

Assessing the Effectiveness of the Microcredit and Integrated Asset Building as a
Social Approach to Poverty Reduction in Kinshasa,
Democratic Republic of Congo

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ACADEMIC ABSTRACT

In recent years, the concept of poverty has shifted away from a narrow definition—caloric intake based poverty—to a much broader one that places emphasis on a variety of factors, such as health, education, income, and powerlessness. Most researchers agree that eliminating poverty requires a holistic approach that is attentive to promoting pro-poor growth, creating opportunities for employment, ensuring that the fruits of growth reach impoverished communities, and protecting vulnerable segments of the impoverished population. This study looks the role of microcredits, which has received increasing attention as a means to combat poverty.

The advent of neoliberalism led to advances in autonomous markets, commodification, market-led growth, and the dissolution of the Keynesian welfare state. Microcredit growing out of a neoliberal shift plays a powerful role as an instrument to fight poverty, especially in the age government and state failure, entrepreneurial expansion and self-employment income-earning opportunities. Microcredit programs are of great interest to governments, non-governmental organization, and banks because of their potential for reducing poverty. Critics of the microcredit movement argue that microcredit does little besides replacing existing informal credit arrangements to fund subsistence activity, which they view as having little or no prospect of growth. They argue that support of microcredit may over anticipate its benefits, such as the alleviation of poverty and female empowerment.

This study assesses the effectiveness of microcredit combined asset building as a pro-growth approach to reduce poverty sustainably in Kinshasa. The recent crises of over-indebtedness in several markets and Kinshasa have fueled growing concern that microcredit may be getting borrowers into trouble. However, my study findings show that assets, specifically microcredit, can stem the poverty cycle and better enable individuals to “stand on their own two feet” socio-economically

if combined with other innovative programs. This study uses the test of significance to assess the effectiveness microcredit integrated asset building.

AUDIENCE ABSTRACT

This study challenges the evidence claiming that microcredit is a miracle cure capable of eliminating poverty in one fell swoop. Instead, I will suggest that it can end poverty only when combined with other innovative programs. This powerful combination has the power to create assets that may unleash people's potential in Kinshasa, Democratic Republic of Congo. Poverty is a multi-dimensional problem and the challenge to reduce the vulnerability of the impoverished demands a combination of approaches to the structure.

DEDICATION

I dedicate this thesis first and above all to my God Almighty, my creator, my strong pillar, my source of wisdom, inspiration, knowledge, and understanding. I also dedicate it to my deceased parents and all my ancestors, whose support I continue to feel, despite their physical absence, to Colette, Vitoria, and Serena for their love, support and understanding. My most profound thanks to my loving mother, who unfortunately left this world as I embark upon this academic journey. However, she is always in my heart and my thoughts. I also dedicate this to the entire Bakuba people in the Kuba land, for being the first child of the land to earn this highest degree in the United States of America.

Have I not commended? Be strong and good courage; do not be afraid, nor be dismayed, for the Lord your God is with you wherever you go.

Joshua 1:9

~ Morgan Ngoloshang Mbeky

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ACRONYMS

- ABS: Australian Bureau of Statistics
- AFDB: African Development Bank
- AFEC: Congo and Women's Cooperative for Microcredit
- AIDS: Acquired Immune Deficiency Syndrome
- BRAC: Bangladesh Rural Advancement Committee
- CDC: Centers for Disease Control and Prevention
- CECI-PME: Cooperative of Saving, Credit for Investment for the Small and Medium Enterprises in the Congo
- CIA: Central Intelligence Agency
- COOPEC: Cooperatives of Saving and Credit
- DFID: Department for International Development
- DRC: Democratic Republic of Congo
- GDP: Gross domestic product
- GB: Grameen Bank
- HDI: Human Development Index
- HIV: Human Immunodeficiency Virus
- ICT: Information Communication Technology
- IMF: International Monetary Fund
- IRB: (Virginia Tech): Institutional Review Board
- LGA: Local Government Area
- MFIs: Microfinance Institutions
- MUFESAKIN: Mutuality of Credit and Saving of Nurses of Kinshasa
- MECRE: Mutuality of credit and saving of Ngaliema

- NBFI: Non-Banking Financial Institution
- NGO: Non-Governmental Organization
- ODA: Official Development Assistance
- PHC: Primary Health Care
- PRSP: Poverty Reduction Strategy Paper
- Ph.D.: Doctor of Philosophy
- PG&G: Planning, Governance and Globalization
- SAP: Structural Adjustment Programs
- SADC: Southern African Development Community
- SLE: Centre for Rural Development
- SSA: Sub Sahara Africa
- UNDP: United Nations Development Program
- UNCDF: United Nations Capital Development Fund
- UNESCO: United Nations Educational, Scientific and Cultural Organization
- UN: United Nations
- WB: World Bank

CHAPTER ONE

INTRODUCTION AND ORGANIZATION OF THE STUDY

Introduction

Historically, the origin of microcredit can be traced back to the 14th Century, when Franciscan monks founded community-oriented pawnshops (World Bank, 2009). In the last three decades, the microcredit revolution has gained considerable momentum around the world. The potential of the long-term impact of microcredit has been widely voiced as an effective tool to break the vicious cycle of poverty. Many countries established microcredit programs with the explicit objective of reducing poverty by providing small loans to the impoverished to generate self-employment income-earning opportunities.

The 1997 World Summit held in Washington, D.C. developed a charter stating, “Credit is more than business, just like food, credit is a human right.” For centuries, people have used credit to grow crops, invest in new businesses, and for unanticipated emergency costs. Furthermore, they relied on credit to meet consumption needs, education, health care, and to finance social events, such as weddings and funerals. In every form of business institutions, credit is an indispensable entity. People borrow money to provide education, healthcare, or to build, rent and buy houses. In particular, for small- and medium-sized business owners, access to credit means an opportunity to build a bigger inventory, meet the needs of customers, and eventually, the opportunity to advance into a more established position.

My study, the first of its kind, assesses the effectiveness of microcredit combined with asset building in Kinshasa, the capital of the Democratic Republic of the Congo. My research will demonstrate not only the need for the integration of asset building as a necessary component of microcredit programs that focus on poverty reduction in Kinshasa, but also the need to do so

generally. This study does not adopt, but rather assess the theory of microcredit asset building as a method for sustainable poverty alleviation. It provides the first sustained study of microcredit in Kinshasa and thus is an invaluable resource for scholars, microcredit practitioners, and policy designers who work to alleviate poverty in sub-Saharan Africa, particularly the Democratic Republic of Congo.

Once considered a panacea to ending poverty and resolving social goals, microcredit has become an increasingly controversial approach (Lascelles, 2011). Some critics question the efficacy of utilizing microcredit to alleviate extreme poverty. They argue that while microcredit has positively countered the difficulties of people living in extreme poverty, it has failed to reach the truly impoverished. In order to reduce poverty, a substantial effort beyond microcredit must be made: there needs to be a sustained investment in human capital. Among the poor of Kinshasa, these efforts and investments must include adult literacy, skill training, primary health care as well as nutrition.

According to Khanhder (1998), microcredit institutions promise a mixture of credit and noncredit services, with the mix varying from institution to institution. Grameen Bank (GB) relies heavily on credit, while Bangladesh Rural Advancement Committees (BRAC) has an elaborate noncredit component. Over time, BRAC and GB learned from one another. The initial poverty reduction plans of the BRAC focused on treating the whole village and improving conditions for all. GB, however, believed that the most direct need of the poor is credit to create and expand self-employment opportunities. In order to expand their efficiencies these, BRAC believes that, the impoverished borrower need skills enhancement and other organizational assistance. Repeat borrowers from BRAC have higher returns to capital, suggesting that the program's skills development training is effective. These conclusions suggest that microcredit programs may need to provide skills development and other ancillary services to poor and unskilled borrowers in order to sustain their mutual beneficial results.

Along with the small group delivery approach of Grameen Bank, the Rural Development Project 12 (RD-12) of the Bangladesh Development Board adopted BRAC's skill development approach for promoting productivity of the poor, enforcing the idea that credit alone is not enough. They sought approaches that aim not only to increase economic growth and social development in order to reduce the intricacy of poverty across generations, but also to develop prospects that are able to integrate social capital assets and human development. The concept of asset building through microcredit support includes what Sen (1999) identifies as strengthening human and economic capabilities. The multidirectional and sustainable approach to asset building for poverty alleviation has been so successful that it is worth testing this approach rigorously in microcredit.

My study assesses the effectiveness of microcredit programs with asset building to alleviate poverty; ensure the sustainability, outreach, and empowerment of the program; and enhance the social wellbeing of the microcredit recipients. Schreiner and Sheridan (2007) refer to these benefits of asset building as “asset effects,” a concept that matches Amartya Sen (1999) concept of capacity-focused development. Furthermore, early studies of poverty-reduction by Khandor (1998), the Grameen Foundation, and Mobile Technology for Community Health in Ghana demonstrate that programs that adopt a livelihood promotion tactic, such as microcredit and skills training can benefit poor households, but do not directly benefit the extremely impoverished population. The social mission methodology approach of poverty reduction helps vulnerable people develop their skills; and makes microcredit a vehicle for the poor and small business borrowers to develop a range of assets to help reduce social shocks, health crises, and other vulnerabilities.

1.1 Conceptual Background of Microcredit

Microcredit is the joint microfinance tool that extends small loans, often without collateral, to impoverished people. For centuries, the poor have used a variety of providers to meet their financial needs. Microcredit existed in various forms for thousands of years to meet the financial needs of the

poor. Because vulnerable people lack access to banks and other formal financial institutions, informal systems like moneylenders and credit clubs prevailed in nearly every developed country. In 1849, the Prussian mayor of Rhineland, Friedrich-Wilhelm Raiffeisn, introduced the first credit and savings institution with the goal of offering the basic banking service of credit to peasant populations excluded from the traditional banking system. In 1853, the French Periere brothers suggested that Napoleon III create credit unions. Historically, informal financial services have existed; in 1653, Lorenzo Tonti, a Neapolitan banker, founded the *tontine* as an investment plan in which subscribers invest a determined amount of money in a mutual fund to receive an annuity that grows every time a subscriber passes away, until the last survivor.

The study of market failure in the presence of non-competitive conditions is an accepted tool of economic analysis for identifying conditions under which corrective intervention by the state might be justified. In response to the financial needs of the impoverished, governments and international donors introduced subsidized delivery of credit to small farmers in rural areas of many countries. Consequently, microcredit targeting the poor, especially women, emerged as an antipoverty instrument in many developing countries using financial services to help the poor become self-employed. Much of the credit service was directed to the rural poor to improve agricultural productivity and thereby bring about economic development.

One role of government is to ensure that growth in agriculture is shared by the poor. For example, in Brazil, a state known for social injustices and unequal access to key resources, an impressive agricultural growth has occurred without the poor receiving proportional benefits. Market failure is a situation in which markets do not function properly. A common cause of market failure is incorrect information. For instance, the difficulty of determining which potential borrowers are creditworthy is given as a reason for the badly functioning rural credit markets and a rationale for the high interest rates charged by money lenders (DFID 2001). Both government and market failure (including coordination and information problems) are real. Public and private sector contributions to

the development are also vital. Governments or international communities have a significant role to play in achieving this goal, providing ideas, serving as a catalyst for change, as well as contributing some of the necessary funding (Todaro & Smith, 2011).

Consequently, specialized financial institutions based on several “almost universal assumptions” were established as government programs to extend farm credit to rural producers. Several “almost universal assumptions” regarding farm households and finance (Siebel, 1989) were as follows:

- Farm and rural household are too vulnerable to save.
- Rural micro-entrepreneurs are unable to organize themselves.
- They need cheap credit for income-generating activities.
- Supply of credit is essential for agricultural development.
- Existing institutions are unable or unacceptable to perform the role of supplying credit.
- Government should promote rural welfare, and credit is an instrument to do so.

According to Robinson (2001), government intervention in rural credit was advocated by stressing the responsibility of government for economic development and emphasis on supply-led finance theories. The assumption was that economic growth in rural areas could be induced through finance by giving rural farmers incentive through subsidized credit to enable them use modern technologies to increase production. It is also assumed that farmers could not save and pay the commercial cost of credit. This assumption led to providing loans in advance of demand, while saving was disregarded, which the critics call the “forgotten half of rural finance.” The practice resulted in subsidized “cheap” credit, which soon fell under severe criticism as the specialized

institutions accumulated large loan losses that made it difficult for them to achieve the desired objective.

One theory behind the development of the microcredit sector is that the vulnerable possess the capacity to implement income-making economic activities, and the main restriction on their initiative is lack of access to capital. This argument is in line with several other contributors, such as Johnson and Rogaley (1997), who reach the conclusion that “market failure” is a failure to serve the poor and demands the creation of more flexible institutions. The approach adopted by policymakers towards fostering inclusive finance consisted largely of direct interventions through a blend of targeted credit programs, interest subsidies, the establishment of specialized development finance institutions, and other donor and government instruments. The case for the direct interventions and the subsidized microfinance programs was based on the arguments that:

- The poor cannot save;
- The poor need cheap credit to empower them to participate in economic activities;
- Cheap credit would encourage the poor and microenterprises to adopt modern technology in their activities;
- Private banks provide little or no credit, forcing small and poor borrowers to use moneylenders who charge usurious interest rates.

Generally, these programs had a limited outreach and resulted in huge costs, with little identifiable impact on financial inclusion for the poor. Furthermore, microfinance programs and institutions sponsored by governments and donors from Tunisia to Malawi, Senegal to Tanzania distorted under the weight of losses generated by the interventionist and directed credit strategies manifested by subsidy dependence, low recovery rates, imperfectly diversified portfolios, inadequate credit targeting, and rent-seeking by credit officials. Private and for-profit financial institutions were crowded out of the market by state and donor-supported microfinance institutions. Despite the enormous resources directed at subsidized credit interventions and frequent bailouts of state-owned

credit institutions, the approach failed to provide access to financial services for the poor and microenterprises.

Consequently, the goal of poverty reduction was not met. The subsidized system was banned and a move to a market-based microfinance system was suggested. Because the subsidized system kept borrowers dependent, desired development objectives were not achieved. While exclusion of the poor based on risk and cost factors caused a “market failure,” the inability of the specialized government banks to combat the issue, on the other hand, resulted in “government failure.” Microfinance arose in the 1980s in reaction to doubts and research findings about the delivery of subsidized credit to poor farmers through government-owned specialized banks. The elimination of the subsidized lending approach in favor of non-directed financial services at cost-covering terms through viable financial institutions reflects a “shift of paradigm” (Robinson, 2001).

1.2 An Overview of Microcredit

For this study, microcredit refers to very small shorter-term usually uncollateralized loans made to low-income microentrepreneurs and their households using unconventional techniques such as group liability, frequent repayment periods, escalating loan sizes, and forced savings schemes. Microcredit can influence savings in a number of ways. First, there are compulsory saving schemes associated with microcredit programs. Second, the utilization of microcredit in productive activities increases employment and income, which is likely to have direct positive income effect on poverty, and third, besides the direct income effect, there is indirect effect as well. Borrowers are expected to use funds to support enterprises that eventually earn income, therefore breaking the cycle of poverty (Sengupta & Aubuchon, 2008; Microcredit Summit Campaign, 2014). The concept has gained extensive acceptance by international development agencies and major donors. It became a means to an end that could meet impoverished people’s approach to improve their social wellbeing.

The use of the term “microcredit” is often associated with an inadequate appreciation of the value of savings services to the poor. The quintessence of microcredit lies in its low-cost procedures replacing sophisticated credit-evaluation techniques and collateral regulations. Income instability does not allow sustained enrollment over time. The clear majority of microcredit programs in Kinshasa use the financial sustainability approach. Several credit unions administered microcredit programs with varied services (i.e., health, literacy, numeracy, sanitation). Because of reported financial hardships and loss of international donor support, local credit unions could no longer continue to offer additional services.

The MFIs addresses all economic sectors and industries. While most of microcredit programs indicate that medium and small business are their most important clientele, one specifies that it targets “individuals with an income-generating activity,” a definition which does not necessitate separating an individual from a micro-enterprise, unless the individual generates its income as an employee, which then is defined as an “individual tied to the labor market” and forms a part of the microcredit target group, too. One microcredit highlights also students, civil servants, and employees as core client groups along with medium and small businesses.

The three primary approaches used to administer microcredit programs are: financial sustainability, women empowerment, and poverty alleviation (Mayoux 2001). The financial sustainability approach is the main microfinance model used worldwide. A basic condition for sustainability is financial efficiency, that is, the ability to break even given the cost of lending. A sustainable program operates in such a way that the cost of making a loan-the cost of funds plus administrative and loan default costs-is equal to or less than the price (that is, the interest rate) it charges borrowers (Khander, 1998). This study assesses the effectiveness of a microcredit program to reduce poverty sustainably. It integrates asset building as a comprehensive approach to reducing poverty in Kinshasa.

First, the empowerment approach is a complex process of change with power being rooted in social systems and values. The concept of empowering women through microcredit is therefore not a candid one, with available evidence giving a mixed picture of both successes and limitations. Empowerment is often viewed, among other things as improved participation in decision-making, and increased rights and self-esteem. As Cheston and Kuhn (2002) show, microcredit empowers women in different ways. Access to credit and participation in income-generating activities is assumed to strengthen women's bargaining position in the household. Kim et al (2007) also show evidence that economic and social empowerment of women can contribute to reductions in intimate partner violence. But Kabeer (2005) points out that while access to financial services makes important contributions to economic productivity and the social well-being of poor women, it does not automatically empower women.

Second, financial sustainability refers to the financial, economic, and institutional viability of a program and its ability to promote economic viability among borrowers. It defines empowerment in terms of economics, expansion of individual choice, and the increased capacity for self-reliance. This study assumes to build up the impoverished: their knowledge, skills, values, initiative, and motivation to solve problems, manage resources, and rise out of poverty. Sustainability may indeed be achieved by this shift in the target population, but microcredit will become less inclusive. Policymakers need to inverse these trends if the target is financial and social inclusion. Specific actions, programs, or institutions are needed for the excluded populations, especially the poorest populations. NGOs are better positioned for this market segment and need to be helped by local bodies.

Third, poverty alleviation: Most African poor especially in rural areas have no access to energy services and providing agencies. Rao and others (2009) show how energy microcredit is helpful, arguing, "energy has strong links with poverty reduction through income, health, education,

gender and the environment. Without ensuring minimum access to energy services for a broad segment of the population, countries have not been able to move beyond a subsistence economy.”

Lending methodology

A specific micro lending methodology is chosen to fit the needs of the target client group, conditions in the local environment (economic, social, political, and legal), and goals of the program. Thus, MFIs have adopted several innovative practices to accommodate these difficulties, including the use of (any or a combination of) small sequential loans, agent banking, group lending, and now mobile banking (Swope, 2005).

Sequential Loan: Formula that gives out small loans, of short-term maturity, and with small weekly repayment schedules, which are easier for the poor to handle than bullet repayments at the end. The amounts for future loans are increased gradually based on the repayment performance of the client, which also gives the borrower the financial flexibility needed to grow gradually, taking advantage of opportunities in a slower but safer way and allowing the development of a repayment discipline and a long-term relationship between lender and borrower.

Agent banking: Agents are located within the community and normally develop good rapport with the clients. A key feature in the agent banking system, good rapport is important for several reasons. First, personal relationships with clients provide staff with an awareness of issues that potential clients may be facing, and by working with clients instead of for them, staff members can make changes in the microfinance system to accommodate clients’ needs, and, consequently, improve their own efficiency. Second, rapport helps to establish a relationship based on mutual trust and friendship, which offers clients extra incentive to repay a loan. Third, knowledge of the people in a community allows staff to recognize and avoid potential problem clients, or people who cannot be trusted to repay a loan.

Group lending is designed to make up for the lack of collateral. In-group lending, the loan is made sequentially to a self-selected group. Their collective responsibility and the built-in incentive of

further loans is based on past performance, which causes them to pressure or even help each other to repay loans. Per Basu et al (2004), the efforts of microcredit to work through group-schemes have the potential of yielding a wide range of benefits. First, at the level of the institution, on the saving side, the use of groups and community-based organizations provides scope for generating substantial economies of scale for the collecting institution. Second, at the level of the clients, group savings schemes are advantageous as individuals mobilize their savings jointly, and can use joint savings as security against loans. The aggregation of individual savings may allow group members to constitute larger collateral and enhance their access to credit services. Third, at the macroeconomic level, deposit collecting institutions can help to increase domestic financial savings mobilization by tapping the resources of the poor who are otherwise isolated from the formal financial system. Fourth, by providing financial services on both the deposit and lending sides, MFIs that serve groups and communities could empower underprivileged social constituencies to contribute more effectively to economic development and poverty reduction.

Information Communication Technology: The mobile phone platform has facilitated the reach of microfinance to the rural and unbanked areas significantly. The approach caught on in several countries since the introduction of the M-pesa by Safaricom, an affiliate of Vodaphone in Kenya and Vodacom in the DRC.

Providers

Informal Providers: A large number of informal-sector intermediaries (especially those working in rural areas) and even individuals who provide financial services on a largely artisanal basis have taken root in African countries, reflecting a large informal sector and low bank penetration. Examples include the *tontines* in Cameroon, the *susus* in Ghana or “*banquiers ambulants*” in Benin, which operate in urban and peri-urban markets. These providers operate spontaneously to fill market niches and charge very high rates of interest on loans to meet the

demand of mostly poor people who work and do business in the informal sector. They operate largely without formal recognition in terms of licensing or registration.

Credit Unions: Credit Unions or Savings and Credit Cooperative Organizations (SACCOs) or Federation of Cooperatives (as in the French-speaking countries) are cooperative financial institutions that provide savings and credit services to their members. Membership is based on the principle of a common bond such as a common workplace, community, or producers of a particular commodity, and while they do not specifically target a specific income group, they generally serve the lower income markets.

The savings banks, including the Post Office Savings Banks (POSBs), were introduced to some part of Africa during the colonial days and are still leveraging their wide network to serve the poor and small savers in several African countries (from North Africa to South Africa).

The Development Banks, including the Agricultural Development Banks, are involved in the microfinance business mainly by providing wholesale finance to NGO MFIs and other NBFIs

Rural banks and Community banks are very well established in Ghana, where they reach about 2.3 million clients, but also in countries such as Tanzania and Sierra Leone.

Microfinance banks, typically found in central and southern Africa and also in Nigeria, are fully regulated commercial banks, which offer a broad range of products and services.

Commercial banks: An increasing number of banks -- national, regional and international banks—are attaching microfinance products to their normal banking business, as they have become aware that microfinance is bankable and profitable.

NGOs MFIs are largely credit only MFIs. While they are normally affiliates of international NGO networks offering microfinance for some humanitarian or social reasons, few are set up locally as stand-alone NGOs.

Consumer lenders: These are a new breed of moneylenders that offer consumer loans to the poor, especially salaried workers. They are found mainly in urban areas and in developed or higher income markets.

Funders of the Microcredit

Donors have been providing significant amounts of grants to microcredit in the DRC and still do for most NGO MFIs and other MFIs are increasingly tapping the potential of savings mobilization as a core source of funding. In addition, there is the potential of local currency loans from banks, some of which also refinance microcredit and take fairness positions directly. Borrowing from a variety of lenders is another key source of funding for microcredit which, on the whole, receives an equal amount of funds coming from foreign and local lenders, although the foreign loans carry a slightly higher interest rate.

1.2.1 Weakness and Strengths

Microcredit is the extension of very small loans to unemployed, poor entrepreneurs and others living in poverty. Accordingly, they were considered not bankable by the banks. Due to the perceived usefulness of microcredit, formal banks later categorized micro entrepreneurs as pre-bankable; hence, microcredit started gaining credibility in the mainstream finance industry. Most microcredit in the DRC and African countries are far from achieving financial and institutional sustainability. Despite their significant presence and growth, the sector has its strengths and weaknesses as many countries attempt to integrate it fully into the formal financial sector.

