REPUBLIC OF TURKEY
MARMARA UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES

IN QUEST FOR DEVELOPMENT: MICROFINANCE DURING POLITICAL UNCERTAINTY; CASE STUDY FROM SYRIA

Amal Moustafa Kikhia

MASTER THESIS

DEPARTMENT OF BUSINESS ADMINSTRATION
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MENTOR
PROF. DR. Ahmet Faruk Aysan

ISTANBUL – 2020

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APPROVAL PAGE FOR MA THESES

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts in Business Administration

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Thesis Advisor		
Prof. Dr. Ahmet Faruk Aysan	………………..	…………………..
Prof. LOKMAN GÜNDÜZ	…………………	…………………
Dr. Çağrı Gündoğdu	………………….	…………………..

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ABSTRACT

IN QUEST FOR DEVELOPMENT: MICROFINANCE DURING POLITICAL UNCERTAINTY; CASE STUDY FROM SYRIA

Amal Moustafa Kikhia
Master of Business Administration
Thesis Advisor: Prof. Dr. Ahmet Faruk Aysan
June 2020, 69 Pages

In the Literature of Microfinance, there has been a long debate, whether it has achieved its goals and left a traceable impact on the lives of the poor. And as a Microfinance is a tool for development, but how does it perform during political uncertainty. To answer this query, we conducted 20 case studies in the Syrian context during the prolonged war. We found that the provided Microfinance is considered a developmental extension to relief as it is not regarded as typical Islamic Microfinance; we can call it subsidized Microfinance. Moreover, one implication of our study is that Microfinance services have minimal impact in terms of poverty alleviation as the vulnerability of the conflict-affected population is compound. And Microfinance alone cannot achieve its targets if it is not accompanied by a capacity-building program, especially for women. The impact of Microfinance services on Women empowerment was at its secondary levels as mostly nothing has changed.

Key Words: Microfinance, Sustainable Development Goals SDGs, Poverty Alleviation, Women Empowerment

ÖZ

KALKINMA SORUNUNDA: SİYASİ BELİRSİZLİK SIRASINDA MİKROFİNANS; SURİYE'DEN DURUM ÇALIŞMASI

Amal Moustafa Kikhia

Işletme Yüksek Lisans

Tez Danışmanı: Prof. Dr. Ahmet Faruk Aysan

Haziran 2020, 69 sayfa

Mikrofinans Edebiyatında, amaçlarına ulaşıp ulaşmadığı ve yoksulların yaşamları üzerinde izlenebilir bir etki bırakıp bırakmadığı uzun bir tartışma olmuştur. Ve bir Mikrofinans gelişme için bir araçtır, ancak politik belirsizlik sırasında nasıl performans gösterir. Bu soruyu cevaplamak için, uzun süreli savaş sırasında Suriye bağlamında 20 örnek olay incelemesi gerçekleştirdik. Sunulan Mikrofinans'ın tipik İslami Mikrofinans olarak kabul edilmediğinden, rahatlamanın gelişimsel bir uzantısı olduğunu gördük; buna sübvansiyonlu Mikrofinans diyebiliriz. Ayrıca, çalışmamızın bir sonucu da, mikrofinans hizmetlerinin çatışmadan etkilenen nüfusun kırılganlığı bileşik olduğu için yoksulluğun azaltılması açısından minimum etkiye sahip olmasıdır. Mikrofinans, özellikle kadınlar için bir kapasite geliştirme programı eşlik etmiyorsa hedeflerine ulaşamaz. Mikrofinans hizmetlerinin Kadınların güçlendirilmesi üzerindeki etkisi, hiçbir şey değişmediği için ikincil seviyelerdeydi.

Anahtar Kelimler: Mikro finans, Sürdürülebilir kalkınma hedefleri (SKA), Yoksulluğun azaltılması, Kadının güçlendirilmesi

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I would like to thank Prof. Dr. Ahmet Faruk Aysan for his valuable contribution and supervision throughout the preparation of this work. I extend my thanks to Hayat Fund and its staff for their coordination to finalize this research.

DEDICATION

I dedicate this work to my parents and to the only person who is always there for me with his unconditional support and love, Mohammed.

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LIST OF ABBREVIATIONS

MFI	Microfinance Institution
NGO	Non-Governmental Organization
UN	United Nations
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
MENA	Middle East and North of Africa
GDP	Gross Domestic Product
UNDP	United Nations Development Program
IDP	Internally Displaced People
SDGs	Sustainable Development Goals

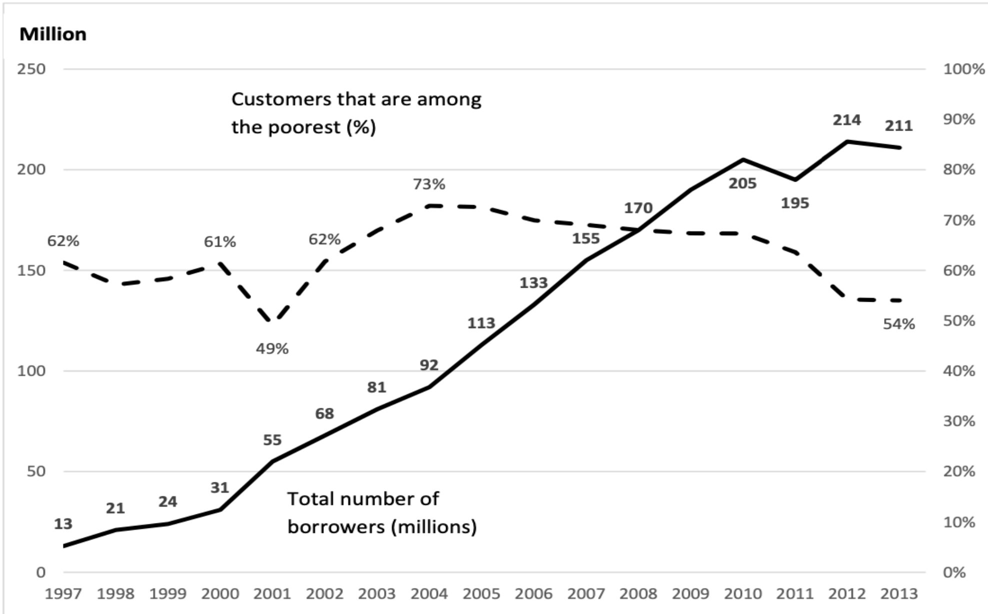
LIST OF DEFINITIONS OF NON-ENGLISH WORDS

Murabaha	Sale at a specified profit margin. The term, however, is now used to refer to a sale agreement whereby the seller purchases the goods desired by the buyer and sells them at an agreed marked-up price, the payment being settled within an agreed time frame, either in installments or in a lump sum. The seller bears the risk for the goods until they have been delivered to the buyer. *Murabaha* is also referred to as *bay muajjal.*
Qard Hasan	A loan extended without interest or any other compensation from the borrower. The lender expects a reward only from God.
Waqf	Dedication of property for charitable and religious of purposes
Sanduq	The fund, and here it refers to a Microfinance institution that is owned, managed, and self-governed by its members
Sanadiq	The Plural of Sanduq

CHAPTER 1
INTRODUCTION AND THEORETICAL BACKGROUND

1.1 Introduction

When Muhammed Yunus started Microfinance in Bangladesh in the late 1970s and the beginning of the 1980s, he didn't imagine that the Microfinance global market will be a business of multi-billion dollars after he started giving humbly 27$ loan to 40 from the poor.



Microfinance Borrowers, 1997-2013 (Millions) ***Source : Cull & Morduch (2017).***

When he came up with the Microfinance policy, he wanted to provide financial services to the poor who don't have access to it because of the conditions set by the conventional financial system. In one of his speeches, he said that when people asked him how did he do it?, he said that he looked at the conventional banking system and did the opposite and it worked; Grameen Bank directs the poor instead of the rich, gives loans without collateral, gives loans to women and owned by poor women as well. So when he started his whole new policy, Microfinance has always been looked at as the solution to all the problems of the poor from providing them with money to buy food until sending their children to school and having a quality education. The business of Microfinance nowadays is a little bit different; it became a big for-profit business with hundreds of millions of market size. In this research article, we will touch upon the objectives of first initiated Microfinance policy and the current

Microfinance in the 21st century; moreover, we will discuss to what extent Microfinance meets selected goals from the well-known Sustainable Development Goals. Moreover, we will give an example for the Microfinance sector in Syria after 2011 and whether it's a real tool for Development or seeking to be a charity in the outfit of Development.

1.2 What is Microfinance?

The idea of Microfinance has always been linked with social capital. Since nor material nor financial security exists in the Microfinance scheme, the most compelling motive is the trust on clients and their hidden potentials that no other banking system tested before. Microfinance refers to small-scale financial services—primarily credit and savings— provided to people who don't have access to conventional financial services. For centuries credit services were linked with medium to rich people who can afford to give any type of collateral to the banks. Until the beginning of the eighties of the last century, when was the beginning of Grameen Bank in Bangladesh, which was called the Bank for the Poor, which provided no-collateral loans to women. As of November 2019, it has 9.60 million members, 97 percent of whom are women (the Grameen Bank website). Grameen Bank model has been replicated in 37 countries with the same structure and Different procedures. The rise of the Microfinance industry represents a remarkable accomplishment taken within a historical context as in 2018, 139.9 million borrowers benefited from the services of MFIs, compared to only 98 million in 2009.

1.3 The History of Microfinance

The first Microfinance operations in the world go back to the middle centuries, where the people used to resort to the rich to borrow in exchange for an interest in Europe, some other countries and in the Middle East countries. The interests were calculated on a very high basis; in most cases, the interest was more than 20% on an annual basis.

Some people had the idea of *Qard Hasan*, which is a small loan granted to a person who wants to marry or who is going to a business or whatever in order to facilitate his affairs and the loan was acquired without any interest provided that the person returns the loan as it is without any increase or decrease.

In the story of the Venetian merchant William Shakespeare, we find that the story revolved around a loan granted for marriage and that one of the protagonists of the story was a lender man, that is, his profession is based on high-interest lending operations, and the other is a lender as well, but with low interests and he often forgives the borrowers. The competition between these two was one of the plots of the story, and the medieval Shakespeare chronicled many stories related to small lending operations through which we can tell that lending operations at that time took a professional approach, but they started as simple lending operations and had evolved more than its predecessor.

Microfinance as a structured process was late until the mid-nineteenth century when the German organization Friedrich Wilhelm Raiffeisen started. In 1945, the philosophy of this institution was to provide credit services to the class that is difficult to reach from the poor and middle-class banks, despite this relatively ancient history the world has not witnessed a broad spread of such institutions compared to traditional banking.

The idea of Microfinance has been linked to non-economic and non-profit drivers more than to profitability and economic feasibility, where we can extract from historical experiences in Bangladesh, Malaysia, and other countries that have established active and effective Microfinance institutions:

- Microfinance has historically relied on individuals for a long time more than its dependence on organized institutions. Individuals have different motives in engaging in this type of financing, some of whom saw it linked to reward and intangible wages of religious or national motivation, and some of them saw that it would achieve high profits if it were able to secure Its capital, but it’s individually contested, makes it easier for it to obtain lower costs, which makes its benefits more significant, so the individual took a mortgage for the loan and imposed high interest on the borrowers.
- Some institutions' entry into the Microfinance industry is relatively late compared to traditional lending operations. We also note that banks have evolved much faster than Microfinance institutions. Although the idea of Microfinance is relatively accompanying the idea of conventional lending, the emergence of the

structured Microfinance institutions, as well as its Development, encountered several obstacles as there wasn't big demand by investors the same way as conventional banking.

- The flourishing of the MFI and its strong entry came after the Second World War and accompanied with the idea of development in the sense that was reviewing experiences in the field of Microfinance we find that it was driven by activating the small sector and emerging institutions and empowering marginalized and vulnerable groups that stimulate the economy and can launch a wheel Production, especially if its numbers are large, so Microfinance has been incorporated into the development plans and models of many countries in the twentieth century.
- Also, reviewing the origins of Microfinance gives us clear evidence that the ground from which Microfinance was launched is a purely social one in addition to the economy, in contrast to the traditional financing that was launched from an economic platform aimed at profit.
- Microfinance institutions took various forms of ownership as governmental, private or cooperative, and were sometimes charitable institutions or civil society associations in addition to being in some historical cases branches of commercial banks or prestigious financing institutions.
- Microfinance institutions focused mainly on the lending service, as this was the purpose of the establishment, but recently we note that these institutions have already started adding new products such as insurance and savings and the issue of transferring money that was very popular as one of the most prominent tools that entered the industry of Microfinance.

