

ROLE OF MICROFINANCE IN POVERTY ALLEVIATION **IN AFRICA- META ANALYSIS**

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Abstract:

As there are concerns that Africa's recovery will be delayed and the longer term growth lowered, the key policy question is how to bring the continent quickly to high and sustainable growth path. Africa is at a turning point. Many countries have achieved high growth rates over the past decade, and many aspire to structural transformation, but the good performance has not translated into significant poverty reduction and shared prosperity. It has yet to provide low-income households and other vulnerable groups enough opportunity to improve their living standards. The paper has been done based on various review of literatures and research papers on the contribution of Micro-finance institutions in upliftment of the below poverty line. Micro finance plays a predominant role in rural parts of Africa which shows the significant changes in livelihood and lifestyle of below poverty line. The data interpretation of the different statistical tools says that there is significance different between the life style, Health and nutritional values awareness, between the members of MFI's and non MFI's.

Key words: Vulnerable Groups, Financial Sustainability, Capacity Building, Disseminating, Empirical Investigation

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Introduction

A definition of microfinance ‘Microfinance refers to financial services provided to low-income people, usually to help support self-employment. Examples of microfinance products include: small loans, savings plans, insurance, payment transfers, and other services that are provided in small increments that low-income individuals can afford. These services help families to start and build “micro” enterprises, the very small businesses that are important sources of employment, income, and economic vitality in developing countries worldwide.’ (Source: FINCA website)

A definition of a microfinance institution A microfinance institution (MFI) is an organization that provides financial services to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission and methodology. However, all share the common characteristic of providing financial services to clients who are poorer and more vulnerable than traditional bank clients. (Source: CGAP website, World Bank Group)

Africa was an innocent victim of the global crisis, which disrupted a period of the continent’s highest growth in decades and presented a severe setback to poverty reduction progress. Due to prudent macroeconomic policies and reforms, Africa entered the global crisis on stronger footing than the past recessions, with some countries being able to implement stimulus packages. However, many low income and especially fragile and post-conflict countries were not in the position to adopt counter-cyclical measures when the crisis hit. As there are concerns that Africa’s recovery will be delayed and the longer term growth lowered, the key policy question is how to bring the continent quickly to high and sustainable growth path.

This note provides an overview of the impact of the global crisis on Africa and highlights the continent’s challenges in returning rapidly to a high and sustainable growth path.

Africa is at a turning point. Many countries have achieved high growth rates over the past decade, and many aspire to structural transformation, but the good performance has not translated into significant poverty reduction and shared prosperity. It has yet to provide low-income households and other vulnerable groups enough opportunity to improve their living

standards. In terms of economic indicators, North Africa was performing well, but the young, low-income earners and other vulnerable groups had been excluded from in a more inclusive and sustainable growth agenda. For its part, the African Development Bank (AFDB) has launched its Ten-Year Strategy 2013–22, the main thrust of which is inclusive and green growth.

Need of the study

As Africa is in dire need of sources of finance to meet the livelihood challenges and poverty alleviation.

Microfinance fulfilled and bridge the gap as need of the hour for poverty alleviation, procurement of agricultural. Micro finance is a boon to below poverty line to support and uplift the poor rural people to pay its debt and maintain social and economic status in the society.

As we know that Africa is agriculture based economy so microfinance may be a tool to empower the farmers and rural peoples to make agriculture as profitable. So the researchers are interested to find out the scopes of microfinance in Africa. This research paper is highlighting, Africa as a profitable segment for microfinance institutions.

Objective of the study

- To analyze the growth and contribution of microfinance in Africa.
- To assess the impact of microfinance on livelihood and social status of BPL in Africa.
- To analyze the structure and impact of network patterns of microfinance programmes in Africa by the MFIs.
- To study the importance and role of microfinance in poverty alleviation activities.

Research Methodology

This is a paper which has designed to study the analysis of various research reports. It is a Meta analysis as well as descriptive research paper based on secondary data and review of literatures. The different review of literatures and analysis are compiled and the results are coined as a conclusion.

