ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTEMENT OF PUBLIC ADMINISRATION AND DEVELOPMENT MANAGEMENT

THE CONTRIBUTION OF CREDIT AND SAVING INSTITUTIONS IN ALLEVIATING URBAN POVERTY: THE CASE OF ADDIS CREDIT AND SAVING INSTITUTION IN YEKA SUB CITY

BY

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Addis Ababa, Ethiopia

May, 2015

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This is certify that the thesis prepared by Mulugeta Berrie, entitled The contribution of credit and saving institutions in alleviating urban poverty: The case of Addis Credit and Saving Institution in Yeka sub city, which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP), complies with the regulation of the university and meets the accepted standards with respect to originality and quality.

Approved by Board of Examiners

Advisor	**Signature**	**Date**
Internal Examiner	**Signature**	**Date**
External Examiner	**Signature**	**Date**
Chair of Department Graduate Program Coordinator	**Signature**	**Date**

Abstract

The purpose of this study was to analyze the contribution of AdCSI‟s, in poverty alleviation in Yeka sub city. Before and after intervention comparison was incorporated to evaluate the poverty alleviation through microcredit by using some indicators. Parameters such as monthly income, monthly saving, economic status, impact on the empowerment of women, and targeting the real poor have been thoroughly assessed. The researcher used both qualitative and quantitative methods to obtain a reliable data. Data were derived from a questionnaire survey of a sample of 98 clients of AdCSI‟s in Yeka sub city. In addition, interviews were carried out with 13 clients. The study indicated that the income and saving levels of the majority of the clients have increased after joining AdCSI‟s. Encouraging results have also been shown in the enhancement of the women‟s decision making with respect to the capability to work on their own and improve their lives. The result also implies that AdCSI‟S in Yeka sub city‟s targeting the poor has been properly achieved

Key words: microfinance, poverty, poverty alleviation, AdCSI

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Explanatory Notes**:**

Ambasha: type of bread baked from dough of flour leavened by yeast

Birr: Ethiopian currency equivalent to 100 cents

Gulit: a small open-air road side market

Idir: Locally organized community based organization voluntarily formed for different social purposes including illness and death.

Injera: a type of light bread baked of leavened flour of an Ethiopian cereal called teff

Kebele: the lowest administrative level of government in Ethiopia

Woreda: the second lowest level of government administrative structure

List of Acronyms

AdCSI	Addis Credit and Saving Institution
BoFED	Bureau of Finance and Economic Development
FDRE	Federal Democratic Republic of Ethiopia
MC	Microcredit
MCIs	Microcredit Institutions
MCP	Microcredit Programs
MFIs	Microfinance Institutions
MoFED	Ministry of Finance and Economic Development
MSEs	Micro and Small Enterprises
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organizations
PRSP	Poverty Reduction Strategy Program
UNDP	United Nation Development Program
UN	United Nations

CHAPTER ONE

INTRODUCTION

1.1 Background

Poverty is a problem for all the countries irrespective of their level of development. It can be observed in many forms. It may be a lack of income or resources, a lack of coping capacity, a lack of basic human capabilities, a lack of institutional defenses or in extreme cases a lack of all of these. In a wider sense, it may be a combination of economic, social and political deprivations. Poverty is a global issue, Despite changes in development paradigms in the last half of the 20th century, the promise to bring wellbeing to all human beings remained unfulfilled. One of the major development problems facing the world today is growing phenomenon of poverty. It is estimated that over 1.3 billion people live on less than $1.25 per day, and 1 billion people cannot meet basic requirements (World Bank, 2013). Furthermore, 415 million people (one in every two people) in Sub Saharan Africa survive on less than $1.25 per day and 184 million people (16% of the African population) suffer from malnutrition (World Bank, 2013).

