# THE IMPACT OF MICROCREDITS ON CONSUMER BEHAVIOUR

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## Abstract

This study tends to analyze the impact of microcredit on consumer spending in the case of Kosovo. Evidence from randomized evaluations in low- and middle-income countries shows that giving small loans in the form of microcredit did not lead to transformative impacts on income or long-term consumption on average, but it did help households better manage financial choices (J-PAL, 2018). In order to test the hypotheses in the study, the primary data was used, and the research tool for data collection used was the online questionnaire. The questionnaire was distributed on social media and cover a six-month time period for data collection. The respondents are chosen randomly as the questionnaire was administered online on the social network Facebook to a random sample of 219 participants. The study has used the SPSS for data processing and hypothesis testing. Typical microcredit contracts involve inflexibilities characterized by frequent periodic repayments without the option to restructure the same depending on emerging contingencies (Sett, 2020). The study concludes that interest rates and individual credits by the Kosovo residents, under our terms of analysis do not affect the realization of the monthly consumption expenditures in the case of Kosovo and thus do not have an impact on the consumer behavior towards their spending.

**Keywords:** Family Loans, Family Budget, Interest Rates

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## 1. INTRODUCTION

In emerging economies such as the state of Kosovo, lending to citizens is a very important source of funding and the ability to meet household consumption expenditures. In this prism, it is worth emphasizing that the topic of this study combines in itself the two basic pillars of a developing economy, namely micro-loans and consumer spending. Kosovo is considered a country in the Western Balkans with an economy based mainly on consumption. As a result, the topic that will be addressed in this study speaks mainly about how micro-loans affect the realization of consumer spending in the case of Kosovo. There are several possible explanations for the limited impact of traditional micro-credit on long-term income and consumption, which this and subsequent policy statements will examine (J-PAL, 2018).

First, not all borrowers may have access to or want to get high-return investment opportunities. Indeed, targeted loans to specific borrowers — high-potential entrepreneurs — show some promise of revenue growth. Moreover, many borrowers use consumer loans rather than investments, suggesting that there are other non-entrepreneurial returns on these products. Micro-loans also tend to be costly to deliver and expensive for low-income borrowers, although product and market innovations may make it easier for banks to lend at lower costs. Furthermore, loans may not be structured in ways that facilitate high-return investments. In these cases, product design modifications to better meet the cash flow needs of borrowers can help, such as changes in the timing or frequency of new loan repayments. Finally, risk management issues can limit the impact of micro-credit.

There is little evidence that micro-credit generally harms borrowers as debated in the literature review, but there is also little evidence that micro-credit turns poor families into prosperous entrepreneurs, namely (Meager, 2019):

– The effects of expanding micro-credit services in different countries are surprisingly similar.

– Micro-credit usually has zero effect on families without previous business experience. While there is a large average effect for families with business experience, this effect is highly variable between settings and is not generalizable.

– Economic variables, such as interest rates, predict changes in treatment effects better than changes in study protocols.

– The conclusion is that the best available evidence suggests, with reasonable confidence, that the average impact of these loans is small.

Seeing that micro-credit does not offer the dramatic, transformative effects claimed by each side of the debate, the next question is: Why not? Perhaps, part of the answer lies in the terms of the loans: they have to be repaid frequently, often at weekly intervals, so borrowers can not use much of their risky business venture loans which can only be repaid over a longer period.

This study tends to analyze the impact of microcredit on the consumer spending of Kosovo citizens. So, in other words, it will be analyzed how loans that are taken by citizens for consumption affect their consumer spending.

The specific objectives of the research are:

1. To reflect the types of microcredit and interest rates.
2. To analyze household consumption expenditures over the years.
3. To reflect as microcredit affect the decisions of Kosovo citizens for consumption benefits.

*RQ1: How does the e-banking process affect the growth of demand for microcredit?*

*RQ2: How satisfied are the citizens with the bank offers for microcredit?*

*RQ3: Do microcredit increase or decrease consumer spending?*

The remainder of this paper is structured as folows. Section 2 presents the literature review. Section 3 presents the research methodology, the data, and the source. In Section 4, the results are presented, and in Section 5, the conclusion is presented.