Numerous cooperative institutions have modified their structures and innovated to adapt to local conditions. Rural finance remains one of the major challenges facing microfinance, and several rural regions have sparse coverage by microcredit because of cost considerations. Because of the application of technology and the development of innovative methodologies, rural areas are now being reached in countries such as Kenya and Ghana. The sector offers suitable support to micro-

enterprises development and private sector development in numerous ways: access to financial services and all factors that contribute to building sustainable microenterprises.

Unfortunately, the sector is dominated by a structural fragility present in most microfinance institutions: limited number of skilled services providers; problems with accessing trainings; risk of unfair competition in training and other technical support areas; limited transfer of skills; uneven quality of audit, other service providers and perception of high costs. It is marked by a low capacity of national microfinance associations; lack of comprehensive standardized and regular statistics; lack of national identification systems and client information. The supply of credit is not fully meeting demand.

Inclusive finance

At the World Summit of September 2005, world leaders recognized the importance of giving “access to financial services, for the poor, including through microfinance and microcredit.” In that same vein, in February 2009, African leaders agreed to prepare a roadmap and plan of action to advance microfinance on the continent. The move from microcredit and microfinance to inclusive finance begins with the recognition that access to credit alone is insufficient for poverty reduction. Inclusive finance is defined as “universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions” (UNSGAR, September 2010). Inclusive finance reflects the evolution in this sector from thinking about “microcredit” to “microfinance” to something that is fully integrated into the financial system, while recognizing the additional challenges and opportunities of bringing in those who are currently excluded. Inclusive finance includes

...a set of useful, flexible services and reliable delivery mechanisms are required to meet a range of changing economic and social needs. Inclusive finance envisions increased outreach to un-served and underserved households as well as to micro-, small and medium-sized enterprises through a continuum of financial institutions offering appropriate products and services to all segments of the population. It takes account of the numerous causes of financial exclusion, the diversity of demand for affordable financial services on the part of poor and low-income clients and the various types of financial service providers, as well as

private, public and government sector considerations such as corporate governance and regulation. Inclusive finance is further characterized by sound institutions and financial and institutional sustainability (UN 2010, p.2).

According to the United Nations Capital Development Fund (UNCDF, 2006), inclusive finance is characterized by:

- Access at reasonable cost of all households and enterprises to a range of financial services for which they are 'bankable', including savings, credit, leasing and factoring, mortgages, insurance, pensions, payments and local and international transfers; and sound institutions, guided by appropriate internal management systems, industry performance standards and performance monitoring by the market, as well as by sound prudential regulation.
- Financial and institutional sustainability as a means of providing access to financial services over time.
- Multiple providers of financial services so as to bring cost effective and a wide variety of alternatives to customers.

A number of important concerns need to be examined to realize this vision of inclusive financial sector development: the right of fair treatment of the individual in his or her society; the degree of financial literacy of the customers; the recognition of the need for some civic or government intervention to open access; the need for financial policy interventions to take a long-run view on access, regardless of short-run exigencies; and the recognition that the vision is dynamic and eclectic, allowing for the possibility of new forms of service provision arising through social, policy, technological and financial innovation. To achieve the idea of financial inclusion, financial services for the impoverished and low-income people should be seen as an important and integral component of the financial sector. This should include a continuum of financial institutions, each with its own comparative advantages and each presenting the market with an emerging business opportunity.

1.2.2 The Impacts of the Microcredit and Poverty Reduction

Various studies highlight the positive impact of microcredit on job training, health, food consumption, and the activity of small businesses while other studies emphasize some negative impacts. The effectiveness of microcredit to reduce poverty is largely measured by the way in it affects the vulnerable to reduce poverty and achieve their social wellbeing. Mosley and Roch (2004) present six case studies in Africa. They examine the indirect effects of microfinance (mainly micro-savings) on the impoverished as they believe benefits to the impoverished are more likely to be felt in this way. They conclude that microcredit to the non-poor can reduce poverty by drawing very vulnerable people into the labor market as employees of microfinance clients, and that microcredit enhances social capital and helps the vulnerable build social networks. Microcredit can help stabilize household incomes and avoid child labor to increase household revenue. In fact, most rural African households take their children out of school in such periods of financial distress. Women are supposed to have stronger preferences for educating their children than men; microcredit is meant to benefit women more and change their power in their households.

Therefore, the education of children is improved by this effect. Women may dedicate more time to educating their children than alternative activities. “If preferences are gender-related and microfinance improves direct access to loans by women, thereby changing their power to influence household decisions, the rate of human capital formation may be affected (gender effect).”

- **Social Empowerment**

Social empowerment focuses largely on the literacy rate and social awareness, especially of women and the impoverished, who are much oppressed in many parts of the developing countries. Empowerment is a complex process of change with power being rooted in social systems and values. Empowerment is often viewed, among other things, as increased participation in decision-making, increased political power and rights, and increased self-esteem. As Cheston and Kuhn (2002) show,

microfinance empowers women in several ways. Kim et al (2007) also show that economic and social empowerment of women can contribute to reduction in close partner violence. Access to credit and participation in income-generating activities is assumed to strengthen women's bargaining position in the household. The other factors which are the result of the increase in social empowerment are an increase in job training and common property resources. Further, through their own businesses set up using microfinance loans, women have decision-making power. Women also appreciate the non-income benefits of a group lending program as much as or more than credit. This includes the expanded business and social networks, as well as the increased respect and prestige they receive from both male and female family members and the community at large.

- **Integrative approach**

This study adopts an integrated approach to asset building as an additional support for the potential of microcredit programs to help households in poverty mitigate vulnerability. Indeed, asset-building programs may be relevant as a poverty-reduction strategy for the vulnerable in Congo, given their high levels of poverty and extent of participation in microcredit programs. Assets may provide greater household stability and an increased sense of wellbeing. Assets increase social connectedness and lead to greater development of human capital. With respect to social cohesion, the main argument advanced is that when people are involved in asset-building activities, they adopt the feeling that they have a "stake" in society and therefore cognitively pay greater attention and participate more in economic, civic, and political activities (Lombe & Sherraden, 2008; Odell & Rippey, 2010).

Significantly, many of the more successful microcredit initiatives have recognized a need to increase their capability to handle savings. Moreover, they enjoy such a considerable demand for their services that they are anxious to become self-sustaining and even profitable, so that they can attract outside commercial capital, rather than or in addition to official and private aid funds. Asset building also has gained great popularity among multilateral and bilateral aid institutions, which

often use local and international NGOs as their delivery channels and programs managers. Some governments deliver asset-building resources directly through their own programs. Asset-building efforts may require some form of current subsidy, whether privately or publicly provided --they have costs.

- **Behavioral Change and Empowerment**

Empowerment approaches by definition include behaviors that build people's self-confidence and their beliefs. The body of literature on rural finance displays that rural credit transactions suffer not only from asymmetric information but also from the material risk caused by the unfavorable agro- climate and production conditions in rural areas. Asymmetric information is one determinant of loan repayment behavior that group-based microcredit programs try to overcome through group monitoring and social pressure to enforce loan contracts. Social or group pressure may be a dominant factor in enforcing loan contracts even if the local socioeconomic environment discourages repayment. Usually empowerment is used to indicate both an outcome, in which a person or group enjoys a state of empowerment, and a process, an action that moves a group or person from a lower to a higher state of empowerment.

- **Income**

Loans for self-employment can be self-sustaining only if they generate sufficient income to support the borrowers' livelihood and to allow borrowers to repay the loans. Income is one of the important elements of living standards as well as of savings. Microcredit institutions are providing loans to the poor not only to increase their income but also to mobilize their savings.

1.2.3 Rationale for the Study

This study builds on the existing body of knowledge concerning the influence of social capital on poverty reduction. Putnam defines social capital as the “features of an organization, such

as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (Putman 1993, p. 167). It denotes the ability of individuals to build “bonds” within their own group and “bridges” to other groups tied to the belief that the quality and quantity of group activity are key sources of a community’s strength and its ability to work for its own betterment.

The DRC remains among the world’s poorest, most fragile, and politically unstable nations. Poverty reduction needs multifaceted interventions, microcredit managed under good infrastructure, political stability, and good macroeconomic environment, all of which help to ameliorate poverty. Since the 1999 global financial crisis, several factors that contributed to the extreme debt crisis in the microcredit sector continue to exist, particularly in Kinshasa: weak governance and institutions entail information deficits and lack of regulation (Rural Center for Development, 2013). A relevant study on poverty alleviation in the Democratic Republic of Congo observed that,

...the provision of microfinance services is not always the best option. With the destitute microcredit may only work, if efforts are undertaken to provide an initial safety net, to build skills and increase confidence. In some cases, it is probably preferable to have well-targeted heavily subsidized schemes or simply micro grants and training programs being supplied in such areas (Nunos 2003, P.56).

The literature reviews on the effectiveness of microcredit impact reveals sustained debate. A number of studies appear to undermine the general support for microcredit as a development and poverty reduction tool. Though the evidence in support of microcredit is quite inconclusive, its champions will admit the microcredit movement continues to march on. An increasing number of studies have extended from a “proving impact” approach, seeking answers for donors and policy makers on the positive impact of microcredit, to an “improving practice” approach that tries to give insight on how programs can better respond to clients’ needs and improve productivity. This study contributes primarily to witness policy and decisions that shape people’s lives. Secondly, it gives the opportunity to examine challenges and prospects faced by microcredit borrowers. Thirdly, it will help formulate appropriate policies and interventions to reverse the entrenched trend of poverty in Kinshasa. For this study, I will argue that by combining microcredit and well-targeted programs, it is

possible to deepen the reach of poverty reduction schemes, so that the chronically poor can derive direct benefits and some of them can escape absolute poverty and avoid persistent deprivation. In addition, I argue that the ability of microcredit programs to reach the poorest population is limited, because these lack the necessary skills, such as accounting ability and entrepreneurship, to create and sustain a business.

1.2.4 The Democratic Republic of Congo

Located in the heart of Africa, the Democratic Republic of Congo (DRC) has a land area of 905,567 square miles, which ranks it the third largest country in Africa, after Algeria and Sudan. It shares long boundaries of 5694.867 miles with the Central African Republic and Sudan to the north, Zambia and Angola to the south, Uganda, Rwanda, Burundi, Tanzania and Zambia to the east, and the Republic of Congo (Brazzaville) to the west, Angola's Cabinda enclave and a 24.8548 mi narrow strip on the Atlantic coast. The DRC is both equatorial and tropical and has a wide variety of local ecology and climates. The DRC is ranked the first African country in terms of the vast area of its forests and the conservation of the global environment.

Furthermore, at the geological level, the DRC has one of the richest sub-soils in Africa, and abounds in highly coveted natural resources such as copper, cobalt, silver, gold, tin, columbite-tantalite (Coltan), bauxite, iron, manganese, coal, oil, methane gas and oil shale. Finally, the long Congo River 2684.324 mi, the largest river in the continent in terms of discharge, flows right across the country and provides it with an exceptional river network, which gives it a hydroelectric power potential estimated at about 106,000 MW (i.e. equivalent to 66 million tons of oil per year or 13% of global potential for electricity), 42 % of which is concentrated in Inga. However, chronic political instability has impeded the development process of this great country, which is potentially one of the richest in Africa.

... The Democratic Republic of the Congo faces three main sources of vulnerabilities: external (a surge in food prices/slump in raw material prices and/or slower global growth); fiscal (budgetary slippages); and/or a loss in confidence (because of security concerns, political instability, disruptive de-dollarization process). A sharp drop in commodity prices could have a significant impact on the economic growth and public finances and, as a result, on the exchange rate and inflation, as had been the case during the crisis in 2009. The monetization of the deficit would, as in the past, re-introduce price volatility and inflationary pressures, reinforcing the dollarization of the economy (IMF, 2014, P.18).

In 2008, with a Present Human Development Index of 0.361, the DRC ranked 177 out of 179 countries. Miserable poverty intensified over the past three decades and currently affects more than 70% of the population. Per capita income plummeted from USD 380 in 1960 to USD 224 in 1990 and stood at about USD 150 in 2008. One of the responses recommended by the Congolese people is decentralization which was predominantly considered not only as the best means of improving governance in the country as well as the population's standard of living, but also and most especially as a crucial process to ensure the country's unity in diversity.

1.2.5 The City of Kinshasa

Kinshasa is the second largest "Francophone" urban area in the world after Paris, French is the language of government, schools, public services, newspapers, and high-end business in the city, while "Lingala" is used as a lingua franca in the street. The Democratic Republic of Congo has seen a remarkable population explosion in recent years: the area is home to more than ten million people. The province of Kinshasa represents 34.2% of the entire urban population of the DRC. Kinshasa is the third largest cities in the African continent with a population about eight million people, only Cairo and Lagos have a bigger population.

Kinshasa is a sprawling city bordering the Congo River just outside the Pool Malebo, a powerful waterfall. In 1898, its area was 9,965 square kilometers. The city of Kinshasa spreads vastly on its margins primarily to the east and southwest along the road to Matadi and Bandundu allowing access by public transport to the city center.

The city of Kinshasa is composed of 24 communes. The Congo River is the backdrop for a national integrated transport system including water, rail, road, and air, all of which link the Province of Kinshasa to the other provinces of the country. In addition, Kinshasa connects directly to different countries by the different pathways: seaway links it with Brazzaville and Central African Republic; the road leads into Angola through the province of Bas-Congo. Kinshasa is currently facing a growth control problem: the city extends indefinitely east, west and south. Due to this urban sprawl, the distribution of water and electricity is poor which leads to a significant decline in living conditions. In its current form, Kinshasa reflects the absence of an urban and modern vision, the lack of actual involvement from the government in creating proper conditions of urban life, and a lethargic government administration.

1.2.6 Research Question

1. To what extent does microcredit reduce poverty and empower people to improve their social wellbeing in Kinshasa?

Social approaches that seek to eradicate poverty have often failed because in the past, researchers, policy advisors and economists have failed to view poverty as an interdependent social problem in which social and nonsocial forces are continually interacting in ways that are at times self-reinforcing and at other times contradictory. Microcredit is a powerful tool for poverty reduction, but it needs to be utilized in conjunction with human capital programming (i.e., improved health, education, and skills) to provide broad benefits for people living in poverty. Health is central to well-being, a prerequisite for success in education or running a business effectively. If the vulnerable are unable to provide much to their generation, families can become trapped in generational poverty; however, if schooling could somehow be achieved, they could potentially escape. I am additionally interested in discussing the extents to which asset building can empower the microcredit recipients to reduce poverty, how

participation in asset building reduces poverty and enhances social well-being, and the role that social capital has in poverty reduction.

Previous studies have raised relevant doubts about microcredit's potential for poverty reduction in the developing world, given all the structural challenges the impoverished face in their communities. Mayoux (2001) explains that there are three underlying paradigms in the debate on microenterprise and gender empowerment: a financial self-sustainability paradigm, a poverty alleviation paradigm, and a feminist empowerment paradigm. However, we must argue that this paradigm is the hardest to achieve. The first two paradigms of financial and poverty reduction for both men and women fall into the realm of most microcredit services. Therefore, the empowerment phenomenon carries burdens for its long-term achievement goals for the impoverished people, but exceptionally the women.

1.2.7 Objectives of the Study

The objective of this study is to measure the effectiveness of microcredit and asset building to increase the chances that microcredit recipients will be able to improve their social wellbeing and ultimately reduce poverty in Kinshasa. It investigates the claim that microcredit is more empowering when combined with asset building to provide opportunities to release people's potential. The more that microcredit can satisfy the social and basic needs of the poor in terms of education and skills, health and nutrition, the more sustainable an impact it will have on poverty reduction and the improving of social wellbeing.

1.3 Social Mission Framework

The social mission is inherent in most microcredit institutions. The multidimensional aspect of poverty encourages a range of strategies, including asset-building capabilities such as education, health and nutrition. Sen (1998) argues that poverty cannot be correctly measured by income or by

utility as usually understood. It should be evaluated not by the things a person possesses, or the feeling that these things provide, but rather what a human being is, can be, does or can do.

Wellbeing should not be understood in terms of possessions but rather in the potential that those possessions present for that individual. Impoverished people are subjects of discrimination based on their social status, and microenterprise credit allows them to develop their skills, achieve a higher degree of decision-making power in their homes, and improve health, nutrition and education standards for their children. This framework illustrates a social approach of microcredit combined with asset building as an approach for poverty reduction.

A study on teaching entrepreneurship, conducted in Peru in 2007 found that business for impoverished people or entrepreneurship training led to improved business knowledge, better business practices, and higher microenterprise income. It is anticipated that the trained micro entrepreneurs engaged more in business activities taught in the training, particularly in managing money between businesses, keeping records of sales and expenses, and thinking proactively about new market concerns and opportunities for profits. These profits are useful in reducing multi-generational poverty, increasing educational attainment, enhancing household stability, reducing rates of high-risk health behavior, increasing expectations in the future, and encouraging long term planning. They also can be used in asset specific training such as disease prevention and economic literacy training.

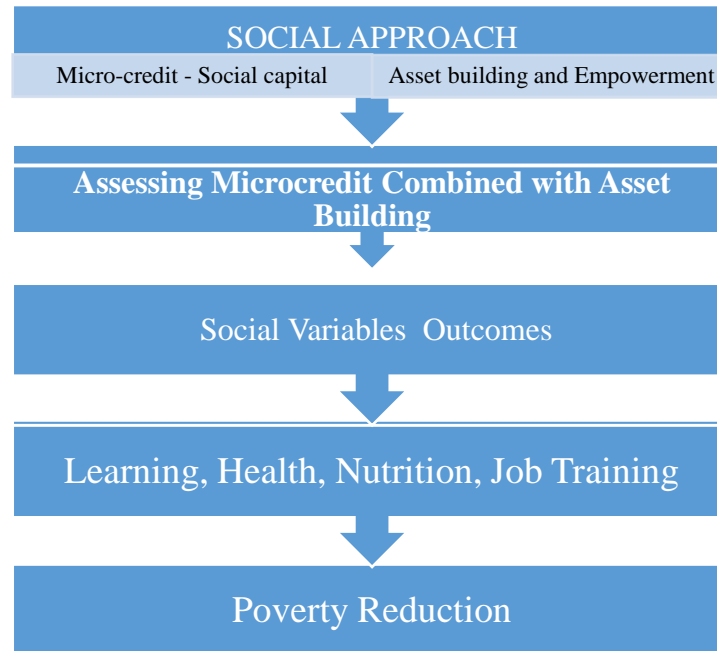


Figure 1: Social mission Framework

The framework developed in this research describes the basic idea of social mission strategy to reduce poverty. Besides research objective and hypotheses, I describe the research site and the overview of microcredit in Kinshasa and its limitations. Finally, I discussed the definitions and aspects of poverty in Kinshasa.

1.3.1 Terms and Definitions

Effectiveness

A measure of the extent to which a project attains its objectives at the goal or purpose level, i.e. the extent to which a poverty reduction project is attained, or is expected to attain, its relevant objectives efficiently and sustainably.

Microcredit

Small amounts of money loaned to poor borrowers without prerequisites of collateral to address the needs of those excluded from traditional finance systems. Borrowers are expected to use

funds to support enterprises that eventually earn income, thereby breaking the cycle of poverty (Sengupta & Aubuchon, 2008; Microcredit Summit Campaign, 2014).

Absolute Poverty

A situation in which an individual is unable to meet the minimum levels of income, food, clothing, healthcare, shelter, and other essentials.

Empowerment

Broadly, it refers to the expansion of freedom of choice and action to shape one's life. Empowerment refers to increasing the spiritual, political, social and economic strength of individuals and communities. It entails developing confidence of the individual in his/her own capacities.

Social capital

It refers to an intangible asset, defined as the rules, norms, networks, obligations, reciprocity, and trust embedded in social relations, social structures, and society's institutional arrangements. Social capital refers to the ability of individuals to build "bonds" within their own group and "bridges" to other groups by the belief that the quality and quantity of group activity are key sources of a community's strength and its ability to work for its own betterment.

Assets

The stock of financial, human, natural, or social resources that may be developed, improved, and transferred across generations. It represents the skills, knowledge, ability to work, and good health, which allow people to achieve positive livelihood outcomes.

1.3.2 Organization of the Study

The first chapter introduces the problem background of the study and presents the framework to give readers a basic idea of this research. In addition, this chapter includes the research objective, research question and limitations of the study, definitions and key concepts. The second chapter aims to provide insight about theories of microcredit and asset building, which are the base of my

investigation. It provides readers with reflections on these theories in the context of my work and sets up a working model of my thesis question. The essential part of this thesis and the prime purpose of this chapter are to give the reader's insight into the theories involved in this work, which is the base of my investigation. It engages the theories of my study and puts into place a working model for this thesis. The third chapter discusses the methodology used to assess the effectiveness of microcredit combined with asset building approach. The fourth chapter presents an analysis of the survey conducted for this effort. It also provides information on how microcredit affects access to education, healthcare, and access to credits. The final chapter discusses the previous literature and supports my analysis. I draw several conclusions and provided recommendations for how future studies might be conducted on this topic.

1.3.3 Overview of the Microcredit in Kinshasa

Microcredit has profound roots built over a long period in the DRC as the supporting mechanisms for the Congolese, especially in areas far from urban centers. Concretely, the Credit and Savings Cooperatives, alongside informal moneylenders and the Tontines (sort of ROSCAS), introduced their actions in the 1970s and 1980s as the traditional type of financing institutions reaching small and medium enterprises even in more distant areas where the banking system was almost inexistent, through leveraging the infrastructure of schools and religious hubs. However, when major conflict ended in the DRC, only a few cooperatives and credit unions, which survived the long period of conflict, were functional and the informal financial sector arose as the dominant financial player.

Many microcredit programs in the Democratic Republic of Congo are located in Kinshasa to target poor people, and small enterprises, and take advantage of their network knowledge and internal funding. Their mission statements focus on the improvement of the social being of local businesses and the reduction of poverty. Credits are to be invested in means of production or goods.

Micro and medium enterprises use loans to stabilize their companies' operations. People abstain from diversifying their activities for lack of resources and to avoid financial risks. Microcredit is a flexible but extremely expensive source of funding with no strong enforceable support. Interest rates are often around 50% or higher and sometimes daily interest is charged to micro-entrepreneurs. Today, there is a large diversity of NGO's in the DRC with different approaches to poverty reduction including mixes of technical assistance and credit. The International Monetary Fund has reported that,

...the DRC has made some headway toward financial inclusion over the past decade. A benchmarking analysis reveals that DRC's financial inclusion performance is broadly in line with its details. However, direct comparison with countries of the Southern African Development Community (SADC) shows that the DRC is lagging behind, suggesting that there is scope for further improvements. This calls for increased public efforts to address market failures that impair the use of financial services (2015, P.51).

In addition, the Congolese government has shown an interest in the expansion of microcredit operations, but with very limited impact. Besides weak governance and institutions, lack of information and lack of real guideline are among the common problems in the microcredit industry in the DRC. Microcredit institutions are impacted by adverse business situation and face additional challenges such as population movements and disruption in social capital, which reduce the efficacy of several of their lending methodologies.

Loan officers lack incentives to communicate the costs and modalities of loans in detail that would allow borrowers to make more rational decisions. Inflexible payment schedules and abusive debt collection further contribute to the risk of borrowers becoming unable to repay their loans (SLE, rural center for development 2013). Despite the shortcomings of business expertise, there is to this day little cooperation between training centers and financial institutions. The latter invest little in their clients' business skills and confine themselves to assuring that necessary settlement of the term is sustained for the profit of the organizations.

The loan officers' responsibilities extend from recruiting new clients to promoting the institutions, evaluating customer files and following-up on repayments. They must give a variety of

entrepreneurial advice, training and process loan for clients. Sometimes, clients receive loans without having adequate training. In addition, the enforcement and promulgation of the microcredit and dissemination of laws by the central bank is slowly overcoming nepotism, corruption and the tendency to stay informal. The government and the central bank have responded to these challenges with an inclusive initiative and strengthening of microcredit borrowers training and these efforts have to happen to enable microcredit programs to achieve their social mission.