Literature Review

Microfinance (MF) has evolved as an economic development approach intended to benefit the low-income part of a given society (both women and men). According to the World Bank definition, the term refers to “provision of financial services” (including saving and credit) to the poor”. Micro finance banks are institutions that are established to provide financial services to the active poor. Microfinance Institutions, (MFIs) can be non-governmental organizations (NGOs), saving and loan cooperatives, credit unions, government banks, commercial banks, or non-bank financial institutions (Ledger wood 1999). Microfinance gives access to financial and nonfinancial services to low-income people, who wish to access money for starting or developing an income generation activity (Ojo, 2009). Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be „bankable“, that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs (Khan & Rahaman 2007). Irobi (2008) investigated microfinance and poverty alleviation Nigeria.

The impact of microfinance on poverty

There is a certain amount of debate about whether impact assessment of microfinance projects, Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997, p.12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction (ibid.) as this reduces beneficiaries’ overall vulnerability.

In a study it has argued that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends what the poor do with this money, often times it is gambled away or spent on alcohol (1999), so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to “sustain a specified level of well-being” (Wright, 1999, p.40)

by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

The argument is that if the market can provide adequate proxies for impact, showing that clients are happy to pay for a service, assessments are a waste of resources (ibid.). However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI (ibid.) Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001b, p.11).

Mayoux (2001, p.52) states that while microfinance has much potential the main effects on poverty have been: credit making a significant contribution to increasing incomes of the better-off poor, including women, microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murdugh and Hashemi (2003, p.2) "various studies...document increases in income and assets, and decreases in vulnerability of microfinance clients".

Microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is "generally well below expectation" he does concede that some positive impacts do take place. From a study of a number of MFIs he states that findings show that consumption smoothing effects, signs of redistribution of wealth and influence within the household are the most common impact of MFI programmes (ibid.).

Kabeer (2003, p.106) states that wider social impact assessment is important for an organisation's internal learning process, as an MFI should be aware of the "full range of changes

associated with its efforts and uses these to improve its performance”. She considers social impact to relate to human capital such as nutrition, health and education, as well as social networks (2003)..

Zohir and Matin (2004, p.301) make a similar point when they state that the impact of microfinance interventions is being under-estimated by “conventional impact studies which do not take into account, the possible positive externalities on spheres beyond households”. They propose that impact should be examined from cultural, economic, social and political domains at individual, enterprise and household levels (2004).

Microfinance is now established as an important poverty alleviation tool, although most MFIs exclusively focus on income generation for poor people. This is only a partial solution. MFIs need to target other ‘basic needs’ of the poor, including health and education. Though this adds challenges for MFIs, particularly for financial sustainability, MFIs cannot ignore clients’ health concerns. There are multiple strategies to connect health interventions to financial services. Institutions must choose options based upon their specific characteristics like size, population served, and socio-economic and political context.

Littlefield, Murdugh and Hashemi (2003, p.3) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been conducted they conclude, “households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households”. Among the examples they give is of FOCCAS, a Ugandan MFI whose clients were given health care instructions on breastfeeding and family planning. They were seen to have much better health care practices than non-clients, with 95% of clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Littlefield, Murdugh and Hashemi, 2003).

Microfinance interventions have also been shown to have a positive impact on the education of clients’ children. Littlefield, Murdugh and Hashemi (2003, p.4) state that one of the first things that poor people do with new income from microenterprise activities is to invest in their children’s education. Studies show that children of microfinance clients are more likely to go to

school and stay longer in school than for children of non-clients. Again, in their study of FOCCAS, client households were found to be investing more in education than non-client households. Similar findings were seen for projects in Zimbabwe, India, Honduras and Bangladesh (ibid.).

Reaching the Poor, as highlighted, one of the key roles microfinance has to play in development is in bringing access to financial services to the poor, to those who are neglected by the formal banking sector. This is their social mission. Mainstream banks target clients that have collateral. The poor do not have assets to act as collateral, therefore they are ignored by the formal financial sector. These banks tend to be found in urban centers while the majority of the poor in the developing world live in rural areas, where financial services are not provided. Therefore, if MFIs are to fill this void they must reach the rural poor. However, according to most studies, microfinance is only reaching a small fraction of the estimated demand of the poor for financial services (Littlefield and Rosenberg, 2004).

Organisations such as BRAC with their IGVGD27 and CFPR28 programmes have shown that the poorest people can be targeted in a sustainable manner (Halder and Mosley, 2004). Johnson and Rogaly (1997) state that some features of savings and credit schemes are able to meet the needs of the very poor. In relation to reaching those living in extreme poverty, Littlefield, Murdugh and Hashemi (2003, p.5) refer to a study of 62 MFIs that have reached full financial self-sufficiency with 18 MFIs that targeted what they defined as “the poorest clients” averaging better profitability than the others. This shows that when properly managed, programmes that target the very poor can become financially sustainable. The onus is therefore on other MFIs to develop products and services that will meet the needs of the very poorest if the social mission of microfinance is to be achieved.

