# THE IMPACT OF MICRO-FINANCE ON POVERTY ALLEVIATION: A CASE STUDY OF SWAKOPMUND YOUTHS

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DECLARATIONS

I, Zelda Kaninas, hereby declare that this research study is my original work and an accurate portrayal of my research, and that no portion of it has been submitted for a degree at another university.



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**DEDICATION**

This research is dedicated to myself and my lovely daughter and son, to the almighty God for his guidance, protection, and love throughout, and to all those who assisted me with data collection compilation, and printing. I will eternally be in your debt, cherished ones.

**ABSTRACT**

This study investigated the impact of microfinance on poverty alleviation, using a sample of 100 participants drawn from 3 microfinance institutions in Swakopmund. In addition, the study employed a descriptive case study as a research design for quantitative research. The SPSS software was used to analyse the quantitative data that was collected from the field research.

Income, education, consumption spending, health care, nutrition, non-land asset holdings, social empowerment and housing conditions were among the eight variables used to measure the impact of microfinance on household welfare. Furthermore, three business indicators were utilised to assess the impact of microfinance on firm growth. Sales, profits, and capital are examples of these.

The impact of four microfinance variables on household welfare was also estimated in this study. The overall value of microfinance loans, the length of participation in microfinance programs, the total number of microfinance loans, and the average yearly interest rate were all factors considered in the study. It is important to note that longer participation in microfinance programs improves the likelihood of perceived improvements in income, consumption spending, and social empowerment, according to the logistic regression results. Furthermore, raising the total quantity of microfinance loans raises the chances of better-perceived health-care access. Higher interest rates reduce the odds of better-perceived income, education, consumption expenditure, social empowerment, and living conditions whereas higher cumulative value of microfinance loans reduces the odds of better-perceived income, consumption expenditure, education, and health care. The study's major recommendations are aimed at policymakers, international organisations, and non-governmental organisations (NGOs). Microfinance is not an effective poverty alleviation strategy at this time, as seen by the circumstances on the ground, and alternative initiatives aimed at producing jobs for the poor are required. In terms of policy impact, the government of the Republic of Namibia ought to ensure that social assistance programs reach the needy and that public goods are of high quality until a successful poverty-alleviation program is established. Moreover, it can also foster sustainable, market-based microfinance by reducing unfair competition from governmental institutions; implementing regulatory reform; and finally strengthening the business climate.

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# Chapter 1: Introduction

## 1.0 Introduction

About three billion people, or half of the world's population, live on less than two dollars a day. One infant in every five in these impoverished areas does not survive to till the age of 5. According to a survey from 2006, the wage ratio between the 5% richest and 5% poorest of the country is 74 to 1 relative to the ratio in 1960, which was 30 to 12. In this regard, Micro-finance is a form of financial growth whose primary goal is to mitigate poverty (Brouwers, Chongo, Millinga, & Fraser, 2014). Governments, sponsors, and non-governmental organisations (NGOs) from all over the world replied enthusiastically with proposals and committed to cooperate to achieve these objectives.

## 1.1 Background of the study

Poverty's catastrophic social and economic consequences have prompted studies into strategies to alleviate it, particularly in emerging countries. The Millennium Development Goal 7 (MDG) was established by international leaders in 2000 to combat extreme poverty in all of its forms (MDGs, 2016). Policymakers, funders, and non-governmental organisations (NGOs) have united to combat poverty's devastating effects and improve the lives of the poor. Extreme poverty has been dramatically reduced, and the associated MDG target has been met substantially ahead of schedule, much ahead of the 2018 deadline. In emerging countries, the poverty rate has decreased from roughly 47% in 1990 to 14% in 2018 (Way, 2019). Despite the fact that the rate of extreme poverty has decreased, there are still significant obstacles. Progress was inconsistent between countries and regions, and progress on non-income goals like health and education was insignificant.

In 2018, millions of people continued to suffer from the multiple dimensions of poverty; approximately 800 million people, mostly from Sub-Saharan Africa, lived in extreme poverty; more than 160 million children under the age of five suffered from inadequate height to age as a result of malnutrition; around 57 million children did not attend primary school; and more than half of all global workers were still working in poor conditions (Way, 2019). Furthermore, 193 countries endorsed 17 sustainable development objectives in September 2015, with precise targets for 2030. The first of these aims is to eradicate all types of poverty, including hunger, restricted access to education, social marginalisation, and lack of involvement in decision-making, globally. Country leaders committed to developing strategies and taking action to

achieve inclusive economic growth that fulfils social needs such as education, health, security, and job opportunities by adopting this specific aim (Sustainable Development Goals, 2016).

Micro-finance has grown in popularity as a method for poverty reduction during the last few decades. It all commenced with a simple notion by Muhammad Yunus, known as the Father of Micro-credit, who was awarded the Nobel Peace Prize in 2006 for his efforts to provide modest loans to the needy (Yunus Centre, 2016). Neo liberals converted Yunus' subsidised concept into a privatised for-profit model in the 1990s, and accepted it as a modern self-help development tool for poverty alleviation (Bateman, 2017). The neo-liberal forecasts of Micro-finance's positive impact are based on the notion that providing loans to the poor creates jobs, generates income, and leads to higher household welfare spending. As a result, Micro-finance promises to lead a bottom-up process of long-term economic and social development, absolving governments of their responsibilities to reduce poverty through government interventions, welfare redistribution, social welfare programs, and the provision of high-quality public services to all (Bateman & Chang, 2019).

Micro-finance's major goal is to expand financial services' reach in order to reduce poverty. Because people lack access to such services through traditional banking and other financial systems, Micro-finance allows people in poverty to get small-scale monetary services such as credit, savings, and insurance (Morduch, 2015). The sustainability of market-based financial services for the poor has recently shifted from a social to an economic goal (Stoltzfus, 2019). The influence of Micro-finance on poverty alleviation has been studied in a number of ways.

Micro-finance not only benefits the poor by giving financing, but it also assists them in expanding their business options, resulting in increased personal income and personal investment in family health, nutrition, and education, among other things (Coleman, 2016; Morduch, 2015). Poor clients can apply for small loans and start their own businesses, such as small grocery stores, micro-enterprises, and fisheries, to diversify their sources of income and develop their entrepreneurship skills. Micro-finance also enhances women's empowerment (Pitt et al., 2016) and poor people's development through group financing (Coleman, 2016; Brau & Woller, 2019; O'Halloran, 2018).

Several studies have discovered that Micro-finance programs have positive and significant effects on the impoverished in a variety of ways. Micro-finance is a viable financial service delivery option (Mosley, 2018; Strand & Cadwallader, 2016). Micro-finance initiatives benefit the underprivileged by increasing their income and living standards while also stimulating the

local economy (Roodman, 2014). According to Roodman (2014), Micro-finance programs enhance human capital investment by giving the poor a choice in schooling. According to Green & Hulme (2015), Micro-finance has a favourable impact on social characteristics, including empowerment and self-confidence. Second, financial services such as loans, savings, and remittances enable households to benefit from productive endeavours, reduce spending during seasonal income fluctuations, and assist in mitigating risks (El Namrouty, AlHabil, & Al-thalathini, 2015; Sarkisian, 2019). Poor households, however, have limited access to formal financial markets due to a lack of information, incentives, and contract enforcement, (Coudouel, Hentschel, & Wodon, 2017).

Micro-finance empowers women in addition to providing financial services. Even if they are self-employed entrepreneurs, Micro-finance clients often lack the resources to start their own firms, making it impossible for them to escape poverty. Micro-finance is a very successful development tool in this situation, as it provides small loans to consumers without requiring collateral (Sarkisian 2019; Brau & Woller, 2019).

Education is a critical component in improving people's lives and progressing as individuals. Children of Micro-finance borrowers perform better in school and are more punctual (Ajodo-Adebanjoko & Walter, 2007). According to Zeller and Meyer (2017), Micro-finance has a positive impact on poverty reduction and educational advancement. Micro-finance programs also improve school attendance and well-being (Morduch, 2015).

One of the major elements of poverty and a primary non-economic outcome of Micro-finance is health, which is a key component in evaluating the welfare conditions of the poor. A lack of resources prevents poor people from meeting their health needs (Coleman, 2016). Despite the fact that few studies have shown this link, Micro-finance programs boost impoverished people's access to healthcare and make health-related preventative measures more inexpensive. According to Ghazawneh (2019), Micro-finance enhances the health of impoverished borrowers, and Devarajan et al. (2016) found that Micro-finance improves borrowers' health literacy.

As the number of Micro-finance institutions (MFIs) grew over time, so did the argument concerning Micro-finance's role in global poverty reduction. Micro-finance, according to certain studies, has resulted in some poverty reduction accomplishments. Other studies claim that Micro-finance has had little influence on the poor, while others investigate how Micro-finance over borrowing might lead to longer-term poverty. The continuance of poverty in

Namibia, despite the significant efforts claimed by poverty alleviation programs such as Micro-finance, calls into question their efficiency in assisting the poor (Bateman & Chang, 2019).

In the U.S., a person or family is poor if their income is below a set poverty threshold, which is the least amount of money needed to cover basic needs. Poor people are those who make less than the poverty line (Ellis et al., 2010). Poverty reduction was used to assess countries with positive growth rates in Gross National Product (GNP). This gratitude stressed the attainment of wealth and technologies as a direction for growth, with the assumption that better lives for everyone will be the inevitable result (Brouwers et al., 2014). Micro-finance is not a novel idea. Micro-finance has a long history in both developed and developing countries, especially in Asia. Micro-finance originated as a kind of informal banking for the poor in a number of European countries during the eighteenth and nineteenth centuries (Ellis et al., 2010).

### 1.2 Statement of the problem

Microfinance is a fairly new phenomenon in Namibia, and poor households still have very little access to structured financial services (Brouwers et al., 2014). Even though there have been recent improvements in reducing poverty, 30% of the population is still poor. This needs to be amended in a number of ways, including providing people access to financial services. Therefore, reducing poverty in the region requires careful thought and policy action to improve the efficiency of Micro-finance institutions and increase their reach.

One of the main reasons why young people can't get out of poverty is that they don't have sufficient money. Young people are high-risk borrowers because they don't have much money or assets, are vulnerable to market changes and have a high risk of dying, and don't have good accounting records or financial statements. Namibia, like most countries, wants to cut down on youth unemployment (Mulunga, 2010). Aside from a lack of loanable funds, the biggest problem in the Namibian Micro-finance industry is how Micro-finance institutions use the money they have and how they can get more money.

Micro finance is an emerging sector in Namibia, according to Swartz (2013), compared to other well-developed micro finance providers in countries such as Uganda, Bolivia, and Bangladesh. Micro-finance Institutions (MFIs) became common in Namibia after the country gained independence in the late 1990s. Since independence, the Namibian government, in collaboration with non-governmental organisations (NGOs), has vigorously pursued the growth of Micro-finance as a means of alleviating poverty. The growth of Namibia's Micro-finance sector can be attributed in large part to international organisations, as the majority of

them are funded by donors, while a few operate independently. The average loan amount is N$835, and the current micro loan interest rate is 29 percent, with repayment terms ranging from one to twelve months (Swartz, 2013).

CGAP (2010), identified a lack of access to formal sector credit as a significant barrier on Namibian youth's ability to take advantage of economic opportunities and so get out of poverty. Attempts to alleviate poverty among youth have been made worldwide through Micro-finance programs that assist youngsters in accumulating their own capital and investing in job-generating activities. Swartz (2013),suggested that Micro-finance is a critical source of funding for entrepreneurs who are unable to access traditional financial services. Namibia Youth Credit Scheme, Credit for Youth in Business (Namibia), private microlenders (banks), and non-governmental organisations are all sources of Micro-finance (NGOs). Several studies undertaken (Adongo & Deen-Swarray, 2006, Simataa, 2013, Salakpi, 2015, Kumah & Boachie, 2016 and Iitondoka, 2018) agreed that it provides finance and improves living standards of members and their families. The scarcity of such studies in the Swakopmund necessitates this study to investigate the impact of Micro-finance. Thus, the goal of the current study is to investigate how Micro-finance helps the youth in the Swakopmund get out of poverty.

### 1.3 Objectives of the study.

The general objective of this study was to investigate the impact of Micro-finance on poverty alleviation of youths.

The study was also guided by the following the specific objectives:

1. To determine factors considered in granting a Micro-finance loan
2. To investigate the existing financial products used by Micro-finance firms to help people get credit.
3. To establish the relationship between Micro-finance lending and poverty reduction.

### 1.4 Hypotheses of the study

The following hypotheses, which were created and given in null form, served as a guide to the study's aims.

$H_1$: Micro-finance institutions have an impact on poverty alleviation of youths.

$H_2$: existing financial products used by Micro-Financing firms help people get credit.

Ha: Borrower’s characteristics are very significant in granting Micro-finance loans.

### 1.5 Significance of the study

The study could be of importance to policymakers at the Ministry of Sport, Youth, and National Services, the Social Security Commission, and the Management Advisory Board in ensuring the scheme's efficient operation. The study would equally benefit both academicians and researchers by providing literature on the topic, which would be used as a source of reference for future researchers studying in similar areas.

