ABSTRACT

The introduction of the concept of micro credit in the early seventies and before provided a hope for accessing credit facilities from the formal financial system to the destitute and poor people who have been denied, earlier, such facilities from collateral security perspectives. The concept later has been strengthened with the usage of the term “Microfinance” with the inclusion of a package of several types of financial services besides micro credit to tailor the needs of the target group in the poverty sector. It is surmised that microfinance financial products and services, if offered in a prudent way, it may serve the poor segments in poor societies and ultimately lead to making positive socio economic changes in their lives and living standards. However, despite of this logical assumption, there are still many arguments, which stand against it, as some believe microfinance does not, in reality contribute to the betterment of the underprivileged people; it indeed creates a burden on their lives and adds a new liability on them. In this regard, many empirical researches were carried out in several places aiming at evaluating the impact of microfinance on several phenomena pertaining to the living of the poor people such as poverty, unemployment, women empowerment and others. The current study is an impact appraisal for the role of microfinance in mitigating poverty and unemployment in Yemen. The study covered the period of six years starting from 2010 to 2016. It is both descriptive and explorative in nature; it intends to trace the historical growth and development of microfinance industry in Yemen and reviews the system of development nature of microfinance industry globally and nationally.

The study exclusively aims at assessing the role of microfinance in mitigating poverty and unemployment in Yemen. It also studies the magnitude of poverty and unemployment in Yemen and understands the values of microfinance from development perspectives in general, and it’s potential for overcoming the unemployment and poverty in particular.
The study further focuses on evaluating the impact of microfinance on improving the standard of living of the poor households along with identifying the obstacles and challenges facing the microfinance industry in Yemen. Examining the degree of difference between the experimental group and the control group considered for analysis in this study in terms of level of income and expenditure is another important objective of the study to assert the positive impact of microfinance on poverty and unemployment. The study is based on primary and secondary data collected from various sources; the primary data is collected from the field study conducted during the year 2015-2016 via administering two different questionnaires to two different targets, i.e., the borrowers and the non-borrowers of the MFIs. The total respondents included 390 sample borrowers and 159-sample non-borrowers. The randomly selected respondents for the study have been distributed proportionately to purposively selected governorates viz., Alhodeidah governorate, and Sana’a governorate that includes Sana’a municipality within its territory. The secondary data was pulled together from a mixture of sources such as official reports, government documents, official websites, books, journals papers, periodicals, MFI’s website, thesis, magazines, previous studies and other sources.

The collected data was carefully edited and analyzed with the help of different statistical tools and techniques such as, T-Test, Weighted Average, Mean, Standard Deviation, Percentages, and other tools and techniques. The study is comprised of seven different chapters; i.e., the first chapter provides a comprehensive overview on the subject, the rationale for the present research work along with the research methodology of the study. The second chapter discusses the previous empirical studies carried out nationally and abroad, while the third chapter reviews the conceptual framework about various aspects of microfinance. The fourth chapter deals with the profile of the study area and the analysis related to the functioning system of the microfinance institutions in Yemen. The fifth chapter contains the data analysis and interpretation. The sixth chapter presents the problems and suggestions shared by the respondents as well as the MFIs on the implementation of microfinance in the study area. Finally, the seventh chapter concludes the thesis by providing a conclusion, summary of the
major findings, recommendations and the area for further studies. The major findings of the study divulge that there is a positive relationship between microfinance and poverty, unemployment and improving the standard of living of the poor households in Yemen. It further discloses that there are certain difficulties and challenges facing the growth and development of microfinance sector in the area of the study. The study winds up by stating that the borrowers of the MFIs (experimental group) enjoy a better standard of living than that of one pertaining to the non-borrowers of the MFIs (the control group) with an approximate amount difference of YR 50,000. Therefore, the study makes a slew of recommendations at both policy and institutional levels. Among others, the important ones include a) establishing effective partnership between MFIs and commercial banks particularly in respect of financial support to the former from the later. b) MFIs in Yemen need to focus more on income generating loan schemes with a limited consideration for consumption loans to their target clients, and c) group lending with diversified microfinance products and services besides micro credit is strongly exhorted for facilitating sustainable mitigation of poverty and unemployment in Yemen.

**Keywords:** Microfinance, Micro credit, Microfinance Institutions, Poverty, Unemployment, Standard of Living, Mitigation and Challenges.