Chapter – VII

Conclusion, Findings, Recommendations and Area for Further Studies
Chapter – VII

CONCLUSION, FINDINGS, RECOMMENDATIONS
AND AREA FOR FURTHER STUDIES

7.1 Conclusion

Teaching someone how to fish is better than giving them the fish itself. Empowering poor people by offering them different economic means to potentially shift them from being dependents on others to being self dependent helps them improve their standard of living and gets them out of the poverty vicious cycle. Microfinance among other development tools acts as an essential guiding principle for motivating people to start their income generating activities, and accordingly mitigate the poverty level and create new job opportunities for them. Evidence from experimental studies proved that microfinance plays a crucial role in this regard; it arms the underprivileged and downtrodden people with a weapon to defeat poverty, establish micro and small projects, empower people especially women, increase their level of confidence and help them acquire many other benefits. It is evident that micro credit integrated with other pro poor services act as an effective tool and plays a major role in the poverty mitigation and creation of new job opportunities in Yemen, particularly in Sana’a and Alhodeidah governorates. Microfinance has helped the low-income poor borrowers in Yemen to start their new economic activities, buy some new assets, use loans for immediate consumption purposes, and open saving accounts and get some training.

7.2 Summary of the Findings

The analysis of the role of microfinance on mitigating of poverty and unemployment in Yemen has revealed the following findings on the subject studied:
7.2.1 Major Findings Related to the Demographic Profile of Respondents

1. The MFIs wise distribution of the loans reveals that, among overall beneficiary respondents, i.e., (390), a lion’s share of them accounting (82%) have been accommodated by Alamal Microfinance bank (AMB) spread over both Sana’a governorate, which includes also Sana’a municipality within its disbursed territory, and Alhodeidah governorate. The remaining (18%) of the beneficiary respondents have been financed by The National Microfinance Foundation (NMF) in the same selected governorates.

2. The findings related to the lending methodology revealed that among the overall borrowers respondents, (78.5%) received loans based on individual capacity.

3. The sex wise distribution of borrowers reveals that, (71.3%) are males, and the remaining are females, while (100%) of the non-borrowers are males.

4. The age- wise distribution of the study sample borrowers reveals that, the majority of the respondents, i.e., (63.6%) are in the age group of 31-45 followed by (26.2%) for the respondents in the age group of 15-30. The remaining (10.3%) falls in the age group of 46-60. This age group distribution of respondents suggests that most of the borrowers belong to the productive age, and are capable of creating positive impact in employment arena, which is a concern of the present study that results in a higher impact on the study target. Regarding the non-borrowers, it was revealed that the majority of the respondents, i.e., (80.5%) are in the age group of 15-30 followed by (13.2%) in the age7 group of 31-45. (5.7%) are in the age group of 46-60, and only (0.6%) are in the age group of more than 60. This recommends that most of the borrowers be in the productive age and indicates that these people might be potential clients for microfinance programs.

5. Concerning household head, it was found that, (83.6%) of borrowers respondents are men, while (100%) of the non-borrowers are men.
6. Findings related to employment status of the borrowers before availing the loans revealed that, (41.5%) work in the government sector.

7. The educational status analysis reveals that, among overall respondents of (390), the majority of the respondents accounting (42.3%) have studied up to high school level followed by (34.4%) of them who have completed bachelor degree. Furthermore, it was also revealed that those who have studied up to the primary level education and those who were illiterate represent (14.1%), and (9.2%) respectively. This trend in literacy level indicates that people with high education are also joining the microfinance programs being implemented by MFIs viz., AMB & NMF in the selected governorates. Pertaining to the non-borrowers, majority of the respondents, which is (45.9%), have studied up to primary education level followed by (40.9%) for those who completed high school level.

8. The study also reported that, among the overall borrower’s respondents, i.e., (390), (79.2%) reported residing in nuclear families. While (52.8%) of the non-borrowers revealed residing in nuclear families.

9. It was further revealed that, half of the borrowers respondents represented by 159 members reported having members in their families ranging between 1-5 persons. For the non-borrowers, it was also reported that, (59.7%) of the sample reported having members in their families ranging between 6-10 persons.

10. About the number of income earning household members, it was reported that, (46.2%) of borrowers sample disclosed having one income earner within their households. While (37.7%) of the non-borrowers reported having one income earner within their households.

11. It has been also found that, among the overall respondents, (45.9%) revealed not having any amounts of saving in the MFI. Regarding the saving amounts of the non-borrowers, it was revealed that, (98.7%) of the non-borrowers did not have any saving.
7.2.2 Major Findings Related to the Financial Profile of the Respondents

1. Concerning the amount of the loans received, it was revealed that, among the overall respondents, (50%) revealed receiving loans amounts in the range of YR 100,000-YR 200,000. On the other side, only (80%) of the non-borrowers respondents reported borrowing their loans from sources other than the MFIs such as commercial banks and personal sources. The remaining had their fund. Among these (80), (47.5%) revealed that, their loans amounts were in the range between YR 100,000- YR 200,000.