1.4 A comparison between Microfinance Institutions and Conventional Financial Institutions

A comparison between Conventional Banking and Microfinance can take us the most essential differences in addition to understanding the work and mechanisms of Microfinance institutions entering the market, which we can summarize in the following table:

Table 1.1 Comparison between Microfinance Institutions and Banks

Comparsion	MFI	Conventional financing Institition
Beginning	Microfinance is much older, but the institutionalization of microfinance is relatively late	The foundation and development was much faster than the MFIs as well
Products	Relatively limited	Varied
Capital size	Relatively small	Very big
Type of players	Associations, governmental institutions, private companies, cooperative institutions ..	Limited Liability Company, Joint Stock Company
The basis of its business	Social viability of products	Economic viability of the product
Role during crisis	It is active during and after crisis	Its role declines in times of crisis
Customer segments	The poor and middle classes	Rich and wealthy groups
Interests	Either zero or high	Linked to the country's official interest rate Often between 3% and 7%
Supporting services	Feasibility studies and consultations after granting the loan	Feasibility studies and all details are required before grating the loan

Role during Loan period	Partial supervision	Close supervision
Women empowerment	Most of its products to women	Women formal products for promotional purposes
Type of business	Small projects and professions	Institutions and individuals (commercial, real estate ...)
No Debt Ratio	Relatively high, may reach 50%	Too small (less than 1%)
fintech	New and not spread	Largely used
Outreach	Rural and small towns	Industrial cities and major cities

1.5 Characteristics of the Population Group for Microfinance services

Microfinance has always been linked with the provision of loans to the poor. So, the poor are the first potential clients that any Microfinance provider targets. In addition to this, globally, the industry of Microfinance is continuing because of women. As of 2018, the number of borrowers is 139.9 million borrowers; of these borrowers, 80% are women. Driven by the trend of gender equality as it seemed at the beginning, Microfinance mainly targets female clients. Some researchers argue this interesting notion by examining the reasons behind targeting women as the main clients of Microfinance; is it a real matter of gender equality, or is it mainly because women are better creditors and they contribute to the profitability of the MFI. D'espallier, Guerin & Mersland (2013) found that a focus on women is related to international norms, common lending methods, smaller loans, and non-commercial legal status.

Moreover, and concerning profitability drivers, they found that a focus on women is significantly related to increased operational expenses in the form of both staff costs as well as administrative costs. However, these increased costs associated with lending to women are not driven by gender by itself, but rather by the nature of loans, that is smaller and more often delivered through group lending. They also confirmed that lending to women is associated with lower default risk, which is driven by intrinsic gender differences and cannot merely be explained by the way loans are delivered to women. They concluded that portfolio yield and funding costs have no significant differences between lending to men and women.

In the Microfinance sector, there is an ongoing debate on whether those services must target the poor or the poorest segments of the community. Although there is a consensus that Microfinance should target the poor, there are different schools of thought on who should be targeted; the poor or the poorest. The common trend is that the poor are the more likely to be served as they may work more on income-generating activities, which will eventually lead to the efficiency of the Microfinance institution itself. On the other hand, there is a school that promotes targeting the poorest of the community no matter how costly it might be ((Diop, Hillenkamp & Servet, 2007). The theory behind targeting the poorest is "the inability to invest is the key block to productive activity. Increasing productivity, in turn, increases income, enabling the borrower not only to repay the loan and interest but also to save." (Leikem, 2012). A matter of fact is that the clients of Microfinance services are roving around the poverty line, not under it (Copestake, Bhalotra, & Johnson, 2001).

1.6 The Impact of Microfinance Services

The Microfinance scheme has always been promoted as a tool to fight poverty, and this couldn't be achieved without measuring the impact of this service. Microfinance was first initiated at the very beginning of the philosophy of breaking the cycle of poverty by empowering the poor to be productive and enhance their social, financial, and eventually psychological status. As the global trend of Microfinance tends to help the poor through self-employment to make a powerful economic capital out of them rather than helping them for one time. According to Microfinance Handbook (Ledgerwood, 2000), the economic impact of this service should be achieved on multiple levels; one of them is at the level of the enterprise or the level of the sector or at the level of savings which reduce the vulnerability of the poor families. This view composed the first trend in the impact studies on Microfinance. However, later researchers contradicted this view by stating that taking a loan may increase the financial responsibilities for the family members which means an increase in their debts like in the Morduch and Roodman 2009 's replication of Pitt and Khandker

(1998) when they resulted to that the all the results are questionable including those on the impact of the Micro-financial services. In other words, the tensions between the profitability of MFIs and impact runs through the history of Microfinance and still ongoing.

1.7 Methodology of Microfinance

The majority of Microfinance institutions offer and provide loans based on group lending without collateral. However, there are other methodologies that MFIs follow. In general, some MFIs start with one methodology and later on move or diversify, so it's important to understand the basics of methodology and activities of MFIs. Here I'll present the most prominent methods.

1- Individual Lending: Individual lending is defined as the provision of credit to individuals who are not members of a group that is jointly responsible for loan repayment (Ledgerwood 2000). This method requires close follow-up and coordination between the client and the service provider.
2- Grameen solidarity groups: this method requires more social responsibility from the clients as they needed to meet every week, and they need to save for a couple of months as a group before the acquisition of the loan. As the group consists of five creditors, when the time comes they didn't receive the loan as a group but gradually; the first two take a loan then after a period of successful repayment the loan is granted to two from the group as well, and this scenario repeats with the acquisition of the last loan as well. In this group, there were members technically guarantee each other for paying back the loan on time and share the responsibility.
3- Village Banking: village banking is a community-based association that manages the savings and credits of the community members, usually are managed by women. Members 'savings are tied to loan amounts and are used to finance new loans or collective income-generating activities. No interest is paid on savings. However, members receive a share from the bank's lending or investment profits.
4- Group lending: group lending was the first methodology innovated by Dr. Muhammad Yunus in Grameen Bank to overcome the credit risk issues. These innovations were based on group lending, a mechanism which allows a group

of individuals to guarantee loans through a group repayment pledge (Yunus, 2007)

1.8 The Objectives of Microfinance

Microfinance as a tool for development has many goals like, poverty reduction, outreach to most vulnerable categories, and empowerment. When visiting the literature on Microfinance, research can see mainly two trends. One of the favor of Microfinance as a tool for development is achieving all its goals that it was established for. The other is the discussion of the shortcomings of this policy as it is far away from entirely achieving its goals. In this section, I will discuss these two trends shedding some light on different insights. The most prominent two goals of Microfinance are Poverty reduction and Women Empowerment. I will discuss these two concepts in-depth, and later in the paper, we will give a brief on how these two concepts are dealt with over the years in the agenda of the United Nations through the Millennium Development Goals and Sustainable Development Goals.

1.8.1 Poverty Reduction

Poverty is considered a controversial issue over the years as it is not limited to time or place. Poverty now is a global problem set by United Nations Agencies and International Organizations. On their priorities to find solutions to it both at global and national levels and in cooperation with national players. There is no universally unified definition of poverty. However, according to the World Bank, they defined the threshold of poverty as living under 1.9 $ a day (World Bank 2015). Poverty is defined as the inability to maintain a minimum level of wellbeing. However new definition has been adopted to encompass not only material deprivation but also low achievement in education and health (2001 World Bank). In other words, poverty has been linked to socio-economic reasons and sometimes political reasons. This makes it a compound problem that all governments and institutions work hard to find an end to.

Most international institutions have been driven by ethical principles to fight poverty, knowing that it may result in more critical problems they have put ending poverty on the top of its priorities in its Sustainable Development Goals agenda.

“Poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as the lack of participation in decision-making. In 2015, more than 736 million people lived below the international poverty line. Around 10 percent of the world population is living in extreme poverty and struggling to fulfill the most basic needs like health, education, and access to water and sanitation, to name a few. There are 122 women aged 25 to 34 living in poverty for every 100 men of the same age group, and more than 160 million children are at risk of continuing to live in extreme poverty by 2030." United Nations, Global issues, Ending poverty.

Poverty has been looked at as a socio-economic status where the individuals can't afford to get their basic needs of health, education, food, and accommodation. As of the world bank set a quantitative concept by setting a threshold of 1.9 US$ a day so anyone who can't afford this amount. So, the poverty issue isn't an issue of providing food or clean water anymore; it's when the person can't afford his basic needs and health and education needs.

1.8.1.1 Poverty and its Dimensions

Poverty was previously linked with only quantitative dimensions, such as the income of the individuals. However, The World Bank's World Development Report 1990 came with the expansion of the concept of poverty by increasing its measures for the first time to include nutrition, life expectancy, infant or under-five mortality, and school enrolment rates.

The methodology of measurement of poverty witnessed a great deal of evolution as summed by (Sumner,2007) as in the table below but I added up the last update on the dimensions of the Poverty as how it comes in the SDGs :

Table 1.2 The evolution of poverty meaning and measurement, 1950s-2015

Period	Concept of Poverty	Measurement of Poverty
1960	Economic	GDP per capita growth
1970	Basic Needs (inc. economic)	GDP per capita Growth + basic goods
1980	Economic	GDP per capita
1990	Human Development	UNDP Human Development Indices
2000	Multi-Dimensional 'freedom'	Millennium Development Goals

2015	Complex Multidimensional problem with origins in both the national and international domains.	2030 Agenda for Sustainable Development and its set of Sustainable Development Goals

So, at the earliest stages, some scholars consider poverty as an absolute economic problem, and as of any problem that has its roots, the problem of poverty emerges from the non-presence and unequal distribution of wealth in the society. Therefore, the economic dimension of poverty relied on the income and the expenditures of any household for a long period. They divided it into three groupings: income, poverty line and income inequality. This quantitative approach had its limitations, and it showed a lot of weakness and witnessed gaps in knowledge. Yet these measures are easier to be assembled and get results out of them; they don't give the whole picture of the poverty levels in societies. Therefore, a new set of measures came to complete the description of the poverty dimensions, which are the non-economic dimensions that can be summed up in three groups: education, health, and environment. The non-economic aspects have also its shortcoming like the subjectivity of the results as they don't rely on figures or numbers, and they rely on different interpretation styles of humans.

Moreover, the conventional approach of measuring the economic dimensions can't measure the inequality within the household. In other words, they don't measure the consumption or income of women within the family. Therefore, data that are collected by the individual level is more valuable and may provide more accurate results.

The 2000/2001 World Banks's World Development Report uses vulnerability and exposure to risk, as well as voicelessness and powerlessness as an extension to poverty dimensions. So Vulnerability is defined in the literature as the probability of being exposed to several other risks like violence, natural disasters, or others. Measuring vulnerability is difficult because it is a dynamic concept. There is a census over the years that it is neither practical nor wanted to measure vulnerability in a single indicator. Like in the cases of a compound disaster in a country where there are high rates of poverty, it's more complicated to measure the vulnerability at all.

1.8.1.2 Poverty, social capital, and Microfinance

When talking about poverty and social dimensions of poverty, the researchers can't ignore the norms and concepts of social capital. Social capital is described as the networks and social resources that the individual has in the form of relations, relatives, and acquaintances inside the society. James Coleman looked at social capital as "the set of resources that inhere in family relations and in community social organization and that … can constitute an important advantage for children and adolescents in the development of their human capital". In the world bank document the Changing Wealth of Nations, they adapted the definition of social capital as it constitutes "networks together with shared norms, values, and understandings that facilitate co-operation within or among groups" (OECD, 2001). So we are talking here about an old-new concept that emphasizing on it we can identify whether the societies can depend on its solidarity to decrease their problems like poverty or vulnerability to crises in general. Therefore we can summarize the main contribution of social capital in reducing poverty as the following points:

- ensuring cooperation and solidarity within the community to accelerate poverty reduction.
- Develop a social security network for vulnerable people.
- Individuals feel they are a part of a more significant community, which results in reducing the adverse effects of poverty like crime.

The literature of Microfinance is rich with examples of social capital. Group-based Microfinance schemes are the best examples of the way where social capital has achieved positive development outcomes. Where in Microfinance, there is no financial collateral to the loans, social collateral plays a remarkable role as it's responsible for the international high repayment rates in this sector overriding the conventional banking sector.

Where the discussion of the importance of social capital in achieving development, researchers are still testing the efficiency of this concept in achieving its goals. In the theoretical framework developed by Ansari, he discussed that social capital could develop capabilities in the Base of the Pyramid (BoP)segments by distributing capabilities within groups through bonding social capital and transferring capabilities between groups through bridging social capital (Ansari et al., 2012). However, Microfinance innovations of ‘social collateral’ and ‘solidarity circles,’ while ensuring high repayment rates, had negative social consequences. There is increased surveillance within and between groups of borrowers leading to a slow erosion of trust and social cohesion, a key component of social capital. (Banerjee and Jackson, 2017). The conversation of whether Microfinance undermines the social capital in poor communities is still ongoing, and my research will contribute to this by examining this concept in our context by looking at the social capital down up putting the lenses of beneficiaries from Microfinance.

1.8.1.3 Microfinance and Poverty Reduction

The most prominent voices in the early literature of Microfinance were to those who study the first country that was the trigger for Microfinance, which is Bangladesh. At the same time, everyone looked at this sector at its early stage with an eye of the admirer.

