




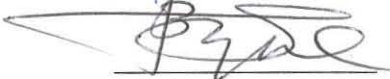
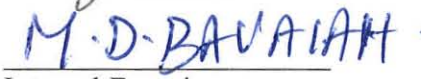

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**IMPACTS OF MICRO FINANCE ON THE LIVELIHOOD OF  
HOUSEHOLDS, PARTICULARLY WOMEN: THE CASE OF  
ADEA LIBEN WOREDA**

**BY:**  
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**A thesis submitted to the School of Graduate Studies of Addis Ababa  
University in partial fulfillment for the requirements of the Degrees of Masters  
Arts in Regional and Local Development Studies  
(RLDS)**

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### *Acknowledgments*

The generous cooperation of many people has contributed for the success and completion of this thesis. My special gratitude goes to my advisor Mehary Mekonnen (PhD.) whose work ethic is worth modeling, for his commitment on the thesis at each stage and for making invaluable comments and suggestions. I would also like to express my appreciations to Ato Befikadu Zelleke, Ato Indalkachew Sime, and Ato Matiyas Weyessa for their valuable comments on different stages of the thesis.

I am very grateful especially to W/ro Lelise Wedajo for her patience in writing, editing and printing the thesis from the beginning to its completion. My especial appreciations should go to my wife w/ro Rahel Mitike for her consistent and fruitful cooperation and motivation in facilitating my thesis.

Finally, I thanks to the Ethiopian Parliament for its contribution in sponsoring my education. I also appreciate Oromia Credit and Saving Share Company (OCSSCo) of Adea branch and the head office for valuing the necessary information indispensable for the study.

### *Abstract*

Poverty is highly affecting the life's of the population of Less Developed Countries (LDCs) in general and that of rural women in particular. High vulnerability, lack of education and medical services, less participation in different decision-making activities are some of the major problems the rural women faced. They are also economically, socially, culturally and politically marginalized. To overcome these and other related socio-economic problems, Micro finance Institutions (MFIs) targeted the poor in general and the rural women in particular.

This study is aimed to examine the impact of Oromia Credit and saving Share Company (OCSSCo) services on the life of women clients in rural areas of Oromia region. It is assumed that, the impact of the intervention of MFIs could be observed at household, individual, enterprise and community levels. The rationale for using household, individual, enterprise and community as units of impact assessment is that, any institutional services that are aimed to provide financial services for the sake of poverty alleviation, its end effect is measured by the changes appeared on the lives of its clients. These clients are part of the household and the society in which they live. Therefore, household situations affect the activities of individuals. On the other hand, the impact of Micro finance (MF) intervention can be observed by the composition of the household, and due to one of their economic activities.

The study used a case study method taking Adea Liban Worked as a sample. It included all women clients who stayed in the program for one to five years. It also covered 8 rural kebeles of 40 centers. The number of participants is 220 women clients, 24 informant groups and 7 OCSSCo members. Almost, all women client respondents are similar in their characteristics.

Out of the total 220 client respondents, 116 of them were interviewed; where as 104 of them were participated in focus group discussions (FGDs). The informant groups were participated in FGDs. Besides, 7 OCSSCo staff members were interviewed. For all respondents structured questionnaires (open-ended and closed-ended) were used as an instrument. Observation of clients living situations was used in order to crosscheck the opinions given by the clients. During the

discussion process, women clients living situation before and after their participation in the program were raised and responded by women clients and informant groups.

Respondents were selected using purposive sampling techniques. In some centers, the number of women clients were less than the minimum standard required to conduct FGDs. Due to this reason, two and more centers were combined together and conducted FGDs. Hence, there were a total of 10 FGDs taken place.

The result of the intervention of OCSSCo through financial services shows positive outcomes on the lives of women clients and their households. The provided loan also improved women socio-economic and personal empowerments. The consumption of clients and their households is smoothed, and their living standards are slightly improved in terms of living house, medical services, and sanitation, and they send their children to school better than before. Their self-image, self-confidence, decision-making capabilities and saving culture show slight improvements.

Some interventions such as skill training, improving loan size (selling), saving culture and close supervisions are very important in order to ensure the benefits of the targeted groups.

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background

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 fortunate. 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 (M. Todaro and Smith, 2004:3).

Poverty is deep-rooted in Less Developed Countries (LDCs) and became the world's agenda that needs the cooperation of all people. The magnitude and extent of poverty in any country depends on two factors: the average level of national income and the degree of inequality in its distribution (M. Todaro and Smith, 2004:4). Many people in LDCs are deprived due to lack of malnutrition, disease and ill health rather than income, and these are more a matter of poverty than food production even though the factors are interrelated (Todaro and Smith, 2004, and Tasew and Walter, 2004).

Evidences from the World Bank reveal that the extent of poverty in LDCs is severe and deep-rooted. About 766 million people in poor countries are without access to health services, almost one billion people do not have access to safe drinking water, 2.4 billion people live without sanitation facilities, and 158 million children under age five are malnourished (World Bank, 2001). The association between poverty and poor health condition is bi-directional: poor health leads to poverty and poverty leads to poor health condition (Daniel and Tiruwork cited in Tasew and Walter, 2004). LDCs also suffered from poor health facilities, lack of financial resources, shortage of food, clear water and good sanitation that lead to poor situations which in turn resulted in ill health, and this again conspires of keep them poor (vicious cycle of poverty) (Daniel, 2004: 105).

The other important instrument that plays a great role in enhancing development and eradicating poverty is education. Aseffa (2004: 67) mentions that education is one of the most important instruments societies have for reducing deprivation and vulnerability. It helps to lift earnings potentials, expands labor mobility, promotes the health of parents and children, reduces fertility and child mortality, and affords the disadvantaged voice in society and political system (Aseffa, 2004:68). In LDCs, 325 million children have dropped out from primary and secondary schools and an estimated of 854 million are illiterate adults of which 60 percent are women (M.Todaro and Smith, 2004:57). Due to their poverty situations, most of the poor in LDCs have no access to credit, unable to finance their children's education (M.Todaro and Smith, 2004:58).

Girls schooling has a vital impact overall framework of human development, and this can be manifested in empowering women, give them more choices, more control over their life and more controls over exercising the full entitlement of democratic citizenship (Aseffa, 2004: 68). Aseffa (2004) further discusses that education enhances women's income generating capacity and will empower and enables them to claim their rights and that of their children.

Education also helps to improve productivity of farmers and the production of non-farming activities. People can acquire skills, knowledge, and develop their intellectual capacities that enable them to understand and use wisely their environment. For instance, Aseffa (2004: 70) presents that the level of education attained by a person has a direct impact on poverty and hence, the provision of relevant education significantly contributes to any poverty reduction exercises, because they can easily adopt new technologies and get higher return on their land. For instance, farmers who have completed four years of education produce 8 per cent more than others (Jamison and Lav, 1982; Colclough and Lewin, 1993). Therefore, it can be estimated that education and poverty have a direct relationship.

Poverty is determined by different factors. Some of these determinant factors usually include: the level of education of the households, their size and composition, their sex and age, regions (residences) of the households. Wolday (2003:9) presents the relationship between the households and their age that the probability of falling into poverty increases with the age of the household's head. Besides, households with larger family size and higher dependency rates and

Therefore, this impact assessment deals in detail using individual and households as basic units of measurements. The document of OCSSCo shows that most of the clients do not engage in petty trade because 99 per cent of the services are focused on rural areas (where agricultural activities are dominated).

Thus, OCSSCo is one of the largest and the most micro finance institutions in terms of outreach, and number of clients in the region that provides loan for poor in general and for rural poor women in particular to make them the beneficiaries of the services since 1996. However, the impact of these micro finance services on the lives of women in the region is not assessed sufficiently.

For instance, a study conducted by Tsehay and Mengistu on different MFIs including OCSSCo considered those clients who stayed in the program only for 1 and 2 years, and borrowed a maximum of twice. Due to short time of the involvement and small loan size, the data cannot be sufficient to indicate impact of the MF intervention. Another study done by Gebeyehu on OCSSCo activities focused only on its financial sustainability and its self-sufficiency. This again cannot show the impact of OCSSCo services on its clients. Therefore, this study attempts to assess the impacts of the loan provided by OCSSCo on the lives of poor women and their households taking Adea branch as a case.

### **1.3. Research Objectives**

The overall objective of the study is assessing the impact of micro finance (OCSSCo) services on the lives of rural women by taking Adea branch as a case. It intended to achieve the following specific objectives:

1. To examine the change, occurred on the income level of the households and women clients of rural areas due to the intervention of OCSSCo.
2. To investigate the impact of micro finance services on the decision-making capacity of rural women clients at household and community levels.
3. To examine whether the micro finance service provided by OCSSCo improved the health services, children education enrollments, and sanitation status of rural women clients or not.

4. To examine the impact of MFs on clients self-outlook, self-confidences and their consciousness.
5. To examine the implication the micro finance service provisions have on poverty alleviation activities in Oromia region and recommend possible suggestions for future improvements.

The exiting theory suggests that, properly channeled MF service intervention has the capacity to increase the participation of women clients in different socio-economic activities which in turn leads to improved income, empowerment, and livelihood of the clients and their households particularly, women in respect to time of involvements, other non-financial services and loan sizes.

Empirically it is observed that, those women clients participated in MF services are more likely to increase their income level than non-participants. Similarly, women clients participated in MF services are more likely to empower than clients participated for less than a year. By the same spoken, women clients participated in the MF for more than two years are more likely to improve their and their household's livelihood than non-participants.

#### **1.4. Research Questions**

Based on the theoretical bases and empirical generalization drawn above, this study attempts to answer the following four basic questions.

1. What is the status of women client's income in Adea Liban Worked rural areas?
2. What is the decision-making status of women clients in Adea Liban rural areas due to the intervention of OCSSCo?
3. Did the livelihood of women clients in Adea branch rural areas show improvements in terms of children educational enrollments, health services, sanitation status and living house due to the intervention of OCSSCo?
4. Is there any change on women client's self-outlook due to their participation in OCSSCo services?

### **1.5. Scope and Significance of the Study**

Tesfay (2003) shows that micro finance performance is measured using three methods: Outreach, Sustainability, and Impact. However, this study focuses on the impact of micro finance on the welfare of women and their households taking Adea branch as a sample. Beyond its academic benefits, the result of this study would help OCSSCo to take appropriate actions on its weaknesses and exploit properly its strengths to achieve its intended objectives. It may also serve other professional researchers as input for further micro finance impact assessments.

### **1.6. Limitation of the Study**

Since the data collection time was taken place after the third national election, there was some political instability in the area that influenced the researcher and other enumerators' to get some of the selected respondents.

The other limitation of the study is its scope, that is, due to time and financial constraints it could not cover all Oromia zones in which OCSSCo provides its services. Lack of clients recorded assets prior they being a member of OCSSCo was another major constraint. Due to the above-mentioned major problems, the findings of the study may not be sufficient to represent the entire of Oromia. However, it can confidentially represent the area and highly contribute as a source for further impact assessments.

### **1.7. Organization of the thesis**

Including the first chapter already has discussed, this study consists of six chapters. Review of literature is included under chapter Two. Chapter Three and Four comprise the micro finance services in Ethiopia, and the study area, respectively. The Fifth chapter consists of empirical study. Conclusion and recommendations are presented under chapter Six.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. History of Micro finance**

Micro finance evolved in the 1980s as a development approach that intends to benefit the (active) poor largely as response to the failure of targeted subsidized cheap credit programs. In the subsidized credit provision method the targeted groups were not benefited (Wolday, 2001). Therefore, the new approach considers micro finance as an integral part of the financial system, emphasizes sustainable institutions operating on market principles to serve the poor (as opposed to subsidized loans to target populations), and recognizes the importance of both credit and savings services (Ledger wood, 1999). On the other hand, a pilot project lead by professor Yunus in the late 1970s had demonstrated that the poor can be bankable and that high loan cover rate can be achieved under non-collateral lending, leading to the Establishment of the Grameen Bank (P.Yunus cited in Wolday, 2001).

Governments, donors, NGOs, etc. found the new approach to finance, MFIs appealing. This led to efforts to establish Grameen-Bank Institution, resulting in the proliferation of the MFIs (Wolday, 2001). Generally, MFIs focus on the active poor, give emphasis to women, provide group-based lending, and use compulsory savings, joint liability and social sanctions. As Wolday, 2001 shows, Pilot Credit Scheme, initiated in 1990 under the Market Development project was implemented in 1994.

While in Ethiopia, many NGOs had credit schemes for years; NGO programs that emphasize both credit and savings began in the early 1990s (Wolday, 2001). For example, Credit Scheme of Tigray (now Dedebit Credit and Savings Institution, DECSI) was launched in 1993; Sidama Saving and Credit scheme (now Sidama Micro finance Institution) was established in 1994; Oromia Credit and Saving Scheme (now Oromia Credit and Saving Share Company.) Established in 1996. Currently, there are 24 MFIs registered and operating in accordance with Proclamation No. 40/1996(Wolday, 2005).

## **2.2. Micro finance and Development**

The great challenge that the policy makers and leaders of LDCs face is how to eradicate poverty and ensure food security. Among the possibilities of poverty alleviation strategies, micro finance service is globally accepted and used as a tool to reduce or alleviate poverty and ensures food sufficiency and food security. The term micro finance can be expressed in terms of small-scale financial services primarily, credit, insurance, skill training, family planning, savings and other services provided to people who operate small enterprise etc. to other individuals or groups at local level of developing countries of both rural and urban areas (Robinson, 2001).

Financial services are the major policy instruments that significantly help the poor people to alleviate poverty. Gebeyehu (2002:187-217) and Lidgerwood (1999) show that MFIs are integral part of financial system in which community are mobilized to engage in productive activities so as to generate incomes, create employment opportunities, stimulate the economy of a well defined area and thereby improve their livelihood situations. Thus, MFIs services include both financial and social intermediation. Currently, the number of MFIs globally established to be over, 000 and about 400-600 million dollar funds are provided for these institutions per year (The economist, 1999 cited in Park and Ran, 2000). Currently the number can exceed the mentioned ones.

The socio-economic situations of developed and developing countries show that there is a great disparity in living standards among the people of these countries. Women and children of LDCs are highly affected by these disparities. Data obtained from different documents show that about one billion people in the world today live in households with per capita income of less than one dollar per day (Morduch, 1998; Popoola, 1999; Dawson and Jeans, 1997). About 17 per cent of the absolute poor live in Sub-Saharan Africa (Morduch, 1998; Popoola, 1999; Dawson and Jeans, 1997). Thus, poverty alleviation is a critical concern for LDCs for the last two decades. However, the struggle of poverty alleviation still could not be achieved by the government assistance and aid alone.