Similarly, poverty is the main challenge and fundamental issue of economic development in Ethiopia. According to Ethiopia Millennium Development Goals report 2012, the estimated drought-affected people requiring food aid were about 8 million. Explaining this kind of extreme deprivation in Ethiopia, an estimate by (MoFED, 2012) pointed out that 27.8% of Ethiopia‟s population was absolutely poor (unable to meet basic needs), of which 25.7% was urban and 30.4% rural. The major causes of low economic growth and high incidence of poverty in Ethiopia include lack of income, assets, employment opportunities, skills, education, health and infrastructure. According to the report (MoFED ,2012), Women and men, living in such kinds of deprivations, need a wide range of assets such as land, housing, livestock and savings, and capabilities in order to lead healthy lives; withstand shocks; and expand their horizon of choices. This can be done by increasing their well-being, security, and self-confidence as well as by mitigating the extreme physical and financial limitations, which constrain their capacity and exacerbate their vulnerability.

With the view to improving the lives of the poor and mitigating the extreme conditions of deprivation in which the poor households live, the government of Ethiopia has over the years adopted economic reform measures to address the issue of poverty. These measures include creating an environment conducive to a free market economy, employment creation which includes the promotion of policies that will encourage domestic savings and private investment, increasing income earning opportunities and promotion of small-scale industries in the informal sector among others. According to Getaneh (2005), Microfinance is also one of the means that is aimed at increasing smallholder production and activities in the informal sector.

Microfinance programs have been introduced as one of these actions to alleviate poverty, empower low-income people and reduce their vulnerability to risk and also emerging as a powerful instrument for poverty alleviation in the new economy. The goal of microfinance institutions as development organizations is to service the financial needs of un-served or underserved markets as a means of meeting development. It includes reducing poverty, empowering women and other disadvantaged population groups to create employment. Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. Beyond the direct linkage with poverty reduction, it is an indirect link to address the issues of health, education and gender. Micro finance institutions cover not only consumption and production loans, but also include other credit needs such as housing and shelter improvements (Bamlaku, 2006). The transition of NGO activities in Ethiopia initially involved in the provision of relief and humanitarian support that then extended their services to the provision of credit to micro enterprises, rural and urban poor was another factor that contributed to the growth of micro finance in Ethiopia (Zigiju, 2008).

In its effort to struggle against urban and rural areas, the Ethiopian government accepted microcredit services as one of the major poverty alleviation policies and set a legal framework for establishment and operation of microcredit institutions to provide financial services to micro and small enterprises and poor rural and urban households. Currently, there are 31 licensed MCIs operating in Ethiopia (NBE, 2012/13) including Addis Credit and Savings Institution.

Addis credit and saving institution (AdCSI) is one of the major MCIs of the country operating in Addis Ababa. Since its establishment in 2000, it has attracted a number of clients. It has branches in all the ten sub-cities of Addis Ababa. Each sub-city is again sub-divided into woredas. The vision of AdCSI is to become active contributor towards poverty reduction effort and like to see improvement in the life of low-income people and the mission is to promote micro and small enterprises to alleviating poverty and unemployment prevailing in the Addis Ababa city administration territory through provision of sustainable financial and other related services with particular attention to woman. The major objectives of the institution includes: provision of sustainable and reasonable loan service, making the low income segment of the community beneficiary of the service, develop the saving culture of the community, and encourage the community to develop self-confidence with particular attention to women. Addis Ababa City Government is the major owner of the company and provides many supports to realize its vision and mission. AdCSI is highly subsidized and gets financial sources (97%) from Addis Ababa City Government (Alehegn, 2007). As per the commercial code of Ethiopia, next to the general assembly of shareholders, the highest and the decisive governing body of AdCSI is the Board of Directors (BoDs). The board is responsible for policy issues, directions approving plan budget, appointing the general manager & auditors.

1.2 Statement of the problem

The major concern of the Ethiopian government in its PRSP is to give due emphasis to the country‟s all and basic industry-agriculture through its strategy called Agricultural Development Led Industrialization. In the document, microfinance is indicated among the specific means that is given greater emphasis and is expected to play essential role for reducing poverty in rural areas of the country where the bulk of its populace dwell (Bamelaku,2006. Urban assessment studies suggest that the income gap between the wealthy and the poor has been widening in urban centers. Certainly, some work has been going on in the country to improve the lives of the urban population, especially in the recent past. However, most of the country‟s urban centers including Addis Ababa are still facing various social and economic problems.

