

## **Impact of Microcredit in Microfinance Banks on Small Business Spread in Yemen (Case Study of Sana'a, Yemen)**

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**ABSTRACT:** *Microfinance Banks provide a microcredit service to contribute to spread of small businesses in order to develop the economies of the countries. However, the relation between the microcredit service and the small business spread have been given a less attention in other studies This study examines the impact of the 5 components of the microcredit service (collaterals, loan amount, loan duration, loan repayment and interest rates) in microfinance banks in Sana'a on small business spread. It reviews the literature regarding the microcredit service and its 5 components in addition to the small business spread. The framework and the hypotheses were prepared, in order to empirically examine the relation between the microcredit service and the small business spread in the case of Sana'a. For this purpose, a questionnaire was distributed to 375 small businesses in Sana'a that accessed the microcredit service from the microfinance banks available so far in Yemen (AlAmal Microfinance Bank & Alkurimi Islamic Microfinance Bank). The responses to the questionnaires were analyzed descriptively and inferentially to get the outcomes statistically about the microcredit service and its relation with the small business spread. After measuring separately the relation between each of the 5 components of the microcredit service (collaterals, loan amount, loan duration, loan repayment and interest rates) and the small business spread, the outcomes reveal that each component from the 5 components of the microcredit service has a significant positive correlation with the small business spread. This correlation is the same if it is measured for the microcredit service as a whole (if the five components are fully taken) and the small business spread. Furthermore, the results also show that the most influential component of the microcredit service on the small business spread is the loan repayment followed by loan duration, interest rates and loan amount respectively. Collaterals were found of no significant influence on the small business spread.*

**Keywords:** *Microfinance, microcredit service, small business spread.*

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### **I. INTRODUCTION**

#### **1.1 Background**

Scarcity of capital has been one of the obstacles for many countries in developing their economies. Provision of microcredit to entrepreneurs and small business runners becomes recently one of the tools to support the economies in the developing countries as this enables them to solve the problem of the capital scarcity so that they become able to establish small businesses, increase them in number, survive, grow, expand and develop which means at the end their spread. This spread is assumed to create a big small business industry that is finally assumed to have its positive impact on the economy. Microfinance institutions and banks have been used as a tool to provide support and microcredit to small businesses.

In Yemen, many trials have been made by Yemeni government and its supporters from friendly and brotherly countries to improve Yemen economy but Yemen is still categorized as a developing country and one of the poorest countries in the Arab world. With such economy status, the microfinance idea becomes useful to be supported by donors and the government of Yemen to support Yemen economy as microfinance will provide access to credit to Yemeni people to create small businesses that will help in improvement of the individuals, the households and the economy in the country.

In 1997, the microfinance programs started in Yemen. Some failed for some reasons but the microfinance continued and involved the participation of NGOs, the government and the donors. This efforts ended with issuance of Microfinance Banking law and the opening of two microfinance banks in Yemen which are Al-Amal Microfinance Bank, and AlKuraimi Islamic Microfinance Bank.

Anyhow, although microfinance industry has made successes in many countries, there are some other countries where the microfinance are claimed to have failed in its mission which includes to help poor and low income people to create and spread small businesses. In article in the Guardian Professional newspaper website, Bateman (2013) has described the microfinance in the South Africa as making a disaster and indicated to the failure of the small businesses there after their spread. Different environments, stages of microfinance growth, regulations, and financial institutional structures...in each country can explain some reasons beyond that. Such changes and controversial views push researchers to study the impact of the microfinance in their countries.

## **1.2 Problem Background**

Yemen is a developing country. Human Development Report of 2013 ranked Yemen as 160 out of 187 country in human values. Poverty in Yemen is 52% (United Nations Development Program [UNDP], 2013) and unemployment is 35% (2003 est.) (Central Intelligence Agency [CIA], 2014). For this reason, it is assumed that most people seek for ways to generate income for themselves in Yemen. Poor and low-income people are the most in need for this and this can be accomplished through establishing their own businesses. However, Poor and low-income people cannot access easily the finance through the banks because they cannot satisfy the requirements of the traditional banks.

Microfinance Banks could provide the support to the small businesses to spread in Yemen. However, there are many issues that stand obstacles to both the development of the microfinance sector in Yemen and the spread of small businesses as following:

- i. Yemenis' desire to follow financing approaches compliant with Sharia (Islam Religion), Yemenis' habit to chew Qat on daily bases which let them prefer to end their work day by early afternoon, the low developed communication and transportation infrastructure in Yemen and lack of experiences of Yemenis in the credit culture (Lyman; Mahieux & Reille, 2005).
- ii. The general environment in Yemen changes from time to time causing effects on the development of the economy in general and the small businesses in particular. If we look at the general environment, we can see a deterioration in the economy, unclear political direction, security unrest, lack of good technological infrastructure and a weakness in the legal system.
- iii. The small business industry in Yemen lacks the equipment and raw materials in the local market, has low added value in the local product of small businesses, suffers from the absence of the research and the information, has low developed skills and so on (Abdullatif, 2012).
- iv. After the so-called Arab Spring, the small businesses in Yemen recently were affected by shortage of basic services like electricity, water, fuel and gasoline. Many small businesses left the market and started to spend their savings in the microfinance banks to meet the consumption needs.
- v. In addition, absence of special law for small businesses which saves their rights, no innovation and renewals for the small businesses in addition to no consultancy services for them in Yemen (Abdullatif, 2012). This is in addition to the main problem which is the financial problem.

All this and others make problems for the microfinance sector to develop in Yemen and arise questions on whether the small businesses have really spread by overcoming the financial problem and becomes successful businesses. Small businesses can spread only if they have the ability to survive, grow and expand. This will not happen if they do not overcome scarcity problem in the financial resources which are expected to be solved by microcredit.

From literature review, the previous studies have discussed the impact of microfinance on different variables in many countries all over the world that undergo the experience of the microfinance but Yemen has not given many attention like other countries.

Also, a lot of small businesses are established by Yemenis and MFIs Institutions are providing microcredit. Therefore, we have to prove the relation between the microcredits and the small businesses spread. We should make sure that the microcredit really solves the financial problems for the small businesses in such a way the microcredit and its dimensions (collaterals, repayment schedule, interest rates, payment duration, payment times) have a real impact on the small businesses spread by ensuring their ability to create employment, survive, grow and expand through overcoming the problem of financial resources scarcity.