Rodman and Morduch in their article The Impact of Microcredit on the Poor in Bangladesh: Revisiting the Evidence 2013, they concluded that questions about impact couldn’t be answered in the previous revisited evidence, however at the same time, their article measured the economical parameters of poverty and the belief that Microfinance helps in poverty alleviation. Since the definition of poverty has been changed over the years, the literature on measurements of poverty has been changed as well.

In their analysis of the sector of Microfinance and the players in this sector, Leikem 2012 found that the goals of Microfinance that was set in the 1997 Microcredit Summit have been largely unmet. Another research found that Microfinance services provided didn’t help in poverty reduction, yet it increased the beneficiaries' indebtedness (Banerjee and Jackson, 2017). Banerjee and Jackson also found that in addition to measuring poverty by economic indicators, it should be assessed by qualitative indicators of vulnerability and risk. When studying the impact of Microfinance, Banerjee and Jackson (2017) identified three dimensions of vulnerability; economic, environmental, and social. Their findings indicate that the method of distribution and use of Microfinance in their research sites, instead of alleviating poverty, actually served to exacerbate poverty and increased vulnerabilities rather than create empowerment for the majority of borrowers.

1.8.2 Women Empowerment

When Professor Yunus first thought of Microfinance, he thought of women as the first beneficiary of this policy and to increase their chances of getting some of their rights, which are embezzled in the patriarchy world we are living in. After about 40 years, did Microfinance achieve this vision of a world where women are enjoying all aspects of life shoulder to shoulder with men?

Women are considered the most vulnerable categories in undeveloped countries as they suffer from social and financial problems. In some of the parts of the worlds, women are considered misfortunate to be born there as their problems remarkably different from those who were born in the developed countries for example in the Arab region women suffer from unequal job opportunities as the unemployment rates of women exceeds twice times those of men and three times women unemployment rates of international women unemployment rate which was 5,58% in 2019. Since there is a bi-directional relationship between women empowerment and economic development (Duflo, 2012), inequality and discrimination in this region will hinder the empowerment of women and eventually will lead to slowing the development wheel.

Unfortunately, till now, there is no consensus for the controversial concept of women empowerment in the literature; however, it could be interpreted in two main scopes; social and development. Economist Naila Kabeer (2017), defines empowerment as 'the expansion in the capacity to make strategic and meaningful choices by those who have previously been denied the capacity but in ways that do not merely reproduce, and may indeed actively challenge, the structures of inequality in their society.' Therefore we can say that women's empowerment is a process of improving the welfare of women.

The role of women in economic life

Women make most of the decisions related to consumption and purchases in households; however, they do not obtain similar opportunities in the labor market, especially in relatively underdeveloped countries. The issue of participation of women in the labor market is one of the problems that was discussed by economists on a large scale. Fortunately, the issue of empowering women has been acknowledged by all international institutions and most of the world.

In real we find that women live a different reality, where women face a set of political, social, economic and cultural challenges that hinder the process of empowerment, and the economic independence of women is complicated by a complex network of personal relationships that women establish with parents, brothers, partners, children and neighbors. In many ways, women are taught that their options are limited or can be limited by the most powerful men in their surroundings. From a young age, the family may deprive the daughter of school for a number of reasons, including the belief that she does not need the education to be a wife or housewife. As an adult, neighbors may harass her or spread rumors around her because they disagree with her work outside the home. As a widow or divorced woman, poverty and lack of work experience may force her to return to her parents ’ house, where she again becomes under the wing of the oldest man or person in charge of the family. This is the case for women in a number of countries in the Middle East, which makes women a weak member in the social structure of societies. Thus, it needs support more than others.

The female head of the family and other different groups of women do not have access to financial resources or social benefits such as social security, pensions, and food distributed through the public distribution system that governments or formal institutions perform. Moreover, the collapse of the social security network due to conflicts and the decline in the rule of law has affected many women. Still, the women beheaded families are the most affected, as many of these families lack those who provide them with a basic income.

In this context, where women may play multiple roles, they need special care and attention:

- The family headed by women: For many reasons, women may be the breadwinners of their family’s such as divorce, death of their partner or other cases like temporary loss, as in the case of wars and conflicts in the Syrian, Iraqi, Sudanese, Yemen, and other conditions Countries this phenomenon is noticed a lot which makes them more vulnerable and fragile and need a lot of attention.

- The lonely woman: who is subjected to violence, persecution, or discriminatory social treatment, such as unequal job opportunities.

These groups are the ones most in need of attention and empowerment and open opportunities to ensure that they get out of their isolation and live a productive life in which they feel secured and increase their confidence so to be able to manage their lives in all of its aspects

The marginalization of women and their issues is considered one of the most severe problems, and it has social impacts leading to economic ones. In this case, the woman will be subject to extortion, violation, and vulnerability, which may cause frustration to the community or unjust deviations, and the risks of marginalization may make these categories victims of crimes.

The role of Microfinance comes in creating a bridge between these groups and economic empowerment and allows women to get out of the state of oppression, torture, and psychological and social problems to develop themselves and establish their ability to care for their children as well as effectiveness in society.

1.8.2.1 Microfinance and Women Empowerment

Is Microfinance a tool for women empowerment? A question that has been asked for years by scholars. There was a prevailing view of Microfinance that it enhances all aspects of the well-being of women. Yet this view has been in a lengthy conversation by researchers as it’s not the case every time the empowerment concept was investigated. It is clear that while access to financial services it makes crucial contributions to the economic productivity and social well-being of poor women and their households, it does not "automatically" empower women - any more than do education, political quotas, access to waged work or any of the other interventions that feature in the literature on women's empowerment. There are no magic bullets that make about the instant transformation that the empowerment of the poor, and of poor women, implies (Kabeer,2005). On the other hand, one of the studies showed that Microfinance has somehow empowered women economically if the credit services were supported by advisory and saving services. (Rashid, John, Consolatta and Stephen, 2015).

1.9 Microfinance and Sustainable Development Goals

Microfinance, or financial services for the poor, offers a distinctively crosscutting tool capable of alleviating some of the most challenging issues of our time. These services include savings, credit, insurance, and other development services like health, education, human empowerment, skills, training, and environmental protection.

These services contribute to but are not limited to, ending extreme poverty and hunger and promoting gender equality. The Official Agenda for Sustainable Development comprises 17 Sustainable Development Goals. However, the primary concern of this document focuses on the following SDGs:

Goal 1: End poverty in all its forms everywhere.

The concept of Microfinance is based on an economic development strategy that aims at poverty reduction by providing financial services to the poor, low-income earners households, and micro-entrepreneurs that are deprived of getting the same advantages from the formal financial market. First, the SDGs seek to end poverty in all its forms everywhere. The MDGs succeeded in reducing the number of people living in extreme poverty globally from 1.9 billion to 836 million, which means over a billion people have been lifted out of extreme poverty from 1990.

As of 2015, United Nations separated between poverty and hunger as they put at the very top of their SDGs the No Poverty Goal. The UN agencies worked so hard to reduce the level of poverty in the world as they could lift one billion people from 1990 till 2015. The share of the world's population living in extreme poverty decreased to 10 percent in 2015, from 36 percent in 1990. The pace of decrease of poverty was slow, yet it was declining. Still, with the start of the Covid-19 pandemic, it's reversed, and the global pandemic increased global poverty by as much as half a billion people or 8% of the total human population. This is the first time that poverty has increased globally in thirty years, since 1990.

Goal 5: Achieve gender equality and empower all women and girls.

SDG 5 seeks to halve extreme poverty in social groups based on age and gender. Women as a social group suffer desolation because they are burdened with manual work. Women in rural areas particularly face a higher risk of poverty as a result of limited economic opportunities, cultural and policy biases despite the active role they play in the rural economy, agriculture, and rural livelihoods.

How does Microfinance contribute to Sustainable Development Goals ?

The significant achievements on the MDGs targets worldwide have justified the huge budgets and the concerted efforts in the last one and a half-decade. However, the progress made has been uneven across regions and countries, especially for the poorest and the most vulnerable. The SDGs pursue aspirations to end hunger, ensure healthy lives, and promoting well- being and encourage opportunities for all, among other goals. To facilitate a better relationship between the poor and the rich, there is the need to spur wealth transfer, increase the money supply, and reduce poverty. In Developing countries, Microfinance is regarded as an essential tool for addressing wider deprivations and vulnerabilities of the poor. To address multidimensional deprivations, a variety of products such as Micro-credit, Micro-savings, and Micro-insurance are crucial to the social cohesion of small groups, communities, institutions, or societies. The goals to help human wellbeing and planet adopted by the SDGs are very much covered by the Microfinance product menu. It promotes entrepreneurial education and training, skills building, assets accumulation, self-reliance, and communal services. Microfinance focuses on reducing poverty and improving the household's quality of life of the poor people, especially women, towards developing their micro-enterprises, and their socioeconomic status improved with a better health condition.

1.10 Microfinance During and post-Conflict

When Microfinance was first initiated, it was to find solutions for the most vulnerable categories in any society who are the poor and especially poor women who were excluded from the conventional financial system for reasons all of us know. When a crisis hits any country, whether it's natural or human-made, it affects mostly those categories and makes them more vulnerable and poorer. There is a new class of people created during crises which is the "new poor" class which was described by Hartarska and Nadolnyak (2007), as the people who before the war might have had their own businesses or at least were employed and were educated and able to carry out miscellaneous jobs but were displaced or became unemployed as the war has destroyed their properties or factories where they have were employed.

So if here we are looking at Microfinance as a development tool, how it’s implemented during crises. The history of conflicts showed the case that it’s possible to have Microfinance during crises like the cases of Palestine or post-crisis like cases in Kosovo, Columbia and Iraq. In Columbia, Microfinance has been one of the means for financial inclusion of the most vulnerable Colombian population, especially in the rural areas, which have been hit the hardest by the conflict. In general, when Microfinance intervention is implemented in any area, it’d be like an adrenaline dose booming the economy in that area. The same happens when launching a Microfinance program post-conflict when the economy needs all the efforts to be restored and built back. When conflicts occur, they don’t affect the economics of the area only but also affects the social ties and cohesion in society. In response to crises, the immediate response focuses on humanitarian sectors like the provision of food and non-food items in addition to psychological support to the most vulnerable categories. However, and some of the cases showed that the provision of financial products to the crisis-affected population contributed a lot to improve the well-being of people. Marino 2005 showed the case that Microfinance intervention doesn’t boost the economy only but restore the social fabric of the society.

1.11 Microfinance in the post Covid-19 era:

The number of the poor in the world is estimated at more than 70 million, and according to a United Nations, the crisis of the spread of Covid-19, is expected to increase the number of the poor by twice this number if the conditions continue to remain the same until the end of the year, and that the number of those who will fall into extreme poverty will be greater than Before. Corona's disruption disrupted production and weakened business and commercial activity, and this directly caused the expulsion of more workers and, consequently, a weakness in the possibility of securing sufficient income.

And due to loss of business, weak economic activity, a partial or total ban imposed by various governments in most countries of the world in addition to measures of social distance, the situation in the world will be more serious and studies estimate that if the situation persists, the numbers would be frightening.

At the same time, governments are trying to push more firmly with stimulus by pumping more money and also reducing the interest rate, and a large number of countries have reduced the interest to be close to zero, and some of them have even started thinking about the adverse interest which may cause conventional banks a number of risks, as follows:

- Postponement of receipt of premiums: Initially, the central banks and government institutions directed traditional commercial banks to postpone the payment of loans to workers and companies in some countries for a period of up to several months after the break of Corona crisis, without charging extra interests on the delay, in addition to a number of institutions and companies that will request Rescheduling old loans, this will definitely reduce liquidity in the coming period.

- loans default: As a result of the current economic conditions in the world in general and the consequence of weak economic activity and the impact of companies and in an environment of uncertainty towards the coming months, the probability of default will be increased thus these banks have already started to prepare for such a procedure, so the questionable debt provision is expected to reach 5% in the year 2020 and may reach more than that in 2021, and this will threaten both bank liquidity and future profit potential.

- In addition to a threat that comes from the decrease in the volume of commercial transactions and the decline in production in general, which weakens dependence on the banking sector as a result of weak transactions, and this is continuing as a result of the spread of the epidemic of Covid-19 as well as a result of a decrease in the price of oil and the decline of tourist seasons and the ability to export and activate traditional transportation networks.

All of this will push governments to rely on another type of financing and another method of lending, as more institutions are expected to be established for Microfinance or for traditional institutions to move to Microfinance in order to stimulate movement, reduce poverty and maintain their activity. The need arises from the presence of institutions and Microfinance operations in the post-crisis phase, from the need to overcome the crisis itself more than the need to achieve profits, and Microfinance institutions provide the opportunity for training, lending and establishment of projects commensurate with reality.

The opportunity for Microfinance institutions under Covid-19 epidemic is the following:

- Financing small projects: The main impact point of the epidemic is the disruption of small and medium-sized financing projects as large projects are able to overcome the crisis often and are able to withstand more than others, and therefore the small and medium project needs support and here comes the role of the Microfinance institution to support These projects and to keep them from closing by providing the necessary support through lending operations in installments commensurate with the needs of these institutions.

