



A STUDY OF FINANCING ESTABLISHMENTS AND ITS IMPACT ON SMALL ENTERPRISES GROWTH ALAMAL BANK MODEL IN YEMEN

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Abstract

This paper aims to study the contribution of microfinance institutions in Yemen in the development and fighting poverty. It was chosen Alamal Microfinance Bank as the first bank specializing in microfinance in Yemen as a model for institutions and microfinance programs. The paper is based on a secondary data collected from the annual reports of the bank, the Social Fund for Development records, and official reports, books, Web sites and other sources on the subject of the search. The study covered the period from 2009 - 2014, which is the bank's activities since its inception and the study area of Yemen. One of the results of a good expansion in loans to the poor and a large success in the creation of small enterprise with a large proportion of the payment of installments and that there is a promising market for expansion in lending and create successful small enterprise.

Also the existence of obstacles such as lack of banks and institutions working in the field of microfinance and higher interest rates.

Key Words: Microfinance, Loan, Active Clients, AGFUND, Alamal Bank.

1. Introduction

The SME sector is a significant part of the process of economic development for any country because it employs a large number of the labor force in different jobs. Also, the SMEs are, for the most part, very small businesses that involve one or two persons per enterprise. The SMEs are restricted to a limited number of sectors, particularly trade and services, like retail sales, telecom centers, restaurants, handicrafts, traditional activities and others. It is noted that entrepreneurs in this sector are unwilling to engage in new sectors even if they have sufficient capital.

SMEs depend, to a great extent, on financial sources related to their owners (or their relatives) to start up, manage and expand their enterprises. In other cases, some SME entrepreneurs borrow interest-free loans for one or two years from relatives and/or friends or through the open credit from suppliers the overwhelming majority of the population depends on informal arrangements to get funding for their small enterprises. People keep their money savings or sometimes buy hard currencies or gold to protect their savings. They also depend on family relatives and friends to meet their funding needs, and sometimes on credit from suppliers if available. (Al-Lai, 2014).

In recent years, there has been directed to micro-finance programs through the creation of some of the programs and institutions that are interested in this matter.

In the following we will study the bank's activities in the microfinance field and the extent of the success that has been achieved for the growth of small enterprises.

2. Research Problem

There reluctance of financial institutions, banks, and investors from engaging in financing small enterprises because of the customers it is always the poor who do not have sufficient guarantees to fulfill their pledges, as well as earnings ratio of the few.

Here are we will study the success of alamal Bank in this aspect. And Are the fears of investors from getting into this area is fact or delusional.

The research will answer the following questions:

1. Does the Bank contribute to the growth of small enterprises?
2. Is there a growth in financing income-generating projects?

3. Objectives Study

The study aims to:

1. Study of the cumulative growth of the financing income-generating projects.
2. Study the bank's ability to create a balance between the types of financing activities.



3. Measuring the Bank's attention to focus on the production and commercial sectors which have a contribution to boost the economy.

4. Research Methodology: It will be followed by a researcher descriptive and analytical approach to collecting and analyzing data and drawing conclusions.

5. Data Collection: Is using monthly and annual reports to the bank, and books and studies on the subject.

Overview

Al-Amal Microfinance Bank started its actual operations In January 2009 on the base of five years business plan (2009-2013) and was established by Yemeni Law No. 23 of 2002 as the first Microfinance bank in the Middle East and North Africa. Its establishment came to crown efforts of the Yemeni Government, represented by SFD, and Arab Gulf Program for United Nations Development Organization (AGFUND), as also contribution and support from both Yemeni and Saudi private sectors.

When established, the Bank had an authorized capital of YER 2 billion (equivalent to US\$9.3 million). The shareholders equity comes as follows:

- 20% of the shares for Yemeni and Saudi private sectors
- 45% of the shares for Yemeni Government, represented by SFD.
- 35% of the shares for AGFUND.(overview, 2013)

Objectives of the Bank

1. To provide diversified financial services satisfying the target group's needs and expectations.
2. To expand to all the Yemeni territories (rural and urban) through new branches and through a partnership with other local institutions.
3. To be a sustainable financial institution, with qualified and efficient staff, and equipped with modern systems able to attract fund. (Objectives, 2013).

Analysis Data

After ready data researcher arrange it in tables from data by using simple mathematical calculation analysis the data.

1. No. of Active Clients

Year	No. of Active Clients	Growth Rate %
2009	4,787	0
2010	14,722	208
2011	15,945	8
2012	26,134	64
2013	34,374	32
2014	40,817	18

Source: (Annual Reports 2009-2014, 2009-2014) & Researcher Estimates.



