



1st International Conference on Multidisciplinary Academic Research (ICMAR-2018)
Sydney, Australia

ISBN :978-0-6482404-1-9

Asia Pacific Institute of Advanced Research (APIAR)

www.apiar.org.au

**THE SOCIO-ECONOMIC EFFECTS OF BUJUMBURA
CENTRAL BURNED MARKET ON ENTREPRENEURS USING CREDIT
FROM FINANCIAL INSTITUTIONS IN BURUNDI:
A CASE STUDY OF TURAME COMMUNITY FINANCE**

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Abstract

This study was designed to explore “the socio-economic effects of the burned market on entrepreneurs using credit from Financial Institutions in Burundi: a case study of Turame Community Finance.” The research was done at TCF, where there are many entrepreneurs using credit facilities from MFI. This research sought to answer two important questions: RQ1. Does the burning of the Bujumbura central market affect Turame’s entrepreneurs? RQ2. To what extent are affected clients of Turame Community Finance satisfied with the payback period? TCF has plans to expand its services extensively in Burundi. They intend to take these services to all provinces and communes so that the benefactors can have easy access to loaning facilities. There is also a plan for diversifying the products that they offer to the vulnerable and upcoming entrepreneurs. This study was restricted to Buyenzi and Bwiza urban communities plus other clients’ TCF from other areas of Bujumbura Province, but who lost their goods in Bujumbura Central Market. Apart from that, the target population of this (study) research included all clients and entrepreneurs who lost their goods in Bujumbura Central Market and loan officers. The total population is 533 individuals. The population of this study is organized in the following manner: by reading the table below, you can find easily the total number of entrepreneurs from TCF who lost their goods in BCM and also the total number of entrepreneurs who did not lose their goods in BCM. The probability sampling technique was used; this technique was preferred because« it allows a researcher to make relatively few observations and generalize from those observations to a wider population». In this research, one questionnaire was used, which was comprised of seven questions. Items 1,2,3,6 and 7 are closed-ended because for those questions, new ideas are not acceptable. Questions 4 and 5 are open-ended for respondents to answer freely. It is an open-ended questionnaire, in which the answer is not just « yes » or « no » (Wehmeier 2000, p. 817); rather, it allows the respondent to express his or her own point of view in a written report. The questionnaire was very helpful in generating necessary information.

Keywords: Socio-Economic Credit, Financial Institutions, Bujumbura Central Burned Market, Entrepreneurs.

1. Introduction

In reality, poor people need access to financial services beyond just micro-credit, including a range of micro-savings and insurance products. Indeed, the first steps for poor people on the path out of the poverty cycle are social and economic advancement, appropriate savings and insurance, as well as loans for emergency expenditures or basic assets such as shelter (housing) and education that contribute significantly to such security, not least among poorer and more vulnerable households (Ficher 2002, p. 49). The purpose of this study was to explore the socio-economic effects of the Bujumbura central burned market on entrepreneurs using credit from financial institutions in Burundi, especially at Turame Community Finance. Through finding whether Bujumbura Central Market's burning affected Turame's entrepreneurs, at the same time finding out the extent to which the clients of Turame Community Finance are satisfied with the payback period from the credit offices.

Micro-credit has become a major tool for development, and is fast developing as an international industry, with its own trade association, dedicated finance, training and other support organizations, research and journals. By delivering financial services at a scale and mechanisms appropriate to them, micro-credit can reach poor people.

Providing poor people with credit for micro-enterprise can help them work their own way out of poverty. And by providing loans rather than grants, the micro-credit provider can become sustainable by recycling resources over and over again. In other words, micro-credit appears to deliver the holy trinity of outreach, impact and sustainability. Micro-finance can embrace arrange of financial services that seek to meet the needs of poor people, both protecting them from fluctuating incomes and other shocks, and helping to promote their incomes and livelihoods (Rogaly et al. 1999, p. 112).

2. Materials and Methods

The study utilized a descriptive-correlational design, a quantitative research in which patterns of correlations were analyzed. The design used in this research was the survey. The design was found appropriate for this study because a survey is «an attempt to collect data from a representative sample of a population in order to determine the current status of that population with respect to one or more variables, and generalize its findings» (Sindiheburu 2005, p. 25). It also facilitates collection of data on opinions, information on attitudes and reasons for responses.