1.3.4 The Informal Sector of Kinshasa

Everyone who has been to a major city in a developing country has noticed the sharp inequality between residents with modern-sector jobs and those working in the informal sector. The informal sector plays an important role in the economy of Kinshasa. It is the main provider of jobs, the only possible livelihood for many in Kinshasa. Indeed, as in all capitals of developing countries, the Kinshasa's job market is informal including the non-agricultural sector. The self-employed are engaged in a significant range of activities; about half of the employed urban population works in the informal sector. The concern is whether the informal sector in Kinshasa is just a transitional state for people awaiting entry into the formal sector, or whether the microcredit sector can play a role in shaping the informal sector so that it contains production and service activities that create the most social value.

Improving the quality of basic schooling and increasing accessibility is very important. Unfortunately, the fraction of national income spent on basic education in a majority of low-income countries remains problematic. In SSA, about half of all low-income countries spend small percentage of their national income on education. Even more worrying is that the share of national income devoted to education is stagnating or decreasing in Kinshasa. The idea is that access to microcredit will lead to increased investment in the short and the long term, including the acquisition of productive assets, health and nutrition improvements, and increased education for adult and child

household members (Pitt and Khandker 1998). These investments would then improve households' capabilities to respond to shocks and enhance their scope for putting in place preventative measures that will eventually assist them in lifting themselves out of poverty and reduce the risk of returning to it.

Microcredit institutions should strive for greater equity and efficiency to increase borrowers' entree to economic opportunities and broaden access to the labor market. It may promote social and legal values and activities by discouraging negative ones and providing proper skills and other social incentives. A large number of new entrants to the urban labor force in Kinshasa seem to create their own employment or to work for small-scale family-owned enterprises. Microcredit is leading the way in providing enhanced credit access.

1.3.5 The Street Vendors

The quality of life in Kinshasa started to deteriorate in November 1973, changing the DRC's economic situation. The national government responded by through a set of actions: the total confiscation of all land belonging to foreigners "by the state"; the transfer "to the state" of all small and medium-sized businesses and agricultural, artisanal and service industries owned by foreigners; and the handover "to local political leaders and elites." Unfortunately, the majority of the population got their livelihood from different sorts of petty commerce, services, transactions and rotating credit associations. While there are practices or apparatuses which allow Kinshasa people to resolve their poverty concerns perhaps more efficiently than everywhere in the world, the concern is about the sustainability of this situation. Street-selling activities are all over the city, and are a way of surviving and of reclaiming the social esteem lost by many within Congolese society. Although street activities are numerous, precise data on their extent are impossible to obtain, as people move about all the time and businesses expand, go bankrupt or vanish overnight. Todaro & Smith have described that

...economic activity in developing nations comes from small-scale producers and enterprises. Most are non-incorporated, unlicensed, unregistered enterprises, including small farmers, producers, and artisans. Most do not even have branch offices in rural villages, small towns, or on the periphery of cities where many of the informal activities take place (2011, p.739).

The street vendors in Kinshasa are roughly divided into two main groups: walking vendors and fixed vendors. The first category includes porters, vegetable sellers and sellers of bread, cooked food and sellers of different kinds of small manufactured goods. The second group includes people who work in immobile locations, including battery and tire repairers, mechanics and vendors of modern and traditional medicines, cooked foods, frozen foods (fish, meat and poultry), money dealers, kiosk owners and small shopkeepers.

However, there are no legal guidelines for these activities; each street vendor organizes his/her own work and operates on the streets according to his/her requirements and the possibility of reaching customers. In overcoming this chaotic situation, people rely on the trust of personal relationships to pay for the absence of an operational and judicial machine to sanction contracts; they create their own system of values and status, their own order, and stay away from a corruptible bureaucracy by operating in another economy to find opportunities to promote wellbeing. Despite it all, the street economic activities alone cannot improve the poor living standards nor reduce poverty in Kinshasa.

1.3.6 The Living Conditions in Kinshasa

Like most African capitals, poverty is high in comparison to other African cities. The disturbing proportions of poverty in the Democratic Republic of Congo strongly contrasts with the natural and economic potential of the country. How the residents cope is not well known. This miracle takes place every day; it seems like the resident of Kinshasa, “Kinois,” may have invented sophisticated coping apparatuses over decades that make them different from Congolese living in the rest of the country. Sachs reported about extreme poverty and explained that

...extreme poverty means that households cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all of the children, and perhaps lack rudimentary shelter—a roof to keep the rain out of the hut, a chimney to remove the smoke from the cook stove—and basic articles of clothing, such as shoes. Unlike moderate and relative poverty, extreme poverty occurs only in developing countries (2005, p20).

The collective expression of the livelihood among the Kinshasa residents is a conventional term recorded in “Article 15,” an imaginary article of the Congolese civil code, *Franco-Lingala*, or else as another Franco-Lingala (lingua franca of Western Congo) word “*debrouilliardise*,” or simply in French “*Debrouillez-vous*” (roughly translated as “somehow making one’s individual way to subsist”). As articulated in Amartya Sen’s social theory, poverty constitutes a cutting off or reduction of choices. A graduate of a local university, who cannot find a job and has no choice, may spend time on the street corner talking with friends about music, soccer and politics. With some luck and social networking, he or she will hopefully leave Kinshasa one day for somewhere in Europe to find employment perhaps as a dishwasher in a restaurant or a security guard. Kinshasa is a city where the lack of infrastructure and widespread corruption has made people used to making their own personal moral judgments on the worth of any service. However, despite the despair, people in Kinshasa can still afford to pay attention to style.

1.4 Poverty in Kinshasa

The Democratic Republic of Congo possesses significant mineral wealth, including rich reserves of diamonds, copper, cobalt, gold, uranium, and oil. However, the exploitation of this vast natural wealth to date has failed to benefit ordinary citizens or to contribute to their wellbeing. Many studies have highlighted the country’s long practice of greedy management of natural resources and how the DRC’s large mineral wealth has been exploited by extensive corruption, lack of transparency, and life-threatening labor practices to benefit a small number of business and political elites to the detriment of Congolese citizens (Global Witness 2004). Nevertheless, Kinshasa is the

least poor of the cities of the Democratic Republic of Congo with 42% of its population listed as poor (PRSP, 2006, 22). Overall, basic needs such as food, clothing, water, electricity, health and education are not met. Kinshasa, formerly Leopoldville, is the capital of a country that throughout its history has played an important role in the World economy. In 1881, Henry Morton Stanley named Kinshasa, “Leopoldville”—as a trade station on the brinks of the Congo River. The region experienced intense economic activity. Later on, businesspersons coming from many countries of Europe, India, and Lebanon carried out business and trade flourished.

Under Belgian colonial rule, basic poverty was officially absent in Kinshasa. The Congolese labor force constituted the bulk of the urban population of the city, real wages of unskilled laborers was rather high, and the colonial authorities only allowed Congolese into the city if they had a job. Unemployed city residents were deported to the village. In the 1960 crisis that followed the country’s independence, although unemployment rose nationwide, the city of Kinshasa went through a period of relative prosperity and its population doubled until the early 1970s. In spite of this demographic growth, many continued to find employment as manual laborers. Despite recent progress in some macroeconomic indicators, the long period of instability, conflicts and violence that followed have left the population in a situation where poverty and human insecurity reached almost unparalleled proportions. Kinshasa’s population is young (half are under 20 years) and unemployment is high. The informal non-farm sector is very developed (nearly 1 million jobs) in Kinshasa, yet poverty is chronic: once one falls into poverty, one tends to remain there for a long period. This suggests that for over thirty years, Kinshasa households live, one generation to the next, in a situation of chronic poverty.

Some urban neighborhoods look like refugee camps: precarious housing, lack of drinking water and electricity, difficult access to quality health care, insufficient and irregular diet, inadequate clothing, and chronic unemployment. Chronic poverty prohibits the poor from getting out through classical macro-economic strategies. Overall, the country’s poverty remains in sharp contrast with

the potential of its natural wealth (AFDB 2014). Together with Niger, the DRC has the lowest human development score in the world in UNDP's 2013 Human Development Index (UNDP 2013). Despite progress in poverty reduction and human welfare in the past decade, extreme poverty persists at unacceptably high levels in many parts of the world. To eliminate extreme poverty and expand wellbeing, microcredit will need to address several critical development challenges, including reaching the least well off, sustaining welfare gains, and making progress on increasing access to opportunities for the most disadvantaged.

1.4.1 Governance in Kinshasa

Governance refers to the route by which components in society exercise power and authority, and influence and determine policies concerning public life and socioeconomic development.

Broadly analyzed, the poor governance in the DRC is rooted in the mismanagement and governance crisis embedded in the patrimonial system put in place by King Leopold II. The Belgian monarch claimed the country as his personal property in 1885 to extract natural resources. After independence in 1960, the Democratic Republic of Congo underwent successive conflicts, human right abuses, natural resources exploitation, breakable governance, economic misconduct, and overt dishonesty at all levels of the state machine, involving state officials ranging from low ranking civil employers to the highest members of government.

The Heritage Foundation's Index of Economic Freedom ranks The DRC as the 172nd ablest economy in the 2014 Index, scoring far below the regional average (54.6). In particular, the country performed extremely poorly in terms of freedom from corruption, with a score of 17 on a 0 to 100 scale. According to Transparency International, in 2013, the Democratic Republic of Congo ranked 154th of the 177 countries assessed under the Corruption Perceptions Index (CPI), scoring 22 on a scale of zero (highly corrupt) to 100 (highly clean). No progress has been achieved in recent years in

any of the areas assessed, with the lowest scores for government effectiveness (0.96), rule of law (1.42), political stability (2.84) and control of corruption (4.31).

These results are consonant with the World Bank's 2012 Global Governance Indicators where the DRC performs poorly on all the six dimensions of governance weights, scoring below 7 (on a 0 to 100 scale) in all categories. The governance is wrong and unsuitable, and public services are highly mismanaged. From a broad perspective, Kinshasa is as a blind person put in charge of driving a bus to its destination. The provision of basic public services not only fails to meet the quality standards and mandatory deadlines, but also becomes a source of bribery. The poor simply cannot afford to approach justice or local administration when they fear that any request for a service will require an illegal payment.

In the specific case of Kinshasa, people are annoyed about the culture of impunity and marginalization in which they live, with political actors regularly impeding the proper management of public services. Some are poised to denounce the creation of unlawful taxes that take advantage of small traders. Business laws are ambiguous, from their interpretations to their applications by the public authorities. Tax collectors sometimes impose lump-sum charges. Unfortunately, the image of Congolese, public administration among people is very negative; the enduring culture of corruption not only affects trust but also reduces access to institutions.

Consequently, the government has the task of fostering governance capacity by supporting transformation and development. Governance capacity is about rules and laws that cultivate public administrative and regulatory systems. It also includes the performance of public services, such as building roads and supplying water and electricity. Arguably, the main failure of governance in Kinshasa is the consistent domination of political power and the state apparatus by a narrowly based elite seeking to advance private and family interests to the exclusion of the majority of the population. This view lies at the root of the many problems in Kinshasa. With good will, Kinshasa's authorities can improve the governance, because good governance aims at the well-being of the city

of Kinshasa. This chapter starts with the overview of the social life in Kinshasa, a description of the population, education, health, informal system, street vendors, etc. which is followed shortly with an interpretation of the study.

1.4.2 Drivers and Maintainers of Development and Poverty Reduction in Kinshasa

Poor people are everywhere in Kinshasa, and especially those living in rural areas of the Democratic Republic of Congo, face risks and vulnerabilities. In this section, I introduce the issues that sustain poverty in Kinshasa, along with the factors that drive and maintain poverty reduction. These include human capital, education, health, nutrition, and job training. It has been stated that microcredit as microfinance has not only helped people to develop in their material capital but also human capital, by acquiring capital to undertake investments, integrating them into the economic systems of their countries, and increasing their incomes. Furthermore, it assisted them by ensuring the improvement of human capital through better education, nutrition and health, protecting themselves against economic shocks, and managing their enterprises and financial situations.

1.5 Human Capital

Human capital is a productive investment in people, such as skills, values, and health resulting from expenditures on education, on-the-job training programs, and medical care. Ghalib & Assad suggested that

...tackling poverty points to multidimensional theories that stress reducing joblessness, infant mortality, sustaining essential healthcare, sanitation, food, nutrition, basic hygiene, establishing gender equality, etc. (2007, P.2).

The idea of the investment in human resources and the creation of human capital are analogous to that of improving the quality, and thus the productivity, of existing land resources through strategic investments. The United Nations Development Program (UNDP) places the Democratic Republic of Congo (DRC) Human Development Index (HDI) value for 2014 as 0.433,

which classifies the country in the low position of 178 out of 188 countries and territories. Regardless of the valid criticisms about the HDI, the index is on the standards of living, education, and health. It has notable improvements each with strengths but with a few potential drawbacks. The common notion of human capital is just that if an investment is in goods, or physical capital, it can also be made in humans. I suggest that, in order to increase the economic output of a society, investments are not only in physical structure, but also in the human participants. On the economic perspective, human capital is often used for education, health, and other human dimensions that can raise productivity. The basic human capital approach focuses on their indirect ability to increase well-being by increasing incomes. Clearly, health and education contribute directly to well-being.

The outcome of human capital investments in developing countries can be quite significant. For instance, education upsurges empowerment and self-sufficiency in major matters in life, such as making decisions concerning one's own health care, and freedom to express one's own opinion over the right of women in a marriage. Despite this extraordinary return, many families do not make this investment because they are unable to borrow even the meager amount of money that a working child can bring the family. A similar recipe applies to health (such as improved nutritional status), with the direct and indirect cost of resources devoted to the health sector. In fact, the human capital approach has both micro- and macroeconomic significance and over time has become a central part of neoclassical growth theory. Investment in human capital adds to greater productivity in the labor force, which in turn leads to greater economic growth.

1.5.1 Education

Education has a positive effect on poverty reduction. Microeconomic works recognizes a clear relationship between education (as measured in years of schooling) and income per capita. Education links with technological adaptation, innovation, and increased productivity, which help generate economic growth. Yet for many of the world's poor, education remains impossible.

Evidence on the impact of microcredit on education is varied with limited evidence for positive effects and considerable evidence that microcredit may be doing harm, negatively affecting the education of clients' children. Having said this, micro-credit does not appear to increase child labor.

Ssewamala et al.'s (2010) assessment of a Ugandan micro-savings program that integrated training on asset building and financial planning over a 10-month period, and held monthly mentorship workshops, found that the introduction of savings systems to AIDS-orphaned young women and men increased their interest in attending secondary schooling and their confidence that their plans would come true. The program participants also fared significantly better in their primary school-leaving examinations. Similarly, Lacalle et al (2008) described positive results from an assessment of a microcredit program in Rwanda. The data showed that levels of school attendance were significantly higher in participating households than in control groups: 67 percent of all children in client households were at school, whereas the same was true for only 44 percent of the control group's children. Households receiving microcredit were 3.5 times more likely to pay for all their household's education expenses than households in control groups.

The education system in the Democratic Republic of Congo seeks to increase primary school enrolment across the country through reducing the fees all parents pay, and increasing the enrollment and completion rates by girls and boys to ensure that gender issues are resolved from the beginning. The frequently identified educational challenges presented by microcredit clients in Kinshasa were the weakness in learning mathematics, the lack of adequate knowledge of measures, the geometrical concepts, and "problem solving." Although some progress has been made such as in the gross enrollment in primary schools, the quality and efficiency of the educational system has remained very low. The basic education approach to target universal primary school enrolment can greatly affect development.

No country can achieve sustainable economic development without substantial investment in human capital. Education is one of the fundamental factors of development. Education enriches

people's understanding of themselves and the world. It improves the quality of their lives and leads to broad social benefits to individuals and society. As Nobel Laureate Amartya Sen (1999) says in "Development as Freedom," education can add to the value of production in the economy and to the income of the person who has been educated. However, even with the same level of income, a person may benefit from education in reading, communicating, debating, and arguing, in being able to choose in a more informed way, in being taken more seriously by others and so on.

Education raises people's productivity and creativity, and promotes entrepreneurship and technological advances. In addition, it plays a very crucial role in securing economic and social progress and income distribution. Education is indispensable to economic development. A balanced education system promotes not only economic development, but also productivity, and generates individual per capita income. Its influence is noticeable at the micro level of an individual family. More educated men and women tend to invest more in their own health and the health of their children. Indeed, education may be the single most important personal determinant of a person's health and life expectancy. I will only mention a few examples of the considerable evidence for the link between education and health. Educated persons in the United States and other rich nations are the least likely to smoke. Smoking in the United States is now found in significant numbers only among those with no college education, and is especially common among high school dropouts.

While most educated persons in Kinshasa work, the unemployed uneducated people usually sit in bars and waste their time, drinking and socializing in their own terms. Education of the poor helps improve their food intake not only by raising their incomes and spending on food but also by inducing them to make better, healthier choices. Studies from different nations indicate that educated persons tend to consume a healthier diet than their uneducated counterparts do, even when the total amount spent on food is constant. Of course, the relation between education and better health and life expectancy involves causation in both directions, for greater health and lower mortality also induce

larger investments in education and other human capital, since rates of return on these investments are greater when the expected amount of working time is greater.

Education can add to the value of production in the economy and to the income of the person who has been educated. Formal education is a very important asset, especially for the living poor in developing countries, who are the most disadvantaged in that regard. Some indicate that job and skills training are a primary source of social capital for poor individuals and micro-entrepreneurs. In addition, a community with high buildups of social capital will be able to manage difficulties while one with low levels will manage less well. This is likely to be because collective action involves the use of norms and networks in situations where individuals might otherwise be reluctant to be cooperative or socially engaged (ABS, 2002).

In conclusion, education contributes to economic growth, poverty reduction, and individual economic success. All developing regions, including Africa, have experienced improvements in education, but large educational disparities persist between the developed and the developing worlds, even at the primary level. Formal education is a very important asset, especially for the poorer classes in developing countries, who are the most disadvantaged in that regard. Job and skills training are essential to the development of social capital for poor and micro-entrepreneurs.

1.5.2 Health

Basic health care is critical for economic progress, yet for many of the world's poor this basic right remains out of reach. The disparity in health indicators across countries is still very wide. Healthcare is a pillar based on policies that strengthen the country's human capital and its major challenge is to enable everybody to have access to quality basic social services. Human wellbeing means being healthy, well-nourished, well-clothed, liberated, long lived, and more broadly, being able to take part in the life of the community, being mobile, and having freedom of choice in what one can become and do (Sen, 1999). The available evidence from seven studies suggests that micro-

credit has a generally positive impact on the health of poor people. Microcredit may also improve the health of the children of clients in terms of protective behaviors (such as sleeping under a mosquito net (Brannen, 2010)). Despite the fact that the DRC has the legacy of a well-organized and functioning district primary health care and referral system, the situation in the health sector, as in all other social sectors, has radically deteriorated in the past two decades. Stephanie et al reported,

In the DRC, disengagement of the State from the regulation and financing of the health sector, in addition to governance problems, has resulted in a profound weakening of the country's health system... Unregulated fee-for-service payment is widespread and is both a cause and a consequence of the commercialization phenomenon, which is gradually depriving both urban and rural populations of access to quality primary health care. In 2008, the DRC ranked sixth on the list of failed states because of its inability to provide public services, the erosion of its legitimate authority, corruption and spontaneous movement of population (2015, p.8).

In 2011, UNDP ranked the DRC last in human development among a list of 186 countries and territories. Many mothers, their babies and children in particular, suffer from many preventable diseases. Moreover, the shortage of toilet facilities is flagrant. Hence, many households share single ditch toilets. Overall, the decline of health in Kinshasa starts broadly around the mid-1970s, largely due to economic crisis and civil strife. A fight against AIDS, malaria and other diseases is serious because these diseases can impede social well-being by degrading communal health, especially for a population already weakened by poverty. Poverty is not just a shortage of quantifiable resources but a more general state of vulnerability marked by a lack of access to health services and education, low self-confidence, and a sense of powerlessness. Generally defined as the risk associated with being poor or of falling deeper into poverty, vulnerability is a key component of well-being.

1.5.3 Nutrition

Food security and health are interrelated. However, food security is less of a challenge if households and individuals have enough resources to obtain sufficient quantity and quality of food for a nutritious diet through a combination of home production, stocks, purchase, barter, gifts,

borrowing, or food aid. The city of Kinshasa is one of the few African cities with remarkable potential for practical agricultural opportunities (cultivable land, a diversity of climates, an important hydrographic network, a fishery, livestock potential, and more). Although, there is a wide disparity in the food consumption patterns to achieve food security, individuals need the physical ability to produce enough food or the financial means to access it.

The challenge of food security in Kinshasa is the first basic need of people. The major part of spending in households is for food (48.8%) for non- poor and poor people. The food consumption in Kinshasa is significantly lower than that of the entire DRC (62.9%). This result confirms the gap between the incidence of poverty in Kinshasa and throughout the all country. Poverty affects individuals in different ways and to differing degrees in the DRC. In general, basic needs such as food, clothing, and access to basic social services (water, electricity, transportation, health and education) are not met because of bureaucratic inefficiencies.

The supply of water is also a great problem in Kinshasa. People are often obliged to take night watches to keep their taps open in order to gather the water coming at any time of the night, because during the daytime there is not enough pressure. The quality of water is questionable, so one is advised to boil it for at least thirty minutes. In most of the households and most of my neighborhood, people eat once a day, buy and wear used clothing and shoes, and go six kilometers to get water, which is neither potable nor protected. Living conditions are extremely poor: households use unsafe water and lack a reliable supply of electricity. The main source of energy is firewood or charcoal. Often, residents snip connections through main electric cables with high risk to their health. Evidence indicates that poverty has affected all socioeconomic categories within the last few decades; the living conditions in Kinshasa have constantly deteriorated, with some ups and down but no real progress. How the Congolese and the Kinshasa residents particularly seem to cope is obviously one of the continuing mysteries, which is often beyond Western rationale and logic.

In households, women must contribute to the family income; their small, often informal, jobs force them to be absent from home, sometimes until very late into the evening. Meal times are frequently changed, and they are therefore less often prepared in the home. Eating habits have changed significantly: a diminished consumption of traditional dishes like *chikwangue* (cassava dough) has been replaced by bread, the foundation of food security in Kinshasa. The growing success of large bakeries located in Kinshasa reflects these new behaviors in urban areas. Finally, most households in Kinshasa live in precarious conditions, in an environment characterized by a severe economic crisis (UNDP, 2009). The relationship between poverty and food insecurity can often lead to the establishment of a vicious cycle. Lacking financial means to access food, poor households are more likely to be food unsecured and consequently are vulnerable to social issues.

1.5.4 Job Training

Investment in human resources can improve the quality of production and thereby have the same or even a more powerful effect on it as humans increase in numbers. Formal vocational schooling, on-the-job training programs, and adult and other types of informal education may be made more effective in augmenting human skills as the consequence of direct investments in buildings, equipment, and materials (e.g., books, film projectors, personal computers, science equipment, vocational tools, and machinery such as lathes and grinders). The advanced and relevant training of teachers, as well as good economics textbooks may make an enormous difference in the quality, leadership, and productivity of a given labor force. Improved health can also significantly boost productivity.

Job training and relevant skills are sources of social capital for poor individuals and micro-entrepreneurs. In addition, a community with a high buildup of social capital will be able to manage difficulties while one with low levels will manage poorly. Various non-governmental organizations (NGOs) have introduced noncredit-targeted measures to help the poor break the cycle of poverty.

The purpose of these programs is to reduce poverty by providing needed goods and services to the poor. NGOs have soon realized that access to credit was inadequate to reduce poverty and promoting the human development of borrowers is useful to promote productive capacity. Then, microcredit programs must include skills training, and other types of training, such as health, nutrition, and family planning, in order to improve the fruitful capacities of the poor. Khander (1998) has suggested that,

...microcredit programs may need to provide skills development and other ancillary services to poor and unskilled borrowers to sustain their benefits. Provision of such inputs may be necessary for the long-run viability of microcredit programs and their borrowers (1998, p.12).