- Rehabilitation of the unemployed to the labor market: Microfinance institutions have the opportunity to receive millions of newly unemployed people and rehabilitate them again, either through training processes that raise their level of competence and thus reintegration of higher skills into the national economy or by providing them with loans to be able to production processes and Starting their own commercial, industrial or service activities.

- Leading the transformation process: There is no doubt that today’s world is not like yesterday’s, and the future of Corona is not the same as after. Relying on the Internet more than ever, social divergence procedures, working from home, the form of education, public health laws, travel laws, etc., all have an impact and will affect the mode of production and work, and MFIs have an opportunity to lead this transformation through a bank Among the small projects based on financing for this new style, which is commensurate with reality and is able to accelerate the process of macroeconomic rotation.

- Reducing the number of the poor: With the increase in the epidemic, the poor increase, and the economic and social problems increase. This has become an inescapable Muslim, but the task of reducing the number of the poor will be one of the tasks assigned to Microfinance institutions able to deal with this group with their accumulated experiences and thus save them from diving into extreme poverty. And try to raise it to the banks of the middle class.

Despite the importance of the role that will be played by MFIs post this pandemic, there are views that they will be negatively affected. The conclusions that were driven by (Malik, Meki, Morduch, Quinn, and Said, 2020) paper on COVID-19 and its impact on Microfinance were comprehensive and cover all the challenges that are already facing the industry and which are increased by the pandemic. From my point of view, the most important conclusion was that two of the most important intangible asset that any MFI has is at great risk, which is, trust and knowledge. Once those two are lost due to the failure of the MFI in response to this crisis, it needs years to build them again.

CHAPTER 2

CONTEXT AND RESEARCH METHODOLOGY

2.1 Background on the Arab Region and Syria

Arab region refers to the countries in the Middle East and North Africa which includes 22 countries. The Arab region is a diverse region located in three continents with different cultures and religions as of 2018. The population was nearly 484,175 million, according to the United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2017 Revision.

The Arab region is already experiencing struggles and backdrops of its economy, with GDP growth in 2019 low at 0.3%. The region's real GDP per capita in 2020 was expected to fall by 2.6%, continuing a decline of 1.1% in 2019. As of the spread of Covid-19, the region has witnessed a contract of GDP by 1.1% due to cutting cross with the collapse in the global oil prices. The crisis has its critical impacts on unemployment, especially on youth as the pre-crisis youth unemployment reached 25%. Those implications and other forecasts that expected costs for this crisis on the Arab Region will reach 3.7% of the region's GDP, which is approximately 116 USD billion.

For the case of Syria, where our study will take place, and after nine years of prolonged conflict, the impact of this conflict is worsening all aspects of life. Social and economic impacts are enormous in terms of access to health services, access to education, access to sanitation and clean water pushing people away out of their homes with children with no future and parents without decent livelihood resources which lead to compound levels of poverty. Amongst Syrian, about 6.2 million are internally displaced—more than a third of them children—and over 5.6 million officially registered as refugees according to UNHCR 2019. These facts make Syrians more vulnerable to a further crisis like the Covid-19.

On a macroeconomic level, the Syrian GDP contracted by 63 percent between 2011 and 2016 after relatively growing in 2010 by 3.4 percent. The Banking system has been drastically affected because of the shrinking economy and tightening international sanctions. The Syrian financial sector is living its worst years in 2020 after passing the Caesar Act and imposing higher sanctions on the financial institutions of the Syrian Government and its allies. All these factors have affected the poverty levels in Syria to reach 80 percent of the population to live below the poverty line (United Nations Office for the Coordination for the humanitarian affairs (UN OCHA website).

After 2011, Syria has politically disintegrated into autonomous provinces and territories controlled by the central Government, the Islamic State of Iraq and the Levant (ISIL), and various rebel groups. The focus of our research will be on western-north of Syria, which is controlled by opposition-controlled military armed groups backed by Turkey and have few cross-border points from and to Turkey. Through these cross-border points, OCHA Turkey coordinates cross-border humanitarian assistance delivered from Turkey to Syria as mandated by the UN Security Council resolutions 2449. Through various flexible modalities, UN agencies, International and national Non-governmental Organizations NGOs and Civil Society Organisation SCOs have provided multiple interventions to ease the consequences of the war as in 2019, UNOCHA has reported tremendous efforts done by all the players to make a difference to the lives of millions of people such as; 4.5 M received food assistance; 1.9 M people received agricultural support; 7.6 M people received direct water, sanitation/hygiene kits, and assistance; 4.7 M children and teachers benefited from quality education programs; 748,439 girls and boys accessed protection services. At the same where everyone at a negotiation table between the parties of the conflict the subject of reconstruction is a hot topic, UNOCHA launched the Cluster of Early Recovery to coordinate the efforts of NGOs working in this sector which covers but not limited to :

- Short-term work opportunities created;
- Regular employment accessed;
- Vocational and skills training provided;
- Entrepreneurship supported;
- Market-based modalities assistance to vulnerable HHs;
- Build community capital, promote community dialogue, and gender equality.

Source*: Reporting tool for the Early Recovery Cluster, Whole of Syria Response.*

So, the stakeholders in the Syrian context have decided that the time has come to start to work on early recovery interventions during the conflict. This is why some of the NGOs started their Microfinance programs that we will discuss in the following sections.

2.2 Microfinance in the Arab Region

Most of the studies and researches of Microfinance in academia focus on Asia, Africa, or Latin America. Since the Microfinance industry is relatively young in the Arab region in comparison to other areas, it's very scarce to find academic papers on. In addition to this, the markets are on different stages of development as the Moroccan and Egyptian market is the most mature in the region. Most of the Microfinance service providers in the Arab region either are non-for-profit NGOs or were NGOs and changed to be a Microfinance Institution MFI. So their programs are financed by donors as a subsidized Microfinance, or they provide a type of Islamic finance mostly *Qard Hasan*, and they fund their operations from *Waqf* projects other countries like Lebanon and Syria(before 2011) offer *Murabaha* loans. However, most of the MFIs provide conventional Microfinance with interest prices ranging from 2-10 % (MMW,2010). Although more than 90 % of the Arab countries' population are practicing Muslims yet the prevalent MFIs are the conventional Microfinance.

In the Arab region, most of the Microfinance products that MFIs provide are either individual or group lending. Following the conventional trend of Microfinance in the world, MFIs in the Arab Region focused on women with a limited exception, like in Jordan, where the market saw a definite shift in focus from group lending to individual lending, more male-dominated and characterized by a higher average loan balance.

Although the Microfinance industry in the Arab countries is relatively young in comparison to other regions, its profitability is remarkable with portfolio yields highest than any other in the world at 25 percent in 2009(MMW,2010). Despite this fact, the MFIs reported in the MMW 2010 that these MFIs said employment creation and business growth as their top development goals, followed by poverty reduction as poverty reduction was a goal for 88 percent of these MFIs. On the other hand, poverty data are not commonly tracked in the region, and only 4 MFIs could report data for clients below the poverty line at entry. In regards to gender equality and women empowerment, MFIs in the Arab region showed the case that women represented the majority of clients in the Arab region. Moreover, most of them served through group lending (68 percent). A relatively small number of MFIs (38 percent) could report the number of female clients who had graduated from group lending methodology to individual lending. That number was extremely low . 71 per cent of MFIs have established women's an empowerment/gender equality as a development goal and the empowerment services offered seem to match this goal; the services include; business training for women, leadership training, women's rights education and counselling for women victim of violence(MMW 2010).

2.3 Microfinance in Syria

First Microfinance in Syria first was initiated by UNDP by a project in an area known as"Jabal Al-Hoss" which was an inferior rural region in Aleppo Governorate North Syria. It provided Microfinance through the innovative Sanadiq methodology. Sandiq is the plural Arabic for *Sanduq*, which means the fund, and here it refers to a Microfinance institution that is owned, managed, and self-governed by its members. The project run by UNDP and monitored by the Syrian Government was a very successful model of Microfinance in terms of profitability, revenues and social impact. However and in 2007 a new loan on Microfinance was issued that allow the creation of MFIs with minimal equity 250 million Syrian pounds the *Sanadiq* project had come to an end when the funds were transferred to the Agricultural Cooperative Bank ACB which is a bank owned by the Government and the shares were returned to the households, the S*anadiq* were formally closed and it was made known. Consequently and after 2007, institutions and banks started to provide Microfinance Services. We can't talk about the Microfinance sector in Syria without mentioning the huge role played by UNWRA by giving micro-credits to Palestinian refugees in Syria. After 2011, All of these interventions didn't stop after the outbreak of the conflict in the government-controlled areas. On the other hand in the opposition in the opposition-controlled area in the northern west of Syria, all the activities of Microfinance were put on hold until 2014 when the first NGO

2.4 Microfinance and Displacement

As a result of this conflict, the numbers of internally displaced people IDPs increased towards the northern areas. The category of IDPs is considered a group that needs small capital to start over their lives as they usually have characteristics and skills that allow them to exert all the efforts to achieve success in their new location.

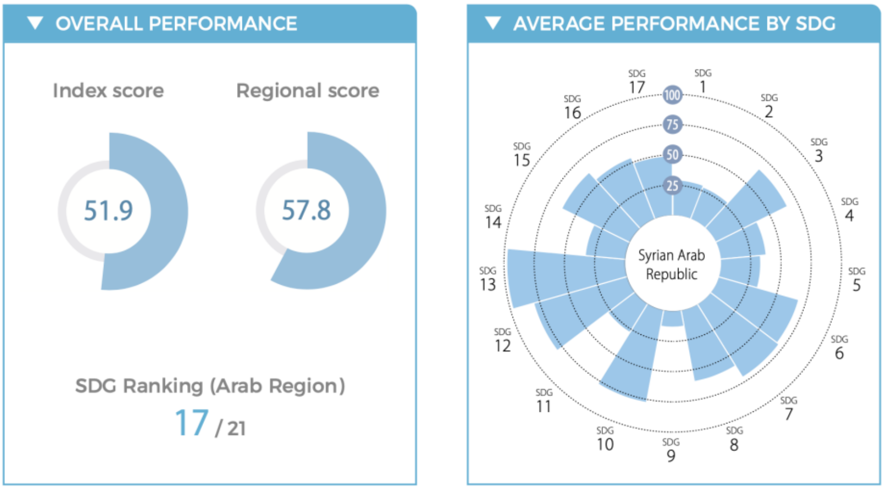
Here comes the role of Microfinance institutions to push them towards optimal opportunities and to train, qualify, and guide them more than anything else by providing the guidance necessary for them to survive and increase their resilience.

Most Syrians manage their livelihoods by relying on their modest sources. The vast majority don't live in temporary camps and wait for humanitarian aids in the classical sense but live in villages, towns or cities with the host communities renting houses and working to afford their families.

The role of Microfinance institutions to support the integration process comes through guidance and lending in addition to supervision. Microfinance institutions can also help the presence in small cities and support businesses as displaced people try to simulate their environment before Displacement.

2.5 SDGs in the Arab region and Syria

Since the Arab region contains a variety of cultures and wealth resources, their economies vary as well; the majority of Arab countries fell under the middle- and lower-income brackets, with the exception of some of the oil-rich Gulf Cooperation Countries (GCC). Those countries' performance towards the achievement of SDGs varies as well. In 2019, five countries emerged as regional leaders, with a total score of 65 or above – meaning that they are approximately two-thirds of the way to achieving the SDGs; those countries are Algeria, the United Arab Emirates, Morocco, Tunisia, and Jordan. Conflict and political instability are generally understood to have a negative effect on development outcomes in the region. However, the SDG Dashboards do not indicate a significant correlation between a country's overall SDG score and the indicators on political stability and battle-related deaths. However, none of the countries in the region suffering from conflict scores in the top half of the ranking. In the case of Syria, it came on the rank 17 out of 21 counties. Some of the data isn't available like in the SDG 1. For SDG 5 Gender Equality, the third indicator on Ratio of female to male labor force participation rate experience a decrease in the achievement; however, in the eighth indicator Mandatory paid maternity leave (days) it became green, which means the performance of the indicator.



Source: Syria Performance towards SDGs. (Source, SDG index and Dashboard Arab Region ,2019)

2.6 Research Questions

Based on the discussion provided earlier between the ability of Microfinance to achieve its goals and extricate people from poverty and empower them especially women, we tried in the research to evaluate it in during political uncertainty, and because no one before has discussed these two concepts in regards to the Microfinance industry in the Syrian context The study will try to find an answer to the following questions:

- First: To what extent does the Microfinance services provided during political uncertainty help in poverty alleviation to the poor?
- Second: To what extent does the Microfinance services provided during political uncertainty help in women empowerment?

2.7 Theoretical background and selection of the research method.

Any researcher in the field of Microfinance can notice different research methods and approaches used by researchers. (Oluyombo, Iriobe, 2017) discussed methodological methods in assessing the impact of Microfinance and recommended that in the qualitative method it is helpful to understand the past challenges and successes of the service on the members, which is beyond the issue of quantification because the research proposition involves why and how the program was based on members opinion. Nevertheless, they concluded that for enhanced research quality, both methods are better for placing the research amongst other studies. Although in the literature review, we discussed both qualitative and quantitative types of research studying the impact of Microfinance, the method used in this paper is qualitative through case studies.

