**Accord University Knowledge & Vision**

AUECO J Vol.2 2023 ORCID ID: ISSN:

DOI:

**This dissertation is submitted as partial fulfillment of the requirements for the award of the Master of Finance and Economic Development from Accord university-Somalia.**

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**MOGADISHU – SOMALIA**

**March 2023**

**ABSTRACT**

The main purpose of this study was to investigate the role of microfinance services on community development in Mogadishu –Somalia. .The research design used was cross-sectional research design. The target population of this study was 100 customers participated micro finance programs on some selected banks in Mogadishu. The researcher selected 50 respondents with the help of Slovene’s formula. The sample procedure of this study was probability sampling, particularly simple random sampling. The required information of the study was collected through questionnaire, and then the data analyzed using statistical package for social science (SPSS version 20). First objective; to identify the role of microcredit services on community development was generally good and this indicated by the average mean of 3.255. The second objective; to determine the role of micro saving services on community development was generally good and this indicated by the average mean of 3.42. The third objective; to examine the role of micro insurance services on community development was generally good and this indicated by the average mean of 2.82. According to the part of the dependent variable; the respondents agreed that micro finance services have good impact on community development which was indicated by mean average of 3.18. Finally, the findings indicated that there is a strong positive relationship between micro finance services and community development as indicated by r value of 0.799. The researcher recommends: Firstly, Micro finance institutions MFIs should make easier the procedure of obtaining loans and increase their micro credit services as to develop their community. Secondly, Micro finance institutions should facilitate micro saving programs as to save low incomes and then present the account holders an investment programs such mudarabaha, musharakaha as to develop or increase their income.

Thirdly, Micro finance institutions in Mogadishu should improve micro insurance programs as to profit Mogadishu community.

**BACKGROUND OF THE STUDY**

The idea and aspirations behind microfinance are not new. Small informal savings and credit groups have operated for centuries across the World. Since the early nineties focus began to go deep and expand the concept beyond the relatively narrow practice of microenterprise credit to the more comprehensive concept of microfinance. This came largely in reaction to the shifts in the development paradigms and policies and the claims for participatory, human centered, empowering approaches. The microfinance concept, thus intends to reach the poor, the marginalized and financially excluded groups and mainstream development oriented financial services to replace subsidized credit and donations.(Widad Ali A. Rahman,2010) .

Microfinance has evolved as an economic development approach. It refers to the provision of financial services to low-income clients including the poor and the self-employed. Microfinance is considered as a powerful tool to fight poverty. Poor families and households use financial services provided by the different microfinance institutions (MFIs) to raise income, build their assets, (Widad Ali A. Rahman,2010) .

In Malaysia community development can be explained in two levels. At the policy level community development means the programmes inspired by the government aimed at improving and developing the masses which turn enables them to contribute to national development. At the implementation level, to achieve the program objectives the concept of community development has a longer history Community development aims to increase residents‟ participation in their community. In community development, emphasis is placed on community as a social network, bounded by geographical location or common interest. Community development is the planned evaluation of all aspects of community well-being. Community development helps local community residents to identify unmet needs. It seeks to build capacity by improving skill and knowledge for individuals and the community as a whole (Gilchrist, 2004). Community development is viewed as the best way to build the capacity of community residents to engage with each other and find solutions to issues that affect their community. Community development holds potential to build community cohesion by facilitating a community‟s capacity to engage connections between individuals, organizations and local groups. Community development is a process that allows community residents to come together to plan, generate solutions and take action developing the evolution of social, economic, environmental and cultural aspects of community. Community development emphasizes the importance of participation as a means of strengthening local communities; Community development builds peoples‟ skills for community issue. Hence it is vital to the survival of local communities (Asnarulkhadi Abu Samah&FariborzAref, 2009).

**PROBLEM STATEMENT**

According to (Mohammad Mustafa, 2019) India the microfinance sector plays an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. This sector has been instrumental in creating opportunities for low-income households by providing credit access to unique live borrowers who were previously beyond the reach of traditional financial services. (Mohammad Mustafa, 2019)

Microcredit is the lending side of microfinance. Microcredit loans help the poor to be involved in income generating activities that allow them to accumulate capital and improve their standard of living . As quoted by the late Milton Friedman, Nobel Prize winner in Economics 1976, “The poor stay poor not because they are lazy but because they have no access to capital” This is true

since many poor people around the world are already benefiting from microfinance. (SurayaHanim Mokhtar,2011).

Micro Savings deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.(Christopher Boachie , 2016)

Micro insurance is the protection of low-income people against specific Perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. This definition is essentially the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. (David M Dror, 2014)

An ongoing challenge for MFIs in Somalia is the absence of a financial sector, which complicates the process of getting money from donors to the microfinance organizations.

Another challenge is that MFIs require a significant investment in skilled human capital.

Specialized staff is needed for everything from customer relations to back-office function (KajiaHurlburt, 2012).

Unfortunately, in Mogadishu, the accessibility of microfinance services could be considered difficulty and the community couldn’t get the services they need.

Although many studies related to this problem have been conducted in many parts of the world, however, there is a gap in the study area. Therefore, this study is intended to bridge this gap and find out the role of microfinance services on community development in Mogadishu –Somalia.

**METHODOLOGY**

This chapter related to the presentation of study methodology. It consists of research design, study area, target population, sample size, sampling procedure, research tool, data analysis, ethical consideration and limitations of the study.

A research design is a technique for utilizing empirical data to answer your research topic.

Making judgments about:

• Your general research aims and approach

• The type of research design you'll employ when creating a research design

• Your sample methods or subject selection criteria

• Your data gathering methods

• The procedures you'll use to acquire data

• Your data analysis methods

A well-planned research design helps guarantee that your procedures meet your study objectives and that you apply the appropriate type of data analysis.

**CONCLUSION**

The main objective of this study the role of microfinance services on community development.

The target population of this study was 100 selected from users of micro finance services the in Mogadishu. The instrument used in this study was questionnaire. This study was conducted through a cross-sectional research design. The study had three objectives; the objective one of the study, which was “to identify the role of microcredit services on community development” the mean value of the questions was 3.255 which indicates that overall the role of microcredit services on community development was good. The objective two of the study, which was “to determine the role of micro saving services on community development” the mean value of the questions was 3.42 which indicates that overall the role of micro saving services on community development was good. The objective three of the study, which was “to examine the role of micro insurance services on community development.” the mean value of the questions was 2.82 which indicates that overall the role of micro insurance services on community development was good.

**RECOMMENDATIONS**

Here i would like to suggest some recommendations on how the banks based on my study can improve their community development based on microfinance services. Three recommendations are made in line with the three objectives of the study.

Micro finance institutions MFIs should make easier the procedure of obtaining loans

And increase their micro credit services as to develop their community.

Micro finance institutions should facilitate micro saving programs as to save low incomes and then present the account holders an investment programs such mudarabaha, musharakaha as to develop or increase their income.

Micro finance institutions in Mogadishu should improve micro insurance programs as to profit Mogadishu community.

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