Poverty is a chronic challenge and obstacle of developments in LDCs. In rural areas, poor women are the one that highly affected by lack of malnutrition, health services, education, and financial

opportunities and exposed to different harmful cultural practices. Therefore, rural development involves the transformation of economic, social and cultural conditions of the rural population that enables them to participate effectively in the whole development activities (Gebrehiwot, 1989).

A new breaking through came in to existence when effort to fight poverty was started to enable poor people to create their own jobs and generate revenue through provision of finance. MF services are recognized as a means through which poverty and exclusion could be alleviated more effectively (Wolday, 2003, and Yaron, 1997).

Ranchman (1998), Webster and Fidler (1996), and Khandker (1998) mentioned that many LDCs alleviated poverty and ensured equity and economic growth through targeting MF programs. MF products that targeted the poor can play an important role to promote an equitable income distribution, make services accessible to the poor, activate competition and enhance productivity and technical change (Ranchman, 1998). That is, properly channeled and implemented MF services have a positive effect on the poor in improving their life situations and enhancing the whole development process.

MF services have the capability to enhance and stimulate development. Effective credit provision motivates the poor to participate in the process of development. The following idea is more strengthening this assumption:

*“...since 1960s small farmers and the rural poor have increasingly become the chief targets of credit interventions. There are many reasons for such emerging ideas about the efficiency of small farmers, their output potential with new technology, and their lack of cash at critical periods, lack of collateral for loans, and the exploitation or monopolistic behavior of moneylenders. Moreover, since the early 1970s a strong equity dimension has emerged in the aims of credit scheme and small farm projects” (Ellis1992 cited in Tesfay, 2003).*

Tesfay (2003) discusses that properly channeled MF schemes provide the poor households with an opportunity to increase income, employment opportunity, smooth consumption, ensure resources ownership such as livestock, get self-employment in the informal sector, improve nutrition and health conditions, improve the potential for educating children, and use new technologies and inputs of agriculture.

Micro-credit summit of 1997 delegate sets the ambitious goal of reaching 100 million of the world's poorest families, especially the women of these families with credit for self-employment and other business activities by the year 2005 (Tsehay and Mengistu, 2002: 33). Basically, the micro credit campaign has the following themes: reaching the poorest, reaching and empowering the women, building financially sustainable and self-sufficient, ensuring positive and measurable impact on the lives of clients under their families.

### **2.3. Women and Development**

In LDCs, particularly in the rural areas, women play a determinant socio-economic roles including family management. However, they benefit less from their income, and invest more for their household's consumption such as food supply, health, children's education, clothing the family etc. The significant role of women played in the household is stated as:

*“... With economic erosion of men's earning capacity as a result of decreased size of land holdings, population pressures and economic down turns, there is an increased dependency on the economic activities of rural women” (Fong and pretty, 1991).*

Therefore, if women properly supported by some income generating activities, they would improve the level of the life of their households. Women's economic roles in general and that of the rural poor in particular are under reported, unacknowledged and undervalued due to some socio-cultural barriers and the less social position they have in the society. Recognizing women's effort, ensuring their participation in development project planning, improving their resource utilization and controlling are considered as basic elements for ensuring women development.

## **2.4. Women and Poverty**

Poverty can be thought in terms of people's asset (human capital, natural, physical, financial and information), the returns of these assets, and the volatility of returns or income to understand the determinants of poverty in all its dimensions (Wolday, 2003:7). Households and substantial human capital and relatively those who have better access to roads and town have both lower poverty levels and more likely to move to get better off over time (Dercon and krishan, 1998). These authors further discuss that those households with better physical endowments in terms of land and oxen had lower poverty levels and saw larger poverty declines. Therefore, if financial services are provided for the poor, it can increase their access to asset ownership, income, and enables the poor to come out of poverty and live better life than those who do not get such opportunities.

Women participated in all economic and social activities but extremely discriminated in using the results of their effort. In rural areas, they engage in agricultural works more than their counter part males. However, they do not have the right to own the land and this hinders their access to credit facilities because of the importance of land as collateral. Most rural women in general and the poor ones in particular face great problems in performing most domestic labor intensive and time consuming activities such as grinding grain, food processing, water and fuel wood collecting etc. (Tasew, 2004: 12).

## **2.5. Saving Mobilizations and Micro finance**

Saving is one of the components of MFIs services that are provided for borrowers and non-borrower people. Some evidences, for instance, Getahun (2002:29-30) expressed by referring the study of Bass and Henderson (2000) that savings mobilizations for the poor people are minimizing risk and maximizing safety and benefits, creating emergency fund which will be used to smooth difficult periods, and giving ready access to cash.

*"Most people want to save most of the time, while they do not want to borrow all the time. Many people may not want to borrow at all because they feel that saving before undertaking major expenditure is less risky or for moral or religious reasons" (Hartmut, S.1997: 24).*

Savings can be categorized according to their purpose and type. Zaid Negash and SL Narayana (2001) and Wolday (2003) identify the types of savings mobilizations as follows: center savings, compulsory group savings, individual voluntary savings and institutional voluntary savings. Gurgand, Pederson and Yaron and Others (1996) argue that both voluntary and mandatory savings play a significant role in rural financial institutions in granting access to credit. The regular repayments on loans required by large non-governmental MFIs in Bangladesh provide that the poor people can save in cash (Rutherford, 1995).

Savings mobilizations have important benefits for the clients and the MFIs. Some of the advantages of savings mobilizations are: help clients to smooth consumption patterns, enable clients to build reputations and collateral with rural institutions, enhance client's perception of "owing" a rural financial institution and potentially increasing their commitment to repayment loans (Yaron, 1997:114).

Socio-economic and cultural circumstances of the target clients determine the saving conditions. Study conducted in Bangladesh of the Grameen Bank shows that the promotion of rural initiatives and development enterprises and numerous cooperatives require mandatory savings by client members who want to gain access to loans (Yaron, 1997:116).

## **2.6. Methods of Credit Provision**

Different methodologies (approaches) were employed to provide credit for the poor: Traditional (subsidized) credit provision approach and new (market-oriented) credit provision approach. Yaron (1997:20-28) discussed that making credit available to the poor was considered as an essential instrument to alleviate poverty during the 1950s and 1960s. World Bank (1975) also shows that the credits that were provided for the rural poor by governments, donors and multilateral agencies through financial institutions were at subsidized interest rates.

Tsehay and Mengistu (2002), and Johanson (1997:5) indicate that the subsidized credit method employed could not succeed for the last three decades (1950s to 1980s). To improve the

effectiveness of MF services, new methodologies such as group lending that use social collateral as a security has established and benefited the micro finance institutions and their poor clients (win-win solution).

The new perspectives (market oriented) approach mainly has two goals: expanding rural incomes, and reducing rural poverty. Efficient and complete markets play a significant role in ensuring and expanding rural incomes. Market is complete and efficient when it is not possible to make some one better off without making some one else worse off (Beslay, 1994). This methodology uses group-lending method to provide credit to the poor and minimizes repayment risks.

Getaneh in Gebreniwot (2002:193) shows that group-lending methodology uses to screen out the borrowers with no collateral, limited literacy, weak technical knowledge and narrow prior money management experience. Other Scholar discussed by referring the experience of Grameen Bank that:

*"... women who really disorganized, and who cannot manage their households, those who are considered foolish, women who are "Belligerent" and cannot get along with others, women with many small children, with husbands who are "lazy" and gamble and waste money or "bad" are generally considered as "high risk". If high-risk poor women to loan are provided with membership they dropout and would have negative influence on others" (Hashemi, 1997:115).*

Group lending mechanisms are used in the communities that have strong cohesiveness, where group members get information about each other easily, and where individuals do not have collateral. This method of lending has different advantages: larger clients are served by fixed investment (economic of scale), multiple services can be provided through group (economic of scope), less information asymmetry through group knowledge of potential borrower and savers, reduce moral hazard risks through group monitoring and peer pressure, and improves loan collection (Yaron, 1997).

Asset ownership is the major factor to be selected in the group. Those individuals who have no land or, at least have an ox were rejected from the program (Yaron, 1997:50). In addition, there are other factors that can contribute for the exclusion of the poor from the services. Among these factors, organizational structures, functional procedures, policy formulation, role of field staff, socio-economic status of the poor (technical skill problems, weak asset base etc.), insufficient infrastructure facilities, and other socio-economic factors (state of mentality, relation with others) etc. are the major ones (Itana in Gebrehiwot, 2002:6-8).

The advantage of group based credit system is that it solves the problems of screening, enhance incentive and enforcement by incorporating joint liability, reduces the cost and risks of making loans to the poor, uses social collateral to promote saving and ensures sustainability (Jain, 1996, Otero; and Rhyme, 1994, and Hulme and Mosley, 1996). Beslay and Coate (1995) also discuss that group lending is an important instrument for repayment, creating social collateral that works against loan default.

Social collateral improves regularly repayments, and sustainability of micro finance service programs. As Jain (1996) indicates, the Grameen Bank high debt rate was recovered due to regularly compulsory attendance for debt repayment and collection of savings. Regularly meeting reinforces a culture of discipline, routine payment, and staff accountability.

Group lending methodology excludes others due to local knowledge about others' asset; capabilities and character traits are used to sort out and self-selected (Ana Mar, 1993:3). This increases the likelihood that the poorer and more vulnerable groups to be excluded, since a partially formed peer groups looking for a reliable members with whom to share risk is more likely reject candidates they consider most risk, namely the very poor (Yaron, 1997).

## **2.7. Micro finance and its Impacts on women empowerments**

Empowerment is primarily related to women who comprise large number of clients in many MFIs. Currently, over 23% of OCSSCo clients are women, struggling to sustain their family's livelihood. MF can be considered as an instrument that enables the poor to work to get out of poverty particularly by supporting their economic participation. A basic premise is that economic

participation is a foundation for other dimensions of empowerment. Its impacts can be observed through its ability to bring some changes on its clients. MF can ply its role in terms of empowering individuals with respect to increasing control over resources, increasing savings, self-esteem, orientation towards the future, etc. in the region much to be desired.

Household income alone fails to describe the activity of women's relative deprivation. Because a higher proportion of female-headed households are situated in the poorest areas, which have little or no access to government-sponsored services such as piped water, sanitation and health care; their members are more likely to fall ill and less likely to receive medical attention (Mayoux, 2005:10).

Mayoux (2005:12) and Tesfay (2003:23) discuss that as empowerment as a development strategy approach for women empowerment involves two levels: Intrinsic and extrinsic. As the name implies, intrinsic level empowerment involves changes from within, such as self-confidence, consciousness, and motivation. On the contrary, extrinsic level empowerment involves the gaining of greater access to and resource control (Tefay, 2003:23-24). This approach recognizes women's triple roles (as wife, mother, as well as business women) and finds the way to meet strategic gender needs through bottom-up participation on resources and development issues that concern the life of women.

Rural women in particular gear credit and saving programs towards the promotion off-farm activities. This program is assumed that rural women are conversant with non-farm income generating activities have sufficient. Mayoux (2005) further discusses that there are four basic views on the link between micro finance and women's empowerments:

1. there are those who stress the positive evidence and are essentially optimistic about the possibility of sustainable MF programs world wide empowering women;
2. another school of thought recognizes the limitations to empowerment but explains those with poor program design;
3. others recognize the limitations of MF for promoting empowerment, but see it as ingredient as important in themselves within strategy to alleviate poverty; empowerment in this view needs to be addressed by other means;

4. there are those who see MF program as a waste of resource.

Micro finance program has a power to empower women through increasing their economic role in their households. In this regard, Sinha (1998) and Mayoux (1995) discuss that MF program helps the poor women to establish their identity outside of their family and giving them experience, strengthens their economic role, and encourages them to contribute to family income. Theoretically, it is accepted that properly channeled micro finance services have a positive relationship with the empowerment of disadvantaged groups of a society. Similarly, MF services have positive impact on other aspects such as increased participation in income generating activities and create awareness about their economic and social problems (Tesfay, 2003).

Women income has a positive relationship with their empowerment. As the study conducted in Nepal shows, women's involvement in economic spheres outside of the household has an influence in household resource allocation and expenditure decisions (Nelly et al, 1996:19). Berhanu in Gebrehiwot (2002) also shows that women's empowerment, their self-esteem, their self-confidence, and their status within the households are closely related to increase in their income or their business ownership. Micro finance service has great potential in improving women's well being by improving their bargaining position within the households (Tesfay, 2003).

Participation in micro finance program enables women to decide to send their children to school. The implication of a direct positive result of credit to the women ensures their empowerment in the household decision-making. This is because without empowerment signing for a loan alone cannot be considered as a benefit.

## **2.8. The Debate on Micro finance**

Historically MFIs emphasized up on three fundamental issues: Outreach, Targeted and Sustainability. In the 1970s, the emphasis was on the aspects of outreach, which is expressed in terms of disbursements. Both donors and government officials were interested on the old approach (disbursement), and they considered the number of loan disbursed for medium and small farmers as an indicator of social and economic development (Asmalesh, 2003). The

purpose of credit services is to get political support from the social groups of those who became credit worthy (Feinstien, 2000 cited in Asmelesh, 2003).

The experiences of most MFIs show that the objective of reaching a large number of clients (outreach) was attained. However, the result of the study could not show who benefit from this outreach. In this process, women were the focus in many countries and programs (Asmelesh, 2003:25). Yet, many of them do not get enough power in the households to use the loan they are provided for productive purposes that can improve their welfare (Goetz and Gupta, 1996 cited in Asmelesh, 2003:26). On the contrary, in the years 1990s the emphasis was shifted to sustainability.

The other assumptions are considering high loan recovery of participants as a high benefit from the micro finance services. However, loan recovery alone cannot be used as determinant of the programs, since it relies on social, peer and other forms of pressure to maintain high loan recovery (Khandker, 1998, and Zeller and Sharma, 1998). Loans are considered as beneficiaries if they are used for self-employment and self-sustain and enable borrowers to generate their income to support their livelihood and at the same time enable them to repay on time. The effectiveness of micro finance service is debatable whether it contributed for poverty alleviation or not. Popoola (1999) reports that micro finance services have the following potential as poverty eradication instrument:

1. due to group collateral system most poor people are credit worthy,
2. they are achieving micro finance sustainability,
3. they have a high capacity to grow and serve large number of very poor people,
4. have a high level of replicable,
5. have the capacity to help borrowers and support their struggle out of poverty, and,
6. Stimulate savings and accumulation of assets among the poor.

