

MICRO-CREDIT LOANS: A PATHWAY OUT OF POVERTY?

EXECUTIVE SUMMARY

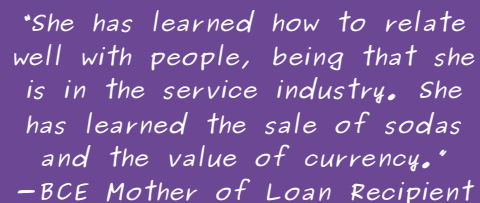
This study, commissioned by IMPACT and completed by the Mosaic Collaborative for Disability Public Policy, is an examination of micro-credit programs in Kisumu, Kenya and Moshi Tanzania. The NGO partners are Diakonia Compassionate Ministry (Kenya) and Evangelical Lutheran Church in Tanzania's Northern Diocese. The IMACT projects are called *Building a Community of Excellence* (Kenya) and *Building a Caring Community* (Tanzania). The hypothesis being tested in the study is:

Null Hypothesis: Subjects report no difference within the areas of Housing, Nutrition, Health and Life Skills Quality between the time period before receiving the micro-credit loan and after receiving the micro credit loan.

Alternate Hypothesis: Subjects report a significant difference within the areas of Housing, Nutrition, Health and Life Skills Quality between the time period before receiving the micro-credit loan and after receiving the micro-credit loan. The study's desired outcome is to reject the Null Hypothesis based upon statistically significant data and accept the Alternate Hypothesis.

The study collected additional data that was reviewed and analyzed in terms of “Before” and “After” “snapshots” of receiving micro-credit loans.

The purpose of this study was to assist NGOs that provide services to people with intellectual disabilities (ID) on how to spend their limited resources. Although micro-credit has been shown to benefit large segments of the world's poor population, Moyo (2009) reminds us that micro-credit is still in it's infancy, reaching population with just 40 years know whether the micro-are effectively improving the individuals who have



"She has learned how to relate well with people, being that she is in the service industry. She has learned the sale of sodas and the value of currency."
-BCE Mother of Loan Recipient

less than 5% of the world's of experience. NGOs must credit programs they fund quality of life of the received them.

This survey was an attempt research team has defined a hypothesis. Micro-credit does (or does not) have a measurable effect on the self-reported attitudes of individuals with ID towards four qualities of life: housing; nutrition; health; and life skills.

to answer that question. The the problem and formulated

To accept or reject the null hypothesis or the alternate hypothesis the team developed a survey form that attempts to identify the pre- and post-attitudinal components of the individuals. The focus of the survey was to explore changes in those components in relationship to the application of a micro-credit loan to the individual. The focus of the survey was to explore changes in those components in relationship to the application of a micro-credit loan to the individual.

When applied to the data, the outcomes of the statistical test tells us to reject the Null Hypothesis in three of the four qualitative areas studied: Nutrition, Health and Life Skills. The Null Hypothesis is accepted in one qualitative area – Housing.

This means that there is a statistical relationship between the before and after quality of life of the micro-credit loan recipients in the areas of Nutrition, Health and Life Skills. This is an encouraging finding that may lead to further research, program modifications or publishing. It certainly provides valuable data for the IMPACT Council and Management Committee.

The outcome of the study also indicated there is no relationship between the before and after quality of life of micro-credit loan recipients in the area of Housing. Other data gathered through the study that is important to recognize includes the following:

- Kenyan loan recipients, who have intellectual disabilities, are producing an average monthly gross income that is 65% of Kenya's national average per capita monthly income.
- Tanzanian loan recipients, who are mothers or caregivers for children with intellectual disabilities, are producing on average 84% of Tanzania's national average per capita monthly income.
- Average loan amount distributed across both countries is \$97.00, which is consistent with worldwide average of \$100 that has been published by Mohammad Yunus and the Grameen Foundation.
- Although we found no significant difference in the quality of Housing after receiving a micro-credit loan, we did find two important outcomes:
 - there were 37% more people reporting paying rent, representing a sizable shift from living with other family, living without permission or being homeless
 - there was a 107% increase in the number of people reporting having mosquito netting in their homes
- Finally the data indicates that one loan has been fully repaid with a 4% default rate which is well within international averages of 3-10% according to Yunus.

In conclusion, the study demonstrated the progress the loan recipients have made towards earning an income that is starting to approach the national average monthly per capita income in their respective countries. This suggests that over time, monthly income will continue to increase, thus having a positive impact on individuals quality of life at least in the areas of Nutrition, Health and Life Skills. It can be speculated that Housing outcomes will also improve over time with more significant increases in monthly gross income.