## **1.3 Problem**

As mentioned in the previous section, there are many challenges that stand as obstacles to both the MFIs and the small businesses spread in Yemen. This emphasizes the need to check and study the relation between the microcredit and whether it really contributes to the spread of small business in terms of their survival, growth and expansion and not only creation of opportunities and employment as this may only happen in the beginning of any business and come as a result of getting the microcredit but do not last after the stage of starting the business.

In order to spread small businesses, microcredit service needs to be applied professionally so that attention should be given to details in the microcredit service in order to direct all involvements in the microcredit service towards achieving goals of microfinance that include increasing small businesses and spread them.

This study tries to give more attention and recommend in the provision of the microcredit service to take into consideration the main components of the microcredit services like collaterals, loan Amount, loan Duration, repayment schedule and interest rates. Each dimension are checked against the ability of the small businesses to spread. Understanding of and measuring the relation between the main dimensions of the

microcredit variable and the small business spread variable help to direct the microcredit and microfinance to one of its main objectives which is to spread small businesses. This spread has not been realized from studies conducted in Yemen reviewed by the researcher.

The study is conducted to only clients from small businesses that have accessed the microfinance banks as to be a good model to understand the relation of the microcredit on the small business spread.

## **II. RESEARCH OBJECTIVES**

The study tries to investigate and clarify the relation between the microcredit and the small business spread if any in Yemen within the scope of the microfinance banks in Yemen. Hence, the objectives of the study are as following:

- i. To assess the effect of the microcredit service on the small business spread in Yemen.
- ii. To assess the impact of collaterals of the microcredit service on SBS.
- iii. To assess the impact of loan amount of the microcredit service on SBS.
- iv. To assess the impact of loan duration of the microcredit service on SBS.
- v. To assess the impact of loan repayment of the microcredit service on SBS.
- vi. To assess the impact of interest rates of the microcredit service on SBS.

## **III. NEED FOR THE STUDY**

Microcredit is a new service in Yemen so it gives further information about this service within environment of Yemen and its impact on the small business spread. It discovers hidings and involvements in the microcredit service and its contribution to build the small businesses vertically (in their growth) and horizontally (in their survival and expansion), which means their spread.

The study clarifies whether the microcredit has the usual role on small businesses development and spread. It also fills a gap in that it enriches the research on the microcredit service in particular and its impact on small business spread which has not given the attention before in Yemen. This time the microcredit is studied in connection to small businesses spread. This will enable us to see the reality beyond numbers, which can be misleading. This time, the microcredit is studied in its relation and the ability to let small businesses spread. This study fills this gap and try to complete some missing in information. The study can be a guide to the small businesses to know more about the microcredit service. It will also help microfinance institutions and government in their presentation of the microcredit service by focusing on the involvements of microcredit service like collaterals, loan amount, loan duration, repayment schedule and interest rates.

This study shows the public the importance of the role played by MFIs on Small businesses The results from this research and findings may help Central Bank of Yemen and MFIs to make their policy in regards of microcredit and supporting small businesses. It will contribute to improve a mean to improve the economy of Yemen as whole.

## **IV. SCOPE OF THE STUDY**

The concern in this study is on the time between 2012 and mid of 2015 before Sana'a is greatly affected by the fighting occurring in the country. This has been explained to the sample of this research verbally at the time of distributing the questionnaire.

The study tries to explain the relation between the microcredit in microfinance banks and the spread of small businesses. It focuses on small businesses that only accessed the microcredit from microfinance banks in Yemen. Those banks are Al-Amal Microfinance bank & AlKurimi Islamic Microfinance Bank and were selected as a good model to represent the microcredit impact on small business spread. The study focuses only on the customers of branches of these MF Banks in Sana'a-the capital of Yemen. All institutions that provide microfinance services or similar services in Yemen are excluded in this research.

The study is conducted to the Microfinance Banks in Yemen which are all Islamic Microfinance Banks. The interest rate which is of our concern in this study is the interest rate imposed in Almurabha (It means a sale at the original price plus profit) as it is the type of microcredit mostly provided to small businesses in Yemen.

This study is an academic study which tries to come out with new information and to read and examine the relation between the microcredit and the small business spread based on pure scientific view towards the actual situation of microfinance banking industry in Sana'a, the capital of Yemen. Judgement and ruling on Islamic religious issues about the microfinance procedures and systems and their compliance with Islamic Sharia, the Islamic religious law, are a matter which the researcher consider it as not of his specialization and should be referred to the qualified religious people in this field to give their judgements and fatwas about.

## V. REVIEW OF LITERATURE

### 5.1 Microfinance and Microcredit

The microfinance is defined as "the provision of financial services to low-income people". (Consultative Group to Assist the Poor, n.d.). Mintah, Attefah and Amoako (2014) state that the main MFIs clients are from unemployed, low-income and underemployed borrowers.

Before the emergence of microfinance institutions, the "microcredit" term was used in place of microfinance. Recently, the microcredit becomes only one of the microfinance services after the development of the microfinance system. Microcredit is defined as making small loans available to poor people, especially those traditionally excluded from financial services, through programs designed specifically to meet their particular needs and circumstances. (Care International, 2015a). Microcredit Summit (1997) defined the microcredit as "programs extend small loans to very poor people for self-employment projects that generate income allowing them to care for themselves and their families" (UNDP, 2003). According to Srinivas (n.d.), this definition may differ from country to country based on the criteria used which can be size of loans (micro, very small), target users (enterprises, households.), utilization (income generation, enterprise development, and community use), terms and conditions (flexibility, simplicity of the method and papers used for application).

Micro indicates to small size of loan, smaller frequency of loans, short repayment periods, and micro activities. (Srinivas, n.d.)

The dimensions of the microcredit can be extracted from different literature. Care International (n.d.) mentioned some dimensions, like repayment, guarantees, helpfulness of the applications. The Microcredit has also many characteristics that can be governed by which are the loan disbursement, the loan repayment, its size, its usage and its interest rates. Makorere (2014) added to dimensions for the microcredit: the types of the collaterals required by the microfinance institutions, the grace periods, the initial ceiling amounts and the gender violation. Isaia (2004) mentioned that the microcredit were traditionally measured using three dimensions; its impact, outreach and sustainability. Also Rosenberg (2009) assures some indicators that shall be measured by the microfinance institutions for the microcredit like outreach in both the breadth (number of clients served) and depth (client poverty level) in addition to loan repayment (portfolio quality), financial sustainability (profitability) and efficiency.