Researchers always argued that there is not a particular research methodology that is better than others. However, the context and the research topic may be relevant to a specific item or non-relevant. In regards to our study, and since we are will look for answers about the impact of Microfinance, we used qualitative methods as a case study. However, we got access to the primary data of the institution we studied. Yet, we did not drive any results in regards to our research questions from it as we analyzed it to comprehend all aspects of this intervention.

2.8 Research Methodology

In order to examine the questions raised above, both qualitative and quantitative approaches were used. We researched analyzing secondary data from one of the NGOs which provides Microfinance services in the selected context of the opposition-controlled area in North-Western Syria; Hayat Fund was founded in 2014. We can say that the fund is the Microfinance arm for a bigger NGO Ataa for Relief and Development. The selection of this sample was because they are the most significant and first Microfinance Provider in this sector amongst the other handful of providers. Ataa for Relief and Development was willing to participate in this research after contacting others and either receive negative answers or not receiving responses at all after a long period of communication. Below is the Table for accumulative data about Hayat Fund:

Table 2.1 Accumulative Data on Hayat Fund from year 2014-2020

1	Foundation Year	2014	11	Number of Solidarity Groups	427
2	Number of Loan since Founding	1.688	12	Repayment Method	Monthly installments
3	Total Portfolio $	1.878.684	13	Number of locations	45
4	No of Active Loans	331	14	*Murabahah* Portfolio $	247.874

5	Active Portfolio $	197.468	15	Number of *Murabahah Loans*	61
6	Number of Loans with default	5	16	No of Active *Murabahah loans*	52
7	Average loan size $	1.113	17	IDP borrowers	49
8	Minimum loan size $	100	18	Borrowers with special needs	13
9	Maximum Loan Size $	1.500	19	Women Borrowers	78
10	Number of loans in the first year	102			

Hayat fund provides Islamic Microfinance services, and this raises the issue of sustainability of those services to keep serving the poor. This question will be answered in Chapter three.

Even though the Microfinance services in nature are considered to be banking services with respecting the differences amongst them, yet with the absence of any Banking system in the opposition-controlled area where the study took place, Hayat Fund succeeded in keeping its portfolio quality at its highest rate.

2.9 Study Setting and Sample

We conducted the fieldwork in the Rural area of two Governorates, Aleppo and Idlib. Those governorates administratively are organized in Districts. The study took place in six villages of three districts. The table below shows the geographical distribution of the locations:

Table 2.2 Geographic Locations of the Study

Governorate	District	Subdistrict	Village
Aleppo	Jebel Saman	Atareb	Batbu
			Abin Samaan
			Babka
Idlib	Harim	Dana	Kafr Losin

			Tilaada
	Idlib	Maaret Tamsrin	Killy

Those areas are in northern Syria, where there are about 4 million people as it hosted hundreds of thousands of IDPs. The map in annex 4 shows the location of the study concerning Syria as in the North West of the country.

The Qualitative method was applied through case studies by selecting 20 case studies randomly from the beneficiaries of Hayat Fund, taking into consideration the following criteria:

- Gender: Both males and females clients (the word clients may be referred to as beneficiaries, sometimes due to what is trending in the humanitarian sector and the Syrian context).
- Being active borrowers

The case study approach was selected because we wanted in-depth insights on this sector as Microfinance in non-government-controlled areas of Syria wasn't given a lot of attention either from policymakers or the international donors. The case study will be conducted by having semi-structured interviews with the selected beneficiaries by a researcher in the field due to the limitation of difficulty of the author leading it by herself (As in the geographical area of the study witnesses sometimes unstable internet connection and the limited technological knowledge for some of the interviewees).

Two interview protocols were prepared by the author earlier after consulting the literature. The interview protocol 1 was for interviewing the 20 clients in the field, and interview protocol two was for interviewing one admin staff from the NGO a senior staff. The interview protocols were designed and tested. Permission was granted to record the interviews as well. After conducting the interviews and record them, they were decoded and analyzed.

CHAPTER 3

ANALYSIS AND INTERPRETATION

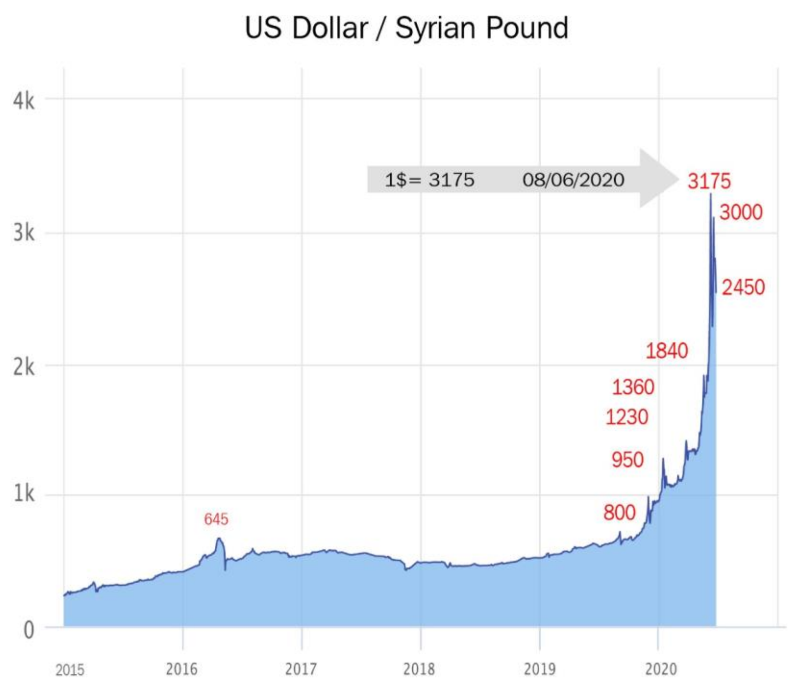
3.1 Cases Analysis and Interpretation

The primary purpose of the analysis was to translate the interviewees' information into themes and results that are related to the literature we examined before. We followed a two-stage approach to analyzing data. The first stage involved coding the data from the interviews into scales to draw results. The second stage was to describe, interpret, and develop narratives that described the experiences of borrowers throughout the loan acquisition and repayment process, how the money was spent. The changes they experienced in their lives after receiving the loans.

General Observations

In analyzing the Interviews, we found that the loan mechanism is Group Lending. If the person wants to acquire a loan, he/she should form a solidarity group to get the loan. And if the person succeeds in repaying the loan, he "graduate" from one segment to the next and could upgrade his loan to a higher amount.

We noticed that all of the loans are granted in USD from the beginning; however and after the instability of the Syria Pound (Figure 3), it had a great impact on the perception of the borrowers towards the loans, as we will see later in the findings.



Most types of the loans granted for the sample we met were Qard Hasan except for one Lady who was granted a loan of Murabaha after upgrading her loan and getting a second loan. One of the remarkable notes is that when we asked them about the interest rate, they did not get the idea of interest rate and most of them, especially women do not know the differences between loans with interest rate and the ones without which raises a big question mark on the point of what does make them take the loan at the first place.

Findings

In reading and analyzing the interviews, we draw some insights from it in specific thematic areas that we discussed in the literature.

Poverty reduction:

One of the most important indicators of poverty alleviation is the improvement of household welfare. When we asked the borrowers whether their well-being is improved after receiving the loans, the results were relatively equally distributed as in the chart 1 :

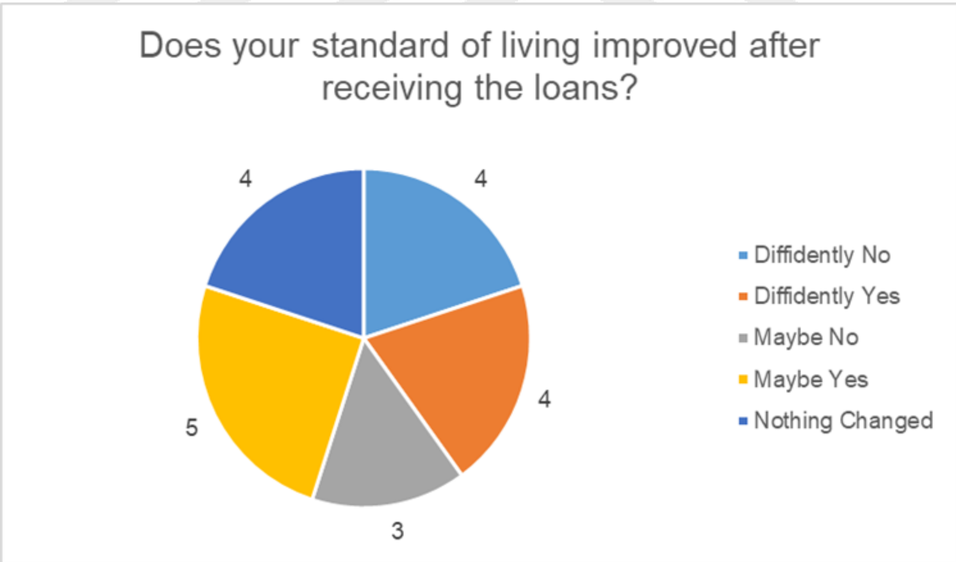


Chart 3.1 Improvement of Standard of Living

To understand more, we included the economic aspect and included the family's income and whether it has changed or not after receiving the loan, and 55% of the respondents answered with yes (Chart 2). Although when we asked them what is the amount of the monthly income.

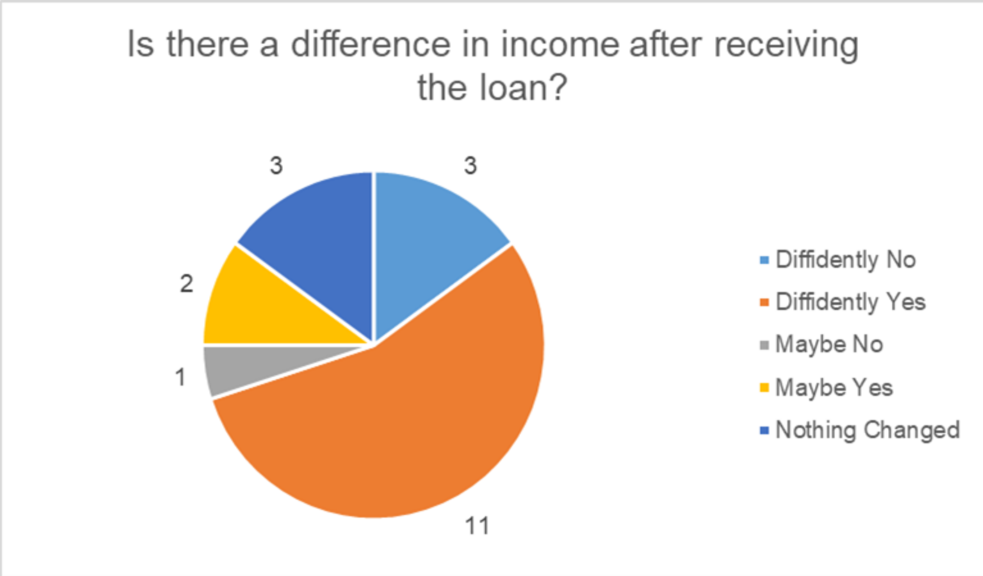


Chart 3.1 The difference in the Income before and after the loan

However, and when we ask one of the borrowers whose family members number is five about the income he receives from the business he is doing monthly and his expenditures, he said:

“Interviewer: Do you consider your income as low or high ?

Interviewee: yes very low I work in this workshop as a worker and with the loan I bought goods and invest them in this workshop after the consent of the workshop owners:

Interviewer : how much do you spend monthly?

Interviewee : 100 $

Interviewer : how much is your income?

Interviewee : 60 $

Interviewer: How do you manage to get the difference ?

Interviewee: I got sometimes financial help from my brother.”