### 1.6 Limitation of the study

This research had a set of possible limitations that the researcher encountered during the course of this study. To begin, the size and distribution of the respondents was too small for the findings to be generalized. Second, data collection was limited to Swakopmund in Erongo Region Namibia, which may not accurately reflect the situation throughout the country. In addition, there were hindrances in collecting data due to the fact that some of the participants were uneducated and some were not willing to take part in the study. In order to mitigate these challenges, the researcher ensured that the data collection tools underwent reliability and validity scrutiny, the study also made sure that the chosen sample represents a majority of the population to try to bring about generalization in the study findings and finally the researcher used the services of translators to translate the questionnaires and interview questions.

### 1.7 Delimitation of the study

The study only focused on Swakopmund and only encompassed the youth who use services of Micro-finance firms for at least two years.

### 1.8 Definition of terms

**Poverty alleviation**: Coudouel, Hentschel, and Wodon (2017) explained poverty alleviation as any process that narrows the income gap between poor and non-poor people. Its goal is to assist people who are unable to improve their quality of life due to a lack of financial resources.

**Micro-finance:** Is a type of banking service that assists people who are unemployed or have low incomes obtain financial assistance that they wouldn't be able to get on their own (Micro-finance Gateway, 2016).

**Financial services**: Are economic services provided by the finance industry, which consist of credit unions, banks, insurance companies, consumer finance companies, accounting firms, stock brokerage firms, credit card companies and investment funds (Micro-finance Gateway, 2016).

**Micro-finance institutions**: Are organisations that lend money to people with low income, like small businesses and self-employed individuals, who haven't been able to obtain loans from banks in the past (Banerjee et al., 2015).

**Scarcity**: Scarcity refers to the fact that there are only a finite number of human and nonhuman resources that can be used to produce only a finite number of each economic good, even with the best technical knowledge (Andreou, 2018).

**Economic well-being**: This means having enough money now and in the future. In the present, financial security means that an individual, a family, or a community can always meet their basic needs and stay in control of their daily finances. It also means being able to make decisions about money and to feel secure, happy, and fulfilled in one's personal and professional life. To be financially secure in the future, you need to be able to handle financial shocks, reach your financial goals, and build up assets (Brau & Woller, 2019).

### 1.9 Structure of the dissertation

The study is divided into five chapters; the first chapter covered the study's background, problem statement, research objectives, and questions. The study's purpose and significance, as well as its limitations, delimitations, and term definitions, were included. In the second chapter, the literature, theoretical framework, and conceptual frameworks were discussed. The research methods used by the researcher to reach a conclusion on the subject of the study were discussed in Chapter 3. Chapter 4 examined the survey results and discussed their significance. Finally, the most important findings were summarized in Chapter 5 along with recommendations.

### 1.10 Chapter Summary

This chapter introduced the research topic, provided a detailed background of the research study, and indicated the problem statement, the study’s objective, limitations, delimitations, hypothesis, as well as significance of the study. It further defined the key terms of the study and outlined the structure of the whole dissertation.

## Chapter 2: Literature Review

### 2.0 Introduction

This Chapter engages the research topic with existing literature. It focuses on the impact that micro-finance has on poverty alleviation. It commences with financial resources for the poor, stipulating that poor people are usually excluded from official financial systems. It continues with microfinance products and services, provides a definition of the term microfinance, analyses the impact of Micro-finance, economic theories around poverty as well as the theoretical framework adopted for the study.

### 2.1 Theoretical Literature

#### 2.1.1 Economic Theories of Poverty

Over time, different schools of thought have been affected by their definitions of poverty in determining the most effective strategies to reduce poverty (Davis & Sanchez-Martinez, 2016). The following section describes the perspectives on poverty from several economic schools of thought.

#### 2.2.2 The Classical School

In the 1800s, classical theory defined poverty by assuming that the market is efficient and that wages reflect what each person produces. In that time and place, people were poor because of things they did or did not do, like not obtaining enough education or possessing negative work ethics, or because they could not compete in the market. People perceived these disabilities were passed down through generations through genetics or how children were raised. This led to poor subcultures (Davis & Sanchez-Martinez, 2016).

The classical school supports "let-it-be" ideas and states that people are to blame for poverty. Because of this, classical economists perceive government intervention as a source of inefficiency in the economy, and they blame welfare programmes for keeping people in poverty by making them dependent on them. In policy recommendations, interventions that promise to make people more productive receive more weight. This school of thought is against providing money to poor people to assist them get out of poverty. Instead, it opines that charity is the best way to assist the poor (Davis & Sanchez-Martinez, 2016).

#### 2.2.3 The Neo-classical School

Based on the classical approach, the neoclassical school believes that income is determined by marginal productivity and places a lot of emphasis on the role of skill endowment and capital

in determining a person's ability to make money. The neoclassical school places too much emphasis on money when describing poverty. Income and consumption are the most important components to consider. On the other hand, the monetary method has been criticised for its narrow definition, which assumes that everyone has the same needs and wants (Davis & Sanchez-Martinez, 2016).

The neoclassical school states that individual flaws as well as market failures like externalities, uncertainty, moral hazard, and adverse selection make poverty worse. Like classical thinkers, neoclassical thinkers are sceptical of the role of government, but they do sometimes point out problems with the market (Davis & Sanchez-Martinez, 2016).

Neoclassical thinkers opine that lack of access to credit is another cause of poverty because it makes it difficult for people without collateral to obtain loans that would let them initiate businesses that generate money. In this way, not having any assets or collateral creates a vicious cycle: people who do not have any assets or collateral cannot obtain credit, which would assist them in obtaining assets and get out of poverty. This feedback cycle keeps people in a state of poverty. So, micro-credit has the potential to break this cycle by making it easier for poor people who do not have collateral to obtain loans (Davis & Sanchez-Martinez, 2016).

### 2.2.4 The Keynesian School

According to the liberal theory, poverty is caused by underdevelopment, which manifests as low levels of human capital, business capital, infrastructure, natural capital, and technical know-how, as well as market distortions. Keynesians believe that involuntary unemployment is the main cause of poverty, and that the government needs to resolve it (Davis & Sanchez-Martinez, 2016).

The Neoclassical theory and Keynesian theory agree that economic progress is important for reducing poverty, but they disagree about who is responsible for this. Keynesians want the government to use fiscal and monetary policy to stop unemployment that people cannot solve on their own. People assume that government actions, such as public investments in public goods and policies to redistribute income, are necessary to assist them develop (Davis & Sanchez-Martinez, 2016; Davutolu, 2019).

Along with low aggregate demand, macroeconomic factors that are thought to cause or affect poverty include inflation, sovereign debt, and asset bubbles (which includes consumption and investment expenditures in a free-market economy). Buying power parity can be negatively affected by the effects of inflation. Austerity measures that limit public spending and

investment can acerbate poverty when there is great sovereign debt. When housing prices and rent go up quickly, this is called a "housing bubble." If a poor person does not have enough money to pay rent or enough assets to obtain a mortgage, they could end up homeless (Dirbass, 2016).

### 2.2.5 The Neo-liberal School

Neoliberals are supporters of capitalism based on a free market, with an emphasis on individual initiative. Neo-liberal structural adjustment programmes embraced privatisation by replacing public services with user-pay services that were owned and run by private companies. Poor people were extremely against these kinds of programmes, which led to the creation of Micro-finance, which helps poor people help themselves. In the 1990s, supporters of neoliberalism turned the government-funded Grameen Model into a profit-driven business model to make it fit with their free market ideas (Bateman, 2017). People who support microfinance disagree with the idea that structural changes like privatising public services or cutting spending on health and education cause poverty. Instead, they state that poverty is a lack of access to financial services and that poor people should be able to get out of poverty by selling their goods on the black market (Davutolu, 2019).

### 2.2.6 The Marxist School

Marxists state that poverty is caused by capitalism. This school of thought states that the market is inherently broken because of elements like a stratified job market, corruption, and unfair treatment. They further state that capitalists use the threat of unemployment to keep wages below the value that workers bring to the company. In this way, Marxists believe that reducing poverty in a capitalist economy requires market restrictions and laws against discrimination (Dirbass, 2016).

Because the job market has two sides, low wages have been around for a long time. The dual market hypothesis states that the job market is split into the main sector and the secondary sector. In contrast to the main sector, the secondary sector has unstable jobs, low pay, and few chances to move upwards (Odell, 2017). Marxists believe that minimum wages are one of the most important ways to control the job market. People who work for low wages are more likely to be sick, which hurts their human capital and makes it difficult for them to get out of poverty. Low wages also make it difficult for people to save, which makes it more likely that they would be poor if something adverse happens to the economy (Zeller, & Meyer 2017).

People have criticized minimum wage rules because they can change the way things work. People state that setting a minimum wage does not move money from high-income households to low-income households. Instead, it just redistributes money among low-income households (Eckel, 2018).

### 2.3 Theoretical Framework

The neo-liberal micro-finance paradigm is based on the simple idea that giving micro-credit to the poor assists entrepreneurs get out of poverty by letting them initiate small businesses that generate minimum amounts of money. This means that more micro-credit means less poverty (Bateman & Chang, 2019). The following chart indicates how Microfinance affects the fight against poverty: Micro-crediting entrepreneurs who are poor create employment opportunities, generate money, and improve the welfare of their households by letting them spend more on things like consumption, education, health, personal assets, and home improvements. Even though neoliberals agree that microfinance has positive effects, scholars disagree about how well it assists the poor.

Even though consumption-smoothing micro-credit is not a big part of the neoliberal micro-finance model, it does not go against neoliberalism. Instead, it supports it by putting the poor, who are more sensitive to risk, in charge of their own lives. So, the poor are encouraged to look for Micro-finance to protect their spending habits from changes in their income, pay for education and health costs for their families, and improve their living conditions.

In the research on bias in impact assessments, self-selection, programmed placement, and not including ex-borrowers have been found to be the three most important causes. In this way, the evaluations of the effects of microfinance in Palestine that are mentioned in this study can be questioned. Al Markaz for Development and Marketing Consultancies (2019) and Optimum for Consultancy and Training (2020) applied sample procedures that are likely to be biased, and the published results may wrongly attribute the positive effects of other unobservable factors to Micro-finance. Al Markaz for Development and Marketing Consultancies (2019) only employs a sample of past and current borrowers to track progress over time. It does not take into account any factors outside of the project (Mosley, 2018). The sampling selection bias in Optimum for Consultancy and Training (2020) is caused by the control group of non-borrowers who run businesses that are similar to those held by borrowers. Non-borrowers and borrowers are compared, but pre-existing traits of borrowers, like their ability to start a business, are not taken into account (Mosley, 2018).

Even though there is more and more written about microfinance and how it affects poverty, impact evaluations have not yet defined what poverty is and how to measure it. Because poverty has many different aspects, proxy metrics have been used. In addition to income and consumption, different economic and social factors that are thought to be important for improving people's skills have been added to the definition of poverty (Khaled, Lauer, & Reille 2016). Non-monetary elements include health, education, owning assets, being able to make a difference in your community, and being involved in politics. In this study, which uses a multidimensional definition of poverty, proxy measures are used to show how microfinance affects both the financial and non-financial aspects of poverty (Andreou, 2018).

### 2.3.1 Conceptualising Poverty

There is widespread consensus that poverty must be eradicated in order to foster long-term development (Laderchi, Saith, & Stewart, 2015). Various techniques have been used to define and explain poverty within and between cultures, and these definitions have influenced the strategies of poverty alleviation efforts (Nyasulu, 2020).

Poverty has typically been described in a single-dimensional manner. A deficit in a monetary measure such as income or spending in comparison to a poverty line has been used to identify poor people. The evolution of poverty definitions over time, on the other hand, reflects the evolution of various ideological viewpoints, thinking beyond monetary factors to incorporate broader issues such as political involvement and social exclusion (Davis & Sanchez-Martinez, 2016). Poverty is increasingly being recognised as a multifaceted phenomenon.

Poverty is defined by Coudouel, Hentschel and Wodon (2017) as not having enough in some dimension of well-being. Apart from material deprivations such as hunger and food insecurity, the term "poor" is used to refer to a wide variety of interrelated life opportunities (Hulme, Moore, & Shepherd, 2018). Poverty has several dimensions, including health, education, and social inclusion.

In his paper on Micro-finance for poverty eradication, Shil (2019) cites Yunus (2016), who provides a rather thorough description of poverty: Poverty is defined as a state of unemployment, illiteracy, homelessness, lack of appropriate capital, facilities, and food to earn a fair living, as well as powerlessness (Shil, 2019). This description represents poor people's perceptions of poverty, as they value food security, stable and predictable sources of income, independence, and the power and ability to protect themselves from shocks (Naryan et al., 2020).

The Copenhagen Social Summit in 1995 was the first worldwide gathering to acknowledge the broadening definition of poverty. Poverty was defined by the World Bank in 2000 as material deprivation, low levels of education and health, vulnerability and risk, noiselessness and powerlessness (Ajodo-Adebanjoko & Walter, 2016).

