ADDIS ABABA UNIVERSITY

College of Economics and Business

Department of Management

MSc. in Innovation and Entrepreneurship Program Unit (Extension Program)

Evaluation of Factors Affecting Entrepreneurial Performance of Start-Up Businesses financed by Micro-Finances Institutions in Addis Ababa: The Case of Awach Micro Finance S.C.

By;-

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January, 2022

Addis Ababa, Ethiopia

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STATEMENT OF DECLARATION

I declare that this piece of work is mine and all reviewed and used materials for this thesis are properly acknowledged. This thesis is submitted in partial fulfillment of the requirements for M.Sc. degree in Innovation and Entrepreneurship Program Unit, Department of Management, College of Business and Economics, Addis Ababa University. I declare that this thesis is not submitted to any other institution anywhere for the award of any academic degree.

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Date of submission: ______________________

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Abbreviations and Acronyms

AdSCI	Addis Saving and Credit Institution
ADLI	Agricultural Development Led Industrialization
AMFSC	Awach Micro Finance Share Company
AVFS	Africa Village Financial Services
ATT	Average Effects of the Treatment on the Treated
CGAP	Consultative Group to Assist the Poor
DBE	Development Bank of Ethiopia
DECSI	Dedebit Credit and Saving Institution
GoE	Government of Ethiopia
IFAD	International Fund for Agricultural Development
KIS	Key Informants
MDG	Millennium Development Goals
MFI(s)	Micro Finance Institution(s)
NBE	National Bank of Ethiopia
PSM	Propensity Score Matching
WB	World Bank

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Abstract

Awach Micro Finance Share Company (AMFSC) has been launched to improve economic problems through provision of micro financing to the Poor and unemployed youth in Addis Ababa, Ethiopia. This study aims to estimate the effect of AMFSC's service provisions and program using descriptive data and propensity score matching technique (PSM). The survey was conducted on 250 AMFSC members and non-members, consisting of 100 Service beneficiaries and 155 non- members. Results show that AMFSC services had a positive effect on the entrepreneurial performance of start-up businesses enabling members economically self-sufficient by increasing their income/revenues, creating employment, and enabling asset ownerships. As such, the services could play an important role to improve entrepreneurial performance level and create employment opportunities.

Keywords: Entrepreneurial Performance, Micro financing, Propensity Score Matching.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Microfinance institutions (MFI) were agents established to facilitate community development process by providing financial service to the poor. The importance of microfinance to contribute to the poverty alleviation was widely recognized from the time when Grameen Bank began providing small loans for groups of women in Bangladesh in 1974 (Amha, 2013). Since then, in many developing countries a number of organizations were offering financial services to their clients, including loans, saving plans, insurance and payment transfers (Gobezie, 2018). Even to meet the Millennium Development Goals (MDGs), access to microfinance was utilized to mitigate poverty by assuming that, it can generate income, create jobs, facilitate children to go to school, their needs, but the problem will be to tackle the obstacles that reduce individuals from full participation in the financial sector (Amha, 2013).

Supplementary to this, United Nations Office of the Special Coordinator for Africa and the Least Developed Countries (UNDP, 2008) report in Africa, microfinance initiatives can effectively address material poverty, physical deprivation of goods, services, and the income to attain them when properly guided. Furthermore, as per International Fund Agricultural Development (Degefe, 2019) the material benefits of micro financing can extend beyond the household into the community level, and also at the personal level, microfinance can effectively deal with issues related with non-material poverty, which take into account the social and psychological effects that inhibit people from recognizing their potential.

Seventy percent of the world's poor are women and unskilled youth (Roodman and Morduch, 2019). Until now, these have been disadvantaged in access to credit and other financial services and commercial banks often focus on capable businesses and individuals who make large income and in growing segment of the formal economy (ILO, 2017). Research shows that an estimated 2.5 billion working age which is more than half of the total population in the world have no access to the formal financial institutions that wealthier people rely on. As an alternative the poor depend on informal method like buying livestock as a form of savings, placing jewelry as collateral, and they visit the local moneylender for credit. These methods are unsafe and often expensive.

Some study show that accesses to microfinance add efforts to poverty reduction, particularly for small business participants, and to overall poverty mitigation program in urban and rural community level which is opportunity for MFI participants. It also contributes to entrepreunrial empowerment, including higher levels of mobility, political participation and decision-making through micro loan and associated financial service which is opportunity for start-up business participants of MFI (Amha, 2013). Micro-finance institutions provide suitable financial and other services using innovative methodologies and systems at low cost to meet the needs of low income sections of the population (IFAD, 2012).

Micro financial services are needed most in Africa's poorest countries and emerging economies and it is a critical tool in affecting entrepreneurial performance of start-up businesses. As indicated, in the world many attempts and efforts were made to mitigate the circle of poverty, for instance various development strategies including micro finance intervention was designed in so called poor nation of the globe, but when these development strategies were evaluated by different agents it does not yield the desired outcome which is challenge for MFI participants, evidence show that few countries benefited from such development attempt (Zeman, 2016).

The government of Ethiopia also assimilated and designed various development strategies to tackle the miserable life of its people and to reform the social and economic condition of the country. Thus, interventions through the microfinance institutions is considered as one of the policy tools of the Government and Non-Government Organizations to empower the rural and urban poor population to enhance development (MoFED, 2015). The emergence of sustainable microfinance institutions in Ethiopia was required to address the problem of poor people and start-p businesses that are not served by the usual financial institutions, such as the Commercial Banks (Amha, 2013).

In this study area, among others, Awach Microfinance S.C. has been engaged in providing saving and credit services to poor household members and small start-up businesses. Awach provides financial services in the area likely to be different from formal banking and finance institutions, because it considers the operational, market, and client characteristics of the clients and their needs. The need and purpose for which the clients require saving and credit services is contextual. However the formal institutions are applying the same or uniform approaches that they have been using elsewhere in the country. Although the saving and credit amount is increasing every year, it remains insufficient for the most clients.

1.2. Statement of the Problem

The prevailing operations of the conventional financial institutions in many low income countries such as Ethiopia do not provide substantial credit and saving facilities to the poor and start-up businesses. In the Ethiopia government development strategy, the Poverty Reduction Strategy Paper (PRSP), including the most recent Plan for Accelerated and Sustainable Development Program and other recent Growt and Transformation Plan (GTP) documents, among other things, considered microfinance as a good entry point in achieving development objectives as well as restraining the dangerous trend in poverty and meeting the Millennium Development Goals (Gobezie, 2018). Therefore, the Ethiopia government has become very interested in micro-finance and emphasizes that microfinance sector is crucial to development.

It has also been argued that loans hardly pull the poor and start-up businesses out of poverty. The study show that, as the poor and start-up businesses bear the burden of repayment, they often borrow from other sources to pay back loans, leading to indebtedness and, they lack the means to repay, because they generally invest in existing activities that are low profitable and insecure, according to Daba (2013).

In Ethiopia, since the launching of the microfinance institutions, some studies were conducted on micro finance concerning their impact and effectiveness, success in expanding the opportunities of MFI and role of MFI in empowering start-up businesses. As far as this study is concerned, since the operation of microfinance institution allowed in accordance with FDRE proclamation No. 40/ 1996 in Ethiopia, some researchers (Gobazie, 2017 & Bamlaku, 2016) researched on impact of MFIs , poverty reduction, effectiveness and accessibility of MFI, loan repayment performance of clients, challenges of MFI, Credit policy and sustainability of MFIs. But, there is no adequate research that shows the opportunities that start-up business entrepreneurs gained and challenges they faced in MFI services.

Kerebih (2015) stated that microcredit have significant impact on small business operators empowerment through increasing their income and awareness on doing business. However, he did not incorporate the impact of microcredit on the other aspects of start-up business empowerment and did not discuss the challenges they face in MFI services. Muleta (2018) has also discussed on the impact of microfinance on women's empowerment and sustainable livelihood however he did not include women who are not beneficiaries of microfinance in order to compare the results.

Furthermore, after operation of microfinance institution is legalized in Ethiopia by proclamation 40/1996, the challenges that start-up businesses faced and the opportunities they get from microfinance institutions is not explored particularly from economic dimension of empowerment. So, Awach Microfinance S.C. is selected for this study. Therefore, this is the main gap that the researcher will attempt to fill by conducting this study.

1.3. Research Questions

The study aims at addressing the following basic research question

1) What are the factors affecting entrepreneurial performance of start-up businesses financed by Awach Microfinance S.C.?
2) What is the difference between start-up business borrowers and non-borrowers income level?
3) What challenges do start-up businesses face in accessing Awach's services?
4) What is the attitude of start-up business members towards Awach's services?

1.4. Objective of the Study

1.4.1. General Objective:

The study will explore the factors affecting entrepreneurial performance of start-up businesses financed by Awach Microfinance S.C. in empowering start-up business members economically in some selected branches. The study will also mean to obtain insights regarding factors which influence most and to what extent.

1.4.2. Specific objectives:

The specific objectives of the study are to:-

- Determine the factors that affect entrepreneurial performance of start-up businesses,
- Compare differences between Awach's start-up business members and non-members,
- Assess the challenges that start-up businesses face in repaying back credit services,
- Explore start-up business members' attitude towards Awach's Services.

1.5. Significance of the Study

The study will explore the challenges that small businesses face and opportunities they obtain in urban areas from accessing microfinance services, so as to maximize its benefit and improve their livelihoods. It also will help to see whether microfinance is in fact economically empowering start-up businesses compared to non-microfinance beneficiaries. Moreover, the study will initiate researchers for further study and support policy makers by providing usable information.

1.6. Scope/Delimitation of the Study

There are many MFIs in Addis Ababa, Capital City of Ethiopia but the scope of this study will be limited only on Awach Microfinance S.C., and some selected branches and their clients. Microfinance covers a wide area of issues and the theoretical framework will encompass start-up businesses empowerment practices from economic perspective. However, the focal area of this study will be more on the economy point of view. Since there are different factors that affect the situation of the start-up business MFI clients, this paper will not control those factors totally. The rest variables will be addressed to a certain extent. Therefore, the researcher deals from these perspectives or dimensions.

1.7. Organization of the Study

The study will be comprised of five chapters. Chapter One will include the background & problem statement of the study. A comprehensive review of the related literature will be presented and discussed in Chapter Two. Chapter Three will consist of the research design, data collection methods, procedures, instrumentation, and data analysis technique. A discussion of the results of the data collected during this study will be presented in Chapter Four. Chapter Five will provide a summary, conclusion and recommendations.

CHAPTER TWO

2. A REVIEW OF RELATED LITERATURE REVIEW

2.1. INTRODUCTION

The main purpose of this literature review is to establish the framework for the study and highlight the apparent strengths and weaknesses of the previous studies, which, in turn, help in clearly identifying the gap in the literature and formulating the research questions in the study.

This chapter presents relevant literature, theories and concepts on basics of microfinance and economic opportunity enjoyed by new business start-ups. First it provides the theoretical framework which consists definition of microfinance, emergence and characteristics, regulatory framework, financial intermediary role of microfinance institutions, and also it discuss about the core concepts and definitions of expanding economic opportunity for new business start-ups in Ethiopia. Next the theoretical link between microfinance and economic opportunity for new business start-ups is touched. Then it represents the definitional and conceptual framework adopted in this study and finally, it depicts about empirical evidences on related topics.

2.2. Definition of Micro Finance

In several researches and academic or working papers, many writers provided expressible definitions, history and concepts of Micro finance institutions and its functions in detail. Micro finance is defined as a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses (Chandra, 2015).

Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial products include credit, savings and insurance products. The Canadian International Development Agency (CIDA, 2012) defines microfinance as, the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to conventional financial institutions.

It is a form of financial development that has primarily focused on alleviating poverty to expand economic opportunity through providing financial services to the poor. Therefore, micro finance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

2.3. Theoretical Evidences

Theoretical idea of microcredit has been derived from economic theory that forms the foundation of the credit business in non-communist society (Chneider, 2013)). Adam Smith conceived this theory that self-seeking individuals are always eager to employ their labor, capital and skills to their best interests, which eventually add up to the benefit of the entire society due to the work of "invisible hand". Smith's idea, latter popularized as the theory of capitalism by Karl Marx, describes the principle of material prosperity of the non-communist society. The psychological component of micro credit theory known as "social consciousness driven capitalism" has been advanced by most enthusiastic promoter of micro finance, (Meyers, 2014). This theory argues that a species of profit making private venture can be conceived that cares about the welfare of its customers. In other words it is possible to develop capitalist enterprises that maximize private profits subject to welfare considerations of their customers.