Findings from previous studies in Bangladesh support the view that borrowers from BRAC have had higher returns to capital, suggesting that the skills development segment of the training programs was effective. Previous studies have determined that job training and relevant skills are sources of social capital for poor individuals and micro-entrepreneurs. They reported that they were more engaged in business activities taught in the training, particularly in separating money between business, maintaining records of sales and expenses, and thinking proactively about new market and opportunities for profit. These studies indicate that a community with high accumulations of social capital will be able to overcome difficulties while one with low levels will manage poorly. This is likely because collective action involves the use of norms and networks in situations where individuals might otherwise be reluctant to be co-operative or socially engaged.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

The purpose of this study is to provide the reader with insight and background about the major theories involved in this line of work. In the midst of abundant social challenges (absolute poverty, pandemic diseases, illiteracy) and stories of development's failures to reach the poor and help, improve their wellbeing. Microcredit has provided hope for both development practitioners and program participants alike. Neoliberalism is a phenomenon that relates to microcredit, growth of capital, the transnational flow of goods and ideas, and globalization that affects all levels of society.

2.1 Structural Adjustment Programs

Structural adjustment programs (SAPs) encourages and eases the loaning of conditional overseas or Official Development Assistance (ODA) from mainly western donor countries to developing countries, including many recently decolonized states in Sub Sahara Africa (SSA). The aid was conditional in the sense that in order to receive this aid, the developing countries had to adopt a series of policies prearranged by the WB and the IMF, the major international purveyors of neoliberal economics. SAP loans were designed to encourage a fundamental restructuring of the economies of countries plagued by chronic trade and budget deficits, by improving the macro-economic policy environment with an emphasis on (Todaro et Smith 2011):

- Mobilizing domestic savings through fiscal and financial policies
- Improving public-sector efficiency by stressing price-determined allocation of public investments and improving the efficiency of public enterprises

- Improving the productivity of public-sector investments by liberalizing trade and domestic economic policies,
- Reforming institutional arrangements to support the adjustment process.

After extensive criticism of the SAPs as being anti-poor, the program was replaced by a new aid paradigm, the Poverty Reduction Strategy (PRS) approach in 1999. During the 1990s, scholars have increasingly referred to Microcredit as an effective means of poverty reduction (Cerven & Ghazanfar, 1999). In the DRC Microfinance was being promoted nationally as an important poverty alleviation strategy enabling vulnerable to cope with the adverse economic and social impact of Structural Adjustment Programs (SAPs) and globalization.

Microfinance registered strong growth worldwide since the 1980s as it began attracting donor interest and consequent funding. It also benefited from a steady increase in criticism of the traditional subsidized credit model (an important part of many countries development strategies since the 1950s), because most programs accumulated significant loan losses and very weak loan reimbursement rates, becoming increasingly unsustainable without frequent recapitalization. Donor funds therefore concentrated on the building up of local, sustainable institutions committed to achieve substantial outreach. This trend led to changes in MFI operations with many shifting from integrated services (both credit and training or other) to focusing in providing only financial services. Such change accompanied the transformation of several NGOs, trust companies and other institutions into formal financial institutions such as the above-mentioned Banco Sol in Bolivia, but also K-REP in Kenya and the Centenary Rural Development Bank (CERUDEB) in Uganda.

The sustainability approach promoted worldwide since the 1980s, aims to create a financial self-sustainable microcredit programs. Increase local access to microfinance services for vulnerable people with an emphasis on social inclusion. Within this approach, client participation is perceived to increase market efficiency by supporting women's work efforts through access to credit and the

reliance of the impoverished intra-group solidarity for self-help. This approach has two major objectives: First give loans to the vulnerable and second maintain financial sustainability of its operation. No additional services are offered to its constituents, male or female. This approach maintains that other necessary services in combating complex issues of poverty (i.e., education, sanitation, health, and nutrition) must be addressed through an integrated asset building approach includes in the study.

2.2 The State and Market Failures

Developing countries tend to have both high market failure and government failure. The NGOs sector can also be subject to what is termed voluntary failure. Government failure occurs in the many cases in which politicians, bureaucrats, and the individuals or groups who influence them give priority to their own private interests rather than the public interest. Analysis of incentives for government failure helps guide reforms such as constitution design and civil service rules (Todaro & Smith 2011). An example of the constitution of the DRC designed in 2006.

For example, a recent study by IMF discusses what prevents the DRC from reaching and exceeding an economic growth rate and reveals: (a) the failures of past governments, in terms of governance, lack of regulations and laws, the breach of contracts, and administrative leadership, (b) lack of funding, (c) the lack of infrastructure (especially energy and transport), (d) The low human capital, macro-economic risks, lack of diversification and market failures. The report recommends the establishment of solid institutions, the removal of restrictions by pro-active policies and diversification of the economy.

The democratic Republic of Congo's political independence in June 1960 suddenly brought war casualties, crisis of leadership and redefinition of health policy, education, economic planning and the overall wellbeing. It becomes quite clear that colonialism played a major role in influencing institutions that established the policies, which can limit or enhance opportunities for economic

development. In summary, the DRC experienced a dramatic shift from its Belgian colonial rule to independence. The years of 1960 to 1965 were disruptive for the Belgian Congo. In 1965, Joseph Desire Mobutu, who later became known as Mobutu Sese Seko Wazabanga, seized power. His reign would not conclude until late 1997. Fukuyama (2004) alludes to the results of Mobutu's rise to power and his ability to reallocate a large portion of the state's resources for himself and leave the rest of the society as a "predatory state."

Mobutu Sese Seko's rise as a leader was characterized by his abuse of political power; he used his control over the state and the international environment as a means to misappropriate the benefits of the newly independent state's abundant natural resources. He would use any means necessary to hold on to his political position. After he stepped down, he left behind a country that was in complete chaos and in a state of war. In the midst of this chaos, with the state's infrastructure in messes, and disorder and conflict rife within the region, there was little hope for the country's revival. In the late 1980s and 1990s, the social divide became apparent to the international community, when in the early-1980s; the Congo, then Zaire, state started to show signs of decline, but held together by external contributions. In 1997-1998, a rebellion broke out in the eastern and northern parts of Congo. While the war formally ended in 2002, the conflict continues, and the national administration is unable to control the whole country, making conditions unfavorable for foreign investment, infrastructure improvement, and tax collection.

Bates (2008) proposes a very simple but accurate definition of state failure; he claims that state failure is the powerful preying on the weak, resulting in the state collapsing from its own corruption. Kraxberg (2007) argues that state failure is a vacuum of authority where what was once an establishment that brought forth services collapses on itself. Consequently, the state loses its legitimacy and splits its identity from the people that live within its boundaries. For Brinkerhoff (2005), state failure designates the lack of human security, public services, and a lack of reliability within the international arena. Historically, there have been many occurrences of state failure all

over the world.

I suggest that every country that exhibits signs of either partial or complete governmental failures has multiple contributing factors to its relative decline. The DRC illustrates significant factors that directly affect the state and market functions and their possibility of reducing poverty in the short and long term: lack of state infrastructure, no economic development, low capabilities, and political corruption. Just one of those factors directly affects the national market, the state function, and the prospect of development in the short and long term. As a result, external interventions are essential to restore the state.

The international community tries to understand why, after decades of assistance, the DRC (previously Zaire and the Belgian Congo) is not in better standing. Van de Walle (2001) cites the lack of organization and planning by Mobutu's radical movement that occurred in the 1990's. As someone who witnessed Mobutu's revolution, I argue that the failure to establish an internal/external economy for the country led to the reliance on loans and aid from Western powers that were damaging to an already deteriorating state infrastructure. Also, the DRC was not self-sufficient; the lack of a clear economic development and vision in the domestic and international state economy was due to a corrupt system that benefited only the elite and not the state or its citizens. Aid, in the form of grants and concessional loans, usually comes with a number of donor-obligatory conditions concerning how it should be disbursed.

Development aid responded to poverty with a modest economic growth and poor governance in DRC in two ways, both concerned with improving conditions for the poor: the first with a strong poverty focus, directly tackled the causes and consequences of poverty; and the second strongly focused on economic growth as an indirect means of tackling poverty. It is vital to note that few African governments have poverty policies that are separate from donor poverty agendas as they have always been designed in tandem. This is also common where states are particularly weak, and politicians are diverted from development by domestic political issues; donors have sometimes

actually (unsuccessfully) attempted to step into the breach and make policy. One aim of the reforms agreed in the Paris Declaration (PD) on Aid effectiveness in 2005 was to encourage aid-recipient states to take more control of their poverty agendas and aid policies. The following six initiatives have a strong focus on ending poverty: structural adjustment programs and poverty reduction strategies, Millennium Development Goals, building capabilities, pro-poor growth, social protection and inclusion, and empowerment and anti-discrimination. Since the Paris Declaration, aid became more targeted toward people living in poverty. Bangladesh has benefited considerably from aid Effectiveness in the use of aid important, particularly the active involvement of NGO's in Bangladesh. Foreign aid plays a crucial role in assistance with conflict resolution, post conflict recovery, and makes the transition to development.

2.3 Neoliberalism as a Source of Microcredit

Microcredit arises in the center of rich process of development failures to reduce poverty and the reformulation of the development paradigm, neoliberalism that includes important ideological notions and policy measures to become a platform for promotion of microfinance as a strategic development tool. As an essential of the microfinance, the rise of microcredit corresponded with the advent of a new and major development concept, neoliberalism, which includes vital ideological concepts and policy measures to become a phase for enlargement of microcredit as a device of poverty alleviation. Supporters of neoliberalism used market-based development policies, strengthened private initiative and entrepreneurship, and validated reduction of state's role in matters of development.

During the past three decades, microcredit programs gained wide recognition and application across the world. For the purpose of this study, I am assessing the ability of microcredit as an important tool in poverty alleviation and a prominent instrument to empower people, especially the

poorest of the poor, to enhance sustainably their social wellbeing in Kinshasa. Microcredit highlights that, instead of being passive aid recipients and subject to the munificence of state and international policies, the impoverished people are capable of assuming the responsibility for their poverty and with little initiative, determination and capital, could improve their living conditions and escape or alleviate poverty. Microcredit appears to materialize the neoliberal notion of a market-based line of development, offsetting the market's failure to provide credit to the poor and the state's failure to alleviate poverty.

The problems facing the Democratic Republic of Congo (DRC) resemble those of the surrounding sub-Saharan African nations. The DRC is overwhelmed by corruption, its natural resources are plundered by invading forces and private industry, and its global economic footprint is almost nonexistent. The state collapse is not one problem but rather it comprises of a list of negative factors that contribute to an overall disintegration of the state. However, neoliberalism inspires a level of optimism: it can succeed if the environment and the level of development permit it. If factors such as economic and state infrastructure stability are developed enough, then capitalism may flourish in a structured and regulated environment.

Microcredit creates incentives and means for poor people to become active agents in improving their well-being by providing access to credit and enabling them to take up self-employment and income-generating activities that will consequently increase the income of the poor and so help them to escape poverty. Microcredit embodies all the main ideas of neoliberalism. Formal lending institutions were not enthusiastic to give loans to the poor because of high transaction costs, low profits, and lack of collateral; under the neoliberal concept, the role of microcredit is to fix this market failure by supplying credit to the poor who are excluded from the financial system. In addition, microcredit channels funds directly to the poor, avoiding the state whose inadequacy and corruption is partly to blame for the failure of the large-scale growth programs (Snow et al., 2001).

As a neoliberal maneuver to alleviate poverty, microcredit's entrepreneurial approach to fight poverty is severely criticized. Karnani (2008) argues that the neoliberal movement and microcredit assume that poor people, 90% of who are employees rather than businesspersons: are more likely to engage in entrepreneurial activities than their equivalents in advanced countries. While poor people own businesses, it seems to be more a survival strategy than something they want to do (Banerjee et al., 2008, p. 333). Furthermore, the emphasis on self-reliance and initiative of the poor people restrains the role and the responsibility of the state in creating legal, regulatory and social apparatuses to protect the most vulnerable people of the society. Karnani (2008) calls it an "individualization of poverty" and points out that putting the responsibility for improving the well-being on the poor people themselves improves poverty and minimizes the prominence of rigorous macro policies in alleviation of imbedded poverty like in the DRC.

In addition, the implementation of neoliberal policies reduces the role of the state in providing the services of social welfare. The provision of these services is already poor because of the instability and weakness of the state. Accordingly, the vulnerable people must rely on microcredit to acquire services that the state was unable to provide. As microcredit started to gain recognition as a poverty alleviation tool, the state governments began to contribute to it by subsidizing the loans, which "may imply a transfer of public resources from other public spending, leading to cuts in public health, sanitation and education expenditure" (Selinger, 2008, p. 5). For the purpose of this study, I believe that by supporting microcredit, the state opts for the easier and less expensive path to help the poor with a manageable approach and create employment prospects.

The proponents of microcredit point out that, while macro policies are important, it takes time to have an impact, while the poor people are currently facing poverty and hardship. Therefore, tools for immediate action that would "directly attack poverty at the "grass-roots level" are necessary (Woller et al., 2001, p. 270), and microcredit is one of the best tools to achieve that. Furthermore, in many developing countries, the impoverished are forced to take up entrepreneurial activities, creating

an informal economy, as there are few other employment opportunities. Yet, to start or to expand income an activity, investment is required that impoverished people often do not have. Consequently, the role of microcredit is to provide credit that would enable the poor to take advantage of these productive activities, which would increase the odds of poor people to escape or alleviate poverty. Lastly, the advancement of microcredit contributes to the development of the social mission, which, in turn, is one of the prerequisites for economic development and growth. The expansion of social systems can be particularly important for the poor as developed financial systems help to reduce income inequality by allocating them more fairly and lessen poverty by alleviating credit constraints and insuring against shocks.

2.4 Theoretical Approach for Asset Building

The asset-based approach to development stems from the post 1990s shift in change theory and practice toward increasing personal and interpersonal power to enable individuals and local communities to take action to improve their lives. Asset building is a multidirectional approach for sustainable poverty alleviation and it is worth testing this approach rigorously in microcredit. The concept of assets building through microcredit support includes what Sen (1999) identifies as strengthening human and economic capabilities. It refers to a “stock of financial, human, natural or social resources that can be acquired, developed, improved and transferred across generations. It generates flows or food consumption, as well as additional stock” (Ford Foundation 2004).

Although microcredit enables the poor access to financial resources, which are crucial in the events of economic shocks, asset building promotes development of human capital and other assets. It increases power and control; it can provide a range of positive personal and social effects on wellbeing beyond consumption. Human capital includes investment in education, improvement in health and nutrition of individuals. Social capital includes the rules, norms, obligations, reciprocity and trust embedded in social relations, social structures, and societies’ institutional arrangements. In

Assets and the poor: A new American welfare policy, Sherraden (1991) defines asset-based development as efforts that enable people with limited financial and economic resources or opportunities to acquire and accumulate long-term productive assets. The asset building approach to microcredit for social well-being lies in the ability of individuals to acquire assets that lead to better job opportunities with various positive effects. Generally, asset refers to stock of financial and human social resources to transfer across generations. More specifically, in his subsequent work, Sherraden demonstrated that the impoverished people could save and invest in their own future if provided with opportunities to develop basic financial literacy, access to institutions and low-cost financial products, and financial capital. Access to assets has an effect on people's behavior and attitudes; this, in turn, affects their freedom to make choices and develop their human capability, known collectively as human capital.

Microcredit can play a great role in enhancing human capital, health education, training, and economic empowerment of people involved in business practices. The poor have fewer assets, which negatively affects them by excluding them from access to the financial system. The asset building approach primarily encourages human elements development and secondarily seeks to generate other capabilities. Central to this study, asset building fosters the idea that participation in poverty reduction enhances the ownership of skills, good health and training. It allows a long social life cycle and does not constitute a cost or a burden for the poor participants. Finally, the asset building theory corresponds to the broad basic needs of the poor people. In this context, this study addresses many of the challenging issues of poverty, vulnerability and empowerment. The empowerment of poor entrepreneurs through microcredit combined with asset building is vital to enhancing productivity and outreach of the programs.

2.5 Financial Self-Sufficiency Approach

In the 1990s the major debate on the microfinance was dominated between the leading views of the financial systems approach and the poverty lending approach” (Robinson, 2001). The debate demarcates an “ideological crack” (Burrell, 1999) between the proponents of subsidized microcredit services identified as “welfarist”, supporting the poverty alleviation approach to microfinance services, and those supporting the market approach for the provision of microfinance services on a sustainable basis, the “institutionalist” the financial systems approach or the sustainability camp. The institutionalist approaches focus on creating sustainable financial institutions to serve clients who are not served or are under-served by the formal financial system.

Their main emphasis is on achieving financial self-sufficiency, and the breadth or scale of outreach, this latter meaning the number of clients reached instead of depth of outreach or level of poverty reached. The views of the institutionalists are promoted in various microfinance studies. Robinson (2001) directly addresses the debate, arguing for the institutional or financial systems approach. The fragment continues between those in the poverty camp and those in the sustainability camp, but everyone wants to reach the vulnerable and everyone believes that sustainability is important.

However, one fundamental difference is whether service can be delivered to the client at a cost the client can afford, which is ultimately about whether to subsidize interest rates. Some previous studies maintain that institutions that charge cost-covering interest rates to have better financial self-sufficiency and better outreach. A past study asserts that the demand for credit is still high for programs that charge high interest rates contrary to the expectation of those who claim high interest rates prohibit the poor from accessing services. Several points can be presented that the sustainability camp supports but which are contended by the welfarist/poverty camp:

- The long-term viability (sustainability) of the program matters because institutions that continue to exist have a long-term impact on the lives of the poor. Sustainable institutions serve the poor not only today but also in the future.
- Economies of scale matter: The sustainability camp believes that successful poverty reduction requires massive intervention in the face of the wide distribution of poverty in the world. The volume of credit disbursed and interest earned on the high volume improve MFIs' earnings and expand their operational frontier.
- Financially viable: MFIs are better able to mobilize savings and other financial resources from private investors in the form of loans and equity. The sustainability camp views the private investors as the future home of microfinance while those in the poverty camp seems wary of allowing that future to be dominated by commercial for profit operators. They foresee donor and government involvement for an extended period of time in contrast, the poverty camp argues that dependence on donors and government is a future in which few microfinance clients will be served.
- Subsidized credit often ends up in the hands of the non-poor, which has the unintended result of depriving the poor of the chance to get access to financial services. The poor demand access to financial services, not just "cheap credit."

Sustainability is the means to expand outreach, not an end in itself: Working toward institutional financial self-sufficiency (IFS) is essential for microfinance institutions to reach and benefit significant number of the poorest households, those living in the bottom 50% of poverty group-with financial services for poverty-reduction. IFS reflect an MFI's "ability to operate at a level of profit. Previous studies argued that the institutionists promote minimal intervention: the role of government or donors is that of underwriter to help in entry and exit, scale of outreach should be increased to include as many poor as possible, and demand-driven financial services should be provided instead

of subsidized cheap credit. Ledgerwood (1999) summarizes the beliefs that characterize the financial system or sustainability approach in another but similar way.

- Subsidized credit undermines development.
- Poor people can pay an interest rate high enough to cover transaction costs and the consequences of the imperfect information markets in which lenders operate.

The goal of sustainability (cost recovery and eventually profit) is key not only to institutional permanence in lending, but also to making the lending institution more focused and efficient.

- Because of the loan size to poor people tends to be small, MFIs must achieve sufficient scale if they are to become sustainable.

- Measurable enterprise growth, as well as impact on poverty, is not easily demonstrated; outreach and repayment rates can be proxies for impact. Another line of argument by the institutionists relate to the problems of subsidized services. Subsidy results in high government involvement and fraud. “Loans often ended up subsidizing well-off, politically connected entrepreneurs rather than the poor households” (Morduch, 1998).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Kinshasa is the second largest francophone urban area in the world after Paris, French being the language of government, schools, public services, newspapers and high-end business in the city. After decades of armed conflicts, the infrastructure is now being slowly restored. During the preparatory phase of the fieldwork, I interacted with people at different levels. I visited almost all the major neighborhood markets and commercial sites and I met people in both formal and informal sectors of business. The principle purpose of this chapter is to present the practical research methods and explain the choices I have made in order to make the gather and analyze data for my thesis. This chapter also discusses the choice between conducting quantitative, qualitative or mixed research methods. A mixture of qualitative and quantitative methods is useful in gaining a comprehensive view of the program's effectiveness, the cost is considered to guide this process. Quantitative analysis is important in addressing potential statistical bias in program impacts.

3.2 Research Methods

To achieve the proposed research objective of assessing the effectiveness of the microcredit with asset building to reduce poverty in Kinshasa, the quantitative research method was adopted, which often is the most efficient and cost-effective research method. There are mainly two kinds of research methods, quantitative method and qualitative method. These two methods differ in terms of the numeric (numbers) or non-numeric (words) data (Bryman & Bell, 2003). Quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure, such as: graphs or statistics that generates or uses numerical data. On the other

hand, qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data. Therefore, the other difference between qualitative and quantitative data is that, the qualitative data refers to words, such as pictures and video-clips, rather than numerical results (Saunders et al. 2007).

It is not easy to express the impact of microcredit on the general population of a country with the help of a few sentences. Some impacts can be shown only in numerical figures like savings and income, while other impacts can be expressed only in descriptive ways, such as access to training, consumption and health improvements. When, I wanted to try to get a full assessment of the impact of the microcredit on poverty alleviation in Kinshasa. Khandker et al reported that

...operational evaluation examines how effectively programs were implemented and whether there are gaps between planned and realized outcomes. *Impact evaluation* studies whether the changes in well-being are indeed due to the program intervention and not to other factors.... These evaluation approaches can be conducted using quantitative methods (that is, survey data collection or simulations) before or after a program is introduced. *Ex ante evaluation* predicts program impacts using data before the program intervention, whereas *ex post evaluation* examines outcomes after programs have been implemented (2009, P.7).

In the main questionnaire, I am trying to capture the depth as well as the level of significance of the impact. Therefore, this study will focus on using quantitative methods by performing survey methods. Quantitative research is especially suited for the testing of hypotheses; It good to determine whether there is enough statistical evidence in favor of a certain belief or a parameter. Hypothesis testing is good at providing information in breadth from a large number of units.

3.2.1 Data Collection and Selection of the Participants

The participants for this study encompass the people who have been engaged in microcredit activities for at least two years and live in the city of Kinshasa. The selection of the participants was random at the neighborhood market of various neighborhoods in the West, East and Center of

Kinshasa. I selected the people with a long experience in microcredit activities because they are well informed and know much about the pros and cons about its activities, and can reflect better to my survey questions. This phase allowed me to organize my field research. I hired an assistant to help me with the fieldwork, someone in the neighborhood with which my research was concerned. He graduated from the University Protestants of Congo, the unique academic institution very much involved in researching and teaching about the microcredit in Kinshasa, DRC. His education background and the familiarity with the microcredit community were beneficial to the study because he was able to understand the focus and the scope of the research as well as its methodology with ease. He helped me identify the addresses of local branches of microcredit institutions, the people in the informal sectors, managers and other logistical particulars.

Following my conversations, meetings and contacts I made with the local microcredit clients and personal, I translated my survey and piloted my study to six microcredit borrowers. The purpose of the pilot was to determine if the hypotheses were translated properly for the understanding of the respondents. I carefully approached 212 and I selected 98 microcredit recipients from the microcredit agencies described on the table below. The sample of 98 less than two who partially completed their surveys satisfies central limit theorem. As a rule, sample sizes equal to or greater than 30 are considered sufficient for the central limit theorem to hold, meaning the distribution of the sample means is normally distributed. The central limit theorem is the basis for sampling in statistics, so it holds the foundation for sampling and statistical analysis in finance as well. Data collection was performed based on 20 working hypotheses on the “Likert Scale” based on a scale from “strongly agreed,” To “strongly disagreed. “The Likert Scale” is in function of the agreement level of the different variables related to well-being; it gives the best result for such a study. The basic selection criterion was that they were longtime microcredit borrowers at the time of research or long before. The fieldwork was somewhat challenging: many financial institutions and microcredit agencies were

less cooperative and evoked the financial institutions' secrecy customs to protect clients' identity, security, and confidentiality. However, this attitude did not result in delays in collecting data.