## 2. LITERATURE REVIEW

So far during the research, it has been noticed that regarding loans or households there is a lack of research and study either at home or abroad, although households play a special role in a country, it is noticed that the greatest focus of publications and research belongs to small and medium enterprises (SMEs). A substantial part of the world's poor has limited, if any, access to formal sources of credit (Augsburg, De Haas, Harmgart, & Meghir, 2015).

A paper by Mahmood, Arby, Hussain, and Sattar (2016) analyzes the role of microfinance in poverty alleviation and improving the living standard of poor households using a survey of 400 active clients of the Khushhali Bank (a microfinance bank) in Dera Ghazi Khan and Layyah districts of Punjab (Pakistan) and concludes that microfinance credit positively affects income generation and consumption level of poor; and the impact on productive activities is higher than the consumption.

A study by Wickramasinghe and Fernando (2017) investigate income, savings, and consumption patterns of low-income people and critical factors that influence the use of microcredit — a form of small instant loans targeted at low-income people — for household income and consumption smoothing. The study employs a sample of households from low-income communities living in a lower-middle-income country and comes to conclusions that microcredit borrowers were using the loans for purposes that can be identified as income and consumption smoothing, which is beyond the ideas and intended practice of microcredit. Another study suggests that households as more likely to borrow based on ex-ante characteristics, microcredit access led to a significant rise in investment in assets used for self-employment activities (mainly animal husbandry and agriculture), and an increase in profit but this caused a reduction in income from casual labor, so overall there was no gain in measured income or consumption (Crépon, Devoto, Duflo, & Pariente, 2014).

Microfinance, collateral-free direct access to group-based credit, leads to financial deepening which has implications for consumption inequality but, there is a dearth of studies that systematically examine the relationship between microfinance and consumption inequality (Mukhopadhyay, 2016).

Regarding the study and research of individual loans according to Mishkin (2004), the various literature has focused more on the channeling and spending of loans by businesses, but the view of credit should also apply to consumer spending, especially on consumer goods and housing.

Karlan and Goldberg (2011) note that the concept of microfinance relates to nine characteristics: small transactions and a minimum account; loans for entrepreneurial activity; loans without coverage; group lending; focus on poor clients; focus on women as clients; application simple process for lending; provision of services in communities with insufficient supply of the same concentration; interest rates at market level. Research by Marston, Banks, and Zhang (2018) presents the human emotional state and the decision to take a loan. According to the authors, for some of the borrowers, the emotional cost is a factor in choosing credit products when they try to escape institutional prejudices, charities, including here family and friends, which can present the wrong choice in the absence of financial knowledge.

Credit, as a term, has existed since ancient times, lending has existed thousands of years ago, with various lending methods. Initially, lending began among family and friends and a phenomenon still exists. In our country, credit as a product has developed with quite big steps since 2000 when the banks were established before and after the war. Over time, a large number of commercial banks, microfinance, and non-banking institutions were established in Kosovo, which through their competition enable the consumer today a variety of credit products, including credit products for individuals or households, businesses including small and medium enterprises, large businesses, corporations, agro products, etc.

The financial system in the euro area and the world faced a deep financial crisis, the financial system in Kosovo remained fairly well-capitalized, liquid, and profitable, although the increase in arrears by parent banks in the euro area with branches in Kosovo poses a risk to the country, it can be said that they will not withdraw funds from local banks as if the deposits are not a source of parent banks, but could reduce the loan offer in some banks.

In this study, the research hypotheses are as follows:

*H1: Microcredit harms the family budget in the case of Kosovo citizens.*

*H2: Citizens who have borrowing (microcredit) face difficulties in realizing monthly expenses as a result of interest rates.*

*H3: Favorable opportunities and conditions for credit have influenced the citizens to increase the demand for credit.*

## 3. RESEARCH METHODOLOGY

This study is of particular importance for the sake of the phenomena it addresses and correlates with. Household loans and household consumption expenditures are a topic of debate but do not have attention in the case of Kosovo and the region.