2.3.1. Concept of Micro Finance

As noted by Meyers, (2014), Micro finance is not a new concept it dates back in the 19th century when money lenders are informally performing the role of now formal financial institutions. Over the past two decades, various development approaches have been devised by policy makers, international development agencies, nongovernmental organizations, and others aimed at poverty reduction in developing countries. One of these strategies, which have been increasingly popular since the early 1990s, involves micro finance schemes, which provide financial services in the form of savings and credit opportunity to the working poor. From the year 2000 Micro finance institutions around the world and specially developing countries like Ethiopia, have been growing dramatically in terms of branches, groups, loan disbursement and number of loans, loans collected and saving clients.

Therefore, According to Michael (2015) Micro finance enables the low income earners and excluded section of people in the society who do not have access to formal banking to build assets, diversity livelihood options and increase income, and reduce the vulnerability to economic stress. In the past, it has been experienced that the provision of financial products and services to poor people by micro finance institutions can cover their full costs through adequate interest spreads and by operating efficiently and effectively. Micro finance is not a magic solution that will people all of its clients out of poverty. But various impact studies have been demonstrated that micro finance is really benefiting the low income earners enterprises (, 2004 cited in Veronica, 2014). In addition to financial intermediation, some micro finance institutions provide social intermediation services such as the formation of the groups, development of self confidence and the training of members in that group in financial literacy and management (Roodman and Murdoch, 2019).

In the literature, the terms micro finance and micro credit are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (Mebratu, 2018), states "micro credit refers to small loans, whereas micro finance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)". Therefore, micro credit is a component of micro finance in that it involves providing credit to the poor, but micro finance is also involves additional non-credit financial services such as savings, insurance, pensions and payment services (MOFED, 2015).

2.3.2. Microfinance Institutions (MFIs)

A microfinance institution is an organization, engaged in extending micro credit loans and other financial and non- financial services to poor borrowers for income generating and self employment activities. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristics of providing financial services to clients who are poor and more vulnerable than traditional bank clients (Kassa, 2016). MFI is usually not a part of the formal banking industry or government. It is usually referred to as a Non-Government Organization (Tolosa, 2017).

Since, traditional financial institutions have failed to reach the poorest of the poor of the population; microfinance emerged as a potential tool to fill the gap between financial institutions and needy people. The origin of micro finance is traced back to the early 1700s when Jonathan Swift, an Irishmen, had the idea to create a banking system that would reach the poor.

2.3.3. Characteristics of Microfinance Institutions

Microfinance makes easy access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be ‗bankable‚‚ that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. According to Tsehay and Mengistu (2017) stated the characteristics of microfinance products which include but not limited to:

1 Small amounts of loans and savings and application procedures are simple. Short-terms loan (usually up to the term of one year).

6. Payment schedules attribute frequent installments (or frequent deposits).

2 Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients‚‚ financial and social

status.

6.1 Short processing periods (between the completion of the application and the disbursement of the loan).

6.2 The clients who pay on time become eligible for repeat loans with higher amounts.

6.3 The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time.

6.4 No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients‚‚ repayment potential by utilizing social information rather than cash flow analyses.

2.3.4. Overview of Microfinance Institutions Development in Ethiopia

Finance refers to the process by which markets deal with cash flows over time. Financial markets make possible for individuals, partnerships, and governments to borrow and lend. Institutions that perform this sort of market function, matching borrowers and lenders or traders are called financial intermediaries. Financial mediators include banks, Insurance Companies, and MFIs. Financial sector can play a significant role in improving resource allocation, food security, alleviating poverty and economic growth of a country. This formal financial system in Ethiopia is mainly composed of financial institutions such as banks, insurance companies and microfinance institutions. The capacity of The conventional banking sector in Ethiopia has been too weak and bureaucratic to serve the need of the rural community. Access to institutional credit is very limited. The majority of the rural poor get access to financial services through the informal channels. Much of demand for rural finance is met through the informal sector (Kereta, 2017). The inability of traditional banks to address the financial demand of the rural poor is the initiation to design new strategies for delivering financial services to the poor. The microfinance institutions are mainly designed to provide rural banking services and mobilizing small savings.

2.3.5. The Regulatory Framework for the Microfinance Institutions in Ethiopia

The delivery of efficient and effective microfinance services to the poor required conducive macroeconomic policies and the establishment and enforcement of legal and regulatory frameworks of a country. An effective financial system provides the foundation for a successful poverty alleviation program (AEMFI 2017). The microfinance institutions are a part of the formal financial system that are regulated and supervised by national bank of Ethiopia. However, regulations in the microfinance industry do not only mean government regulations; it also involves self-regulations and code of conducts introduced by networks or associations. There are a number of regulations which affect the development of microfinance industry in Ethiopia. The most relevant and recent regulation affecting the industry is Proclamation No. 40/1996 which aims to provide for the licensing and supervision of the business of micro financing clearly indicates the requirements for licensing microfinance institutions by empowering the National Bank of Ethiopia to license and supervise them. The National Bank of Ethiopia has also issued directives, which have been consistent with Proclamation. These included setting a loan ceiling of 5,000 Birr and loan duration of one year. The interest rate has been waived and MFIs are now free to set their own interest rates ceiling (ILO, 2017).

2.4. Structure of Ownership of Micro-Finance Institutions in Ethiopia

The proprietorship structure of Ethiopian Micro-Finance Institutions is the direct effect of regulatory provisions. According to the Proclamation No. 40/1996 of the Business of Micro Financing Institutions, micro-financing institution should be owned fully by Ethiopian nationals and/or organizations wholly owned by Ethiopian Nationals and registered under the laws of, and having its head office in, Ethiopia. This regulation excluded international NGOs and other overseas agencies not to own and run microfinance institutions in Ethiopia. In support of the various regional development plans and to address the social and economic problems of regions, the regional state governments own some shares in Micro finance institutions. The current regulatory outline requires microfinance institutions to be formed as share companies owned only by Ethiopian nationals (Assefa, 2015).

2.4.1. Saving and Credit Needs in Ethiopia

Need for credit is very high among the poor in Ethiopia. According to ADB, (2016) quoting Veronica (2014) economically active poor people in Ethiopia who can potentially access financial services are about 5.2 million. However, it should be noted that today MFIs meet only less than 20 percent of the demand for financial service of the poor in the country. In the case of rural area, the poor requires credit basically for four reasons. First, women and small businessmen in rural and urban area need short-term credit for their petty trading or other income generating activities. Secondly, Innovations in farming like improved seed and fertilizers increases the capital requirements of the farmer. Thirdly, most rural households remain at subsistence level and therefore, there is no surplus that can be used for the future and hence they need credit to bridge the gap of food shortage, for consumption smoothing. Lastly, People also need credit to meet their social obligation like weeding, holidays. Similarly the need for saving is high despite the wide spread belief that the poor cannot save. (Zeman, 2016). These forms of saving are very risky as they are subjected to pests, disease, theft, drought and loss. As a result, there is good ground to say that people will take the opportunity of saving in financial terms when available in trusted microfinance institutions.

2.4.2. Informal Finances in Ethiopia

In Ethiopia, like all other developing countries, informal finance is available from various traditional institutions. The informal sources of credit at present are friends and relatives, rich farmers, traders, Equb, Edir and moneylenders (Dejene, 2015). The significance of each of these sources varies from area to area. Of these the Equb is used as a Rotating Saving and Credit Association. A study on the establishment of rural credit in Ethiopia estimates that the volume of money revolving within the Equb is in the range of 8-10% of the GDP of the country. The development of microfinance institutions in part is to recognize and accommodate the short comings of the informal financial institutions.

2.4.3. Financial Intermediary Role of Microfinance Institutions

Almost all microfinance institutions (MFIs) in the world focus in making credit to rural and urban poor households unemployed, underemployed and small entrepreneurs, The emphasize first, in developing income activities by providing critically needed credit facilities and technical support to the poor and then on saving mobilization. Like their counterparts in other part of the world, the mission of Awach Microfinance Share Company (AMF s.c.) which is operating in Addis Ababa and central part of Ethiopia, is accessing saving and credit with the goal of poverty eradication.. Accordingly, poverty can be eradicated if and only if economic opportunity is created for the poor society (Yichiwork, 2013).

Financial improvement plays a central role in poverty reduction through providing the credit and saving services those results in creating job opening and expanding economic opportunity for the low income level class of the society. Microfinance is attractive and has been accepted as an important tool to help poor in improving the incomes, reducing vulnerability and raising social as well as economic enabling. As wolday (2013) states the delivery of financial services have been accepted as one of the poverty reduction tools in the development paradigm; because it helps the poor to increase income, improve educational and health status if it is realized appropriately. It is believed that poor households lack access to adequate financial services for efficient risk coping. Without some financial support, these households do not have many prospects for increasing their productivity and living standard in sustainable way. Because customary financial sector do not have interest in lending to poor households due to lack of viable collateral and high transaction costs (Tsehay and Mengistu, 2017).

In Ethiopia microfinance institution was introduced and taken as part of the government's poverty mitigation strategies aiming at facilitating rural credit access by rural households and playing a greater role in the Sustainable Development Goals agenda (Getaneh, 2013). Microfinance today is spread all over the country and started to give services like provision of credit for rural and urban households and small businesses, accepting deposits, drafts, and public savings.

2.4.4. Credit and Saving Services Vs Financial System Approach

A primary goal of this approach is to reach the poor especially the poorest of the poor with credit. Saving is a significant part of these services since Awach micro finance S.C. do not deliver the credit access without saving. i.e., the amount of the credit or loan is depending on the amount of saving size. These credit and saving services have wide outreach to poor borrowers. But the services have required large amount of continuing subsidies and does not meet poor people's demand for credit services. The financial system approach focuses on commercial financial intermediation among poor borrowers and savers; and also emphasis is given to institutional self-sufficiency. The approach targets lending to the economically active poor people, i.e. people with the ability to use small loans for income activities and the willingness to repay and to voluntary make required savings (Tsehay and Mengistu, 2017).

2.4.4.1. Business Vs Development Approach

The first objective of MFIs is the provision of basic financial services to the poor. However, the service provision depends on their approaches. There are two contesting approaches among microfinance supporters: business approach and development approach. According to Poyo, (2014) stated business approach primarily focused on organizational achievements such as repayment, cost recovery and profitability. Hence, their concern is how to develop the industry,, rather than how to develop the community. On the other side, development approach emphasis more on how the client is doing rather than profitability. Supporters of this approach argue that the client should participate in awareness and capacity building programs before taking their loans. Therefore, the development approach gives emphasis not only to building institutions for sustainable provision of services, but also empowering the poor people to get the most out of the services delivered; this study adopts the development approach to assess the functioning of AMFs.c. and to see how the institution incorporate its financial services with other non-financial services in the area.

2.4.4.2. Institutional Design for the Poor

Appropriate institutional design will lead to better achievements in reaching the target poor but may or may not necessarily lead to profitability, efficiency and sustainability because the more the program targets the poorest, the less the cost recovery and profit margin expected. However effective sustainability basically requires a large base of clients. Recent microfinance interventions have made use of a range of product design features. Although there are different designing features, this research focuses on the following. Micro finance institutions have various product designs or methodologies which target specific clients. It uses different modals to provide financial services to the poor. Robert Cull et al, in their global analysis of lending micro banks, found three main categories. But, according to (Kereta, 2017) majority of the microfinance institutions offers and provides credit on a solidarity-group lending basis without collateral or individually. Some microfinance institutions start with one methodology and later on move or diversify to another methodology so that they do their best to include certain socio-economic categories of clients (Johnson and Rogaly, 2017)..

a) Individual Lending

Unlike microfinance institutions, there are very few traditional banks which provide individual loans to low-income people because poorer clients are considered higher risk clients due to their lack of collateral, plus the labor-intensive nature of the credits and hence the lack of profitability of small-credits (Getaneh, 2017).

b) Group Lending Joint liability lending

Group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most microfinance institutions require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The creditworthiness of the borrower is therefore determined by the members rather than by the institution. While many schemes use groups to credit, (Jennifer, 2016) stated that group formation may exclude some poor people, especially when the group is formed based on resource base. However, group formation enables a transfer of default risks from the institution to the borrower, and can reduce the transaction costs of providing a larger number of small loans, but there are social costs related with this process. These social costs can be a negative restraint to group borrowing and joint liability approaches, and include coercive peer pressure, loss of faith and the likelihood that the poorest and most vulnerable will remain further stigmatized.

c) Savings Mobilization

The other side of the coin of microfinance service delivery is savings. Savings mobilization has recently been recognized as a major force in microfinance. According to Joana, (2016) in the past, microfinance focused almost exclusively on credit provision; savings were the "forgotten half" of financial intermediation. The importance of savings mobilization has been highlighted in several papers in the context of microfinance as the lack of appropriate institutional savings facilities forces the individuals to rely upon in-kind savings, such as the savings in the form of jeweler, animals or grains. These alternative savings facilities do not guarantee the combination of security of funds, ready access or liquidity, and convenience, which are basic requirements or necessity of a depositor (Chirstopher et als., 2017).

