

The Role of Microfinance in Improving Food Security: A Case Study: Northern Governorates of the West Bank

Abstract

This study aimed to assess the role of microfinance programs in improving the food security in the Palestinian territory, with a focus on the northern governorates of West Bank as a case study. The impact of microfinance on food security was assessed as per three dimensions: accessibility, availability and receipt of nutrition elements. In addition, to clarify the role of microfinance programs in the efforts of improving food security. And analyzing the differences of the role according to variables related to the family and the loans. Also to identify the procedure and sustainability of microfinance programs.

The study population consisted of the loans beneficiaries for the agricultural sector during the period 2007-2008, and the microfinance institutions, which are members of the Palestinian Net Work for Microfinance (MFIs). A stratified random sample was used to select 160 beneficiaries representing circa 12.1% of the total study population. All microfinance institutions were surveyed. Data were collected between November 2009 and February 2010. and analyzed using the Statistical Package for Social Science (SPSS).

Results showed that the informal social network was the main source of information about MFIs for about 45% of the beneficiaries. This may indicated the lack of appropriate polices to outreach potential beneficiaries. The simple MFIs' lending procedures represented the main reason of borrowing from MFIs for about 44% of beneficiaries. As far as the utilization of loans is concerned, study results showed that about 29% of beneficiaries used the loans to set up vegetables projects. About 76% of the loan-funded projects succeeded, while 77% of the households, which were forced to stop their projects, attributed that to a financial failure. Concerning lending procedure, 95% of the beneficiaries thought that the MFIs' lending procedures are rather simple, while about 81% of the beneficiaries were generally satisfied of dealing with these institutions. Nonetheless, 19% of the beneficiaries were not satisfied due mainly to the high rate of interest charged by the MFIs. Results also demonstrated high expenditure patterns on food. Indeed, about 63% of the households spent more than 45% of their total spending on food, whereas 48% of the households spent between 30- 50% of their total food spending on meet only.

Our results showed that the role of microfinance in improving the level of food security is somewhat limited as per the availability dimension, but very good as per the dimensions of accessibility and receipt of diverse food items. There were no statistically significant differences (at $\alpha \leq 0.05$) in the role of microfinance in improving the three dimensions of food security according to the variables of interest (size of family, level of income, type of loan). However, there were statistically significant differences (at $\alpha \leq 0.05$) in the role of microfinance in improving availability of food as per the size of loan and the repayment period of loan. The role was better when the loans are less than 1000\$ and repayment period less than one year. Regarding the other dimensions (accessibility and receipt), no significant differences appeared. Most of studied MFIs were similar in many respects such as the target groups, the working mechanisms, the source of funding, the methods used to improve food security, the means of sustainability and even the difficulties they face.

Several recommendations to enhance the role of microfinance in ensuring food security are advanced. These include: the necessity to find out alternative sources of funding, reducing

the interest rate in order to increase the number of loans and. Establishing a partnership with the government and the private sector shall also help improving the capacity of MFIs in the ensuring higher degree of food security.