In this prism, the methodology of the scientific research starts from the review of local and international literature, books and scientific articles, and various reports from local institutions and continues further with the definition of the research method. In order to test the hypotheses in the study, the primary data were used, for which the most common research method for the collection of primary data, the questionnaire, was used. In this study, the questionnaire was prepared online via Google Forms with structured questions, a Likert scale, and the answers on the open-ended questions that were received from researchers on how they perceive the impact of household loans on their consumer basket.

In the study, the SPSS program was used to test the hypotheses. The analysis includes frequencies and descriptive statistics of conceptual variables. A t-test was used to test the hypotheses.

Alternative methods that may be used are the observation of the clients at the help desk which means doing an evaluation using the observation of the clients when they are applying for credits in the banks. This method may bring a clear picture of their purpose of credit and the reason why they apply for credit than to measure the effects on their consumption behaviours.

## 4. RESULTS

In this section, the findings of the study based on the answers of the respondents to the questionnaire administered online on the social network Facebook in a random sample of 219 participants are presented.

The primary data were processed in the drive where the process of coding and preparation of the data set for the SPSS program was continued. The findings were tested and then presented in tabular form including descriptive statistics, frequency of variables, t-test for hypothesis testing, and Cronbach's alpha for evaluating Likert scale questions.

Further in this section, the findings and their discussion, as well as testing of the hypotheses raised in this study, are presented.

**Table 1.** Demographic data of respondents

| | *N* | *Minimum* | *Maximum* | *Mean* | *Std. Deviation* |
|---|---|---|---|---|---|
| Your gender | 219 | 1 | 2 | 1.52 | 0.501 |
| Are you employed? | 219 | 1 | 4 | 1.62 | 0.882 |
| Your educational level | 219 | 1 | 4 | 2.44 | 0.818 |
| Your age | 219 | 1 | 5 | 2.36 | 1.174 |
| Your marital status | 219 | 1 | 2 | 1.43 | 0.496 |
| Valid N (listwise) | 219 | | | | |

*Source: Authors' calculations.*

The table above presents descriptive statistics of demographic variables. The number of respondents in this study includes a total of 219. In all cases, the minimum is 1 course the maximum reaches from 2 to 5.

Out of the total of 219 respondents included in the study, 51.6 percent of them were male and 48.4 percent were female (Table 2).

**Table 2.** Gender of respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Woman | 106 | 48.4 | 48.4 | 48.4 |
| | Man | 113 | 51.6 | 51.6 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

**Table 3.** Form of employment of the respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Private sector | 169 | 77.1 | 77.1 | 61.2 |
| | Public sector | 50 | 22.9 | 22.9 | 80.4 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

Regarding their employment status, 169 respondents stated that they are employed in the private sector and 50 of them stated that they are employed in the public sector.

**Table 4.** The educational level of the respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | High school | 30 | 13.7 | 13.7 | 13.7 |
| | Bachelor | 78 | 35.6 | 35.6 | 49.3 |
| | Master | 95 | 43.4 | 43.4 | 92.7 |
| | Ph.D. | 16 | 7.3 | 7.3 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

Regarding the level of education, 13.7 percent of the respondents have secondary education or 30 of them expressed with frequency, 35.6 percent are with bachelor education, 43.4 percent are with second cycle master education, and a smaller part, only 7.3 percent, is with the highest level of doctoral education.

**Table 5.** Age of the respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | 15–25 | 64 | 29.2 | 29.2 | 29.2 |
| | 26–35 | 62 | 28.3 | 28.3 | 57.5 |
| | 36–45 | 54 | 24.7 | 24.7 | 82.2 |
| | 46–55 | 28 | 12.8 | 12.8 | 95.0 |
| | 56–65 | 11 | 5.0 | 5.0 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The table above presents the data of respondents categorized according to their age. As we can see from the data generated, 29.2 percent of the total respondents are aged 15–25, 28.3 percent are aged 26–35, 24.7 percent are aged 36–45; 12.8 percent are aged 46–55 and a very small proportion of 5 percent survey participants are aged 56–65.

**Table 6.** The marital status of the respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Married | 125 | 57.1 | 57.1 | 57.1 |
| | Unmarried | 94 | 42.9 | 42.9 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The presented data generated on the marital status of the respondents showed that married are 57.1 percent of the participants, while unmarried are 42.9 percent.