Through the above data, we note that there is a continuous growth in active clients, despite the rise in interest rates that range between 18-40% (alamri, 2015),



Where growth is continuous in both years, although there are differences in growth rates from year to year but ultimately there was no retreat, but there is a good growth and this shows that the bank retained well its customers but also increases the number of active clients per year growth rates is good.

In 2011, there was a significant decrease because of the popular revolution that swept Yemen, which led to a decline in all economic activities, though Bank maintained a good level of growth compared to a loss and even bankruptcy of a lot of economic establishments.

The growth of the number of active clients, especially the bank loans specializes in customer support for the establishment of income-generating projects gives the indication of the success of these projects and its ability to fulfill its obligations and repay the debt installments to the bank which shows the profitability of these projects and to achieve returns cover credit granted them the benefits of the bank.

2. No. of Disbursed Loans

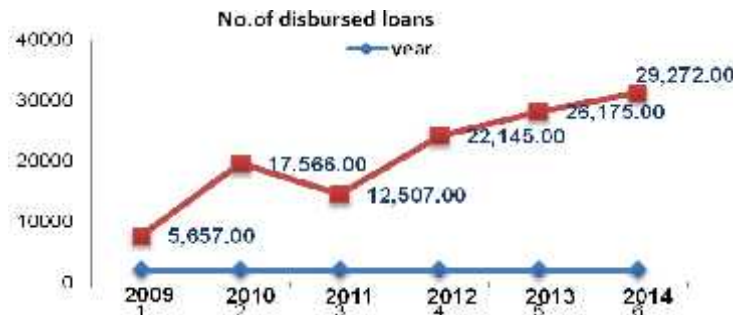
Table No: 2 No. of Disbursed Loans

Year	No. of Disbursed Loans	Growth Rate %
2009	5,657	0
2010	17,566	201
2011	12,507	-92
2012	22,145	77
2013	26,175	18
2014	29,272	12
Total	113,322	

Source: (Annual Reports 2009-2014, 2009-2014) & Researcher Estimates.

There is a steady growth in the number of loans disbursed to clients from year to year, it shows the bank's ability to get the public's confidence, and the market is also a need for such funds, which covered the gap, can not be covered by conventional banks.

There is a slowdown in growth in recent years, as the growth of 18% and 12%, respectively, rate, also a decline in the number of loans compared to the years that came before (if we exclude 2011 because it was the year of unrest in the country), and this makes it imperative for the bank reviewing their policies on funding and facilities granted to clients, as well as a review of promotional activities.



3. Volume of Disbursed Loans

Table No: 3 Volume of disbursed loans

Years	Volume of Disbursed Loans \$	Growth Rate %
2009	1,300,000.00	0
2010	4,140,000.00	218
2011	2,984,372.00	-28
2012	5,797,029.00	94
2013	11,163,000.00	92
2014	14,801,000.00	33

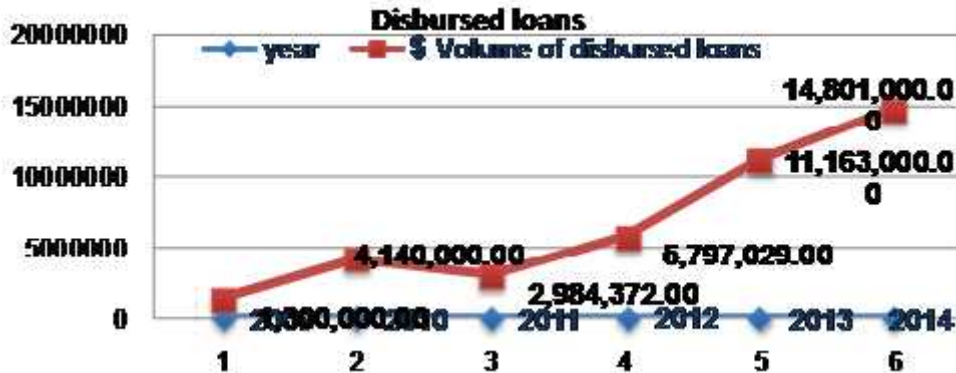
Source: (Annual reports 2009-2014, 2009-2014) & researcher estimates.



Decent growth in the value of loans disbursed where we note that the amount has doubled over the threefold in the second year compared to the first year and then get there a decline in 2011 due to unrest in the country, and then grow back strongly in 2012, with a growth rate exceeding 90% and then continued on the rise.

