increasing trend during some past years. In 2007-08 credit disbursement was at its peak. Commercial banks add up to major share in formal agricultural credit disbursement. From 2000-01 commercial banks heighten their loan portfolio for poverty reduction in South Sudan. Increase in development and production loan portfolio from the entire formal institutions give boost to agricultural output since the biggest percentage in the country is engaged in agricultural production. Since, agricultural credit is positively significant to agricultural GDP while, availability of water, crop intensity, agricultural labour force per cultivated hectare were the factors that enhance agricultural GDP. In the bad seasonal years (no rainfall), share of consumption loans should be increased. Besides, relaxation of collateral for small loans will be helpful for poor farmers. Above and other similar options for agricultural credit will be helpful in removing rural poverty.

Recommendations

In accordance with the findings and conclusion of the study of the research findings, it was vital to make the following recommendations which could help in bringing about a positive change in regard to the role of micro-credit on poverty eradication in South Sudan.

Agricultural market reforms should be introduced by the Government of South Sudan (GoSS) in an attempt to raise productivity through more active participation of the private sector in agricultural marketing. However, due to the withdrawal of government from the supply of subsidized low cost inputs, a gap was created that has not yet been filled by the private sector.

This study recommends that in order to enhance the participation of farmer in accessing loans for agricultural production aimed at reducing poverty at household level, incentives must be provided, such as development of financial markets to improve credit access to private traders, reduce taxes on imports of purchased inputs, and improve transaction rules/regulations. For farmers' in rural areas, there is a need to improve the infrastructure base like the quality of roads, stabilize crop prices, and improve extension services.

It is therefore recommended to enlarge the agricultural credit disbursement particularly to small farmers. To take into custody the uncertainty in agriculture sector, crop insurance scheme must be initiated. This may be helpful in getting required recovery rates of agricultural loans. Agricultural credit given to farmers on the basis of productivity will help in targeting the needy persons and this will also shrink the loan losses. Because when productivity of such a farmer increases, then by selling agricultural output he will be able to return the loan easily.

Areas for further research

The study concentrated on examining the role of micro-credit on poverty eradication. However, the study does not examine whether micro-credit programmes grant loans aimed at reducing poverty like any other bank loan to farmers. Therefore one area for further research could be;

- An assessment of the factors that affect farmers from accessing agricultural loans from financial institutions.

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