Micro finance programs can play a significant role for promoting savings among the poor populations, with considerable benefits both for the savers and for the program. Savings mobilization is an interesting issue among the poor for various reasons. Mobilizing savings can facilitate development programs that are working to boost productive income and employment among low-income groups. Finally, the process of saving on a regular basis can be an important experience and can contribute to an improvement in the quality of their lives. It serves to capitalize on the productive activities, which sustain the family and thereby enhancing income of the family.

d) Human Development

Ebisa et als., (2013) stated that development is deeply related to rising income. However, it is true that other variables have also deep relation with development. Goals of growth highlight on the reduction of poverty rather than raising average incomes. All microfinance program targets one thing in general: human development that is geared towards both the economic and social uplift of the people they cater for. Expanding economic prospect has taken a new and broader dimension. Now the escalating income and savings, and building the assets are not the only means to expand economic opportunity points to concepts that emphasize on reducing unemployment, food shortage and increasing the house hold income etc. It is possible to achieve those development indexes, if disposable income is increased. Without maintaining balance between income and expenditure, it is difficult to create job opportunity and expand economic opportunity.

On the other hand, MFIs interventions promote living condition of poor people by offering supportive service. These supportive services like access to health and education services are important indicators of human development. The objective of the program is to create sustainable changes in the lives and livelihood of the poor in particular (EPA, 2012). Microfinance programs target both economic and social poverty. To assess the success of their efforts microfinance institutions need to measure the impact on the borrowers. The primary objective of all MFIs interventions is poverty reduction. Poverty reduction is perceived from the economic point of view.

2.5. Access to Credit

2.5.1. Concepts and Definitions

This is how and where credit is made available to the poor people or to those who need it. The principal function of credit is to transfer property from those who own it to those who wish to use it, as in the granting of loans by financial institution to individuals who plan to initiate or expand an income activity. The transfer is temporary and is made for a price, known as interest, which varies with the risk involved and with the demand for, and supply of, credit.

Gobezie (2018), stated that access can be defined as, the right to obtain or make use of or take advantage of something (as services or membership). He also stated that a household is said to have access to a type of credit if at least one of its members has a trouble-free access for that type of credit. Similarly, a household is classified as credit constrained for a type of credit if at least one of its members is constrained for that type of credit. In many rural areas of developing countries, lack of access to traditional financial services has be seen as a sever constraint that prevents low income households from improving their incomes and lifting out of poverty. For instance as observed by, (Mengistu, 2018) over 500 million poor people in developing countries have often cited limited access to credit as the biggest challenge to their economic growth. Therefore, access to credit can refer to a situation in which a borrower is able to obtain amount of loan for which he is applying.

2.5.2. Concepts and Definitions of Economic opportunity

"The richest 1 percent owned 40 percent of the world's assets, and the richest 10 percent owned 85 percent. By contrast, the bottom half of the world's population owned barely 1 percent of the planet's assets" (Tolosa, 2017). Every day people practice different living situations under different circumstances. Some live in comfortable houses with many rooms, they have more than enough to eat, are well clothed and healthy, and have a reasonable degree of financial security. Others that constitute more than three-fourths of the world's population are much less fortune. They have little or no shelter and an inadequate food supply, poor health condition, illiterate, they often unemployed, and their prospects for better life are uncertain for at best (Todaro and Smith, 2004).

2.5.3. Entrepreneurship and Economic Opportunity

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (UNDP, 2008). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity.

Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs. The theory of the entrepreneur focuses on the heterogeneity of beliefs about the value of resources (Bezabih, 2017). Entrepreneurship –the entrepreneurial function- can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Padma, 2015). Due to the fact that there is no market for "opportunities", the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities.

The entrepreneurial factor is understood to be a new factor in production that is different to the classic ideas of earth, work and capital, which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of enterprise. Entrepreneurial behavior is seen as behavior that manages to combine innovation, risk-taking and pro-activeness (Bamlaku, 2016). In other words, it combines the classic theories of Schumpeter's innovative entrepreneur, the risk-taking entrepreneur that occupies a position of uncertainty, and the entrepreneur with initiative and imagination who creates new opportunities. Reference to entrepreneurial initiative underlines the reasons for correctly anticipating market imperfections or the capacity to innovate in order to create a "new combination".

Entrepreneurial initiative covers the concepts of creation, risk-taking, renewal or innovation inside or outside an existing organization. Lastly, the entrepreneurial spirit emphasizes exploration, search and innovation, as opposed to the exploitation of business opportunities pertaining to managers. When the environment for economic opportunity is suitable, it is possible that to talk about job opportunity or unemployment since it is a great part and indicator of one's country economic growth. Accordingly, it is better to look on Ethiopian unemployment rate based on the CSA data (2018).

2.5.4. Savings Services' Terms

Saving is not an end in itself. Rather it is a pre-requisite to investing. It is very vital for a Saving and Credit Cooperatives (SACCO) to understand the needs and interests, priorities of existing and potential clients. This serves well in time after knowing the benefits of saving mobilization (, (Bennett, 2012).This will enable them to give the best services to their clients. This assertion is supported by a number of other researchers like (Chandra 2015) states that Micro finance needs to offer wide range of saving product that are directed to a particular client. This enables customers to have a choice between immediately accessible, liquidity products or semi-liquid accounts or time deposits with higher interest rates.

These savings always act as security and clients cannot access it at any time they wish to do so. If the savings requirement is too high then members who cannot meet the stated amounts are automatically pushed out of the credit (CGAP, 2016). Saving and credit cooperative can operate various types of funds/accounts according to the needs of the members. However, the following are the main funds, which form the core of the savings and credit cooperative shares. To use the services of the cooperative savings and credit society, members must stake in the business by buying shares. On acquiring shares in a cooperative, one automatically enjoys the ownership rights in the organization. These shares form the cushion and become risk capital in case of business failure. Basically these shares are used to acquire fixed assets and acquire shares and financial investments in other organizations. Shares earn dividends at the end of the financial year and they are not withdrawn able but they are transferable (Degefe, 2019).

MFIs and savings banks are often too far away or the time and procedures needed to complete transactions are too erroneous. These organizations also may impose minimum transaction sizes and require depositors, to retain a minimum balance, both of which cannot exclude the poor depositors, nor are they welcome as clients. Getaneh (2017), on strategies to improve savings culture mentioned that it is necessary to train people on the terms and importance of savings, give prizes to the best savers, make savings compulsory, and save for old age insurance and payment of interest above inflation rate. Indeed voluntary, open-access savings schemes can generate more net savings per client per year (and thus greater capital for the institutions) than compulsory locked in savings schemes. And provide a useful and well-used facility for clients while doing so introducing a secure, liquid convenient savings facility that offers a positive rate of return can result in startling increases in client base and capital mobilization for the Saving and Credit Cooperatives (SACCO) (Gobezie, 2018).

2.5.5. Opening and Running of Savings Accounts

According to ILO (2017), SACCOs require that members open savings account as a conditions for joining but others do not. The account is maintained by the client for the purpose of accumulating funds over a period of time. Funds deposited in the savings account may be withdrawn only by the account owner or by his formally designated representative. The account may be owned by one or more persons, some accounts require funds to be kept on deposit for a minimum length of time while others permit unlimited access to the funds. Demand savings accounts can be accessed on demand that is to say at any point in time and for any amount up to the required minimum account balance. Demand savings accounts are therefore highly liquid, easy to deposit into and easy to withdraw from.

However, they are not especially stable resources for a SACCO‟s long term investment strategy. These accounts are in form of current savings accounts and ordinary savings accounts. While current savings account pays no interest on savings, has no minimum balance and generally has higher maintenance fees, program. Savings/Deposit services deposits and related services earning competitive rates of interests and minimizing financial risks on such savings. In savings and credit cooperative members are saving and credit cooperative can operate various types of funds/accounts according to the needs of the members. However, the following are the main funds, which form the core of the savings and credit cooperative shares (Jemal, 2017).

2.5.6. Credit Period

This stipulates the length of time for which credit is extended. This could be say sixty days meaning that all its customers are expected to repay their obligations in 60 days (Poyo, 2014). It was further stated that a firm’s credit period is governed by organization norms depending on the objectives of the firm. It can lengthen the credit period on the other hand the firm may tighten the credit period if customers are defaulting too frequently and debt loss is built up. According to Jennifer (2016), credit period is the time over which the loan is to be repaid and the frequency of repayments.

The credit period should take into account the purpose of loan, the mix of working capital, fixed assets and infrastructure to be financed and should be based on a calculation of the time needed for those assets to generate the income necessary for loan repayment. However, he noted that MFIs should keep in mind that making short term loans will turn over lending resources more quickly than making long term loans. So it should be considered whether to give a grace period in a loan term or not.

The purpose of a grace period is to allow business enough additional time for the invested proceeds of the loan produce sufficient income to make the loan repayment. Working capital loans rarely have grace period. It is assumed that financing raw materials, other inputs or operating costs immediately begin to generate additionally income for the business so that the business can immediately begin to repay the loan. Most MFIs clients pay back after one or two weeks and they continuously make weekly installments for 4-6 months. This period varies from one institution to another. However, this period is considered too short to use credit and to be able to pay back and as a result working capital continues to be limited since payments are immediate and even at times from other resources other than business itself hence affecting client's performance negatively.

Asmelash (2013) also observed that these weekly repayments are supposed to be borne by the business but one thing in common with many small enterprises is that they make their weekly loan repayments not from income arising from the loan but from the family household income. This is extremely common because of the typical repayment schedules. These schedules normally require investments that generate immediate and rapid rate of return if repayments are made from small enterprise's income.

Thus savings from house hold incomes are usually a primary source of the money used to make loan repayments (Befekadu, 2019). Hence the need to analyze the capital requirements of the business in order to determine the loan amount and repayment period the institution could give to the borrower at any one single time. Daba (2013) said, as the loan grows bigger, it may necessitate the pulling out of the large amount of money from the business in order to make weekly repayments. This reduces on the working capital of the business and the subsequent levels of profitability.

2.5.7. Interest Rates on Credit Access

The link between income and growth is positive. SACCOs help members to develop through charging favorable interest rates that attract borrowers and paying interest rates that ensure that deposits are mobilized. Interest rate on loans is the price of accessing and utilizing credit resources. Interest rate can be looked at from the borrower (member) and the lender (SACCO) point of view. To the borrower, interest rates are the cost of borrowing money expressed as a percentage of the amount borrowed A borrower evaluates all costs including interest rate and expected returns before deciding to take a loan or not. To the lender, (SACCO) interest rate is determined by factoring in costs such as cost of production, inflation rate, operational costs, loss provision and capital growth (Seifu, 2002)..

The challenges to MFIs as an instrument for expanding economic opportunity relates to the terms of credit to the poor. It is also argued that Profitability and sustainability are key indicators of success that is to judge whether the institution will survive or not. From the MFIs institutional side, the sustainability equation relates the revenue side to the expenditure side. The revenue side can improve by either increasing interest rates and commissions or portfolio volume. It is also said to be probable that inefficient MFIs may try to improve their sustainability levels by raising the interest rates and commissions. To Asmamaw (2014), demand for credit by the poor is interest inelastic, it can be counter argued that high interest rates that are due to inefficiencies are counterproductive and that the interest rates charged by microfinance by then ranged between 2.5% and 4% per month before factoring in the other commissions and fees which vary across MFIs. It was also indicated that it is true under liberalized environment, interest rates cannot be controlled but competition in the microfinance sector can be enhanced if there is perfect information flow about the interest rates charged by different players, a role that government can play without necessary fixing interest rates (Alemayehu, 2018).

MFIs justify the high interest rates , as a way of obtaining long term sustainability given the high costs structure of other firms. Key among factors that explain this is the fact that microfinance beneficiaries are not easily accessible, thereby increasing and imposing huge transport costs on the providers. The interest rate charged by a microfinance institution has a great impact on the performance of loans granted to micro and small enterprises including their repayments.

According to Kabeer (2015), lenders use three major methods to calculate interest charges: The add-on method .Here ,the lender calculates the total interest charge by multiplying the entire loan amount by the contractual interest rate and then multiplying the total interest cost by the period(months, years) covered by the loan. The interest charge is added to the principal to determine the total amount to be repaid. This amount is then divided by the number of repayment periods to determine each payment.