From this dialogue, we can understand that the borrower lives with his family in less than one dollar a day, and after receiving the loan, he is still receiving financial support from his brother. On the other hand, another borrower declares that his economic position is very good compared to the others even though, according to what he mentioned, he is living on 1 $ a day. So we cannot relate between the income and the impact of the Microfinance services. So, we looked at this issue from another perspective regarding the economic vulnerability, and of the borrowers and whether they managed to save money and the results came as the following in Chart 3 :

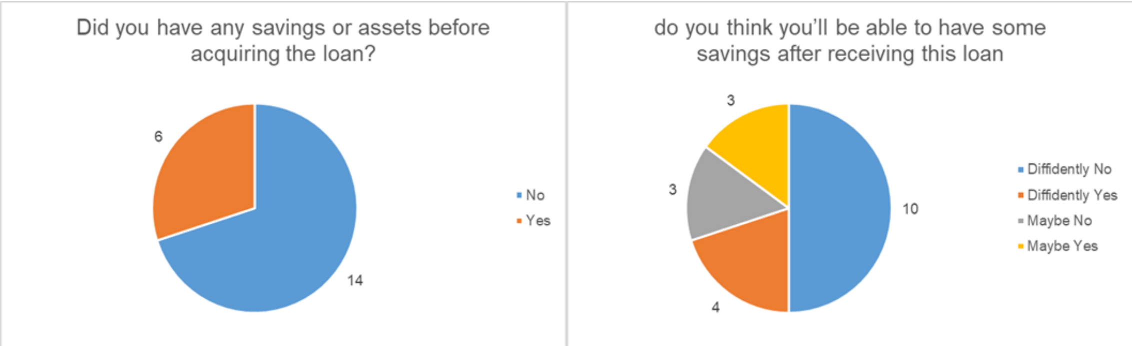


Chart 3.2 Savings and assets before and after the loan

From this chart, we can understand that having the loan did not improve their economic situation but in someway increase their savings which contribute to decrease their vulnerability and one of the example is when one of the interviewees mentioned that even though his business was closed because of violent armed conflicts in the region, he managed to pay the installment.

To bring another dimension of measuring poverty, Education, we quote one of the conversations when we asked him about his income:

Interviewee: We borrow extra money to afford our monthly expenditures and to repay the installments as I have 8 children and all of them are studying either in university degree or school.

In addition to this, the health awareness and ability to pay for health facilities is high as 10 percent from our sample stated that they do not pay for health services, and this is a good indicator of the participants' health awareness.

When we asked whether the interviewee or anyone from his/her group could not pay monthly commitment, most of the answers were that it did not happen, and everyone paid on time. While in the discourse of the interview, they said that the Fund would give them extra time if one default for a short period. However, we interpret it in two ways :

First : The clients don't want to default as they don't want to make pressure on others borrowers in the group

Second: The client don’t want to default as they want a clean credit history so they can upgrade their next loans to the next level.

Women Empowerment

Unlike all the Microfinance institutions in the world, when we examined the MFI profile, we found that the participation of women is so law. We took a random sample of about 546 samples from the MFI reports and analyzed them in regards to Gender Distribution

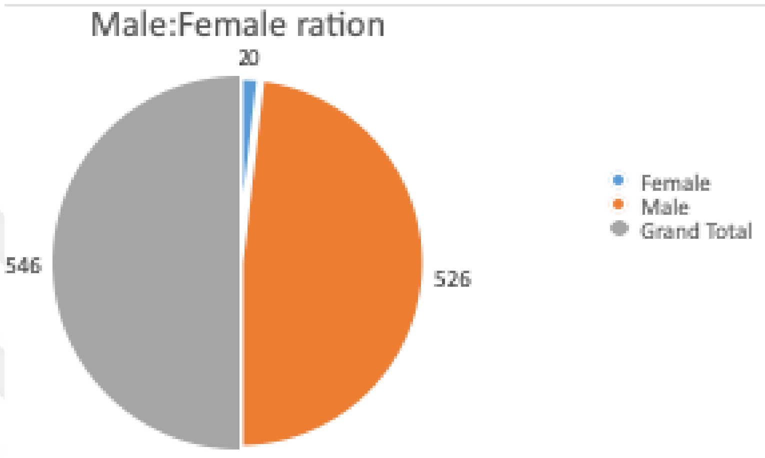


Chart 3.3 Male : Female ratio in the Fund

In addition to this, when interviewing the CEO of the Fund and asked how many female workers they have in the fund, he responded that they do not have any. This raises a huge question mark in regards to the reason behind these low numbers in Female clients. We asked as well what do they do to increase the women's participation in the loan as in crises, women became more vulnerable and more exposed to exploitation. He answered with the current situation in the opposition-controlled areas, and the instability of situation the women at risk of default is higher than men, and they are targeting them with other programs as their NGO has a particular program for Women Empowerment.

Furthermore and when we analyzed the interviews with the female borrowers, we found that most of them studied till the elementary school only and did not know the basics of business or the difference between profit and revenue or even do not know how much their families spend monthly. As the dialogue below with one of the interviewees whose business that took the loan to operate was a small market:

Interviewer: how much do you spend monthly?

Interviewee: about 50 thousand SYP (which equals to about 15 USD at the current exchange rates)

Interviewer: A day, how much do you spend?

Interviewer : about 4 thousand SYP a day.

Another valuable insight is that the loans to men took 12 months and more to be given to them however the loans to ladies took from a month to three to be granted which indicates (Chart 6)

1. Either the institution is building trust among the women community to attract more female clients to
2. Or the number of female borrowers is already not significant, so there is no long waiting list to wait in. Moreover, through the interviews with women, most of the time a male member family of the woman (a husband or a brother) interrupt them and either correct their answers if something is related to money or comment on the amount of the loan or the problems they have to pay in the course of loan repayment.

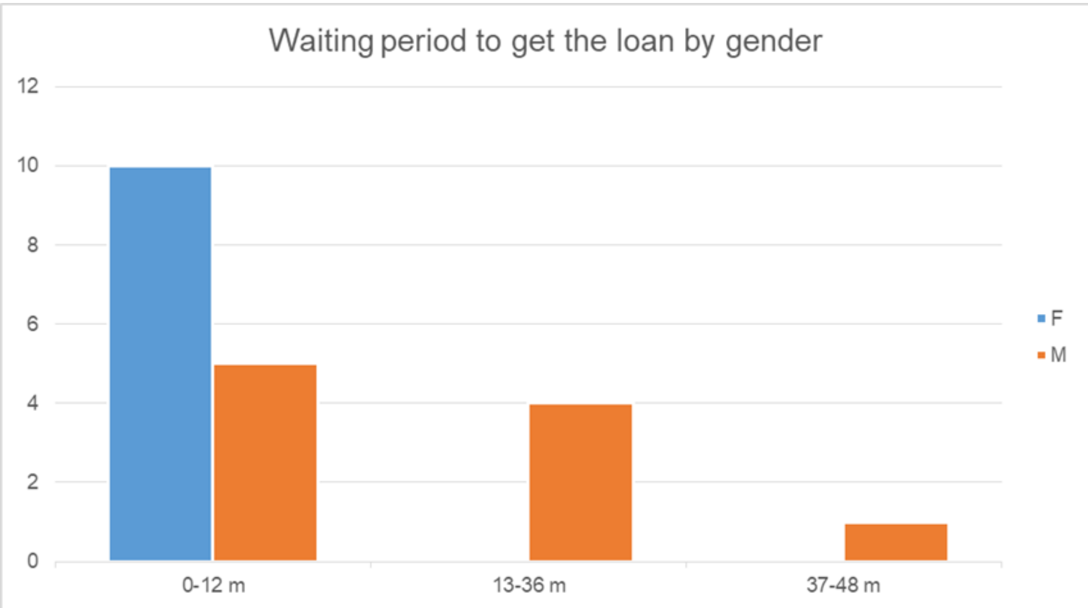


Chart 3.5 Waiting Period to receive the loan

Moreover, when we ask the women whether the loan has changed their confidence as they are participating more in the household budget, 6 out of 10 of the women stated that nothing has changed even though 6 of them are the primary breadwinner of their families as well. Chart 7

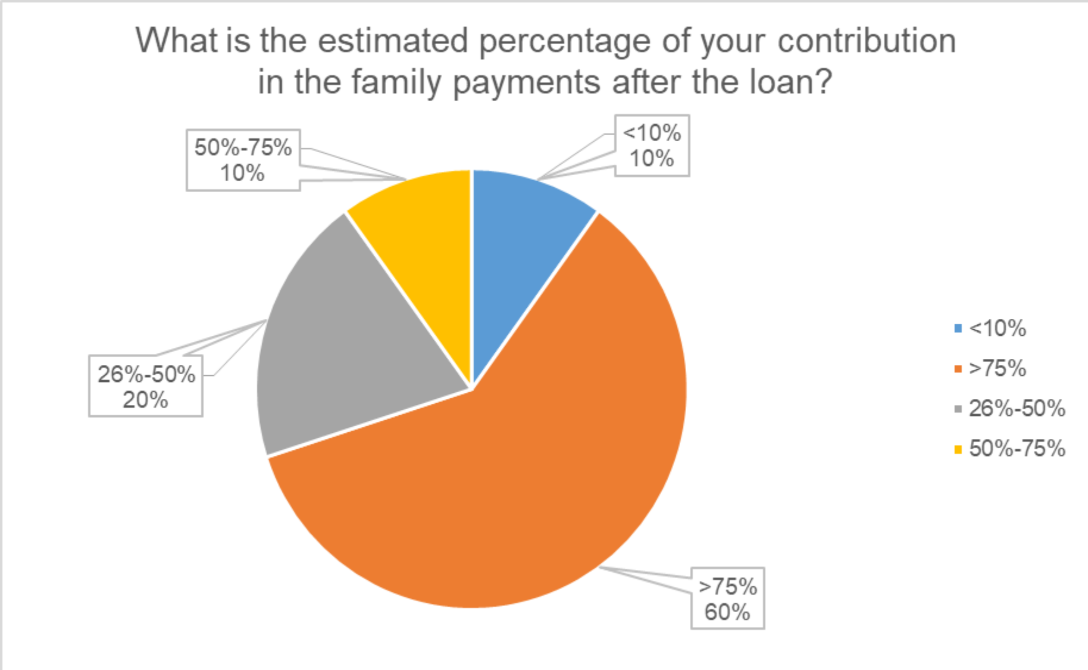


Chart 3.6 Women Contribution in the Family expenditures

When we interviewed the CEO of the fund, he stated that he worked in Microfinance since 2003. So he worked in the same country and the same industry before and after the crisis and different locations. So there are many differences between the two programs as in Syria before 2003; as we mentioned earlier, it was a UNDP intervention with the methodology of conventional Microfinance, whereas the Microfinance approach now is Islamic Microfinance with providing *Qard Hasan* and *Murabaha*.

When we asked about the sources of capital of the fund, he said that there were pledges at Ataa conference to open a development institution that went through ups and downs from 2014 till 2017 until the final formation of Hayat Fund. The portfolio of the fund has grown remarkably from 2017 till now, and the repayment rates have achieved a very high rate to reach about 99,8%. When we asked about the fund's sustainability, they mentioned that as a fund, we depend on the NGO we belong to for the operational cost, which reaches 16 % of the portfolio. However, recently since 2019, they started with the fund's sustainability by starting one of the Islamic Banking systems, which is *Murabaha*, but on a small scale. In regards to the fund's objectives,

we consulted the fund profile, and we found that the fund's general goal is to reconstruct the economy of the war-torn country and reduce the dependency on the relief NGOs.
In the question of why the fund does not provide loans to women, he explained that in two directions:

1- The women are not ready for credit or business management, and this is the Missing role of the NGOs who provide fake capacity building
2- Some Women themselves are not willing to take credit and paying back because of the extensive dependence on grants.

Regarding the fact that there are no female loan officers in the fund, we asked whether there is an incident on women's exploitation or conflict of interest he answered that there was no incident in women's exploitation. However, one incident happened conflict of interest from one of the officers to exploit the clients for his interest, and the fund dealt with him following the policies and procedures of the fund, and he was dismissed.
When we asked about measuring the impact of whether the Fund measures the impact of its intervention, they used to study the impact of their interventions in a narrative way non-systematic way; however, they recently started their intervention with the new area they called it “zero-area.” Hence, they did baseline assessment and conduct it through an assessment tool designed by the Fund to assess all aspects of the life of their potential borrowers to draw on its results in the future when they measure the impact of their interventions. This is considered to be an excellent yet late step that we can build further studies on.

3.2 Analysis of the Big Data from the MFI

As we mentioned earlier, we examined the books of the MFI and analyzed the records of the clients over the years and reached to some conclusions. We chose a random sample of 546 clients and reached to the following insights:

- One of the insights was that women’s businesses were not from the ten highest amount of loan. As below in Chart 7 show that women businesses aren’t amongst the high test funded loans and chart 8 showed the type of women businesses women they usually make to take the loan.