In contrary to the above idea, Navajas, Shreiner, Meyer and Gonzalez (2000) argue that micro credit services are not always the best way to help the poorest, since it depends on aid budget, and it is used at the expense of other projects that may help the poor more. Some times since its

repayment rates are higher it may be painful to the clients making them to pay from other sources such as their limited assets (Tesfay, 2003:39).

Case studies for instance, Rahman, R. (2000) shows that borrowers have been succeeded in the initial time but failed in the long run in terms of asset ownership; level of income, and the repayment of the credit are being made from other sources. By strengthening this idea, Husani and Mattin (1993) indicate that 69 percent of dropped outs are resulted from inability to installments due to less in income generating activities.

It is clearly mentioned in different documents, for instance, in Association of Ethiopian Micro finance Institution (AEMFI) that the central theme of most MFIs is to contribute in the activities of poverty alleviation (Gebrehiwot, 2002). MF services also have the power to enable the poor to have access and control the resources, enable them to get opportunities to teach their children, help them to get skill trainings and manage their economic activities, and increase their access to health and nutrition services.

However, there are other ideas that categorize the possible outcomes of MF services in to different levels. The possible outcomes of the micro finance services could be perceived in three ways, that is, it either enhances poverty or maintains or reduces it (Itana and Bekele in Gebrehiwot, 2002). According to the first argument, the borrower's livelihood can be worsen after they are provided the loan due to their incapability to generate adequate incomes for meeting their loan repayment obligations and their household's subsistence needs that leads them to sell their existing assets and impoverishes the lives of their households (Itana and Bekele in Gebrehiwot, 2002:10).

The second argument discusses that micro finance services may have an outcome of maintaining poverty. These types of borrowers are characterized by the fact that, they can repay their loans, they are able to meet their households daily subsistence but they can not make any savings from the loan they are provided, that is, the livelihood of such clients remain the same as before (Itana and Bekele in Gebrehiwot, 2002:11).

The third possible outcome of micro finance service is improves the livelihood of the borrowers because of reduced poverty. In this category the impact of the credit can be seen in terms of the generated income, ability to meet their repayment obligations, increased business activities, improved living conditions. Some of the improvement indicators of the living standards are better health and education for the households, clothing their children and provide other basic necessities, enhancing the productive human and physical capital, and improved food pattern and housing (Itana and Bekele cited in Gebrehiwot, 2002, and Wolday, 2003).

However, practices show that MF services can play multiple roles in improving the well being of the poor people. For instance, Wolday (2003:36-37) discusses that MF services can empowering the poor, and provides them confidence and self-esteem, taken as financial means to increase income and access to social services. It is also assumed that the impact of micro finance services can be reflected in four levels: at household, individual, community and the enterprise levels (Itana, 2002:12, and Tsehay and Mengistu, 2002). At the household level micro finance leads to increased income, increased assets, and improved welfare in terms of food security, housing and health. Participation in micro finance at individual level is expected to lead to increased control over resources on the part of women clients, reduce impact on child labor, and self-esteem of women (Wolday, 2003; and Tsehay and Mengistu, 2002:7-8).

Impact at community levels can be manifested in employment opportunities it creates and additional income, forward and backward linkages, social networks and civic participation (Tsehay and Mengistu, 2002:8). At enterprise, level impact is measured by changes in enterprises income, employment, asset and volume of production (Tsehay and Mengistu, 2002:9).

Berhanu in Gebrehiwot (2002:150) and Tsehay and Mengistu (2002) show other country's experiences that, women use profits of micro enterprise activities for consumption goods, health, and educating of their families. Berhanu in Gebrehiwot (2002) further discusses that 67 percent of women who participated in micro finance activities in Bangladesh invest their earnings in their families, where as less than 2 per cent spent only invest on them.

The rural poor are varying in their socio-economic backgrounds; therefore, their live condition can be improved if they employ diversified services. Therefore, the micro finance (loan) can be effective if other non-financial services and rural infrastructure are provided (Yaron, 1997:114-115). Berhanu in Gebrehiwot (2002:149) suggests that the provision of micro credit to the poor households would increase their assets and incomes.

Women who participate in micro finance programs seem to gain social benefits such as higher aspiration of their children's education and culture, usage of more reliable sources of drinking water, inclination to use latrine and contraceptive, and further invest their loan funds in improving the welfare of their families Berhanu in Gebrehiwot (2002:149). The social benefits that the poor women can gain due to the effectiveness of micro credit are: feel less marginalized, have higher aspiration for their children's education, future use of pure drinking water, and are less likely to marry at early age etc. (Webster and Fidler, 1996).

The investment of micro-credit on low income or poor women would increase the productive assets and income. In this regard, International Coalition on Women and Credit (ICWC) stated that:

*“With economic improvement, the poor particularly women, have an opportunity to develop self-confidence, and improve their families health, education and nutrition. With financial services, the poor can save, build assets and income, and expand their enterprises, thus transforming their own lives as well as their families, communities and economies” (ICWC, 1995:1).*

## **2.9. Previous Researches on Micro finance**

A study conducted in 12 African countries shows that those cultural and legal restrictions on women can marginalize their activities particularly in attending education, gaining skill, controlling assets that can improve women's income generating activities (Webster and Fidler, 1996). Even if the socio-cultural factors affect the activities of poor women, some experiences, for instance, that client's of Grameen Bank who have relatively low level of education and skill enabled women to generate income (both from farm and non-farm activities) than those who do not have (Lutfun and Osmani, 1998).

The expectation of micro finance program is not only material benefits but also has non-material benefits. The improvements of client's consciousness that may have power to empower them, assist in improving the quality of life of human beings through promotion of human capital investment in child care and education, nutrition, and ensuring food security, increase their status and autonomy (Mayoux, 1995). Other study conducted on the clients of Grameen Bank shows that 21 per cent of Grameen Bank borrowers managed to lift their families from poverty within 4.2 years and 5 per cent of the households are crossing the poverty line per year (Khandker, 1998).

Grameen Bank of Bangladesh is the first financial institution formed during 1983 and considered as highly publicized, successful MFI that is taken as a model for many similar institutions throughout the world including the United States (Hussanii and Kabeer, 1998). All MFIs that have similar objectives as that of Grameen Bank targeted active poor, particularly women on the bases of growing social collateral and compulsory savings.

Besides, micro finance services encourage savings and capital accumulation of clients. Studies conducted in Bangladesh also identified that micro finance services brought a positive impact on savings and capital accumulation and resulted in higher investment for long term borrowers than newer one to the extent that 260 per cent as compared to non-clients (Tesfay, 2003:48). In Grameen Bank, micro finance services have also resulted in increasing member's involvements in income generating activities compared to that of the control groups (Hussani and Kabeer, 1998).

The credit program of Grameen Bank and Similar credit programs in Bangladesh also have positive impact on household expenditures, asset accumulation, self-employment, children's schooling, food consumption and contraceptive uses (Nelly et al, 1996:24). Impact on women's relative well being also indicates that, the situations of poor women who participated in activities of financial services are better than those women that do not participate (Osmani, 1998: 37 and Wolday, 2003). Some study, for instance, Dercon (2000 cited in Wolday, 2003) reveals that those households who involved in MF services show a sign of smooth consumption, poverty reduction, and improvements in primary education, health condition and coming out of poverty.

## **CHAPTER THREE**

### **MICRO FINANCE IN ETHIOPIA**

In Ethiopia, the poor enjoy low income, which leads to low investment and this in turn leads to low productivity and low income. They have limited access to formal credit. Hence, most of them tend to have the informal sectors, local moneylenders and friends, Iddir, Iqub, relatives etc. Therefore, the need of micro credit services in Ethiopia is wide.

#### **3.1. Major Activities of Financial Services in Ethiopia**

The major sources of loan in Ethiopia are: Commercial banks, MFIs, Cooperatives (saving and credit cooperatives, and multi-purpose cooperatives), NGOs involved in the delivery of financial services, semi- formal institutions (Iqub, Iddir, Mehber etc), and informal institutions Wolday (2002:2).

The Commercial Bank of Ethiopia (CBE) has 170 branches while the Development Bank of Ethiopia (DBE) has only 32 branches (Wolday, 2002:3). The private banks consist of 89 branches as of March 31, 2001. The other tragedy regarding commercial banks is their concentration in big cities particularly in Addis Ababa. According to Mulat et al. (1998), only 21% of the weredas (district) in the country have bank branches. Due to their collateral requirements, the above-mentioned banks do not provide financial services to the poor. Formal banks do not have an interest to provide credit for the poor for different reasons.

Scholars for instance, Braverman and Guasch (1993); Webster and Fidler (1996); and Mulat (1999) identified the following reasons why formal banks do not provide credit to the rural poor. These are physical remoteness of borrowers, lack of collateral, small size of the transaction, high cost of intermediation due to geographically dispersed beneficiaries, poor transport, inconvenient repayment time (once a year), and lack of information. So, the gap between demand and supply of micro finance services in rural areas is wide. Wolday (2002:3) shows that since commercial banks are profit oriented, they are attracted only for the loan size more than 100,000 Birr.

Therefore, other innovative mechanisms, which have able to attract the poor in general, and those of the rural areas in particular are needed.

The informal lenders (traders, moneylenders, and friends) are able to provide loan for a person they assume that he/she can repay the loan. Their problem is that their interest rates are high. Wolday (2002:3) also reveals that semi-formal lending institutions such as Iqub and Iddir are the dominant and sustainable traditional institutions, which meet the financial and social needs of the poor. Different documents reveal that semi-formal and informal finance accounts for 78% of the agricultural credit (Dejene cited in Wolday, 2002:4). According to Dejene and Kibre (1995), friends' share 66%; moneylenders 15% and others share 19% of the major sources of household incomes.

Data found from regional cooperative bureau of Ethiopia shows that there are 7366 credit associations that serve 3,684,112 members with a capital of 515.71 million Birr (Zerhun, 2001). These cooperatives provide services such as input supply, credit, grant and coffee marketing, supply consumer goods, saving, flour mill services, water pump etc. to its members (Ibid). Wolday (2002:5) further shows that there are 716,938 members and 174,577,503 birr of savings. Even if the cooperatives and the beneficiaries are increasing from time to time, the rural areas were entirely excluded. There are 98% of members of saving and credit cooperatives who were employees and urban-based (Wolday, 2002:6). Out of the registered members of savings and credit co-operatives in the country, 53% were located in Addis Ababa (Wolday, 2002:6).

Micro finance industries are mainly originated to provide credit and saving services to the poor. A study conducted by Tesfay (2003:48) and others reveal that micro finance services were emerged following the failed of subsidized credit programs during the second half of twentieth century (1980s) as a new development paradigm (approach). The major aim of the establishment of the MFIs was to benefit the poor.

Since mid-1980s, many NGOs in Ethiopia have started providing micro credit to the poor households for the purposes of income generating activities (Berhanu, cited in Gebrehiwot 2002:145). Besides, Itana in Gebrehiwot (2002: 2) shows that NGOs became active in providing micro finance services to the poor since 1984/85 following the great drought.

As Wolday (2002:6) reveals, an urban-based pilot micro-credit scheme started in 1990 through an agreement reached between Government and International Development Association (IDA). Documents also show that rural and urban micro credit activities in Ethiopia have been initiated and supported by NGOs, both local and international as part of the humanitarian objectives. Wolday (2002:6) further indicates that NGOs had positive impact on developing flexible methodologies, which fit the needs of beneficiaries and tested innovative ideas in their program. Since these NGOs mixed the social and financial objectives, the majority of them terminated the delivery of financial services following the issuance of the micro finance law (proclamation 40/1996) and directives.

The main theme of proclamation 40/96 is to integrate the fragmented and unsustainable way of financial services and provide legal frameworks. The credit provision mechanism that is practiced by all MFIs is group collateral. Groups select and organize each other from the basis of their knowledge of the likelihood that those individuals who pay the loan on time and savings installments. The problem is that, such practices exclude the poor from the services.

Group lending has some negative consequences on selecting the poor. For instance, the experience of Ethio-Italian cooperation project in Arsi-Bale zones of Oromia (2001) shows that self-selected groups for peer monitoring have not been inclusive of the poorest people (Itana in Gebrehiwot, 2002:5). Itana (2002) further suggests that MFIs, where women are directly targeted, shows a tendency by men to use women as masks for getting credits.

There are two major types of development products practiced in all Ethiopian MFIs; namely loan products and saving products. Loan products again categorized into two major products: Agricultural loan products and micro-business loan products (Wolday, 2003). Agricultural loan products are usually term loans and provided to buy agricultural inputs, livestock, beekeeping etc. These types of loans are usually paid in the interval of 3 to 12 months based on the types of activities.

Micro finance institutions use center savings for development purposes where as compulsory savings as an instrument to screen potential defaulters, ensure individual's financial security and increase funds availability for lending (Wolday, 2003:27-30). Compulsory saving cannot be withdrawn any time the clients need. This type of saving also uses for teaching the culture of savings for clients and refundable during clients dropouts or retire (Wolday, 2003:27-30).

In terms of savers, there are two types of savings: client and non-client savings (Wolday, 2001). Voluntary savings encourage the poor to save more and serves as a source of short-term liquidity, which gives clients an increased sense of security and, increase the confidence to risk of investment in higher return venture (Wolday, 2003:30). Studies reveal that 68 % of micro and small enterprises use personal savings as the main source to start a new business (Fasika and Daniel cited in Seifu, 2002). The other loan types that are practiced in Ethiopia are micro business loans. These types of loans are usually used for running petty trading, handcraft works and services which is repaid weekly, bi-weekly or monthly on regular bases (Wolday, 2002:27).

The government of Ethiopia has laid down the legal framework under which the MFIs can serve the poor households. Currently, there are 24 micro finance institutions that operate in Ethiopia (AEMFI, 2005). These institutions have a network of about 500 branches that spread over the country mainly, operate in the regions Oromia, Tigray, Amhara and Southern Nations and Nationalities and Peoples Region where the incidence of poverty is the highest (Itana in Gebrehiwot, 2002:3).