2. In relation to the purpose of the loans received, it was divulged that, among the overall respondents, i.e., (390), (48.2%) reported using their loans for funding new activities like selling of potato, tomato, fruits, vegetables, clothes, opening stalls or becoming street vendors, while (35.6%) of them reported using the loans for consumption purposes. The analysis of the non-borrowers on the other side revealed that, (86.3%) of them used their loans for funding existing activities.

3. Concerning the types of collaterals offered to the MFIs for the loans, (42.3%) of the sample borrowers revealed offering commercial guarantee for guaranteeing the disbursed loans, while (83.7%) of the non-borrowers sample reported receiving loans without providing any type of collaterals to the lenders.

4. Among the overall respondents, (84.6%) reported that, their loans were linked to the saving service extended by the MFIs, while (100%) of the non-borrowers reported no linkage between the borrowed loans and any other financial services such as insurance or saving.

5. The study further reported that, among the overall borrower respondents, (72.1%) reported paying interest rates on the loans in the range of (21%-30%), while (96.3%) of the non-borrowers reported not paying any interest rates as loans were mostly taken based on trust.

6. About loans repayments schedule, the study found out that, among the overall respondents, i.e., (390), all the borrowers reported repaying their loans installments on a monthly basis. However, (52.5%) of the non-
borrower reported repaying their loans installments to the lenders on a monthly basis.

7. About the repayment of loans, it was revealed that, (49%) of the borrower’s respondents reported repaying their borrowed loans back using the income generated from their business activities. It was also found by the non-borrowers that, the overall non-borrowers respondents, i.e., (80) who borrowed loans from other sources used their business activities as source for loans repayment.

8. The findings related to loan adequacy for the intended purpose or activity showed that, a good majority of the borrowers accounting (88.2%) reported that, the amounts of loans received were adequate for their projects. Among the overall non-borrowers’ respondents, i.e., (80), who makes up (100%) percent of the sample, revealed that, the loans amounts received were adequate for them.

9. About the types of activities financed, (49%) of the borrowers sample reported that, their loans were utilised for financing micro activities such as fruits, vegetables, tomato, potato, cloths stalls, street vendors and others.

10. A good majority of the borrower’s respondents, i.e., (85.3%), revealed having their own skills and expertise for managing the activities financed.

11. Among the overall respondents, i.e., (91.2%) who used their loans for income generating purposes reported not receiving any skills or expertise trainings from the MFIs or from any other agencies during the loans period, while (59.6%) reported having traditional experiences that helped them in managing their business activities.

12. Concerning difficulties in accessing the required non-credit support faced by the borrowers, nearly half of them reported having difficulties in getting the required power. In the case of access to adequate raw materials, transport, connectivity facilities for reaching market/storage; about (71.7%), (70.9%) and (88) of them reported having no difficulties respectively.
7.2.3 Major Findings Related to Objectives of the Study

As per the objectives of the study, the below findings have been interpreted based on the opinions of the respondents and the quantitative results on income, expenditure, number of working labour employed, and number of working households members in the borrowers activities, and also based on the review of the subject theoretical framework.

1. Objective No.1: To Study the Magnitude of Poverty and Unemployment in Yemen and the Need for Microfinance Tool for tackling the Issues related to Unemployment and Poverty in the Country.

Yemen is one of the poorest Arab countries. The country is considered as one of the states with the lowest income in the world. It is ranked as the second poorest country in the Middle East and North Africa region (MENA); it is believed that, about (47%) of its population lives below the poverty line with less than € 2 a day (European Commission for Humanitarian Aid and Civil Protection [ECHO], 2015, p.1). It was further estimated that the number of people who live below the poverty line with less than $ 1.25 a day has increased from 13 percent in 1998 to 17 percent in 2010 (Mottaghi, 2014, p.16). Groups that are disproportionately affected by poverty in Yemen include women, youth and children, small farmers, sharecroppers, landless people, nomadic herders and artist anal fishers. Geographically, poverty is more common in the highlands, the semi-desert in the east and northeast, in the sand dune strip and inter-Wadi areas of the central Tehama plain, and in the fishing villages located on the Arabian Sea. Remote and marginalised areas in the county have been neglected for a long time; there were no adequate budget resources and investment opportunities for them, which resulted in slipping their population into poverty. Further, it is believed that, most of the rural poor are concentrated in the seven governorates namely; Sana’a, Taiz, Ibb, Hodeida, Hajja, Dhamar, and Hadhramaut. These governorates also have the largest share of the total population. The migrant communities are also in danger due to issues of protracted stay and legal status; this is a result of their limited access to lawful employment opportunities and essential services (like healthcare, education, and social services).
Other sources of information on poverty in Yemen viz., Yemen Common Country Assessment (CCA, 2011, p.6) observed that “The trend of a fast-growing population and a youth bulge has been compounded by low growth of per capita incomes, a shrinking resource base that includes fertile land, water, and oil, with scarcity exacerbated by climate change, Qat production, and violent conflict. All of these factors have placed enormous pressure on Yemen’s social and economic systems and contributed to increasing poverty” (p.6). Taiz and Ibb governorates have the largest share of the total population and total poverty in the country (Central Statistical Organisation [CSO], 2013).