From the above, we can extract that the microcredit has different dimensions. Some of these dimensions of our concern in this study are interest rates, loan duration, loan repayment, loan amount and collaterals:

- 1 Interest rates: (This study is concerned with the interest rate of Almurabha which is applied in the Islamic Microfinance banks and it is the most type of microcredit finance provided by microfinance banks in Yemen). Julien (2009) mentioned that the interest rates come from the missions of the MFIs of being a business achieving a financial mission along with a social mission. Hoff & Stiglitz (1990) defines the interest rate as the premium that is received by the lender after a certain period of time. Todaro (1992) defines it as the amount that is more than the amount borrowed and needs to be paid by the borrowers to the lenders as a percentage of the amount of the funds borrowed.
- 2 Loan duration: In the technical guidance provided by Cleary, Gottlieb, Steen & Hamilton, LLP (2006), loan duration has been discussed under financial terms needed to be discussed between the lender and the borrower. In the discussion, three kinds of periods were specified. The date and time of crediting the loans by the borrower to the account of the borrower. The credit can be in parts and in this case it will be in different dates and times based on the agreement. The loan period which is also called a term loan in the guidance. It refers to the times of the principal and any interests will be due and paid. This is also called repayments schedule. The third period mentioned in the technical guidance is the maturity date which refers to the date of when the principal and any remaining unpaid interest is due. This date will be the date of terminating the loan obligation.
- 3 Loan repayment: According to Mensah (2013), the repayment schedule is defined as the times in which the borrowers have to make the repayment for the loan. It is considered as a guidance for borrower in his repayment process. Loan repayment is one of the things that needs to be discussed and specified in loan contracts. Fischer and Ghatak (2010) mentioned that the typical contract of loan in microfinance involves the repayment to be in small and frequent instalments. It also has to be started after the disbursement of the loan. Prof. Yunus (2003) justified this by stating that the lives of poor people are under stress and the incremental process in making payments so that small and frequent repayment is considered easier for them than paying the loans as a lump sum. s.
- 4 Loan Amount/Size: Schreiner (2001), in his speech about the loan size, he specifies it as the dollars disbursed as a one common measure for the loan size. He used the terms "the dollars disbursed" instead of the "loan amount". In his use, he ignores the time to refer to the amount in isolation.

- 5 Collaterals: In its conventional form, the physical form, International Labor Organization defines the Collaterals as “an asset pledged to a lender, until the loan is paid back. In case of the default, the lender has the right to seize the collateral and sell it to pay off the loan” (International Labour Office, 2001). Bond and Rai (2002) argue that lack of information is a problem in lending because lenders become not sure about whether they will get the returns from their lending amounts. Voordechkers and Steijvers (2006) also consider collaterals as a tool for monitoring borrowers.

There are many models of Microcredit in MF Banks, Srinivas (2015) points out that there are 14 models of microcredit but the models provided by MF banks in Sana’a, the capital of Yemen are

- i. Group model: overcoming weaknesses at the individual level by the collective responsibility and security afforded by the formation of a group.,
- ii. Individual model: micro loans are given directly to the borrower. This is usually part of larger program but individual shall satisfy requirements.
- iii. NGO model: They have been active in participating with microcredit programs and in intermediary. They help in introducing people to microcredit.
- iv. Small Business Model: Providing Small Businesses with different services: training, technical advice, management principles etc. One of the main services is giving credit to SMEs directly with other inputs as a part of a larger enterprise development program,
- v. Peer Pressure Model: In this model, the morals and other linkages between borrowers and project participants are used to ensure participation and repayment in microcredit programs. An initial borrower receives loans and repays them while others will not get any payment until the initial borrowers repay.

## **5.2 Small Businesses and their spread**

Spinelli and Adam (2012) informs that entrepreneurship becomes a transformational force in the recent 40 years and becomes given as an academic subject for colleagues in advanced countries to allow students starting small businesses. Recent policies of many countries urge the support to small businesses as one of the developing tools to their economies. Most of the big businesses available today are assumed to have been started as a small business. (Spinelli and Adam, 2012).

Until now, there is still no international definition for small businesses. Different literature and studies give different definitions to small businesses. Neck (1977) comments, “most definitions appear to be governed by the interests of the perceiver, the purpose of the definition, and the level of development of a particular environment in which the definition is to be employed”. (American Bankers Association [ABA]) refers the difference to the body or the country that gives the definition, the purpose and the properties of the body that gives the definition.

Generally, many literatures were found to use different criteria to define small businesses. Those criteria are number of employees, sales volume, fixed assets and capital, market share and its rank, level of technology.... (American Banker Association, n.d.) mentioned that each country chose a number of criteria and use them to define the small business.

According to the ministerial decree no. (136) for 2009 of Ministry of Trade and Industry of Yemen Republic, the ministry gives definitions only for industrial small businesses. It classifies small businesses in Yemen into microbusinesses and small businesses and used the number of employees and capital as criteria to define them. According to the decree, it defines the micro businesses as the business that has less than 3 labours and 1000000 Yemeni Riyals capital. It defines the small businesses as the business that has 4-9 labours and their capital ranges between 1000000 and 20000000 Yemeni Riyals (about between 5000\$ to 100000\$).

Ministry of Industry and Trade in Yemen Republic does not give a definition for other types of small businesses except the industrial as above. There is no law in Yemen which gives a general definition for all types of small businesses in Yemen so that it seems the above definition for the industrial small business is generally used by people to describe small businesses in Yemen (Fahim Abdullah Shamsan, a Senior Specialist in Industrial Information in Ministry of Trade and Industry, personal communication, October 15, 2015) (Mr. Khalid Aljafari, General Manager of Statistics and Information Department in Ministry of Trade and Industry, personal communication, October 15, 2015).

There are Different constraints in the development of small businesses and their spread. Kuzilwa (2003) mentioned that there are constraining factors that can hinder the entrepreneurial process. They are lack of financial resources, lack of information, lack of appropriate education, and weak markets.

Regarding financing small and micro businesses in Yemen, Small and Micro Enterprises Development Program (2011) indicates to a number of challenges that face small and micro enterprises financial industry in Yemen. It informs that there are negative perceptions towards lending the poor people (poor people requests the support to be charity as poor people are poor and cannot repay loans), Lack of focus of some NGO in their finance on small and micro enterprises, management deficiencies in SME institutions, no qualified staff,

insufficient infrastructures and services, low population density, insufficient supervision and audit to small and micro enterprises financial institutions by their NGO organizations, lack of finance culture..so on

It can be noticed from different literature that the researchers approximately agreed that the businesses go through different stages in its development. However, the researchers and the financial institutions are different in specifying the different stages for the development of the businesses. Some specifies 7 stages, whereas others mentioned 6, 5 and 4. Winona National Bank (n.d.) specified them as seed stage, start up stage, growth stage, established stage, expansion stage, mature stage and exit stage. Anyhow, whatever was the number? Each of the researchers try to give different focuses, tasks and status the business face in each stage. They tried to justify the reason of getting the finance and which sources will be able and ready to finance the business in each stage considering their evaluation about the risks of the business and evaluation of the returns.