The major objectives of micro finance institutions in Ethiopia are its uses as policy instruments to enable rural and urban poor to increase the output and productivity, induce technology adoption, improve input supply, increase income, reduce poverty and attain food security (Wolday 2001). The number of clients of MFIs is increased from time to time. Accordingly, Wolday (2005:10) shows that at the end of Dec. 2005, there are 1,211,305 active clients in Ethiopia of which 78 % active clients are found in the rural areas with a total outstanding loan of birr 993,978,863 with a total of birr 500,544,795 mobilized savings. The question that should be raised is that, does the poor really involved in the micro finance services in Ethiopia?

The credit provision mechanisms in Ethiopia is the same among all MFIs, that is, all micro finance services are supply driven (not market oriented), focused on repayment and client outreach, follow the same regulatory framework which fixes the loan ceiling at 5,000 Birr, loan term at 12 months and lending methodology as group guarantee (collateral), interest rate a minimum of 12% (Wolday, 2003:26). Evidences show that micro finance services in Ethiopia show positive impact on the lives of their clients. Some of the evidences will be presented as follows:

### **3.2. Impacts of MFIs on Ethiopian Women**

Studies conducted in Ethiopia by different researchers' show almost similar effects of micro finance services on the poor. For instance, the study conducted in Debreberhane on 65 beneficiaries of MF schemes and came with the result that, loan recovery was 93 %, while 49 % of them were experienced an increased an income level, 32 % show no change, and 19 % are declined in income (Solomon, 1996).

Meehan (2001) revealed that over all credit provision for DeCSI had brought a significant impact on increasing agricultural production assets such as oxen, and increasing the amount of land farmed by clients who were able to receive land previously rented out and farm it themselves, and clients who were able to get more land through rent.

Tsehay and Mengistu (2002:36-40) discuss that those rural and urban borrowers who took repeated loans by their name benefited their families than themselves. These authors further argue that, the women borrowers are socially empowered since they felt much greats of self-esteem and satisfaction because they can run their own income generating micro enterprises for the welfare of their families. In addition to this, children in female-headed households are less likely to be enrolled in school and more likely to be working in order to provide additional income.

The result of the study conducted on the clients of four MFIs (MCS, AdCSI, OCSSCo, and BGSC) in Ethiopia show that there are a minimum of 57.1% of rural clients and 94% of urban clients that sent their children to school after they are participated in the program (Tsehay and

Mengistu, 2002:37). Large proportion of rural borrowers (85%), and 73.8% of urban borrowers have enjoyed increase in personal income due to their participation in the program (Tsehay and Mengistu, 2002:38). There are a maximum of 62.9% of clients in urban areas and 84.1% in rural areas enjoyed improvements in household income (Tsehay and Mengistu, 2002:39). In this study rural borrowers show more significant increase in households' income than urban borrowers.

A study conducted in Addis Ababa Kirkos sub-city by Misrak (2005) reveals that 73% of the poor women started saving after being the beneficiaries of credit and saving services. Out of 61 sample respondents there are 71% created their income generating activities due to the impact of MF they are involved in (Misrak, 2005). Regarding women's medical facilities, 57 (66%) reported that their health facilities are improved where as 70% of them cover their medical expenses from the income (Misrak, 2005). Misrak further shows that 83% and 73% of the beneficiary's children education enrollment and their educational facilities are improved respectively.

The credit provided in Ethiopia enabled 60% of urban clients and 18.3% of rural clients to repair or improve their houses (Tsehay and Mengistu, 2002). Participation in the program has improved personal savings of the clients. Accordingly, 64.4% of new borrowers and 85.2% of frequent borrowers have cash savings for emergency or major purchase (Tsehay and Mengistu, 2002:8). The result of the same study indicates that the decision-making status of clients have improved after loan. Accordingly, 46.4% of rural frequent borrowers are improved in making decisions as compared to urban clients of which are 39.3% (Tsehay and Mengistu, 2002:10). This is a clear indication that the credit they are provided enabled the households to get disposable income that could be spent and brings better facilities that could improve the living standards of those households that engaged in the program.

## **CHAPTER FOUR**

### **THE STUDY AREA**

#### **4.1. Profile of Oromia Region**

In this chapter a brief discussion of Oromia Regional State in general and Adea Liban Worked socio economic situations in particular will be presented. In addition to this OCSSCo profile will be discussed.

Oromia is one of the Regional states of the country that comprises large land area and population number. Data from Oromia Regional Bureau of Finance and Economic Development (ORBFED, 2005) shows that the Region consists of 333,690 km<sup>2</sup> and 26.5 million, land area and population respectively. Out of its population, 50.1 per cent are women while the remaining 49.9 percent are males (ORBFED, 2005:3). The urban population is about 12.5 per cent while that of rural is 88.5 per cent (ORBFED, 2005:5). This fact shows that most of the populations of the region live in rural areas where the infrastructure, health services, access to education, financial services etc. are inadequate and poverty is deep-rooted.

Poverty is a critical problem in Ethiopia in general and in Oromia Region in particular. The data from the Region shows that 45.5 % and 44.2 % of the Ethiopian population live below absolute poverty during the years 1995/96 and 1999/2000, respectively (ORBFED, 2005:9). Tasew and Walter (2004) also reported that 48 per cent of rural and 33 per cent of the urban population of Ethiopia were living below absolute poverty line during the years 1995/96 and 1999/2000, respectively. Similarly, in Oromia, 34.7 per cent of the populations in the year 1995/96 and 39.9 per cent in 1999/2000 were living below absolute poverty line.

The economic background of the Region is mainly based on subsistence agriculture. Lack of education, pure water, sanitation, health services, employment opportunities and severe drought at arid areas are the major problems that are affecting the people of the region in general and that of poor women in particular (ORBFED, 2004).

The major economic, social and political problems the Oromia women face are: poor information system, shortage and lack of exposure to different income generating activities, lack of access to agricultural inputs and credit services, low level of agricultural productivity due to backward farming system, limited knowledge and skill to produce diversified and market-oriented agricultural products (ORBFED, 2004).

The major social problems these rural women face are low enrollment in all educational levels, limited access to health services, high level of illiteracy rate that limits their participation in all development activities, household burdens such as child rearing, fire-wood collecting, water fetching, food preparing, and exposed to harmful traditions such as early marriage, female genital mutilation, higher HIV/AIDS infections, and societal negative attitudes toward them etc (ORBFED, 2004:35).

Limited opportunities to participate in different social decision making activities and lack of power and right to control their household resources due to lack of education, cultural barriers are their some socio-economic problems etc. Different people express the living situation of women at different time differently. For instance, Fong and pretty states that,

*“Women are more affected by poverty than men. They are engaged in hard and laborious work and taking less quantity of food with low nutritional value. School enrolment is low and as a result, women do have limited skills. They are less empowered to make decisions and own resources” (Fong and Pretty 1991).*

All these and other deep rooted and interrelated socio-economic problems of the Region call for the cooperation of all concerned bodies to play their respective roles in poverty alleviated activities. In contrast to the naturally benefited resources, the population of the Region is highly affected by poverty, malnutrition, and lack of health services and opportunities to participate in income generating activities. For this reason, interventions are very important to pull out these poor people from poverty.

## **4.2. Some Basic Facts of OCSSCo**

Oromia Credit and Saving Share Company (OCSSCo) was established in 1997 as a share company by the issuance of proclamation No. 40 /96. Before that, it was cooperated with some NGOs for a year. It operates both in rural and urban areas, and owned by the Oromia Regional Government. The general manager and other Regional officials at Addis Ababa (Finfinne) manage the day-to-day activities (operations) of the company.

The data from this Institution also shows that the total loan disbursed as of June 30, 2005 is Birr 134,248,827 and the repayment rate accounts 99.2 per cent. During the same time the total savings deposited balance is Birr 28, 534,796 (OCSSCo, 2005). OCSSCo operates in 92 branches with a total staff of 647 members. The branches act as a mobile banking because the staff often travels to the clients in rural keels to collect compulsory savings, repayment, and prepare and send detailed financial reports to sub-regions and to the head office (OCSSCo, 2005).

OCSSCo provides its services mostly for rural areas of the region. Data from this MFI also shows that 99 per cent of the services are provided in rural areas while the remaining one per cent is provided in the urban areas. The major objective of OCSSCo is to alleviate poverty through credit provision schemes (OCSSCo, 2004). It aspires to see the eradication of poverty by contributing in the transformation of the rural poor into a prosperous industrial society and eventually transforms itself to a model development bank and became middle financial institution in the world (OCSSCo, 2004). It delivers different services to its clients and non-clients such as credit, savings and insurance services.

Evidences from this micro finance institution also show that it provides its services for targeted poor in order to achieve its poverty alleviation objective. Hence, it provides the loan only for productive purposes. Some of the purposes for which it renders its services are agricultural (livestock fattening, dairy farming and crop production), petty trade (trading cash crops, grains, cattle, and rural shops), service activities (restaurants, tailoring etc.), handicrafts (blacksmithing, pottery and weaver) and labor saving technologies (Motor pump, and others) (OCSSCo, 2005).

All branches of OCSSCo are grouped in to sub-regions and administered by assigned respective managers. OCSSCo has a significant number of active clients 29,412 women and 96,370 male clients (OCSSCo, 2005). The total number of clients, amount of loan disbursed in Birr and savings mobilizations in Birr increased from year to year. Accordingly, the number of clients increased from 1,529, in the years 1996/97 to 125,782 in 2004/05; the amount of loan disbursed peaked-up from Birr 815, 926 in 1996/97 to Birr 134, 248,827 in 2004/2005, and savings mobilizations shows an increment from Birr 115,414 in 1996/97 to Birr 28,534,796 in 2004 /05. The repayment rate also shows a significant improvement, that is, it ranges from 97 percent to 100 per cent (see Annex 1).

### **4.3. Adea Liban Worked**

Adea Liban Worked is the largest district (1610.56 km<sup>2</sup>.) in East Showa Zone bordering Akaki in the West, Gambit in North, Lumen in the East, Dude boar in the South, and Southern people's Regional State in the Southwest. Bashful is the district capital located 47 km from Addis Ababa and located between Addis Ababa and Adam (Nazareth) city. Most of the area (96%) is characterized by subtropical agro-climatic zone that is favorable for agricultural activities mainly tiff, wheat, chick-peace and other cereals (ORBFED, 2004).

Regarding its population the Worked is the second populous district in East Showa Zone with a total population of 342,878 (in 1997 E.C.) of which 49.4 per cent are female (CSA, 2004). The average family size of the worked is 5.0 per household while population density is 154.2-persons/km<sup>2</sup>. To support the poverty alleviation activities started by the government and non-government bodies, OCSSCo mainly targeted the rural areas in general and active poor women in particular since 1996/97. Even though this institution plays its roles in the process of poverty alleviation activities still no sufficient impact assessment is made so far.

### **4.4. Adea Liban Branch of OCSSCo**

Adea Liban branch is one of the areas in which OCSSCo renders its services. Data from this branch shows that as of Jun 30, 2005 there are 1994 male and 408 women clients with a total number of 2402 clients that are served by this institution. The number of women clients is less than that of male. That is, female accounts only 17 per cent while that of male is 83 per cent.

The amount of loan disbursed for male by the year 2000/01 is Birr 454,850 (88.5%) while it is Birr 59,310 (11.5%) for women by the same year. By the year 2004/05 the total loan disbursed for both women and male reached Birr 3.08 millions of which 14.9% disbursed for women. Therefore, the share of loan disbursed for women is extremely smaller than that of male (Annex2).

OCSSCo provides its services mainly for agriculture and agricultural related activities. This is due to the fact that, most of its client's prior occupation is related with agricultural activities. About 72 per cent of the loan disbursed is for the purposes of purchasing farm oxen, animal fattening, farming and rent of land and purchasing fertilizer. The remaining 28 per cent is for other purposes such as petty trade, purchasing of selected seeds, dairy cow, animal husbandry and tractor rent. Petty trade comprises about 14 per cent of the total loan. Purchasing farm oxen comprises the highest share while tractor rent is the least share in the area (Annex-3).

Savings mobilization is one of the services that OCSSCo provides for all clients and non-clients in the region. The trend of the saving situation in Adea branch shows a significant change from time to time. For instance, the data from Adea branch shows that the total savings of the branch during the year 2000/01 was Birr 54,995 and it reached Birr 1.32 million in the year 2004/05

There are both compulsory and voluntary savings in the area. The amount of compulsory savings during the year 2001/02 was Birr 153,585 and peaked to Birr 287,433 by the year 2004/05, where as the amount of voluntary savings was Birr 13,449 (8.05%) and reached Birr 68,214 (19.2%) by the same years, respectively (see Annex-4). The amount of compulsory saving is greater than voluntary savings, that is, 80 % and 19.2% respectively. Even though the rate of voluntary saving shows an increased trend through the years 2001/02 to 2004/05, still there is a potential for savings mobilization in the area.

OCSSCo provides insurance services for its clients. Data from Adea branch shows that the total amount of insurance paid for deceased clients as of June 30, 2005 is Birr 35,227.75 of which 19% is paid for women deceased clients (Annex-5). The insurance service shows incremental for the

last five years. The provision of insurance services for its clients motivates voluntary savers and other non-clients to save in the institution for their life insurance. The average insurance paid for each deceased client is Birr 1304.73(Annex 5).

Data from the institution also shows that the major reasons for which clients' dropout from the program are: when they succeed, their own default and due to death. The trend of dropout clients for the last five years shows increasing (see Annex 6).

Accordingly, clients' dropped out increased from 29 to 453 in the years 2000/01 to 2004/05, respectively. If the reasons of these dropouts are beyond success, the trend is a sign of danger for the sustainability of the MFIs. Therefore, further and critical assessment is needed to investigate the exact causes of dropouts.

## CHAPTER FIVE

### EMPIRICAL STUDY

#### 5.1. Research Methodology

This chapter deals with Conceptual framework, details of the design and methodologies employed to conduct the study including data collection and analysis methods and the sampling procedures. It also discusses on the general characteristics of the sample respondents and their households. Finally, it concludes with the presentation and analysis of the data.

##### 5.1.1. Conceptual Framework of the Study

In relation to time, impact can be assessed in three forms (Lidgerwood, 2000:52). One way of impact assessment is studying the situation of clients before intervention. In this type of assessment, the assessment can found the beneficiaries of the services in terms of wealth categories. The second way of impact assessment mechanism is examining the changes observed or occurred after the intervention-taking place. The third mechanism is doing the assessments during the intervention processes.