Addis Ababa as a capital city of Ethiopia plays a leading role in the national economy. Because of the diversification (Specialization), agglomeration of economic activities it has a comparative advantage and economies of scale to operate in varying degree and dimension in the country. The city GDP has reached Birr 20,367.75 million and per capital income Birr 6,857.8 in the year 2010 (BoFED, 2013). However, Addis Ababa is one of the least developed cities in Africa facing a major challenge of urban poverty and slum proliferation. (BoFED, 2013)

According to Addis Ababa City four-year population program and strategic plan document (2012), over 50 per cent of the population is living below the poverty line, unemployment rate in the city is 27.9 per cent and about 20 per cent of the population is engaged in informal sector activities. Concerning employment by gender in the informal sector, about 19.2 percent are women that are left in a disadvantaged situation. Hence, most of the households spent more than 50% of their income on food (Bihon, 2006). Although efforts have been made to promote small-scale enterprises in the city, due to large number of working age population in the city, labor absorption capacity of the economy is still limited.

The provision of microfinance services is one to reach out the poor through setting up micro finance institutions. As part of this initiation, the NBE issued the proclamation No 40/1996 aiming to provide for licensing and supervision of micro finance businesses (Wolday, 2000). Microfinance institutions have some impact based objectives that are frequently cited. These are to create employment and income generation opportunity, to increase saving and income, and to diversify source of income.

Generally, microfinance institution are therefore recognized by the governments as one of the effective tools to fight against poverty by providing financial services to those who do not have access to use conventional banks and financial institutions. Hence, the study has been designed to assess the contribution of microfinance institutions on poverty alleviation, i.e. to examine if microfinance institutions become successful in attaining the positive impact in reducing poverty by providing the poor with microcredit facility to start a small business and create employment opportunities, whether micro finance programs are effective and successful in reaching out the targeted urban poor, and if they are successful in changing the income and saving of their clients?

In many developing courtiers the response to such question is mixed. Thus, assessing the successfulness of the microcredit programs, the satisfaction of clients and their contribution with respect to poverty alleviation at large became very important. This research, therefore, specifically seeks to examine the contribution of Addis Credit and Saving Institution in alleviating urban poverty in *Yeka sub city*.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study is to examine the contribution of Addis Credit and saving institution in urban poverty alleviation in *Yeka sub city*

1.3.2 Specific Objectives

Specific objectives of the study include:

- To analyze comparison of incomes and savings of clients of AdCSI in *Yeka sub city* before and after taking the Microcredit,
- To analyze the role of AdCSI in creating employment opportunity generating income and meeting the basic needs of its clients,
- To identify the role of microfinance in empowering women,
- To identify and analyze if AdCSI targeted the real poor beneficiaries; and
- To make appropriate recommendations

1.4 Research Questions are:

- To what extent has the income and saving of clients been changed after the credit utilization?
- To what extent AdCSI helped beneficiaries to create employment opportunities, to generate income and meet their basic needs?
- Does AdCSI"s service help to empower women?
- Does AdCSI"s program benefit the targeted poor in *Yeka sub city?*

1.5 Significance of the study

Findings of the study will help Addis credit and saving institution to evaluate their contribution towards poverty alleviation. In addition, the findings of the study can be used by other researchers as a source of information on the contribution of MFIs in alleviating urban poverty

1.6 Scope and Limitation of the Study

Ethiopia has established a number of microfinance institutions since 1994; this study focuses only on AdCSI. The performance of microfinance institutions is measured mainly by three variables: outreach, sustainability and impact. However, the scope of this study is limited to the impact (contribution) of microfinance on alleviating urban poverty. Basically impact study requires longer time, but the duration of many clients is quite enough to reveal changes before and after intervention. New clients who have less than one year experience have also been considered as a control group. On the other hand, the findings have their own limitations. It was not easy to filter the differences of the impact between with and without microfinance services as the data collection was limited to beneficiaries. This also consequently disabled the comparative analysis of clients and non-clients. As there is no a base line survey, still another problem was that the gathering of data was based on recall memory and clients might have problems in appropriately providing the accurate information.

1.7 Organization of the paper

This study contains five chapters. The first chapter comprises the introduction which includes background of the research, statement of the problem, objectives, research questions, significance and scope and limitation. The relevant literature in the field is discussed in the second chapter. The third chapter presents research methodology. The fourth chapter presents findings, discussions and analysis. The fifth chapter presents the conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 What is Microfinance?