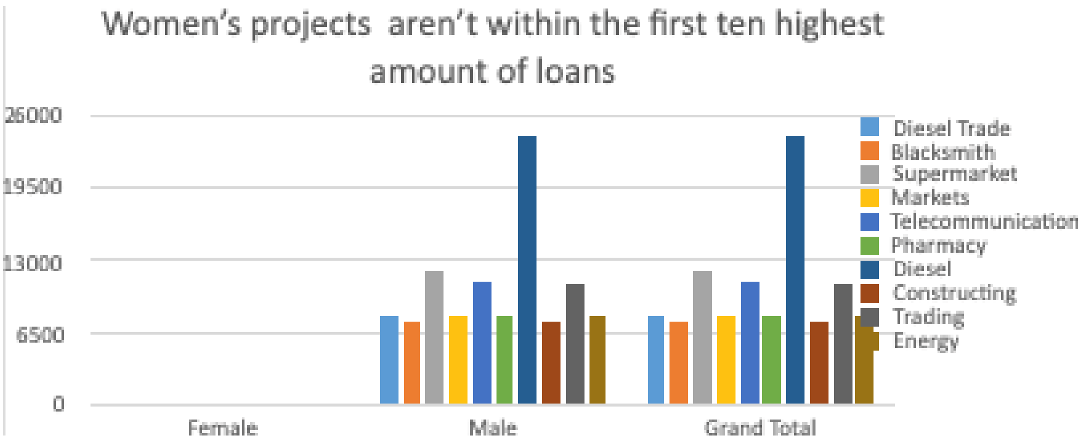


Chart 3.7 Ten highest amount of Loan

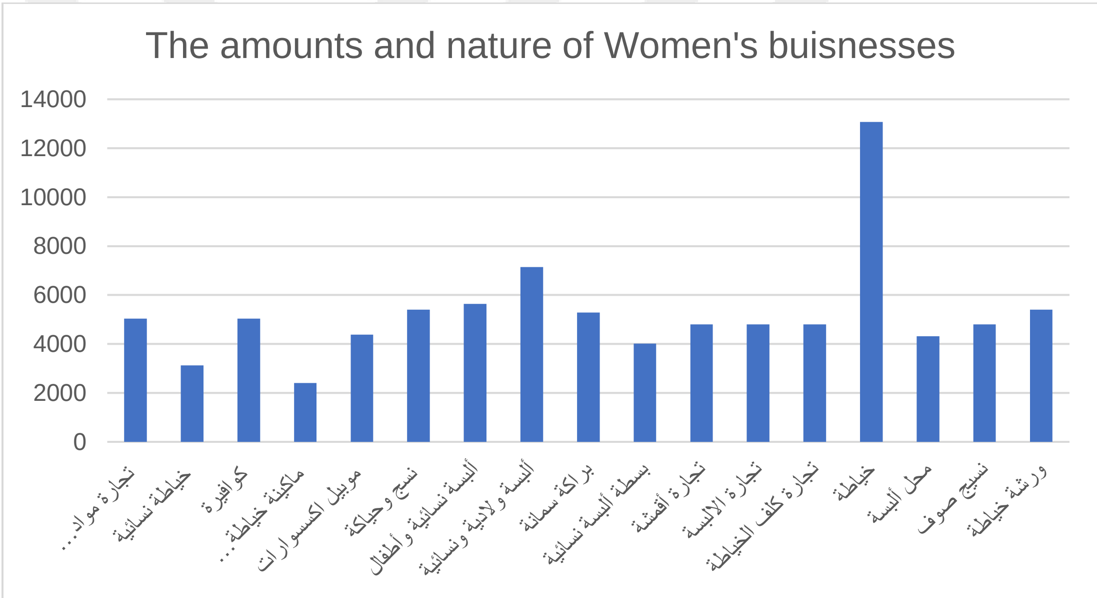
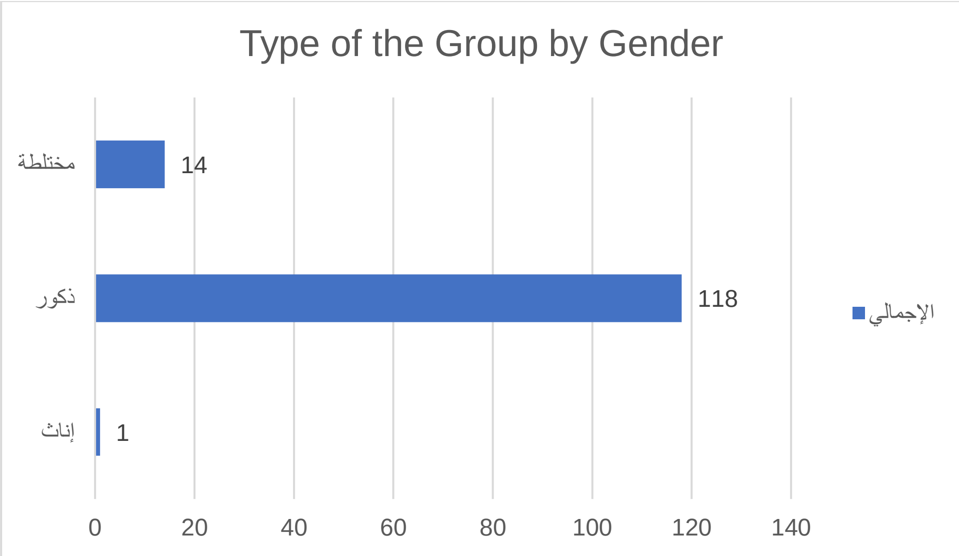


Chart 3.8 Amounts and Nature of women's businesses

- When we analyzed the numbers of groups members we found that most of the groups are between 3-5 members in addition to that women-only groups aren't the norm and most of the groups that there are female borrowers in are mixed groups.



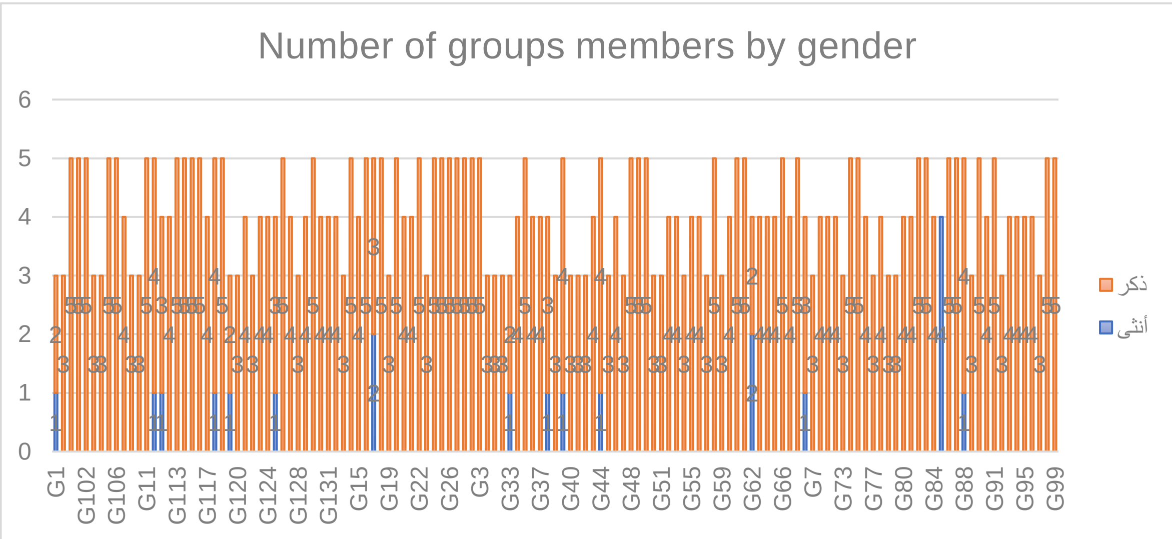


Chart 3.9 Types of Groups by Gender

- When we analyzed the period between the acquisition of the loan and the first due installment, we found that the period between acquiring the loan and the first due installment ranges between one to two months as groups and they're not customized based on the type of the business the borrowers do.

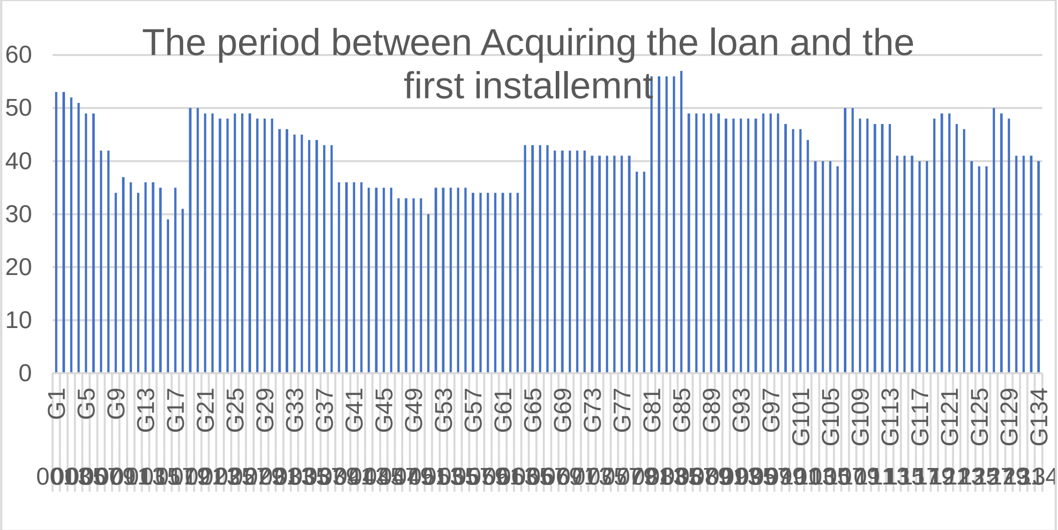


Chart 3.10 Period between acquiring the loan and the first Installment

- From the data we configured as well the growth of the portfolio over the years from 2017 until 2019, as in chart 11. And if we look at the chart 12 we will find also the growth of the loan amount as well over the years.

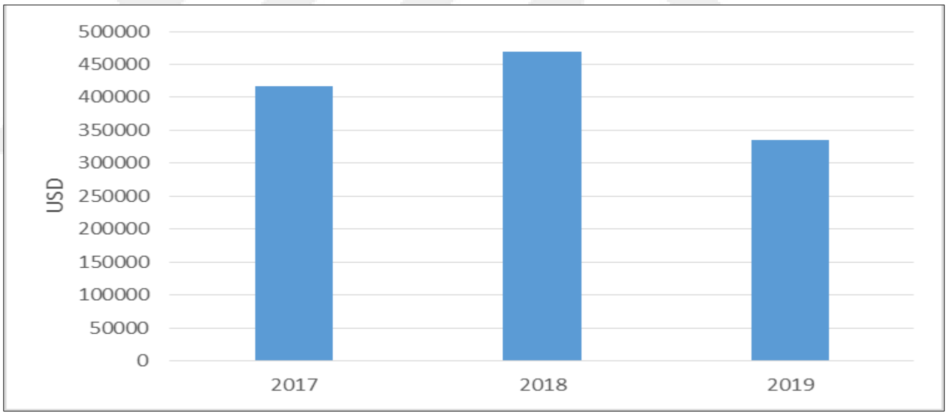


Chart 3.11 Growth of the portfolio

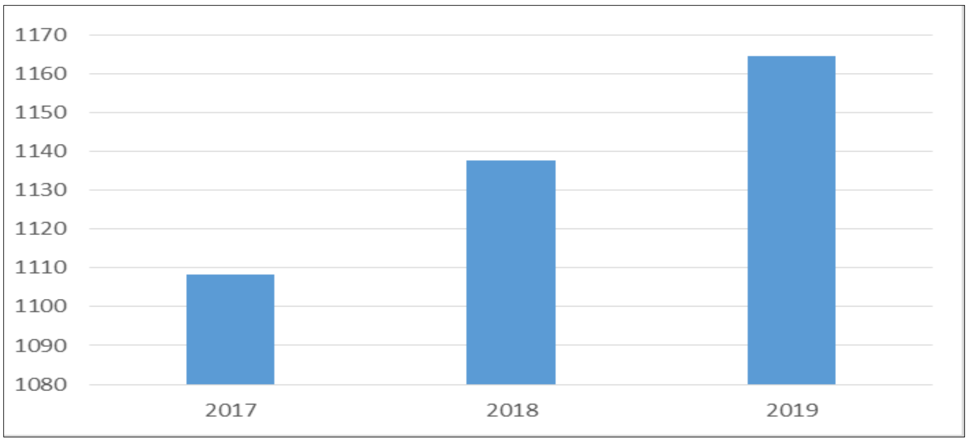


Chart 3.12 Growth of Loan amount

3.3. Limitation of the research and Recommendations

As the Microfinance industry in the opposition-controlled area is young, no studies were describing this intervention or more accurate; there were not English published articles that we can build on to start this type of research. The challenges to this research were so many, yet we managed to bring a product that we can extend and build on it for future studies. The geographical limitation leads us to take the assistance of other researchers in order to conduct the interviews. The time constraints of the research period make it difficult to measure the impact of the Loans on all to its dimensions. However, The research made up an excellent start to further researches in studying the Microfinance industry during the time of conflicts. And as most of the studies, the research needs to be read within the context of the study as it studied a unique experience of Micro-lending to the poor with no achievement of any progress in the economic dimension yet people are working so hard to fulfill the requirements of the MFI and pay which raises an opportunity for further studies to start with the evolution of social capital during the conflicts and its implication on rebuilding the social cohesion of the societies.

Moreover, we encourage further studies on the progress towards SDGs during conflicts as for the reasons mentioned above, we could not investigate but of two out of seventeen SDGs concerning Microfinance. As well as we encourage to increase the interest from the international community to support Microfinance in the opposition-controlled areas as after halting UNDP program in this area for nine years now and giving an un-even opportunity to this in relative to other parts of Syria, it raises multiple questions on the goals of the UNDP programs in the provision of Microfinance services after all. The risks are high; all the Microfinance providers can understand this issue; however, there is a massive need at the level of the population to move from the stage of humanitarian relief to investing in their ability to build their societies again.