Concerning unemployment, it is deemed a fact not only a challenge in the developing countries. It is almost everywhere, and the willingness to work but not being able to find a job is a common problem of many countries. Yemen is a poor country that depends to large extent on the declining oil resources for meeting its budget requirements and where oil and gas revenue comprises roughly (25%) of the country’s GDP and (65%) of the government revenue (Central Intelligence Agency, 2014). The country also suffers from low investments which results in losing the chances to create new job opportunities for Yemenis in the country. The country boasts a population of around 26,052,966 million as of July 2014 (The World fact Book, 2015). The population growth in the country is estimated to be (3%) per annum. Yemen is faced with many economic and political challenges that were aggravated by the 2011 political crises and the so-called Arab spring. These problems were followed by the 2015 clashes between the government and Alhuothi group, which demanded the support and subsidy of oil price not to be removed on one side, and Al-Qaida militants on the other side. The country is considered one of the poorest countries in the region, and thus these crises and many others exacerbated the already bad situation in the country and led to the migration of hundreds of thousands of Yemenis to search jobs abroad. Due to the limited international support for Yemen and its limited resources, many problems still exist and things remain unchanged. These challenges and obstacles unfortunately resulted in the contraction of the economic activities by (11%) in 2011, and doubling the unemployment percentage estimated at (14.6%) in the year

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1 Sources for answer of objective number one are available in the same reference list of Thesis
2010, and estimating the unemployment rate among youth to reach (60%) by 2012 (The World Bank, 2012). As a remedy for the affected economic situation in the country, the World Bank initiated a project of US $25 million as a grant for Yemen for helping unemployed youth and women get jobs and improve access to basic social services in poor communities (WB, 2013).

Poverty and unemployment are the two major problems in Yemen, “unemployment as a whole is a chronic problem that needs to be accounted for, following the unification and subsequent civil war in the early 1990, youth unemployment has been a steady increase, even during peace time” (Alkarimi, 2014). He further attributes the rise in the unemployment phenomenon in Yemen as per The Economic and Social Development Research (SRDC) (2014) to “the state’s dwindling role in economic activities following the unification, a poor investment climate, and widespread corruption amongst state authorities”. Civil war, conflict, economic mismanagement, poor governance, ineffective training for supporting Yemeni people are the main challenges. As per the human development report (2014), that is an annual publication of the United Nations Development Programme, it was revealed that, the percentage of youth unemployment in Yemen (15-24 years) has reached (33.7%) in 2014, child labour (5-14 years) who makes (22%). Yemen is not the only country in the MENA that suffers from unemployment. It is believed that, the youth unemployment in the Arab region is high with “over 28 percent of all economically active 15-24 year-olds in the region are unable to find jobs”, this compares with the next poorest performing region, North Africa, and with the global youth unemployment rate of 13%”. (International Labour Organisation, ILO, 2014).

In general, the high unemployment percentage can be attributed to various reasons such as:

1. Sending home millions of Yemeni working in KSA and Kuwait post to the Gulf War.

2. Due to the existence of high corruption percentage in many sectors, this has weakened the economy of the country.

3. No ability to provide a support to the social aspects
4. The high growth in the Yemeni population
5. Mismatch between the market demand and the available skills attained by Yemenis through the education system
6. The need to create a stable investment environment
7. The lack of law enforcement to boost investment and the economy
8. The current unrest in the country that leads to economic recession
9. The increasing cost of living and income reduction
10. Escaping the schools to search for jobs to survive due to the difficult situation in the country
11. The decrease in the international demand for Yemeni workforce especially in the neighboring countries and increased demand for other nationalities
12. Mismanagement and carelessness of the Yemeni government to start actual economic reform that helps in creating economic opportunities.
13. No suitable environment and support for microfinance industry
14. The high growth in the Yemeni population along with the increase entry of women into the workforce recently exacerbated the problem of unemployment. The higher number of unemployed people or youth with higher level of education adds to the challenges of unemployment in the country. It is estimated that “the job seeking population is in the region of five million people of which 900,000 are unemployed” (Chong, 2009).

In view of the above poverty scenario on poverty and unemployment in Yemen, there is an imperative need for micro financing to mitigate poverty and unemployment there.

2. Objective No.2: To understand the values of microfinance from development prospective in general and Its Potential for overcoming the Unemployment and Poverty In Particular

From macro theoretical perspectives, it is observed that micro credit represents small quantum of money and like that of any money capable of discharging the function of money (medium of transaction, a measure of value,
store of values), regardless of the name and type of client (poor or non-poor). Therefore, positioning of MF along with other development inputs assumes significance to harness hidden potential in any intervention for poverty mitigation.