It is important for small businesses to have a capital in order to take steps forward in their establishment, growth, expansion and spread. From here, the importance of microfinance comes. However, sources of financing of small businesses were also studied by researchers and most of them mentioned two major categories which are debt and equity in addition to other sources. Debt is a borrowed money in some fashion and some kind of collaterals secured against obtaining it. The equity is a contributed capital and form of a contributed asset

Looking at different dictionaries, we can find that many words have been used to describe the meaning of spread such as to extend, to expand, to make wider, move further, stretch, open out, open a place over a large area, covering more area... (Dictionary.Com, n.d.) (The free Dictionary, n.d.). In the context of our study, the closest meaning of small business spread is the ability of small business to cover more area.

When reviewing literature, none was found focusing on spread of small businesses. The spread of small businesses comes as a result of development and growth of small businesses. However, the small business spread has been found between lines in different studies and researches but has been referred to by different indications. In a literature talking about the small businesses, I could find many words have been used to indicate to the meaning of spread. Those words are the growth, development, outreach, promotion, expansion, increase in size and types...Some researchers used it in the context of small business growth while others in the context of small business development, expansion, outreach, promotion... We will try to review some literature to clarify this.

Butler (2006) informs that there is still no concise manner of how small firms develop and grow. The academics mostly use life cycle model by informing that every business have a birth point or inception, then most follow a subsequent pattern of development, maturity and decline. For example, Churchill & Lewis (1983) specified the development cycle as Existence-Survival-Success-Takeoff-Resource Maturity. Another example is Burns and Dewhurst (1996) that consider the cycle as startup-incubation-growth-maturity-decline and failure.

Greiner (1972) informs that owner-managers may not move from a stage to another but its progression may depend on the crises facing the business that will trigger the business to move to next stage.

Butler (2006) mentioned three stages for development of businesses to reach to growth and development. He mentioned that, in the business startup, the emphasis is on survival, reaching break-even and profitability before the working capital run out. When the break-even is reached and the business becomes profitable, the business becomes in a stable stage and the emphasis changes more to increase of profit....After the period of stability, the growth and the development of businesses begin by expansions. This is achieved by emphasizing on increase in market share, sales turnover and profit, the capital growth of the business, increased management and delegation.

Spinelli and Adam (2012) takes another view in explaining the small businesses development. They specifies that the opportunity, the leader and the resources shall be continuously rebalance to match the growth of the business. Based on this, when the spread of the business happens, all the three mentioned elements have to be adjusted again to suit new situations and circumstances.

In study conducted by Mintah et al. (2014), they discussed the impact of microfinance on small business growth. They have mentioned that microfinance has impact on the small business. They used some measures to assess the growth and development of small businesses. From the different measures, they used stock level, sales volume, value, profitability, market share and capital, opening additional branches, investing in new areas of business, assets growth.

In line with this context, Kuzilwa(2003) mentioned that the success of entrepreneurial process are measured conventionally with the growth in employments, the profits generation, sales, outputs over time. The growth can increase the size of the business to be bigger. Also increased employment of members from family and household can be an indication to such success of businesses. Also survival of businesses in intense competition is a sign for success but the businesses shall have an edge over other competitors.

Makorere (2014) discussed the promotion of small businesses in Tanzania. He refers the ability of small business development to some dimensions in small business like its ability to survive and finding jobs for employees, the increase in profits, outlets, capital size in addition to improvement in business management.

Penrose (1959) defines the growth as the increase in the size or other things that are quantifiable. It can also be defined by the changes in the firm or the improvement. He identified the growth as a process and the firm size as stage.

Buckley (1997) argues that impact, repayment rate, outreach and financial sustainability are success indicators for microcredit programs. Regarding impact, M'mbololo (2013) mentioned that microfinance institutions have two impacts social and economic. Social impacts is like employment, improving life standards and creating social networks. Economic impacts are like increase in income, access to food, increase household assets and living standards. On the other hand, Schreiner (2002) informs that there are 6 aspects of outreach for microfinance: worth of outreach to clients (it is defined as their willingness to pay), cost of outreach to clients (it is the sum of price costs and transaction costs), depth (it is the value that the society attaches to the net gain of a given client).

From the different studies above, we can understand that there is no specific studies on spread of small businesses so that we discussed growth and development of small businesses as reasons beyond spread of small businesses. Accordingly we can say that there are many ways to track the spread of small business as it is a process starting from the availability of opportunities followed by starting businesses, making sure of their survival and sustainability, developing the businesses to be bigger and expanding them by opening new branches or opening new businesses or entering new fields or developing new products.... before finally decline or sold. For this reason and to evaluate the spread of small businesses, there are many quantifiable elements in small businesses that can be evaluated in different stages for development. For this study, some indicators can be used based on the findings of the previous studies mentioned in this section. Accordingly spread is investigated based on some indicators. These indicators join both building small businesses vertically (in their growth) and horizontally (in their survival and expansion). From the studies above, we find it good to refer to spread of the small businesses by using different indicators. We can say the small business spread can be achieved if there is ability by the businesses to have skilled owner with leadership, availability of resources, simplicity to open by the public in general and poor and low income people in particular, availability of profitable opportunities in the market, ability to survive, increase in employment, delegation, sales, market share, new outlets, new assets and supplies, profit, ability to enter new investments and finally not resorted to spend from the capital of the business. If this is achieved, the environment will indicate to big potential of spread in small businesses. In this study, the spread is mentioned in the theoretical framework to show the relation between the microcredit service, the independent variable, on small business spread, the dependent variable.

### **5.3 Case Studies from Selected Countries**

This section will review some of the various case studies conducted by others in different countries in the world.

**Dacheva (2009)** discussed the commercialization of microfinance within the Latin American context. He argues that the social goal of microfinance which is to help poor, and the financial goal which is to get benefit can reach to high level of outreach and profitable if the microfinance transformed to work commercially. He indicates in his finding that there is no relation between commercialization factors and loans sizes but there is negative correlation in the significance of women borrowers in a microfinance institution. The more women borrows, the smaller the average loan size per borrower. The study showed that the commercialization of microfinance industry has made this industry successful.