Microfinance has long history and encompasses a diverse range of institutional formats ranging from individual money lenders through to more formal institutions, such as village banks, credit unions, financial cooperatives, state owned banks for SMEs (Small and Medium-sized Enterprises), social venture capital funds and specialized SME funds. Microfinance, according to Ledgerwood (1999) is *"the provision of financial services to low-income poor and very poor self-employed people"*. These financial services generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet, (2001), cited in Bamlaku, (2006) define microfinance as *"the attempt to improve access to small deposits and small loans for poor households neglected by banks.*" Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Microfinance is the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that microfinance can play a role in the battle against poverty, it is also recognized that it is not always the appropriate method, and that it should never be seen as the only tool for ending poverty. In general, Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services.

2.1.1 The History of Microfinance

Microfinance is relatively new term in the field of development. From the 1950s onwards, governments and international donors have been assisting subsidized credit for small holder farmers in developing countries with the aim to increase agricultural productivity. Development financial institutions such as agricultural development banks were established to deliver subsidized credit to those farmers. In the 1960s and 1970s the supply led credit approach ended up with failure, despite the benefit of middle and upper class farmers in increasing agricultural productivity through intensive use of inputs. Main reasons for state failure of credit provision were rapid disbursement of funds with greater political emphasis, failure to collect loans stemming from lack of proper institutional arrangement and clients‟ attitude towards loan as grant money (Assefa et al, 2005). As Wolday (2000) describes, the 1980s demonstrated that „*microfinance could provide large-scale outreach profitably,*‟ and in the 1990s, „*microfinance began to develop as an industry*‟.

Along with the growth in microcredit institutions, attention changed from just the provision of credit (microcredit) to the poor , to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services . The importance of microfinance in the field of development was reinforced with the launch of the microcredit Summit in 1997. The Summit aimed to reach 175 million of the world‟s poorest families, especially the women of those families, with credit for the self-employed and other financial and business services (Microcredit Summit, 2005). In view of grabbing more attention, recently, the UN had also declared 2005 as the International year of microcredit. (UN, 2005)

2.1.2 What is Microcredit?

Microcredit refers to programs that are poverty focused and that provide financial and business services to very poor persons for generation of self-employment and income. Credit is a powerful instrument to fight poverty. The role of microcredit in reducing poverty is now well recognized all over the world. It is no longer the subject matter of microcredit practitioners alone. Currently it has increasingly became the agenda of governments, donors, development agencies, banks, consultants, and others stakeholders. With the advent of Grameen Bank and other such programs microcredit obtained a new identity, a new meaning and a place in development literature (Ledgerwood,1999).

Microcredit, according to Tesfaye (2003) is the main component of the microfinance services. It is a system of credit delivery and mobilizing savings specially designed to meet the requirement of the poor and allowing them to improve their living standard by providing credit support without collateral through augmenting their households income and savings facilities. It has evolved as an economic development approach intended to benefit the poor. However, microcredit may not include other services such as saving, insurance, payment services, etc.

2.1.3 Microfinance and Microcredit

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Ledgerwood (1999) states *"microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc.)"*. Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services.

2.2 Microfinance and Poverty

Micro finance is known as an effective tool for poverty alleviation. In poor countries like Ethiopia greater attention has been paid to poverty alleviation through microfinance, especially in the last decade. The successful use of the micro finance is considered as a victory for the disadvantaged segments. Considering the poverty alleviating impact of micro finance, currently many microfinance institutions are working throughout the developing world

Ethiopia, a country of more than 85 million is grappling with all sorts of problems that range from lack of food (to feed its expanding millions) to poor governance. Its people derive their livelihood mainly from traditional, subsistence agriculture and suffer from lack of access to the essentials for human existence. In terms of the recommended calorie intake, which is 2,200 per adult per day, Ethiopia is by far behind many least developed countries. Considering food baskets and non-food items, an estimate by MoFED (2012) shows that 27.8% of the population are below the poverty line. The problem is highly pronounced in rural areas more than it does in urban centers with coverage of 47 and 33 percent of the respective population. As far as Human Development Index is concerned (which is 0.435 as per the report of UNDP 2013), Ethiopia is positioned 173 out of 187 countries in the year 2012/13 (World Bank, 2013).