MFIs do not have the depth of outreach that is needed to meet the demands of the rural poor. Serving the rural poor in the developing world involves a major financial commitment, as it is expensive to run rural microfinance projects. Claessens (2005) states that high transaction costs, small volumes and the high costs of expanding outreach, make it unprofitable to serve the rural poor. It is for this reason that commercial banks are positioned in areas of high population

density. However, if MFIs are to meet their social mission of serving the poor then financial services need to reach the rural poor.

In the contrast, according to Provident & Zacharia (2008), investigated critical look at the role of microfinance banks in poverty reduction in Tanzania, the study based on questionnaires, semi structured interviews, observations and documentary reviews. The main findings of their study showed that majority of the poor do not access microfinance services loans because they lack guarantors, assets, businesses, salaried employment, savings account in banks, ability to make pre-loan weekly deposit on Special Savings Account which are required as collaterals.

Association of Microfinance Institutions of Uganda (AMFIU) Type An umbrella organization of microfinance institutions in Uganda with the objective of enhancing the sustainable delivery of financial services by all microfinance institutions. Head Office Kampala, Uganda Size Indicator 117 microfinance institutions are members of the association Approach – Coordinating capacity building initiatives – Providing lobbying and advocacy services – Collecting, analysing, and disseminating information – Monitoring MFIs performance Relevance to Women Indirectly Operations in Africa .

Named, MicroLoan Foundation Description, A UK charity providing small loans, business training and guidance to women in sub-Saharan Africa. Uk Head Office London, United Kingdom Size Indicator In Malawi (as an example): Number of active borrowers: 19,626 Number of depositors: 0 Average loan balance per borrower: (Source: MIX Market, 2009) Approach The charity provides loans to groups of 10-18 women. Each group has its business ideas appraised and receives eight training sessions covering topics such as bookkeeping and cash flow. All group members are required to save money as a source of security. Each woman receives her loan as a cheque and opens an account at a designated bank. Average loan duration is 4 months. Relevance to Women, Women are specifically targeted. Operations in Africa Malawi, Zambia, Mozambique, Namibia .

Named, Grameen Foundation Description , A foundation with the mission to give poor people access to microfinance and technology to move themselves out of poverty. Head Office Seattle

and Washington DC, United States of America Size Indicator US\$ 160 million in local currency has been leveraged to support microfinance programmes in 13 countries. The foundation's MFI partners have helped 9.4 million people. Approach Grameen Foundation supports local MFIs with technology and capital. In order to facilitate mobile banking, the Foundation and MTN Uganda launched the first village phone programme in sub-Saharan Africa, MTN Village Phone. Relevance to Women, Women are specifically targeted. Operations in Africa Cameroon, Ethiopia, Ghana, Kenya, Mali, Malawi, Nigeria, Rwanda, Senegal, South Africa, the United Republic of Tanzania, Uganda.

BRAC is the largest southern NGO, reaching more than 110 million people with development interventions in Asia and Africa. Its operations in Uganda: Number of active borrowers: 103,489 Number of depositors: 103,489 Average loan balance per borrower: US\$ 125 (Source: MIX Market, 2009) Approach Centre of BRAC's approach are village organizations (VOs), each with 30 to 40 women members – which are set up to provide social support and microfinance services. These village organizations meet weekly, distribute loans, collect repayments and saving contributions, and raise awareness of the social, legal and personal issues that affect the everyday lives of poor women. More than 98% of BRAC's over 7 million borrowers and savers worldwide are women. Operations in Africa Helping 117,000 households in the United Republic of Tanzania and Uganda.

Global Development Programme: Aims to increase productivity and incomes of farmers, and promote microfinance, particularly savings accounts accessible for the poor throughout the developing world.

The Microcredit Summit Campaign (of RESULTS Educational Fund): The second phase of the campaign (2006 – 2015) aims to reach 175 million of the world's poorest families, in particular women, through credit and other business or financial services. Women are a frequent target group. Operations in Africa Initiatives all over Africa.