Impact assessment can be varying according to their complexity and their behavior. These are complex, simple and middle ranges (Barnes and Sebstad, 2000:8). Complex approaches may involve econometric models or it may involve large-scale sample survey based on quasi-experimental design that compares the outcomes of an intervention with a simulation of what the outcomes would have been with no intervention. It tends to be expensive and take more time.

On the contrary, simple approach tends to use single method. In many cases, a one-time survey covering small sample clients without control group is used. The middle range approach is performed between complex and simple approaches.

Since OCSSCo is mainly aimed at improving its client's welfare and living standards, this unit of conceptual framework assessment is developed from USAID's AIMS project that helps to assess impact at household, enterprise, and individual and community levels. According to this approach, impact can be directly assessed, analyzed, and measured. This approach mainly answers the major questions such as, who are served by the MFIs, how the groups are enjoying

the services, and how does the intervention affect the life of the beneficiaries and their households (Tsehay and Mengistu, 2002:8). Personal or psychological impacts are other expected MF intervention that deals with borrowers' sense of self (Tsehay and Mengistu, 2002:8).

*“The rationale for using household, enterprise, individual and community as units of impact assessment is that, for an organization aiming at providing financial services to alleviate poverty, its end result is fully measurable only in direct relationship to the life of human beings. On the other hand, human beings are part of the households and the community in which they live. These elements directly or indirectly affect the actions of clients. The implication of this relationship is that the impact of the credit may occur as a result of the composition of the household, the quality of the decision making within the household and due to any one economic activity of the households” (Tsehay and Mengistu, 2002:9).*

This approach is believed to produce a fuller picture of overall impact assessments or it is the road map that takes the researcher to impact assessment by employing some indicators. Some of these indicators are income of the households and the individual clients, living condition of the households, expenditure of the households, saving culture and capital accumulation of the individual clients and empowerments at household and individual levels (Yaron 1997:69).

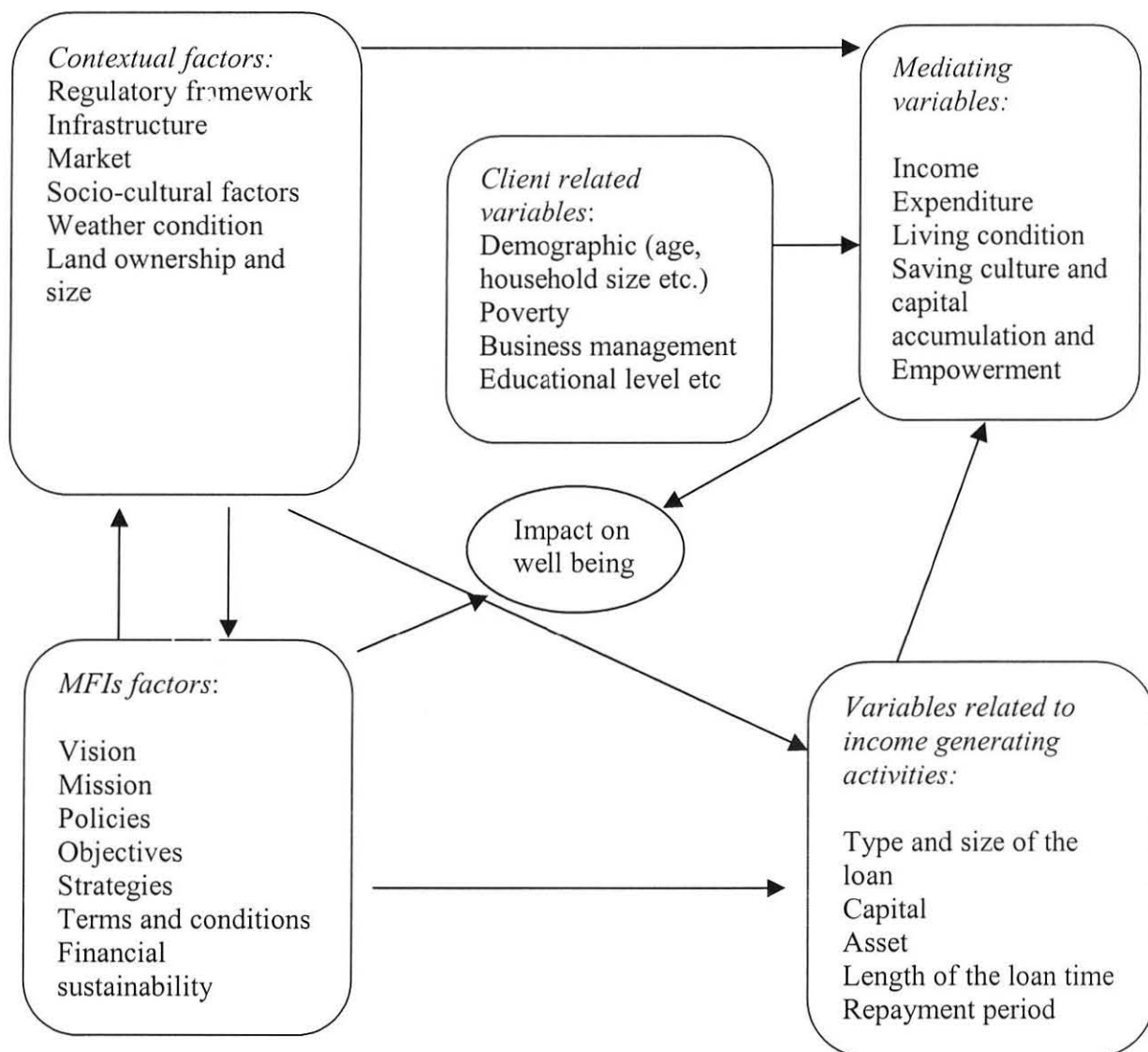
Figure 1 shows the interaction between these determinants factors (variables) and their relationships and how they affect the well being of human beings. In this discussion, the terms factor and variable are used interchangeably. As figure 1 shows, the impact indicators are considered as external (contextual) and internal determinant factors/variables. These variables further categorized as independent, mediating and dependent variables.

Contextual factors or external environments are the umbrella in which all activities of the MFIs are taking place and, therefore, directly or indirectly influence the impact of these activities. On the other hand, client related variables and variables related to income generating activities are taken as independent variables. Income, expenditure, living conditions, savings and

empowerments are considered as mediating variables where as the observed changes are the outcomes (well being) and are taken as dependent variables.

Contextual factors can directly determine client related variables such as their educational level, business management skill, and poverty alleviation activities because these activities are taking place in certain context. Infrastructure situations (such as road and other communication facilities), access to education and health services has a direct relation with poverty. That is, the better the access to the infrastructure the better condition to poverty alleviation efforts. Socio-cultural factors are other contextual factors that determine the number of household members (to have more children or not), and their occupation, and therefore, affect positively or negatively the impact of micro finance services.

Figure 1 Conceptual framework used to Assess Impact of MF



Source: Tesfay (2003)

MFIs services are internal environment of the institution that interacts with external factors. For instance, as it is shown in Figure 1 above, regulatory framework (such as proclamations, rules, and regulations etc.) directly affects the vision, missions, strategies, Terms and Conditions, financial sustainability and governance of the micro finance institutions. On the contrary,

financial sustainability, governance of MFIs and their objectives, vision, missions and strategies affect socio-cultural factors, market, infrastructure and the applicability of regulatory framework.

The environment in which the clients live also affects factors related to income generating activities. This can be manifested in the fact that, regulatory framework determines the type and size of the loan, capital and asset of the clients (to get loan or not), repayment rates and periods. Demand based loan type and size can increase the income of the clients/households. Therefore, contextual factors have a direct influence on mediating variables (income, expenditure, saving culture and capital accumulation, and empowerments) of individual clients/households. Credit also would be more effective in areas where profitable agriculture, well-developed infrastructure and access to markets due to high return behavior of the factors are sufficient (Yaron, 1997:39-40).

Seasonality and fluctuation of rainfall have a potential impact on agricultural related income generating activities. Therefore, the term of credit provision depends on the type of the activities required. For instance, agricultural activities require long-term loans than other micro-enterprise activities. Poor clients with wide fluctuations in income may at times require loans to meet personal expenses, that is, short-term revolving credit or easily accessible savings.

MFIs themselves directly influence factors related to income generating activities. For instance, Terms and Conditions of the loan determine the type and size of the loan provided. The Vision, mission, objective or strategies, financial sustainability and governance of MFIs determine the type and size of the loan and repayment periods. Clients' capital accumulation and asset ownership also influence Terms and Condition of the loan. Therefore, MFI factors have a direct influence on the well being of individual clients and their households.

Type and loan size, capital and asset of the clients, length of loan time and repayment periods have a direct impact on income, living condition, saving and capital accumulation and empowerments. Loan type determines the effectiveness of the loan in reducing poverty. Yaron (1997:69) shows that the working capital provided may be used for immediate consumption demand than productive investments. For this reason, flexible loan conditions and types of

lending instruments are needed because of the frequent lack of clear distinction between target clients, personal business and finances, especially, for small enterprises and farmers with low surplus products.

The provided MF services can be more effective if the clients properly utilize it. Therefore, client related factors play a crucial role in enhancing the impact of micro finance. These are mainly related to major demographic factors. Some of these demographic factors are: age, literacy level, number of members of the households (household size), household compositions and relationships which can affect farm and non-farm activities, gender relations, previous occupation, poverty level, prior physical and human assets, management skills, entrepreneurship skills and others are also considered as demographic factors and affect the effectiveness of the loan (Morduch, 1998; Tesfay, 2003: 24, and SEEP, 2000).

Management skill determines the way to use and manage the loan and the income earned from the business. Those clients/households who have better education level can use/manage their loan properly, improve their income, living condition, and empower themselves than the illiterates. Therefore, if the loan provided is properly channeled to the income generating activities, then the income of the households' can be increased, and this in turn enhances saving cultures, and empowerments.

Income level is another determinant factor that can positively or negatively affects the effectiveness of credit provision. However, income alone cannot draw the poor out of poverty since they have limited access to market networks and skills (Yaron, 1997:70). Therefore, in addition to income level, non-financial services such as skill-based training could help to improve the poor return on their investments. In other words, Poverty level affects the utilization of the loan, that is, it determines whether investing it or consuming.

Decision-making within the household about the investment and determining about the productive activities are also considered as other important factor of impact assessment. Husband and wife make some decisions jointly; others are making separately. The situations of resource flow to household, who control them and, whose effort are invested in managing those resources

are affected by gender, age, status, resource generation mechanisms (cooperation or conflict) affecting in turn the outcomes and the benefits (Yaron, 1997: 72).

Culture also plays a crucial role in determining the credit provision and its effectiveness. For instance, joint liability groups may be more successful in some culture than in others (Yaron, 1997: 73). The value the society gives for any activity determines the success or failure of that activity. For instance, an entrepreneur that the society gives high value may succeed more than entrepreneur that the society ignores. Therefore, micro finance services can succeed more in a society that respects all works.

From figure 1 we can summarize that; all external and internal factors (variables) interact with each other as well as with mediating variables and determine the impact of micro finance services on the well being of the clients. The positive relationships among these variables (contextual factors, MFIs factors, and client related variables, variables related to income generating activities and mediating variables) have a direct impact on the lives of clients and their households.

### **5.1.2. Research Design and Method, and Data Collection**

#### **a. Research Design and Methods**

Case study was the methodology employed in this study, as it would enable detailed investigation of the effects of the micro-finance initiative implemented by OCSSCo on women residing in the study worked. Both qualitative as well as quantitative data were collected during the study.

Data was collected from active women clients of OCSSCo who have been receiving the service during 2001 - 2004, from the staff members of the agency that has been providing the service (OCSSCo), and from members of Kebele Administrations within the study area as key informants. Review of various documents, bulletins, proclamations and other sources were also conducted as source of secondary data.

Data was collected using both open ended and closed ended questionnaires. The prepared questionnaire category was four in number: One category of structured questionnaire for active

clients (both open and closed ended), one category for staff members (open ended), and one for informant (kebele representatives) groups (open ended). Thus, the research design, sampling techniques, data collection and analysis methods will be presented as follows:

The qualitative data was collected using focus group discussions, various key informants, as well as interviews and participant observations. The following respondents were included in the focus group discussions: women clients, determinant informants such as kebele administrators' and kebele women association leaders.

#### **b. Sampling Techniques and Sample Size**

Multi stage sampling method was employed. In the first stage 14 Oromia zones in which OCSSCo provides its services were identified. East Shewa Zone was randomly selected. In east Shewa Zone as of June 30, 2505 OCSSCo provides its services only in five woredas namely, Adea, Mojo, Dukam, Gimbichuu and Ziway. From these woredas, Adea was selected purposively due to two major reasons. One of the reason was its maximum number of women clients among the other woredas. The second reason was its long time of service provision in the area. The sample respondents were taken from all women clients that have been participating in the program within the years 2000/2001 to 2004/2005. Therefore, the length of time period of their participation ranged from one year to five years, a time span that could be considered as sufficient to provide information on the impact of the loan provided on the women beneficiaries.

As of June 30 2005, the total number of active women clients in the worked was 408 (OCSSCo, 2005). Since time was an important factor to indicate the impact, only 336 active women clients who were participated for 1 to 5 years were included in the study using purposive-sampling techniques. However, due to the fact that data collection was done during the summer season, it was difficult to get all of the available clients/respondents due to engagement in farm activities and also because of restrictions imposed by high flooding of roads on free movement in the locality. For this reason, only 220 (66 %) of active women clients participated in the study of which 116 were interviewed or filled questionnaires with the help of employed enumerators while 104 of them participated in focus group discussions (FGDs). In spite of all these, it was

reasonable to consider the total number of respondents that have actually participated in the study (220) as a sufficient sample size to represent the study area.

### **c. Data Collection Instruments**

Structured questionnaire was used as the major data collection instrument. The questionnaires were first prepared in English and later translated into "Afaan Oromoo" for the purpose of clarity and convenience. College students were employed as enumerators as the time of conduct of the study coincided with their vacation. After enumerators were given training, the effectiveness of the prepared questionnaire was pre-tested in selected rural Kebeles within the study worked. Based on the feedback obtained from the pretest, necessary improvements were made on the instrument.

Focus group discussions (FGDs) were held with women clients and other informants to enrich the quantitative data collected. For the focus group discussions, eight kebeles that have eight and more members were included. So, the total number of FGDs of women clients' was 10, of which eight groups with ten members each, and two groups with twelve members each.