2.5.8. Interest Rates on Savings and Members' Economic Development

According to Meyers (2014) stated that microfinance aims at improving access of the poor to saving services to make them bankable clients and to promote savings mobilization among the poor through self-help groups in order to help them reduce their vulnerability by enhancing their individual and household incomes, improving their standards of living, empowering and improving household health. On contribution to empowerment those self-help groups and other savings based community groups offer to members is the pride of ownership and autonomy. Even though some self-help groups are given training and support from Non-Governmental Organizations, the majority of even these externally supported groups rely primarily on members (Meyer, 2015)

Credit is considered to be an essential input to increase agricultural productivity mainly land and labor. It is believed that credit boosts income levels at the household level and thereby boosts economic development. Credit enables poor people to overcome their liquidity constraints and undertake some investments especially in improved farm technology and in puts thereby leading to increased agricultural production (Julia, 2013). Generally, the basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries. Involvement in income generating activities should translate into greater control and empowerment and attainment of a bargaining platform in their communities (Jasmine and Meritxell 2012).

However, much as some evidence has been presented by different studies to support this view, other scholars have remained critical that this equation may not always hold true and that complacency in these assumptions can lead microfinance institutions to overlook both opportunities to empower women more profoundly and failures in empowerment. It was also argued that the ability of a person to transform his life through access to financial services depends on many factors, some are linked to terms involved in getting a service, individual situation and abilities and others depend upon the environment and status of a person as a group. (CIDA and Microfinance 2012) however emphasized that microfinance programs have potential to transform power and empower a person economically.

2.5.9. Amount Borrowed (Size) and Members' Economic Development

Loan size is the amount advanced to the client. It can be small, medium or big. (Degefe, 2019) argues that efficient loan sizes should fit the borrower's capacity and stimulate economic empowerment. Therefore, for a loan to be useful it should be adequate to allow production. Kabeer (2015) says that for a loan to have an effect on empowerment and to be repaid, it should be adequate enough to allow empowerment to take place. The author adds that loans that are too small to produce commitment to their productive use or repayment should be avoided while a loan smaller than the amount required may also encourage clients to divert funds to other purposes.

Kassa (2016) argues that relatively large loans may tempt poor borrowers to divert a portion of the loan for non-business thus reducing business performance; households obtaining smaller loans are likely to default in difficult economic and political situations, than those who obtain bigger loans. Thus it can be argued that loan sizes granted to borrowers should depend on the purpose for which the money is borrowed.

Many critics show that Microfinance does not reach the poorest of the poor (Poyo, 2014), or the poor are deliberately excluded from the microfinance programs. Several critics also argue that group loans which are often used by microfinance institutions lead to high transaction costs since most microfinance schemes have regular meetings. These costs probably reduce the positive income generating effect from access to credits substantially. In addition, it has been argued that the size of the needed loans often exceeds the maximum amount that can be borrowed from microfinance institutions. This especially hampers productivity, growth agents who would have invested in successful and growing projects.

According to Solomon (2016), SMEs have some important aspects that are considered when taking decisions on their financial structures. A firm's history is a more important factor in determining the capital structure than its characteristics. The cost of debt to equity is compared; the increase in risk and the cost of equity as debt increases is also compared before taking the decision. The advantage of debt by SMEs due to tax reduction is also considered. The costs of capital remain unchanged when there is a deduction in taxes and interest charges. This indicates that using cheaper debt will be favorable to the business than using equity capital due to increase risk. Firms would seek a good portion of their capital structure as debt to a certain level so as to take these tax advantages.

An over reliance on debt as capital by SMEs will have a negative effect in the business activity in that it will increase the probability of the firm to go bankrupt (UNDPA, 2014). Myers determines the capital structure of SMEs. The pecking order theory (POT) was used to explain why firms will choose a particular capital structure than the other. The POT stipulates that SMEs average debt ratio will vary from industry to industry because these industries have varied asset risks, asset type and the requirements for external capital (Meyers, 2014). Firms in one industry will have certain aspects that are common to most than to firms in a different industry (Bamlaku, 2016). The decisions are made taking into consideration information asymmetry, agency theory, and the signaling theory. The signaling theory describes signs and the effectiveness or how a venture will progress in an uncertain environment (Meyer-Stamer, 2015).

The main idea behind this theory is that there is an information signal that alerts the stakeholders of what is happening in the business (Bezabih, 2017). The success of a business in the future is determined by the availability of information to the firm. The stakeholders of a business require signals to find the way of the asymmetry of information between what is known and what is unknown (Cheston and Kuhn, 2012). The outsiders get to know about a particular venture based on the signals it sends out. These signals need to be favorable because it is from it that potential investors will be informed and thus show the intention to invest in the venture. The cost of equity will be high when poor signals are noticed by outsiders and this will restrain potential investors. Firms get access to venture capital when they have a good goodwill. Good signals to the outsiders of a firm can be described as equal to due diligence with reduced time and. New businesses have problems in getting a favorable position in the market. Their existence is determined by their size and age. If it continues to exist, it means it is capable of maintaining its size or it is expanding. This of course goes with time and when they continue to exist, it means resources are acquired or unlimited (Ebisa et al., 2013).

This process of gaining stability and to survive makes the firm to gain legitimacy and thus can be trusted as a successful business since it emits positive signals (Getaneh, 2016). Firms with unlimited resources at the infancy stage are easy to go bankrupt and die in this early stage. Firms that are young and small are incapable of getting the available resources for the proper functioning of its business activities and they are always associated with external organizations in a vertical manner for support (Kabeer, 2015).

The integration of the young firm with a well-established one gains ground for available resources such as funding and legitimacy (Mebratu, (2018). Businesses employing this approach to gain legitimacy are at risk since they are not independent. The other activities will have an influence in the outcome of the other. Its competitors along with others get to know the inner dependent firm which the competitor will use it as its strength. They get to know the weaknesses of the opposing firm but at the same time they will enjoy the benefit of transaction cost.

The reduction of costs is due to the fact that they integrate with others to realize their objectives. This is done by gaining the inside of the quality of work, production and ideas within its top level. It is realized that there is no target equity mix and this is due to the fact that they exist two different kinds of equity. The two are at extremes meaning one at the top and the other at the bottom of the pecking order. These differences are caused by the costs of information asymmetry. External sources of funding have more moral hazard problems and consequently the demand for own or internal finances are of paramount to the firm (Mengistu, 2018). This moral hazard is explained by the fact that SMEs are very close entities; that is owned and or controlled by one person or few people. on the use of owned capital rather than outside capital by SMEs and also explain why SMEs are denied or has a hindering factor in seeking for external sources of finance. World Bank (2000) reiterates the fact that SMEs are more likely to be denied new loans for their businesses than larger firms when in need. They consider SMEs to lack the skills to manage risk and the high transaction costs in lending to them compared to the amount that is borrowed. SME lack managerial skills, resources and experience to motivate the potential investors to invest on them.

They view them as high risk business concerns and some well to do SMEs may be hindered critical financing (Okurut et al., 2014). SMEs and providers of debt and equity need to have a cordial relationship to avoid the problem of information asymmetry and conflicts of interests. All SMEs require financing to grow and the source may be internal or external. The external sources constitute loans, equity infusions, subsidies, or government grants. The internal source is income generated from cash flows that are reinvested. Many SMEs are self –financing by friends and family members at the beginning stage of development but when it gets to a later stage in development, external financing become necessary. Banks find it hard to grant loans to SMEs until when they find it have a stable growth.

More so they need to have a track record of their activities, sufficient collateral or adequate guarantees. Businesses that are viable and have good market positions during periods of recession will have difficulties in obtaining bank financing. Credit availability to SMEs depends on the financial structures in place, legal systems, and the information environment. SMEs in countries with more effective legal system have less financing obstacles since the laws protect property rights and their enforcement are implemented to financial transactions (Padma and Getachew, 2015) .

2.6. Empirical Evidence Overview on MFI role in the world context

To achieve financial gains according to Neil (2016), MFI must cover the cost of funds, operating costs, loan write-offs and inflation with the income it receives from fees and interest. When we talk about MFIs credit and services we can link it with transactional and deposit services that are indispensible to Small and micro enterprises. When credit access needs are more variables. All firms interviewed in their study and used some kind of deposit product, primarily current and saving accounts, and more than 91% used some kind of transactional product (mostly internet banking; payment of taxes, wages, or suppliers, insurance, and other payments and transfers).

A more recent study of emerging markets banks (Poyo,, 2014) illustrates that all MSME clients of surveyed banks have transactional products, while only about a quarter have loans. The studies suggest that demand is not the only constraint to credit access. Supply of products to SMEs likely plays a role as well. For example, countries with greater flexibility and financial inclusiveness shows greater usage by SMEs of loan products than with countries more rigid financial sectors such as Mexico and Venezuela. In recent years many MFIs worldwide and Latin America have started to expand up market to serve VSEs.

2.6.1. Small Enterprises as Drivers of Job Creation and Economic Growth

Work in the United States finds that large firms have the largest share of employment (Joana, 2016). The role of small businesses as job generators has been most studied in the United States. At the beginning of the 1980s, the first research revealed that 8 of 10 jobs in the United States had been generated by small firms. This initial work was later criticized for not considering the high failure rates of small business and their net versus gross contribution to job creation, among other pitfalls (Biggs 2012).

There is a large body of empirical evidence from developed and developing countries showing that large firms offer higher wages than small firms, even when differences in worker education and experience and the nature of the industry are considered (Biggs 2012). The challenge is hence not only to create more jobs, but also to create better quality jobs to promote growth (Jasmine and Meritxell, 2012). As regards small businesses‟ contribution to growth, researchers appear more skeptical of this claim. World Bank research finds a strong association between the small and medium firm sector as a whole16 and gross domestic product/capita growth.

2.6.2. The Impact of Microfinance on Poverty

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some, such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 dollar a day (World Bank, 2013). There is a certain amount of debate about whether impact assessment of microfinance projects is necessary or not according to (Joana, 2016). The argument is that if the market can provide adequate proxies10 for impact, showing that clients are happy to pay for a service, assessments are a waste of resources. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI.

Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Chandra, 2015). Poverty is more than just a lack of income. Harper (2013) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is a significant difference between increasing income and reducing poverty.

He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends what the poor do with this money, oftentimes it is gambled away or spent on alcohol (Meyers, 2014), so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" (Wright, 2013) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved. It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators" skepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations.

According to Littlefield, (2013) "various studies…document increases in income and assets, and decreases in vulnerability of microfinance clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all show very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of clients saw "significant improvements in their economic well-being and that half of the clients graduated out of poverty" (Okurut, 2014). It states that microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is "generally well below expectation" he does concede that some positive impacts do take place. From a study of a number of MFIs he states that findings show that consumption smoothing effects, signs of redistribution of wealth and influence within the household are the most common impact of MFI programs. Neil (2016) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programs can improve the incomes of the poor and can move them out of poverty.

They state that “there is clear evidence that the impact of a loan on a borrower’s income is related to the level of income” as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the “middle and upper poor”.

Solomon (2006) showed that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Tolosa (2017) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction (ibid.) as this reduces beneficiaries‟ overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

2.6.3. Impacts at a Household Level

Health and education are two key areas of non-financial impact of microfinance at a household level. Seifu (2012) states that from the little research that has been conducted on the impact of microfinance interventions on health and education, nutritional indicators seem to improve where MFIs have been working. Research on a Bank shows that members are statistically more likely to use contraceptives than non-members thereby impacting on family size. Thunstrom (2013) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been conducted they conclude, “households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households”.

Among the examples they give is of FOCCAS, a Ugandan MFI whose clients were given health care instructions on breastfeeding and family planning. They were seen to have much better health care practices than non-clients, with 95% of clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Okurut et al., 2014).

Meyers (2014) in a study of 16 different MFIs from all over the world shows that having access to microfinance services has led to an enhancement in the quality of life of clients, an increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income.

However, they also state that just because women are clients of MFIs does not mean they will automatically become empowered. Jennifer (2016) also make this point when they refer to the "naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women". However, with careful planning and design women's position in the household and community can indeed be improved. According to Littlefield, (2003), the Women's Empowerment Program in Nepal found that 68% of its members were making decisions on buying and selling property, sending their daughters to school and planning their family, all decisions that in the past were made by husbands. They refer to studies in Ghana and Bolivia, which indicated that women involved in microfinance projects, had increased self-confidence and had an improved status in community.

2.6.4. Empirical Evidences in Africa

The portion of the economy represented by microenterprises has been called the informal sector. This is because of the informality that characterizes these businesses during the process of initial start-up and throughout on-going operations. Time necessary to start an enterprise is limited. Legal restrictions, if in existence, are rarely enforced. There is a chronic lack of standards in goods and services. Few operations, even those related to food preparation, are registered. While local councils may have a registration process, it is usually marred by bureaucracy and bribery.'