**Table 7.** The number of family members who share the same living space

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I live alone | 4 | 1.8 | 1.8 | 1.8 |
| | 2–4 members | 112 | 51.1 | 51.1 | 53.0 |
| | 5–7 members | 99 | 45.2 | 45.2 | 98.2 |
| | 8–10 members | 4 | 1.8 | 1.8 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The table above shows the frequencies and percentage of respondents according to their number of family members who share the same living space, where 1.8 percent of the total stated that they live alone; 51.1 percent stated that they live from 2 to 4 people in one house; 45.2 percent reported living with 5–7 members, and 1.8 percent reported living about 8–10 in the same house or sharing the same dwelling.

Such categories of questions are addressed in order to reflect the problems and access of households to the lending process and the family budget as it is known not only scientifically but also practically that the consumption basket and the realization of household budget expenditures become more difficult in relation to the growth of the number of members leaving aside the analysis of possible employment within a family.

**Table 8.** Financial institutions where the respondents served

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | RBKO Raiffeisen Bank | 64 | 29.2 | 29.2 | 29.2 |
| | NLB Banka | 32 | 14.6 | 14.6 | 43.8 |
| | TEB Bank | 53 | 24.2 | 24.2 | 68.0 |
| | BKT Bank | 22 | 10.0 | 10.0 | 78.1 |
| | Procredit Bank | 19 | 8.7 | 8.7 | 86.8 |
| | Other | 23 | 10.5 | 10.5 | 97.3 |
| | Microfinance institution | 6 | 2.7 | 2.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

From the table above we see that most of the participants in this research are customers of Raiffeisen Bank (29.2 percent), followed by TEB Bank (24.2 percent), NLB Banka (14.6 percent), and so on.

**Table 9.** Amount of revenues of respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Up to 300 euros | 11 | 5.0 | 5.0 | 5.0 |
| | Over 300 to 600 euros | 50 | 22.8 | 22.8 | 27.9 |
| | Over 600 to 1000 euros | 65 | 29.7 | 29.7 | 57.5 |
| | 1000+ | 93 | 42.5 | 42.5 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The table above reflects the findings on the family budget of the research participants, as we can see in the chronology, all the questions addressed in the questionnaire are within the scope of the study in which case the family budget revenues will be followed by the need for borrowing and difficulties for families to cope with monthly installments or payments during the loan repayment process (annuities).

As we can see, 42.5 percent of the total participants in the research have stated that the total monthly income in the family is over 1000 euros; 29.7 percent have stated that they realize the total income in the family budget is from 600 to 1000.

On the other hand, 22.8 percent have stated that they realize the revenues from 300 to 600, and only a very small proportion of survey participants, 5 percent of them, stated that they provide revenues up to 300 euros.

**Table 10.** Respondents' participation in lending

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | No | 34 | 15.5 | 15.5 | 15.5 |
| | Yes | 185 | 84.5 | 84.5 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

Out of the total number of participants in the research, 15.5 percent of them stated that they did not receive loan and 18.5 percent of them stated that they received credit.

**Table 11.** Purpose of the respondents' borrowings

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Consumption costs | 11 | 5.0 | 5.0 | 5.0 |
| | Vehicle | 41 | 18.7 | 18.7 | 23.7 |
| | Loans to buy a house/apartment | 55 | 25.1 | 25.1 | 48.9 |
| | Other | 72 | 32.9 | 32.9 | 81.7 |
| | Home furniture | 32 | 14.6 | 14.6 | 96.3 |
| | Study loans | 8 | 3.7 | 3.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

In the following question, what was the purpose of borrowing, as we can see, 25.1 percent of the respondents took loans to buy an apartment or house; 32.9 percent declared "other"; 14.6 percent declared for house furniture; 18.7 percent for a car; 5 percent for consumption expenses, and 3.7 percent for study loans.