**Mintah et al., (2014)** tried to reveal how microfinance credits are managed and utilized by small businesses and what challenges available in both the microfinance institutions and small businesses. The study revealed that:

- i. The microfinance institutions provides credit creating an enabling environment for small businesses.
- ii. Small Businesses pay greater part of their profit to pay back the loan due to short repayment period and high interest rate.
- iii. The study recommends MFIs to be flexible in the terms of repayment in order to enable small businesses raise their capital to the level needed.
- iv. Small businesses have to keep financial records to enable them measuring the growth of their businesses using profitability ratios.
- v. Finally, Small Businesses should fully implement the advices that the MFIs offer to them in order to promote their business growth.).

**Ngehnevu&Nembo (2010)** conducted a study to a microfinance institution, named CamCCUL, and its clients in Cameroon. It finds the following:

- i. There is a positive impact of microfinance on development of the SME. It points out that the stage of development of SMEs determine the securing of microfinance. Business of expected growth can get loans easily on condition that it also ensures its ability to pay back and be compliant with the requirements to obtain loan which includes mainly fixed tangible assets.

- ii. The study states that very poor people who are not involved in any income generating activity, are still not able to access the microfinance systems as policies of the microfinance institution exclude them.
- iii. The financial social services intimidation services helped to improve the businesses and made a positive impact to them.

**Quaye, (2011)** made a study to selected SMEs in the Kumasi Metropolis. The research findings revealed that the MFIs have helped SMEs by providing a greater access to credit in comparison to traditional banks. Also, SMEs were found to deal with more than one MFI. The credit has helped to boost their capital and expand their businesses. The research also mentioned some of the challenges facing microfinance institutions in their process of providing credit. Such challenges are the inability of clients to repay the loans, the misappropriate rate of credit and the request of collateral security which negatively affect SME as some cannot provide them. The research finally showed that MFIs have a positive effect on growth of Small and Medium Scale Enterprises

**Wanambisi& Bwisa, (2013)** conducted a study in Kenya. Based on the findings of the study, the level of access to MFI lending by Micro and Small enterprises is low (41.7%) due to little amount of loans and fears of the MSEs from request rejection. The majority of MSEs of about 44 (88%) that accessed the loans reported increase in sales and income and could repay loan and interest. 49 (70%) of those SMEs that did not access loans did not realize increase in income. The amount of loan significantly and positively related with performance of Micro and Small enterprises in Kitale Municipality

**Lopa (2009)** revealed from analysis of the data collected from Copperbelt Province in Zambia that:

- i. MFIs could service poor people from individuals and small-scale businesses which could not before access traditional financial institution due to not requiring collateral and less documentation demand.
- ii. Microcredit facilities help to promote establishment and sustain of small-scale businesses by providing credits as start-up capital and in times of financial intermittent. This help is achieved if the microcredit is provided to profitable businesses.
- iii. Small-scale businesses that access finance and get credit can grow if MFIs continue to increase their outreach. Some small scale businesses can generate income and net profits exceeding the initial capital which can make sustaining employment and better household livelihood.

**Wang (2013)** reveals that MFIs can reach even poorer households in rural china if they design and develop loan products that suit the income and expenditure flows of the households.

**Mahmood (2011)** proves that lack of training by microfinance institutions in Pakistan can be a factor of less number of women starting new businesses from microfinance loans.

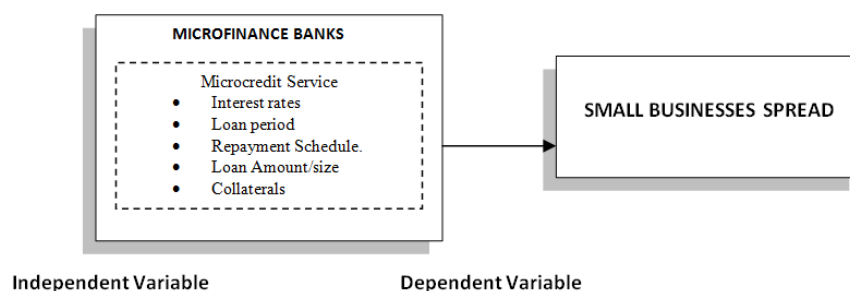
**Ali, Abu-Hadi & Sheikh (2013)** conducted a study in Somalia. They reveal that the majority of small businesses in Somalia is not able to access microfinance services due to the need to meeting some requirements of microfinance institutions, which are individual collateral, repayment capacity, security deposit or guarantor. Many small businesses and poor people do not have guarantors, assets, businesses, salaried employment, savings, and pre-loan weekly deposit. This is in line with what is found by Provident & Zacharia (2008).

**Glo`riaEstape´-Dubreuil and ConsolTorreguitart (2010)** found out that the credit that depends on social goals is truly a good source of capital for women. It helps immigrant women in Catalonia to integrate with the community and alleviate their poverty.

**Planet Finance Organization (2008)** conducted a study mainly for Egypt and then compared the results from the study with others conducted in other researches to Jordan and Morocco. The positive impact of MFI on the lives of the clients from individual and micro-enterprises was same in Egypt, Jordan and Morocco but the percentage was different. The three studies showed that there is a positive impact of microfinance on food consumption, education of children, health and sense of autonomy in the three countries.

## VI. RESEARCH METHODOLOGIES

### 6.1 Research Framework



**Figure 1:** Theoretical Framework of the Study



**6.2 Research Design:** The process used to conduct this study is to distribute questionnaires. The questionnaires are distributed to a pre-defined sample from small business clients that have accessed microcredit from microfinance banks in Sana'a, the capital of Yemen. The questionnaire contains questions which guide to discover the relation between the independent variable and the dependent variable in addition to the other objectives from this study. Accordingly, the descriptive and analytical approach is used in this research. The quantitative data is described based on findings. Also for qualitative data, some interviews are made with officers in the two microfinance banks, their clients and Yemeni authorities whenever required to explain ambiguities.

**6.3 Research Location:** This study is implemented to microfinance banks available so far in Yemen. They are two so far; Al-Amal Microfinance Bank and AlKurimi Islamic Microfinance Bank. Their headquarters are located in Sana'a while they have many branches in different locations and governorates of Yemen. This study is conducted to their customers in the different branches available in Sana'a.

**6.4 Unit of Analysis:** The unit of analysis in this research is a sample from small businesses which accessed microcredit from branches of both Al-Amal Microfinance Bank and AlKurimi Islamic Microfinance Bank in Sana'a.

