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## The Impact of Microfinance on Rural Poor Households' Income & Vulnerability to Poverty: Case Study of North Kordofan State

SAYED FADUL ELMOLA<sup>1</sup>, IBRAHIM BELAL<sup>2</sup>

<sup>1</sup>*West Kordofan Univesity, Rural Development, Sudan*

<sup>2</sup>*Peace University, Economics, Sudan*

### Abstract

Despite the efforts made by government and local NGOs to support the rural poorest, poverty reduction programmes have become the object of unprecedented attention at international summits in the 1990's. Finance is one of the most crucial inputs for economic activity, growth and development. Microfinance has proven to be an effective and powerful tool for poverty reduction. However, microfinance is only a mean and not an end like many other development tools; on the other hand, it has insufficiently penetrated the poorer strata of society. Data were collected during the season 2011/2012 using structured questionnaires distributed to 100 farm households applying multi-stage random technique. In addition, group discussions were conducted with key informants to ensure the accuracy of the data in the questionnaires. Descriptive statistics of measurements and an analysis of the poverty situations of the beneficiaries before and after microfinance were done. The results of the descriptive statistics show that there is a positive effect of microfinance on poverty reduction by 16 %. Before credit approval 60% of the sampled households didn't have sufficient financial means to cover or secure their basics needs, especially during the off-season. Poverty depth was reduced from 95 % to 12 % after microfinance credits and also severity of poverty reduced from 91 % to 2 %. Integrating time dynamics in the analysis the results generally indicate a positive and significant impact of microfinance on household income and strategy of poverty reduction. The results of the study revealed that the microfinance strategy have had impact on both economic and social aspects of the beneficiaries. Thus it can be concluded that the microfinance strategies have succeeded in their role of change agents, which could help in pushing back rural poverty.

**Keywords:** Kordofan, microfinance, poverty, vulnerability