Many entrepreneurs choose not to register. Even if an entrepreneur chooses to register, there is no guarantee that business operations will be free from harassment or even evictions by local government councils (Ukeje, 2013). This presents an obstacle in encouraging long-term business development. As the name implies, microenterprises have few workers. Most employ less than 10 people. One person microenterprises comprise 58 percent of the Kenyan informal sector. The mean size is 1.8 workers per enterprise. Informal sector businesses with one or two employees comprise 83 percent of Kenyan microenterprises (Bamlaku, 2016). This often reflects cooperation between nuclear or extended family members in running business operations. Microenterprises require minimal start-up capital.

The nature of these businesses replaces capital-intensive techniques. Over 75 percent of the respondents in a survey conducted by (Veronica, 2014) reported using self-fun&, or some form of savings, as the primary source of capital. Family and friends provided the second most important source of funds. Borrowing from other sources, including credit received from formal financial institutions, employers, Financial Self-help Associations and other informal sources, were of minimal importance in providing start-up capital. Studies of small enterprises in other countries provide similar results. In Nigeria, the proportion of start-up capital funded by savings was 96 percent for microenterprises and 52 percent for medium-sized businesses (Bamlaku 2016). Savings provided 97 percent of start-up capital for microenterprises in Sierra Leone (Okurut, 2014). While these enterprises require minimal start-up capital, a relatively large amount of capital is required to invest in on-going operations.

2.6.5. Empirical Evidence in Ethiopian Context

Despite the growing importance of microfinance provision to the productive poor people, there are only a few studies conducted in the area, particularly on microfinance impact assessment, in Ethiopia. Moreover, many of the studies conducted are focused on the impacts from the supply side perspective, i.e. performance from the perspectives of lending institutions. Wolday (2012) also studied the challenges and prospects of new product development in the microfinance industry in Ethiopia. His results showed that products of microfinance institutions were not produced based on market assessment to meet the need and preference of the clients while keeping the financial institutions profitable. This has consequently affected dropout rates, outreach, and long-term objectives of the programs. As far as microfinance impacts are concerned, various researchers have been recording some positive results. For instance, Mengstu (2018) conducted a study on credit service administration under the microenterprise project. He noted that the increase in the number of program beneficiaries was an indicator of the assistance of the program to employment creation.

On the other hand his preliminary impact evaluation showed that only 49% of the sample households have experienced an increase in income level whereas the rest experienced no change (32%) and decline (19%) in income as a result of the credit. Similarly, based on a case study of POCSSBO in Addis Ababa, Berhanu (2009) found out that microfinance intervention has a positive effect towards poverty alleviation. He also showed that loan repayment is mainly affected by factors like type of activities, gender differential, wealth differential, availability of other sources of income, beneficiaries‟ attitude towards loan repayment, educational level of the beneficiaries, and size of the loan.

Another case study of Dedebit Credit and Saving Institution (DECSI) by (2012) analyzed the impact of microcredit provision at household level in rural Tigray. The study came up with the finding that credit provisions have had a positive impact on alleviating poverty in the study area. The impact was absorbed at least in the short term by increasing economic activities and income levels of the beneficiaries but diminishes to sustain a long run positive impact. Therefore, positive impact at household level appeared to be highly correlated with the continuous access to credit. Sectorial, she found that though rural clients were recorded as better off than urban clients initially, they were less likely to maintain it over time than the urban clients.

Again, the study identified important factors determining effectiveness of the programs such as differential in the initial income, type of economic activity in which the clients are engaged, sex and dependence on vulnerable agriculture. In addition, a few other studies looked at the gender dimensions of microfinance impacts in the Ethiopian context. Based on a case study of different MFIs, Tsehay and Mengistu (2012) found out that microfinance interventions have brought improvements in economic status and empowerment of poor women microfinance participants. Similarly (2013) found, micro-finance has played an immense role towards better the position of women in terms improved attitude and respect of their spouses on a case study of Dedebit Credit and Saving institution. Generally, most of the studies with the exception of (Asmelash, 2013) and (Bezabih, 2017) employed similar approaches in investigating the effectiveness of microfinance institutions. That is, they evaluated the impact of MFI‟s from the supply side- that high loan recovery rate was considered as a sign of sustainability and indirectly implied welfare improvement. However, some of the above studies show that the rise in income as a result of the microfinance intervention was not significant (Getaneh, 2016); voluntary savings did not expand accordingly; sustainable increase in income was recorded in urban than in rural and that wealth, gender and activity differentials are important for the effectiveness of the programs was (Degefe, 2019), and so emphasized in all of the results of impact assessment studies.

2.7. Conceptual Framework

The researcher conceptualized in the study relationship between services of AMFSC and New Business Start-ups performance. In the framework, the growth of New Business Start-up is the dependent variable and it is indicated by sales turn over, number of employees, capital investment and profitability. Concerning independent variable the literature review revealed that Financial (Saving and Credit) and non-financial products (business development training, marketing and capacity building) provided by AMFSC is included in the conceptual frame work. The non-financial product is measured in terms of accessibility and adaptability of the products and their likely influence to the growth of New Business Start-ups. Finally, legal and regulatory frameworks are proposed to moderate the relationship between the independent and dependent variable. The mandatory depository regulation set on the loan amount given to New Business Start-ups is to be affected.

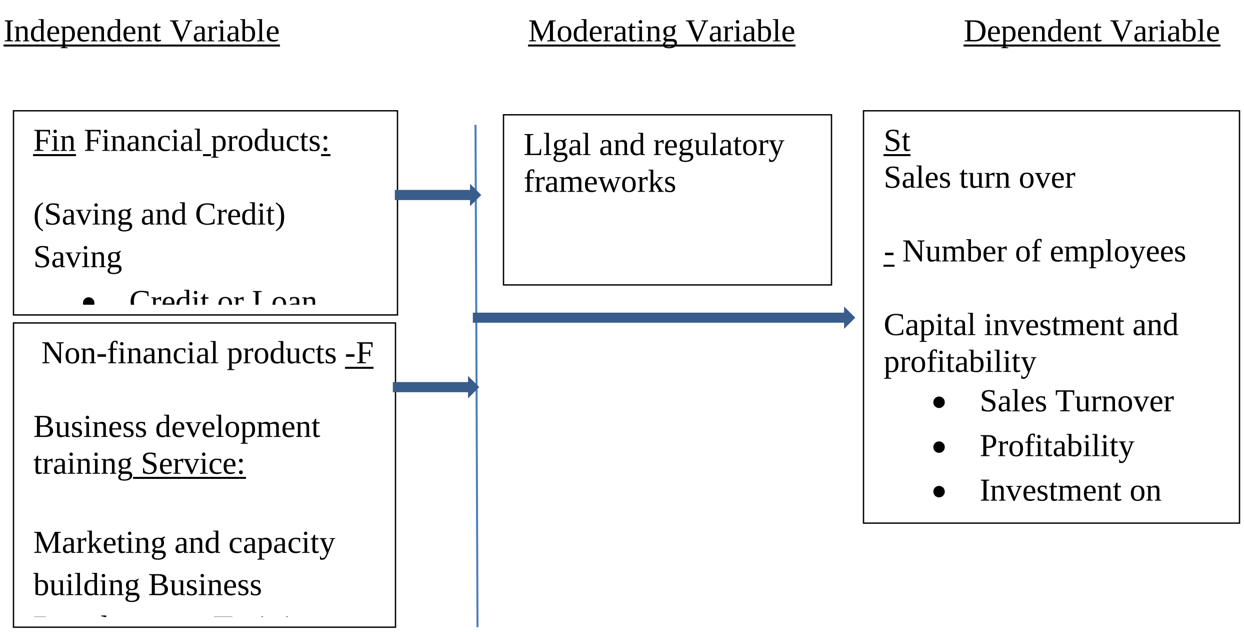

Figure1. The conceptual framework

CHAPTER THREE

3. MATERIALS AND METHODS

This section discusses the research method that is employed in conducting this study. Thus, issues to be discussed in this part include; the research design, study area, study participant, instrument of data collection, inclusion criteria, data collection procedures, data quality assurance, ethical considerations and data collection analysis.

3.1. Description of Study Area

The study was conducted in Addis Ababa, Awach Microfinance S.C. (AMFSC) some selected Branches. Start-up business clients of AMFSC are included in the study to assess factors affecting entrepreneurial performance of Start-Up Businesses and to capture the challenges and opportunities they get from microfinance services. The rationale behind for the selection of Awach Microfinance is due to the researcher's knowledge, work experience and the Branches are one among the sites where Awach's services are practiced for long period of time.

3.2. Research Design

The study adopted a descriptive survey that seeks to examine the factors affecting entrepreneurial performance of Start-Up Businesses by Microfinance services. The study was conducted on members who started New Business Enterprises through borrowing from Awach Microfinance S.C. in Addis Ababa City Administration. The study considered accuracy as a major consideration and minimizes bias and maximizes there liability of the evidence to be collected. The Descriptive survey was used because it describes and explains the before and after status, situations, events and trends (Kothari, 2014) of AMFSC members who started new business Enterprises. The focus of the study was on AMFSC delivering services to entrepreneurial performance of Start-Up New Businesses who are their clients. The study determines the availability of the services and their socio-economic, cost and benefits to MFIs and entrepreneurial performance of New Business Start-Ups.

3.2.1. Target Population

Awach Microfinance Share Company (AMFSC) in Addis Ababa is selected for study because it has a large representation of MFIs in Addis Ababa. Secondly, AMFSC has a large number of MSEs participating in credit programs. Target population is involved in the study consisted of the all new start-up businesses and MSEs who operate business by borrowing from AMFSC. Business is the activity of providing goods and services involving financial and commercial and industrial aspects. This category is a fair representation of the study since they regularly interact with customers, suppliers, and the products. Information to be obtained from three selected Awach Microfinance Share Company (AMFSC) branches indicated that there are four hundred (400) new micro and small enterprises operating in Addis Ababa. These businesses have the following characteristics selling farm produce, horticultural, vegetables, cereals, retailers, footwear, Textile and Closing, wood and metal work products of goods and services related business, operating either in fixed location i.e. in established premises or by street vending.

3.2.2. Sampling Design

Sampling is the process of selecting a few cases from a large population of cases for purpose of studying these few cases and generalizing on the large population. The target population refers to all the members of a real set of AMFSC members to which the researcher will generalize the results of this research. Sampling units were business units i.e. shops, sheds, workshops and street vending places. The researcher targeted the population based on case study what happens in member MSEs in some three branches of AMFSC that reflected their entrepreneurial performance of their business. From the above target population of 400 members MSE borrowers, the researcher picked a sample of 250 start-up MSE. This sample is 60% of targeted population, according Saunders, (2015) a sample is considered adequate if sample is more than 10% of the population. The formula to be used in this research for estimating the sample size (n) is provided by Kothari (2014).

$$n = \frac{N}{1 + N(e)^2}$$

Where n = sample size N= population, 1 = constant, e = error estimate (0 .1) at 90% confidence interval. For the population selection the average case to be seen in a week will be 100 MSEs will be considered. It is common practice a fixed street vending place to use once in a week for business transaction. Therefore, the number of samples to be taken from the population will be $n=400/1+400(0.1)_2$ = 80 (Eighty). However, these sample respondents will be approached over the course of three to five weeks.

3.3. Data Collection

The research used questionnaire surveys and an interview on undertaking research. For the purpose of the study, collection of primary data is essential in order to achieve the objectives of the study. Two instruments of data collection were used together to gather information for the research. These are the questionnaire (structured and open ended) and oral interviews. Questionnaire is a research instrument that gathers data over a large sample. Questionnaires captured all the necessary data for the objectives of the study to be achieved. Questionnaire is developed to address the specific objective and research question of the study. Interview schedules of unstructured were also applied, these are questions asked orally, are face to face encounters. The questionnaires were used because the respondents are thought to be busy and were issued with questionnaires to complete on their own. Secondly, it gives the respondents time to respond to the items during their free time.

Data were collected using primary (field research) and secondary (library) sources. A primary source is a document, speech, or other sort of evidence written, created or otherwise produced during the time under study. Library research involves both published and unpublished materials. Information to this study came from the field of research to supplement the information already in published and unpublished literature. Information to be obtained from primary source was treated with high confidentiality. Where indicated or requested by informants, anonymity was guaranteed. The informants were given the explanation to the relevance and usefulness of the study. All cited works were rightly accredited. The researcher sought the authorization letters from the concerned authority before starting the actual research.

3.4. Pre-Testing

Before the actual study, the researcher carried out piloting start-up MSE, which included in the actual study. Pre-testing of the instruments was carried out on 10 members from Awach start-up MSEs randomly sampled outside those sampled for the study. Pre-testing was done to enhance consistency, accuracy and adequacy of the instruments. Consistencies of the test items were measured by the degree to which the test items attracted similar and related responses from the samples in the pilot testing exercise.