The concept of micro credit was introduced in the beginning of the seventies of the last century as a panacea for poverty cure. Later having recognised its limitations when it is used in an isolated manner, the concept has been further modified from supply oriented micro credit to demand oriented microfinance with the inclusion of micro savings, micro insurance transfer services, micro pension, etc., and participation of both formal and non formal sector players in channeling micro finance. This scenario has given an opportunity for enlarging the concept of micro finance at large in the last mile. Further, the concept of microfinance was officially patronised in the year 2005 as an economic instrument for fighting poverty and unemployment in the world. Consequently, the introduction of microfinance gives an opportunity for poor and low-income people for establishing their income generating activities at household level. These small and micro enterprises generate good financial returns to them that help in improving their standard of living along with their households. Microfinance has been defined as the process of extending small and micro financial services integrated with non-financial services such as training to the marginalised people who have been unjustly excluded from the conventional financial system and from accessing credit through the commercial banks. The provision of a holistic package that includes various services such as micro credit, micro insurance, micro saving, remittances services, technical and support and other social welfare services jointly by MFIs/NGOs and Government services plays a key role in assisting the marginalised people in establishing their small businesses. This will ultimately yield them with reasonable income that enable them get out of the poverty cycle. However, in the course of institutional development for delivery of micro finance, mushroom growth of micro credit lending outlets has come with unethical practices that were found unchecked and unregulated in many markets; these unethical practices badly damaged the noble purpose of microfinance as originally conceived.
3. **Objective No.3: To review the Microfinance Institutions (MFIs) system and analyse its implementation mechanisms in Yemen**

The response for this objective has been explained in details in chapter Number 6, however a brief summary about the major findings found related to the MFIs operating and their implementation mechanisms.

1. According to responses received from the MFIs (No.4.4.28), it is found that almost all the MFIs operating in the market depend on the Social Fund (SFD) for funding their portfolio except Alamal Microfinance bank, which has a variety of sources.

2. There should be more effort spent on introducing the service of micro insurance scheme to the borrowers to support them at times of crises or at the loss of business activities is very less. It is observed that in table (5.14), just (1.8%) of the total borrowers reported having insurance accounts.

3. There is a need for more training on consultation services extended by the microfinance institutions before and after sanctioning the loans to the borrowers as table (5.23), and (5.24) showed that, there is about (91.2%) of the sample borrowers reported receiving no training or consultation services either from the MFIs, or any other agencies.

4. The lack of the required financial and physical infrastructures make difficulties before the small borrowers as well as the MFIs to operate, according to table (5.24) and response (4.4.33), (50%) of the respondents revealed having difficulties in the required power. (28.3%) revealed having challenges in the raw material available, (29.1%) reported having difficulties in the transportation facilities, (14.7%) reported having difficulties in the product marketing, and finally (12%) of the sample revealed having challenges with the connectivity.

5. There is a need to adopt uniform codes for selection of MFIs borrowers to ease the procedure of finding the right clients for microfinance by MFIs. This is elicited from MFIs opinions number (4.21).
6. As per the opinion number (4.6.30), all MFIs expressed concern on the factors such as the political crises, ethnic, and religious conflicts that affect micro financing programs.

7. Lack of marketing support by the government for the products of micro enterprises that are financed by the MFIs discourages further expansion of credit to the service sector as shown in table (4.20).

8. It is noted that, MFIs give more attention to the consumption loans on the cost of income generating loans as there is (35.6%) of the borrower’s sample in the study in received loans for consumption purposes to purchase households assets such as solar panels and furniture. They were also used for repaying debts and repairing houses as shown in (Table 5.11).

4. **Objective No.4:** To Examine the Contribution of Microfinance in the alleviation of Poverty phenomenon in Yemen

**First:** The quantitative results (Figure No.5.1) pertaining to the level of income before and after receiving the loans towards the mitigation of poverty and among the overall respondents, i.e., (251) who used their loans for income generating activities, the following results were found:

1. Percentage of borrowers with an income level that is less than YR 50,000 was reduced to (13.9%) after availing the loans from the level of (41%) before availing the benefits of the loans. On a similar vein, the next range that is the percentage of borrowers with level income ranging between (YR 50,000- YR 100, 000) was reduced from (42.6%) to (33.9%) after availing the benefits of the loans received.

2. Percentage of borrowers with level income ranging between (YR 100, 001- YR 150,000) was increased from (8.4%) before receiving the loans to (28.3%) after availing the benefits of the loans received.

3. Percentage of borrowers with level income ranging between (YR 150, 001- YR 200, 000) was increased from (4%) before receiving the loans to (14.3%) after availing the benefits of the loans received.
4. Percentage of borrowers with level income of more than YR 200,000 was increased from 4 percent before receiving the loans to (9.6%) after availing the benefits of the loans received.

**Second:** The quantitative results pertaining to the level of expenditures (Figure No.5.2) before and after receiving the loans towards the mitigation of poverty and among the overall respondents, i.e., (251) who used their loans for income generating activities, the following results were found:

1. Percentage of borrowers with a level of expenditure that is less than YR 50,000 was reduced from (49.8%) before availing the benefits of the loans to (24.7%) after receiving the loans from the MFIs.

