

An Economic Study of the Role of Loans of the Social Fund for Development for Micro-Projects in the Development of the Egyptian Countryside

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ABSTRACT

The small and micro projects are one of the economic sectors that conspicuously attract great attention from both international and regional organizations and institutions. This is due to their pivotal role in production, employment, income generation, innovation and technological progress as well as their role in achieving economic and social goals. However, the current situation of economic development in developing countries, including Egypt, is deteriorated and growth rates are low, which calls for adopting and supporting clear policies to activate the role of small and micro projects in an attempt to eliminate unemployment, reduce poverty and also achieve economic prosperity. The study aims to identify the role of the Social Fund for Development, National, Associations (NGOs) and banks in helping to establish micro-projects in the Egyptian countryside, and how to improve their household income and help alleviating the burden of living and the problem of unemployment by granting loans to the rural population. The study found that about 20.6% of the sample had a monthly income of less than 1000 Egyptian pounds, while about 34.4% did not exceed their monthly income of about 3000 pounds. Hence, it is clear that it is important to obtain loans so that the head of household can set up a small project. While more than 50% of the respondents used short-term loans, and 79.3% of the households in the sample agreed that the commercial projects are the profitable projects in which loans should be used. The role of rural women counselors in educating rural women in the sample of the study was also important in the field of maternal and child health care.

Key words: Social Fund for Development , Micro-projects, Loans, Rural Egypt.

Introduction

The small and micro projects are one of the economic sectors that conspicuously attract great attention from both international and regional organizations and institutions, as well as researchers in all countries of the world, especially in the light of the global economic changes and challenges in recent times. This is due to their pivotal role in production, employment, income generation, innovation and technological progress. Besides, it has a great role in achieving the economic and social goals of countries.

Moreover, small and medium-sized projects are the focus of industrial policies aimed at reducing unemployment rates in both developing and industrialized countries, regardless of their economic philosophies and the manner of managing their national economy. Small projects are important in Arab countries for a range of considerations related to the characteristics of their economic and social structures, availability of factors of production, spatial distribution and population activity. The most important positive phenomena associated with the small business sector can be summarized as follows:

- 1-These projects are characterized by geographical spread, which helps to reduce regional disparities, achieve balanced spatial development, and serve the limited markets that do not entice large projects to settle near or deal with them.
2. These projects provide goods and services to low-income groups of the society that seek them at relatively cheap prices consistent with their purchasing power (although a certain waiver of quality considerations is required).

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However, the current situation of economic development in developing countries, including Egypt, is low and growth rates are also low. This is in contrast to the developed countries that achieve high levels of economic development through adopting and supporting obviously clear policies to activate the role of small and medium projects. This is prominent is eliminating unemployment, poverty reduction and even economic well-being in those countries.

Problem of the Study:

The problem of this study is represented in the economic stagnation suffered by Egypt in recent times, which leads to the exit of dozens of large and medium projects from the market and crush small projects which raises the question: "Are there small or micro projects in Egypt?", "Is there a solution to the problems of funding, technical support and marketing?" "Is there a future for these projects under the collapse of the cooperative system and its siege?"

Objectives of the Study:

The study aims at identifying the role of banks, the Social Fund for Development and NGOs in helping to establish micro-projects in the rural areas of Egypt (Loans) and how to benefit from these loans in improving family income and help to reduce the burden of living and eliminate the problems of unemployment.

Research Methodology and Data Sources

The study relied on descriptive and statistical analysis in order to identify the role of the Social Fund for Development, banks and NGOs in the granting of loans and projects used in them and the extent of achievement of the objective and its results whether negative or positive. The study also depended on the data collected by questionnaire from seven villages in al Ayat Center, Giza governorate; Kafr Kassem, Nasiriyah, Baidaf-Burinst, Kafr al-Dabaa, Tahma, 350 questionnaire distributed in these villages within the project of economic and social evaluation of the project for the employment of girls in the initiative of maternal and child health care in some rural villages in the Center and city in addition to the data of the Social Fund for Development.