According to Grameen Trust (2003), Microfinance is still considered a relatively new strategy to combat poverty, but the model has been studied and copied enough that some preliminary conclusions can be drawn about its rightful role in international development. Proponents point to the fact that microcredit does a better job targeting the poor, and it offers a smart alternative to the top-down macroeconomic approaches that have characterized traditional development policy strategies

2.2.1 Concept of poverty

The definition of poverty has become vague. Many authors define poverty in different ways by considering different criteria and indicators of poverty. Some researchers have defined the poor as that portion of the population that is unable to meet the basic nutritional needs. Others viewed poverty as a function of education and/or health using the measurement of life expectancy, child mortality, etc. Level of expenditure and consumption are other criteria used to identify the poor.

According to World Bank report (2013), poverty is lack of access by the poor household to the assets like human capital (access to education), natural (access to land), physical (access to infrastructure), social-political (such as networks and political influence over resources), or financial (savings and access to credit) necessary for a higher standard of income or welfare. People who live in poverty live in a state of deprivation, a state in which their standard of living falls below some minimum acceptable standard (Zigiju, 2008). Poverty level can be classified in to absolute and relative poverty. The extent of absolute poverty can be defined in the number of people living below a specified minimum level of income which is one US dollar a day per person.

According to Johnson and Rogaly (1997, cited in Zigiju, 2008) poverty is conceptualized in terms of lack of

(a) Income;

(b) vulnerability (i.e. defenselessness and security linked with assets, such as health and education, houses and domestic equipment, access to infrastructure… etc.; and risk to which they are exposed, including illness and death…etc.); and

(c) Powerlessness within household and community due to differences in caste, ethnicity, gender, age, and wealth. Poverty should be understood in broader context which includes empowerment, access to power, and the opportunity to participate in social and political activities.

Others scholars defines poverty as the deprivation of basic capabilities that provide a person with the freedom to choose the life s/he has reason to value. From this perspective, poverty is a condition with many interdependent and closely related dimensions which can be categorized as (a) lack of regular income and employment, productive assets (such as land and housing), access to social safety nets, and command over economic resources; (b) lack of access to services such as education, health care, information, credit, water supply and sanitation; and (c) influence on decision-making that affects one‟s life. It generally seems accepted that poverty should be understood in a holistic way including economic, social, and political dimensions.

Poverty is lack of access by the poor households to the assets like human capital, natural, physical, social-political, or financial (savings and access to credit) necessary for a higher standard of income or welfare. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one‟s food or a job to earn one‟s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation (UN, 2010).

2.2.2 Urban poverty

Urban poverty is a multidimensional phenomenon. The urban poor live with many deprivations. Their daily challenges may include:

- limited access to employment opportunities and income,
- inadequate and insecure housing and services,
- violent and unhealthy environments,
- little or no social protection mechanisms, and
- Limited access to adequate health and education opportunities.

But urban poverty is not just a collection of characteristics; it is also a dynamic condition of vulnerability or susceptibility to risks. In identifying the characteristics of urban poverty from that of rural poverty. According to Moser (1998), describes urban poverty based on three specific characteristics of urban life: commoditization, environmental hazard, and social fragmentation. By commoditization she refers to the fact that urban households are for the most part obliged to pay for their food, shelter, transport and education than rural dwellers. Moreover, employment is frequently unavailable, insufficient or insecure while shelter is frequently illegal and insecure.

The urban poor are affected by environmental problems including lack of environmental services (i.e. sanitation, water, drainage, and solid waste management), poor quality housing, overcrowding, and settlement on marginal or degraded land. These factors increase health risk to the poor. In terms of social fragmentation the vulnerability of urban dwellers may also be high because community and inter-household mechanisms for social security are less likely to operate in urban areas (Moser, 1998). Asset Vulnerability Framework put forward by Moser contributes to the growing evidence that points to the limitations of income poverty measurement and its inability to capture other factors affecting the poor as well as their response to economic difficulty.