2. Percentage of borrowers with a level of expenditure ranging between (YR 50,000- YR 100,000) was reduced from (40.6%) before receiving the loans to (39.8%) after availing the benefits of the loans received.

3. Percentage of borrowers with a level of expenditure ranging between (YR 100,001- YR 150,000) was increased from (6%) before receiving the loans to (25.5%) after availing the benefits of the loans received.

4. Percentage of the borrowers with a level of expenditure ranging between (YR 150,001- YR 200,000) was increased from (2.4%) before receiving the loans to (6.8%) after availing the benefits of the loans received.

5. Percentage of the borrowers with a level of expenditures of more than YR 200,000 was increased from (1.2%) before receiving the loans to (3.2%) after availing the benefits of the loans received.

**Third:** According to the opinions of the respondents (Table 5.31) and testing (Table 5.35) related to the impact of microfinance on improving the level of income and expenditure, the analysis found the following results:

1. There is a statistical relationship between microfinance and its contribution to poverty mitigation in Yemen as the significance level is proved (0.000), which is less than the level of confidence (0.05). This confirms the acceptance of the alternative hypothesis stating that (there is a significant
relationship between microfinance and mitigation of poverty in Yemen), and rejects the null hypothesis.

65. **Objective No.5: To assess the Contribution of Microfinance in the mitigation of unemployment phenomenon in Yemen**

First: The quantitative results pertaining to the level of unemployment before and after receiving the loans showed in (Table 5.3) towards the mitigation of unemployment in terms of the number of employed workers in the activities financed and among the overall respondents, i.e., (251) who used their loans for income generating activities reported the followings:

1. Percentage of the borrowers with one worker in their enterprises was increased from (15.9%) before availing the benefits of the loans to (21.1%) after receiving the loans from the MFIs.

2. Percentage of the borrowers with two workers in their enterprises was increased from (10.8%) before availing the benefits of the loans to (14.35) after receiving the loans from the MFIs.

3. Percentage of the borrowers with three workers in their enterprises was increased from (2.4%) before availing the benefits of the loans to (4.8%) after receiving the loans from the MFIs.

4. Percentage of the borrowers with more than three workers in their enterprises was increased from (1.2%) before availing the benefits of the loans to (2.4%) after receiving the loans from the MFIs.

5. Percentage of the borrowers with no workers in their enterprises was reduced from (69.7%) before availing the benefits of the loans to (57.4%) after receiving the loans from the MFIs.

Second: the quantitative results showed in (Table 5.4) regarding the impact on the number of family members working in the activities of the borrowers before and after receiving the loans and among the overall respondents, i.e., (251) who used their loans for income-generating activities reported the followings:
1. Percentage of the borrowers with one member of the family working in their enterprises was increased from (12%) before availing the benefits of the loans to (17.5%) after receiving the loans from the MFIs.

2. Percentage of the borrowers with two members of the family working in their enterprises was increased from (1.2%) percent before availing the benefits of the loans to (2%) after receiving the loans from the MFIs.

3. Percentage of the borrowers with three members of the family working in their enterprises was increased from (1.2%) before availing the benefits of the loans to (2.4%) after receiving the loans from the MFIs.

4. Percentage of the borrowers with more than three members of the family working in their enterprises was increased from (0.4%) before availing the benefits of the loans to (1.6%) after receiving the loans from the MFIs.

5. Percentage of the borrowers with no members of the family working in their enterprises was decreased from (85.3%) before availing the benefits of the loans to (76.5%) after receiving the loans from the MFIs.

**Third:** According to the opinions of the respondents (Table 5.32) and testing (Table 5.38) related to the impact of microfinance on improving the level of employment, the analysis found the following results:

1. There is a statistical relationship between microfinance and its contribution to unemployment mitigation in Yemen as the significance level is proved (0.000), which is less than the level of confidence (0.05). This confirms the acceptance of the alternative hypothesis stating that (there is a significant effective relationship between microfinance and mitigation of unemployment in Yemen), and rejects the null hypothesis.

6. **Objective No.6: To evaluate the Impact of Microfinance on Improving the Standard of Living of Poor Households in Yemen**

   According to the opinions of the respondents (Table No.5.33) and testing (Table No.41) related to the impact of microfinance on improving the levels of employment, the analysis found the following results:
1. There is a statistical relationship between microfinance and its contribution to improving the standard of living of poor households in Yemen as the significance level is proved (0.000), which is less than the level of confidence (0.05). This confirms the acceptance of the alternative hypothesis stating that (there is a statistical relationship between microfinance and its contribution to improving the standard of living of poor households in Yemen).

7. **Objective No.7: To Identify the Obstacles and Challenges facing the Microfinance Industry and its Institutions in Yemen**

1. According to the opinions of the respondents (Table 5.34) and testing (Table 5.44) on the obstacles and challenges facing the microfinance industry in Yemen, the analysis found the following results:

2. There is a statistical relationship between obstacles and challenges that block the growth and development of microfinance sector in Yemen and the improvement of microfinance sector and its projects as the level of significance proved (0.000), which is less than the level of confidence (0.05). This confirms the acceptance of the alternative hypothesis stating that (there is a statistical relationship between obstacles and challenges that block the growth and development of microfinance sector in Yemen and the improvement of microfinance sector and its projects), and rejects the null hypothesis.