While there are many different types of poverty and definitions, this study focuses on complete definitions of poverty in terms of economic well-being, capabilities, and social exclusion.

### 2.3.2 Economic Well-Being

One of the most inclusive markers of poverty is one's economic well-being. Poverty is linked to low levels of income and consumption (Wagle, 2019) as well as poor human development outcomes in terms of health, education, and assets. To outline the major features of poverty, composite indices of wealth are an alternative to utilising single indicators of poverty. The health of family members might be a good determinant of happiness (Coudouel et al., 2017). The analysis could focus on determining outcomes such as children's nutritional status or the incidence of specific diseases like malaria or diarrhea (Smith, 2017). If data on such health indicators is difficult to come by, the study could instead focus on assessing inputs like the number of visits to health centers or the immunisation rates of children. Regarding schooling, the level of literacy can be utilised as a criterion. The results of school exams could be used as an outcome indicator in countries with very high literacy rates. Another metric to consider is the ratio of years of schooling completed (Coudouel et al., 2017).

Schreiner (2015) proposed a simple, standardised way to measure all kinds of poverty in Namibia. This tool has the simple scorecards for poverty in Namibia. Data from the national expenditure and consumption survey were used to make a ten-question scorecard. Simple poverty scorecards are used to measure how likely it is that Micro-finance borrowers and their households live below or above different poverty lines, including national poverty lines. The scorecards look at things like the size of the household, how many people work in the household, the main material of the outside walls of the house, and whether or not the family owns durable goods (bookcases, computers, satellite dishes, televisions, and video cassette recorders or digital versatile disc players, solar water heaters, landlines, or cellular telephones). This tool is meant to assist MFIs determine the number of poor borrowers at different points in time and follow their movement into and out of poverty over time (Schreiner, 2015).

### 2.3.3 Capability Poverty

Sen (2018) proposes a different approach to the notion of poverty. Poverty as defined by the capability deprivation method focuses on deprivations of rights and freedoms, as opposed to income, which is crucial to the type of life a person, can live. The ability of people and cultures to turn financial and non-financial resources into accomplishments varies. A disabled person, for example, need additional resources such as a wheelchair and ramps in order to achieve what a regular person can. As a result, it is critical to examine people's ability to use resources such as money, goods, and services at their disposal to attain worthwhile goals (Clark, 2015).

Sen (2018) distinguishes between being and doing by using the terms functioning and capabilities. Functional refers to what an individual can produce with the resources available to him. Age, gender, activity levels, body size, metabolic rates, and access to medical services all have a role in achieving a functional state (such as being well nourished) using commodities. A capability relates to a person's ability to perform, and it shows that person's freedom to live a healthy lifestyle (Clark, 2015). As a result, poverty is regarded as one of the roots of freedom, in which people are denied the freedom to obtain food to satisfy hunger, health care to receive treatment for curable diseases, and other rights to realise their innate potential (Green & Hulme, 2015; Sen, 2018).

Furthermore, Sen (2018) contends that freedom is at the heart of development, arguing that the primary goal of development should be to increase human capabilities rather than to promote economic progress (Sen, 2018). Income is not the only tool for enhancing capacities (Sen, 2018). The repercussions of ill health and malnutrition can last considerably longer than the effects of low income. Health and nutrition have direct implications on well-being, but they also have indirect and perhaps more severe effects on people's ability to earn money (Wagle, 2020).

### 2.3.4 Social Exclusion

Wagle (2020) opines that being shut out of society is a big part of being poor. This dimension claims that people can stay poor even if they have enough money, food, shelter, and clothes, if they are left out of economic, political, and cultural events (Wagle, 2020). In addition, social exclusion expands what it means to be poor beyond economic well-being and better abilities. In this way, Saundres (2018) remarks that exclusion broadens the definition of poverty beyond a lack of resources, especially those related to Sen's ideas of functioning and competence. Wagle (2020) cites the European Foundation's (1995) definition of social exclusion as the process by which people or groups are kept from fully participating in society, either

completely or partially. On economic, political, and cultural levels, social exclusion can render people poor (Peace, 2016).

Discrimination, like sexism and racism, can be used to keep some people from taking part in economic activity and keep them from being included in society. Participation in the job market and access to assets like credit and property are examples of these activities (Peace, 2016). People who can't work may become socially isolated because they can't do business (Wagle, 2020). Excluding the poor from political activities (like voting) can be detrimental for them, especially when people who are involved in politics have different needs and wants. Compared to people with more money, poor people are less likely to get involved in politics. This makes it more likely that government policies and programmes would not meet their needs and interests (Wagle, 2020).

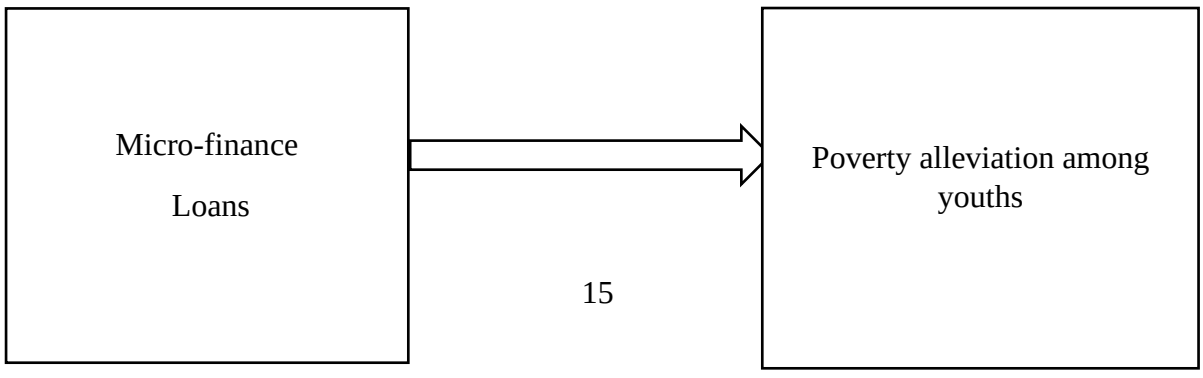
It is difficult to state comprehensively how important social involvement is for building social capital through empowerment and reducing the inequality gap. People who are cut off from their social relationships lose their connections to mainstream society, which has a negative effect on their social, psychological, political, and economic lives and can lead to poverty (Peace, 2016; Wagle, 2020).

While income is important for a person to get out of poverty, determining whether or not a person has an appropriate income should consider the individual's personal and societal circumstances. In order to find meaningful indicators that capture poverty in all of its forms, a positive starting point is to conduct a complete analysis that considers income, wealth, education, health, and nutrition, as well as the type and level of social involvement (Wagle, 2020).

### 2.4 Conceptual framework

Micro-finance is a type of financial service aimed towards people, particularly teenagers, who do not have access to traditional banking and related services. Individuals are given loans by Micro-finance institutions in order to help alleviate poverty in the country.

Figure 1: conceptual framework fundamentals



## 2.5 Empirical Literature Review

### 2.5.1 Financial Resources for the Poor

Most poor people around the world cannot access official financial systems. Commercial banks do not usually assist the poor with money for a number of reasons. Because the poor do not have assets that can be used as collateral, it is risky to lend them money because they are vulnerable to shocks from the outside. On the other hand, commercial banks do not have cost-effective ways to collect and monitor data and have little power to force people re-pay loans (Coleman, 2016; Murray & Boros, 2016; Cull & DemirgüçKunt, 2018, Morduch, 2015). Inequalities in credit access have grown as a result, as have inequalities in income and wealth distribution (Morduch & Haley 2015).

Due to the difficulty of obtaining conventional financial services, the poor have resorted to turning to other sources of income to meet their demands. To manage risks and deal with external shocks, the poor turned to the informal sector, which has come to be known as unregistered sources of credit (Matin et al., 2020). Family, friends, moneylenders, community support networks, and dealers are common sources of informal credit. Credit obtained from unofficial sources is often unreliable, restricted in value, and comes with exorbitant interest rates (Littlefield & Hashemi, 2018; Morduch, 2019).

Various measures, in addition to the informal financial markets, have attempted to bridge the gap between the inadequate supply and the overwhelming demand for financial services by the poor. Parastatal (government-owned) development banks and agricultural loan schemes are examples of these interventions (Zeller & Meyer, 2017). However, poorer people were rarely assisted by these schemes for the following reasons: credit distribution slanted towards metropolitan regions; impoverished people's incapacity to offer suitable collateral; greater transaction fees imposed on smaller borrowers; arbitrariness and corruption; interest rate limits; and high default rates (Matin et al., 2020). As a result, ensuring that the poor have reliable, non-exploitative, and transparent access to financial services has been a difficulty.

Dr. Mohammad Yunus, the founder of Grameen Bank, made the first attempt in 1976 to invent a solution to the poor's problem. Instead of individual borrowers, Yunus provides low-interest lending to a homogeneous group of borrowers, including women. At the time, the product was seen as a win-win situation. The borrower would benefit from having access to a larger amount of credit as a group member, which would not be available to the same borrower individually. The benefit to the lending organisation would be a reduction in the danger of information

asymmetry as a result of delegating selection and monitoring to the group members (Karel & Zetek, 2017).

Under the Grameen Model, which is based on the idea of shared responsibility, people who want to borrow money must form groups of five, and at first, loans are only given to two members of each group. If the first two loans are paid back on time, two more members will get loans. If the third and fourth loans are also paid back on time, the fifth member will also get a loan. If one person in a group fails, the other people in the group will be blacklisted. Peer selection and peer monitoring are also used to ensure loans are repaid (Brau & Woller, 2019). Social collateral is another method that encourages people to repay their loans so they could keep their good reputation in society.

Even though group lending has lower transaction costs, it also has other costs, some of which the borrower has to pay for. There are some negative consequences about it, like the chance that the poorest and most vulnerable people could still be left out or rejected, loss of trust, and forceful peer pressure (Murray & Boros, 2016). Attending group meetings and keeping track of when other members repay the loan can take be costly financially and timely, especially if the group members live in different places. The terms of a loan are limited by how much the group can guarantee as a whole. This can make it hard for people who can and want to grow and develop their businesses faster than the rest of the group. Some groups also try to offend the lending institution and get the primary guarantee for grocery stores taken away.

Despite the foregoing criticism, neo-liberal governments hailed the Grameen Bank as a major success as a market-driven model. In the 1980s, international development funding and technical assistance were redirected to duplicating the Grameen Model in developing nations all over the world (Bateman, 2017).

### 2.5.2 Micro-finance Products and Services

Micro-Finance Gateway describes micro-finance as a movement that assists low-income households by providing to them cheap financial services to pay for activities that generate money, build assets, keep their spending stable, and protect themselves from risks (Micro-finance Gateway, 2016). Micro-finance and micro-credit used to be synonyms for small loans provided to people who were unemployed and did not have traditional collateral (Micro-finance Gateway, 2016). On the other hand, MFIs have changed their products and services over time to meet the changing needs of the world's poor regarding money. Microfinance now includes a wide range of products and services, both financial and non-financial.

MFIs offer a wide range of products and services, such as loans to initiate and grow businesses, loans to assist people with fluctuating incomes manage their spending, savings, transfer payments, micro-pensions, insurance, and remittances (Brau & Woller, 2019; Littlefield et al., 2018; Cull et al., 2018). Moreover, some MFIs also offer both financial services and activities that assist the community, such as education and health care. In addition, other MFIs offer a variety of services that do not involve loans to assist entrepreneurs improve their businesses and provide them more power through activities that build their capacity (Pitt & Khandker, 2016). Microfinance Gateway (2016) states that MFIs provide loans to borrowers in different ways, such as through group lending, forced savings, and gradual credit extension based on the borrower's history of repaying loans (Micro-finance Gateway, 2016).

This review of Micro-finance goods and services would not be complete without a brief discussion of how clients are chosen based on their gender. Some MFIs focus on empowering women. They perceive women to be financially more disadvantaged than men because they do not have much access to finances and employment (Pitt & Khandker, 2016). Access to credit can assist women become financially independent and boost the confidence and self-esteem of their whole family (Kevane & Wydick, 2019). Other MFIs focus on women because they believe that women use their loans to improve their homes, while men use their loans to purchase belongings for themselves (Brau & Woller, 2019).

### 2.5.3 Analysis of the Impact of Micro-finance

Micro-finance as a tool for development intervention has been questioned. Micro-finance literature contains contentious assertions and arguments about its influence on the impoverished. There is no agreement among researchers about its significance (Banerjee, Duflo, Glennerster, & Kinnan, 2015). While some studies suggest that Micro-finance improves poverty (Pitt & Khandker, 2016; Kevane & Wydick, 2019; Banerjee & Duflo, 2015), others believe that it has little influence (Morduch & Haley, 2017).

Despite skeptics' concerns about Micro-finance's influence, several studies have been successful in demonstrating favorable benefits in a variety of settings using varied approaches. Impact assessments have demonstrated how some MFIs operate to improve financial and social outcomes by demonstrating the beneficial effects of Micro-finance on a variety of variables such as low household well-being, female empowerment, self-employment profits, and psychosocial status (Brau & Woller, 2019; Banerjee et al., 2015).