Asset Vulnerability Framework put forward by Moser contributes to the growing evidence that points to the limitations of income poverty measurement and its inability to capture other factors affecting the poor as well as their response to economic difficulty. She summarizes these assets Vulnerability framework as follows:

- Labor- commonly identified as the most important asset of poor people.
- Human capital- health status, which determines people"s capacity to work, and skills and education, which determine the return to their labor.
- Productive assets- for poor urban households the most important is often housing.
- Household relations- a mechanism for pooling income and sharing consumption
- Social capital- reciprocity within communities and between households based on trust deriving from social ties.

According to Moser (1998), poverty is characterized by not only a lack of assets and the poor's inability to accumulate an asset portfolio but also by inability to devise an appropriate coping or management strategy. The key issues in anti-poverty strategies are therefore to build up the asset base of the poor and to expand better their capabilities to manage their existing package or portfolio of assets. Under these understanding, a good conceptual base for Understanding and dealing with poverty, in this research, it is applied as a tool to determine what role saving and credit institution play in urban poverty alleviation.

2.2.3 Microfinance and poverty alleviation

While emphasizing the importance of microfinance to confrontation poverty Kofi Annan, former Secretary General of the United Nations once said, *"Microcredit is a critical anti-poverty tool—a wise investment in human capital. When the poorest, especially women, receive* *credit they become economic actors with power. Power to improve not only their own lives but, in a widening circle of impact, the lives of their families, their communities, and their nations*". "The accomplishment of MFIs is, therefore, a manifestation of a paradigm shift that defeated the old notion that the poor are not "creditworthy."

The principal role of microfinance was to help the poor people to escape or alleviate poverty. It was presumed that participation in microfinance programs would help the poor people to derive both the material and social benefits at the individual, household and enterprise level. With credit poor people could smooth consumption and create or expand productive activities and thus accumulate capital and wealth to mitigate poverty. The particular emphasis was put on the stimulation of the small businesses in the informal sector, which was considered as one of the prerequisites for economic development. It was believed that investment in informal sector would increase employment leading to increase in income and consumption.

Whoever the intended beneficiaries were, According to Mosley and Hulme (1998), have shown that clients of microfinance institutions witnessed a positive impact on their lives since the start of participating in the program. Microfinance has helped to increase income and consumption on individual and household level. At enterprise level, it contributed to capital accumulation and creation of employment opportunities. Microfinance has also exhibited ability to achieve wider impacts on community level through labor markets when clients who took loans for their businesses employed new workers from within the poor group (Mosley and Hulme, 1998) and by increasing income and consequently consumption and expenditure, which stimulated the local economies.

However, not all the poor people were able to derive benefit from microfinance, as MFIs usually serve the poor who are just above or below poverty line rather than the very poor living significantly below the poverty line. The latter tendency could be an outcome of deliberate MFI targeting strategies to attract not so poor clients or could be caused by the design of the products that inadvertently excludes the very poor people by their virtue of being too poor. Micro loans are given to a group of people who are made jointly liable for its repayment. Members of the community would-be unwilling to include the very poor people in the group of loan beneficiaries as they pose a high risk of default (Mosley, and Hulme, 1998) .If one of the group members is unable to pay his/her installment it puts pressure on the whole group, as they have to cover the missing installment. It also undermines their possibilities to apply for another loan as group becomes eligible for a successive loan only if they exhibit good credit performance that is pay all the installments in time. Thus the poorest of the poor could be denied access to the microfinance further deepening income inequalities between the participants and non-participants.

In addition, it has already been mentioned that microfinance shows the capacity for wider economic impacts. Nevertheless, its ability to foster economic growth and development is highly debatable (Mosley, and Hulme, 1998). The economic development relies on the ability of people to accumulate capital, which means that within the microfinance framework the poor people should invest the received loan in income generating activities. The revenues from these activities should be used for further saving, which equals investment. “Ultimately the aim is to set in motion a virtuous circle of circular and cumulative causation on the micro level” (Gramene trust, 2003).However, micro loans often serves as income stabilizer, reducing the detrimental effects of shocks such as natural disasters and only small part is used for business opportunities; therefore, microfinance may „„amount to no more than a redistribution of incomes among the relatively poor”. (Bamlaku, 2006)

Nobody says that credit alone is cure for all. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living. Muhammad Yunus (Gramene trust, 2003), advocates that credit is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be panacea, by over emphasizing that micro-credit is not a panacea is in a sense overreacting and underestimating the role of credit as an instrument to combat poverty. Microfinance is itself a very powerful tool. But if it is combined with others, it is definitely more empowering.