Results of the Study:

Family Income:

The study found that about 79.3% of the sample size depends on the source of income of the main household on the father, while only 10.3% of the sample size depends on the mother as a source of income, while the income from children did not exceed 2.3%. Also, about (40.2%, 29.9% and 5.9%) of the respondents were workers, employees (farmer and driver) respectively while only about 2.3% of the sample size is a seller as shown in Table (1). The sample of the study showed that about 3.4% of the sample size reached the monthly limit of the monthly income of the surveyed families at about 300 LE, of the sample size, while about 2.3% of the sample size reached the upper limit of about 3000 pounds, and that about 8%, 9.2% of the sample size ranged monthly income for them about (500-600), (700-900) each, respectively. 19.5%, 11.5% of the sample size earn about 1000, 2000 pounds per month respectively, and the lowest percentage of about 1.1% of the sample size for the categories who receive about 1100, 1300 and 2100 pounds, respectively, and the lowest percentage was about 1.1% of the sample size for the categories who receive about 1100, 1300 and 2100 pounds, respectively.

Educational Status:

Table (2) shows that the rate of illiteracy in wives was about 43.7%, while the percentage of wives with a medium qualification was about 40.2%. The percentage of illiteracy among them was about 29.5%, and those with high qualifications reached about 1.1%. The percentage of illiteracy

among the husband was about 29.5%. The average qualification was 44.2% and the high qualification was 2.1%. The percentage of those with a national number was 97.7%.

Table 1: The profession of the head of the family in the research sample

Profession	Husband%	Wife%
Worker	40.2	10.5
Employee	29.9	-
Hand worker	5.7	-
Driver	5.7	-
farmer	6.5	-
Seller	2.3	1.5
Not listed	9.7	-
Housewife	-	88

Source: Research questionnaire forms.

Table 2: Educational status of the wife and husband in the research sample

Level of Education	Husband%	Wife%
Illiterate	29.5	43.7
Medium Education	44.2	40.2
University Education	2.1	1.1

Source: Research questionnaire forms.

Home visits of female rural leaders and guides:

The Social Fund for Development (SFD) has played a prominent and effective role in financing the training of a large number of rural leaders and mentors who have had a great impact in the villages studied. They informed housewives about the importance of employing the loans obtained by the family in establishing development and commercial projects that achieve a positive return that first contributes to improving the family income as well as achieving the developmental objective of these villages in the second place, especially that the number of women who have received a high qualification did not exceed 1.1% of the sample of the study as previously shown above.

Additionally, about 75.8% of the sample respondents said that there were house visits by the female leaders of the Social Fund for Development to the housewives in order to raise economic awareness of the importance of raising the family's economic level as well as the healthy, social and nutritional awareness of mother and child. (4-33) (9-37) visits per day, respectively. The percentage of those who benefited from these visits was about 84.7% of the sample.

Loans:

Besides, the study showed the importance of obtaining loans for the establishment of micro-projects that contribute to the development of villages under study. Also, about 86% of the households in the sample received loans from different sources. The percentage of those who received interest loans was 36.8% and the average interest was about 10%.

And the way they heard about the loans, it was found that about 48.3%, 10.3% and 24.1% of the respondents identified the loans through (neighbors, media, female rural guides), respectively. Through the application of Kai Square in order to know the relationship between the borrower's business types and to obtain a loan it turns out that the quality of work did not affect the decision to obtain a loan.

The study also showed that about 1.1% of the sample received the minimum amount of loans at LE 500, while about 2.3% received a higher limit of loans of about 50,000 pounds. Also, about 41.3% received loans ranging from 1000 to 3000 pounds, while some of 19.5% preferred to obtain loans ranging between (4000 - 7000) pounds. Besides, about 4.5% received loans amounting to 20,000 LE. The Social Fund for Development ranked first with about 47.1%, followed by (Farah Association) by 17.2%, then banks by 11.5%. Through using Chi-Square to know whether the educational level affected the decision to obtain a loan from a certain party or not, the significance was not proven. Therefore, we accept the hypothesis of nothingness as having no effect.