On the other hand, sceptics believe that Micro-finance has a negative overall impact, reducing incremental income and contributing to over borrowing, resulting in worsening long-term poverty impacts (Banerjee, Duflo, Glennerster, & Kinnan, 2019; Chowdhury, 2019). In a letter to the Financial Times in 2008, Milford Bateman noted: In nearly 25 years of academic and consultancy work in local economic development, my experience is that Micro-finance [programs] most often herald the death of the local economy (Banerjee et al., 2019). Savings, according to Bateman (2017), are vital for development and should be channeled into growth and productivity-enhancing enterprises rather than being channeled into the informal sector through commercial Micro-finance programs, which would lead to a non-industrial future and everlasting poverty (Bateman, 2017). Other negative effects of Micro-finance, according to critics, include the exploitation of women by failing to pay for their labour; increasing workloads for women who must work both within and outside the home; and child labour, in which youngsters are compelled to leave school to work alongside their families (Rooyen, Stewart, & Wet, 2018; Bateman & Chang, 2019).

### 2.5.4 Impact Assessments of Micro-finance across the World

Pitt & Khandker's (2016), study on the positive impact of Micro-finance is one of the most often cited. They employed a quasi-experimental approach to account for potential biases stemming from unobserved features at the individual, home, and village levels. In treatment villages, the impact difference between eligible treated and ineligible untreated individuals is compared to the effect difference between eligible untreated and ineligible untreated individuals in control villages. Pitt & Khandker (2016) found that credit granted to both men and women had a considerable impact on household expenditure, with the effect being stronger for women. Furthermore, the study revealed that credit granted to women had a considerable impact on women's non-land asset holdings, labour supply, and boys' and girls' schooling. Pitt & Khandker's (2016), concluded that dependent variables are favourable markers for poverty in its multi-dimensional formulation.

Banerjee et al. (2015) researched whether a multidimensional graduation program focused on the extreme poor can assist them in establishing and maintaining self-employment activities while also improving their well-being over time.

Even though there are differences in how the research was done, when it was done, and where it was done, the literature review above indicates that micro-financing can have a positive effect on household welfare and economic activity. At the household welfare level, there have been

many positive changes in areas like household spending, income, wealth, household consumption, food security, savings, children's schooling, non-land asset holdings, physical and mental health, and empowerment. At the business level, there have been positive effects on hiring, sales, and business growth (Cull et al., 2018). However, the data illustrates that the degree and importance of the influence depends on a number of things, such as the borrowers' gender, their level of poverty, their level of education and experience, and how long the evaluation took.

### 2.5.5 Critiques on Micro-finance

Micro-finance impact assessments employ a variety of approaches to strike a balance between the assessment's goals and the time and resources available. Several studies address frequent methodological flaws observed in published effect evaluations, despite the fact that it is difficult to compare impact assessments of Micro-finance programs due to the programs' heterogeneous circumstances, which tend to alter the adopted empirical methodology.

Corrections for methodological problems revealed in some researches have produced inconsistent results. A recent study by Roodman & Morduch (2014) replicates and re-analyses Pitt & Khandker's (2016) findings to indicate how, when outliers are removed or a robust linear estimator is used, the positive impact of Micro-finance on poverty reduction vanishes. Although the study's findings refute Micro-finance's ability to alleviate poverty, Roodman &Morduch (2014) emphasize that a lack of data on the role of Micro-finance in alleviating poverty does not imply that it does not exist.

Brau & Woller (2019) review the available research on Micro-finance and discuss some of the typical methods that have the potential to lead to systematic overstatement of program impact. Exclusion of ex-clients from treatment groups, which can lead to severe selection and survivorship bias, as well as other issues including biased sampling, utilising invalid control groups, and failing to conduct appropriate cost benefit assessments, are just a few examples.

Banerjee et al. (2019) explain in more depth how hard it is to measure the effects of micro-finance. First, Microloan borrowers choose to borrow, so they can't be compared to people who don't borrow (self-selection). MFIs choose certain villages or areas over others on purpose (program placement). Given how hard it is to tell the difference between micro-causal credit's and selection effects, Banerjee et al. (2019) state that the best way to measure micro-effect credits would be to randomly give micro-credit to some areas. This would make it so that the

only difference between the residents of the treatment area and the control area is that the treatment area has easier access to micro-credit (Banerjee et al., 2019).

Aside from the fact that randomisation is needed to measure the effects of microfinance, most people seem to agree that complementary criteria are important for microfinance to have any real effect on reducing poverty. Sam Daley-Harris, Director of the Micro-credit Summit Campaign, is quoted by Chowdhury (2019) as stating, microfinance, like health, education, and economic growth, is not the answer to world poverty. There is no one way to solve the problem of poverty all over the world. Microfinance is a powerful tool in the solution when it is used to help the poorest people and is managed well.

In addition to management and business skills, public investments in infrastructure like roads and electricity, especially in rural areas, are also important for the success of small businesses. The demand component should also be investigated to ensure sure that people purchase what SMEs sell. Local economies that have more employment opportunities might assist to boost demand. Both those who support and those who oppose microfinance would agree that it needs both supply-side and demand-side components to be useful (Chowdhury, 2019).

### 2.6 Factors that determines awarding of a Micro-finance loan

Andreou (2018) postulates that most people who are poor or do not have sufficient money to conduct business with traditional financial institutions. For this reason, he states, Micro-finance services are provided to people who are unemployed or do not have much money. People can obtain small business loans through microfinance in a safe way that follows ethical lending rules. Even though there are microfinance institutions all over the world, most of them are in places like Uganda, Indonesia, Serbia, and Honduras that are still developing (Andreou, 2018).

Microfinancing organisations assist with a wide range of activities, from providing people basic services like bank checking and savings accounts to providing small business owners' start-up money and teaching programmes on how to invest. These courses can teach topics like bookkeeping, managing cash flow, and technical or professional skills like accounting (Zeller, & Meyer 2017). Wagle (2020) opines that, unlike traditional lending, in which the main concern of the lender is the borrower's ability to re-pay the loan, the main goal of many Micro-finance companies is to support entrepreneurs succeed.

People who require assistance from Micro-finance institutions often have to take a basic lesson on how to handle money first. In these lessons, they learn about interest rates, cash flow, how financing agreements and savings accounts work, budgeting, and how to handle debt (Zeller,

& Meyer 2017). Loans are available to customers who have gone to school. Like a typical bank employee, a loan officer assists borrowers with their loan applications, monitors the lending process, and provides loans. Even a small loan of $100 may not seem like much to some people in the industrialised world, but for many poor people, it is often enough to start a business or achieve profitable things (Davutolu, 2019).

Davutolu (2019) remarks that micro-lenders must charge interest on loans and set up specific repayment plans with payments due at set times, just like traditional lenders. Some lenders require borrowers to save a certain amount of their income in an account that can be used as insurance in case the borrower does not repay the loan. If the borrower is able to pay back the loan, they would have saved more money.

Sen (2018), opines that micro-lenders often group borrowers together as a safety net because many applicants cannot offer collateral. After obtaining loans, people pay their bills together. Because everyone's assistance is needed for the programme to work, there is a kind of peer pressure that can assist people repay the loan. For example, if someone is experiencing difficulty in using their money to start a business, they can request other members in the group or the loan officer for assistance. As people repay their loans, they start to build a good credit history, which enables them receive bigger loans in the future. Even though these borrowers are sometimes considered to be very poor, the average amount they repay on their microloans is often higher than the average amount they repay on other types of loans (Sen, 2018).

Numerous researchers agree that microfinance has a significant impact on the lives of millions of poor individuals, particularly women.

Non-governmental organizations (NGOs) and governments have attempted to make microfinance accessible to the poor, but not may research has been done on this topic especially in African countries. The old financial system fails them repeatedly. Although microfinance is not for everyone, the majority of people can benefit from it.

### 2.7 Chapter Summary

The theoretical review in this Chapter presented theories that support the role of Micro-finance institutions in poverty alleviation/reduction. The next chapter discusses the methodological approach of this study. Further, the chapter presented various international literature relevant to the role of Micro-finance institutions in eradicating poverty among people in the society.

## Chapter 3: Research Methods

### 3.0 Introduction

This chapter presented the methodological approach of this study. In addition, it also presented research philosophy, population of the study, sample of the study, data collection tools, data analysis and the ethical considerations of the study.

### 3.1 Research Philosophy

The study employed a Pragmatism philosophy. The Pragmatism philosophy allows the researcher the opportunity and possibility of working back and forth between qualitative and quantitative data, which is often perceived as incompatible. Moreover, it allows the researcher to identify useful connections between these two types of data (Blumberg, Cooper, & Schindler, 2011).

Because pragmatism is a problem-solving philosophy, it is a suitable fit for this research because it believes that the best research techniques are those that most effectively answer the research issue. Furthermore, pragmatism is based on the premise that research should focus on concrete, real-world challenges rather than philosophical speculations about the nature of truth and reality. From a methodological standpoint, this has the effect of better equipping the researcher to cope with complex; dynamic social processes in which even the most meticulously planned activity can have a variety of outcomes. For researchers, pragmatism provides a practical strategy for evaluating ideas and identifying truths. This sets it apart from other epistemological schools that are often concerned with knowledge or the concept of knowledge. Pragmatism provides a path to truth for the researcher by examining beliefs and ideas.

#### 3.1.1 Mixed Methods

This study employed a mixed method (hybrid) methodology. In a mixed-method study, researchers collect and analyse both quantitative and qualitative data (Bowser, 2013). This strategy is excellent for answering research issues that cannot be answered with quantitative or qualitative methods alone. It assisted the researcher in determining the compatibility or incompatibility of qualitative and quantitative data in mixed methods research. When qualitative and quantitative data are combined, the researcher can obtain both generalisable, externally valid quantitative results and context-specific, in-depth qualitative insights. Typically, the advantages of one form of data outweigh those of another. Mixed methods research has fewer limitations when it comes to disciplines and research paradigms. They

provide the researcher more flexibility when organising the study by allowing him or her to combine multiple sorts of research in order to obtain the most beneficial results (Halcomb & Hickman, 2018).

In contrast to studies that simply employ qualitative or quantitative approaches, mixed methods research can involve both the development of hypotheses and the testing of theories. Mixed methods allow participants to express their opinions and ensure that the outcomes of the study are based on what the participants actually accomplished. Mixed methods research is particularly useful for determining why quantitative and qualitative results are inconsistent. It reveals how the participants felt. Mixed-methods research ensures that the study results are based on the participants' experiences by allowing them to have a role in the research process (Halcomb & Hickman, 2018).

### 3.2 Research design

This research employed a descriptive case study methodology. This research design was chosen since it is difficult to convey in a few phrases the impact of Micro-finance on a nation's general population (Blumberg, Cooper, & Schindler, 2011). Additionally, case study research can be used to test new theories, expand on old ones, challenge traditional thinking, and conduct pilot studies. Case study research is effective for acquiring a deeper understanding of complex topics in their natural settings, and it is usually employed to gain a better understanding of the views of those involved in such situations. Carefully chosen case studies will be beneficial to everyone involved in the process. Due to the high level of relevance involved in the data collection process, researchers can remain actively involved. In the case study method, more than only interviews and direct observation are utilised. This method can be used with case histories from a database of records (Blumberg, Cooper, & Schindler, 2011).

### 3.3 Population

According to Jankowicz (2011), population refers to the entire group of people about whom the researcher wishes to draw conclusions. The study population comprises people who have access to Micro-finance services within the town of Swakopmund, Namibia. The figure of 400 youths was obtained through records obtained from the Micro-finance firms.

### 3.4 Sample

The sample of this study was made up of 120 youths who are Micro-finance beneficiaries. For this study, random sampling was used to select the sample for the study, and this method was

employed at various stages of the sampling process. Random sampling has been chosen by the researcher because it ensures that the sample selected accurately reflects the target population and eliminates sampling bias (Blumberg et al., 2011). A simple random sample would be formed by compiling a complete list of a larger population, and then the researcher would select a specific number of people at random. Every individual in the population would have an equal chance of being selected.

We used the formula: No. sample = total population / Probability

S = 400 / 3.33%

Number of people sampled = 120

### 3.5 Research Instruments

This study used a structured questionnaire for collecting the quantitative data from the "clients' of Micro-finance institutions. The interviews were used to collect qualitative data.

#### 3.5.1 Questionnaires

One of the most common approaches to performing quantitative research is through the use of research questionnaires. They are inexpensive, and the researcher may distribute them in person, over the phone, via email, or by mail. Quantitative surveys pose questions that have defined, usually numerical responses, so the researcher can rapidly examine the results (Jankowicz, 2011). The questionnaire was developed based on research objectives and a literature review. The questionnaire was self-administered and consisted of two sections. Section one consisted of demographic questions, and section two consisted of questions pertaining to the attainment of research objectives. The researcher handed the questionnaire to the participant, and they were afforded time to complete return it to the researcher.