2.2.4 Impact of Microfinance on poverty

How Microfinance can reduce poverty may better be understood by understanding conceptually the mechanisms by which financial services can affect the lives of the poor. It is important to consider the fulfillment of basic needs (food, clothing, shelter, health, education and psychological well-being), the means to achieve welfare at present and in the future, social networks and empowerment and vulnerability to risk. In some other instances, microfinance is said to play insignificant role towards mitigating the problem of the poor. But looking at the positive impacts, several studies indicate that microfinance allows poor people to increase their incomes by starting new enterprises or expanding existing ones. The argument is that through diversified sources of income, the people could be able to shield themselves against external shocks. Savings and micro insurance services could also allow poor individuals to plan for future expenses, cope with stochastic crises and cover unanticipated expenses

Empirical evidence shows that, among the poor, those participating in microfinance programs that had access to financial services were able to improve their well-being-both at the individual and household level-much more than those who did not have access to financial services. For example, in Bangladesh, Bangladesh Rural Advancement Committee (BRAC) clients increased household expenditures by 28% and assets by 112%. The incomes of Grameen members were 43% higher than incomes in non-program villages; In Ghana, 80% of clients of Freedom from Hunger had secondary income sources, compared to 50% for non-clients (Bamelaku, 2006).In the year 2000, the United Nations drew up a list of Millennium Goals which aim to spur development and eradicate extreme poverty. In 2008, Murdoch and Haley were authorized to determine the impact that microfinance has on the realization of the seven Millennium Goals. In an extensive work, Murdoch and Haley concluded that „there is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to the first six of the seven Millennium Goals" (Murdoch and Haley, 2008). According to their study clients who participate in microfinance programs have enjoyed increased household income, better nutrition and health, the opportunity to achieve higher education, a decrease in vulnerability to economic shock, greater empowerment, and in some cases, the ability to completely lift themselves and their families out of poverty.

Studies of microfinance programs and their clients indicate the following impacts on poverty and hunger. In Indonesia, 90% of clients surveyed on the island of Lombok had moved above the poverty line, with income increases averaging 112 percent (Panjaitan- Drioadisuryo and Cloud K, 1999). In Zimbabwe, extremely poor clients of Zambuko Trust, a local MFI, increased their consumption of high protein foods at a time when food expenditures across the country as a whole were decreasing (Barnes, 2001). In Tanzania/Zanzibar, the income and assets values of borrowers are almost twice that of non-borrowers (REPOA, 2005). In India, in addition to increased economic wellbeing, share clients have shown a striking shift from irregular, low-paid daily labor to more diversified sources of income, with a strong reliance on small businesses . Studies of two separate microfinance institutions in Bangladesh documented a similar shift from informal labor to self-employment among MFI clients. As a result, overall wage rates in the villages served by the microfinance programs also increased (Zaman, 2000).

It is well known that the majority of microfinance programs specifically target women clients and provide them with direct control over resources because access to microfinance services is believed to open up greater livelihood opportunities for women and thereby allow for their increased participation in the economy (Khandker S. 2003). As a result, many MFIs consciously design their programs to empower women, with the goal of increasing their voice in decisions (family, economic, social, political) that affect their lives

2.2.5 Debates on Microcredit and poverty alleviation

There is an ongoing debate whether credit alone or credit plus is needed for poverty reduction. There are views that credit alone on its own is inadequate to fight poverty. The need for other services is also important in this respect. Such views, although, do not negate the role of credit; fail to appreciate the role of credit on its own merit.

On the one hand, Microcredit is said to have brought positive impacts on the life of the clients. A growing database of empirical studies shows that Microcredit has positive impacts to boost the ability of poor people to improve the conditions in which they live. It allows poor people to increase their income by starting new enterprises or expanding existing one. A recent study concluded by the Bangladesh Institute of Development Studies and the World Bank in Bangladesh provides a strong indication that Microcredit do help the poor in consumption smoothing as well as in asset building(Grameen Trust,2003). The study also suggests that Microfinance programs promote investment in human capital like schooling. It raises awareness to reproductive health and increases both individual and household welfare.