3.5. Validity and Reliability

3.5.1. Validity

Content validity was determined by pre-testing. This determines whether the items are correctly worded in order to avoid misinterpretation when they are finally administered to the samples in the main study. After pre-testing, the instruments were adjusted.

3.5.2. Reliability

The reliability was measured so as to find out the degree to which the measuring items give similar results over a number of repeated trials. A test – retest method was used to estimate the degree to which the same results could be obtained with a repeated measure of accuracy of the same concept in order to determine the reliability of the instrument. The selection of the pilot Start-Up MSE was done using purposive sampling.

3.6. Method of Data Analysis

Once the data will be checked for completeness ready for analysis, the data from the field was first coded according to the themes researched on the research. This enabled the use of computer in the summarizing of data in tables by using SPSS version 24 software. The refined data was analyzed using descriptive statistics involving percentages and frequency. Frequency distribution, tables and pie-charts were used to organize and give a summary of the data and display in a meaningful and understandable manner so as to aid in describing and interpreting the outcome of the research. This will give the distribution of responses in the questionnaire in Frequencies and percentages form that will be presented in terms of graphs, table and pie-charts in the course of discussing the findings. Conclusions will be drawn and recommendations for the study will be made.

Propensity Score Matching (PSM)

To appropriately estimate the un-observable counterfactuals and make causal inference, the research employed non-parametric statistical matching methods like Propensity Score Matching (PSM). Propensity Score Matching (PSM) will report the status of estimated propensity scores for participation on several treatment variables. The study tried to control or minimizes only the self-selection bias utilizing the PSM. PSM can be used as a means of reducing the bias in the estimation of treatment effects with case data sets. In the PSM, the first stage identifies a function matching of the proximity of one Start-up MSE Business to another in terms of observable characteristics and then cases are grouped in order to minimize the distance between matching cases.

3.7. Ethical Considerations

The necessary orientation about the purpose of the study was given to participants and their consent was obtained from each respondent. Those who were unwilling to participate in the study were omitted.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Demographic Characteristics and Descriptive Statistics of the Respondents

This chapter deals with the background characteristics of the respondents considered in the study. As regards to the demographic characteristics of the respondents, all of the respondents are AMFSC members and their family size of the majority is between 3 and 6 members. The age of the study participants ranged from 18 to 40 and above, the large proportion falls in the age range of 25-34. The respondents, whose educational level ranged from illiterate to first degree level, majority of the respondents have attended above primary school level. The respondents have been members of the Awach microfinance institution from one to more than four years. Furthermore, it is observed that the participants differ in their marital status, i.e., consist of single, married, widowed and divorced and 65.3% of the respondents were married. This shows that AMFSC plays an active role in reaching out to aspiring business clients. It implies that AMFSC's services are affecting positively to entrepreneurial performance of its members as the outcome of the credit programs.

Table 4.1: Proportion of Age Distribution of the Sample Population

Age	Frequency	Percent
18-24	23	9.2
25-34	130	52.0
35-49	82	32.7
>50	15	6.1
Total	250	100

Source: - Survey Data, 2021

Table 4.1. above shows that between 35-49 years of age constitute 32.7 percent. 9.2 percent of the respondents are between 18 to 24 years of age while those aged above 50 are 6.1 percent. Generally, the majority of the respondents are above the age of 25. The above data indicates that most of the respondents are at active working age. This shows AMFSC members play an active role in participation in entrepreneurial business activities.

Table 4.2.: The Marital Status of the Respondents

Marital status	Frequency	Percent
Single	68	26.5
Married	162	65.3
Widowed	12	5.1
Divorced	8	3.1
Total	250	100.0

Source: - Survey Data, 2021

Table 4.2. above indicates, 65.3 percent of the respondents are married while 26.5 percent are singles. Respondents who have divorced are 3.1 percent only while the remaining 5.1 percent are widowed. This shows that the great majority of the clients are married. As observed from the married respondents they are usually engaged in AMFSC microfinance as a primary option of financial source for their respective spouses while the rest are as a secondary source of livelihood.

Table 4.3. The Sample by Level of Education

Educational Status	Frequency	Percent
Illiterate	25	10.2
Read and Write	35	14.3
Primary	33	12.2
Secondary	95	37.8
Diploma	55	22.4
Degree	7	3.1
Total	250	100.0

Source: - Survey Data, 2021

As indicated in Table 4.3, 37.8 percent of the respondents have secondary level education while 22.4 of clients have diploma level education, 12.2 percent of them are primary school complete. 14.3 percent of the respondents have a read and write skill level. Furthermore, 3.1 percent have first degree.

This reflects majority of (more than 60%) the respondents have a formal education. It also appears from the above figures that AMFSC provides financial access generally to those with lesser educational backgrounds and helps as a main source of income. Therefore, we can conclude that AMFSC is mainly targeting to the poor segment of the society in its credit and saving service provision.

Table 4.4. The Occupational Engagement of Respondents

Occupation	Frequency	Percent
Retail Trade in Shades	130	52.0
Dairy and Poultry Farming	35	14.3
Street Vending	15	6.1
Roadside Fast Food & Jebena Buna	70	27.6
Total	250	100.0

Source: - Survey Data, 2021

As can be seen from Table 4.4. above, AMFSC has tried to address a larger stratified group of people who are engaged in different economic activities. However, the majority of the respondents were engaged in Retail Trade and Roadside Fast food business. From this, we could observe that AMFSC has provided its services for those who are engaged in low level of jobs that can serve and reach out to large number of the community.

Table 4.5. The Source of Information about AMFSC

Source of Information about AMFSC	Frequeny	Percent
AMFSC Employees	100	39.8
Media/TV, Radio	70	27.6
Edir/Equib	35	14.3
Friends	17	7.1
AMFSC Members	28	11.0
Total	250	100.0

Source: - Survey Data, 2021

As shown in Table 4.5. above, 39.8 percent of the respondents get the information about AMFSC from AMFSC employees while 27.6 percent of respondents are informed of by the media ads. The remaining minority percent of the respondents are informed from edir/equib, friends, and AMFSC members, respectively. One can learn from this that the non-members also have the knowledge about the microfinance services from the AMFSC but they were not beneficiary one way or another.

Table 4.6. The Loan Frequency from AMFSC

Loan Frequency	Frequency	Percent
Once	100	39.8
Twice	90	35.7
Three times	27	11.2
Fourth times	17	7.1
Five times	16	6.1
Total	250	100.0

Source: - Survey Data, 2021

In Table 4.6, it shows that majority of the respondents have been taking loans frequently from AMFSC. From this what we can observe is that the respondents are beneficiary of the services and decided to take loan more than two times. The minor decline of the percentage from third times to fourth and fifth times showed that respondents became self-sufficient to run their businesses with their own working capital which indicated their success in entrepreneurial performance. Contribution of AMFSC on Income and Saving before and after Taking the Loan The major objective of microfinance institutions is to generate income and empower the poor and unemployed thereby alleviate poverty. The increase or decrease in the level of income may have an implication on the life standard of the individuals. An increase in income, for instance, to get employment, to engage in entrepreneurial businesses, to access to health services, education, and ownership of property.

Table 4.7 The Sample by Level of Income

Net income level (monthly)	Before joining Awach MF		After Joining Awach MF	
	Frequency	percent	Frequency	percent
<500	45	45.9	2	2
501-1000	18	18.4	6	4.1
1001-1500	17	17.3	14	14.3
1501-2000	8	8.2	19	19.4
2001-2500	9	7.1	24	24.5
>2500	3	3.1	35	35.7
Total	100	100	100	100

Source: - Survey Data, 2021

Table 4.7. shows that 45.9 percent of the respondents had less than Birr 500 monthly income level while 18.4 percent had a monthly income between birr 501-1000. The percentage of respondents that had between Birr 1001-1500, Birr 1501-2000 respectively was 17.3 percent and 8.2 percent and 7.1 percent had between Birr 2001-2500 while 3.1 percent had more than 2500 Birr a month.

As shown in table 4.7 above that all respondents after joining AMFSC, 2 percent of the respondents have acquired less than birr 500 while 4.1 percent have between 500-1000 birr. The percentage of respondents that have between birr 1001-1500, Birr 1501-2000, Birr 2001-2500 has respectively been14.3 percent, 19.4 percent, 24.5 percent. While 35.7 has more than 2500 Birr. Before joining. The above comparisons indicated that majority of the respondents have increased their incomes after they joined AMFSC and accessed credit although others still earn the same amount of income during both periods. There are also respondents that were not able to specify their incomes both before and after they become beneficiaries of AMFSC services.

Similar to this concept, the result of interview revealed that the increases in income after joining AMFSC are larger for the majority of the respondents. In addition, some respondents were not able to tell whether their incomes have exactly increased or decreased after their membership in AMFSC.

Savings are critical indicators of improvement in their lives of beneficiaries of microfinance programs. Respondents with increased savings have better economic and investment opportunities in addition to increased ability to withstand risks.

Table 4.8 The Level of Saving by Respondents

	Before joining Awach MF		After Joining Awach MF	
Saving Amount	Frequency	percent	Frequency	percent
No saving	77	78.6	0	0
5%	23	21.4	23	21.4
10%	-	-	26	26.5
15%	-	-	31	31.6
>20%	-	-	20	20.4
Total	100	100	100	100.0

Source: - Survey Data, 2021

As indicated in Table 4.8 above, before joining AMFSC only 21.4 percent of the respondents had money savings with 5% of their monthly income somewhere else while 78.6 percent of the respondents did not have saving account at all. However, after joining AMFSC 100 percent of the respondents have money savings either mandatory or voluntary savings accounts. 21.4 percent of the clients saved 5% of their income per month while 26.5 percent saved 10%. The 31.6 percent of respondents saved 15% of their monthly income. Moreover, 20.4 percent of the respondents saved more than 20% of their income each month.

This shows that AMFSC helped the poor to have money saved and created initiation to save. This again builds confidences, ownership and entrepreneurial performance in the start-up businesses of respondents.

Table 4.9 Use of Loan Received from AMFSC

Purpose of the Loan	Frequency	Percent
Open my business	68	69.4
Change the previous business	10	8.2
Expand my business	13	13.3
Furnish my home and Other	9	9.2
Total	100	100.0

Source: - Survey Data, 2021

As Table 4.9 indicates, 69.4 percent of the member respondents took a loan to open their new start-up business and 13.3 percent of respondents used the loan to expand their business while 9.2 percent of the respondent used the loan to furnish their home and for other purposes. The minimum amount i.e. 8.2 percent of them used their loan to change the old business they had in to another new business. Hence, AMFSC has enabled respondents to engage in self-help small businesses and create employment opportunity.

4.2. . Discussion of Propensity Score Matching (PSM)

The PSM method compares between the treatment variables (using AMFSC's Services or members) with the control variables (without using AMFSC's Services or non-members) by using observable characteristics in order to perform a better analysis on the results can be achieved. The PSM method was first introduced by Rosenbaum & Rubin (1983) and developed by Heckman, Ichimura, & Todd (1998).

The reason of using the propensity score is to lessen the selection bias, because descriptive survey researches always encounter a problem in drawing a conclusion due to the confounding potential. Because of this, it's not quite accurate if two conditions (treatment variables and control variables) are compared, and despite adjustments through regression, there is always potential for bias. The propensity value is a probability value of the subject if not exposed, while the fact is that the subject is exposed (counter factual).

This study is conducted in Addis Ababa City, with the AMFSC's service provisions to members. The number of samples taken was based on purposive sampling technique amounting to 100 members who took business loan from AMFSC as the treatment group, and also 150 non-members as the control group respectively. Thus, the total respondents sum up 250 start-up businesses. The primary data was obtained through structured questionnaires. The number of samples for control groups, according to Caliendo & Kopeinig (2008), should be more than treatment group.