**6.5 Population:** the population in this study is all the customers of the microfinance banks in Sana'a from entrepreneurs, owners of small businesses and microbusinesses whatever their activities, which have accessed the microcredit service. The customers of Al-Amal Microfinance Bank in Sana'a are about 10000 active customers in Sana'a (AlMishwar, personal communication, August 01, 2015), whereas in AlKurimi Islamic Microfinance bank, there is 4300 active customers in Sana'a (Mohamed AlShamiri, personal communication, October 15, 2015). Accordingly, the total population for this study is about 14300 customers which are the customers of the microfinance banks in Sana'a.

**6.6 Sample:** According to Krejcie & Morgan (1970) and their sample size table, the good number of the sample for the above population (10000 in Al-Amal Microfinance Bank +4300 in AlKurimi Microfinance Bank=14300 customers) is about 375. They were selected randomly using simple random selection process. Sample was distributed between the two banks based on the rate of the population in each bank. Therefore, the sample is (150) customers from Al-Amal Microfinance Bank and (225) from AlKurimi Islamic Microfinance Bank.

**6.7 Research Instrument and Measurement:** The instrument used to conduct this research is the questionnaire. It contains three parts; Part A of general questions, Part B of (33) questions about five dimensions of microcredit service, collaterals, loan amount, loan duration, repayment schedule and interest rates, and part C of 17 items about small business spread. The type of questions used in the questionnaire is fixed alternative response questions so that part B and C included only 5 possible answers (Strongly Disagree, Disagree, Don't know or Neutral, Agree & Strongly Disagree). The questionnaire has been made in such a way to facilitate measurement of each dimension of microcredit separately first and against the small business spread, the independent variable.

**6.8 Data Collection:** the data for this study have been collected through a new survey and a questionnaire inspired from previous researches, studies and surveys and then it was designed by the researcher. The questionnaire have been distributed in different ways in the two microfinance banks in Sana'a, Yemen as a result of the constraints in accessibility to customers enforced by banks.. In Al-Amal Microfinance Bank, the questionnaires were collected from their customers through 5 members of a team assigned and trained by the researcher to collect the data in interviews during the customers' visits to the bank to make repayments. In Al-Kurimi Islamic Microfinance Bank, accessibility to the customers personally were not allowed by the management of the bank. The researcher were forced to ask a senior credit officer there to distribute the questionnaires to customers of the bank under his supervision. The officer there personally paid visits to the businesses of the customers and give them the questionnaires by hand and explain to them the way of filling it and after 2 days collected them. The questionnaire mostly were filled by the researcher and his assistants to help customers fill the questionnaires.

**6.9 Data Analysis Techniques:** After the responses of the respondents were collected, the data was verified to check its suitability for analysis. After that, the data was encoded and inserted to IBM SPSS Statistical program version 20.0. Then, inferential analysis was conducted to the data by the researcher using the SPSS program. This has been done by using a number of statistical techniques and tools available in the SPSS program. These statistical techniques and tools are as following:

- i. Means and Standard Deviations: They are used to make descriptive analysis and describe the results obtained from questionnaires. Here are used to justify the outcomes of the inferential analysis.
- ii. Pearson Correlations Co-efficient (r): it is used to determine the relationship between each component of the independent variable, the microcredit service, and the dependent variable, the small business spread along with their significance. In order to interpret the coefficients from the examination of each component of the microcredit service in the study with the small business spread, the scale of Pearson's Correlation Coefficients (r) presented by Cohen (1988) is used to identify the relations.

**Table 1: Pearson's Correlation Scale according to Cohen (1988)**

Pearson's Correlation Coefficient (r)	Indication
Value between 0.5 and over	Strong Correlation
Value between 0.30 to 0.49	Moderate Correlation
Value below 0.30	Weak Correlation
Value of .00	Negligible Correlation

**6.10 Multiple Regression Analysis in SPSS:** it gives  $R^2$  value that shows the portion of the variance explained by the independent variables of the study. It also gives the Beta which shows that most dimension of the independent variable has impact on the dependent variable. It also clarify the significance of the relation.

**6.11 Goodness of Measure:** The validity of the instrument was checked by different measures and The researcher used the Cronbach's alpha co-efficient to test the reliability of the instrument:

- i. Experts validity: 5 experts reviewed the instruments and their modifications incorporated in the questionnaire.
- ii. Intrinsic validity: the intrinsic validity is found to be (0.92) which means that the degree of validity is high.
- iii. Reliability: The total of Measure was 0.875. According to Sekaran (2003), he states that "The closer the reliability coefficient gets to 1.0, the better.". Also the significance was 0.00 which means it is also significant as it is less than 0.05.

## VII. RESULTS AND FINDINGS

In order to examine the relationship between the microcredit service as a whole and its components against the small business spread, the researcher uses the Pearson Bivariate Correlation Coefficient between the ranges of responses of the sample on the items of the microcredit variables and the ranges of responses of the sample on the items of the small business spread variable. Table 2 shows the results:

**Table 2: Pearson's Correlation Coefficient – Microcredit Services, Its Dimensions & SBS**

Independent Variable	Statistics	Dimensions of Microcredit Service					Microcredit Service
		Collaterals	Loan Amount	Loan Duration	Loan Repayment	Interest Rates	
Small Business Spread	<b>Correlation Coefficient</b>	0.249	0.308	0.513	0.526	0.463	0.604
	<b>Level (2-tailed)</b>	**0.000	**0.000	**0.000	**0.000	**0.000	**0.000
	<b>No. of Sample</b>	375	375	375	375	375	375

\*\*Correlation is significant when it is < 0.05 level (2-tailed)

Also, in order to measure the influence and know the most influential component of the independent variable, the microcredit service, on the independent variable, the small business spread, the multiple regression analysis is conducted to each component of microcredit service and to small business spread. The results obtained is shown in the following Table 3:

**Table 3: Results of Multiple Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta (β)		
(Constant)	.966	.204		4.746	0.00
Collaterals	.019	.046	0.019	-.405	.685
Loan Amount	.083	.038	.103	2.218	.027
Loan Duration	.172	.037	.234	4.699	0.00
Loan Repayment	.324	.055	.298	5.916	0.00
Interest Rates	.200	.041	.230	4.890	0.00
F-value	51.360				
R <sup>2</sup>	.410				
Adjusted R <sup>2</sup>	.402				

\*p-value < 1, \*\*P-value<0.01

Table 3 of multiple regression shows the value of  $R^2$ . This value shows the portion of the variance explained by the independent variables of the study. The value of  $R^2$  in the table is (41.0). This means that the total influence of the five independent components of the microcredit service mentioned in this study is about (41%) on the small business spread. This means that there are other components and factors that contribute to the variance on the small business spread other than the five independent components (loan duration, loan amount, loan repayment, interest rates, and collaterals). In addition to that, the multiple regression analysis also shows the adjusted  $R^2$  which indicates to the fit of the analyzed data to undergo the regression model to the analyzed data. According to Muijs (2004), if the value of the adjusted R-square is less than 0.1, then there is poor fit. If the value is between 0.1-0.3, then it is of a modest fit. If the value is between 0.3-0.5, then there is a moderate fit. If the value is over 0.5, then there is a strong fit. We can see in this study that the value of the adjusted  $R^2$  is 0.40 which means that the five independent variables are fitting moderately at predicting the small business spread according to Muijs (2008).