3. The opinion elicited on the obstacles and challenges in participating microfinance programs (Table 5.34) shows that, the highest value of the weighted average in the axis of the challenges and difficulties that face the microfinance industry is found in the question stating (Poor infrastructure discourages to undertake any credit based economic activity). This value is estimated at (4.25) with a standard deviation of (0.90704). While the lowest value of the weighted average of the same axis is found in the question stating (Scarcity of specialised staff who can contribute to growth and sustainability of microfinance). This value is estimated at (3.65) with a standard deviation of (0.99888). The table also reveals that, the value of the weighted average for this axis which discusses the challenges and
difficulties that face the growth and development of microfinance industry is estimated at (3.97) along with a standard deviation value of (0.49336).

4. This confirms the acceptance of the respondents of the study for the questions related to this section with agree degree. The table further unveils that the statements (questions), i.e., (Lack of financial awareness among individuals reduced their chances to obtain financial services), (The weak support of the government for microfinance sector) and (Inflation in the general level of prices reduces the benefits of the loan received). Obtained weighted average values were estimated at (4.23), (4.15), (4.02), and standard deviation values of (0.78127), (0.82522) and (0.8293) respectively.

8. **Objective No.8 & 9: To study the Degree of difference between the Experimental group and the Control Group in Terms of Income and Expenditures**

The quantitative and testing results appear in (Table 5.47) and (Table 5.48) regarding the degree of difference between the experimental group and the control group in terms of income and expenditures showed the following results:

1. It is found that, there is a difference between the sample of the experimental group and the sample of the control group in terms of income as the level of significance is proved (0.000), which is less than the level of confidence (0.05). This confirms the alternative hypothesis stating that (there is a significant difference between the experimental group and the control group in terms of income level), and rejects the null hypothesis. The level of the current income of the experimental group, which is the group that benefited from microfinance, is found to be higher than the level of the current income of the control group, which did not benefit from microfinance products and services. This shows that microfinance contributes to poverty and unemployment mitigation. Into the bargain, it has improved the standard of living of the poor households in Yemen. Statistically, it was found that the weighted average of the experimental group is higher than the weighted average of the control group. Accordingly, the impact level or amount of difference in income between
the experimental group and the group control is about (YR 50,000); the level of income for experimental group is between (YR 100,000-150,000), and the level of income for control group is between (YR 50,000-100,000).

2. It is found that there is a difference between the sample of the experimental group and the sample of the control group in terms of expenditures as the level of significance is proved (0.000), which is less than the level of confidence (0.05). This confirms the alternative hypothesis stating that (there is a significant difference between the experimental group and the control group in terms of expenditures level), and rejects the null hypothesis. The level of the current expenditures of the experimental group, which is the group that benefited from microfinance, is found to be higher than the level of the current expenditures of the control group, which did not benefit from microfinance products and services. This shows that microfinance contributes to poverty and unemployment mitigation. In addition, it improves the standard of living of the poor households in Yemen. Statistically, it was found that the weighted average of the experimental group is higher than the weighted average of the control group. Accordingly, the impact level or amount of difference in expenditures between the experimental group and the control group is about (YR 50,000); the level of expenditures for experimental group is between (YR 100,000-150,000), and the level of income for control group is between (YR 50,000-100,000).

9. **Objective No.10: To come out with policy proposals and recommendations for addressing poverty and unemployment phenomenon through development of the microfinance industry in Yemen**

   These recommendations have been explained in the recommendations section.
7.2.4 Major Findings Related to the MFIs sample

1. All MFIs studied provide micro credit only although microfinance represents financial products and services like micro savings, micro insurance, transfer services, micro pension, and the like, besides micro credit.

2. Among overall respondents representing (9) MFIs, the majority of them (66%) are in the nature of a nodal agency for implementing government’s microfinance programs followed by (22.2%) which are in the form of foundations, and only (11%) that are in financial entity recognised for microfinance banking.

3. The Amal Microfinance bank is regulated and supervised by the Central Bank of Yemen (CBY), and the remaining foundations and programs are supervised by the Ministry of Labour and Social Affairs and Ministry of Industry and Trade.