**Table 12.** Monthly loan maintenance costs

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | Up to 50 euros | 18 | 8.2 | 8.2 | 8.2 |
| | 50–100 euros | 39 | 17.8 | 17.8 | 26.0 |
| | 100–200 euros | 60 | 27.4 | 27.4 | 53.4 |
| | 200–300 euros | 50 | 22.8 | 22.8 | 76.3 |
| | 300+ | 52 | 23.7 | 23.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

Regarding the question of what is the amount of the monthly installment for loan repayment, 8.2 percent declared up to 50 euros; 17.8 percent declared 50–100 euros; 27.4 percent declared 100–200; 22.8 percent declared 200–300 euros, and 23.7 percent — over 300 euros.

As we can see from the findings presented in the table above, most of the respondents pay the monthly installment of 100–300 euros, which consists of an additional expense from the total of their monthly family budget revenues.

**Table 13.** Characteristics of received loans by terms

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | 1 year | 34 | 15.5 | 15.5 | 15.5 |
| | 2–4 years | 98 | 44.7 | 44.7 | 60.3 |
| | 4–6 years | 49 | 22.4 | 22.4 | 82.6 |
| | 6–8 years | 18 | 8.2 | 8.2 | 90.9 |
| | 8–10 years | 12 | 5.5 | 5.5 | 96.3 |
| | 10+ | 8 | 3.7 | 3.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

From the table above we can see that most of the respondents stated that the loan period is 2–4 years, i.e., 44.7 percent; 22.4 percent have declared 4–6 years; 15.5 percent have declared up to 1 year, and a very small proportion of respondents, 3.7 percent, have stated for a loan life span of 10 years or more.

**Table 14.** The impact of loan servicing costs on the consumer potential of respondents

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | No, it does not have a significant impact because the installment you pay is low compared to your family budget. | 59 | 26.9 | 26.9 | 26.9 |
| | Yes, because installment payments reduce your chances of realizing the consumer basket. | 123 | 56.2 | 56.2 | 83.1 |
| | I have no comment. | 37 | 16.9 | 16.9 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The table above shows the attitudes of respondents on the basis of two very important statements such as "*No, it does not have a significant impact because the installment you pay is low compared to your family budget*", where we see that 26.9 percent responded, and 56.2 percent answered *"Yes, because installment payments reduce your chances of realizing the consumer basket"*, while 16.9 percent answered, *"I have no comment"*.

**Table 15.** Satisfaction of respondents with credit offers of banks (Questionnaire item: *"Are you as a citizen satisfied with the loan offers offered by banks?"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | No | 149 | 68.0 | 68.0 | 68.0 |
| | Yes | 70 | 32.0 | 32.0 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

In the question addressed on the satisfaction of citizens with the loan offers offered by banks, we can see that the majority (68 percent) are dissatisfied and 32 percent are satisfied with the loan offers from banks.

**Table 16.** The impact of e-banking on increasing demand for loans (Questionnaire item: *"Has the e-banking process influenced you to increase the demand for loans?"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | No | 186 | 84.9 | 84.9 | 84.9 |
| | Yes | 33 | 15.1 | 15.1 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

When asked whether the e-banking process has affected the growth of credit demand, respondents said "no", specifically 84.9 percent, and 15.1 percent said "yes".

**Table 17.** Description of the responses to the survey (Questionnaire item: *"The loan you have taken has made you reduce your consumer basket due to the monthly loan installment"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I totally agree | 102 | 46.6 | 46.6 | 46.6 |
| | Subscribe | 47 | 21.5 | 21.5 | 68.0 |
| | Neutral | 30 | 13.7 | 13.7 | 81.7 |
| | I do not agree | 32 | 14.6 | 14.6 | 96.3 |
| | I do not agree at all | 8 | 3.7 | 3.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

In the table above we see that 46.6 percent of respondents fully agree that the loan and the monthly loan installment have reduced the monthly consumer basket; 21.5 percent agree. Generally from the findings, we notice that most agree with the statement, where only a very small part of 3.7 percent disagree at all and perhaps this percentage refers to research participants who provide a monthly family budget of over 1000 euros.