Besides, four FGDs were conducted with some informant groups. Since OCSSCo provides its services in eight rural kebele's of Adea branch, two administrative/community representatives and one women association leader representatives from each kebele were included in the discussion. After completing the survey, five OCSSCo staff members (coordinators) of Adea branch, one sub-manager and one regional head manager were interviewed as they have access to details of their clients. Thus, the total group discussions (women clients and informants) were 14 with a total of 128 members, where as seven OCSSCo staff members were interviewed.

Using these two instruments, information related to the major socio- economic problems of women in the area were facing, the level of their participation in decision-making activities and their situation before and after loan were collected. The role of the data collector/researcher was facilitating the discussion toward the raised issues to achieve the intended goals. The responses given and issues raised by the respondents were recorded with portable tape recorder, since it was not convenient to take all notes during the discussion process. Data also collected from Adea branch of OCSSCo office and its sub-region.

The methods employed to identify impacts was, first clients were interviewed about the assets they accumulated before and after their participation in OCSSCo. Based on their opinion, informant groups, the financial service providers (in this case OCSSCo) and household members were asked about the changes.

Besides, physical observation of the living condition of the households visited was also made by data collectors to ensure that results of interview matched with observable reality. The collected data was checked and categorized according to their type and purposes. Finally, based on the information gathered, from different sources, conclusions were made about the impacts of OCSSCo services on its clients. Throughout the data collection process, the works of the enumerators were daily supervised and the researcher checked progresses, and discussions and experience sharing were held among the enumerators for improving performance.

Table 1 Summary of Respondents and other Informants

<b>Types of respondents</b>	<b>Instrument used</b>	<b>Number of respondents</b>
Women clients	Interviews, FGDs and Observations	220
Key informants (Kebele representative)	FGDs	24
OCSSCo staff members	Interviews	7
<b>Total</b>	–	<b>251</b>

## 5.2. Methods of Data Analysis

The collected data was then summarized, tabulated and analyzed with descriptive statistical tools such as the percentage in order to examine the quantitative effects of the OCSSCo interventions on the well being of poor women. In addition to quantitative analysis, qualitative analyses were also employed to examine the impact of micro finance on the beneficiaries' quality of life and to explain some of the organizational and management issues related to OCSSCo's operation of the micro finance initiative.

Besides, basic demographic characteristics of the respondents such as, family size, age, educational level and household's occupations were analyzed. Data on loan purposes and actual uses, major sources of household's incomes, loan size, years of involvements (membership) in the program were also analyzed and presented using descriptive statistics. In this study, data were tabulated, and presented by years of involvements.

### **5.3. General Characteristics of Respondents**

#### **i. Age**

The majority of the respondents (52.6%) were within the reproductive age limits (15-49 years). Accordingly, 6.9% were in the age group of 20 to 29 years, 19% were grouped between the ages 30 and 40 years, and the remaining 26.7% were between the ages of 40 and 49 years. The other 29.3% were in the age group of 50 to 59, while the remaining 18.1% were in the category of old age group (Annex 7).

The mean age of the sample clients was 46.8 years. This showed that most of the respondents were adults who could actively participate in income generating activities to improve their income and their standard of life.

As regards members of the households of the service client women, most of the household members were also found in the reproductive age. The number of household members whose age ranged 1 - 15 years was 40.1% (these were either students or children who stayed at home for different reasons and are consumers) where as that of 16 to 49 years was 47.1% (Annex 8). The number of household members whose age was greater than 49 years was found to be 12.8% (Annex 8). Hence, significant number of household members is below 15 years, which can negatively affect the effectiveness of MFs services.

#### **ii. Educational level**

Education is a key instrument in increasing productivity and decreasing poverty. The study showed that most of the respondents were illiterate. Of the total respondents, 75.9 % were illiterate where as the literates were only 24.1%. (Annex 9).

Since education helps to acquire knowledge and skill, most of the respondents missed the opportunity to learn and get skills for managing their business. Therefore, lack of sufficient education negatively affects the diversified productivity of clients. It would also reinforce cultural factors and other variables that affect the effectiveness of micro finance institutions. The level of education plays a crucial role in improving income. The more people are educated, the better the skills and knowledge they acquire to manage own business effectively.

Regarding the household members, 53.9% are literate while 46.1% are illiterate (Annex 10). As this study revealed, the majority of the literate household members were categorized under the educational level of grades 1 to 6. The remaining 20.2% were above grade six. Even if the average number of illiterate household members is less than 50% it has negative implication on MFs effectiveness.

### **iii. Marital Status**

Marital status was another characteristic of the client that was studied. More than 50 % of the respondents were married. The findings of the study indicated that 62.9%, 1.2% and 21.6% of the respondents were married, unmarried, and divorced respectively. Only, 13.4% of the respondents were either separated or widowed (Annex 11). We understood through FGDs that, the rate of divorce was found to be decreased as years of involvement in the MF increased. The divorce situation in the area could be a potential cause for women and their children to be poorer and this may require more MFI interventions for addressing the situation.

### **iv. Status within the household**

Regarding their status in the household, most of the clients (84.5%) reported that they were household heads while 15.5% were housewives (Annex 12). As breadwinners of the household, the challenge of female household-heads to use the loan effectively is often high due to lack of education and cultural barriers and lack of skills to manage their business.

### **v. Distance of Home from Woreda Town**

The distance between a client's home and the Woreda town often has an inverse relationship with effective loan product utilization in terms of market. The majority of the respondents (51.7%) lived 11 to 15 km far away from the woreda town. One-fourth of the respondents were relatively

nearer to the Worked town (a maximum of 10 km away) While 15.5% were reportedly living 21 to 25 km away from the worked town, the remaining 7.8% were found within the distance of 16 to 20 kms. Therefore, most of the respondents traveled about 15 kms to reach the town (Annex13).

As the majority of the client women were forced to travel more than ten kilometers, they would find it difficult to access the market unless they have horse, donkey or other animal transportation. They would, therefore, be forced to be selective in the type of good they produce especially making perishable products such as vegetable, milk and milk products less preferable.

#### **vi. Occupation**

Clients' relationship with means of production determines their loan utilization. The study showed that 90.5 % of the total respondents were farmers. Only 4.3% and 5.2% of them were traders and self-employed respectively (Annex 14).

It was also revealed in Annex 14 that, at least, eight out of ten respondents were farmers in all intervention years. There were no traders or self-employed in the forth and fifth year. This analysis showed that the major opportunity for the respondents was getting engaged in agriculture and agriculture related works than in other alternatives. Therefore, it is safe to say that the MF service would be more effective if it enhanced these activities.

The relationships the households have with the economy have an implication on the effectiveness of MFIs. It is assumed that if the bond that ties the households with the economy is stronger, and then the capacity to produce would be higher. In the contrary, if the majority of the household members are dependent, then the loan taken may be used for household consumption than for productive purposes.

In this regard, the study found that 25% of the household members were farmers where as 53.1% of them were dependent. The remaining 21.9% had other occupation such as self-employment. Therefore, most of the household members were found to be consumers than producers a situation that would negatively relate with effectiveness of the loan.

## 5.4. Presentations and Analysis of Data

Under this sub-section, detailed analysis and discussion of data will be presented as related to the operation of loan provision system, aspects of income generation and savings, and the impacts of the MFIs on the living standards and socio-economic empowerment of the client women who have been receiving the service.

### i. Operation of the loan provision

#### a. Membership in OCSSCo

Years of involvement in the MF service determine loan effectiveness. As depicted in Table 2 below, more than eighty percent of the respondents have participated in the MF program for 2 and above years where as 19.8% of them stayed in the program only for one year. It is obvious that time plays a significant role in ensuring the impact of the loan since the experience of business management skill increases. Hence, those women clients who relatively stayed in the program two and more years benefited more than those women clients that participated for one year.

Table 2: Sample Respondents' Membership in OCSSCo

<b>Participation in years</b>	<b>Number</b>	<b>%</b>
Completed one year	23	19.8
Two years and above	93	80.2
<b>Total</b>	<b>116</b>	<b>100</b>

#### b. Loan History

Loan provision is a key variable in MF participation. The loan amount (size) also has a positive relationship with the MF effectiveness. The trends of loan provision and its size per cycle in the study Worked has been presented in Table 3. Data from OCSSCo shows that the number of clients has decreased due to two major reasons: success and default. In Table 3 the trend of membership seems decreased with increased time. But in reality, there are many new comers who the study left due to their short time of involvement in the program. Hence, due to the two major reasons mentioned above, the number of clients shows fluctuations.

Table 3: Trends of Loan Cycle in Adea Branch of OCSSCo (%)

Loan category in Birr	Year 1 N=23		Year 2 N=28		Year 3 N=48		Year 4 N=5		Year 5 N=12		Total N=116	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
300–500	2	8.7	3	6.3	0	0	0	0	0	0	5	4.3
501-1000	18	78.3	18	37.5	6	20	1	20	0	0	43	37.1
1001-1500	3	13	26	54.1	19	67.7	1	20	0	0	49	42.2
Greater than 1500	0	0	1	2.1	3	12.3	3	60	12	100	19	16.4

The size of loan provided varied from time to time. As Table 3 above reveals, 8.7%, 78.3% and 13%, of the first year sample respondents borrowed up to Birr 300 to 500, 501 to 1000, and 1001 to 1500 respectively. The same Table also shows that, 3 (6.3%) took from out of 48 clients who took the second loan, 91.6% of them borrowed an amount that ranged between Birr 501 to 1500 Birr 300 to 500, 18 (37.5%) took from Birr 501 to 1000 Birr, 26 (54.1%) borrowed 1001 to 1500 and 1 (2.1%) borrowed greater than Birr 1500. The number of clients who had borrowed less than Birr 500 and more than Birr 1500 was insignificant. Therefore, most of the respondents reported that they took the loan amount ranging from Birr 501 to 1500.

During the first year, the majority of women clients (87%) took the loan amount ranging from Birr 300 to 1000 where as in the second year most clients (54.1%) took the loan amount ranging from Birr 1001 to 1500 (Table 3). This indicated that the loan size increased per cycle. It is believed that the higher the loan size the higher the impact on poverty alleviation activities.

The number of borrowers in the third year was 28. Besides, all borrowers of the third cycle took a loan size of more than Birr 500. This was another improvement in terms of loan size in the third cycle. Most clients took the third loan ranging from Birr 1001 to 1500 similar to the second cycle. Accordingly, 6 (20%) took the loan amount that ranged from Birr 501 to 1000, 19 (67.7%) took the loan amount ranging from Birr 1001 to 1500 and only 3 (12.3%) used the loan amount greater than Birr 1500. Similar to the second year borrowers, the number of clients who took the third loan of greater than Birr 1500 was insignificant.

Regarding the fourth year loan cycle, only 5 clients took the loan for five times. The number of borrowers in the fourth year loan cycle had become lower because of either lack of access to credit from the institution providing it or participants may have dropped out of the program. Accordingly, only 1 woman (20 %) took the loan size ranging from Birr 501 to 1000, 1 (20 %) took the loan size that ranges from Birr 1001 to 1500, and 3 (60 %) used a loan amount greater than Birr 1500. Similar to the third year loan, the majority of borrowers of the fourth year took loan that ranged from Birr 1001 to 1500. Therefore, there was no borrower who took a loan size of less than Birr 500.

As to the clients of the fourth year, the number of clients who took the loan of the fifth year is small. That is, out of the total of 116 clients, only 12 clients participated continuously from the first year to the fifth year in the program. The rest of the respondents either did not stay in the program for the whole five years or did not get access to credit. Accordingly, all of the borrowers of the fifth year took the loan amount greater than Birr 1500. Comparatively, the loan size of the fifth year is better than the rest of the years.

The mean and mode of the loan of the fifth year are Birr 1523 and 1400 respectively, where as the minimum and maximum are Birr 500 and 2500 respectively. The minimum amount of the first year loan was Birr 300 where as the maximum was Birr 1500 where as the maximum loan size of the first year and the fifth year is 1500 and 2500 respectively.

Table 4: Mean, Mode, Minimum and Maximum Loan Sizes in Birr

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Mean	932	1070	1090	1315	1523
Mode	1000	1000	1200	1500	1400
Minimum	300	300	700	700	300
Maximum	1500	1600	2500	2400	2500

Therefore, since the average loan size showed an increase from time to time, those clients who stayed in the program must have had better opportunity to utilize bigger loan size than the new

comers. The mean of the loan varied among the years. The differences in loan sizes significantly related with time among the sample clients. Hence, the loan size variation could be regarded a cause for variation in client's life improvement.

### **c. Major Purposes of the Loan**

Clients borrow money to satisfy their unlimited needs. Accordingly, the clients of OCSSCo in Adea branch borrowed /took credit for different purposes such as agriculture and agriculture related activities, to buy domestic animals, for petty trade, for handcraft and use it as working capital and other related purposes. OCSSCo also intended to provide its services only for the activities mentioned above.

Most respondents borrowed the money for productive purposes. Accordingly, almost one third (32.8%) of them borrowed for agriculture and agriculture related purposes, where as 21.6% of them took the loan for purchasing domestic animals such as farm oxen, which are key assets for agricultural activities. The other category of respondents (37%) borrowed the loan both for agricultural activities and for purchasing of domestic animals. In this case, both purposes reinforce each other for effective utilization of the loan and bringing more impact. There were few (2.6%) of the respondents that borrowed the money for petty trades, handcraft and consumption purposes (Annex 15).

Since the location of the respondents was rural and most of the activities related to the farm, the number of clients engaged in petty trade was insignificant. Moreover, as much of the loan was taken for working capital of agricultural related activities, the expected outcomes were mainly related to agricultural products. In addition, the purposes of the borrowing through the years 1 to 5 were not heterogeneous.

### **d. Actual Uses of the Loan**

The majority of the respondents reported that they used the loan for the intended purposes. As shown in Annex 16, 46.6% of the clients used it for working capital such as purchasing of agricultural inputs; petty trades etc, while 27.6% reported use of the loan for consumption (non-productive) purposes. If amount of consumption is greater than investment, then the expected benefit may be affected unless the clients have other coping mechanisms. Only 20.7% of the

respondents explained that they used the loan for both working capital and consumption (non-productive) purposes. The remaining 1.7% did not express their actual use of the loan (Annex16).

If those borrowers who took the loan for consumption purposes do not have other alternatives, they are forced to sell their other assets in order to repay the loan. This may further worsen the life situation of the clients than before. Others, if they use the loan for temporary problems (as a transition), then they can by-pass the critical periods and can live better life. Therefore, the prior assets that the borrowers have or other means of income they might have determine the situation of their loan utilizations.