We note in recent years a decline in the growth of the number of borrowers but there is significant growth in the value of loans and this means that there is a tendency for the granting of loans large sums thus, an increase the number of loans and lower the number; this shows one of two possibilities:

1. Directed to support the bank with capital projects is high and this gives an opportunity to set up medium-sized enterprises able to compete.
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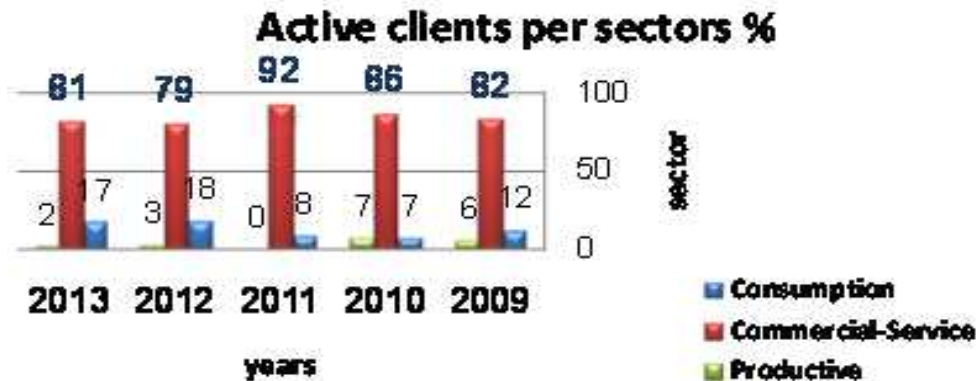
3. Directed to the middle class of the society is able to provide payment of premiums and paid in a timely manner and this gives a negative indication to move away from the poor class.

4. Active Clients per Sectors

Table No: 5 Active Clients Per Sectors

Years	2009	2010	2011	2012	2013
Consumption	12	7	8	18	17
Commercial-Service	82	86	92	79	81
Productive	6	7	0	3	2

Source: (Annual Reports 2009-2014, 2009-2014) & Researcher Estimates.



In all the years has service and commercial sector, the largest share of loans, in this a sign that the majority of the loans go to create projects in the commercial and service sector because these projects often do not need large amounts of capital, or fixed high cost of assets.

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On the other side, we see that the consumer sector did not exceed the loan granted to it h% ratio, this is a good indicator of the not to expansion in the granting of loans to this sector due to the absence of an economic return to the community of it. Negative index in the above data is the weakness in the expansion of the productive sector, which represents an essential element in the development, where the ratio of loans in this sector did not exceed 18%, in spite of its importance, we note the tendency dramatically to service and commercial sector.

This should require the bank to open prospects for borrowers to invest in productive projects to create greater functionality because that is an important sector in the creation of a network of jobs as producers and marketers and sellers.etc.as well as the production of local goods for covered a part of the market needs.

6. The Number of Beneficiaries of the Loans

The cumulative number of loans distributed for the years 2009-2014 (113 322), where the number of beneficiaries of these loans amounted to about (610,566) individuals in six years, and in this a clear indication of the importance of loans in the field of small enterprises in the fight against poverty and raise the living standard of the people.⁽¹⁾

The cumulative amount of loans reached during the six years the amount of \$ 14,801,000 were provided about 35522 jobs.)) This is a good contribution to the reduction of unemployment as a target seeks his bank.

7. Conclusions

1. The importance of the establishment of banks and microfinance institutions in the fight against poverty.
2. Great success of the projects financed by the Bank.
3. The significant growth in the number of active clients, despite rising interest rates, an indication of the success of their projects.
4. A high percentage of the payment of premiums, reaching more than 95%
5. Good growth in the number of loans disbursed, despite the decline in the growth of the number of loans disbursed in the last two years.
6. A significant increase in the amounts of loans disbursed, despite the decline in the rate of growth, we conclude from this bank went to the granting of large loans.
7. The trend to large-sized loans indicates the direction to the categories has a good level of income that deviates from the bank's main goal which is the depth of poverty.
8. Equilibrium in the distribution of loans gender where the percentage of women borrowers 60% of total clients
9. Concern to women demonstrates the ability of microfinance institutions to operate most neglected and poorest groups in society.
10. Bank lending interested in the commercial and service, productivity and consumption sectors.
11. The majority of loans were focused on the commercial service sector reaching 84% followed by the productive sector by 12%, then the consumption sector by 4%.
12. Distribution sectors show that the largest percentage of the loans go to income-generating projects in the commercial sectors, service and productivity with a very small percentage of the consumption sector, and this shows that the bank is going well to achieve its goals of reducing poverty.
13. Also, we conclude that the productive sector did not receive a large proportion of loans probably because he needed large-sized loans.

8. Recommendations

1. Expansion in the granting of credit facilities to clients and lowering interest rates.
2. Concern the productive sector and the granting of privileges and special programs in which investors.
3. Pay more attention to the women loans.
4. Focus on rural areas being poorer.