**Table 18.** Description of the responses to the survey (Questionnaire item: *"You face delays in loan installment payments as a result of insufficient salaries"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I totally agree | 33 | 15.1 | 15.1 | 15.1 |
| | Subscribe | 38 | 17.4 | 17.4 | 32.4 |
| | Neutral | 38 | 17.4 | 17.4 | 49.8 |
| | I do not agree | 59 | 26.9 | 26.9 | 76.7 |
| | I do not agree at all | 51 | 23.3 | 23.3 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

Regarding the part of delays in installment payments as a result of insufficient salaries, we notice that most of the participants in the research do not agree: 26.9 percent do not agree; 23.3 percent do not agree at all, and 17.4 percent are neutral. A very small proportion fully agree with the statement — 15.1 percent of survey participants.

**Table 19.** Description of the responses to the survey (Questionnaire item: *"Loans, regardless of their purpose due to interest rates over time, become unaffordable for the family budget"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I totally agree | 62 | 28.3 | 28.3 | 28.3 |
| | Subscribe | 31 | 14.2 | 14.2 | 42.5 |
| | Neutral | 82 | 37.4 | 37.4 | 79.9 |
| | I do not agree | 32 | 14.6 | 14.6 | 94.5 |
| | I do not agree at all | 12 | 5.5 | 5.5 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

From the table above we see that the majority of respondents agree with the statement, specifically 28.3 percent of them fully agree; 14.2 percent agree; 37.4 percent are neutral, and a very small part, 5.5 percent, do not agree at all.

**Table 20.** Description of the responses to the survey (Questionnaire item: *"Loans are both useful and harmful for families with a monthly income below 500 euros"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I totally agree | 121 | 55.3 | 55.3 | 55.3 |
| | Subscribe | 54 | 24.7 | 24.7 | 79.9 |
| | Neutral | 28 | 12.8 | 12.8 | 92.7 |
| | I do not agree | 8 | 3.7 | 3.7 | 96.3 |
| | I do not agree at all | 8 | 3.7 | 3.7 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

As can be seen from the presentation of the findings in the table above, 55.3 percent fully agree that loans are as beneficial as they are harmful to households with monthly incomes below 500 euros; 24.7 percent agree; 12.8 percent are neutral; 3.7 percent disagree and do not agree at all with assertion.

**Table 21.** Description of the responses to the survey (Questionnaire item: *"You usually have time delays in repaying your monthly loan installment"*)

| | | *Frequency* | *Percent* | *Valid percent* | *Cumulative percent* |
|---|---|---|---|---|---|
| Valid | I totally agree | 27 | 12.3 | 12.3 | 12.3 |
| | Subscribe | 25 | 11.4 | 11.4 | 23.7 |
| | Neutral | 50 | 22.8 | 22.8 | 46.6 |
| | I do not agree | 43 | 19.6 | 19.6 | 66.2 |
| | I do not agree at all | 74 | 33.8 | 33.8 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

The table above presents the findings on the statement that respondents in this research have time delays in repaying the monthly loan installment, but this statement is considered by 33.8 percent of them that do not agree at all; 19.6 percent do not agree, so there are no such delays; 22.8 percent are neutral and a portion of 11.4 percent agree and 12.3 percent fully agree.

**Table 22.** Description of the responses to the survey (Questionnaire item: *"You have refinanced your loan before the maturity of the existing loan"*)

| | | Frequency | Percent | Valid percent | Cumulative percent |
|---|---|---|---|---|---|
| Valid | I totally agree | 48 | 21.9 | 21.9 | 21.9 |
| | Subscribe | 26 | 11.9 | 11.9 | 33.8 |
| | Neutral | 55 | 25.1 | 25.1 | 58.9 |
| | I do not agree | 51 | 23.3 | 23.3 | 82.2 |
| | I do not agree at all | 39 | 17.8 | 17.8 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

From the table, we see that 21.9 percent completely agree; 11.9 percent agree; 25.1 percent are neutral; 23.3 percent do not agree, and 17.8 percent do not agree at all with the statement.

**Table 23.** Description of the responses to the survey (Questionnaire item: *"Interest rates make it difficult for you to meet your monthly family expenses"*)

| | | Frequency | Percent | Valid percent | Cumulative percent |
|---|---|---|---|---|---|
| Valid | No | 69 | 31.5 | 31.5 | 31.5 |
| | Yes | 150 | 68.5 | 68.5 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

When asked if interest rates make their monthly household expenses difficult, 31.5 percent of the respondents said "yes" and 68.5 percent of them said "no".

