**The Impact of Microfinance on Rural Poor Households, Income & Vulnerability to Poverty: Case Study of West Kordofan State**

**Prepare By**

**Sayed Ali Fadul Elmola Zareba**

West Kordofan University, Faculty of Business & Economics Sciences Elnhoud, Sudan

**Abstract**

Despite the proper efforts that have been made by government and NGOs to support the rural poorest and poverty reduction programmes have become the object of unprecedented attention atinternational summits in the 1990's**.** Finance is one of the most crucial inputs for economic activity, growth and development. The popular assumption is that enabling poor households access to micro- credit helps households begin small entrepreneurship which would enable them improve their incomes and eventually escape poverty. Microfinance has proven to be an effective and powerful tool for poverty reduction. However, microfinance is only a means and not an end like many other development tools; on the other hand, it has insufficiently penetrated the poorer strata of society. The poorest forms in the rural areas livening below poverty line are unable to release their potential. Evidence from research so far has been scanty, and many results have been highly contested. This study has been undertaken in an experimental case of the West Kordofan State with the objective of the studying the impact of microfinance on the socio-economic status of rural poor where participant in microfinance programme and non participant households were studied over time; thus yielding a rich pooled data for analysis. The data were collected during the season 2015/2016. A structured questionnaire was prepared and distributed to 150 farm households using 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 measurements and also analyze of poverty situations for beneficiaries before and after microfinance. The results of the descriptive statistics show that there is a positive effect of microfinance on poverty reduction by 20% after credit, whereas the situation of poverty for rural poor household before credit around 50% of sampled households did not have sufficient to cover or secure their basics needs, especially during the off-season. While poverty depth was reduced from 90% to 18% after microfinance credit and also severity of poverty reduced from 85% to 5%. On integrating time dynamics in the analysis, the results generally indicate a positive and significant impact of microfinance on income of household and strategy of poverty reduction. On the other hand the results of the study revealed that the microfinance strategy have had greater impact on socio- economic aspect of the beneficiaries. Thus it could be inferred that the microfinance strategies have succeeded in their role of change agents which could help in pushing back rural poverty.