For this study, the researcher used a structured questionnaire based on a Likert scale. A Likert scale, according to Creswell (2017), is a type of psychometric scale that is used in research to represent people's attitudes and opinions about a topic or subject matter. The researcher used the Likert scale to gather information about participants' attitudes and opinions. A Likert employs questionnaires, which are frequently confused with rating scales, though other types of rating scales can be used to measure opinions. Due to the fact that Likert-type questions are not binary (yes/no, true/false, etc.), the researcher has gained detailed insights into the perceptions, opinions, and behaviors of those who took part in the study (Creswell (2017).

### 3.5.2 Interviews

The researcher interviewed participants using an interview guide. In some cases, lengthy or in-depth interviews are used to describe qualitative interviews. These interviews are called semi-structured because the researcher has a specific topic in mind for the respondent. However, the questions are open-ended and may not be asked in the same way or order to each respondent. The main goal of an in-depth interview is to gauge, in the respondent's own words, what they think is important about the subject at hand (Jankowicz, 2011). The benefit of using this tool is that any mistakes or misunderstandings can easily be corrected during an interview. When needed, interviews can help gather fresh, new, and first-hand data. During an interview, sufficient data can be gathered because the interviewer can pose a wide range of questions to the interviewee (Jankowicz, 2011). In a face-to-face interview, both verbal and nonverbal questions are recorded, as well as nonverbal questions like body language, which can show if the person is uncomfortable with the questions (Creswell, 2017).

## 3.6 Pilot study

According to Blumberg, Cooper and Schindler (2011), a pilot study is a smaller-scale research study conducted prior to the major study. Five employees who were not involved in the main investigation took part in the pilot research. The research instrument was also sent to experts in the fields of management and research to validate the questions. The instruments used in the pilot study and the main research stayed the same.

## 3.7 Procedure

The researcher initially obtained permission from the research committee of the University of Namibia, upon receiving the consent letter. A permission letter from Namibia Business School was also obtained. The researcher then got approval from Micro-finance institutions in Swakopmund in order to conduct the research and gain access to their clients. After these institutions granted the researcher the permission to conduct the research the researcher began conducting the research.

## 3.8 Data analysis

The qualitative data was transcribed and processed with Nvivo. The quantitative data was analysed through Statistical Package for the Social Sciences (SPSS). To ensure accuracy of the test, the SPSS software was employed to perform statistical operations like cross-tabulation and bivariate statistics on it (Creswell, 2017). The researcher used NVIVO software to create themes from the collected data.

### 3.9 Validity and Reliability

Blumberg et al. (2011) define validity as the extent to which an instrument reflects the abstract construct being studied, whereas reliability is concerned with how consistently an instrument measures the concept of interest. To ensure content validity, questionnaires included a variety of questions about the impact of Micro-finance on poverty knowledge in Namibia. The questionnaire was also validated by experts in the Micro-finance field and by adopting some parts from other previous study questionnaires. If a study and its findings are reliable, it means that the same results would be obtained if the study was replicated using the same methodology. A pilot study was done to determine how reliable and valid the research instrument and the research questions were.

### 3.10 Research Ethics

Participants' privacy was protected by interviewing them in private rather than in public locations (Zikmund, Babin, Carr, & Griffin, 2010). Since no names were connected to the records, the participants' personal information was not disclosed during the publication or presentation of the study findings; the identification of the participants was kept solely secret from all third parties. Participation in this study was voluntary and no participant was offered a monetary reward or any other form of reward for taking part in this study. To respect and adhere to ethical issues for this study, all participants were informed about the research and its goals. Participants were provided a consent form to sign before participating in any research activity. Participants were required to sign a consent form before they could begin.

### 3.11 Chapter Summary

This chapter discussed the methodology approach of the proposed study; it highlighted the philosophical approach research methods, data collection process, research instruments, population, sample and sampling methods and the research ethics adhered by this study.

## Chapter 4: Results and Discussion

### 4.1 Introduction

This chapter focuses on presenting the research results, discussion and interpretation of the research findings. The chapter starts by providing the response rate to the survey, and then the demographic data is presented. The chapter then presents the major findings of the study based on the study's objectives. 120 questionnaires were issued to participants and returned to the researcher. The response rate was 100%. Fincham (2018) states that researchers should aim for response rates of about 60%.

### 4.2 Demographic information

#### 4.2.1 Socio Demographic Characteristics

**Table 4.2.1 Age Category and Gender**

| Gender | Age Group | | | | |
|---|---|---|---|---|---|
| | **18-30** | **31-40** | **41-50** | **> 50** | **Total** |
| **Male** | 35.0% | 24.0% | 4.0% | 1.0% | 64.0% |
| **Female** | 16.5% | 11.0% | 6.5% | 2.0% | 36.0% |
| **Total** | 51.5% | 35.0% | 10.5% | 3.0% | 100.0% |

The respondents' ages range from 21 to 63. The average age is 33, and the median age is 30. A total of 51.5 percent of respondents are between the ages of 18 and 30. Men account for 61% of respondents, and the majority of those polled indicated that they are married (68 percent). The percentage of male and females in each age group is shown in Table 4.2.1 above, 19% of

borrowers are registered refugees, 11% are unregistered refugees as they indicated on the questionnaire, and 68% are non-refugees, according to the poll. These results indicate that youths from Swakopmund are benefitting from micro-finance to support even their families, in the case of the married respondents.

**Table 4.2.2: Educational Attainment and Gender**

| **Educational attainment** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Gender** | **Not educated** | **Less than primary education** | **Primary education** | **Secondary education** | **TVET college** | **University** | **Total** |
| **Male** | 4.0 % | **4.5 %** | **1.0 %** | **12.6 %** | **15.2 %** | **26.3 %** | **63.6%** |
| **Female** | 2.6 % | **2.5 %** | **2.5 %** | **9.6 %** | **6.6 %** | **12.6 %** | **36.4%** |
| **Total** | 6.6 % | **7.0 %** | **3.5 %** | **22.2 %** | **21.8 %** | **38.9 %** | **100%** |

Table 4.2.2 above indicates the percentages in terms of educational achievement, 6.6 % of respondents believe they are uneducated, while 7% have only completed pre-primary school (less than primary school) and 3.5% have only completed primary school. 22.2% have completed their secondary education, whereas 21.8% have college degrees and 38.9 percent have university degrees. The distribution of educational attainment by gender is presented in Table 4.2.2 above. The results indicate that the respondents were educated enough to understand and answer questions of the study honestly.

### 4.2.3 Business Activities

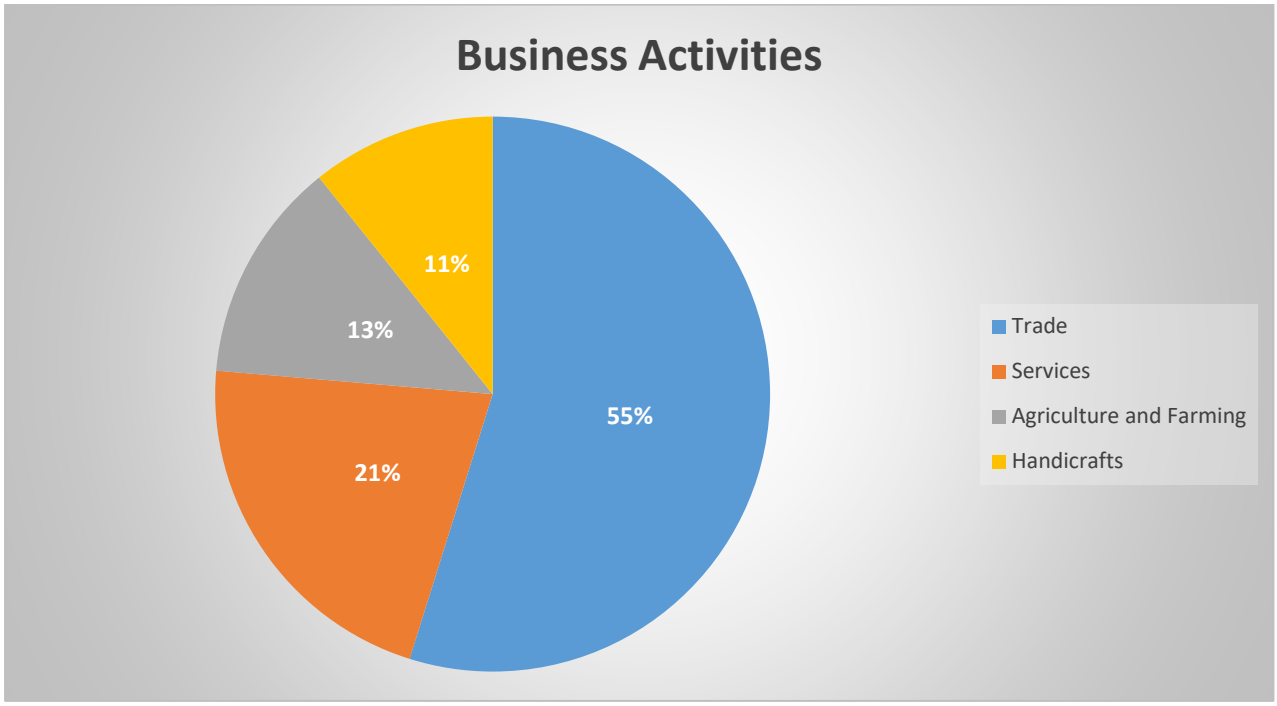



Figure 4.1 Business activities

The following statistics represent the people who filled out the survey and answered questions about their business activities. Figure 4.1 indicates that 55% of people who obtain business loans work in trade, 21% in services, 13% in agriculture and farming, and 11% in handicrafts and small productions. The numbers indicate that more people in the trade industry obtain loans to finance their businesses than in small productions and agriculture. Andreou (2018) states that most people who are poor or do not have a lot of money don't have enough money to do business with traditional financial institutions.

## 4.3 Data presentation and Discussion

### 4.3.1. Existing financial products used by microfinance firms to help people get credit and save.

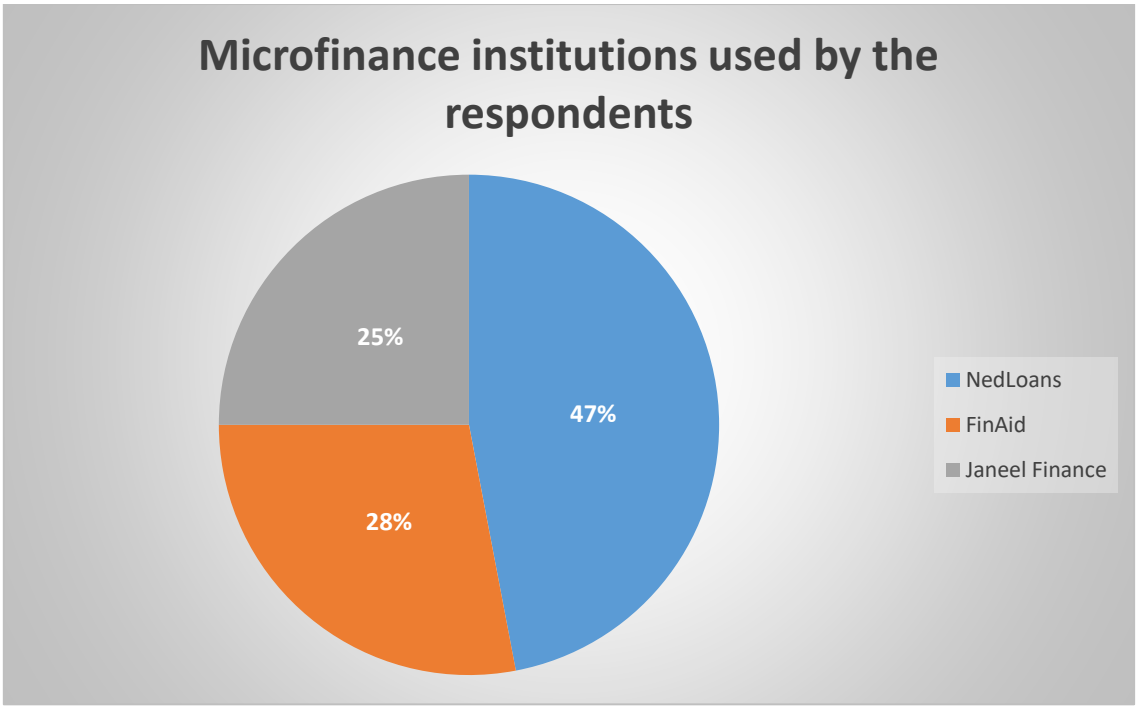
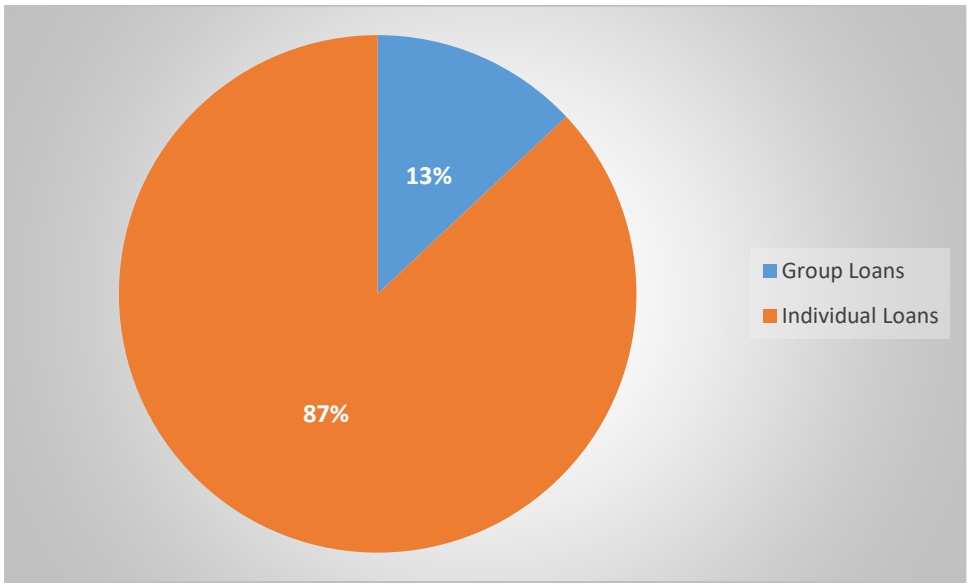



Figure 4.2: Microfinance institutions used by the respondents

The graph indicates a total of 100 respondents. 47% borrowed exclusively from NedLoans, 28% exclusively from FinAid, and 25% exclusively from Janeel Finance. The results indicate that the respondents prefer NedLoans over FinAid and Janeel Finance.