The above two tables show the results of inferential analysis conducted in SPSS to achieve the objectives from the study.

The aim of this study is to examine the relationship between the microcredit service and 5 of its components (collaterals, loan amount, loan duration, interest rates, repayment schedule) with small business spread in Sana'a, the capital of Yemen. From the above tables, we can explain the findings of this study and results and achieve objectives of this study as well.

**Objective 1: To assess the impact of the collaterals in microcredit service on SBS.**

The findings reveal that there is a significant relationship between the collaterals and the small business spread in small businesses in Sana'a, the capital of Yemen. The value of the Pearson Bivariate correlation coefficient ( $r$ ) is 0.249 ( $p$ -value  $\leq 0.05$ ) and this renders the relationship to be a significant and positive but of weak correlation according to Cohen (1988). This explains that if collaterals are increased in microcredit service in MF banks, the small businesses spread will have a small increase in small business spread due to weak correlation. In addition to that, the collaterals in comparison to other 4 components of microcredit service (loan amount, loan duration, repayment schedule and interest rates) show that the collaterals do not have a significant influence on the small businesses spread.

Based on the descriptive analysis, we can discuss the above results based on the following points:

- i. The small businesses in Sana'a extremely agree on that:
  - the collaterals are considered a main requirement by MF banks to access the microcredit service.
  - MF banks give different options of collaterals to the small businesses so that the small businesses can choose the easiest one to present to the MF banks to access the microcredit.
- ii. The small businesses in Sana'a agree on that:
  - MF banks link the loan amount in the microcredit service to the value of collaterals.
  - they reduce their required amount in their application for microcredit service as a result of the impact of collaterals requested by MF banks.
  - MF banks are strict in getting the required collaterals from the small businesses and are not flexible in this respect.
  - the collaterals are easy to be brought by them and this enables them to access the microcredit service.

**Objective 2: To assess the impact of the loan amount and payments in microcredit service on SBS.**

The findings reveal that there is a significant relationship between the loan amount determined by the microfinance banks to give its clients and the spread of small businesses in Sana'a. The value of the Pearson correlation coefficient ( $r$ ) is 0.308 ( $p$ -value  $\leq 0.05$ ) and this renders the relationship to be a significant and positive but of moderate correlation according to Cohen (1988). In addition to that, if we ignore the collaterals which proved of no influence on the small business spread, we can see that the loan amount in comparison to the other 3 components of microcredit service (loan duration, repayment schedule and interest rates) has the least influence on small business spread ( $\beta = .103$ ,  $p$ -value  $\leq .05$ ).

Based on the descriptive analysis, we can discuss the above results based on the following points:

- i. The small businesses extremely agree on that the MF banks increase the loan amount if the small business kept a good record of successful loan repayments.
- ii. The small businesses agree on that:
  - MF banks in Sana'a specify their loan limit without considering seriously the needs of the small business and their growth and the small businesses confirms that.
  - MF banks give the small businesses the freedom to get the full payment of the microcredit at any time which facilitate to them not to negotiate about the initial ceiling amount.

- MF banks give microcredits but their amount do not look adequate to satisfy all demands of the small businesses.
  - the loan amount limit is one of the important factor that affects the decision of taking a microcredit from the microfinance banks.
- iii. The small businesses are neutral and could not recognize or admit the following:
- The suitability of the amount of the microcredit to their small businesses. Some finds it suitable to them and some finds it unsuitable.
  - that MF banks sometimes give them a microcredit less than the amount they requested. Some sees that they give them the amount they need whereas others sees that MF banks decrease the amount of the microcredit requested by the small businesses.

**Objective 3: To assess the impact of the loan duration in microcredit service on SBS.**

The findings reveal that there is a significant relationship between the loan duration of the microcredit service and the spread of small businesses in Sana'a, the capital of Yemen. The value of the Pearson correlation coefficient ( $r$ ) is 0.513 ( $p\text{-value} \leq 0.05$ ) and this renders the relationship to be positive and strong. This means if there is an increase in the loan duration, there will also happen an increase in the small business spread. In addition to that, the loan duration in comparison to the other 4 components of the microcredit service (collaterals, loan amount, loan repayment, interest rates) show that it is the second most influential dimension on the small business spread ( $\beta = .23$ ,  $p\text{-value} = 0.00 \leq .05$ ).

Based on the descriptive analysis, we can discuss that the above results based on the following points:

- i. The small businesses in Sana'a agree on that:
  - MF banks take a suitable time to give their approval for the microcredit and do not delay.
  - the MF banks pay the microcredit at their desirable times.
  - MF banks take a suitable time from the application for the microcredit service to the time of giving the credits.
  - the MF banks give a suitable time for repayments.
  - the times specified in the repayment schedule to make the repayments are acceptable to them.
- ii. The small businesses do not recognize a link between times of making the payments of the microcredit and any plan made by them. They are neutral.
- iii. The small businesses disagree on that the grace period is negotiable with MF banks.

**Objective 4: To assess the impact of the loan repayment in microcredit service on SBS.**

The findings reveal that there is a significant relationship between the loan repayment in the microcredit service and the small business spread in Sana'a, the capital of Yemen. The value of the Pearson correlation coefficient ( $r$ ) is 0.526 ( $p\text{-value} \leq 0.05$ ) and this renders the relationship to be positive and strong. In addition to that, the loan repayment in comparison to the other 3 components of the microcredit service (loan amount, loan duration, interest rates) show that it is the most influential element on the small business spread ( $\beta = .29$ ,  $p\text{-value} = 0.00 \leq .05$ ).