I chose the city of Kinshasa for this study because it is the main city of the economic and governmental institutions. The microcredit institutions are concentrated there. Since the 1960s, the city has absorbed a substantial demographic growth of the poor peasants who came there to look for better chances to earn their livelihood. Data collection was performed in areas identified to have high concentration of microcredit's recipients, small and medium enterprises, as well as high number of people working in the informal sector. With the objectives of the study in mind, selecting these areas provide me the opportunity to meet easily the microcredit borrowers who have numerous contacts with numerous microcredit institutions and possess a lot of experience to share. The following is the table describing the respondent's respective microcredit institutions and the location: AFEC, Life Vest, HOPE DRC, FINCA, UMOJA, MUFESAKIN, Advance Bank, CADICEC, and UMOJA.

Name of the Microcredit institutions	Location in Kinshasa	Number of participants selected
AFEC	KIMBANSEKE, KINGASANI, MOMBELE	16
Life Vest	BARUNBU, KASAVUBU, BANDALUNGWA	13
HOPE DRC	MASINA, NDJILI, MATETE	14
OXUS	KINSHASA, LINGWALA, KINGABWA	13
MUFESAKIN	MATETE, LEMBA, KISENSO	10
MECRE MABANGA	KALAMU, MAKALA,	12

LIVULU		
ADVANS BANK	GOMBE, KASAVUBU	11
MECRE NGALIEMA	NGALIEMA, KINSUKA	9
TOTAL		98

Table 1: Map of the participants

Both men and women were targeted because people of both sexes contribute decisively to the wellbeing of their family. Comparative to the lifestyle in the village, in Kinshasa, men and women are involved in the daily decision-making, management of their lives and the household business. I also consider the respondent's educational background but their experience with the microcredit is crucial to measure the impact of the target. Participation in microcredit is not restricted by gender and, the age and sex of respondents are not important determinants of credit demand for both women and men. I believe the experience with the microcredit is the most critical factor in assessing the impact of the microcredit.

3.2.2 Sampling Methodology and Benefits

Sampling is a process of selecting samples from a group or population to become the foundation for estimating and predicting the outcome of the population as well as to detect any unknown piece of information. A sample is the sub-unit of the population involved in research work. There are a few advantages and disadvantages associated with the sampling process. "A major development in the process of making surveys useful was learning how to sample: to select a small subset of a population representative of the whole population. The keys to good sampling are finding a way to give all (or nearly all) population members the same chance of being selected, and to use probability methods for choosing the sample" (Fowler 2002). There are other ways to conduct a

survey including; convenience samples which is when a researcher surveys the respondents that he or she has the easiest access to meet. Creswell reported that

...in many experiments, however, only a convenience sample is possible because the investigator must use naturally formed groups (e.g., a classroom, an organization, a family unit) or volunteers. When individuals are not randomly assigned, the procedure is called a quasi-experiment (2014, p. 215).

Although, Nonprobability sampling has limitations due to the subjective nature in choosing the sample, but it is useful especially when randomization is impossible such as when the population is very large. The Participants are selected for the purpose of the study if they meet certain practical criteria, such as geographical proximity, availability at a certain time, easy accessibility, or the willingness to volunteer. It can be useful when the researcher has limited resources, time and workforce. The main assumption associated with convenience sampling is that the members of the target population are homogeneous. That is, that there would be no difference in the research results obtained from a random sample, a nearby sample, a co-operative sample, or a sample gathered in some inaccessible part of the population.

3.2.3 Data Analysis and Interpretation

Data analysis was based on a Z-test of significance. The purpose of research is to discover answers to questions through the application of scientific procedures. The analysis has consisted of four steps: state the hypotheses, formulate an analysis plan, analyze data, and interpret results. The main aim of research is to find out the truth which is hidden and which has not been discovered yet. Though each research study has its own specific purpose, I may think of research objectives as testing a hypothesis of a causal relationship between variables (such studies are known as hypothesis testing research studies). Kothari reported that

.... hypothesis-testing research studies (generally known as experimental studies) are those where the researcher tests the hypotheses of causal relationships between variables. Such studies require procedures that will not only reduce bias and increase reliability, but will permit drawing inferences about causality. Usually experiments meet this requirement.

Hence, when we talk of research design in such studies, we often mean the design of experiments...Professor R.A. Fisher's name is associated with experimental designs. Beginning of such designs was made by him when he was working at Rothamsted Experimental Station (Centre for Agricultural Research in England). As such, the study of experimental designs has its origin in agricultural research (2009, p.39).

Z- Test of significance

This method of hypothesis testing uses tests of significance to determine the likelihood that a statement (often related to the mean or variance of a given distribution) is true, and at what likelihood I would as researcher, accept the statement as true. The Z-test is a statistical procedure used to test an alternative hypothesis against a null one. Initially the data was transformed in Microsoft Excel format and most of the data were found by using a calculator. I evaluated whether it provide an evidence for some claims about the significance and depth needed for the assessment on the effectiveness of the microcredit integrated with asset building for poverty reduction as indicated on the appendix 2. Statistical significance tests involve the choice of a null hypothesis, a report regarding the survey findings that aims to explain a result, usually denoted as (H_0) and of an alternative hypothesis (H_a), that negates such explanation. The two hypotheses are stated in such a way as to be mutually exclusive. The test allows me either to accept the null hypothesis H_0 , or to reject it in favor of H_a . Usually this hypothesis is derived from an attempt to prove an underlying theory. I did this by testing against the null hypothesis (H_0) the negation of the alternative hypothesis.

Finally, I set a confidence level: α ; this value is our significance level and corresponds to the probability that we reject the null hypothesis when it is in fact true. The logic is to assume the null hypothesis is true, and then perform a study on the parameter in question. If the study yields results that would be unlikely if the null hypothesis is true (like results that would only occur with probability .05), then I confidently say the null hypothesis is not true and accept the alternative hypothesis. Now that I have determined the hypotheses and the significance level, the data is

collected. By testing hypotheses at 95 percent significance level, results can be considered statistically significant given that there is only a 5 per cent chance (confidence level) that the null hypothesis is rejected by coincidence due to a pattern in the observations.

The Z-test is best used for samples greater than 30 because, under the central limit theorem, as the number of samples gets larger, the samples are considered to be approximately normally distributed. Commonly, two statistical data sets are compared, or a data set obtained by sampling is compared against a synthetic data set from an idealized model. A hypothesis is proposed for the statistical relationship between the two data sets, and this initial hypothesis is compared as an alternative to an idealized null hypothesis that proposes no relationship between two data sets. The comparison is deemed statistically significant if the relationship between the data sets would be an unlikely realization of the null hypothesis according to a threshold probability, the significance level. Hypothesis tests are used in determining what outcomes of a study would lead to a rejection of the null hypothesis for a pre-specified level of significance normally distributed.

The alternative hypothesis (H1) or (Ha): is a hypothesis (often composite) associated with a theory one would like to prove. **The null hypothesis (H0):** is a simple hypothesis associated with a contradiction to a theory one would like to prove. The null hypothesis (H0) is that there is no difference between the two portions of the microcredit clients. Clearly, H0 implies that the observations are the result of pure chance. Ha, the alternative hypothesis indicates that the observations are the result of a real effect (plus some chance variation).

$$z = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1-p_0)}{n}}}$$

This formula is the difference between the sample proportion and hypothesized population proportion divided by the standard error of \hat{p} . In doing so, this formula is finding the z score for the observed sample in terms of the hypothesized distribution of sample proportions.

Level of significance

$$\alpha = 0.05$$

$$H_0: P \leq 0.5$$

$$H_a: P > 0.5$$

From here we decide between the null and alternative hypotheses by examining our p-values. If $p \leq \alpha$ reject the null hypothesis. If $p > \alpha$ fail to reject the null hypothesis. Unless stated otherwise, assume that $\alpha = 0.05$. When we reject the null hypothesis results are said to be statistically significant. P is the probability of seeing a value equal to the observed value, or extreme than the observed value, if the null hypothesis is true. The alternative hypothesis (H_1) or (H_a) is: a hypothesis (often composite) associated with the evidence. I am seeking to prove about the effectiveness of the microcredit combined asset building. The null hypothesis (H_0) is: a simple hypothesis associated with a contradiction to the evidence of microcredit and asset building as an effective approach to reduce poverty. The null hypothesis (H_0) is that there is no difference between the two portions of the microcredit clients.

The P-value: refers to the probability, assuming the null hypothesis is true, of observing a result at least as extreme as the statistic test. The significance level (2) is represented as $\alpha = 0.05$, also denoted as alpha or α , is the probability of rejecting the null hypothesis when it is true. The P-value is the probability of observing a sample statistic as extreme as the test statistic. If P-value is $< \alpha$, I will reject H_0 and if P-value $> \alpha$, the test to reject the H_0 . I compared the p-value to a given α which equal to 0.05. If $p \leq \alpha$ then I rule out H_0 and decide that, something else is going on.

3.3. The Study of Hypotheses

Hypotheses in this research are the stimulus to critical thoughts which offers insights into the study of the effectiveness of the microcredit as a tool to reduce poverty. They are the statements temporarily accepted as true in the light of what is known at the time about the effectiveness of the micro-credit to alleviate poverty in a combined asset building phenomenon. Hypotheses are the basis for planning and action in the research for new truth. At the end, they come to prominence as the proposition to be accepted or rejected in the light of the findings. The word hypothesis consists of two words: ‘Hypo’ means tentative or subject to the certification and ‘Thesis’ means statement about solution of a problem. The word meaning of the term hypothesis is ‘a cautious statement about the solution of the problem’. Hypotheses offer the solutions of the problems that are to be tested empirically and based on some rationale.

Further meaning of the word hypothesis which is composed of two words: “Hypo” means composition of two or more variables which is to be verified. Therefore, a scientific research process has to be based on some hypotheses or other. Finally, hypotheses are my guiding me in seeking answers to tentatively adopted simplification. Without hypotheses, the research is unfocussed and remains like a random empirical wandering. They serve as necessary link between theory and the investigation. They place clear and specific goals and provide me a basis for selecting sample and research procedure to meet these goals. They prevent blind research and save me from gathering of masses of data which may later prove irrelevant to the study. The followings are the hypotheses subdivided on five targeted sections.

	Credit Access
H01	There is less than 50% access to microcredit makes a positive change to client’s social life
Ha1	There is more than 50% access to microcredit makes a positive change client’s social life
H02	Less than 50% agree that access to credit makes them able to satisfy my needs and those of my household.
Ha 2	More than 50% didn’t agree that access to credit makes them able to satisfy my needs and

	those of my household.
H03	Less than 50% agree that there are things they learned from the microcredit they are now using in my business
Ha3	More than 50% agree that there are things they learned from the microcredit they are now using in my business
H04	Less than 50% have agreed that they experienced difficulties working with the microcredit institutions.
Ha4	More than 50% have agreed that they experienced difficulties working with the microcredit institutions.
	Education
H05	Less than 50% have agreed that the participation in the microcredit improved their education, skills or training.
Ha5	More than 50% have agreed that the participation in the microcredit improved their education, skills or training.
H06	Less than 50% have agreed that microcredit contributed to all my children going to school
Ha6	More than 50% have agreed that microcredit contributed to all my children going to school
H07	Less than 50% agreed that access to credit satisfied all the educational needs of their children.
Ha7	More than 5% agreed that access to credit satisfied all the educational needs of their children.
H08	Less than 50% agreed that since they receive credit, their children are doing well in school.
Ha8	More than 50% agreed that since they receive credit, their children are doing well in school.
	Health
H09	Less than 50% have agreed that access to credit has improved their health and that of their children
Ha9	More than 50% have agreed that access to credit has improved their health and that of their children
H010	Less than 50% agreed that because of microcredit, their household have access to affordable healthcare.
Ha10	More than 50% agreed that because of microcredit, their household have access to affordable healthcare.
H011	Less than 50% who have participated to microcredit program is happier
Ha11	More than 50% who have participated to microcredit program is happier
	Nutrition
H012	Less than 50% who have received a loan have good food for their children
Ha12	More than 50% who have received a loan have good food for their children
H013	Less than 50% who have received a loan, their household have sufficient daily meals.
Ha13	More than 50% who have received a loan, their household have sufficient daily meals
H014	Less than 50% who received agreed that their children have breakfast before going to school.
Ha14	More than 50% who received agreed that their children have breakfast before going to school.
	Asset building
H015	Less than 50% have agreed that the integrated asset building provides them skills to apply now and in the future.
Ha15	More than 50% have agreed that the integrated asset building provides them skills to apply now and in the future.
H016	Less than 50% have agreed that access to microcredit and asset building have provided them with the skills they did not have before and many advantages.
Ha16	More than 50% have agreed that access to microcredit and asset building have provided them

	with the skills they did not have before and many advantages.
H017	Less than 50% agreed that because of integrated asset building, their health and education have improved.
Ha17	More than 50% agreed that because of integrated asset building, their health and education have improved.
H018	Less than 50% who have received a loan have agreed they can meet their current and future basic needs of their households.
Ha18	More than 50% who have received a loan have agreed they can meet their current and future basic needs of their households
H019	Less than 50% have agreed that there are things they have learned in the integrated programs that could be applied now and in the future.
Ha19	More than 50% have agreed that there are things they have learned in the integrated programs that could be applied now and in the future.
H020	Less than 50% have agreed that their business have benefited from my participation in a microcredit program.
Ha20	More than 20% have agreed that their business have benefited from my participation in a microcredit program.

Table 2: The Study Hypotheses

I used a Likert scale where the participant could either use strongly agree, agree, neutral, non-disagree to measure respondent's assessment to a particular statement on the microcredit. I Assign the number 1 to the most extreme "strongly agree" response for forward-scored items, and assign successively larger numbers to each response up to the most extreme "strongly disagree" response. Now, in analyzing the responses to statement made, answered on a Likert scale as below: 1=Strongly agree, 2 = Agree, 3 = Neutral, 4 = Non-Agree, 5 = Strongly disagree. From Excel, it is necessary to reduce a Likert scale from five to three by summing strongly agree and agree minus not agree plus and strongly divide by the number of the participants for the purposes of determining the proportions and analysis.

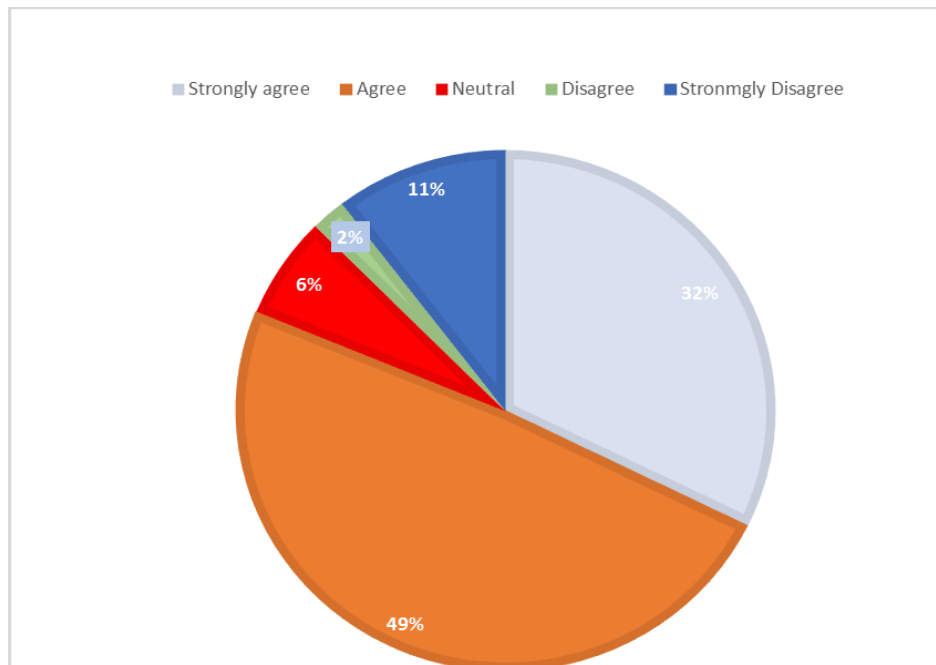
Hypothesis and Significance	Z-statistic	P-value	Confidence level
1. Impact of access to credit Statically highly significant	6.135	P<0.0001	72.05% to 88.53%
2. basic needs Statistically highly significant	6.741	P<0.0001	72.55% to 91.00%
3.Sustainable learning Not statistically significant	0.216	P=0.8293	40.69% to 61.45%
4. Difficulties statistically highly significant	6.741	P<0.0001	75.57 % to 91.00%
5 Education, skills and training Statistically significant	3.057	P=0.0022	25.00% to 44.79%
6. School for Children not Statistically significant	0.216	P=0.8293	40.69 % to 61.45%
7. Education needs of the children Not statistically significant	1.235	P=0.2170	45.80% to 66.40%
8. School performance for children Statistically significant	2.038	P=0.0416	29.76% to 50.10%
9.Children health Not statistically significant	1.019	P=0.3082	44.71% to 65.3%
10. Affordable healthcare Statistically significant	3.468	P=0.005	57.39% to 76.89%
11. Microcredit and happiness Not statically significant	0.523	P=0.4105	43.72% to 64.41%
12.Nutrition of the children Statistically highly significant	3.273	P=0.0011	56.35% to 75.99%
13.Quality of the meals Statistically significant	2.254	P=0.0242	51.01% to 71.26%
14.Breakfest for children Statistically significant	3.468	P=0.005	23.11% to 42.61%
15.Sosutunable skills Not statistically significant	1.019	P=0.3082	44.71% to 65.36%
16.Skills strengthen statistically significant	2.038	P=0.0416	29.76% to 50.10%
17. Health and education Statically significant	2.449	P=0.0143	52.03% to 72.18%
18. current and future needs Statistically highly significant	4.292	P<0.0001	61.80% to 80.60%
19.Integarted learning Statistically significant	3.135	P=0.0017	55.62% to 75.36%
20.Benefit to business Statistically highly significant	4.487	P<0001	62.87% to 61.47%

Table 3: The descriptive statistics of the Z-statistic

To sum up, I discussed the concrete data collection procedure, the participant selection, and finally I provided the result of the data analysis and the table structure of the Z-test. I presented the views of the people through the empirical findings on the effectiveness of microcredit combined with asset building on their lives and their reflection, through tables and graph. This chapter also reflected on the view of the respondents and their children regarding the factors such as access to credit, job training, education and healthcare, obligations and challenges, and their families' outlook since the start of microcredit activities.

- **HYPOTHESES: 1, 2, 4 and 5 are statistically significant.**

HYPOTHESIS 1: The access to microcredit makes a positive change to your social life.



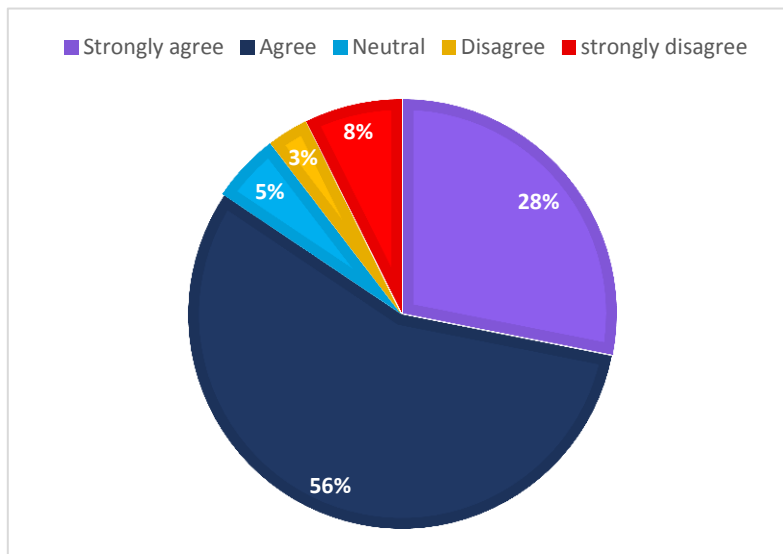
Graph 3.3.1: The access to microcredit makes a positive change to your social life
49%=Agreed, 32%=strongly agreed, 6%= Neutral. 2%=Disagreed. 11%=strongly disagreed
It is statistically highly significant.

The finding of this hypothesis suggests that the percentage of the microcredit recipient population whose access to credit has made positive impacts to their social wellbeing is highly significant. The combined 95% confidence level of observed proportion means that true microcredit

population of the recipients who find positive impacts in their social wellbeing is in the interval of 72.05% and 88.53%. Similarly, the second hypothesis on Chapter II table concerning the satisfaction of basic needs is equally highly significant.

2. Access to credit fosters the participant's ability to satisfy her/his basic needs and those of their household.

HYPOTHESIS 2: Access to credit has made me able to satisfy my basic needs and those of my household.

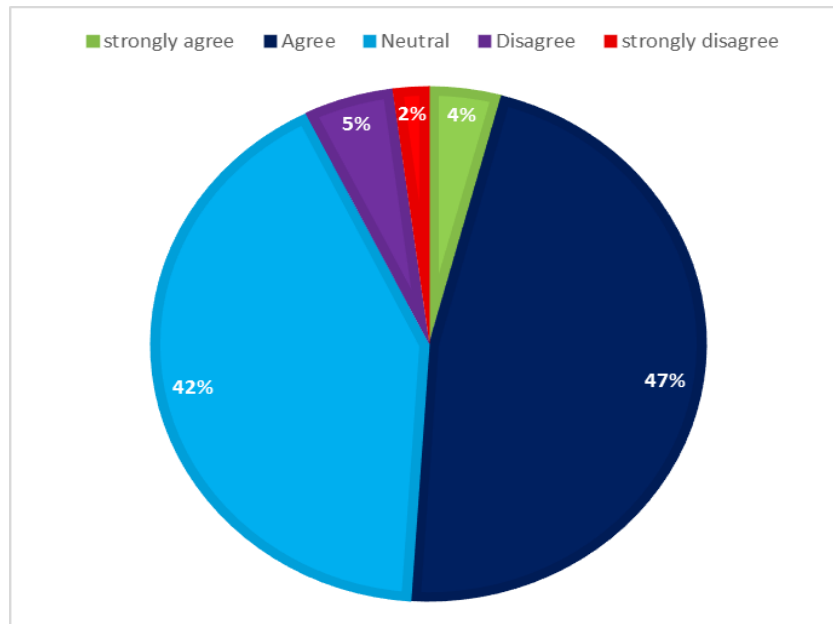


Graph 3.3.2: Access to credit has made me able to satisfy my basic needs and those of my household 56%=Agreed; 28%= strongly agreed; 5%=Neutral; 3%= Disagree; 8%=strongly disagreed
It is statistically highly significant

Z-statistic=6.741 corresponds to p-Value ($P < 0.001$) less than our significance level of 0.05 with 95 % confidence level, means that access to microcredit gives the borrowers a means to credit that helps to satisfy the basic needs of their household in the interval between 72.55% and 91.00%. Clearly, access to credit is a door opener fulfilling respondent's fundamental needs for survival. When people have more money to spend, service providers of all lines, street sellers, taxi drivers,

street telecommunication operators, and banks have a greater incentive to extend their services. The poor make use of those services to develop their productive potential by carrying goods to market, communicating with potential employers or customers, investing in education, or protecting their health.