**Figure 4.3.2: Nature of loans obtained**



The diagram above indicates that only 13% of those polled received group loans, while the remaining 87% received individual loans. Promissory notes, personal guarantees, laptops, television sets, vehicles, and other costly assets were all required to be provided as collateral according to the participants' response.

The results indicate that the larger percentage of the loans were provided to individuals in preference to collateral security

Respondents named the primary reason for borrowing, and those who took out loans for many reasons ranked them according to their importance. The majority (45%) of the respondents claimed that they borrowed money to finance their enterprises; other 20% stated that they took out loans to settle debt; and 10% stated that they took out loans to upgrade their homes. The study also discovered that 15% of the individuals borrowed money to address family needs, while 6% borrowed to pay for their education. The study also discovered that 4% participants used credit to pay for their wedding expenses.

Wages, profits from micro-financed businesses, other loans, and other sources, including informal networks, are among the sources of payment for loan installments, according to participants. 80% of respondents listed the causes for falling behind on loan payments, with the following being the most common: 25% because of family financial needs, 20% market recession, and 35% business loss. This implies that a big percentage (35%) of the respondents fail to repay loans because their businesses make losses instead of intended profits.

30% of the participants that they were unable to save after taking out microfinance loans. 50% of respondents, on the other hand, stated that they were contended with the loan's terms and conditions as well as the repayment plan. However, the respondents expressed dissatisfaction with microfinance organisations because of the high interest rates and lengthy regulations and paperwork required to acquire a loan. Short grace periods, tiny loan values, lack of grace periods, severe loan terms, bad treatment by loan officers, and large penalty costs on late repayment are among the other reasons cited by participants. Despite this, 20% of respondents stated they would like a second loan to start a new business, grow an existing one, or cover personal and other needs. The youths of Swakopmund have been taking loans and bettering themselves though they complain about high interest rates, bad treatment by loan officers and the strain when it comes to repaying the loans.

### 4.3.2 How successful microfinance institutions have been in eradicating poverty among people

**Table 4.3.3: Household Welfare**

| Variable | Income OR (Robust SE) | Consumption OR (Robust SE) | Nutrition OR (Robust SE) | Education OR (Robust SE) | Health Care OR (Robust SE) | Non-Land Assets OR (Robust SE) | Housing Conditions OR (Robust SE) | Social Empowerment OR (Robust SE) |
|---|---|---|---|---|---|---|---|---|
| Log (Microfinance Loans Value) | 0.00 (0.00) | 0.00 (0.00) | 0.52 (0.45) | 0.13 (0.13) | 0.00 (0.00) | 0.18 0.82 | 0.82 (0.88) | 0.17 (0.20) |
| Years in Microfinance | 3.50 (1.84) | 3.50 (1.84) | 0.96 (0.14) | 1.00 (0.17) | 0.60 (0.11) | 1.08 (0.19) | 1.29 (0.36) | 1.94 (0.59) |
| *Number of Microfinance Loans* | 2.03 (0.94) | 2.03 (0.94) | 0.91 (0.18) | 1.23 (0.26) | 2.12 (0.62) | 1.50 (0.44) | 1.47 (0.66) | 0.72 (0.16) |
| *Interest Rate* | 0.00 (0.00) | 0.00 (0.00) | 0.91 (0.02) | 0.97 (0.02) | 0.99 (0.03) | 0.00 (0.00) | 0.91 (0.02) | 0.90 (0.02) |
| *Access to Other Sources of Funding* | 0.96 (1.17) | 0.96 (1.17) | 0.70 (0.37) | 0.38 (0.24) | 1.28 (1.02) | 1.18 (0.64) | 1.34 (0.88) | 0.74 (0.56) |
| *Exposure to External Shocks* | 141.34 (187.14) | 141.34 (187.14) | 0.93 (0.49) | 0.75 (0.41) | 0.63 (0.51) | 0.66 (0.35) | 0.32 (0.19) | 2.07 (1.29) |
| *Female* | 166.20 (269.54) | 166.20 (269.54) | 1.72 (0.92) | 2.20 (1.44) | 27.51 (25.35) | 0.76 (0.43) | 0.89 (0.56) | 0.78 (0.50) |
| *Single* | 0.03 (0.05) | 0.03 (0.05) | 1.24 (0.68) | 3.14 (2.10) | 0.99 (0.64) | 0.52 (0.32) | 0.51 (0.29) | 0.89 (0.55) |
| *Refugee* | 0.60 (0.56) | 0.60 (0.56) | 0.55 (0.37) | 0.46 (0.30) | 1.00 (0.30) | 0.09 (0.07) | 0.15 (0.11) | 0.11 (0.09) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *Business Loan* | 2,444.26 (4,330.25) | 2,444.26 (4,330.25) | 4.36 (2.40) | 0.74 (0.49) | 7.31 (7.00) | 1.07 (0.57) | 0.64 (0.44) | 2.00 (1.43) |
| *Improved Access to Educational Facilities* | - | - | - | 4.76 (3.01) | - | - | - | - |
| *Improved Access to Health Facilities* | - | - | - | - | 87.17 (104.80) | - | - | - |
| *Age* | 0.76 (0.06) | 0.76 (0.06) | 1.04 (0.04) | 0.97 (0.04) | 0.97 (0.04) | 0.94 (0.04) | 1.08 (0.05) | 1.17 (0.06) |
| *Non-University Education* | 0.30 (0.30) | 0.30 (0.30) | 0.49 (0.26) | 1.23 (0.68) | 0.17 (0.16) | 1.13 (0.61) | 1.01 (0.54) | 0.43 (0.32) |
| *Log(Average Household Income)* | 273.96 (1,059.94) | 273.96 (1,059.94) | 1.98 (2.62) | 7.05 (10.24) | 17.54 (27.05) | 9.32 (15.18) | 0.52 (0.94) | 0.05 (0.09) |
| *Household Size* | 1.07 (0.28) | 1.07 (0.28) | 0.88 (0.08) | 0.78 (0.08) | 0.93 (0.19) | 0.80 (0.09) | 0.83 (0.11) | 0.97 (0.13) |
| Constant | $3.68 \times 10^{+15}$ ($4.03 \times 10^{+16}$) | $3.68 \times 10^{+15}$ ($4.03 \times 10^{+16}$) | 0.53 (2.19) | 4.75 (20.69) | $8.84 \times 10^{+7}$ ($6.48 \times 10^{+8}$) | 12.74 (60.67) | 9.26 (51.77) | 456,969.40 (3,131,797) |
| Number of Observations | 95 | 95 | 102 | 102 | 97 | 101 | 101 | 102 |
| Wald Chi-Squared | 32.46 | 32.46 | 38.04 | 36.42 | 45.33 | 17.21 | 49.75 | 57.98 |
| Hosmer-Lemeshow Chi-Squared | 4.63 | 4.63 | 6.02 | 8.19 | 11.14 | 6.60 | 1.53 | 10.81 |

**Table 4.3.4: Business Development**

| **Variable** | ***Sales*** ***OR*** **(Robust SE)** | ***Profits*** **OR** **(Robust SE)** | ***Capital*** OR **(Robust SE)** |
|---|---|---|---|
| Log (Microfinance Loans Value) | 1.27 (2.42) | 3.12 (4.03) | 1.15 (1.84) |
| Years in Microfinance | 2.08 (0.57) | 3.48 (1.78) | 1.40 (0.27) |
| Interest Rate | $6.68 \times 10^{10}$ ($1.16 \times 10^{12}$) | 0.73 (0.05) | 5.92 (64.83) |
| Years in Business | 0.79 (0.11) | 0.60 (0.13) | 1.06 (0.11) |
| Informal Business | 0.87 (0.74) | 55,338.33 (135,155.10) | 1.17 (0.91) |
| Risk-Avert | 0.36 (0.28) | 0.11 (0.15) | 0.14 (0.11) |
| Constant | 0.16 (1.38) | 0.05 (0.22) | 1.87 (11.61) |
| Number of Observations | 68 | 66 | 69 |
| Wald Chi-Squared | 10.49 | 37.81 | 15.10 |
| Hosmer-Lemeshow Chi-Squared | 7.88 | 5.72 | 3.72 |

After removing eight crucial pieces of information with beta values greater than two, the results of a regression model that examined the impact of microfinance variables on the average monthly household income growth of borrowers were discovered. The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. Due to missing data, the margin of error increases to 8% at a confidence level of 90%, despite the fact those just 95 observations were utilised to estimate this model.

Log (microfinance loan value), interest rate, exposure to external shocks, female, business loan, age, and constant term are statistically different from zero at the 1% significance level, whereas years in microfinance and being single are statistically different at the 5% significance level. The number of microfinance loans, access to alternative funding sources, being a refugee, not attending college, the log of the average household income, and the size of the household are all statistically insignificant when compared to zero.

Table 4.3.3 illustrates the relationships between various characteristics of microfinance and how individuals perceive their income. On the one hand, the probability of having a better understanding of their monthly income increases by 3.50 percent for each year of participation in microfinance programmes. On the other hand, the ORs for log (microfinance loan value) and interest rate indicate a negative association between income perception and microfinance loan value. The OR decreases by 1 for every 1 percent increase in the total value of microfinance loans. Additionally, the OR decreases to zero each time the interest rate increases by 1 percent. Unlike the other microfinance criteria stated above, the amount of microfinance loans has no impact on how income is perceived by borrowers.

When microfinance is given to persons who have had external shocks during the past three years, the odds of a better-perceived income increase by 141.34; when it is given to women, the odds increase by 166.20; and when it is used for business loans, the odds increase by 2,444.26. Nonetheless, the OR decreases by 97 percent for unmarried, divorced, and widowed individuals, and by 24 percent for each passing year. The odds ratios for better-perceived income are unaffected by the other influencing variables. When all of the model's independent variables are 0, the constant term represents the OR value. Because the values for age and number of people in a household cannot be zero, the constant phrase is irrelevant.

Table 4.3.2 displays the findings of a regression model that examined the effect of microfinance characteristics on borrowers' views of increased monthly per capita consumption spending, after eight significant observations with beta values greater than two were eliminated.

35 The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. Due to missing data, the margin of error increases to 8% at a confidence level of 90%, despite the fact those just 95 observations were utilised to estimate this model.

When the dependent variable is consumption expenditures, the final result of the regression closely resembles the outcome of the income model. The results indicate that log (microfinance loan value), interest rate, exposure to external shocks, female, business loan, age, and constant term are statistically different from zero at the 1% significance level, whereas years in microfinance and being single are statistically different at the 5% significance level. The number of microfinance loans, access to alternative funding sources, being a refugee, not attending college, the log of the average household income, and the size of the typical household are all statistically insignificant when compared to zero.

The model's results also demonstrate the various relationships between microfinance parameters and customer spending. On the one hand, with every year of participation in microfinance programmes, the probabilities of higher estimated monthly spending per person increase by 3.50. On the other hand, the fact that the ORs for log (microfinance loans value) and interest rate are both 0 indicates a negative relationship between consumer spending and interest rate. If the total amount of microfinance loans increases by 1%, the OR decreases by 1% until it hits 0. For each unit that the average interest rate increases, the OR decreases by one. Conversely, the amount of microloans has no bearing on how much people spend.

Microfinance for those who have undergone external shocks in the past three years improves the likelihood of better-perceived consumer spending by 141.34; microfinance for women increases the likelihood by 166.20; and microfinance for business loans increases the likelihood by 2,444.26. Nonetheless, the OR decreases by 97 percent for unmarried, divorced, and widowed individuals, and by 24 percent for each passing year. The other control factors had no effect on the odds ratios for better-perceived consumption spending. When all of the model's independent variables are 0,

the constant term represents the OR value. Because the values for age and number of people in a household cannot be zero, the constant phrase is irrelevant.