One of the critical issues that have a tremendous effect on the results of the research is that the timing of the research. The research took place where the exchange rate of the Syrian Pound in front of the US dollar hit a historical rate of dollar nearly 4,000 SYP, as in figure 3, and this affected the beneficiaries very much. In add tin to this, the currency of the loans is on USD, and the installments are paid in USD; however, the financial transactions are mostly done in SYP, especially for small projects which affected the repayment of the loans. So further studies should be conducted in regards to the currency of the loan provided in war-torn countries.

3.4 Conclusion

When the question of Microfinance is raised, a couple of topics coincides with it like poverty, women empowerment, or the ability of the poor to be bankable. In general, these questions have been answered so many times in the literature of Microfinance by two different trends; one with the positive impact of Microfinance on the lives of the poor and the other is against this belief. However, any of the researches have studied whether Microfinance achieves impact during a period of political uncertainty. In our research, we reach a couple of results by analyzing the data between our hands. First, the provided Microfinance is considered a developmental extension to relief as it is not considered Islamic Microfinance, especially the first phase we can call it subsidized Microfinance. However, Hayat Fund is working on diversification of resources of its capital to increase the chances of sustainability of the Fund.

Moreover, one implication of our study is that Microfinance services have minimal impact in terms of poverty alleviation as the vulnerability of the conflict-affected population is compound, and Microfinance alone cannot achieve its targets if it is not accompanied by capacity building program especially with women.

Our findings indicate that the impact of the Microfinance services on Women empowerment was at its secondary levels as mostly nothing has changed. There were steps to empower women by granting them loans economically; however, some of them preferred to be given a non-refundable grant, so it is easier for them to build their lives and support their families. This information was validated as well by the CEO of Hayat Fund by saying that there is no interest from women to acquire loans, which are reflected as well in the accumulative numbers of the Fund.

One more interesting finding of the research is that unlike all parts of the world which were affected by Covid-19 and since there are no confirmed cases of the disease in the opposition-controlled area, there was no traced impact on the economic cycle nor the beneficiaries.

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APPENDICES

Appendix A: Interview Protocol for Customers

Hello, my name is Amal Kikhia, and I am a Master's degree student of Business Administration at Istanbul Sehir University. My masters' thesis research work is to look into Microfinance services in Syria and whether it's as globally perceived as a tool of alleviation of poverty and women empowerment has been met in Syria or not.

My research question is, to what extent is Microfinance considered a tool for poverty alleviation during political uncertainty? I would deeply appreciate your earlier consent in conducting this interview.

Your privacy will be protected. You do not need to write your name or contact. Only the general results, conclusions, and recommendations drawn from these analyses will be included in the final report and not the individual papers, and the interview will be recorded for documentation purposes.

Social and Demographic Characteristics of the Respondent:

1. Gender, age, education, marital status, size of the family

Income-related questions

2. Who is the main breadwinner of your immediate family?
3. Who is the head (decision maker) of your family?
4. In the last six months, how many times did you or to one of the family visited a doctor, medical center, or hospital? Do you pay for health services?
5. What are the sources of income of your family?
6. How you describe your income?
7. Roughly what are the average monthly expenditures of your family (in USD)?

Business Related Questions:

8. What kind of business are you engaged in?
9. How long have you been in business?

Loan Related Questions

10. How did you know about the possibility of taking out a loan? Who advised you to take out a loan?
11. This loan, did you take it out in a group or individually?

12. How many times have you been granted a loan under the Microfinance scheme?
13. How much did you receive?
14. What is the repayment period?
15. Have you ever asked for a specific amount of loan, and you received different amounts? Do you know the reasons behind that?
16. What are the procedures associated with the acquisition of loans?
17. How long do you wait to receive the loan?
18. What is the interest rate for the loan?
19. What did you do with the loan?
20. Is there a difference in income after receiving the loan? Are you able to meet all your basic needs in addition to the installment?
21. Challenges and problems associated after receiving the loans?
22. Does your standard of living improved after receiving the loans? Please give examples.
23. (If question 19 is no I'll ask this question) Do you think that if you receive another loan, your standard of living will be changed? [Yes, No] Why?
24. What do you think the things that improve the income now?
25. Did you have any problems paying back? Are there people who do not want to repay the loans in the group? If the answer is yes, how did you solve it?
26. How would you define your economic position in relation to your immediate surroundings?
27. Do you perceive that microfinance loans to be an important contributor to the alleviation of poverty in Syria?

Assets and Savings Related Questions:

28. Did you have any savings or assets before acquiring the loan? [Yes, No] If no, do you think you'll be able to have some after receiving this loan?
29. Do you have any regret for obtaining the loan?
30. What are the changes that the loan added to your life?

Women Empowerment

31. What does your husband say about taking the loan? Does he feel convenient when you work with the loan, or does he get annoyed?
32. What is the estimated percentage of your contribution to the family payments before the loan?
33. What is the estimated percentage of your contribution to the family payments after the loan?
34. Do you feel more confident after being an actual contributor to the family's income?
35. Who manages the money in the house? Who is managing the savings in your house?!
36. If you are in a position to give advice to someone to start a business, would you advise him/her to apply for a loan?
37. Do you have any comments or questions in regards to the loans?

Appendix B: Interview Protocol for MFI Admin

Hello, my name is Amal Kikhia, and I am a Master's degree student of Business Administration at Istanbul Sehir University. My masters' thesis research work is to look into Microfinance services in Syria and whether it's as globally perceived as a tool of alleviation of poverty and women empowerment has been met in Syria or not. My research question is, to what extent is Microfinance considered a tool for poverty alleviation during political uncertainty? I would deeply appreciate your prior consent in conducting this interview.

Your privacy will be protected. You do not need to write your name or contact. Only the general results, conclusions, and recommendations drawn from these analyses will be included in the final report and not the individual papers, and the interview will be recorded for documentation purposes.

1. What is your position in the MFI?
2. How many years have you been working in this MFI in particular and in the Microfinance sector in general?
3. How did this MFI start during the continuity of the conflict?
4. What is the source of the capital?
5. Could you share with us the portfolio growth over the years?
6. Who are your MFI targets?
7. What types of loans do you provide?
8. What conditions do you put to give the loans?
9. Who decides on the amount of the loan?
10. Do you conduct impact studies in the areas you work in?
11. What are the objectives of the fund?
12. Do you have risk management procedures in place?
13. How do you do risk evaluation for the clients? Do you have risk classes?
14. Do you have a Monitoring and Evaluation system in place?
15. Do you do awareness campaigns on Microfinance?
16. How many female employees in the Fund?
17. Why is the number of female clients is low?

18. In the absence of a Banking System or Central bank, is there a mechanism to avoid over liabilities of clients.
19. If there is an incident of misconduct, how do you deal with it? Did it happen before?
20. What do you do for the sustainability of the fund?

Appendix C : Case Demographics

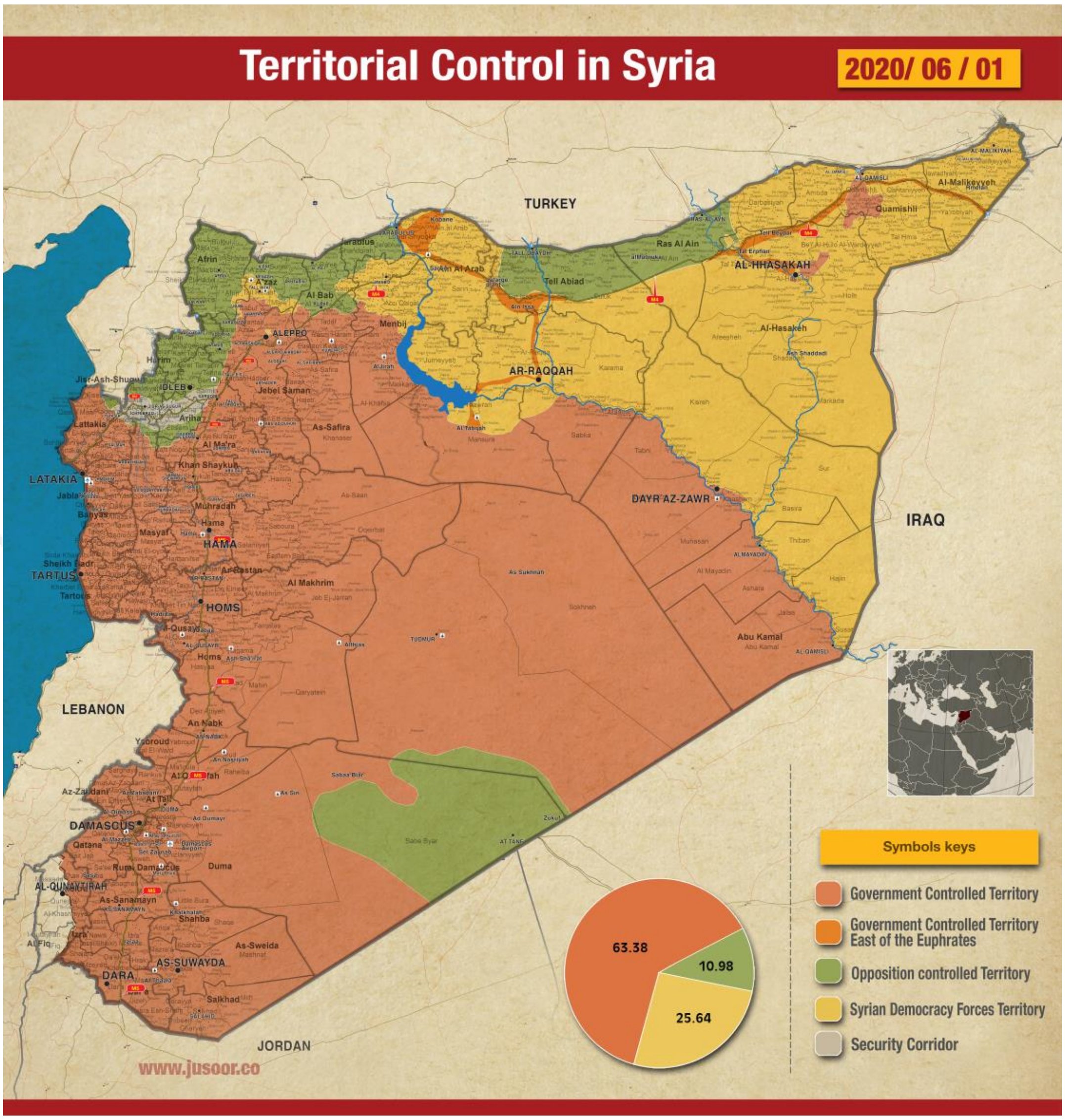
Table C.1 : Cases Demographics

No	Gender	Age	Area	Education	Family Size	Business type	Loan $	The change in their livelihood	Duration
1	Male	48	Babka	Institution	8	Market	1200	Low	12
2	Male	46	Abin Samaan	Intermediate	10	Phones selling shop	1000	Very Low	12
3	Male	40	Batbu	Elementary Education	5	Aluminium doors worker	1200	Very Low	12
4	Male	27	Batbu	Secondary Education	6	Car Repair	1050	Low	12
5	Male	34	Batbu	Intermediate	5	Coffee selling shop	1100	Low	12
6	Male	28	Batbu	Secondary Education	6	Selling and repairing phone shop	1060	Low	12
7	Male	38	Abin Samaan	Elementary Education	5	Supermarket	1200	Low	12
8	Male	30	Batbu	Elementary Education	5	Motorcycles repairs	1200	Good	12
9	Male	31	Babka	Intermediate	10	Car washing	1200	Low	12
10	Male	25	Abin Samaan	Secondary Education	4	Selling ladies accessories	1200	Very Low	12
11	Female	32	Killy	Elementary Education		Selling Diesel	600	Low	12
12	Female	40	Killy	Elementary Education	4	Clothes selling shop and Tailor Workshop	2400	Good	12

Table C.1 : Cases Demographics

13	Female	31	Killy	Elementary Education	4	Market	1200	Very Low	12
14	Female	30	Killy	Intermediate	5	Raise a cow for selling Milk	1200	Low	12
15	Female	36	Killy	Elementary Education	8	Wholesale and Retail	600	Very Low	12
16	Female	30	Kafr Losin	Intermediate	7	Sewing Accessories	840	Very Low	12
17	Female	33	Killy	Elementary Education	4	Raise Sheep	1200	Very low	12
18	Female	39	Tilaada	Elementary Education	7	Selling Energy Battery	1200	Low	12
19	Female	36	Kafr Losin	Elementary Education	4	Tailor WorkShop	840	Good	12
20	Female	51	Tilaada	No Education	10	Raising a cow for Selling Milk	1200	Low	12

Appendix D: Map of Syria[1]



[1] Source : https://jusoor.co/en