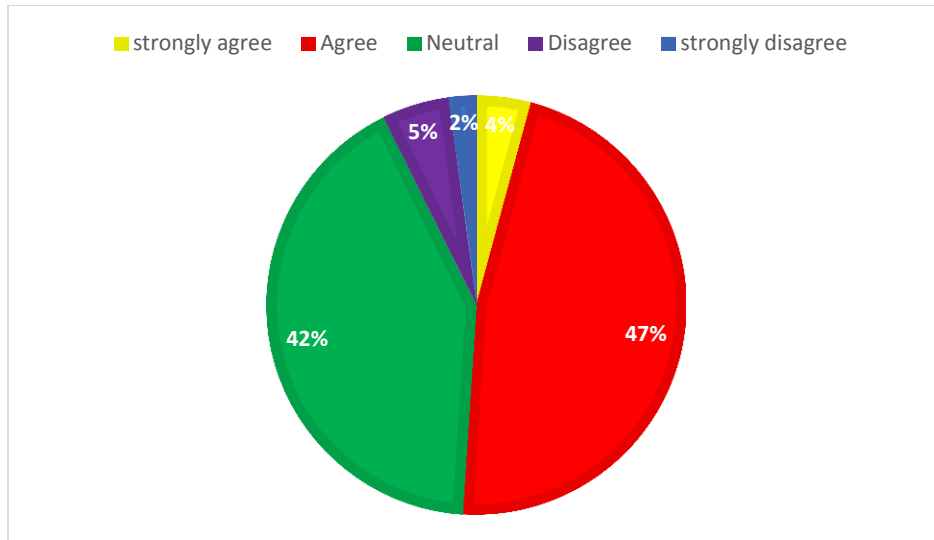
HYPOTHESIS 3: The access to credit teaches nothings you may apply now and in the future.



Graph 3.3.3: The access to credit teaches nothings you may apply now and in the future.
47%= Agreed, 4%=strongly agreed, 42%= Neutral. 5%= Disagreed, 2%=strongly disagreed
Not statistically significant

Since Z-statistic=0.216 which correspond to a p value=0.8293 greater than the significant level of 0.05. Consequently, this test is not sufficiently persuasive to accept the alternative hypothesis over null hypothesis.

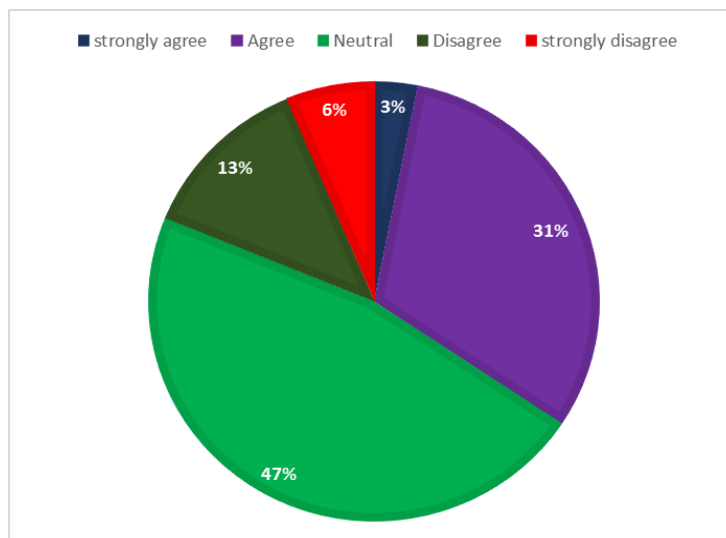
HYPOTHESIS 4: Participant faces difficulties working with the microcredit institutions.



Graph 3.3.4: Difficulties working with the microcredit institutions
 4%= strongly agreed, 47%=Agreed, 42%= Neutral, 5%= Disagree. 2%=strongly disagreed
 It is statistically highly significant.

Entrepreneurs and borrowers in general lack or have little bargaining power and do not see themselves in a strong position to negotiate with the lenders. They often struggle with high rates of interest and late fees repayment, in turn blaming the microcredit institutions for their burdens.

HYPOTHESIS 5: The participation to the microcredit has improved my education, skills or training.

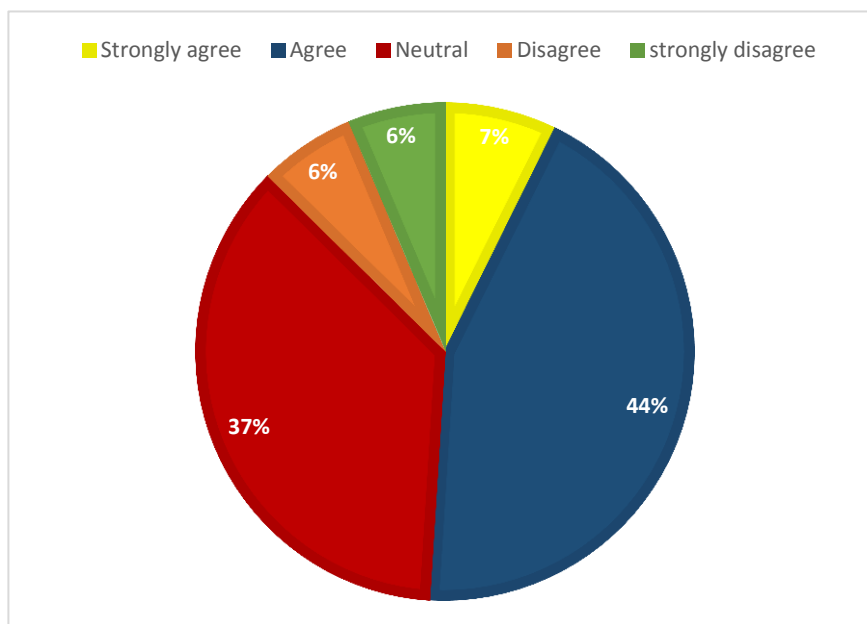


Graph 3.3.5: The participation to the microcredit has improved my education, skills or training.
 3%=strongly agreed, 31%= Agreed, 47%= Neutral, 13%= Disagreed. 6%= strongly disagreed
 It is statistically significant

The percentage of the microcredit recipients whose education, training and job skills enhancement affected by the microcredit is significant. I would not reject the null hypothesis. Poverty reduction is impossible without education, job training and good health, leading to better prospects for the generation of income. While, the broad impact of microcredit on education, training and skills is expected in the long term but not in the short term, a very well-targeted microcredit intervention to improve the education, training and skills enhancement may be the most appropriate approach to lead to beneficial effects on poverty alleviation or social well-being.

- **HYPOTHESES: 6, 7, 9 and 11 are not statically significant**

HYPOTHESIS 6: Microcredit has contributed to school going for all my children going to school

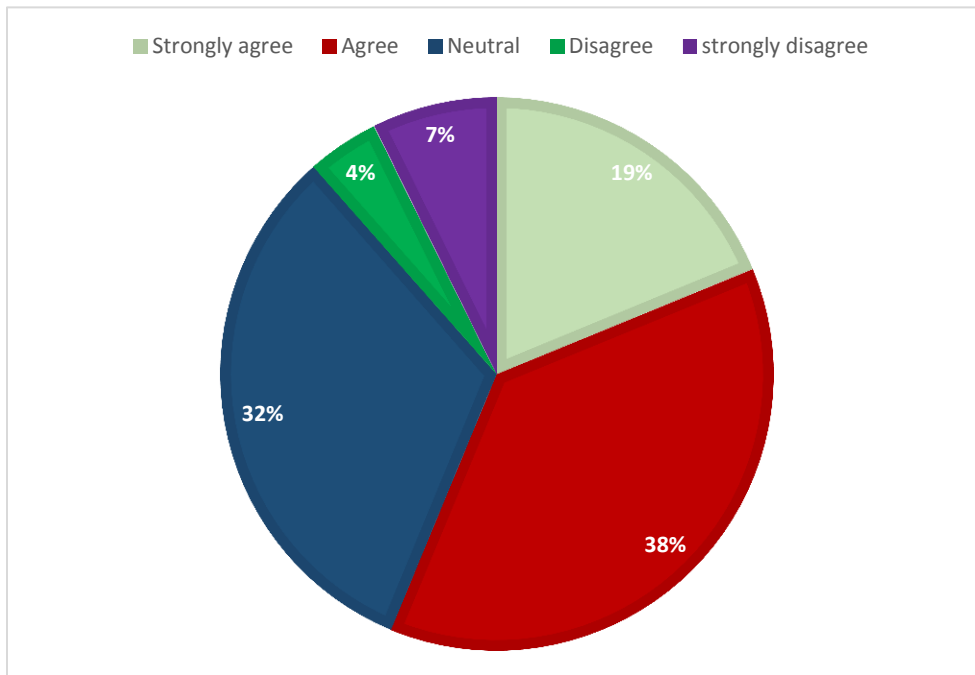


Graph 3.3.6: Microcredit contributed to all my children going to school.
7%=strongly agreed, 44%= Agreed, 37%= Neutral, 6%= Disagreed, 6%= strongly disagreed
Not statistically significant

Z-statistic=0.216 corresponds to a P-value of 0.8293 greater than our significance level of 0.05. Hence, the result of this test is not sufficiently persuasive to accept the Ha (alternative hypothesis) over H0 (null hypothesis). The result of the test means that the true percentage of the

population proportion of the microcredit’s recipients who responded has not found persuasive confidence to believe that the participation the microcredit has contributed to all their children attending school. In other words, the test proposes that high statistical significance simply means that the sample data has provided us with satisfactory evidence against the alternative hypothesis.

HYPOTHESIS 7: Since I have an access to credit, I satisfy all the educational needs of my children.

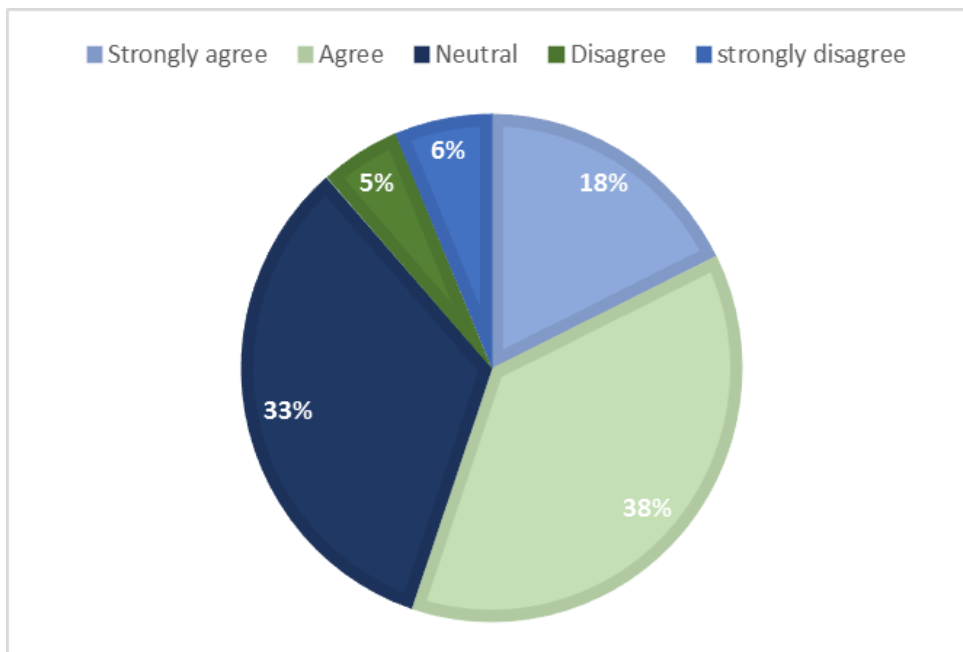


Graph 3.3.7: Since I have an access to credit, I satisfy all the educational needs of my children. 38%=Agreed, 19%=strongly agreed, 32%=Neutral, 4%=Disagreed, 7%=strongly agreed
Not statistically significant

Z-statistic equivalent to 1.235 corresponds to p value =0.2170 greater than the significance level of 0.05. Consequently, this test is not sufficiently persuasive to accept the alternative hypothesis over null hypothesis. By testing at 95% of confidence interval of 45.80% to 66.40%, the test suggests that the true percentage of the population proportion of the microcredit’s recipients who responded has not sufficiently found access to credit as an opportunity to learn sustainably. In other terms, the

test suggests that high statistical significance simply means that the sample data has provided us with satisfactory evidence against the alternative hypothesis.

HYPOTHESIS 9: Since you have access to credit, your health and that of your children have become improved.

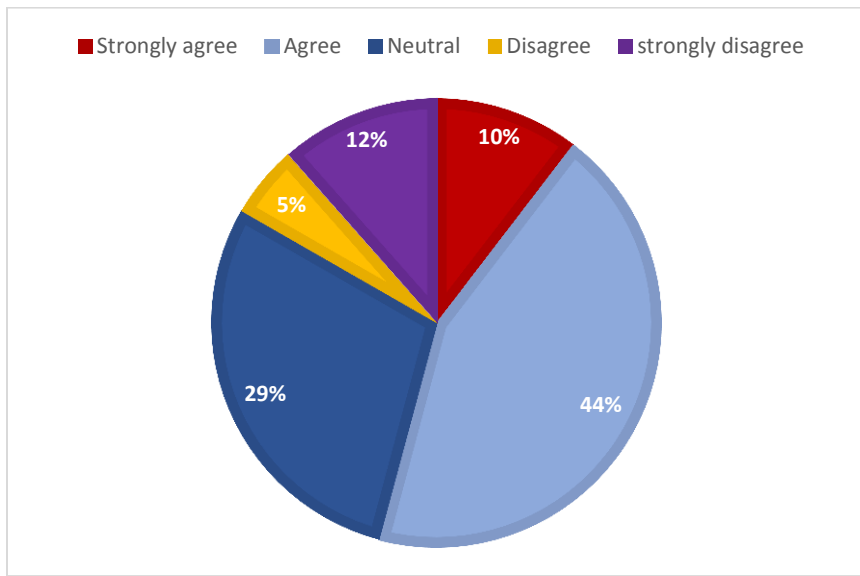


Graph 3.3.9: Since I have access to credit, my health and that of my children has improved
18%= strongly agreed, 38%= Agreed, 33%= Neutral, 5%= Disagreed, 6%= strongly disagreed
Not statistically significant

As far as the impact of microcredit loans on child outcomes concerning school attendance and school enrollment, a review of the literature reported that out of 37 total studies, nine studies found positive impacts, others found mixed impacts/no impacts, and three found negative impacts. As far as the ability to pay tuition, other school fees, or related expenditures such as books and school uniforms, out of the 37 studies assessed nine studies found positive impacts on expenditures, four found no impacts, and no studies established negative effects of the parent receiving a microcredit loan. In some cases, these outcomes may depend on the ability to pay for education-related expenditures, to what I define as a misuse of the microloans, and the households' tendency to

spend loan money directly on immediate health needs such as medical expenses and food as opposed to income-generating activities.

HYPOTHESIS 11: Participation in Microcredit affects happiness.

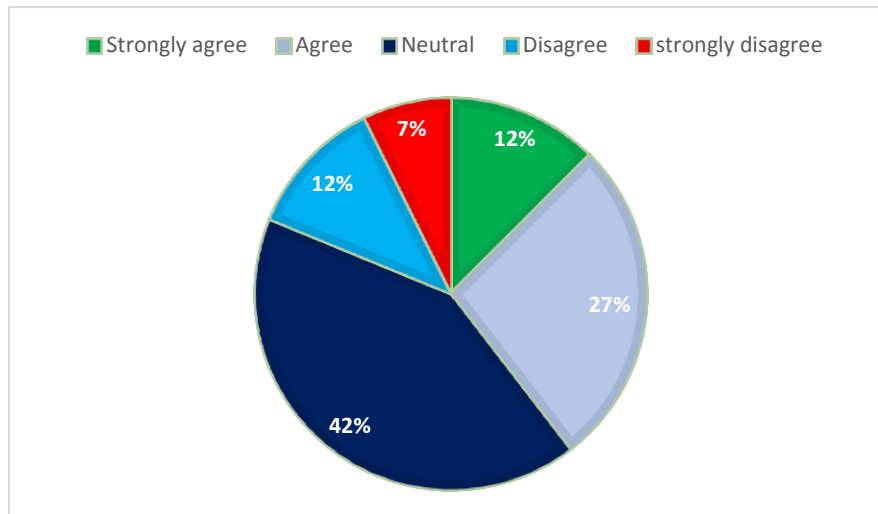


Graph: 3.3.11: Since I participate to the microcredit program, I am happier
10%= strongly agreed, 44%=Agreed, 29%=Neutral, 5%=Disagreed, 12%=strongly disagreed
It is not statically significant

Not surprisingly, financial security is only one factor affecting happiness. Many opinion leaders in developing nations hope that their societies can gain the benefits of development without losing traditional strengths such as moral values and trust in others, sometimes called *social capital*. Happiness is not the only important dimension of subjective well-being of importance (Todaro & Stephen, 2011). Up to a certain threshold, increase in income results in increase in happiness, but overall, happiness is correlated with good health and income as demonstrated in hypothesis 11 of table 2. Happiness is part of human well-being, and greater happiness may itself expand a person's capability to function.

- **HYPOTHESES: 8, 10, 12, 13, 14 are statistically significant**

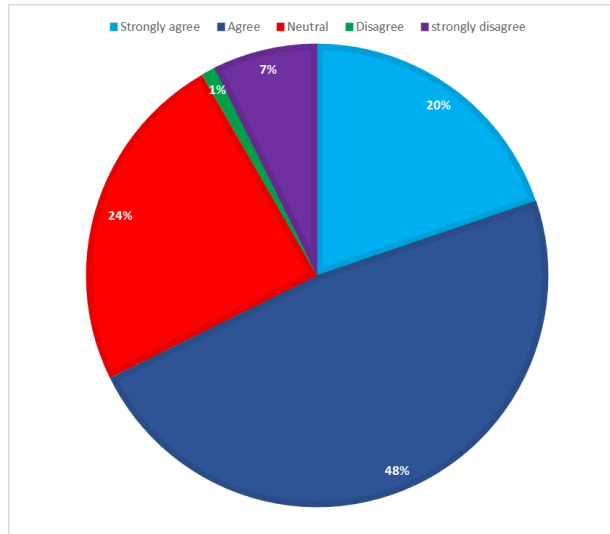
HYPOTHESIS 8: Since you received credit, your children are doing well in school.



Graph 3.3.8: Since I received the credit, my children are doing well in school
12%= strongly agreed, 27%= Agreed, 42%= Neutral, 12%= Disagreed, 7%= strongly disagreed.
It is statistically significant

Z- Statistic of 2.038 correspond to a P value of 0.0416 is less than our significance level of 0.05. In other words, a significant majority of the respondents (of each microcredit borrowers group under study) agree that the participation to microcredit program has improved the school performance of the children. The 95% confidence level means that we are 95% certain that the proportion of the microcredit borrower's population who responded believe that the participation in the microcredit has improved the school performance of their children in the interval between 29.76% and 50.10%. Therefore, we have sufficient evidence to reject the null hypothesis.

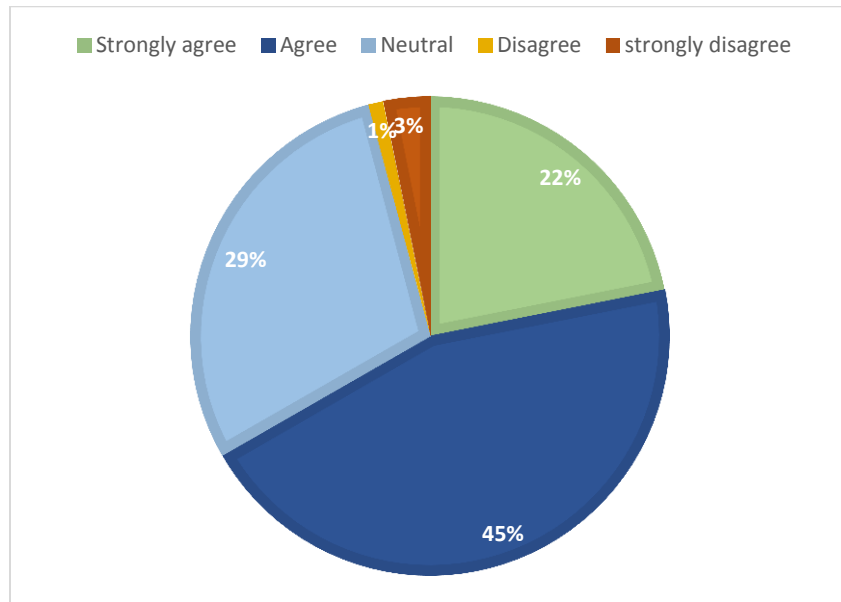
HYPOTHESIS 10: Because of the microcredit, your household has access to affordable healthcare.



Graph 3.3.10: Because of the microcredit, your household has access to an affordable healthcare
 48%=Agreed, 20%=strongly agreed, 24%=Neutral, 1%=Disagree, 7%=strongly Disagreed
 It is statistically significant.

The Z-statistic is equal to 3.468, which correspond to the p-Value 0.0005 and corresponds to my level of significance of 0.05, therefore I reject the null hypothesis (H₀). The result of the Z-test suggests that there is sufficient data to determine that the alternative hypothesis (H_a) is plausible. In other words, the test suggests that the difference the between microcredit borrower's population who have responded and that of all respondents is significant. In combination, a 95% confidence level of observed proportion means that the true microcredit population of recipients who increase their availability of affordable healthcare is in the interval between 57.39-76.89%.

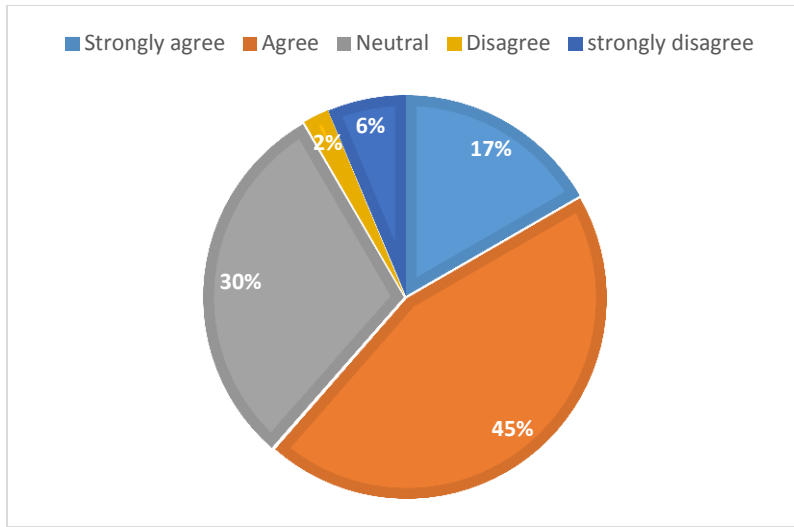
HYPOTHESIS 12: Since you have a loan, you and your children and you have good food.



Graph 3.3.12: Since you have a loan, you and your children have good food
22%= strongly Agreed, 45%=Agreed, 29%= Neutral, 1%=Disagreed, 3%=strongly disagreed
It is statistically highly significant.

Z-statistic of 3.273 corresponds to a p-Value of 0.0011, which is less than our significance level of 0.05. In other words, a significant majority of the respondents (of each microcredit borrowers group under study) agrees that the participation in the microcredit program has improved the nutrition of the children. Hence, we have sufficient evidence to reject the null hypothesis. A 95% confidence level of observed proportion means that the proportion of the microcredit borrowers who responded is in the interval between 56.35 to 75.99%.