The null hypothesis, H1, that there is no correlation between microfinance and household welfare is rejected when the influence of microfinance on consumption spending is examined using the number of years of microfinance. This microfinance variable has a positive impact. When log (microfinance loan value) and interest rate are employed to measure the impact of microfinance on consumption spending, H1 is likewise false. These variables have a harmful impact. H1 is not discarded, however, when the number of microfinance loans is used to measure microfinance, as it makes little impact.

The Wald Chi-Squared test statistic rejects the null hypothesis that the logistic regression coefficients are all equal to zero, but the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is appropriate. At a confidence level of 90%, the model's margin of error increases to 8% due to the utilisation of 102 observations in its development.

The results indicate that interest rate and company loan are statistically significant at the 1% level when starting from zero,however, female, single, a refugee, age, not having attended college, the log of the average household income, and the number of household members are not statistically different from zero. Log (microfinance loans value), years in microfinance, number of microfinance loans, access to other sources of funding, exposure to external shocks, female, single, refugee, age, non-university education, log (average household income), and household size do not differ statistically from zero.

This model indicates that there is a negative association between interest rate and better nutrition perception. For each 1 percent increase in interest rate, the OR for better nutrition perception decreases by 9 percent. There is no statistically significant correlation between the log (worth of microfinance loans), years in microfinance, total number of microfinance loans, and nutrition. Microfinancing business loans increases the likelihood that individuals believe their diet is superior by 4.36 times. The remaining control factors in the model did not have a statistically significant impact on the likelihood that nutrition would be perceived as superior.

After removing one significant observation with a beta value greater than two, the regression model was utilised to determine the relationship between microfinance factors and education. The

Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. Given the amount of data utilised to develop the model, the margin of error increases to 8% at a confidence level of 90%. (102).

Log (microfinance loan value), greater access to educational facilities, and household size are statistically different from zero at the 5% significance level, whereas interest rate and single are statistically different at the 10% significance level, as shown in Table 4.3.2. Years in microfinance, quantity of microfinance loans, access to alternative funding sources, external shocks, female, refugee, business loan, age, lack of college education, and log (average family income) are all statistically insignificant when compared to zero.

This model indicates that two microfinance factors make it more difficult to attend school. The OR decreases by 87% for every 1% increase in the total value of microfinance loans. Also, a 1 percent increase in the interest rate results in a 3 percent decrease in the OR. The number of years spent in microfinance and the total number of loans are insignificant and have no effect on schooling.

The results also indicate that the OR decreases for those who are married, whilst the odds of having a greater education increase by 3.14 for the unmarried. In addition, when all other factors are held constant, the OR is highest for borrowers who said that moving closer to educational facilities has made it simpler for them to access them over the past three years. The likelihood that these borrowers have a more positive assessment of their schooling increases by 4.76 for these borrowers. Likewise, the OR decreases by 22% for each additional household unit.

The results of the regression model that examined the effect of microfinance variables on borrowers' perceptions of improved access to health care were obtained by excluding five significant variables with beta values greater than two. 38 The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. The model's estimation is based on a total of 97 data, reducing the margin of error to 8% at a confidence level of 90%.

Log (microfinance loans value), years in microfinance, number of microfinance loans, female, and better access to health facilities are statistically significant from zero at the 1 percent level. Business loan and constant term are statistically significant from zero at the 5 percent level. In comparison to zero, the interest rate, alternative sources of income, external shocks, singleness, refugee status, age, and household size are statistically insignificant.

The number of microfinance loans increases by 2.12 the likelihood that consumers believe they have better access to health care. On the other hand, the ORs decrease when log (worth of microfinance loans) and years in microfinance are considered. The OR becomes null if the total quantity of microfinance loans increases by 1 percent. The odds ratio (OR) decreases by 40 percent for each additional year of participation in a microfinance project. However, the interest rate has no effect on how the borrower feels.

In addition, the statistics indicate that the ORs for women, business loans, improved access to health care facilities, and logging are all increasing (average household income). The odds ratio increased by 27.51 percent for women who received microloans. In contrast, the probability increases by 7.31 times when microfinance is utilised for business loans. The OR is highest for individuals, whose household access to health care facilities has improved during the past three years, assuming all other factors remain constant. The likelihood that these individuals feel they have improved access to health care increases by 87.17 percent. Additionally, the likelihood of observing a positive impact of microfinance on access to health care increases by 17.54 percent for every one percent increase in household income. Nonetheless, the OR decreases by 83% for borrowers without a college degree. The other control variables have no influence on the observed ORs.

The regression logistic model was able to determine how microfinance influences borrowers' views of owning more non-land assets after eliminating the two data with beta values greater than two. The Wald Chi-Squared test statistic fails to reject the null hypothesis that all logistic regression coefficients equal zero. However, the Hoshmer-Lemeshow test statistic does not exclude the possibility that the model fits. 101 observations were utilised to estimate the model, resulting in an 8 percent margin of error at a confidence level of 90 percent.

Refugee status is statistically distinct from zero at the 1% level, and household size is statistically different from zero at the 5% level, as shown in Table 4.3.2. Log (microfinance loans value), log

(microfinance loans quantity), interest rate, access to alternative sources of funding, exposure to external shocks, female, single, business loan, age, non-university education, and log (average family income) had no statistically significant difference from zero.

These regression results indicate that microfinance has little impact on how individuals feel about assets other than land. In this model, none of the microfinance variables are statistically significant. Having refugee status reduces the likelihood that a respondent's non-land assets will increase by 91 percent.

The regression logistic model was able to determine how microfinance influences borrowers' perceptions of better housing circumstances after excluding two key pieces of information with beta values over two.

40 The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. With 101 data utilised to estimate the model, the margin of error increases to 8 percent at a confidence level of 90 percent.

The results indicate that the interest rate and being a refugee are statistically significant at the 1% level, but exposure to external shocks and age are statistically significant at the 10% level. Female, single, business loan, education level below college, log (average household income), and household size are statistically indistinguishable from zero. Log (microfinance loans value), years in microfinance, number of microfinance loans, access to alternative funding sources, female, single, business loan, non-university education, log (average household income), and household size are statistically insignificant from zero.

This model's results indicate that micro financing has a detrimental impact on how individuals feel about their living situations improving. The OR of better-perceived housing reduces by 9% per unit rise in the interest rate. There is no statistically significant relationship between log (microfinance loans value), years in microfinance, or the total amount of microfinance loans and housing circumstances.

The results also indicate that the OR increases by 1.08 each age unit. However, the odds of experiencing an improvement in living conditions decrease by 68 percent for those who have been

affected by external events in the preceding few years and by 85 percent for those who are registered as refugees.

The results of the logistic regression model that examined how microfinance parameters affected how borrowers felt about their social power were obtained after excluding one significant observation with a beta score greater than five. The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. With 102 data required to estimate the model with 90% confidence, the margin of error increases to 8%.

The results indicate that interest rate, status as a refugee, and age are statistically significant at the 1% level; years in microfinance are statistically significant at the 5% level; and the constant term is statistically significant at the 10% level. Female, single, business loan, education level below college, log (average household income), and household size are not statistically distinguishable from zero.

Table 4.3.2 illustrates a variety of connections between microfinance characteristics and social empowerment. Each year of microfinance engagement increases the OR by 1.94 percentage points. Conversely, the OR decreases by 10% for each percentage point change in the interest rate. The log (value of microfinance loans) and the quantity of microfinance loans had little effect on how socially powerful people felt.

The results also indicate that statistically significant control variables have distinct effects on ORs. For instance, the OR increases by 1.17 units every unit of age. For registered refugees, however, the OR decreases by 89 percent. The outcome is unrelated to the remaining control factors. When all of the model's independent variables are 0, the constant term represents the OR value. Because the values for age and number of people in a household cannot be zero, the constant phrase is irrelevant.

The results of the logistic regression models indicate that the odds ratios of positive judgments regarding three household welfare indicators increase as the duration of participation in microfinance programmes increases. In addition to income and consumption expenditures, there is also a measure of social empowerment. The interest rate decreases the likelihood of improved views of the same indicators. Among other things, interest rates have a negative impact on

nutrition, education, and housing circumstances. When log is included, the odds ratios of income, spending, education, and health care all decrease (microfinance loans value). With the exception of health care, the quantity of microloans has little effect on a family's well-being. However, as the number of microloans increases, the likelihood of improved health care increases. In addition, the results indicate that none of the microfinance variables utilised in the regression models have an effect on the ORs for non-land assets.

The regression model was able to determine how microfinance factors affected firm sales after excluding one significant observation with a beta value greater than five. The Wald Chi-Squared test statistic fails to reject the null hypothesis that all logistic regression coefficients equal zero. However, the Hoshmer-Lemeshow test statistic does not exclude the possibility that the model fits. Even if the number of observations required to estimate the model has decreased to 68, the change in the margin of error cannot be computed due to the lack of information on the total number of active business loan applicants in 2013.

Table 4.3.4 demonstrates that the number of years in microfinance is statistically distinct from zero at the 1% confidence level, whereas the number of years in business is statistically distinct from zero at the 10% confidence level. Interest rate, informal business, and risk avoidance are statistically insignificant when compared to zero.

The final regression results indicate that the probability of reporting an increase in business sales after receiving microfinance increase by 2.08 percentage points for each year of microfinance participation. The influence of microfinance experience and interest rates on sales is minimal. In addition, none of the model's control variables had a significant impact on the projected ORs throughout business years. The OR decreases by 21% for every year the business has been operational.

After excluding one significant observation with a beta value greater than five, the regression model was able to determine how microfinance elements affect a business's profitability. The Wald Chi-Squared test statistic rejects the null hypothesis stating that all logistic regression coefficients equal zero. The Hoshmer-Lemeshow test statistic does not, however, reject the null hypothesis that the model is valid. Even if the number of observations used to estimate the model has decreased to 66, the change in the margin of error cannot be computed because the number of active business loan borrowers in 2013 is unknown.

Table 4.3.2. demonstrates that interest rate and informal business are statistically significant at the 1% level, whereas years in microfinance and years in business are statistically significant at the 5% level, and risk-avoid is statistically significant at the 10% level. The log of the value of microfinance loans is statistically negligible when compared to zero.

The final model result indicates that the probability of higher perceived firm profits increases by 3.48 percentage points for each additional year of microfinance involvement and decreases by 27 percentage points for each unit rise in interest rate. In addition, the OR for a company loan increases by an enormous 55,338,33, but it decreases by 40% for each year the business has been open and by 89% for risk-averse borrowers.

After excluding one significant observation with a beta value greater than 2.44, the regression model was able to determine how microfinance parameters influenced borrowers' attitudes on raising firm capital. The Wald Chi-Squared test statistic rejects the null hypothesis that all logistic regression coefficients equal zero, whereas the Hosmer-Lemeshow test statistic does not reject the null hypothesis that the model is fit. Even if the number of observations used to estimate the model has decreased to 69, the change in the margin of error cannot be computed due to a lack of information regarding the total number of active business loan applicants in 2017.

Table 4.3.2 displays the results of the regression. Risk-avert is statistically distinct from zero at the 5% level, whereas years in microfinance are statistically distinct at the 10% level. The interest rate, number of years in operation, and type of firm are all statistically negligible when compared to zero.

The longer an individual participates in a microfinance programme, the greater their capital. The OR increases by 1.40 for each additional year spent on microfinance. In contrast, the other microfinance variables did not significantly affect capital. Similarly, the model's control variables have little impact on this company development indicator, with the exception of risk-avoidance, which reduces the odds by 86%.

According to the results of the three logistic regressions on the effect of microfinance on business growth, the likelihood of increasing sales, earnings, and capital increases with the duration of microfinance participation. However, neither the log (the value of microfinance loans) nor the interest rate impacts the expansion of a firm. Years in business and risk aversion are two more

control factors that harm the ORs. In contrast, informal business has a significant beneficial impact on profit OR (Robust Standard Error).

The null hypothesis H2, which states that microfinance institutions do not assist youths in escaping poverty, is refuted when the number of years in microfinance is used to measure the impact of microfinance on social empowerment and this variable has a positive effect, as interpreted from the results. When the microfinance variable is the interest rate and its effect is negative, it is likewise rejected. H1 is not rejected when the effect of microfinance on social empowerment is assessed by the log (value of microfinance loans) and the number of microfinance loans.

### 4.4 Discussions of Finding

This study's respondents (51.5%) were mostly young individuals between the ages of 18 and 30. This result is consistent with the consumption life-cycle theory, which claims that households strive to maintain a consistent purchase pattern throughout their lifespan. Households with children are more inclined to use credit and are willing to spend a percentage of their future income, which they anticipate will increase over time, to acquire assets and durables (Andreou, 2011).