Population:

This study was restricted to the Buyenzi and Bwiza urban communities, plus other clients of TCF from other areas of Bujumbura Province who also lost their goods in Bujumbura Central Market. By definition, a population is the entire group of individuals that a research wishes to study. By entire group we literally mean every single individual (Gravetter 1991, p. 3).

Apart from that, the target population of this (study) research included all clients and entrepreneurs who lost their goods in Bujumbura Central Market and loan officers. The total population is 533 individuals.

The population of this study is organized in the following manner: by reading the table below you can find easily the total number of entrepreneurs from TCF who lost their goods in BCM and also the total number of entrepreneurs who did not lose their goods in BCM.

Sample and Sampling Procedures:

This research used the probability-sampling technique. Sampling is referred to as «the process of selecting observations» (Babbie 1998, 192). Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. The individuals selected form the sample and the large group from which they were selected is the population. The purpose of sampling is to secure a representative group which will enable the research to gain information about a population (Mugenda et al. 1999, pp. 10–11).

The probability sampling technique was used, because this technique « allows a researcher to make relatively few observations and generalize from those observations to a wider population» (Babbie 1998, p. 180). In other words, the probability sampling technique was preferred because it helps the researcher to select a set of elements from a population in such a way that the description of those elements accurately portrays the parameters of the total population from which the elements are selected (Nyandwi 2007, p. 19). Apart from that, non-probability sampling was used because some samples must be purposively selected. «A stratified or representative sample is desirable to select a sample in such a way that the research work is assured that certain subgroups in the population will be represented in the sample in proportion to their numbers in the population itself» (Borg 1971, p. 121).

By definition a sample is a portion of population that is selected for observation. Just as we saw with population, samples can vary greatly in size (Gravetter 1991, p. 4). This technique ensured that the new customers, existing customers, and all managers of community banks participated in the sample.

According to Ndayisenga Dieudonné in his thesis you can find easily how you can determine a sample.

The population of our research is already defined; it is 533 clients / individuals. Apart from that, we can use the following formula:

$$NC = \frac{n}{1 + \frac{n}{N}}$$

N= Total population.

n= Total sample by Universe ended 95.

NC=Corrected sample.

95 is the total number used by Alain Bouchard which present the total sample for Universe ended. As we have worked by using ended Universe, the formula is also applicable to our research. By developing that formula we have the following details.

$$NC = \frac{n}{1 + \frac{n}{N}}$$

$$NC = \frac{n}{\frac{N+n}{N}}$$

$$NC = \frac{n \times N}{N+n}$$

For finding the total number of clients to which you give questionnaires, we can replace. The details in formula:

$$NC = \frac{95 \times 533}{533 + 95} = \frac{50635}{628} = 80,6 \sim 81$$

Note: According to Alain Bouchard, if the population concerned by research is more than 500 persons / individuals, for our research we have 533 persons / individuals, that population is corresponded a sample of 81 individuals with margin of error of 10% and with precision of 81 times on 100 percent (Ndayisenga et al. 2012, p. 54).

Validity and Reliability of Research:

To validate is to prove the facts are true. After finding a research instrument such as a questionnaire, a researcher wants to know the validity of that instrument, so that it can be used to provide data for the research. Research instruments must also be reliable. "Reliability is the degree of consistency that the instrument or procedure will generate" (Sindihebura 2005, p. 29). The process of validating the instruments involved pre-testing the research questionnaires.

In this process, a pilot study was conducted to discover misunderstandings not anticipated by the researcher. A pilot study is «a trial run in which a questionnaire is given to just a few people» (Nyandwi 2007, p. 22).

The instrument was pilot-tested in Buyenzi and Bwiza Urban communities in Bujumbura province. It used a sample of 81 clients and one Loan Officer. They were selected randomly to be part of the study. On each questionnaire, which was given to a client and L.O, a place was reserved so that he or she could make his or her comments and recommendations concerning the clarity and the relevancy of the items.