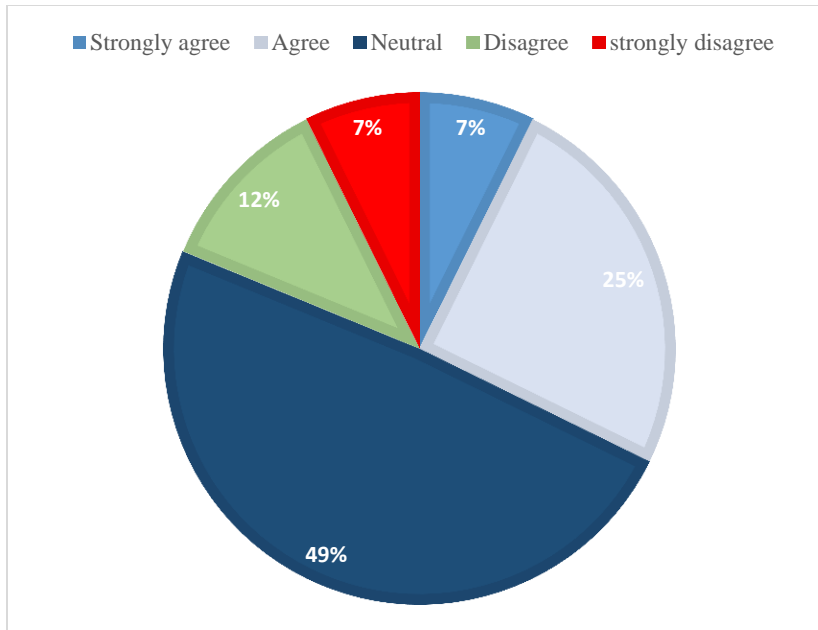
HYPOTHESIS 13: Since you have a loan, your household has sufficient meals a day.



Graph 3.3.13: Since you have a loan, your household has sufficient meals a day.
 17% =strongly agreed, 45%=Agreed, 30%=Neutral, 2%=Disagreed. 6%=strongly disagreed
 It is statistically significant.

Since the Z-statistic is equal to 2.254, which correspond to the p Value of 0.0242 less than my significance level of 0.05, consequently, the alternative hypothesis (H_a) is plausible. I reject the null hypothesis (H_0). In combination, the result suggests that the Z-test is highly significant. In other words, the difference between the microcredit barrower's who has responded is significant. A 95% confidence level of observed proportion means that, microcredit population of recipient who has improved the quality and the quantity of their meals is observed in the interval between 51.01 to 71.26%. Furthermore, statistical significance simply means that the sample data has provided us with satisfactory evidence against the null hypothesis.

HYPOTHESIS 14: Since you have a loan, your children have a breakfast before going to school.



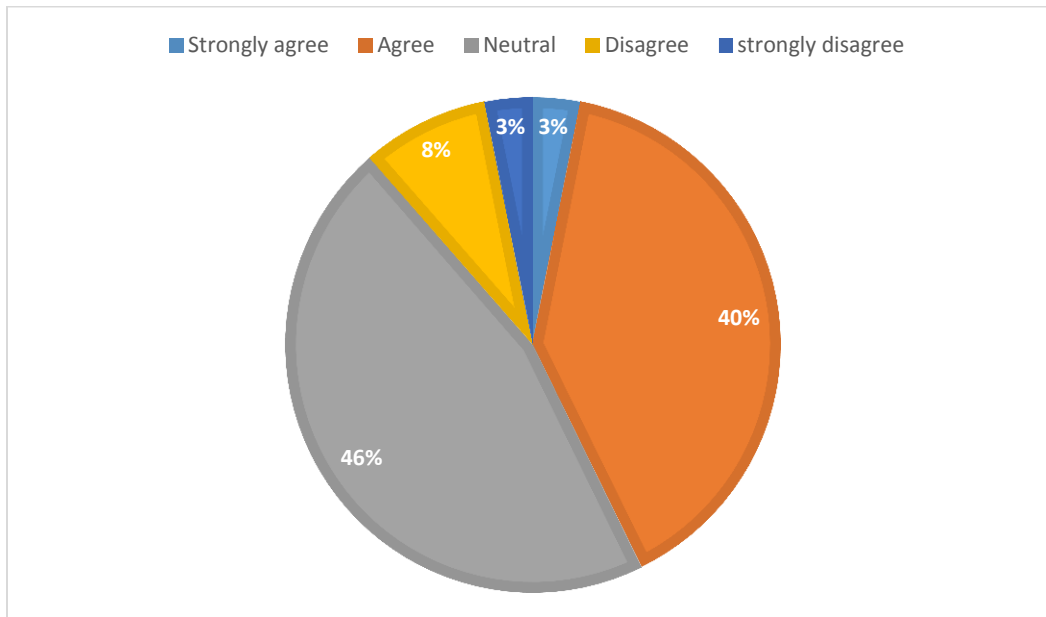
Graph 3.3.14: Since you have a loan, your children have a breakfast before going to school
 7%=strongly agreed, 25%= Agreed, 49%= Neutral, 12%=Disagreed, 7%= strongly disagreed
 It is statistically significant.

Health and social wellbeing have a reciprocal relationship. For example, individuals with a high-level social wellbeing level can afford better nutrition, sanitation, and health care. Furthermore, a healthier individual is less likely to miss work for health reasons and is likely to be productive. Healthier children have higher rates of school attendance and higher cognitive abilities. Poor childhood health and poor nutrition directly affect children’s ability to attend school and prevent the development of cognitive abilities necessary for success at school. In conclusion, it is reasonable to expect that with better health and nutrition, the expected returns on schooling would be far greater. The links between skill and health generate a cycle in which good education and health enable growth, which in turn promotes further investment in them (World Bank 2005).

- **HYPOTHESES: 15 and 19 are not statistically significant**

The combination of microcredit and asset building has not improved the opportunity to learn the skills to apply now and in the future (Hypothesis 15). There are not things you learned in the integrated programs that are applied now and in the future (Hypothesis 19).

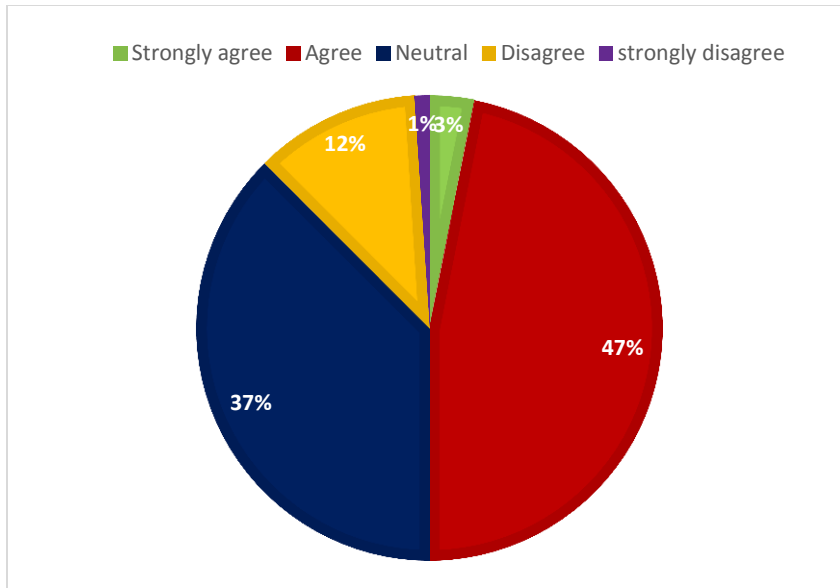
HYPOTHESIS15: The integrated asset building provides skills to be applied now and in the future.



Graph 3.3.15: The integrated asset building provides skills to apply now and in the future.
3%= strongly agreed, 40%= Agreed, 46%= Neutral, 8%= Disagree, 3%= strongly disagreed
Not statistically significant

Z-statistic=1.019 corresponds to P value of 0.3082 less than 0.05.

HYPOTHESIS 19: There are things you learned in the integrated programs that can be applied now and in the future.



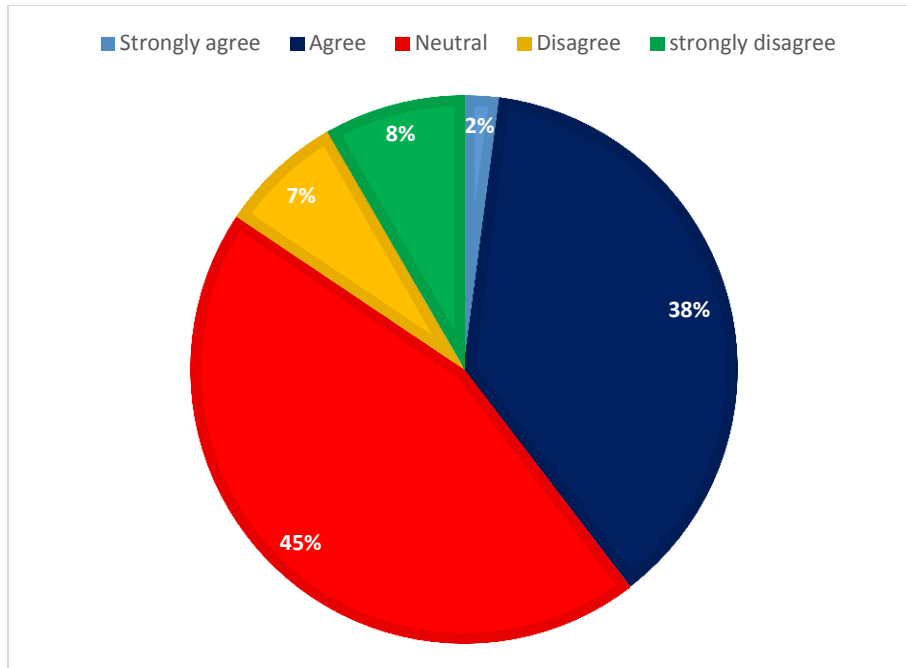
Graph 3.3.19: There are not things you learned in the integrated program which are applied now and in the future
 47%=Agreed, 19%= strongly agreed, 37%= Neutral, 12%=Disagree, 1%=strongly disagreed
 It is not statically significant.

- **HYPOTHESES: 16 and 17 are statistically highly significant**

Hypothesis 16: The combination of microcredit and asset building has improved the skills the participant did not possess previously and has eliminated the downsides and hypothesis 17:

The integrated asset building and microcredit have improved the health and education of learning

HYPOTHESIS 16: Your access to microcredit and asset building has provided the skills you did not have before and many downsides.

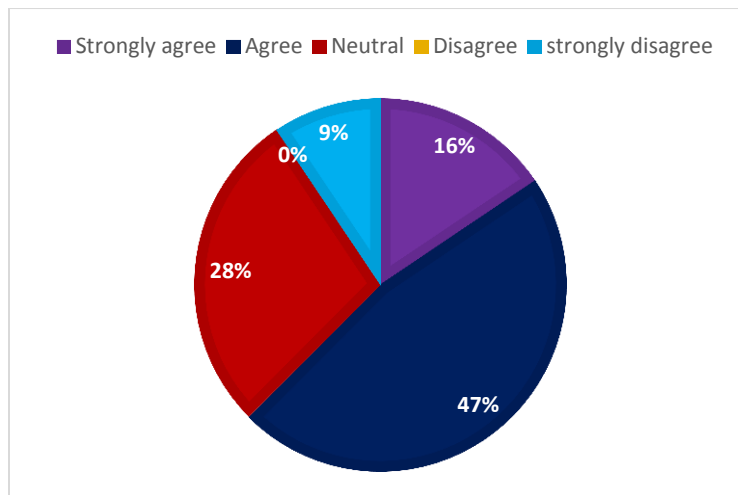


Graph 3.3.16: Your access to microcredit and asset building has provided the skills you did not have before and many downsides.

2%= strongly agreed, 38%=Agreed, 45%= Neutral, 7%=Disagreed, 8%= strongly disagreed
It is statistically significant

The Z-statistic is statistically significant. The major part of the microcredit participants did not have any opinion or didn't feel the impact of asset building is an approach to provide them skills they didn't have before. Poverty is a very complex phenomenon. Access to credit helps the poor to become self-employed and generate cash income. The poor benefit even more if they could use more training and skills because the microcredit alone is not a panacea to poverty reduction or an attainment of social wellbeing. Microcredit programs need to provide skills development and other auxiliary services to poor and unskilled borrowers to sustain their benefits. Provision of such inputs may be necessary for the long-run viability of microcredit programs and their borrowers. Credit availability does not ensure wellbeing among the microcredit participant and their households, however; credit target skills development, market promotion, and other policies that enhance productivity must be promoted, and the government should facilitate growth by investing in market expansion.

HYPOTHESIS 17: Because of the integrated asset have improved your health and education

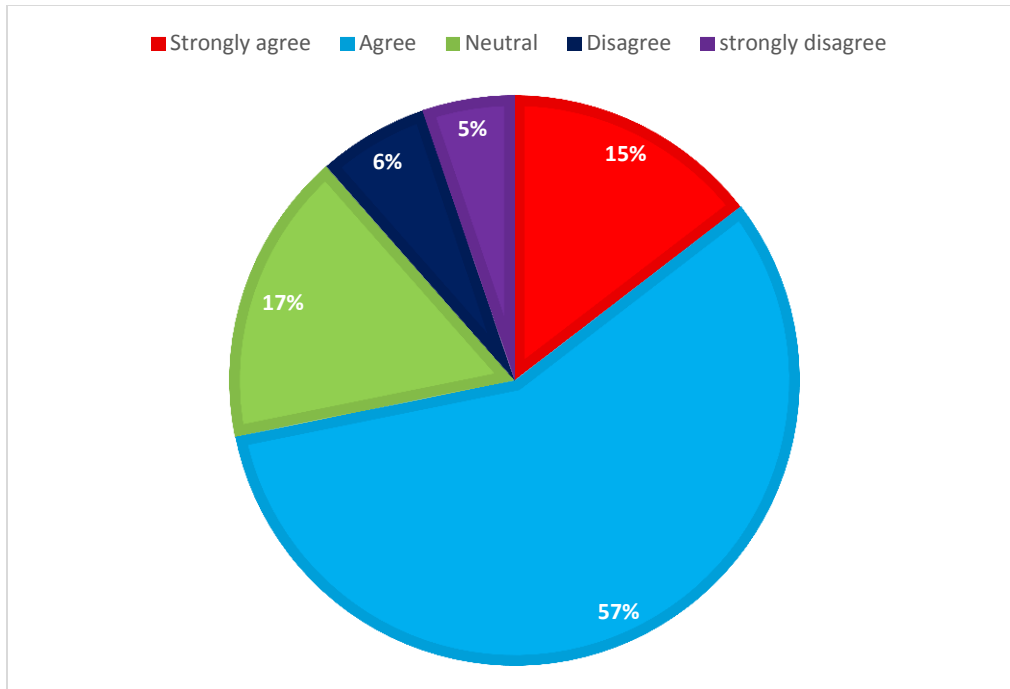


Graph 3.3.17: As a result of the integrated asset building your health and education have improved 16%=strongly agreed, 47%=Agreed, 28%=Neutral, 0.0%=Disagreed, 9%=strongly disagreed It is statistically significant.

Z-statistic =2.449 and the significance level corresponding to $p=0.0143$, so the null hypothesis is not rejected. The 95% of the population that have responded is in the interval of 52.03 to 72.18 indicating that the microcredit integrated asset building had made significant impact on education and health.

- **HYPOTHESES:18 and 20 are statistically significant**

HYPOTHESIS 18: Since you have a loan, you can meet the current and future basic needs of your households.

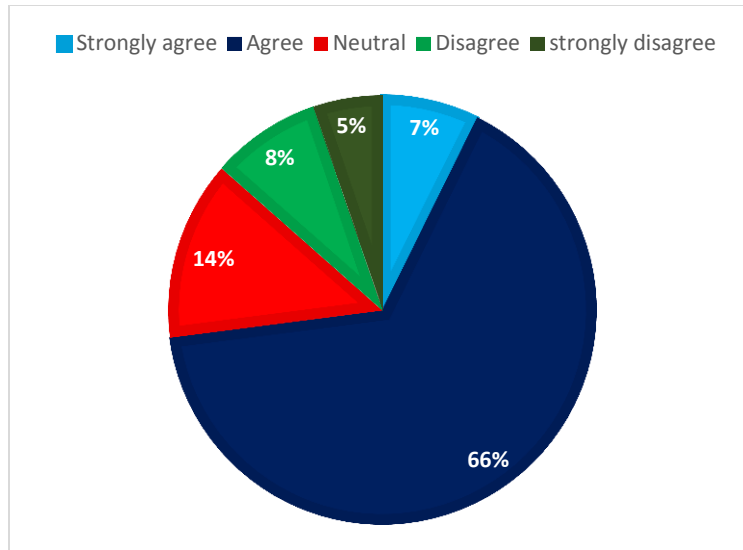


Graph 3.3.18: Since you have a loan, you can meet your current and future basic needs of your households

15%=strongly agreed, 57%=Agreed, 5%=Neutral, 6%=Disagreed, 5%=strongly disagreed
It is statically significant.

Impoverished people need basic needs without which life would be impossible. A basic function of microcredit as tool to reduce poverty is to provide people with the means of overcoming the vulnerability and misery arising from a lack of food, shelter, health, and protection. It is a necessary condition for the improvement in the social wellbeing. Having enough to eat, adequate clothing, housing, and the capacity to see a physician when illness strikes, are primordial needs to reduce vulnerability.

HYPOTHESIS 20: Your business benefited from your participation in a microcredit program



Graph 3.3.20: Your business benefited from your participation in a microcredit program
 66%=Agreed, 7%=strongly agreed, 14%=Neutral. 8%=Disagreed, 5%=strongly disagreed
 It is statistically highly significant.

Z-statistic of 4.292 corresponds to a p-value of 0.001, which is less than our significance level of 0.05. In other words, a significant majority of the respondents (of each microcredit borrowers group under study) agrees that the participation in microcredit programs has benefited the microcredit recipients to meet needs.

3.4. Trustworthiness Criteria

The trustworthiness of research findings is a very important element of a study. For this reason, it is important to create a good research design from the beginning (Saunders et al. (2007). Credibility criteria include validity, reliability, generalization and transferability, which are discussed below.

3.4.1 Validity

Validity is concerned with whether the findings are really about what they appear to be in reality. Thus, validity is highly linked with the credibility of a study (Silverman, 1997). It also refers to how well the result of a research can give the right answer to the study question (Remenyi et al.

1998). In my study, I collected information directly from different literatures, which cover all the areas of my study. The theoretical framework is the reflection of these previous studies and I have designed my questionnaire based on the theoretical framework in order to get the true result for my research question.

To assess the impact of microcredit, the real figure matches the actual situation of the work. I made my questionnaire based on the “Likert Scale.” The Likert Scale allows the respondents to rate the agreement level of the different variables related to social well-being and poverty reduction. It provides the better results than other measurements. The testing of hypotheses, co-relations and regression analysis may be the appropriate choice for the variables I used but the result from analysis supports the answer for research question and supports the study objective as well.

3.4.2. Reliability

Reliability refers to the extent to which the data collection techniques or analysis procedures will yield consistent findings. It is determined by posing the following two questions (Easterby et al., 2002, p. 53): Will the measures produce the same result on the other occasions? Does a similar observation reached by other observations? One may assume that this process can affect the reliability of the data collection. This approach was used because of the cost, access, time and the fact that most of the individuals, who are involved in microcredit program, are literate and they are able to write down. I used both French and Lingala common languages used in Kinshasa to repeat the questions in order to get the correct answer and avoid any kind of confusion. I think the data collected is authentic to reflect most of the previous studies. Moreover, I analyzed and interpreted the data based on a theoretical framework and I always tried to relate it back to reliable literature as well.

3.4.3 Generality and Transferability

Transferability refers to the generality of practical and possible applicability of a study in a different context from the one already investigated. It is vital to point out different specifications related to the observable fact taken into consideration for the research, in order to be able to define under which context the study can be generalized (Remenyi et al. 1998). In general, one can do the research about microcredit in different contexts, like as from the client context, from the microcredit context, or from both contexts. This research focused on the clients' viewpoint of microcredit and its influence on their wellbeing is based on the fact that, I have only surveyed the clients of microcredit.

Regardless of the types of research and studies, this research meets on the common ground of scientific method employed by them first. Secondly, this study meets the expectations of the scientific research to satisfy the criteria of being systematic, meaning that the research is structured with specified steps to be taken in a specified sequence in accordance with the well-defined set of rules. Thirdly, the study is logical means its reasoning makes research more meaningful in the context of decision making. Fourthly, this study implies that research is related to one or more aspects of a real situation and deals with concrete data that provides a basis for external validity to research results. Finally, the result of the research allows me to be verified by replicating the study and thereby building a sound basis for decisions.

CHAPTER FOUR

DISCUSSION

4.1 Introduction

Microcredit clients rely on their relations and network, their social capital to conduct their business activities and take care of their survival needs. The basic idea of social capital is that one's family, friends, and associates constitute an important asset that can be looked at in times of need: this is also known as development theory. The concept of social capital offers a way to bridge sociological and economic perspectives, thereby providing potentially richer and better explanations of economic perspectives (Woolcock and Narayan, 2000). Microcredit models and programs have relied on the poor's support systems, especially their social networks, as is the case for women's credit groups, to ensure high repayment rates to reduce their administrative costs. Social capital is a determining factor in the design, process and success of microcredit services for both lenders and borrowers.

4.2 Social Capital

In the recent years, social capital has become one of the most popular exports from sociological theory into everyday language. Spread by a number of policy-oriented researches, social capital has changed into something of a cure-all for the illnesses affecting entire communities, nations and the world. Regardless of its current popularity, the term does not embody any new idea to sociologists. A main notion for social capital is that involvement and participation in groups can have positive consequences for the individual and the community.

Through the works of Pierre Bourdieu, James Coleman, and Robert Putnam, the social capital construct has evolved rapidly into a complex account of people's relationships and their values.

Social capital has achieved considerable objectives; it is a constructive element in the creation and maintenance of economic prosperity (Fukuyama, 1995). The basic idea of social capital is that a person's family, friends, and associates constitute an important lifeline. This asset can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain. Social capital may lead to reduced poverty and social wellbeing; alternatively, it is just as likely that poverty reduction and social wellbeing lead to enhanced social capital. Todaro & Smith (2011) define social capital as the productive value of a set of social institutions and norms, including group trust, expected cooperative behaviors with predictable punishments for deviations, and a shared history of successful collective action, that raises expectations for participation in future cooperative behavior (p. 321). These features of social capital have important implications for poverty reduction.

In Kinshasa, social capital is probably one of the greatest challenges in the DRC, since the conflict situation and despoliation have strongly damaged social mechanisms, as witnessed by several private sector operators. Household structures are changed by conflict, the loss of human lives, and migration. Young people are obligated to take care of family's responsibilities early age, and households are often led by more than one element. This leads to substantial damage to the way communities and households cooperate. Peace and stability may help reestablish some of the deeper community values; however, at present, some experiences such as women's group lending by CECI-PME (IMF, 2007) seem to indicate that peer selection and monitoring is feasible. The lending approach of microcredit is based on an initial screening of clients through knowledge from their membership in the confederation and from having taken part in the training courses.

My study considers social capital as an essential agent to improve the welfare of everyone in a society; it may be especially beneficial for the poor because it can work as a substitute for human and physical capital. It is a potential tool that can create a positive contribution to various outcomes in diverse areas of social wellbeing including health, education and individual social concerns overall. The access to microcredit is likely to cement social relations among people and households.

Social capital is also very important since it has a direct impact on other types of capitals: by improving the efficiency of microcredit, social capital can help improve people's human capital. Overall, social networks ease innovation, the development of knowledge, and sharing of that knowledge.

4.3 Social Capital and its Outcomes

Social capital is one amongst other types of capital (natural capital, produced economic capital and human capital) that contribute to wellbeing. Putnam (1993, p. 167) describes social capital as the “features of organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions.” Social capital refers to the ability of individuals to build bonds within their own group, and bridges to other groups. The concept is embedded in the belief that the quality and quantity of group activity are key sources of a community's strength and its ability to work for its own betterment. It relates to organizational effectiveness and plays a central role in reducing organizational transaction costs (Fukuyama, 1995). It also facilitates coordinated action to achieve desired goals, justifies organizational commitment, and results in a significant positive impact on product innovation.