Clients borrow for different purposes and actually used it differently. Taking the loan and utilization trend shown above as an actual utilization of the loan by the majority, the study has therefore identified that, as the years of involvement increases the client's loan utilization becomes much contrary to the purposes they are intended for. Using the loan for other purposes rather than the intended one may negatively affect the role MF services play to contribute to poverty eradication.

#### **e. Trends of Loan Repayment**

Loan repayment is considered as a good organizational performance by most MFIs in Ethiopia. In reality, loan can be repaid not only from the profit of the enterprises but also it can be paid from other sources such as selling of own prior assets (cattle, goats or sheep etc.). As the study indicated, 104 (89.7%) of the respondents repaid their loan on time (Annex 17).

About 9 (7.8%) of the sample respondents did not pay their loan on time. The remaining 3(2.5%) of the respondents did not express their loan repayment situations. The loan repayment rate of Adea branch ranged from 97 to 100%. The differences observed between the sample respondents and the performance in Adea branch was may be due to the time of repayment. However, most respondents repaid their loan at the required time. This enables the clients to get additional loan as well as enables the institution to expand its outreach and loan size.

## ii. Status of Income Generation and Saving in Households

### a. Assets Owned by Households

Asset ownership is one of the indicators of the well-being of households. The study had tried to assess the current assets owned by the respondents. Many respondents in the study area reported that they have had different household assets and animals. As we observed and also they reported, most of them owned some of these assets after they became a client of the MF service where as few acquired them before they became clients.

Annex 18 clearly indicates that 49.1% of the respondents owned a table. About 60.3% owned a radio. Bed is one of the life standard indicators in the households. Accordingly, 53.5% of the sample respondents reported that they have beds. I observed that the number of clients who have stove was few (18.1%) since in rural Ethiopia people culturally use open fire than modern stove. The other assets that households owned were handcarts. However, the number of clients who had handcarts is insignificant. In most rural areas, handcart is not familiar to many farmers.

Regarding oxen, nine out of ten sample respondents reported that they owned a minimum of an ox. Having an ox in rural areas, particularly in agricultural activities, is a key determinant factor of production. The majority of the clients of all five years owned oxen, and 30.2% clients have at least either goat or sheep that have positive implication in loan utilization. The study indicated that 71.6% and 60.4% of respondents owned donkey and hen respectively (Annex 18).

Hence, from the above discussions we can say that most women clients have owned some basic household assets that can help them run their daily life and that of their households. Thus, micro finance services have to reinforce these assets so as they wisely serve the households.

### b. Sources of Income

The study also assessed the sample respondents' sources of income. As summarized in Table 5 below, almost nine out of ten clients were reported agricultural activities as sources of income. Only 4.3% were self-employed in such activities as running small restaurant, in handcraft or petty trading. A very insignificant number of respondents mentioned relief assistance as a source of household income (0.9%).

Table 5: Household's Sources of Income

<b>Major type of sources of income</b>	<b>No.</b>	<b>%</b>
Agriculture	107	92.2
Self-employment	5	4.3
Relief	1	0.9
No response	3	2.6
<b>Group Total</b>	<b>116</b>	<b>100</b>

From the above discussion one can see that most of the clients' major income was obtained from land, that is, agricultural activities. Therefore, the loan they are provided is mainly expected in improving (enhancing) these activities. It can therefore be said that improvements in their lives are determined by the improvement of diversified agricultural activities.

Further investigation was also made on the types of agricultural activities respondents were engaged in and the level of their contribution to household income. Tables 6 (a to c) summarize the major agricultural income the households enjoyed. The households harvested diversified products from agricultural activities. Table 6(a) shows that, 88.8% of the sample respondents mostly participated in the activities of agricultural productions.

Table 6 (a): Agricultural Production

<i>Level of production</i>	<i>Years of involvements (%)</i>					<i>Total N= 116</i>
	<i>Year<sub>1</sub> N = 23</i>	<i>Year<sub>2</sub> N = 28</i>	<i>Year<sub>3</sub> N= 48</i>	<i>Year<sub>4</sub> N= 5</i>	<i>Year<sub>5</sub> N = 12</i>	
Very High	65.2	71.4	66.7	30	66.7	68.1
High	21.7	25	18.3	-	25	20.7
Low	-	-	2.1	-	-	0.9
Very	-	3.6	2.1	-	-	1.7
No responses	13	-	10.4	20	8.3	8.6

Therefore, eight out of ten respondents highly enjoyed their income from crop production, which included Wheat, Teff, Chickpea, etc as the major products. Only 2.6% of respondents reported crop production not constituting the largest share of their household income.

Animal husbandry is another source of income for the respondents. This included selling of animals and animal products (milk, butter, cheeps). I assured through observation that, women clients fatten sheep, goats, and oxen for sale.

Table 6 (b): Animal husbandry Production

<i>Level of production</i>	<i>Years of involvements (%)</i>					<i>Total N = 116</i>
	<i>Year 1 N = 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Very High	21.7	39.3	6.3	20	25	19.8
High	8.7	28.6	29.2	40	25	25
Medium	8.7	3.6	14.6	-	8.3	9.5
Low	39.1	25	29.2	20	25	29.3
Very Low	8.7	3.6	10.4	-	8.3	7.8
No response	13	-	10.4	20	8.3	8.6

As it is shown in Table 6 (b) 44.8% of the respondents got their higher income from animal products where as 37.1% of them got minimum income from animal products. The income level from the sale of animal products was, however, highly dependent on the factor of availability of infrastructure such as transportation facilities, markets and roads. Besides, the quality of their products also had significant impact on the benefits obtained from the sale of animal and animal products.

The analysis of the income from animal husbandry did not show differences among the sample clients. Hence, the effect of MF on the activity of animal production was mixed, that is, some of them benefited while others did not.

It is traditionally practiced by farmers in rural Ethiopia that, those who don't capable to plough or do not have an ox give their land for the able person and share the products. Some clients in Adea worked practiced the thin. Accordingly, Table 6(c) below indicates that about 31% of the sample respondents stated that their major income was obtained from the share of land cultivated by others. The remaining (51.7%) respondent's income that shared from land cultivated by others was reported as lower.

Table 6 (c): Share from Land Cultivated by Others

<i>Level of production</i>	<i>Years of involvements (%)</i>					<i>Total N= 116</i>
	<i>Year 1 N = 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Very High	-	21.4	6.3	-	8.3	8.6
High	30.4	17.9	18.3	20	33.3	22.4
Medium	4.3	-	12.5	-	-	6
Low	21.3	25	20.8	40	16.7	22.4
Very Low	30.4	32.1	29.2	20	25	29.3
No response	13	3.6	12.5	20	16.7	11.2

The analysis of the above discussion showed that the products of the households were diversified, which, in turn, diversifies income sources and increase income of the household. With increasing income sources, and therefore increasing income, there is high opportunity for households to satisfy some of their basic needs eventually contributing to reduced poverty.

In each category of sources of income, women clients expressed the level their opinion about their and their household's life improvements. However, women clients could not exactly express their benefits in terms money value. Hence, further impact assessment is essential.

**c. Changes in level of household income**

One of the measures of loan effectiveness is its ability to generate income to its clients. An increased in income can be an ingredient for better life. Accordingly, the trends in the income level of sample clients for the last 12 months were also studied. The sample clients were asked to report changes in the level of their household income and the result has been shown in Table 7.

Table 7: Changes in Income of Respondents within the last 12 Months

<i>Response</i>	<i>No</i>	<i>%</i>
Significantly increased	53	45.7
No change	33	28.4
Significantly decreased	22	19
No response	8	6.9
<b>Group Total</b>	<b>116</b>	<b>100</b>

Table 7 clearly reveals that the number of respondents whose income increased for the last 12 months was less than half of the total number of respondents, but, it is possible to see that a relatively bigger proportion of respondents (45.7%) reported that their income had significantly increased in the last 12 months while 22(19%) reported significant decrease in income. Out of the total sample clients, 33 (28.4%) did not see any change in their household income within a year's time. 6.9% of the respondents did not express their status of income for the last 12 months. These groups may take the loan for other purposes than investment.

As already mentioned, the income level of 45.7% of the clients had reportedly increased in the past 12 months. The income of these respondents may have shown increment due to better access

to markets, good agricultural products, or due to starting of new business or expanding the existing business, etc. Easy access to market and quality of products play a determinant role in increasing income in the rural area. In contrast, those clients whose income significantly decreased for the past 12 months may have been due to utilization of loan for consumption purposes or due to such factors as seasonal fluctuations (high rain or drought) or it could also have been due to the problem of access to market or due to small size of the loan or any other related variables.

The proportion of household income from the business is another indicator of loan effectiveness. Accordingly, Annex 19 indicates that more than 50% of sample respondents reported that all of their income was obtained from the business. About 28.4% of the respondents disagree with the assumption that all of the income was from the loan while 19.8% did not respond to the question. For more than half of borrowers, household income was highly dependent on the business they run.

**d. Status of Savings**

MF services become more effective and sustainable if they include and encourage other services such as savings. To assess the status of saving among the clients, respondents were asked about the way they participate in saving and the result compiled in Table 8. Accordingly, the majority of the sample clients participated in either compulsory or voluntary saving services in Adea branch.

Table 8: Saving Situations of the Sample Respondents

<i>Saving types by respondents</i>	<i>Number</i>	<i>%</i>
Compulsory savings	116	100
Both voluntary and compulsory savings	41	35.3

Compulsory saving is a prerequisite for the clients to be the member of MFIs including OCSSCo. Hence, as Table 8 portrays, all (116) of the respondents were participating in compulsory savings. Others, 41 (35.3%) were participating in both compulsory and voluntary savings.

Voluntary savings among the sample clients were insignificant. This may be because of the low awareness and culture of saving in banks, which is common among rural people in the country. However, compulsory savings can encourage the clients to save and therefore increase their

awareness and culture of voluntary saving. In this case, MFIs have to play a significant role that would ensure their financial sustainability and outreach to bring about measurable impacts. Clients save for different purposes.

There is a sign of savings through buying animals, which is common way of saving money in rural areas. Therefore, the MFs that they engaged in show little improvements on voluntary savings. During the FGDs the participants said that they save for different purposes such as loan repayment, safety purposes, ceremonial purposes, to buy animals, and others (see Annexes 20 a to e).

### iii. Impacts of MFs on Women

#### a. Impacts on Asset Ownership

Asset ownership and control is one of the variables that can indicate women's economic empowerment. Assessment of the trends of respondents' asset control showed positive relationship with participation in OCSSCo services.

Accordingly, Table 9 shows that, out of 116 respondents, 60.3% of them reported that their level of household asset control is very high after participating in OCSSCo. As the same Table reveals, 12.9 % of them reported that their level of controlling household asset is high.

Table 9: Wife Owned Household Assets

Levels of ownership	Years of involvements (%)					Total N = 116
	Year <sub>1</sub> N = 23	Year <sub>2</sub> N = 28	Year <sub>3</sub> N = 48	Year <sub>4</sub> N = 5	Year <sub>5</sub> N = 12	
Very High	52.2	53.6	66.7	60	66.7	60.3
High	26.1	14.3	8.3	-	8.3	12.9
Medium	8.7	17.9	6.3	-	-	8.6
Low	4.3	7.1	14.5	40	-	10.3
Very Low	4.3	3.6	-	-	16.7	3.5
No response	4.3	3.6	4.2	-	8.3	4.3

About 13.8% of the sample respondent's level of ownership of household asset is low. The trend of positive opinion on women's asset management shows positive relationship with the length of involvement of the respondents in the program. Higher level of improvement, for instance, had increased from 52.2% in the first year to 66.7% in the fifth year. The informant discussants

witnessed that the clients of OCSSCo owned some basic assets such as bed, radio etc. These groups also assured that those clients who stayed in the program improved the standard of their living houses.

As shown in Annex 21, 30.5% of respondents reported that both wife and husband own the household assets. Large number of the respondents (40.2%) explained that the level of jointly controlling the asset is very low.

The findings of this study show that the asset ownership trends of the sample respondents have positive relationship with the loan they are provided among the clients of all years. Hence, the services they are rendered contributed a lot in women economic empowerments.

#### **b. Impacts on Personal Empowerments**

One of the MFs' impact indicators is women's participation in socio-economic affairs at different levels (women's empowerment). To know their level of participation in different committees of associations, questions were raised and their responses given have been presented in Table 10.

At all levels, the participation of women client in different committees of associations was less than fifty percent. For instance, in women's association only 45 (38.8%) of the respondents reported that they have participated in women association committees where as 42(36.2%) of them said that they participated in farmer associations. About 50 (43.1%) of the respondents reported that they did not have any participation in different committees.

Table 10: Participation in Committees (N = 116)

<i>Participation in Committees of different associations</i>	<i>Yes</i>	<i>%</i>
In women association	45	38.8
In farmer association	42	36.2
No participation	50	43.1

However, better participations are observed in women and farmer associations. During the FGDs, many women expressed the opinion as the association leaders and committee members should be male. They replied that "...males have more power to implement committee affairs than women,

*so we do not need to be elected in committees except in women's associations".* This is an indication of the lack of awareness on their rights as depicted by low self-image on the part of the women clients.

The implication of the respondents' low participation in different decision-making positions of the associations is may be the result of cultural barriers and their lack of awareness on their role in socio-economic activities. The majority of them wanted to implement only what the male decided to do. Although the contributions from participation in the MFIs had not been investigated, it is possible to say that the MF intervention could not fully bring about needed change in terms of self-outlook and awareness on rights in the majority of women clients. Therefore, one of the duties of MFIs (intervention) should be to work hard to enhance the level of women's consciousness about their rights and their different roles in the society.

In a similar manner, the effects of participation in the MF service on other areas of women's social and personal empowerment has also been assessed by the study. The perceptions of clients regarding their social, and personal empowerment have been presented using Tables 11 (a to g).

Table 11(a) shows that 53.5% of the respondents agreed that the micro finance services they have been provided had increased positive attitude of the spouses towards women. But, a significant number of the clients did not confirm development of positive attitude on the part of their spouse as demonstrated by proportion of responses indicated in the table.