The clients and Loan Officer's main concerns were: 1) Repetition of some questions 2) wrong translations from English to French and Kirundi languages 3) ambiguity. The data collected helped in improving the questionnaire.

Description of Data Analysis Procedure

Data analysis involves bringing order to the information collected (Mugenda and Mugenda 1999, p. 78). Once collected, the data was classified under their categories, coded and fed into the computer and analyzed using a statistical package for Social Sciences. Quantitative data was analyzed using descriptive, frequencies, and percentages. Qualitative data was summarized and sorted into categories. Lastly, this data was interpreted to give meaning.

Results

Regarding researcher question I, it was found that: among 78 respondents, 94% responded BCM was very important for them;

According to a stop of doing business, of 78 respondents, 53 respondents, representing 65%, answered "Agree" meaning that even though they are doing a business not like when the BCM existed, there is a difference; among 78 respondents, 59 of them or 73% answered "Strong Agree", indicating that they do a business in other markets but do not earn good profit. Of 78 respondents, 61 respondents or 75%, the vast majority of respondents, confirmed that there is a decreasing of revenue because BCM was burned; among 78 respondents, 57 respondents or 70%

responded that they are incapable to pay a debt because of the lack of BCM. All 78 respondents, 100% of the sample, confirmed that the loss of BCM was affecting them negatively.

100% of respondents need assistance; among 78 respondents, 65 of them or 80% were neutral. This means there was nothing they wanted to say about the loss of their collateral; they are waiting for the last decision of TCF.

Among 78 respondents, 74 of them or 91% confirm that they have socio-economic problems meaning that there is a lack of basic needs for them.

Only 69 respondents, representing 85%, confirmed that they have psychological problems. But they are some means 2 respondents represent 3% confirmed that they have no psychological problems. None of the 78 respondents was insured for his/her goods. The information researched for item 14 reveals that Turame's entrepreneurs don't get enough profit because of inflation. That was confirmed by 74 respondents, representing 91%.

According to the research question II: Among 78 respondents, 71 respondents or 91% confirmed that the payback period is too short.

3. Summary of Findings

The responses to the research questionnaire revealed: some entrepreneurs stopped doing business; the entrepreneurs don't earn a good profit; the revenue of entrepreneurs is decreasing instead of increasing; the entrepreneurs are unable to pay Turame's loan because BCM was burned; the lack of BCM affects Turame's entrepreneurs negatively; their goods were not insured; they have a problem of basic needs; and they have psychological problems.

Apart from that the Turame's entrepreneurs need assistance, they want also to be given another loan. The payback period is too short, TCF is requested to extend the payback period. Both the payback period and grace period are too short; TCF is requested to extend these periods.

4. Recommendations

Recommendations for TCF

The findings of this research are important to TCF and their customers, as well as to other researchers, investors, and donors in the sector of MFIs. In light of the research findings we recommend that: TCF should extend the payback period because TCF entrepreneurs find it too difficult to gain enough profit to make weekly payments. This can enable the customers to pay their loan on time.

TCF should encourage the customers to insure their products; TCF should help those who lost everything to set up a new business; TCF should refinance the entrepreneurs who lost their goods in BCM by reducing interest rates; TCF should organize a course of counseling to help affected clients.

Recommendation to the Government of Burundi

The Government should provide updated equipment and well trained staff in firefighting; increase security by having police patrol. The Burundi government should contribute in creating many MFIs not only in the urban districts, but also in the rural districts because the poor are throughout the country and the MFIs have become a tool of development. The MFIs empower people to take responsibility in reducing their own poverty.

Recommendations to the Recipients of Loans from MFIs

Every loan recipient must be creditable and pay the loan on time. Failing to pay the loan can cause bankruptcy of MFIs preventing other poor people from obtaining loans to reduce their poverty.

Recommendations for Further Research

It is recommended that this research be replicated for Microfinance Institutions to determine if the same results are obtained. As we did not cover all banks, a further research should be carried out on TCF Ngozi clients only to learn the socio-economic effects of burned markets in Burundi, on entrepreneurs using credit from TCF.