Despite the fact that MFIs do not have any minimum education requirements for loan eligibility, data collected shows that around 60% of borrowers have completed their tertiary education. Nonetheless, there are substantial statistics indicating that some types of borrowers who are business owners have greater educational requirements. Approximately 23% of borrowers who took out business loans had no prior business experience, and 68% had only an elementary degree. These findings lend credence to the assumption that MFIs lack qualifying standards in place to ensure that their programs assist the disadvantaged (Elayyan, 2017).

Regression models were employed in this study to look for any significant relationship between household welfare and microfinance measures such total number and value of microfinance loans, length of participation in microfinance programs, and average yearly interest rate. Other significant components that could influence perceptions are also accounted for in the models via control variables.

Access to alternative sources of funding, exposure to positive or negative external shocks in the previous three years, gender, marital status, refugee status, type of loan, improved accessibility to

educational or health facilities as a result of proximity, age, education, household income, and household size are among these.

One of the primary microfinance factors of interest is the length of participation in microfinance programs. From a positive standpoint, it is reasonable to predict that microfinance's long-term positive impact will improve over time. For example, the impact of microfinance on a new borrower's household welfare is likely to differ from that of an older borrower. Longer involvement, on the other hand, means that borrowers become increasingly reliant on MFIs to enhance their living standards, even if loans are repaid on time. The odds ratios of better-perceived income, per capita consumer expenditure, and social empowerment all raise with the length of time spent in microfinance, according to this study.

Interest rate had a substantial negative relationship with the ORs of better-perceptions of household welfare indicators such as income, per capita consumption expenditure, nutrition, education, housing, and social empowerment, unlike length of participation in microfinance programs. The link with monetary indicators is particularly negative; the interest rate symbolises the cost of borrowing, which is deducted directly from disposable income.

Assuming that the poor spend all of their money on basic requirements, a higher interest rate results in lower income and, as a result, lower subsistence spending. Subsistence living does not imply better food, education, or housing circumstances, or the ability to meet non-essential household demands. Thus, the poor's restricted ability to spend on improved standards of life can explain the weak relationship between interest rate and the ORs of better-perceptions on nutrition, education, housing, and social empowerment. Even for health and non-land assets, the impact of interest rates is negligible, meaning that the amount of household income utilised to cover health bills and purchase assets is modest. Micro-finance is defined by Micro-finance Gateway as a movement that meets the requirements of low-income households by providing inexpensive financial services to finance income-generating activities, build assets, stabilise consumption, and safeguard against hazards (Micro-finance Gateway, 2016).

In addition, the total value of microfinance loans has a negative influence on income, consumption expenditure, education, and health care. For monetary indicators and health care, the relationship is particularly important. This discovery calls into question Neoliberalism's core notion that credit alleviates poverty. To argue with Bateman & Chang (2019), it turns out that increasing the quantity

of credit available reduces the likelihood of noticing increases in certain household wellbeing metrics.

Except for health care, the number of microfinance loans has no meaningful link with household welfare measures. A greater OR of better-perceived health care is associated with a rise in the number of microfinance loans. This may be due to the primary purpose of loans: borrowers typically utilise the first few loans to finance enterprises and repay debt, before turning to additional loans for health care as shown in table 4.3.2.

Only four out of 32 studied connections support the positive impact of microfinance, according to this study, which looked at four microfinance variables and eight household wellbeing indices as shown is 4.3.2. The rest of the tested associations are non-existent, while the other existing links that count to 10 are negative. As a result, the findings of this study do not support the Neoliberal premise that microfinance has a favorable influence.

The findings of this study contradict those of Pitt & Khandker (1998), who found a favorable relationship between microfinance, non-land assets, and education. They also disagree with the findings of Optimum for Consultancy and Training (2009), which found that loans enable generally 80% of borrowers to save emergency cash for food and housing. Furthermore, the result that microfinance (as measured by the number of loans) is associated with better-perceived health care contradicts Banerjee et al. (2015), who found that microfinance has no effect on health (see table 4.3.2).

Some control variables, in addition to the microfinance variables, are shown to be statistically significant. External shocks, gender, marital status, refugee status, kind of loan, increased access to educational and health facilities, age, education, average household income, and household size are some of the factors to consider. Access to other sources of funding has had no discernible influence.

External shocks have a beneficial effect on the odds ratios of better-perceived income and consumer expenditure. From a monetary standpoint, this indicates that these external shocks are beneficial. The OR, on the other hand, falls for housing, implying that such shocks are rerouting spending away from housing and into more basic consumption patterns.

The attitudes of borrowers are also influenced by gender. Females have larger ORs for better-perceived impact of microfinance on income, consumption expenditure, and health care than males. This is in line with the assumption that women use their loans for constructive purposes in order to improve home welfare (Brau & Woller, 2004). Marital status has an impact on how people perceive changes in income, consumption, and education. Single borrowers had lower ORs of better-perceived income and consumption because they do not always use their income to contribute to household income or consumption expenditure. Single borrowers, on the other hand, are more likely to put their money towards schooling.

When looking at the influence of microfinance on non-land asset holdings, housing circumstances, and social empowerment, refugee status is an important factor to consider. For registered refugees, the odds of perceiving a favorable influence of microfinance on these metrics are lower than for non-registered refugees and non-refugees. This is a reflection of the situation that refugees find themselves in. Many registered refugees live in substandard homes and rely solely on their income to survive. Their earnings are rarely used toward non-land assets, home upgrades, or other fundamental family requirements. From the findings, registered refugees receive free education and health care through, which explains why refugee status has a statistically small impact on the ORs of better-perceived education and health.

Another factor that influences borrowers' attitudes is the sort of microfinance loan they get. For business loans, the odds of experiencing good effects of microfinance on income, consumption, nutrition, and health care improve. Microenterprise funding, according to the Neo-classical paradigm, should assist the poor in escaping poverty. The data reveal that the odds of greater business profitability grow as the amount of time spent participating in microfinance programs increases. As a result, it's reasonable to infer that some of the profits generated are used by entrepreneurs as a source of income to pay household expenditures on food and non-food items like health care.

The likelihood of perceiving a positive impact of microfinance on education rises as educational facilities become more accessible. This conclusion indicates that, as compared to governmental and private investments in educational facilities, microfinance has little impact on education. Similarly, improved access to health facilities raises the OR of believing microfinance has a beneficial impact on health care to a higher extent than microfinance variables.

Age is one of the most important determinants of better-perceived income, consumption expenditure, living circumstances, and social empowerment ORs. Better-perceived income and per capita consumption expenditure had lower ORs as people get older, but better-perceived living circumstances and social empowerment have higher ORs. Older borrowers appear to associate microfinance's beneficial impact to non-monetary variables, whereas younger borrowers appear to link microfinance's positive impact to monetary indicators.

The odds ratios of improved access to health care are influenced by education and average household income. Better education has a critical role in developing knowledge about the importance of health care, and university degree holders have a higher chance of perceiving improvements in health care than non-university degree holders. Furthermore, when household income rises, the likelihood of better perceived health care rises as well. This can be explained by the comparatively high cost of accessing Swakopmund privatised health care facilities, which are known for their greater quality when compared to public facilities. Not all low-income borrowers are able to afford these high-priced services.

While one might expect household size to have a negative relationship with per capita consumer spending, food quality, and living conditions, this study finds that household size has no significant effect on the ORs of any of these variables. Nonetheless, the ORs of better-perceived education and non-land asset holdings are reduced by household size. This is unsurprising since when a household's size is large and income is low, the ability to spend on education and assets is limited; the head of the home is pushed to meet the most basic demands at the expense of other needs such as education and asset holdings.

According to this study, the contribution of microfinance to improved household welfare is very low, refuting Neoliberal claims about microfinance's positive influence. Although the findings of this study do not perfectly duplicate the findings of any of the other studies examined, they do contribute to the body of literature, which already contains conflicting conclusions influenced by time, region, and study methodology.

This study's findings show that time spent in microfinance programs has a positive impact on business sales, earnings, and capital, implying that the possibilities of using a loan to start or grow lucrative activities improve as time spent in microfinance grows. In contrast, interest rates have a negative relationship with profitability. This finding on interest rates is not surprising given that

an increase in borrowing costs would affect profitability. There is no significant positive relationship between the log-transformed variable for the value of microfinance loans and the characteristics of company development.

Unlike interest rates, the legal status of a company has a very strong positive and significant relationship with earnings. This conclusion is consistent with the hypothesis that such a variable would have a positive significant impact on non-registered enterprises due to the lack of registration costs and tax fees.

With age, the likelihood of reporting increased sales and profits as a result of loan availability decreases. Businesses in the growth and expansion stages see an increase in sales and earnings. Start-ups, on the other hand, cannot attribute their increasing sales or profits to years in business, but rather to microfinance.

Another factor that influences the likelihood of positive business development is risk aversion. The ORs for risk-averse respondents fall in logistic models examining the impact of microfinance on earnings and capital. Risk-averse entrepreneurs prefer to make low-risk decisions and associate risk with loss. According to this study, risk-takers are more likely to use microfinance to support risky actions necessary for business growth in terms of earnings and capital.

This study's findings agree with those of Kevane & Wydick (2019), Coleman (2006), and Al Markaz for Development and Marketing Consultancies (2019) about the positive impact of microfinance on sales and capital. The findings on the impact of microfinance on business profits, however, contrast from those of Banerjee et al. (2015a), who discovered that while the upper tail of profitability increases, most businesses do not.

To summarize, time spent in microfinance increases the likelihood of reporting increased business sales, earnings, and capital after obtaining microfinance loans, whereas interest rates decrease the likelihood of reporting increased profits after obtaining credit. The ORs of better-perceived company development metrics are unaffected by the log-transformation of the value of microfinance loans. Three of the nine evaluated connections between microfinance variables and business development indicators are positive, one is negative, and the remaining five are non-existent.

The hypothesis is based on the interpretation of regression results presented previously: Microfinance organizations have not been successful in alleviating poverty. This microfinance variable has a positive impact. The hypothesis is also rejected when the log (value of microfinance loans) and interest rate are used to quantify the impact of microfinance on income, as shown in table 4.3.2.1. These variables have a negative impact. However, when the number of microfinance loans is used to measure microfinance, Hypothesis is not rejected because the impact is negligible.

### 4.5 Chapter Summary

The chapter provided a discussion on the study outcomes. It presented demographic information in form of tables (the age, gender, educational attainment of the respondents etc.), it also presented a detailed discussion of the findings and results.

## Chapter 5: Conclusions & Recommendations

### 5.0 Summary of Findings

The findings indicate that youths from Swakopmund are benefitting from micro-finance to support even their families, in the case of the married respondents**.** Respondents were educated enough to understand and answer questions of the study honestly. The larger percentages of the loans were availed to individuals in preference to collateral security. The study also discovered that 4% of the participants used credit to pay for their wedding expenses, study loans, home loans and other personal loans. However, a big percentage (35%) of the respondents fail to pay loans because their businesses make losses instead of intended profits so most people who take loans to sponsor their businesses are not able to pay the loans back and therefore poverty is not alleviated.

### 5.1 Conclusions

The study found that the longer a person takes part in microfinance programmes, the more likely they are to see improvements in their income, per capita consumption, social empowerment, and business sales, profits, and capital. Higher interest rates, on the other hand, lower the odds of better-perceived household income, per capita consumption expenditure, nutrition, education, living conditions, social empowerment, and profitability. The ORs of income, consumption, education, and health care are also lower when the value of microfinance loans is log-transformed. Also, the number of microfinance loans was found to increase the likelihood that people felt they had better access to health care.

The results of this study are in contrast with the Neoliberal view of microfinance's positive effects. They indicate that microfinance does not have a great positive effect on the welfare of households or the growth of businesses. Even though the positive relationships between length of participation in microfinance programmes and income, consumption spending, social empowerment, sales, profit, and capital can be seen as proof of microfinance's long-term benefits, they also indicate that there are major concerns about how microfinance programmes create a dependency relationship. More research needs to be done to investigate how much borrowers depend on microfinance to keep improving their household well-being and business.

## 5.2 Recommendations

The study's major recommendations are aimed at policymakers, international organisation, and non-governmental organisations (NGOs). Microfinance is not an effective poverty alleviation strategy at this time, as reflected by the circumstances on the ground, and alternative initiatives aimed at producing jobs for the poor are required. In terms of policy impact, the government could ensure that social assistance programs reach the needy and that public goods are of high quality until a successful poverty-alleviation program is established. The Government can also foster sustainable, market-based microfinance by reducing unfair competition from governmental institutions; implementing regulatory reform; and finally strengthening the business climate.

### 5.2.1 Recommendations for further studies

The study did not suggest possible successful poverty alleviation strategies; therefore, the researcher recommends that further studies may investigate strategies for alleviating poverty in Namibia.

A deeper investigation with a larger sample size could provide insight on how microfinance programs affect the average standard of life for the impoverished in Karnataka as a whole or in distinct locations.

Additional research should investigate what prompted individuals to enroll in the microfinance program as well as the challenges they had in repaying the loans they obtained.

To learn more about the capacity of microfinance institutions to provide their services to poor households, additional research on the supply gap of microfinance organizations might be done.

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