7.3 Recommendations

The study recommends the restructuring of the general microfinance industry system available in Yemen through the adoption of a comprehensive strategy that ensures the achievement of the objectives of microfinance and takes urgently into account the following policy oriented recommendations:

1. Recommendations related to poverty and unemployment mitigation

2. Recommendations related to microfinance and microfinance institutions

3. Recommendations related to the government of Yemen

7.3.1 Recommendations Related to MFI towards Sustainable Poverty and Unemployment mitigation in Yemen

In order to enable microfinance industry and MFIs in Yemen to achieve their social and financial sustainability to have an access to as much as possible of the poor people using well defined criteria for identification, which will eventually contribute to the alleviation of poverty and unemployment phenomenon in the community, it is advisable to do the followings:
1. To support the industry with new financial sources capable of backing up the existing portfolio of MFIs, and help them in broadening their scope of operation. This goal can be achieved by creating an effective partnership between the commercial banks and microfinance institutions operating in the market through the Central Bank of Yemen intermediation. This will enable the CBY to coordinate with the commercial banks to allocate part of their financial portfolio for investing and supporting the microfinance sector in the country.

2. Once the coordination between the commercial bank and the MFIs is established, there is a need to re-consider the nature of the investment among them. The investment by the commercial banks has to be either directly through lending to the poor, or by indirectly lending to the poor through microfinance institutions based on previous understandings about this matter. This method will further enable the MFIs to gain sustainability taking advantage of the network of the branches of the commercial banks spread in several areas. In this regard, the researcher believes that about (90%) of the MFIs operating in the market depend largely on subsidised fund extended from the Social Fund for Development (SFD) making them vulnerable to immediate collapse once this support stops or reduces.

3. The study recommends making some changes in the current lending methodology of the MFIs when granting small loans. It is noted that, most of the MFI operating in Yemen offer consumption loans more than the investment loans that opposes the idea and the objective of microfinance locally and globally. This method of lending provision for non-income generating schemes prevents the very poor from availing the required loans needed for starting their small and micro income-generating projects. Hence, it is suggested that, the limited consumption loans are to be extended only to deserving low-income people.

4. It is recommended that, a necessary identification should be done for the potential areas/schemes for credit absorption that would indeed contribute to the mitigation of poverty and reduce unemployment phenomenon in the country. Accordingly, the Central Bank of Yemen, the Ministry of Social
Affairs, the Social Fund for Development and the Ministry of Industry and Trading, and other bodies are invited to adopt a strategy that oblige microfinance institutions operating in the market regardless of their legal forms to allocate at least (75%) of their portfolios for financing the productive, fishing, and agricultural activities. In this regard, it is also recommended that, the guidelines for the preparation of potential linked credit plan at district level by National Bank for Agricultural and Rural Development (NABARD) in India is worthy of emulation in Yemen.

7.3.2 Recommendations Related to Microfinance Institutions and Microfinance Sector

1. For assisting the poor people to any extent possible, the study recommends that, microfinance institutions operating in the market need to reduce their interest rates charged on investment loans offered for various income generating activities to the borrowers other than the low-income borrowers or the consumption loans. At the same time, it is also advisable that, the MFIs should improve their administrative level of efficiency and effectiveness so that, they can easily reduce the interest level and ensure the continuity of their work. The MFIs should at least calculate the interest rates based on the declining balance, not on the flat balance to help the poor borrowers benefit to the last extent from the loans received. For enhancing the profit of the MFIs, they need to cater diversified micro financial services besides micro credit.

2. MFIs should avoid multiple lending to the same clients so that experiencing the same fate of microfinance industries in both Morocco and India in the year 2007 and 2010 respectively is avoided. In this vein, the study recommends that there is a need to set up credit bureau and a database of all the MFIs customers. This will limit the duplication of lending and will prevent the poor borrowers from the accumulation of debt.

3. There is a need to encourage the formation of the group activity among the unemployed poor in Yemen on the same lines of Self Help Group and Joint Liability Group in India for running the enterprise and sharing both
risks and profits collectively. Hence, it is necessary to strengthen the group lending methodology with the collective collaterals system, which allows borrowers to guarantee each other leading to pressure on the group members for repayment of loan dues collectively. This system leads to encouraging the poor borrowers to potentially utilize their sources and take advantage of their opportunities effectively for graduating from the poverty level.

4. There is a need to focus more on targeting the poor people using uniform identification codes to those who are in need of fund more than groups such as the low-income category. The reason is that, they are poorer and require more credit and non-credit support like training, marketing, etc., compared to other groups, as the foremost goal of microfinance is to prop up the poor and lift them out of poverty and unemployment.

5. Microfinance is not just providing a single loan to the poor borrowers, but it should be integrated with other MF services like savings, and insurances towards sustaining the positive impact of the MF services in poverty sector. Consequently, microfinance institutions need to centre attention on providing diversified financial products and services other than micro credit such as micro insurance, micro saving, micro pension, money exchange, transfer services, training, consulting and rehabilitation services. These services and products lend a hand to the borrowers when managing their microenterprises activities and stimulate them to think of new products and opportunities through training and motivation programs. They further guard them from any possible future risks and compensates them for any potential losses.

6. The MFIs should give lending priority to locally potential income generating activities under rural, agricultural, fisheries and livestock more than other sectors; the study found out that, there was only a very small % of loans disbursed, were allocated for these sectors.

7. MFIs should focus when lending on the types of projects, their importance, quality and their financial needs depending on their feasibility studies, and needs not to depend on the decided ceilings in advance by the MFIs.
8. There is a need to develop and invent Islamic and non-Islamic new microfinance products and services that fit the needs of borrowers, and there is a need to maintain and promote the current products and publicize them.