**Table 24.** Description of the responses to the survey (Questionnaire item: *"Has the loan you received damaged your family budget?"*)

| | | Frequency | Percent | Valid percent | Cumulative percent |
|---|---|---|---|---|---|
| Valid | No | 83 | 37.9 | 37.9 | 37.9 |
| | Yes | 136 | 62.1 | 62.1 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

From the table, we see that 62.1 percent of the respondents have stated "yes" that the loan has damaged their family budget and 37.9 percent have stated "no".

**Table 25.** Description of the responses to the survey (Questionnaire item: *"Favorable opportunities and conditions for credit have influenced you to increase the demand for credit in case of your expenses"*)

| | | Frequency | Percent | Valid percent | Cumulative percent |
|---|---|---|---|---|---|
| Valid | No | 140 | 63.9 | 63.9 | 63.9 |
| | Yes | 79 | 36.1 | 36.1 | 100.0 |
| | Total | 219 | 100.0 | 100.0 | |

*Source: Authors' calculations.*

In the next question of how the credit conditions affect the growth of credit demand, 36.1 percent of the respondents stated that the favorable credit conditions did not affect the growth of their credit demand and vice versa.

Below are the important tests of the Likert scale questionnaire questions that were assessed through Cronbach's alpha.

**Table 26.** Reliability statistics

| Cronbach's alpha | Cronbach's alpha based on standardized items | Number of items |
|---|---|---|
| 0.832 | 0.830 | 6 |

*Source: Authors' calculations.*

As we can see, the five-point Likert scale questions from "Strongly agree", "Agree", "Neutral", "Disagree" and "Disagree at all" are important since Cronbach's alpha value is 0.832.

The hypothesis testing in this study was performed using the t-test. The tabulated results of the t-test for the respective hypothesis testing variables are presented in tabular form.

**Table 27.** Testing the first hypothesis (*H1*) of the study (Cross-tabulation analysis)

| | | Has the loan you taken damaged your family budget? | | Total |
|---|---|---|---|---|
| | | No | Yes | |
| *Did you get a loan?* | No | 8 | 26 | 34 |
| | Yes | 75 | 110 | 185 |
| Total | | 83 | 136 | 219 |

*Source: Authors' calculations.*

From the table, we notice that the conceptual variables which were used to test *H1* are whether you took out a loan and whether the loan you took out damaged your family budget.

**Table 28.** Chi-square test for *H1*

| | ***Value*** | ***df*** | ***Asymptotic significance (2-sided)*** | ***Exact significance (2-sided)*** | ***Exact significance (1-sided)*** |
|---|---|---|---|---|---|
| Pearson chi-square | 3,531[a] | 1 | 0.060 | | |
| Continuity correction[b] | 2,846 | 1 | 0.092 | | |
| Likelihood ratio | 3,741 | 1 | 0.053 | | |
| Fisher's exact test | | | | 0.082 | 0.043 |
| Linear-by-linear association | 3,515 | 1 | 0.061 | | |
| Number of valid cases | 219 | | | | |

*Note: a. 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 12.89. b. Computed only for a 2 x 2 table.*

In the table above, we have generated and presented results from the t-test whereas we see that the asymptotic significance (2-sided) is 0.06 which suggests that the p-value condition is met in which case we accept *H1*.

**Table 29.** Testing the second hypothesis (*H2*) of the study (Cross-tabulation analysis)

| | | ***Do interest rates make it difficult for you to cover your family expenses?*** | | ***Total*** |
|---|---|---|---|---|
| | | ***No*** | ***Yes*** | |
| *Did you get a loan?* | No | 8 | 26 | 34 |
| | Yes | 61 | 124 | 185 |
| Total | | 69 | 150 | 219 |

*Source: Authors' calculations.*

To test the second hypothesis of this study, we emphasize that *H2* says that citizens who have borrowing (microcredit) face difficulties in realizing monthly expenses as a result of interest rates.

Whereas we see from the table as variables are used whether you have taken a loan and another variable, whether interest rates make it difficult for you to meet family expenses.