A network of professional women in the United States. Head Office Bethesda, Maryland, United States of America Size Indicator As of October 2010, WMI has issued nearly 1,700 loans to

women in more than 100 villages. Approach WMI operates in over 100 villages in Uganda and Kenya through 7 hub locations. WMI partners with village-level women's groups who administer the loan programme in each hub. **Relevance to Women** In Uganda the WMI loan programme is run entirely by local village women Operations in Africa WMI focuses its efforts in rural Uganda and Kenya.

A study found the microfinance intervention has a positive impact on alleviation of poverty among the women of this association. Interestingly, this study found that most women in this association experienced increased income and therefore, improved their economic status, political and social conditions after receiving the loans. While James et al. (2011), they examined impact of microfinance on poverty alleviation in Nigeria: An Empirical Investigation. This paper was employed in chi-square test,

F-test and T-test. The findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. There is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them. Their study concludes that microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for providing credit to the poor. **Microfinance providers** The terms 'microfinance providers' and 'microfinance institutions' (MFIs) are often used interchangeably and to refer to all sorts of organizations, including self-help groups, cooperatives, NGOs, government programmes, international foundations, banks, etc. This section attempts to provide some clarity on the types of microfinance providers.

Cull et al. (2013) studied competition between microfinance institutions and banks taking 99 developing and developed countries. In particular, the study focused on effects of competition on the profitability and outreach of microfinance institutions and also on access to financial services, specifically among the poor. They came to the conclusion that competition from banks induced MFIs to increase their outreach and that competition among MFIs was associated with deeper outreach to underserved markets. Also, competition from banks was found to have a more significant effect on urban-oriented MFIs, while in the absence of competition, commercial oriented MFIs showed an inclination towards better-off customers. In general, the effect of

competition was found to be particularly strong for MFIs dependent on commercial-funding and those using bilateral lending contracts, instead of group lending methods.

Richman and Fred (2010) examined the impact of competition and gender composition of borrowers on sustainability of MFIs in Ghana using a short panel data of 72 MFIs for the period 2003 to 2007. The findings of the research showed that industry competition increased sustainability of MFIs and reduced the dependency rate on donor subsidy, implying that growing competition in the sector increased efficiency and reduced the repayment risks and drop rates. In addition, sustainability was found to be an increasing function of men borrowers, indicating that the more the MFIs aimed at men borrowers, the lower was the rate of default or the portfolio at risk.

In order to analyze the effect of competition among MFIs on their performance, Esubalew et al., (2010) used data from 362 MFIs in 73 countries spanning the period from 1995 to 2009. Focusing on commercial-oriented MFIs, they used Lerner index to examine the competitive behavior of MFIs. The results indicated that increased competition among MFIs. Consistent with the findings of Wolday (2012), the seven MFIs identified shortage of loan funds as the primary challenge to their operations. This has been further aggravated by the limited willingness of banks to lend to MFIs without collateral. The MFIs also mentioned high staff turnover and shortage of skilled manpower have limited their growth. The provision of similar and limited financial products has encouraged copying and constrained innovation. Some MFIs also acknowledged that absence of an automated MIS (Management Information System) Negatively affects their performance. In addition, underdeveloped saving habits and limited trust on MFIs have constrained saving mobilization efforts of the MFIs.

Absence of well-developed infrastructure, unfair competition from dominant MFIs and absence of legal title of assets in rural areas have also reduced the outreach of MFIs. Furthermore, as rural economic activities are highly dependent on nature, factors such as crop failure and drought reduce the repayment of loans by rural borrowers, thereby affecting the performance of MFIs. Some borrowers also consider loans to be grants and do not repay their loans, while others do not

make timely repayments. The delinquency of borrowers is exacerbated as they take loans from different MFIs. The major challenges of the MFIs are summarized as follows.

- Delinquency of clients: some borrowers fail to repay their loans considering it to be a grant. Also, when they take loans from multiple MFIs, they are faced with a high debt burden which makes it difficult for them to repay their loans.
- Limited financial products: currently, financial products provided by MFIs are not demand driven. All MFIs offer very similar products, hence, there is little room for the development of products which are tailored to the needs of clients.
- Absence of legal title of assets in rural areas: in rural areas, land and livestock are usually considered as the only assets. But these cannot be used as collateral since as per the Ethiopian law individuals cannot own land and as it is also difficult to present livestock as valid collateral. Although MFIs implement group guarantee method of lending to overcome the problem of absence of effective collateral, the MFIs identified absence of effective group pressure to be a major challenge.
- High staff turnover: in addition to limited well-trained and experienced staff in the microfinance industry, the MFIs stated that they are challenged by high turnover of experienced human resource. This hinders outreach of MFIs and reduces service quality.