The procedures or steps in PSM are; first regarding the model to be used to estimate, and the variables to be input into the model. The model used for the matching process of the PSM score is probit regression with variables as summarized in Table 4.10 below. In this research, the probit model is also able to estimate the probability of reasons for accessing services from AMFSC. The model is represented in the following way:

$$P\ (Y_i = 1 \mid X_i) = \phi\ (\beta_0 + \beta_1 X_{i1} + \ldots + \beta_p X_{ip}) = \int_{-\infty}^{(\beta 0\ +\ \beta 1 Xi1\ +\ \ldots +\beta p Xip} \phi\ (Z) \qquad (1)$$

Table 4.10: Description of Variables in Probit Model

Variable Name	Variable Type	Description
$P(Y_i)$	Binary	Access to AMFSC (1= access , 0= not)
Respondent characteristics;		
Membership (X1)	Binary	Status of member (1 = member, 0 = otherwise)
Age (X2)	Continuos	Age of member/non- member
Marital status (X3)	Binary	(1 = married, 0= otherwise)
Education (X4)	Continuos	1 = primary 2 = Secondary, 3= Tertiary, 4= Otherwise
No. of dependant (X5)	Continuos	Number of children
Business line (X6)	Continuos	(1=Retail Trade, 2=Dairy & Poultry, 3 =Street Vending, 4 =Fast Food & Jebena Buna)

Business length (X7)	Continuos	How many years business Involved (in years)
Distance to AMFSC (X8)	Continuos	Business location to AMFSC (in km)
No. of working hrs (X9)	Continuos	How long working hours per week
Asset Building (X10)	Continuos	Assets (1= Stock inventory, 2 =Farm Animals, 3=Materials, 4= Business Equipments)
Bank account (X11)	Binary	Bank account owner (1= yes, 0 = otherwise)
Side job (X12)	Binary	1 = have a side job, 0 = otherwise
Spouse working (X13)	Binary	Does spouse have a job, 1 = yes, 0= otherwise
Other loan sources (X14)	Binary	Having other loan source?, 1 = yes, 0=only AMFSC

Source: Own Construction of Variables (2021)

Second, is to choose a matching algorithm, with Nearest Neighbor Matching (NNM), or with caliper matching and Kernel matching (Heckman et al., 1998), or with stratification to calculate the Average Treatment Effect on the Treated (ATT). This research only showes the nearest neighbor matching. The NNM method chooses the closest score from the covariate of the control group. The NNM process is good for treatment group and control group that tend to be similar (Becker & Ichino, 2002).

Third, is to find the overlap and the common support between the treatment group and the control group. In this step, several observations have been discarded due to having too high or too low scores. Concurrently, the balancing test is done to check the averages of the PSM so that they are not too different between the two groups. Afterward, the difference between the outcome variables are derived, which reflects the impact of the treatment and is known as the Average Effect of Treatment for the Treated (ATT).

Fourth, is to assess the match quality. Rosenbaum & Rubin (1983) recommend the standardized bias (SB) and the t-test. If the X covariates are randomly distributed, then the pseudo-R^2 value should be fairly low.

To measure the impact using PSM approach, The ATT developed by Diro & Regasa (2014) is applied on the outcome variables, such as working capital, sales, profit, savings, side income, total revenue, food expenditure, employment, house conditions and asset ownership condition. To estimate the difference between treatment group and control group according to Rubin (1973) as the followings:

$$\Delta i = Y_i^1 - Y_i^0 \qquad (2)$$

Δi is the impact of treatment on the individual i, i = 1,2, …,N.

Y_i^1 and Y_i^0 is the potential yield of the treatment group and control group. Equation (2) uses cross section data and should calculate the yield difference between before and after treatment each member. However, it is not feasible to calculate directly using sections across data. Therefore, equation (2) is modified by estimating the average treatment effects on the treated, Δ_{TT}, as follows;

$$\Delta_{TT} = E(\Delta/D=1) = E(Y^1 |D=1) - E(Y^0 |D=1) \qquad (3)$$

Δ_{TT} measures the difference between the expected results in AMFSC participants with hypothetical result of non-members. Equation (3) is used to answer the question of counterfactual what if members who received AMFSC’s services did not obtain the benefit. This is a selection bias of the equation, because $E(Y^0 |D=1)$ was not observed in this study. Suppose $E (Y^0 |D=1) = E (Y^0 |D=0)$ is used then non-members can be used as a comparison or control group. This observation bias scenario raises self-selection bias, thus the member receiver is not be enacted as a participant at the same time as the receiver and as non-participants before receiving ADCSI's services. Rosenbaum & Rubin (1983) recommend propensity score matching (PSM) to address selection bias in this case because it can address the multi-dimensional problem, which arises from the matching procedure with many covariates including unobservable biases. This bias could be the difference between results of ADCSI members and non-members, which can be formulated as follows:

$$\text{Bias} = E\,(Y^1\,|D=1) - E\,(Y^0\,|D=0) \tag{4}$$

Equation (4) is able to capture the impact of treated participants, thus we discard the impact of non-treated participant as follows;

$$E\,(Y^0\,|D=0) - E\,(Y^0\,|D=1) \tag{5}$$

The following equation (6) defines the non-members who do not receive AMFSC's services. As such, the bias is the difference between the impact on the treated participants (AMFSC members) and the difference between the impact on non-members who did not receive treatment or non-treated participants.

$$\Delta_{TT} - [E\,(Y^0\,|D=0) - E\,(Y^0\,|D=1)] =$$

$$E\,(Y^1|D=1) - E\,(Y^0\,|D=1) - E\,(Y^0\,|D=0) + E\,(Y^0\,|D=1) \tag{6}$$

$$\Delta_{TT} - [E(Y^0|D=0) - E(Y^0\,|D=1)] = E(Y^1\,|D=1) - E(Y^0|D=0) \tag{7}$$

Ideally bias = 0 which implies the

$$E\,(Y^1|D=1) - E\,(Y^0|D=0) = 0 \Longleftrightarrow E\,(Y^1|\,D=1) = E\,(Y^0|D=0) \tag{8}$$

Therefore, Δ_{TT} can overcome self-selection problem by using equation (8). PSM estimate by Rosenbaum is formulated as the following;

$$P\,(D=1|X) = P(X) \tag{9}$$

Then this model uses logistic or probit as the following;

$$P(D=1|X) = p(Y^*>0|X) = P(\mu>-X\beta|X) = 1 - G(-X\beta) = G(X\beta) \quad (10)$$

Where $0< G\ (X\beta) <1$, for all values of covariates X, $X\beta = \sum_{j}^{k} {}_{=1}\beta_j X_j$ and G is a standard cumulative normal function. Equation (7) is therefore a non-linear because estimation method using maximum likelihood estimation. Therefore PSM estimation of Δ_{TT} free of selection bias, and the PSM estimation is formulated as the following;

$$\Delta_{TT}^{PSM} = E_{p(x)/D=1} [E(Y^1/D=1,P(X))-E(Y^0/D=1,P(0))] \quad (11)$$

The variables in Table 4.11 below are those that affect the start-up businesses to access AMFSC services. These variables also function as covariates in determining the propensity score between the two groups. There are 14 variables that are used, among which affect significantly and comprise gender, type of business, length of business, business barrier, bank account ownership, and other loan alternatives (Farida et al., 2015).

Table 4.11: Probit Estimation for Propensity Score

Variables	Coefficients	Z	P>│z│
Gender	0.514993	2.86	0.004***
Age	-0.0037549	-0.33	0.743
Marital status	0.3875013	1.14	0.255
Education	-0.1047917	-1.04	0.297
No of dependents	-0.0069678	-0.10	0.922
Business Line	0.1600514	1.75	0.080*

Business length	-0.039715	-2.41	0.016**
Distance to ADCSI	-0.0059691	-0.25	0.799
Working hours	-0.0011672	-0.34	0.737
Asset Building	0.4538475	2.59	0.010***
Bank account	0.662692	3.98	0.000***
Side job	-0.2532719	-1.33	0.184
Spousal working	0.1244723	0.71	0.477
Other loan source	-0.5099271	-3.51	0.000***
No of observations	:250		
LR chi^2 (14)	: 105.70		
Prob>chi^2	: 0.0000		
Pseudo R^2	: 0.2304		
Log likelihood	: -176.54466		

***significant 1%, ** significant 5% , * significant 10%

By using the nearest neighbor matching with no replacement, the closest propensity score value can only be used for one matching. The ATT value can be obtained as a distinct value in Table 4.11 and the ATT value after balancing test on Table 4.14.

Table 4.12: Impacts of AMFSC services Using Propensity Score Matching

Variables	Sample	Members	Non-Members	Difference	S.E	T-*test*
Working capital	Unmatched	3748193	2163429	1584764	51210	3.09
	ATT	269543	249953	19590	57941	0.34
Sales	Unmatched	454114	264548	189566	55396	3.42
	ATT	330527	305456	25070	63088	0.40
Profit	Unmatched	79295	48205	31090	6874	4.52
	ATT	60984	55503	5480	7942	0.69
Savings	Unmatched	16500	9782	6717	2153	3.12
	ATT	13030	10382	2648	2915	0.91
Side job	Unmatched	56903	43022	13880	15755	0.88
	ATT	40185	40370	-185	14926	-0.01
Spouse Income	Unmatched	112548	128395	-15847	18947	-0.04
	ATT	13827	136666	2160	27737	0.08
Total Income	Unmatched	962403	653468	308934	66705	4.68
	ATT	788858	732074	56783	75738	0.75
Share on food Expenditure	Unmatched	27,1628	38,1043	-10,9414	1,71	-6,40
	ATT	29,3879	35,8391	-6,4511	2,41	-2.67
No of Employees	Unmatched	0.980645	0.429378	0.55126	0.12385	4.45
	ATT	0.728395	0.604938	0.12345	0.18399	0.67
House Condition	Unmatched	5.12280	4.87056	0.2525	0.09255	0.79
	ATT	4.97530	4.86419	0.1111	0.14024	2.94
Assets Ownership	Unmatched	2.12258	1.79096	0.33162	0.11263	2.94
	ATT	2.0246	2.06172	-0.03707	0.161322	-0.23

Unmatched = before matching, ATT = Average treatment on the treated

On Table 4.12, the impact of AMFSC services on working capital before matching has a difference of Eth Birr 1.58 million, however, after matching, the difference shown on the ATT is around Eth Birr 195,901. From this result, working capital for members who received AMFSC services experienced an increase. The table above shows that AMFSC services also had impact on sales, profits, and savings but not significantly. For the impact on earnings from side jobs, before matching there was a difference of Eth Birr 13,880, however, after matching, the impact of AMFSC services on earnings of side jobs decreased to Birr 185. The total earnings increased due to AMFSC services, however the share of spending on food decreased. The total absorption of work force and condition of residence increased, but the indicator of asset ownership experienced to decline. In the matching process of PSM, the amount of covariates that got paired in the matching or that got common support (Table 4.13 below) are units of 150 for control group and 100 units for the treatment group.

Table 4.13: Number of Covariates Used

Covariates	Not used	Used	Total
Non-Members	0	150	150
Members	0	100	100
Total	0	250	250

The average difference on the initial phase of Table 4 needs to be examined to see the bias of each variable used in the matching process, or balancing test between the two groups. Based on the balancing test, there is still a significant difference between the two groups, despite the matching. The biases are very limited among all the variables, thus these biases (especially if negative) are discarded from the matching process. Therefore, the variables to be used for propensity score matching analysis is gender, level of education, number of dependents, type of business, working hours and side jobs. Only by using six variables, the new ATT is shown on Table 4.14 below.

The covariates used for the nearest neighbor in the matching process amount to 250 units consisting of 100 members and 150 non-members. There were 56 units disposed in the matching process.

Table 4.14: AMFSC Services' Impact after Balancing Test

Variables	Sample	Members	Non-Members	Different	S.E	T-test
Working capital	Unmatched	374,819	216,342	158,476	51,210	3.09
	ATT	357,509	256,615	100,893	73,484	1.37
Sales	Unmatched	454,114	264,548	189,566	55,396	3.42
	ATT	431,553	312,703	118,849	78,817	1.51
Profit	Unmatched	79,295	48,205	31,090	6,874	4.52
	ATT	74,043	56,087	17,956	8,637	2.08**
Saving	Unmatched	16,500	9,782	6,717	2,153	3.12
	ATT	14,115	11,745	2,370	2,386	0.99
Side job Income	Unmatched	5,690	4,302	1,388	1,575	0.88
	ATT	6,199	3,402	2,796	2,193	1.27
Spouse Income	Unmatched	11,254	12,839	-1,584	1,894	-0.84
	ATT	12,907	12,828	787	2,386	0.03
Total Income	Unmatched	96,240	65,346	30,893	6,607	4.68
	ATT	93,150	72,319	20,831	8,243	2.53**
Share on Food exp.	Unmatched	27.16	38.10	- 10.941	1.710	-6.4
	ATT	28.26	36.92	-8.671	2.046	-4.2***
No. of Workers	Unmatched	0.98064	0.429378	0.55126	0.123	4.45
	ATT	0.88888	0.509259	0.37962	0.158	2.4**
Housing Condition	Unmatched	5.12280	4.870056	0.25252	0.093	2.7
	ATT	5.0	4.861111	0.13888	0.1237	1.12
Assets Ownership	Unmatched	2.12258	1.790960	0.33162	0.1126	2.94
	ATT	2.15740	1.907407	0.25	0.1421	1.76*

***significant 1%, ** significant 5% dan * significant 10% *Unmatch* = before matching, ATT = Average treatment on the treated

The results of Table 4.14 above shows the impact of AMFSC services with 1% significance level is on the share of food expenditure. AMFSC services also have impacts on profits, total revenues, and number of workers a significant value of 5%. Meanwhile, AMFSC's impact with a significant level of 10 percent is on asset ownership.