Social capital is a socioeconomic benefit for both individuals and communities, which result from the everyday functioning of social networks. As a network, social capital operates to produce effects through producing and maintaining norms of reciprocity; norms of reciprocity, which in turn create expectations that, in the short or long term, generates kindness, services or favors, and returns to foster trustworthiness in the social environment. Microcredit may produce impacts on the client's business, the client's well-being, the client's family, and the community. In entrepreneurial households, money can flow quite easily between the business and different members of the household. It is well known that loans dispersed for self-employment may often end up transferred to

more immediate household needs such as food, medicine, and school fees, even though microcredit targets education, health and skills building.

4.4 Training

These findings suggest that microcredit needs also provide other services, such as training and organizational help skills development, and other ancillary services to poor and unskilled borrowers to sustain their benefits. Training is a crucial precondition for access to credit for BRAC and to some extent for RD-12 members, but it is not a requirement for Graeme Bank, which believes that primarily only training in bank dealings is necessary for a member to have access to credit. Provision of such inputs is necessary for the long-term viability of microcredit programs and their borrowers. Furthermore, public provision of infrastructure, such as roads, marketing facilities, water supply, electrification, regulations and stable institutions, also seems vital for supporting long-term benefits in microenterprises.

4.5 Institutional viability

The aim of microcredit is to help the poor and lower income group to get funds for their business activities and to improve their lives. Microcredit institutions must be institutionally viable. They must have effective procedures for ensuring administrative and management succession so that they are not dependent on the leadership of a particular circumstance. The viability of institution ensures individuals' continued access to a microcredit program's services.

Since 2006, the government of the Democratic Republic of Congo has firmly committed to restoring peace and rebuilding a modern state, correcting macroeconomic imbalances, and launching growth, while addressing the urgent needs generated by conflicts and natural disasters. The relative stability marking the West and South of the Democratic Republic of Congo allows for a stable net

economic growth and an extension of the financial sector to segments of the population that were previously excluded; this has further strengthened these positive economic developments.

Government is playing a key role in promoting the microcredit sector by putting in place the necessary laws, regulations, and institutions for the licensing, regulation, and effective supervision of the sector. Official practices in each of these areas vary widely across the nation, reflecting the stage of evolution in the country's microcredit sector, institutional capacity, and skilled personnel constraints, as well as differences in official approaches ranging between intensive regulation and flexible approaches. To encourage more participation to microcredit, better loan conditions are being offered to entrepreneurs who apply tools and methods of improved management. Participation in training is a criterion for loan disbursement and a tool to improve social target, codes of conduct and business practices.

4. 6 Targeted Approaches and Provision of Noncredit Services by the Microcredit

A combination of credit and noncredit services is the hallmark of microcredit institutions, with the combination varying from organization to organization. With help from donors, various nongovernmental organizations (NGO's), including BRAC, announced noncredit directed approaches to help the poor in the aftermath of the 1971 war for independence and following natural calamities. The objective of these programs was to reduce poverty by providing needed goods and services to the poor. NGO's soon realized, however, that poverty had to be challenged on a continued basis. Human capital services such as adult literacy, skills training, and primary health care were insufficient and ineffective to sustain poverty reduction among the rural poor. In addition to promoting the human development of the poor, programs needed to promote the productive capacity and social assets of the poor through physical means, such as acquiring physical capital with credit, improving nutrition habits and fostering informal learning.

4.7 Microcredit Borrower's Capabilities

Socioeconomic pressure as well as a flawed understanding of loan conditions and consequences of social mission can lead to imprudent decisions on the part of borrowers. Some experts also point to sociocultural factors to explain the prevalence of weak outcomes of the social impact in the DRC of microcredit on targeted microcredit clients who seem to have little understanding of the social mission of microcredit products and limited managerial abilities. The level of formal education was not particularly low: 25% had gone to university, 18% had finished with a diploma, and 34% had obtained a diploma from secondary school. Yet, the understanding of the social mission seemed rather low, despite long years of experience as clients and entrepreneurs.

It seems surprising that borrowers do not try to negotiate loan conditions with officers before taking out a credit. Borrowers generally have little bargaining power and do not see themselves in a strong position to negotiate. The microcredit institutions decide on typically uniform payment schedules for all loans of similar balance. Entrepreneurs are not capable of comparing products. They are only interested in how much they must pay each month. The idea of redistributing wealth is widespread in Kinshasa and creates a social pressure on well-off persons to share and support the less fortunate. Often, borrowers do not reveal that the money at their disposal is for a well-defined goal. Therefore, they are regarded as affluent and they expected to assure the well-being of other family members, which then undermines their ability to invest in a socially objective asset.

GB relies heavily on credit, while BRAC has an elaborate noncredit component. All targeted credit programs emphasize noneconomic issues, such as community participation, marriage, skills building, kitchen gardening, hygiene and children's schooling. Each program has its own agenda for social development, which it pursues through these groups. All programs provide human and social improvement inputs, including skills development, and other types of training, such as health, nutrition, and family planning, in order to improve the productive capacities of the vulnerable. GB

encourages members to practice and follow various rules and regulations leading group behavior and members' social conditions to promote group effectiveness, routine and discipline.

CHAPTER FIVE

CONCLUSIONS

5.1 Introduction

Key findings of this study have been discussed. The goal of this research was to study the impact of microcredit-combined asset building on reduction of poverty through improvement of social living and increasing empowerment of vulnerable and marginalized population of Kinshasa. Microcredit has helped many poor people generate income that can allow them to feed their families more regularly and perhaps send their children to school. While this is a good result, microcredit by itself cannot conquer poverty.

The findings suggest that the integrated asset building approach is an effective strategy because it guarantees the sustainability of poverty reduction interventions. If vulnerable people do not have an insurance mechanism to protect themselves against shocks like famine or illness, they could easily slide back into poverty. For both short term and long term perspectives poverty, developing a range of assets will reduce the vulnerability of the poor to physical, economic and social shocks.

This study has stressed the relevance of the theory of asset building developed as an approach for a better understanding of poverty and lead to a long-term solution to tackle poverty alleviation. Assets promote development of human capital and other assets. Moreover, assets have returns that can find use to create new assets (e.g. invest in education and training). It does this materially, through enhancing employment prospects; it also improves the health levels of poorer people, and gives them a better chance of acquiring the tools needed to run their own lives. However, some hypotheses contradict my main argument regarding the effectiveness of the microcredit combined with asset building. Participating in microcredit programs did not seem to bring a significant impact

on happiness. In addition, the study confirms that access to credit alone is not efficient to improve social wellbeing.

The findings provide insight into how improving the education of adults is not just about them but also about their children. Poverty is not a financial phenomenon only but it is also a social phenomenon. Poverty is a lack of opportunity to acquire lasting control of resources in order to strengthen one's capacity to acquire the necessities of life. It requires assets or entitlements, the value of which is more than just money. Education provides a foundation for eradicating poverty and fostering economic development. It is the groundwork on which social well-being of the people is built. Education is the key to increasing economic efficiency and social consistency, by increasing the value and efficiency of the work force and consequently raises the poor from poverty. Education is a way of fighting poverty. The learning enables the participants to become more productive, create wealth and execute various roles that lead to economic development.

Microcredit with asset building is important because such programs may be the means to create more advantage for individuals and households in poverty to acquire resources with potential to both reduce vulnerability and increase opportunities. I still believe that an innovative and well-targeted microcredit program could improve the situation by training and facilitating the transfer of knowledge and technology, considered in the form of developing a range of assets that will reduce the vulnerability of the poor to physical, economic and social shocks.

5.2 Limitations and Benefits of the Study

The current study focuses on small sample size and hypotheses taken from some areas of Kinshasa. Therefore, the results of this study cannot be generalized to other major cities (Lubumbashi, Kisangani, Matadi or Goma) of Congo especially in the analytical terms. Further research done on a bigger scale with large sample size could shed light on how microcredit combined with asset building help to reduce poverty and enhance social wellbeing of the impoverished people

of DRC, analytically. Furthermore, it is elaborated that microcredit cannot achieve significant results if it operates in fragile, rudimentary and very fragmented economic structure. Limitations of the study include that a convenience sample the study included only microcredit recipients who volunteered to participate in this study, the results cannot be generalized to various microcredit groups within microcredit communities in Kinshasa. Clearly, the limitations of this study prevent the findings from being generalized to all environments and circumstances because sources of the success of microcredit are also the sources of its weakness if the organization is not managed efficiently. Despite the observed limitations, this study has merit and potential to advance the discussion, contribute to the literature on non-working-poor families and informs antipoverty policies. Therefore, impact estimates that rely on a single household indicator and focus only on one cycle of borrowing may underestimate the potentials of microcredit to enhance overall livelihoods that can be achieved over time.

5.3 Recommendations

Based on the findings and conclusions of this study the following are recommended for the city of Kinshasa. First, it is essential that we raise greater awareness on the importance of combining micro-credit with education, job training, disease prevention, skills attainments and empowerment should be created among the microcredit clients, entrepreneurs, and would-be entrepreneurs. Microcredit institutions must provide illiterate clients with more business training, health prevention and nutrition education, and skills acquisition to reduce sustainably household poverty, and foster social inclusion.

Second, microcredit borrowers need to be educated more about the long term than the short social outcome of their participation with the program for their children and their communities. Although microcredit combined with asset building is a remarkable social innovation that may lead

to many important triumphs and eventually provide the framework of poverty reduction, it is also vital that the microcredit ensures that these assets provide long-term social wellbeing and human development. These outcomes must be relevant, effective, efficient, and transparent to ensure sustainability and create a measurable impact on the living conditions of the poor population.

Third, the impact of microcredit is often heavily influenced by economic stability, access to infrastructure, and level of education are among the components that influence the extent to which microcredit could affect the lives of the poor people and contribute to poverty reduction. The government needs to provide an appropriate regulatory and legal framework for promoting accountability and transparency in the administrative structure, innovation in product design and marketing. These steps are crucial to ensure long-term benefits in microcredit and poverty alleviation.

Finally, for the city of Kinshasa, I recommend the removal of the bureaucratic red tape, and improvement of the microcredit regulations and training are essential to improve the infrastructure, whose inadequacy may constitute a barrier to the ability of microcredit to achieve the objective of poverty reduction. Microcredit is a powerful tool, but it not enough on its own. It must be too integrated with other forces, such as human capital, health and consumption enhancement, asset building, and conventional job training approaches.

5.4 Further Study

Integrative asset-building efforts may require some form of monetary subsidy, whether privately or publicly provided to defray the cost. I hope the future study will focus on how to minimize the social cost of subsidies on microcredit institutions and achieve financial sustainability. This study provides a preliminary base for exploring the impact of participating in asset building programs on poverty reduction. In addition, it provides the resources with potential to both reduce vulnerability and increase opportunities for participation in activities that are central in the lives of

the borrowers. Further research may uncover more social based target and hypotheses should be very specific and limited scope because it has to be tested. I hope that this study has provided an impetus to explore the role of asset and similar programs in influencing outcomes for vulnerable individuals, businesses and households of Kinshasa.

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APPENDICES

APPENDIX A: SURVEY PROTOCOL

Credit Access

1. The access to microcredit has made a positive change to my social life
SA A N D SD
2. Access to credit has made me able to meet my needs and those of my household
SA A N D SD
3. There are things I learned in the microcredit that I am now using
SA A N D SD
4. You experienced a difficulty working with the microcredit institutions
SA A N D SD

Education

5. The participation to the microcredit has improved my education, skills or training
SA A N D SD
6. Microcredit has contributed to school going for all my children.
SA A N D SD
7. Since I have an access to credit, I can satisfy all the educational needs of my children.
SA A N D SD
8. Since I receive the credit, my children are doing well in school
SA A N D SD

HEALTH

9. Since I have credit, my health and that of my children have become better.
SA A N D SD
10. As a result of the microcredit, my household has access to an affordable healthcare
SA A N D SD
11. Since I participate to the microcredit program, I am happier
SA A N D SD

NUTRITION

12. Since I have a loan, my children and I have good food
SA A N D SD
13. Since I have a loan, my household has sufficient meals a day
SA A N D SD
14. Since you have a loan, my children have a breakfast before going to school
SA A N D SD

ASSET BUILDING

15. The integrated asset building provides me the skills to be applied now and in the future
SA A N D SD
16. Access to microcredit and asset building has provided met he skills I did not have before and many downsides
SA A N D SD
17. As a result of the integrated asset building my health and education have improved.
SA A N D SD
18. Since you have a loan, you can meet your current and future basic needs of your households
SA A N D SD
19. There are things you learned in the integrated programs to be applied now and in the future
SA A N D SD

20. Your business benefits from your participation in a microcredit program

SA

A

N

D

SD

APPENDIX B: PROTOCOLE DE SONDAGE

FRENCH VERSION

Accès au credit

1. L'accès au microcrédit a amélioré votre vie sociale

TA A N D FD

2. L'accès au crédit m'a rendu capable de satisfaire mes besoins et à ceux de ma famille

TA A N D FD

3. En participant au microcredit, il ya des qualites que vous avez acquises et vous pouvez utiliser maintenant

TA A N D FD

4. Vous avez eu des difficultés à travailler avec les institutions de microcredit.

TA A N D FD

Éducation

5. La participation au microcrédit a amélioré mon éducation, ma compétence ou mon apprentissage

TA A N D FD

6. Microcrédit a aider a contribuer aux etudes de mes enfants.

TA A N D FD

7. A cause de l' accès au credit, je peux satisfaire tous les besoins scolaires de mes enfants.

TA A N D FD

8. Puisque vous participez au microcredit, vos enfants travaillent bien à l'école

TA A N D FD

Santé

9. Puisque vous avez le credit votre santé et celle de vos enfants sont excellentes

TA A N D FD

10. À cause de microcrédit, votre famille a accès aux soins de santé

TA A N D FD

11. Depuis que vous participez a un programme de microcredit, vous etes plus heureux

TA A N D FD

Nutrition

12. Puisque vous avez prêt de microcredit, vos enfants et vous-même avez une bonne alimentation

TA A N D FD

13. Puisque vous avez un prêt votre famille a suffisamment de la nourriture par jour

TA A N D FD

14. Puisque vous avez un prêt, vos enfants ont le petit déjeuner avant d'aller à l'école

TA A N D FD

Constitution des actifs

15. La constitution de l'actif intégré fournit les compétences nécessaires pour être appliquées maintenant et dans l'avenir

TA A N D FD

16. Votre accès à une institution de microcrédit et la constitution des 'actifs a contribuer a l amelioration de vos compétences

TA A N D FD

17. Votre participation aux l'actif intégré avec le microcredit a contribue a votre santé

TA A N D FD

18. L'access au credit vous permet de satisfaire les besoins de base actuels et futures de votre famille

TA A N D FD

19. Il ya des choses que vous avez apprises dans les programmes intégrés qui sont applicable dans vos activites currentes et futures

TA A N D FD

20. Votre entreprise a bénéficié de votre participation à un programme de microcrédit

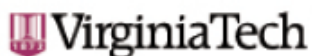
TA A N D FD

APPENDIX C:

PERCENTAGE BASED GRAPHS

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
32.3%	49.00%	6.30%	2.10%	10.40%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
28.10%	56.30%	5.20%	3.10%	7.30%
strongly agree	Agree	Neutral	Disagree	strongly disagree
4.20%	46.90%	41.70%	5.20%	2.10%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
1.00%	9.4.%	24.00%	57.30%	8.30%
strongly agree	Agree	Neutral	Disagree	strongly disagree
3.10%	31.30%	46.90%	12.50%	6.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
7.30%	43.80%	36.50%	6.30%	6.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
18.80%	37.50%	32.30%	4.20%	7.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
12.50%	27.10%	41.70%	11.50%	7.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
17.70%	37.50%	33.30%	5.20%	6.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
19.80%	47.90%	24.00%	1.00%	7.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
10.40%	43.80%	29.20%	5.20%	11.50%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
21.90%	44.80%	29.20%	1.00%	3.10%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
16.70%	44.80%	30.20%	2.10%	6.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
7.30%	25.00%	49.00%	11.50%	7.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
3.10%	39.60%	45.80%	8.30%	3.10%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
2.10%	37.50%	44.80%	7.30%	8.30%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
15.60%	46.90%	28.10%	0.00%	9.40%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
14.60%	57.30%	16.70%	6.30%	5.20%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
3.10%	46.90%	37.50%	11.50%	1.00%
Strongly agree	Agree	Neutral	Disagree	strongly disagree
7.30%	65.60%	13.50%	8.30%	5.20%

APPENDIX D: IRB APPROVAL



Office of Research Compliance
Institutional Review Board
North End Center, Suite 4120, Virginia Tech
300 Turner Street NW
Blacksburg, Virginia 24061
540/231-4606 Fax 540/231-0959
email irb@vt.edu
website <http://www.irb.vt.edu>

MEMORANDUM

DATE: February 25, 2016
TO: Thomas W Sanchez, Morgan Mbeky
FROM: Virginia Tech Institutional Review Board (FWA00000572, expires January 29, 2021)
PROTOCOL TITLE: Assessing the Effectiveness of the Micro-credit and an Integrated Asset Building as a Social Approach to Poverty Reduction in Kinshasa (DRC)
IRB NUMBER: 16-136

Effective February 24, 2016, the Virginia Tech Institution Review Board (IRB) Chair, David M Moore, approved the New Application request for the above-mentioned research protocol.

This approval provides permission to begin the human subject activities outlined in the IRB-approved protocol and supporting documents.

Plans to deviate from the approved protocol and/or supporting documents must be submitted to the IRB as an amendment request and approved by the IRB prior to the implementation of any changes, regardless of how minor, except where necessary to eliminate apparent immediate hazards to the subjects. Report within 5 business days to the IRB any injuries or other unanticipated or adverse events involving risks or harms to human research subjects or others.

All investigators (listed above) are required to comply with the researcher requirements outlined at:

<http://www.irb.vt.edu/pages/responsibilities.htm>

(Please review responsibilities before the commencement of your research.)

PROTOCOL INFORMATION:

Approved As: Expedited, under 45 CFR 46.110 category(ies) 6,7
Protocol Approval Date: February 24, 2016
Protocol Expiration Date: February 23, 2017
Continuing Review Due Date*: February 9, 2017

*Date a Continuing Review application is due to the IRB office if human subject activities covered under this protocol, including data analysis, are to continue beyond the Protocol Expiration Date.

FEDERALLY FUNDED RESEARCH REQUIREMENTS:


Per federal regulations, 45 CFR 46.103(f), the IRB is required to compare all federally funded grant proposals/work statements to the IRB protocol(s) which cover the human research activities included in the proposal / work statement before funds are released. Note that this requirement does not apply to Exempt and Interim IRB protocols, or grants for which VT is not the primary awardee.

The table on the following page indicates whether grant proposals are related to this IRB protocol, and which of the listed proposals, if any, have been compared to this IRB protocol, if required.

Invent the Future

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
An equal opportunity, affirmative action institution

MEMORANDUM

DATE: February 14, 2017 

TO: Thomas W Sanchez, Morgan Mbeky

FROM: Virginia Tech Institutional Review Board (FWA00000572, expires January 29, 2021)

PROTOCOL TITLE: Assessing the Effectiveness of the Micro-credit and an Integrated Asset Building as a Social Approach to Poverty Reduction in Kinshasa (DRC)

IRB NUMBER: 16-136

Effective February 13, 2017, the Virginia Tech Institutional Review Board (IRB) Chair, David M Moore, approved the Continuing Review request for the above-mentioned research protocol.

This approval provides permission to begin the human subject activities outlined in the IRB-approved protocol and supporting documents.

Plans to deviate from the approved protocol and/or supporting documents must be submitted to the IRB as an amendment request and approved by the IRB prior to the implementation of any changes, regardless of how minor, except where necessary to eliminate apparent immediate hazards to the subjects. Report within 5 business days to the IRB any injuries or other unanticipated or adverse events involving risks or harms to human research subjects or others.

All investigators (listed above) are required to comply with the researcher requirements outlined at: <http://www.irb.vt.edu/pages/responsibilities.htm>

(Please review responsibilities before the commencement of your research.)

PROTOCOL INFORMATION:

Approved As: **Expedited, under 45 CFR 46.110 category(ies) 6,7**
Protocol Approval Date: **February 24, 2017**
Protocol Expiration Date: **February 23, 2018**
Continuing Review Due Date*: **February 9, 2018**

*Date a Continuing Review application is due to the IRB office if human subject activities covered under this protocol, including data analysis, are to continue beyond the Protocol Expiration Date.

FEDERALLY FUNDED RESEARCH REQUIREMENTS:

Per federal regulations, 45 CFR 46.103(f), the IRB is required to compare all federally funded grant proposals/work statements to the IRB protocol(s) which cover the human research activities included in the proposal / work statement before funds are released. Note that this requirement does not apply to Exempt and Interim IRB protocols, or grants for which VT is not the primary awardee.

The table on the following page indicates whether grant proposals are related to this IRB protocol, and which of the listed proposals, if any, have been compared to this IRB protocol, if required.

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APPENDIX E:

INFORMED CONSENT

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

INFORMED CONSENT FORM FOR PARTICIPANTS OF INVESTIGATIVE PROJECT

Title of Project: Assessing the Effectiveness of the Micro-credit and an Integrated Asset Building as a Social Approach to Poverty Reduction in Kinshasa (DRC)

Principal Investigators: Morgan Mbeky, PhD Candidate, Virginia Tech.

I. Purpose of this Research/Project

The purpose of this study is to assess the Effectiveness of the Micro-credit and an Integrated Asset Building as a Social Approach to Poverty Reduction in Kinshasa (DRC).

II. Procedures

You are among approximately 100 individuals being invited to participate in this study. By signing this consent form, you are agreeing to participate in an interview with me, which will take between 45 to complete. During the interview, you will be asked several questions about your experience in microcredit lending, impact and lessons learned.

III. Benefits of Participation

The participation in this study will help us better understand and appreciate the impact of empowerment needed to improve people's social behavior, problems and challenges poor face when participating in the microcredit that is the socially oriented to reduce poverty. The researcher will share with you the findings of this research so that you may know how to overcome the social challenges of poverty. Their experience and participation will add to the body of knowledge related to the impact of microcredit and asset building. You may leave the interview with a better understanding and appreciation of the microcredit lending and asset building.

IV. Risks of Participation

There are no known risks to participating in this study.

V. Extent of Anonymity and Confidentiality

All the information from the interview will be kept strictly confidential. In any written reports, you will be identified by a code number or a pseudonym. Any names of people or places that you mention will be changed. The interview recordings will be transcribed verbatim and will be kept in a locked filing cabinet when they are not being used for transcription or analyses. The information that is provided during the interview process will be kept confidential and used for research purposes only. After all of the interviews are conducted, data is recorded, and my dissertation is successfully defended, all the recordings will be destroyed. The time commitment for the survey and interview is 45minutes.

VI. Compensation

You will not receive any monetary compensation for participating in the survey and interview.

VII. Freedom to Withdraw

Participation in this study is voluntary. If there is a question that you feel uncomfortable answering, you have the right to skip it and continue with the interview. In addition, you have the right to terminate the interview at any time without any type of penalty.

VIII. Approval of Research

This research project has been approved, as required, by the Institutional Review Board for Research Involving Human Subjects at Virginia Polytechnic Institute and State University, by the Director of the Wellness Center, and by the Department of Human Nutrition, Foods, and Exercise.

IX. Subject's Responsibilities

I voluntarily agree to participate in this study. My responsibilities include answering interview questions.

X. Subject's Approval

I have read and understood the Informed Consent and conditions of this project. I have had all my questions answered. I hereby acknowledge the above and give my voluntary consent for participation in this project. If I choose to participate in this research study, I may withdraw at any time without penalty. I agree to abide by the procedures of this study.

_____Morgan Mbeky _____ 02/24/2016_____

Signature Date

Morgan Mbeky

Should I have any questions about this research or its conduct, I may contact: Should you have any questions or concerns about the study's conduct or your rights as a research subject, you may contact the VT IRB Chair, Dr. David M. Moore, at moored@vt.edu or (540) 231-4991.

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