Table 11 (a): Increased Positive Attitude of Spouses

<i>Degree of agreement</i>	<i>Years of involvements of the clients (%)</i>					<i>Total N = 116</i>
	<i>Year 1 N= 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	26.1	50	27.1	40	8.3	30.2
Agree	21.7	32.1	14.6	-	50	23.3
Neither Agree Nor Disagree	26.1	3.6	-	-	8.3	7.1
Disagree	13	3.6	4.2	-	-	5.2
Strongly Disagree	8.7	3.6	-	-	-	2.6
No response	4.3	7.1	54.2	60	33.3	31

Table 11 (b) portrays that a little more than 60% of the respondents reported an increased participation in household decisions after participation in the loan program. Others, 3.4% did not agree with improvements in decision-makings in the household affairs.

Table 11(b): Increased Women Participation in Household Decisions

<i>Degree of agreement</i>	<i>Years of involvements (%)</i>					<i>Total N = 116</i>
	<i>Year 1 N= 23</i>	<i>Year 2 N= 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	26.1	50	12.5	20	8.3	24.1
Agree	69.6	35.7	29.2	20	25	37.9
Neither Agree Nor Disagree	-	3.6	2.1	-	8.3	2.6
Disagree	-	-	-	-	16.7	1.7
Strongly Disagree	4.3	-	-	-	8.3	1.7
No response	-	10.7	56.3	60	33.3	31.9

The percent of clients who did not give their responses was 31.9%. Moreover, it was possible to see that participation in household decision-makings decreased with increase in years of involvement, which is the opposite of the expected change.

Table 11 (c) reveals that 38% of the respondents perceived that their participation in MF services has decreased quarrels with their spouse, while 24.2% of the respondents did not. Here too, about one-third of the respondents (31.9%) did not give any response on this issue.

Table 11 (c): Decreased Quarrel with Spouse

<i>Degree of agreement</i>	<i>Years of involvements (%)</i>					<i>Total N= 116</i>
	<i>Year 1 N= 23</i>	<i>Year 2 N= 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	52.2	28.6	2.1	-	8.3	19
Agree	8.7	17.9	20.8	20	33.3	19
Neither Agree Nor Disagree	17.4	17.9	4.2	20	16.8	12.1
Disagree	13	14.3	12.5	-	8.3	12.1
Strongly Disagree	8.7	10.7	4.2	-	-	6
No response	-	10.7	56.3	60	33.3	31.9

From the above presentation, it could be inferred that although participation in the program has its own contributions in improving the relationship between spouses, large number of clients did not benefit in this regard.

Another issue of personal empowerment that was assessed was the clients' perception whether participation in the MF service has increased their self-image or not. Accordingly, as Table 11 (d) reveals that more than half (59.5%) of the women interviewed believe that their self-image has improved as a result of participating in the program.

Table 11 (d): Increased Self-image

<i>Degree of agreement</i>	<i>Years of involvements (%)</i>					<i>Total N = 116</i>
	<i>Year 1 N = 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	65.2	57.1	14.7	-	16.7	34.5
Agree	30.4	25	22.9	20	25	25
Neither Agree Nor Disagree	4.3	3.6	4.2	20	8.3	5.2
Disagree	-	3.6	2.1	-	8.3	2.6
Strongly Disagree	-	-	2.1	-	8.3	1.7
No response	-	10.7	54.2	60	33.3	31

However, the fact that the proportion of clients that did not positively respond was high, as shown in Table 11, and the fact that even the reported positive change was seen to be inversely related to time of involvement of participants, it is possible to say that participation in the program alone could not sufficiently improve client's self-image. Lack of education, backward societal outlooks, and other factors may have negatively affected acquisition and sustenance of positive self-image (personal empowerment). Hence, even if there were improvements, still a large number of clients need further support.

In terms of whether there had been improvements in accessing and usage of health services, about 70% of respondents reported that the provided loan had improved their access to health services (Table 11 e). It could be said that the intervention of OCSSCo has contributed to women's improved access to health services. But it is difficult to conclude that the improvement was a direct result of increased income as external factors may also have their own contribution. One of such factors could be increase access to health facilities due to efforts made by other actors including government.

Table 11 (e): Access to Health Services Increased

<i>Degree of agreement</i>	<i>Years of involvements (%)</i>					<i>Total N= 116</i>
	<i>Year 1 N = 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	52.2	50	10.4	-	16.7	28.5
Agree	43.5	32.1	50	20	33.3	41.4
Neither Agree Nor Disagree	-	14.3	12.5	20	8.3	10.4
Disagree	4.3	-	14.6	40	33.3	12.1
Strongly Disagree	-	-	-	-	-	0
No response	-	3.6	12.5	20	8.3	7.8

Table 11 (f) below portrays the responses on whether participation in the MF services had increased children's enrolment in schools. Accordingly, about 72.5% of the respondents reported that their participation in MF services had increased their children educational access. These improvements was checked during the FGDs and said that, many clients children's educational enrollments highly increased since they acquired a potential to cover the necessary expenses: The OCSSCo staff members also witnessed about the improvements.

Table 11 (f): Children's Education Increased

<i>Degree of agreement</i>	<i>Years of involvements</i>					<i>Total N = 116</i>
	<i>Year 1 N = 23</i>	<i>Year 2 N = 28</i>	<i>Year 3 N = 48</i>	<i>Year 4 N = 5</i>	<i>Year 5 N = 12</i>	
Strongly Agree	52.2	53.6	22.9	20	16.7	35.4
Agree	39.1	32.1	39.6	20	41.7	37.1
Neither Agree Nor Disagree	8.7	7.1	16.7	20	8.3	12.1
Disagree	-	3.6	1.4	20	25	9.5
Strongly Disagree	-	-	1.4	-	-	4.3
No response	-	3.6	-	20	8.3	2.6

The program appears to have significant contributions to improving children's educational enrollment; increased awareness and importance of education may also be a factor in addition to improved income attained as a result of the MF services.

### c. Impacts on Investments Alternatives

Investing on different household issues could be considered as one of the indicators of income improvements. In this study, sample clients were interviewed about the size and type of their

major investment. As it is shown in Annex 22, the majority, 83.6%) of the sample respondents presented that their school investment cost them up to Birr 500. Regarding their medical investment, the majority (93.1%) of the sample respondents also invested an amount of Birr up to 500.

Clothing and ceremonial investments also took high amount of money. Accordingly, 109(94%) of the sample respondents reported that they invested up to Birr 1000 per year for purchasing clothes. Three-fourth of the respondents invested up to Birr 500 for ceremonial purposes such as for wedding, funeral, dowry etc (Annex 22). The amount of expenses for other household affairs was also significant. About 96(82.8%) and 14(12.1%) of the sample respondents reported that they invested up to Birr 500, and Birr 500 to 1000 for household uses respectively (Annex 22).

The ability to maintain the house in which they live is one of the variables that indicate better life standards. Accordingly, 80(69%) of the respondents replied that they invested a maximum of Birr 500 for house maintenance. While 20.7% reported maintenance cost of Birr 501 to 1000, the rest, 10.4% of the sample respondents, revealed house maintenance investments of more than Birr 1000.

Ceremonial and clothes had the highest average investments of Birr 500 and 545 respectively. House maintenance also took the higher mean of investment. Medical investment was the least of all. The mode of the investment on house maintenance was Birr 300 whereas it was Birr 500 for cloth as well as ceremonial investments (Annex 23).

The higher the investment on consumption, the lower the savings, this later leads to less investment on productive purposes. The Ethiopian culture encourages higher investments on ceremonial affairs (consumption) than investment on productive purposes. Thus, this higher consumption leads to lower loan utilization for the intended purposes and results in low income and increased poverty. From the discussion we can conclude that the clients invested more on non-productive purposes such as ceremonial, school clothing, and household goods. It is difficult for them to save for further productive investments.

#### d. Impacts on Living Standards

It is obvious that income alone cannot show improvements in standard of life although it is used as an ingredient. The impact of MF interventions could best be recognized if they have contributions in creating capacity to improve the life standards (well beings) of the clients.

The study therefore attempted to determine whether the living standard of clients had improved or not by using different indicators and the results have been summarized in Table 12. Accordingly, 69(59.5%) of the sample clients' access to water had improved.

When we see the sanitation status 66(56.9%) of them reported that they had seen improvements. Regarding the living house, out of the total of 116 respondents, 85(73.3%) reported that the condition of their house did not show any improvement.

Table 12: Impacts on the Livelihood of Sample Clients

<i>Types of changes</i>	<i>Levels of improvements (%)</i>							
	<i>Improved</i>		<i>Not improved</i>		<i>No response</i>		<i>Group Total</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Access to water	69	59.5	47	40.5	-	-	116	100
Status of sanitation	66	56.9	39	33.6	11	9.5	116	100
Living-house standards	23	19.8	85	73.3	8	6.9	116	100
Access to medical services	58	50	32	27.6	26	22.4	116	100
School attendance	72	62.1	41	35.5	3	2.6	116	100

Access to medical services had showed improvements as reported by half of the respondents. 72(62.1%) of the sample clients said that their children's school attendance had improved.

The OCSSCo staff members and the focus group discussions held with both women clients and informant groups expressed their feelings about the impact of OCSSCo that, the majority of the client's living situations showed greater improvements after they participate in the program while few of them did not show any change.

The above analysis reveals that the livelihood of most clients in terms of access to water, status of sanitation, children educational enrollment and medical services had shown slight improvements. Even if the magnitude of changes or improvements quantitatively not explained, it is possible to conclude qualitatively based on the additional evidences obtained from FGDs, interviews and through physical observation that, the changes occurred on the livelihood of women clients and their households among the majority of the clients are due to the intervention of OCSSCo. However, still a large number of sample clients felt that they did not see any change on their livelihoods.

## **CHAPTER SIX**

### **SUMMARY OF THE MAJOR FINDINGS AND RECOMMENDATIONS**

#### **6.1. Summary of the Major Findings**

Most of the clients and their households are in the categories of reproductive age. In terms of educational level, three-fourth of the respondents is illiterate. This study identified that, most of the clients are engaged in agriculture and agriculture related activities due to less opportunities of other off-farm activities. Most of women clients are married. They are also breadwinner of the households.

Most of the clients of OCSSCo stayed in the program for two and more years. As the time of involvement increases the number of clients' decreases may be due to two major reasons. One of the reasons is could be success with the program where as the other reason is due to their default. It is also understood from FGDs and interviews that; the size of the loan the clients took is small to change the livelihood of the women clients and their households. Even if the size of the loan is small, life improvements are observed on the women clients and their households, particularly on those clients that participated in the program for 3 and above years. Loan trends show slight improvements in terms of size.

Those of the first year and the second year clients actually used the taken loan for the purposes they have borrowed. In contrast to this, more than half of the fourth and the fifth year clients used the loan for consumption purposes.

Asset ownership is a critical element for women in reducing their economic vulnerabilities. Most of the clients have different basic assets such as oxen, donkey, sheep, bed, etc. The income of the majority of the client's is dependant on their business and has shown improvements for the last 12 months. In other words, most of the women client's/household's who participated in the business have shown significant improvements in income. Hence, more than 50% of the clients

of the first, second and third year client's of all income is from the business they run. The main source of income is diversified agricultural products which included crop and cereal products, animal fattening, tree planting etc. Cereal and crop production take the largest share among the products of the majority of the clients.

Saving is one of the practices of MFIs services used to ensure the sustainability of the institutions. The number of women clients in Adea branch that started to save voluntarily is less. In the study area, clients save mainly for loan repayment, safety purposes, ceremonial purposes, to buy animals etc. The situation and trends of saving, and the purposes are similar among the clients of all years. The low status of voluntary saving is the indication of little awareness and attitudinal changes of clients toward savings. Hence, MFIs in general and OCSSCo in particular have to work harder to build awareness and positive attitude so as beneficiaries exploit the potential advantages of the saving practice.

Women's involvements in MFIs slightly improved their social, economic and personal empowerments. For instance, in this case, we can say that OCSSCo contributed more in women's extrinsic empowerments. This study identified that more than half of the client's status of sanitation, access to medical services and children school enrollments had improved. The houses in which they live, the water they drink (access and quality) show slight improvements due to other intervention, that is, government.

The impact of MF services can be measured in terms of attitudinal changes brought about on the clients. In this regard, the intervention of OCSSCo had positively changed the attitudes of husbands toward their wife. Regarding personal empowerments, most of the women clients felt greater self-respect and satisfaction (intrinsically empowered) due to the fact that they were able to run their own income generating activities.

They promised not to lose the independent identity they acquired and decided to go forward. The micro finance services might help clients to smooth their consumption. During the focus group discussions, the clients portrayed that *"if we had not been provided with financial services by OCSSCo, our children would have remained behind cattle's tails"*. They also expressed the

importance of OCSSCo services as “*OCSSCo saved our children’s life by enabling us to buy medicine*”.

The sustainability of any program is improved if its effects consistently serve the participants. The study identified that the major services for the women clients in the area is finance. Other types of MFs such as information provision, extension and technical advice, business management trainings etc are insignificant.

## **6.2. Recommendations**

The size of the loan the MFIs provided for their clients particularly in rural areas is small. That is, it cannot match with the current market situations. Therefore, great attention should be given for loan size improvements to maximize the benefits of mutual interest. Most of the clients all income depends on the business they run. Agriculture is the basis on which the clients invest their loan. Hence, diversified agriculture is practiced among the clients. Other off-farm activities are insignificant in the area.

Using the loan for the intended purposes is very important for the clients to improve their life. Some clients do not use the credit for productive purposes. There are some resource poor households who use it for other consumption, such as school expenses during the beginning of New Year since this time is not the harvest time. This situation can be by-passed only if the clients have got other opportunities during difficult periods. Therefore, it is expected from OCSSCo to follow its clients and be part of the solution of their problems during critical times (demand based approach).

Providing financial service alone cannot ensure the life improvement dreams. Therefore, the micro finance institutions and other potential actors should think how the MFs could be more effective. In this regard, the institution should collaborate with others and provide different skill based trainings, business oriented information and counseling services. Besides, strict follow up of the clients, different incentive mechanisms for those clients who succeeded with the program is important to motivate clients to work hard toward the set goal. To do this, the coordination of different actors is crucial.

Capital accumulation of the MFIs mainly ensured through savings. This leads to sustainability of the services. Therefore, great attention should be given by OCSSCo to mobilize the untouched resources through voluntary savings. The impact of MF services can be more effective if it is supported by research. The current situation shows that there are no as such critical impact assessments done in Ethiopia. Attention should be given for off-farm activities such as petty trade, handcrafts and market oriented products to linkage the rural clients with urban consumers.

Finally, great attention should be given for impact assessments by OCSSCo to support and even to re-design the income generating activities that can ensure its poverty alleviation activities and increase its outreach and depth of services.

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