9. There is a need to focus on measuring the social performance of microfinance institutions besides the financial performance. The MFIs should also concentrate on selecting the right clients who desire to start up their income generating activities, and that concentration should not be only on reaching huge numbers of clients regardless of their quality.

10. There is an urgent need to focus on providing free different types of training for the borrowers before and during the lending process; training related to management, marketing, reading, and writing, financial literacy, health and environment, and other aspects should be encouraged. Since unemployed people remained for a longer period without adequate necessary skills in entrepreneurial development, capacity development programs need to be introduced appropriately to the local demand contextually before providing MF services.

7.3.3 Recommendations Related to Government and other Official Bodies

1. The sustainable reduction of poverty and unemployment through MF intervention largely hinges on coordinated action among the stakeholder, viz, MFIs in providing proper poor integrated products and services like insurance linked credit, and local governorates for facilitating necessary infrastructures like power to the poor borrowers to prepare them for the effective functioning of enterprise financed.

2. There is a need to develop a clear and precise definition for microfinance, its clients and the targeted groups. There is also a necessity to differentiate and identify between them and other target groups. It is also recommended to develop specific criteria to differentiate using the number of employees as criteria for identification as per the below guidelines:
- **Micro enterprise:**

  This may include the self-employed with family members or not working as employees in the enterprises located in his/her own house or premise (bottom poorest & middle poorer in the poverty pyramid).

- **Small enterprise:**

  This may include 1 to 2 employees – the poor in the top layer shown in the poverty pyramid, this is just below the below poverty line (BPL) adopted in respective area/country.

- **Medium enterprise:** This may include 3 to 10 employees.

- **Large enterprise:** This may include more than 10 employees

3. The study recommends that, the microfinance decision makers as well as the government of Yemen should take advantage of the group mode of financial inclusion like that of Self-Help Group-Bank Linkage Programme (SBLP) being implemented in India for linking the Self-help group with the commercial banks in the market. It is being implemented in coordination with non-governmental Indian organisations and microfinance institutions to develop self-help groups capable of borrowing and starting their income-generating activities. This will also allow the MFIs and other agencies to benefit from the huge branches network of the commercial banks scattered in several areas. This group approach, based on collateral substitute (peer pressure), also facilitates the inclusion of very poor being non-salaried categories of people.

4. The study recommends putting more efforts on supporting the existing microfinance programs, institutions and companies in the market and converting them from lending NGOs to microfinance professional banks. This will liberate them from depending on the SFD for finance and make them capable of meeting their own capital as well as will help them covering their operating needs on their own by saving mobilisation and other sources. The government and other official bodies should also facilitate through policy support for simplifying the procedures for the establishment of new MFIs, and for opening new branches for the existing
ones. As a result, this shall encourage them to offer a broad package of microfinance financial and non-financial products and services together.

5. There is a need to introduce a government guarantee system by which poor people who cannot offer any type of collaterals can be included in this system.

6. There is a need to enhance a trust between the religious institutions and microfinance institutions in order to remove or reduce the doubts and suspicions around MFIs and their finance and about the prohibition of borrowing among borrowers.

7. It is very essential to have a separate institution or official body that supervises and makes decisions about microfinance policies, and its institutions in the country. This body will regulate the relationship between microfinance institutions, the governmental institutions, and small businesses as well.

8. The study also recommends providing the required infrastructures necessary for supporting small and micro enterprises sector financed by MFIs in the country. These infrastructures may include the establishment of industrial compounds, local special markets for marketing and selling the small and micro activities products and services, conducting local and international exhibitions for the promotion of these small products, and finally establishing especial marketing companies for selling and marketing these products internationally.

9. There is a need to support and stimulate the commercial banks operating in the market of various kinds to allocate a portion of their portfolios to support microfinance institutions operating within the sector. This can be done by reducing the interest rates offered by the central bank on treasury bills to commercial banks, and by inviting them to invest in the microfinance sector.

10. The MFIs should avail of the Zakat fund and use it for the investment in the microfinance sector.
11. Finally, the researcher believes that the policy of microfinance and small and micro enterprises cannot achieve their desired objectives unless and until there is a clear comprehensive strategy and scientific study for identifying the credit potential based economic activities such as fish canning, value added fish and agricultural products, and others. It would assure the growth of micro and small enterprises in supporting the economy of the country like the Turkish and Syrian experience with small industries. Thus, it will alleviate poverty and unemployment in Yemen.

7.4 Area of Further Studies

1) The upcoming research of the study may continue researching in the same area focusing more on the southern part of Yemen in governorates such as Hadhramaut and Socotra.

2) Another study is needed to focus on the potential of the development value of micro insurance needed to integrate with micro credit. The above subject is strongly suggested especially in the context of prevailing politically disturbed ecology in Yemen caused by internal and external intervention affecting the growth of small and micro enterprises in different parts of the country.