As for how to use loans, it was found that about 46% of the respondents set up small projects, about 23% used these loans in the household industries, and about 2.3%, 1.1% and 4.6% of the sample used the loans to buy (shops, stalls and production requirements), respectively. Besides, about 4.6% of the sample used the loans on the marriage of their children. However, 18.4% did not mention the reason for obtaining the loan. Through using the Chi-Square to determine the effect of the type of work of the head of household on the method of using the loan the significance was not proven. Therefore, the work of the head of the family does not affect the way the loan is used.

Only about 44.8% of the respondents achieved gains from profitable projects. The gains ranged from (25-5000) pounds per month depending on the loan value. The majority of them agreed on the importance of the vital role played by the rural leaders in raising awareness about the quality of the development and commercial projects in which the loans were used, contribute to raising their standard of living and help them to pay the loan, unlike the families that did not benefit from those visits and spent the value of the loan on the marriage of their children and the purchase of consumer goods that led to increase the financial burden on the family and failed to pay the loan.

Short-term loans occupied the first rank by about 50.6 percent, 17.2 percent for medium-term loans and 13.8 percent for long-term loans.

Consequently, the percentage of those who regularly repay the loan was about 71.3%, and the percentage of those who did not repay the loan was about 9.2% due to the lack of profits from the loan, while the rest of the respondents did not say anything about payment or not. Chi-Square was used to determine whether the achievement of the gain has to do with the repayment of the loan and the significance was proven which means that the achievement of gains encourages the borrower to repay the loan.

Additionally, about 79.3% of households in the sample agreed that commercial projects were profitable projects in which loans must be used. The majority of loan recipients also said that loans help to improve the family income when achieving a return from the project used in the loan. It also helped to challenge unemployment, as it used labor hands that cannot find employment in the labor market. Thus, it is a must to expand and enlarge these projects.

The most important variables affecting the value of the loan:

To study the relationship between the value of the loan, family income and the amount of the yield or the amount of the return that the borrower owes to the project on the loan value, the following linear regression equation was used:

$$\hat{Y} = A + B_1X_{1j} + B_2X_{2j}$$

Where:

\hat{Y} = Loan Amount.

X_1 = Family Income.

X_2 = Monthly Profit.

$j = 1, 2, 3, \dots, n$.

The result of the analysis was as follows:

$$\hat{Y} = -3224.88 + 6.495X_1 + 6.826X_2$$

(3.922(3.354))

$$F = 15.401 \quad R^2 = 0.660$$

It is obviously clear from the previous equation that there is a statistically significant direct relationship between (the family income and the monthly profit) and the value of the loan, i.e., by increasing the family income and the monthly profit, the loan amount increases. This is a logical relationship of the ability of the family to repay the loan.

The value of the calculated F (15,401), which is larger than its tabular counterpart, as evidenced by the value of the determinative factor, is that about 66% of the changes in the value of the loan are due to both the family income and the monthly profit of the loan.

Conclusion

From what has been mentioned above, it becomes obviously clear that about 20.6% of the respondents in the sample have a monthly income of less than 1000 Egyptian pounds, while about 34.4% their monthly income did not exceed about 3000 pounds. Hence, the importance of obtaining loans appears so that the head of household can set up a small project to achieve a return and help him alleviating the burden of living. While more than 50% of the respondents of the sample used short-term loans and 79.3% of the families in the sample agreed that the commercial projects are the profitable projects in which loans should be used.

Moreover, the extension role of the Female Rural Guides for Economic Awareness also highlighted the importance of raising the economic level of the family.

Therefore, the study recommended that the role of the Social Fund for Development and the civil societies should be taken into consideration and that they should be given the authority and support for their effective role in granting interest-free or low interest loans that encourage rural people to obtain loans for micro-projects to help improve family income and face unemployment as a nucleus for rural development and thus a comprehensive economic development.

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