**Table 30.** Chi-square test for *H2*

| | ***Value*** | ***df*** | ***Asymptotic significance (2-sided)*** | ***Exact significance (2-sided)*** | ***Exact significance (1-sided)*** |
|---|---|---|---|---|---|
| Pearson chi-square | 1,187[a] | 1 | 0.276 | | |
| Continuity correction[b] | 0.790 | 1 | 0.374 | | |
| Likelihood ratio | 1,240 | 1 | 0.265 | | |
| Fisher's exact test | | | | 0.320 | 0.188 |
| Linear-by-linear association | 1,182 | 1 | 0.277 | | |
| Number of valid cases | 219 | | | | |

*Note: a. 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 10.71. b. Computed only for a 2 x 2 table.*

Based on the t-test, we reject *H2* of the study under our analysis conditions since the asymptotic significance (2-sided) is higher than the condition p-value of 0.05. In our case, it is 0.276 which means that interest rates and monthly installment payments under our terms do not affect the realization of the monthly consumption basket for the citizens of Kosovo. This is a result of low installments and loan principal which also under our terms of analysis based on the findings of respondents are low.

**Table 31.** Testing the third hypothesis (*H3*) of the study (Cross-tabulation analysis)

| | | ***Have the favorable loan opportunities and conditions influenced you to increase the demand for credit and your expenses as well?*** | | ***Total*** |
|---|---|---|---|---|
| | | ***No*** | ***Yes*** | |
| *Did you get a loan?* | No | 18 | 16 | 34 |
| | Yes | 122 | 63 | 185 |
| Total | | 140 | 79 | 219 |

*Source: Authors' calculations.*

To test *H3* of the study, we are based on the question *"Did you get a loan?"* and the other question is *"Have the favorable loan opportunities and conditions influenced you to increase the demand for credit and your expenses as well?"*.

**Table 32.** Chi-square test for *H3*

| | ***Value*** | ***df*** | ***Asymptotic significance (2-sided)*** | ***Exact significance (2-sided)*** | ***Exact significance (1-sided)*** |
|---|---|---|---|---|---|
| Pearson chi-square | 2,106[a] | 1 | 0.147 | | |
| Continuity correction[b] | 1,580 | 1 | 0.209 | | |
| Likelihood ratio | 2,049 | 1 | 0.152 | | |
| Fisher's exact test | | | | 0.175 | 0.105 |
| Linear-by-linear association | 2,097 | 1 | 0.148 | | |
| Number of valid cases | 219 | | | | |

*Note: a. 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 12.26. b. Computed only for a 2 x 2 table.*

Based on the value of the t-test, specifically the asymptotic significance (2-sided) of 0.147, we reject *H3* of the study.

The interest rates and monthly installment payments under our terms do not affect the realization of the monthly consumption basket for the citizens of Kosovo. This is a result of low installments and loan principal which also under our terms of analysis based on the findings of respondents are low. On the other hand, the favorable credit opportunities and conditions have not affected the citizens to increase the demand for credit, in this case their consumer expenditures.

## 5. CONCLUSION

First of all, there is a significant reduction in the poverty level in all countries where microfinance has operated, but mainly these countries have followed the trend of reducing the poverty level worldwide. Indeed, Kosovo has not seen concrete changes. How household per capita consumption is used to calculate the poverty rate can lead to a misconception about microfinance as it will mainly affect the change in the consumption level of its beneficiaries and will appear as an increase in the well-being of the poor regardless of the structure of that consumption. Finally, the problem of microfinance as a means of addressing poverty is that the supply of education, infrastructure, and public goods generally does not follow the supply of microcredit. For example, if microcredit is given to a group of women in a village at least 30 km from the first major city to start agricultural production, even though they manage to reach the desired amount of production despite not having settled the water supply and electricity (sometimes they have to solve it themselves by taking microcredit) and insufficient knowledge due to inadequate education, without accompanying infrastructure, their transportation costs will be very high if compared to the potential profit that will be obtained from the sale of agricultural goods. So far, microfinance has not proven to be a universal solution to the problem of poverty or women empowerment, but the real truth about the correlation between microfinance and the poor (poverty) is short-term financial inclusion. The main limitation of this study is the small number of respondents.

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