In developing economies and particularly in rural areas, many activities that would be classified in the developed world as financial are not monetized: that is, money is not used to carry them out. This is often the case when people need the services money can provide but do not have dispensable funds required for those services, forcing them to revert to other means of acquiring them. In their book *The Poor and Money*, Stuart Rutherford and Sukhwinder Arora cite several types of needs:

- Lifecycle Needs: such as weddings, funerals, childbirth, education, home building, widowhood and old age.
- Personal Emergencies: such as sickness, injury, unemployment, theft, harassment or death.
- Disasters: such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.

- Investment Opportunities: expanding a business, buying land or equipment, improving housing, securing a job, etc.
- Microfinance practitioners have long argued that such high interest rates are simply unavoidable, because the cost of making each loan cannot be reduced below a certain level while still allowing the lender to cover costs such as offices and staff salaries. For example, in Sub-Saharan Africa credit risk for microfinance institutes is very high, because customers need years to improve their livelihood and face many challenges during this time. Financial institutes often do not even have a system to check the person's identity. Additionally they are unable to design new products and enlarge their business to reduce the risk. The result is that the traditional approach to microfinance has made only limited progress in resolving the problem it purports to address: that the world's poorest people pay the world's highest cost for small business growth capital. The high costs of traditional microfinance loans limit their effectiveness as a poverty-fighting tool. Offering loans at interest and fee rates of 37% mean that borrowers who do not manage to earn at least a 37% rate of return may actually end up poorer as a result of accepting the loans.
- Example of a loan contract, using flat rate calculation, from rural Cambodia. Loan is for 400,000 riels at 4% flat (16,000 riels) interest per month.
- According to a recent survey of microfinance borrowers in Ghana published by the Center for Financial Inclusion, more than one-third of borrowers surveyed reported struggling to repay their loans. Some resorted to measures such as reducing their food intake or taking children out of school in order to repay microfinance debts that had not proven sufficiently profitable.
- In recent years, the microfinance industry has shifted its focus from the objective of increasing the volume of lending capital available, to address the challenge of providing microfinance loans more affordably. Microfinance analyst David Roodman contends that, in mature markets, the average interest and fee rates charged by microfinance institutions tend to fall over time. However, global average interest rates for microfinance loans are still well above 30%.
- The answer to providing microfinance services at an affordable cost may lie in rethinking one of the fundamental assumptions underlying microfinance: That microfinance borrower need extensive monitoring and interaction with loan officers in order to benefit from and repay their

loans. The P2P micro lending service Zidisha is based on this premise, facilitating direct interaction between individual lenders and borrowers via an internet community rather than physical offices. Zidisha has managed to bring the cost of microloans to below 10% for borrowers, including interest which is paid out to lenders. However, it remains to be seen whether such radical alternative models can reach the scale necessary to compete with traditional microfinance programs for restricting microcredit to loans for productive purposes—such as to start or expand a microenterprise. Those from the private-sector side respond that, because money is fungible, such a restriction is impossible to enforce, and that in any case it should not be up to rich people to determine how poor people use their money.

➤ Although it is generally agreed that microfinance practitioners should seek to balance these goals to some extent, there are a wide variety of strategies, ranging from the minimalist profit-orientation of BancoSol in Bolivia to the highly integrated not-for-profit orientation of BRAC in Bangladesh. This is true not only for individual institutions, but also for governments engaged in developing national microfinance systems.

➤ Generally it is agreed that women should be the primary focus of service delivery. Evidence shows that they are less likely to default on their loans than men. Industry data from 2006 for 704 MFIs reaching 52 million borrowers includes MFIs using the solidarity lending methodology (99.3% female clients) and MFIs using individual lending (51% female clients). The delinquency rate for solidarity lending was 0.9% after 30 days (individual lending—3.1%), while 0.3% of loans were written off (individual lending—0.9%). Because operating margins become tighter the smaller the loans delivered, many MFIs consider the risk of lending to men to be too high. This focus on women is questioned sometimes, however a recent study of micro entrepreneurs from Sri Lanka published by the World Bank found that the return on capital for male-owned businesses (half of the sample) averaged 11%, whereas the return for women-owned businesses was 0% or slightly negative.