Based on the descriptive analysis, we can discuss that the above results obtained based on the following points:

- i. The small businesses strongly agree on that:
  - MF banks specify a predefined repayment schedule for the borrowers.
  - MF banks should make their repayments of the microcredit in frequent and small payments.
  - their credibility is going to increase if they keep a successful repayments.
- ii. The small businesses agree on that the repayment schedule helps to reduce the risk in inability to make the repayment of the full loan one time.
- iii. The small businesses are neutral and could not recognize or admit the following:
  - the flexibility of the bank in the loan repayments in both the time and the amounts.
  - that the predefined repayment schedule by the MF banks causes a delay in repayments.
  - the repayment schedule pushes the borrowers from the small businesses to look for another sources to pay back the loan.

**Objectives 5: To assess the impact of the interest rates of loans in microcredit service on SBS.**

(This study concerns the interest rate of Almurabha as it is the most type of the microcredit provided by microfinance banks in Yemen.)

The findings reveal that there is a significant relationship found between the interest rates of the microcredit service and the spread of small business in small businesses in Sana'a. The value of the Pearson correlation coefficient ( $r$ ) is 0.463 ( $p\text{-value} = 0.00 \leq 0.05$ ) and this renders the relationship to be positive and of moderate

correlation according to Cohen (1988). In addition to that, the interest rates in comparison to other 4 components of the microcredit service shows that it has influence on small business spread by ( $\beta = .23$ ,  $p\text{-value} \leq .05$ ).

Based on the descriptive, we can discuss that the above results obtained based on the following points:

- i. The small businesses in Sana'a agree on that:
  - the interest rates of microcredit in MF banks in Sana'a are high.
  - the interest rates are within their affordability.
  - the interest rates represent small portion from the revenues of their businesses.
- ii. The small businesses are also neutral and could not judge on:
  - whether the microfinance bank is trying their best to reduce the interest rates.
  - the claim of microfinance banks that they help poor, low-income people and small businesses if looking at their interest rates.
  - that the interest rates of the microcredit service in the MF banks in Sana'a is better than other sources of financial institutions.

**Objectives 6: To assess the impact of the microcredit service in general on microcredit service on SBS.**

The findings reveal that there is a significant relationship between the microcredit service in general (based on the five components used in this research which are the collaterals, loan amount, loan duration, repayment schedule and the interest rates) and the spread of small business in Sana'a, the capital of Yemen.. The value of the Pearson correlation coefficient ( $r$ ) is 0.604 ( $p\text{-value} = 0.00 \leq 0.05$ ) and this renders the relationship to be positive and of a moderate correlation.

The descriptive analysis in the previous sections can explain the results from the side of microcredit. However, we can explain the results from the side of SBS on the following points:

- i. The majority of the sample from small businesses accessed the microcredit extremely agree on that:
  - Their ability to increase their market share if they get financial support.
  - The poor and the low-income people become able to open small businesses.
  - Yemenis have the leadership skills necessary to develop and growth of their small businesses.
  - There are a lot of profitable opportunities in the market if they get a financial support
- ii. In addition, the majority of the small businesses agree on that: The owners of the small businesses delegate their responsibilities and authorities to the employees. They assure the ability of the small businesses in Yemen to increase employment, open new outlets or new branches, enter new markets, enter new types of investments. They admit their abilities to raise their capacities to manage any increase in the sales and add more assets and supplies when required by assistance of microcredit.

## VIII. CONCLUSION

This study is conducted to examine the relationship between the microcredit service in MF banks in Sana'a (which are Microfinance Islamic Banks), the independent variable, and 5 of its dimensions (collaterals, loan amount, loan duration, loan repayment, interest rate) against the small business spread, the dependent variable. It tries to assess the significance of this relation and the level of influence of each of the 5 dimensions of the microcredit service on the small business spread. Based on the objectives, the literature review was conducted and the hypotheses and questions were made for the study. The quantitative research method was used to reach to the results from this study. Accordingly, a questionnaire was prepared by the researcher for this purpose and included three parts, the first contains 8 demographic questions, the second contains 33 questions about the microcredit service and the third contains 17 questions regarding the small business spread. The questionnaire was distributed to 375 small business owners from those who accessed the microcredit service from the branches of MF banks in Sana'a. The questionnaires were collected by the researcher and his assistants from the small businesses. After the analysis of the data, we get the results regarding the subject of the study. The results reveal that the microcredit and all of its 5 dimensions have positive significant correlations with the small business spread. The outcomes from the regression analyses also show that the order of the dimensions of the microcredit service in their influence on the small business spread in Sana'a are the loan repayment, loan duration, interest rates and loan amount respectively. Collaterals were found of no significance influence on the small business spread.

By this, the study could give objective examination and empirical study to the relationship between the microcredit service in the MF banks in Sana'a and the small business spread. It also stresses the importance of the components of the microcredit as a tool to control spread of small business. It also discusses a new subject which is the small business spread which other studies did not focus on it. This study can give also some information about the microcredit service and the small business spread from the environment of Yemen in which the data is difficult to find. In addition, this study reveals that the culture of microfinance is still new to

the small businesses. The small businesses face challenges in many involvements in the microcredit service and cannot give their opinions clearly about the microcredit service.

This study's limitations contain the difficulty to access the small businesses by the researcher as the time to find them takes several days, because they could only be met at the times of their repayments of the loan to the banks. During the time of data collection, the political and security unrest in the country limited the time and places the researcher can visit to fill the questionnaires and the sample also were a little due to this reason. The low educated sample of the study are required to explain to them the contents of the research instrument and this takes a lot of time. Also the small business spread is a new subject which has not been searched before. In addition, the literature was few on subjects of our concern in both the microcredit service and the small business spread.

The researcher suggests for future researches to expand the scope of this research to include the Yemen as a whole or some other governorates in order to come up with an overview about the situation in Yemen. He recommends the future researches to enrich the study about the microcredit service and the small business spread in Yemen and include some other dimensions of the microcredit service that have not been discussed in this study. The future studies can also focus on the microcredit service in relation to other microfinance services and their influence on the small business spread.

The study recommends the MF banks in Yemen to make many changes in the microcredit service to present it to the borrower in more efficient, effective and marketable way. It recommends to use the collaterals, the loan amount, the loan duration, the loan repayment and the loan interest rate as tools to provide the microcredit service in a way which will help to have more small business spread. The study also recommends that the government and the Central Bank of Yemen can make additions to make improvement in the microcredit service and the small business spread. Government has to make special law for the small businesses that saves their right. Central Bank of Yemen has to enact policies and place plans to improve the microcredit service.

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