Recommendations to Traders

They should have storage separate from their selling points; they should put their money in the bank after sales; they should insure their goods in the insurance company; to secure their business against fire.

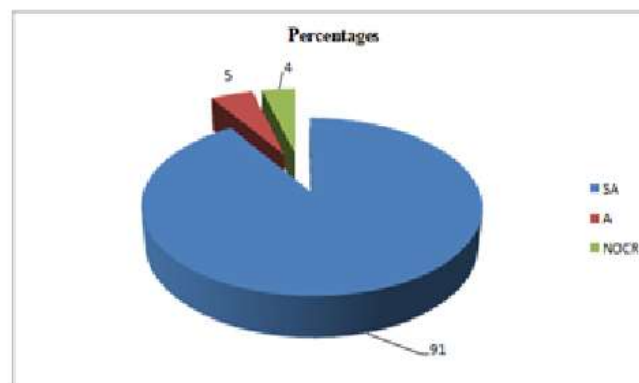
Tables and Figures:

Table 25: Investigation about Socio-economic Effects on TURAME's Entrepreneur

| NiI | Item | NR | CR | F | % |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------|---------|---------|
| 11 | Turame's Entrepreneurs have other Socio-Economic Problems such as : Lack of school fees, shelter, Food, clothes, and other basic needs because BCM was burned | 78 | SA A | 74 4 | 91 5 |
| | Null responses | 3 | NOCR | 3 | 4 |
| | Total | 81 | | 81 | 100 |

Source: Research on field

Graphic 13: Investigation about Socio-economic Effects on TURAME's Entrepreneur



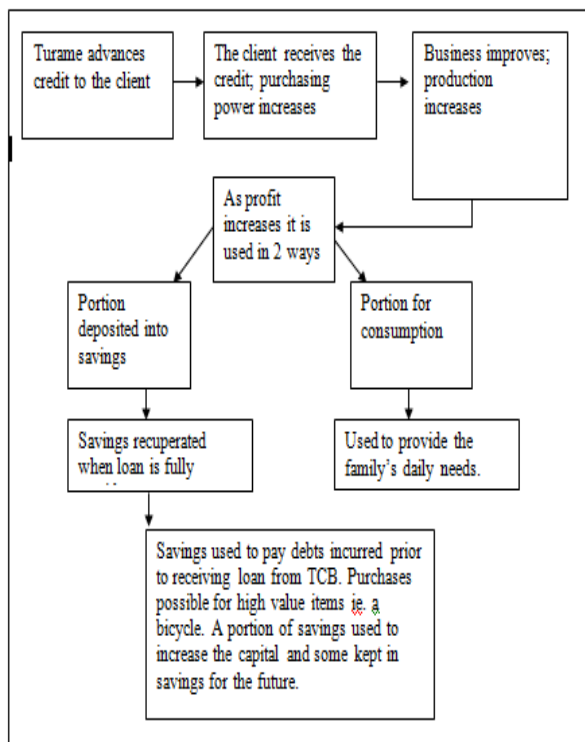
Source: Research on field

The table and graphic demonstrate TCF clients' responses, Frequencies, and percentages regarding the socioeconomic effects that Turame's entrepreneurs have experienced. In general, among 78 respondents, 74 of them which represents 91%, confirm that they have socio-

economic problems such as: lack of school fees for their children, shelter, food, clothes and other basic needs because BCM was burned.

Even though 4 respondents which represent 5% confirmed that they have those socioeconomic problems but not a hundred percent. It is clear that the table 23 represents the fact that the entrepreneurs of Turame have socioeconomic effects, especially basic needs.

Figure 4: How TCB helps their Clients improve their Financial Status



Source: Author

After showing how TCF helped the entrepreneurs before BCM burning, the researcher wants to show the contribution of Abraham Maslow to the needs.

Abraham Maslow (1908, p. 70) presents a hierarchy of needs that human beings are motivated to fulfill in an ascending order from physiological to security, affective, esteem and self-actualization (John 2004, p. 627).

In this context, the Turame's entrepreneurs asked for loans for seeing how they can accomplish those steps by doing business. But according to the result, I found it is very difficult for them to respect or fulfill a hierarchy of needs.

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