➤ Microfinance's emphasis on female-oriented lending is the subject of controversy, as it is claimed that microfinance improves the status of women through an alleviation of poverty. It is argued that by providing women with initial capital, they will be able to support themselves independent of men, in a manner which would encourage sustainable growth of enterprise and eventual self-sufficiency. This claim has yet to be proven in any substantial form. Moreover, the attraction of women as a potential investment base is precisely because they are constrained by

socio-cultural norms regarding such concepts of obedience, familial duty, household maintenance and passivity. The result of these norms is that while micro-lending may enable women to improve their daily subsistence to a more steady pace, they will not be able to engage in market-oriented business practice beyond a limited scope of low-skilled, low-earning, informal work. Part of this is a lack of permissiveness in the society; part a reflection of the added burdens of household maintenance that women shoulder alone as a result of micro financial empowerment; and part a lack of training and education surrounding gendered conceptions of economics. In particular, the shift in norms such that women continue to be responsible for all the domestic private sphere labour as well as undertaking public economic support for their families, independent of male aid increases rather than decreases burdens on already limited persons.

➤ If there were to be an exchange of labour, or if women's income were supplemental rather than essential to household maintenance, there might be some truth to claims of establishing long-term businesses; however when so constrained it is impossible for women to do more than pay off a current loan only to take on another in a cyclic pattern which is beneficial to the financier but hardly to the borrower. This gender essentializing crosses over from institutionalized lenders such as the Grameen Bank into interpersonal direct lending through charitable crowd-funding operations, such as Kiva. More recently, the popularity of non-profit global online lending has grown, suggesting that a redress of gender norms might be instituted through individual selection fomented by the processes of such programs, but the reality is as yet uncertain. Studies have noted that the likelihood of lending to women, individually or in groups, is 38% higher than rates of lending to men.

➤ This is also due to a general trend for interpersonal microfinance relations to be conducted on grounds of similarity and internal/external recognition: lenders want to see something familiar, something supportable in potential borrowers, so an emphasis on family, goals of education and health, and a commitment to community all achieve positive results from prospective financiers. Unfortunately, these labels disproportionately align with women rather than men, particularly in the developing world. The result is that microfinance continues to rely on restrictive gender norms rather than seek to subvert them through economic redress in terms of foundation change: training, business management and financial education are all elements

which might be included in parameters of female-aimed loans and until they are the fundamental reality of women as a disadvantaged section of societies in developing states will go untested.

Conclusion:

After analyzing the above studies of different organizations of micro finance institutions related to different zones of African part shows a indication of improvement in the contribution of MFI's and the BPL groups are utilizing the services at the optimum level. The data interpretation of the different statistical tools says that there is significance different between the life style, Health and nutritional values awareness, between the members of MFI's and non MFI's.

The studies to observe the challenges and the purpose of this paper is to study the role of microfinance institutions in poverty eradication in different parts of Africa, and to observe the challenges facing microfinance institutions.. The results revealed substantial evidence of the importance of microfinance in socio-economic environments and plays vital role in reducing poverty, provides diversified, dependable and timely financial services to poor people and it creates employment opportunities. Therefore, the study found that the microfinance institution has a positive impact on alleviation of poverty among poor people. On the other hand, the study stated the major challenges that face microfinance institutions are default risk inherited from borrowers, inadequate donor funding, and lack of understanding of the definition and concept of microfinance by the clients. Communication gaps and inadequate awareness, improper regulations, lack of adequate loan or equity capital to increase loan-able funds, insufficient support from governments, and limited management capacity of micro finance are additional challenges to microfinance institutions.

A billion people live on less than a dollar a day. The United Nations aspires to halve this number by 2015, documented in its Millennium Development Goals. It is a challenging undertaking, as poverty is a

Global Development Programme: Aims to increase productivity and incomes of farmers, and promote microfinance, particularly savings accounts accessible for the poor throughout the developing world.

Women's Microfinance Initiative (WMI) Description WMI is a non-profit organization founded by a network of professional women in the United States. URL www.wmionline.org Head Office Bethesda, loans to women in more than 100 villages. Approach WMI operates in over 100 villages in Uganda and

Abbreviations used:

- CGAP - Consultative Group to Assist Poorest
- BRAC - Building Resources across Communities
- IGVG - Income generation for vulnerable groups
- CFPR - Centre for Family and population Research
- WMI - Women Microfinance Institutions