Profit: The profit difference after matching was Birr 17,956, where the profit of treatment group was Birr 74,043 and the control group's was Birr 56,087; which means that AMFSC services had an impact on improving the profit of members by 32% compared to those without it.

Total Income: AMFSC services had an effect on increasing the revenues of members that received AMFSC services by Birr 20,831; where the total income of members was Birr 93,150 while the total income of Non-members was Birr 72,319; or in other words, the income of treatment group went up by 28.8% compared to control group. The members of AMFSC have a significant increase on revenues by 1%.

The Share of Food Expenditures: The impact of AMFSC services on the share of food expenditure in this study showed a negative impact with 1% significance. The share of food expenditures for the control group was 36.92% of the total income. As income improved, the share of food expenditures for the treatment group was only 28.26% or smaller by 8.67 percent compared to the control group. The micro entrepreneurs do not belong to the social group below the poverty line; therefore their spending on food is far above; on average of 2-3 meals a day with an average expenditure of Birr 13,600 to 21,800 annually. Thus, the more their income improved, their spending on food would not increase significantly any more.

This finding contradicts with previous research that shows positive effect of microcredit on increasing the food expenditures (Diro & Regasa, 2014; Hossain, 2012). The objects of their research were the poor social strata whose needs were not fulfilled yet, thus when incomes improved, and then their food expenditures increased significantly along with the fulfillment of basic needs.

The difference of research results was perhaps also due to the different way of thinking between Member and Non-member households that were the research objects. AMFSC members would reduce on spending to have savings so that it can pay off its loans or to improve its capital turnover in order to gain more income. A member without a business would tend to be more consumptive.

Another AMFSC services impact indicator with a significant level of 5 % is the amount of workers by AMFSC members, which increased by 0.37 workers. This is consistent with the research of (Diro & Regasa, 2014), which stated that members are able to absorb the work force. The ability of members to absorb more work forces indicates that the role of AMFSC services enable to reduce poverty through reducing unemployment.

Asset Ownership also had a significant level of 10%, which means that AMFSC services had an impact on asset improvement. Treatment group had an increase on asset by 0.25 units compared to control group. Asset ownership in this case is the proxy of owning Business equipment, Livestock, market spot (Shop/Shade), cell phone and Agribusiness tools and. The research shows that AMFSC services do not give a significant impact, but it has a positive tendency in improving working capital, sales, savings, and wasteful condition of members.

Key Informants Attitude on the Factors Affecting Entrepreneurial Performance of Start-Up Businesses financed by MFI Services. Interviewed informants recalled that AMFSC services had a great effect on start-up businesses that engaged in small businesses and continued in the same business after they joined the AMFSC. They could say that their income has exactly improved after joining AMFSC. Every respondent was requested to indicate whether they have knowledge of the AMFSC services and its effect on the beneficiaries. The interview statements and their responses had positive connotations. The findings revealed that generally there was a relatively higher score on positive statements implying positive attitude. The greatest propositions of the respondents agreed with the statement that MFIs services stimulated a number of AMFSC member start-up businesses and their entrepreneurial performances have increased. They agreed that non-members should join AMFSC for their economic benefit and had a positive attitude on the statement that AMFSC services enabled them to improve their economic condition.

Majority of Key informants also agreed with the statement that participation in AMFSC services don't risk the ownership of productive and non-productive assets. On the other hand, few respondents were uncertain with the statement that AMFSC services give a greater economic role in decision making at the household level. The overall attitude mean score for all statements was impressive which showed that majority of the respondents involved in the study both AMFSC beneficiaries and non-beneficiaries had a positive attitude on AMFSC services.

The Informants also witnessed that those who have membership in AMFSC, were able to expand their business and settle their debts timely because their income has increased after joining AMFSC. Beneficiaries also owned business equipment, agricultural tools, animal livestock, and working place (shop/shade). Additionally, bought and built assets and furniture.

Still other informants also confirmed that those who did not have a saving account before joining AMFSC because they had a very small amount of Income, they said that it was shameful to go to a bank and deposit it. However, they now have a saving account opened with the AMFSC which allowed them to deposit their savings upon settlement of the loan.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusions

The previous chapters provided information about microfinance services, its practices and contributions to improve entrepreneurial performance of start-up businesses. The concepts and definitions help the reader to understand microfinance intervention services. Moreover, the primary data investigated and conducted in the case of Awach Microfinance S.C. (AMFSC) demonstrates a practical insight regarding the contribution of microfinance practice in improving entrepreneurial performance of member small businesses. Hence, based on the previous chapters and discussions made, we can finalize all the findings in the following way.

Microfinance implies providing the poor with credit and savings facility to set up income generating activities by being member beneficiaries of the services of AMFSC. The increase or decrease in the level of income may have an implication on the life standard of the individual members.

An increase in income, for instance the opportunity to open business, increase in saving, employment creation, entrepreneurship, access to health services, education, and asset ownership. The study indicated that the delivery of microfinance services has resulted in income and saving increase after joining AMFSC.

The members' profile clearly indicated that majority of respondents (more than 75 percent) have increased their income. Furthermore, the majority of the respondents (more than 78 percent) were able to generate money savings after joining AMFSC. In addition, after they joined the microfinance institution, all respondents have saving account in AMFSC. This is because the

Members should have a mandatory saving before they take any loan service. The above results indicated that the delivery of microfinance services has shown positive signs towards members change on their income and saving after the service utilization.

AMFSC services have a positive effect on improving the entrepreneurial performance of start-businesses and increased their profits, total income, number of employment and asset ownership. This also had an effect to lessen the share of spending on food, because members are more enthused to save and payback loan from business gains.

Microfinance plays a significant role in the entrepreneurial performance and economic benefit of members, because they have access to credit services. Through the provision of microfinance services to new business start-ups, particularly to the poor and who are not able to fulfill the collateral requirements laid down by other lending institutions, microfinance enables them to be self-employed.

Consequently small businesses owned by members were able to manage to increase their incomes, although in small amounts, and improved their savings. The data from AMFSC shows that members have better access to loans which is not available by any other bank and financial institutions.

The study also supports that in the case of Awach Microfinance (AMFSC), out of the sampled respondents majority were women and poor. In addition, the decision making powers of the members on the loan secured from AMFSC has been enhanced following their participation in AMFSC. Therefore, the above findings indicated that services provided by microfinances has a positive effect in the entrepreneurial performance of start-up businesses owned by members of Awach Microfinance share company (AMFSC).

5.2. Recommendations

- As it was observed from the majority of respondents that they usually got the source of information about AMFSC services from the institution itself and from media ads. Therefore, AMFSC should work more in promoting and advertising its services through its member beneficiaries. In addition, information to loans, deposits, interest rates charged, and repayment time period should be promoted by training beneficiaries to serve the institution as agents and promoters since they are also shareholders.

- A positive result on entrepreneurial performance was reported by the respondents in terms of profit, business skills, and service delivery satisfaction should also be further extended to non-members through intensive promotional efforts.

- Awach Micro Finance share company (AMFSC) should try to reach out further to those young educated but unemployed who struggle to start a new business of their own. AMFSC should devise a system through innovative models like revolving fund or sponsorship fund that will encourage the young but unemployed who cannot be served by the formal banking system.
- The positive effect observed in improving entrepreneurial performance of start-up businesses of members from services provided by AMFSC can be further enhanced by extending loans to women members needing bigger loans to expand and diversify their existing small businesses.

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Annexes

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear Respondents,

I will appreciate your commitment to fill this questionnaire properly. This questionnaire is designed to collect information about the research title "Evaluation of Factors Affecting Entrepreneurial Performance of Start-Up Businesses financed by Micro-Finances in Addis Ababa: The Case of Awach Micro Finance S.C.". The Researcher is a Graduate Student of Department of Management, MSc. in Innovation and Entrepreneurship Program Unit and this questionnaire is prepared for academic purpose only to fulfill the research project. All your information will be held confidential and will be used only for research purpose only. I thank you for the time you take in filling this questionnaire.

Instruction: please use "√" a thick mark in the box.

Part I: Personal Details

1. Gender:

a) Male b) Female

2. Age:

a) 18-30 b) 31-40 c) 41-50 d) Greater than 51 years

3. Education:

a) Primary (1-8) b) Secondary (9-12 c) TVET/Diploma d) 1st Degree and Above

3. Number of Family members:

a) One b) Two to Three C) Four d) More than Five

4. Monthly income:

a) below ETB 500 b) ETB 501-1000 c) ETB 1001-2500 d) above ETB 2500

5. Time of Credit access:

a) < 1 Year b) 1-2 year c) 2-3 years d) above 3 years

Part II: Questions Related to the Service

Mark "√ " at the point that best reflects your feeling or observation for close ended questions and try to express your opinion clearly to open ended questions.

1. What type of Financial Services have been mainly delivered by AMFSC around your area?

a) Credit and Saving Service b) Training and Development c) Community Support d) Others

1.1 How much was the opportunities in the services that have been given by AMFSC branch?

a) High b) Low c) Flexible d) Not at all

3. Have you been involved in the services provided by AMFSC?

a) Yes b) No

If your answer for question number three above is 'Yes', how much does it contribute to Expanding and Creating Economic opportunity?

a) High b) Moderate c) Low d) Not at all

5. How much have you been aware of the services being provided by AMFSC Averagely?

a) High b) Moderate c) Low d) Not at all

6. Do you think the problem of awareness may influence the services?

a) Yes b) No

7. How much can AMFSC branch services contribute in expanding economic opportunity?

a) High b) Moderate c) Low d) Not at all

Asset holding condition

8. Do you have asset properties in your new business start-up?

a) Yes b) No

9. If yes, did you have these asset properties before your new business start-up?

a) Yes b) No

10. What material benefit did you get after joining AMFSC?

a) House Renovation. b) Purchase additional asset properties.

c) Improved food security d) Improved health and send children to school

11. Have the loans improved your new business start-up?

a) Yes b) No

12. Generally, how would you rank your standard of living in contrast to before joining AMFSC?

a) High b) Moderate c) Low d) Don't know.

Socio-Economic Condition of the Respondent

13. Your average monthly income increased after joining AMFSC in birr

a) Below 1000 b) 1001-2000 c) 2001-4000 d) 4000 and above

14. Your average monthly expenditure in birr

a) Below 1000 b) 1001-2000 c) 2001-4000 d) 4000 and above

2.13 Did you have your own income source before joining this credit program?

a) Yes b) No

16. If yes, after joining AWMFSC, what changes happened to your personal/ family income?

a) Increased b) Decreased C. Remains the same d) burdened by loan repayment

17. Were you able to pay for your family medical and education fee before involvement in AMFSC?

a) Yes b) No

18. If yes, how do you explain the differences before and after joining AMFSC in affording to pay?

a) Better before joining the credit program b) Better after joining the credit program

c) Remains the same d) The Loan created burden on living situation

19. What looks like the services given by OMFI according to the handling of customers?

a) High b) Moderate c) Low

20. How do you rate the efficiency of AMFSC Credit and Saving Branch Services?

a) Excellent b) Average c) Above average d) Below Average

21. Do you make Contributions to the household from the loans secured from AMFSC? If yes, how does your Spouse/family member view your contribution to the family? --

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22. How do you utilize the loan secured from the AMFSC? How do you compare the income and saving levels before and after joining the AMFSC? --

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23. Do you think that, you have improved your living condition after joining the services at AMFSC?

a) Yes b) No

24. What challenges have you encountered after you have obtained AMFSC services? -------------

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25. Please state your comments or additional points, if you have. --

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Thank you for your participation!!!

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Interview Questions:

Dear Respondents,

I will appreciate your commitment to answer this interview guide properly. This interview is designed to collect information about the research title "Evaluation of Factors Affecting Entrepreneurial Performance of Start-Up Businesses financed by Micro-Finances in Addis Ababa: The Case of Awach Micro Finance S.C.". The Researcher is a Graduate Student of Department of Management, MSc. in Innovation and Entrepreneurship Program Unit and this interview is prepared for academic purpose only to fulfill the research project. All your information will be held confidential and will be used only for research purpose only. I thank you for the time you take in answering the interview questions.

Thank you.

1. Do you have members who borrow money from AMFSC to start a new business? -----------------
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2. In your view, what other services AMFSC and its branches provide to support new business start-ups?

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3. What support system AMFSC extends to loan burdened members to facilitate their repayment?

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4. Do you have a follow up mechanism how new business startups performing in their business?

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5. How do you rate your services extended to new business start-ups?