Grameen Bank, the pioneering institution in the field of poverty finance is now serving 2.6 million borrowers with 95% as women. All it clients at the time of their first loans were among the poorest. Given the access to credit, they have an enabling environment to strive for better life to cross poverty line and to continue to improve. The Grameen

Generalized System (Grameen Bank II) provided them more options and flexibility. It is tailor-made and tension free. It takes care of many dimensions of poverty reduction (Grameen Trust, 2003).

Grameen has been widely researched and recognized for making a difference in the lives of its members. Grameen Trust (2003), studies show that the borrowers of Grameen Bank are steadily moving out of poverty. One such study shows that it is at the rate of 5% a year. According to another study based on a household survey in an area where Grameen has been operating for more than a decade, about 50% of the Grameen households have crossed the poverty line. Another 25% were about to cross it and the rest was struggling mainly because of health reasons.

Critics suggest that microcredit by itself is ineffective at targeting the poorest, and it may also be at odds with public welfare programs, so its role should be limited to the informal sector. Impact assessment studies have also challenged the conventional wisdom of the poverty impact of Micro credit. Micro credit is said to play insignificant role towards mitigating the problems of the poor. Recent studies on microfinance found out that MCIs have helped to create some positive changes, but that there was no clear and marked evidence of poverty reduction and stated that the expectations of what MC can do to help lift communities out of poverty is a bit too optimistic . Morris and Barnes (2005) provided an overall assessment of the impact of MC programs in Uganda. The researcher did not find that Micro credit programs help to alleviate poverty in program areas, though results from this study indicated positive impacts.

Therefore, despite the many positive findings that are reported in some feasibility and impact studies, some studies report the impact of Microcredit programs is insignificant and also fail to find out the direct link between Microcredit and poverty reduction.

2.3 Microfinance and empowerment of the poor people

The empowerment of the poor people is one of the promised outcomes of participation in the microfinance programs. The empowerment had to be exercised through participation in free markets and through ability to engage in income generating activities, which would increase the income of the poor people and thus would boost their self-reliance and self-confidence. (Bamlaku, 2006).Microfinance was also seen as a way to expand the entitlements of poor people. Mohammed Yenus went as far as to proclaiming microfinance as a human right.

It should be noted that microfinance shows the capacity to help the poor to escape or alleviate poverty by lifting the liquidity constraints and enabling to take up income generating activities, which could encourage the poor people to use the services of the microfinance institutions. The ability of microfinance to empower its beneficiaries by decreasing the income poverty and through possibility to expand ones agency and economic independence could further add to the incentives to join and stay. Yet, the institutional policies and vulnerability of the poor people limit the chances of the poor to participate and maintain the banking relationship and could erode the impact or reduce the benefits that this relationship brings

2.3.1 Microfinance and woman empowerment

In case of women empowerment, there was much trust that microfinance would help women to increase their bargaining power within the household and that the "the organization of women into groups that meet regularly will build solidarity among them and result in wider challenges to gender hierarchies"(Wolday, 2000). However, the literature often omits the role of the male dynamics in the household as well as the social and cultural constraints that women face (Stieglitz, 1998). If patriarchal system is embedded in society it is very unlikely that usage of microfinance scheme would greatly contribute to the empowerment of women. In these communities women exhibit little awareness or wish to challenge the gender inequality. The belief that male leadership of the household and community is natural is deeply implanted in the minds of the women making it hard to encourage them to challenge male dominance.

Therefore, even though microfinance mechanisms enable women to increase their income, they rarely encourage them to question and challenges of gender relations in the community. Also the assumption that if woman starts earning, her husband will inevitably start to value his wife has no solid ground especially being aware that husbands or other male members of the family often use women as an intermediary to get a loan from microfinance institutions, as they are not eligible to get one themselves (Rahman, 1999). It does not imply, of course, that women cannot derive benefit from the loans as it is usually used for common purpose of the household, and contribute to increased economic independence of women but it is not likely that microfinance could bring more than a marginal improvement in women‟s life.

…*Women's priority is to invest their earnings in their children, followed by their spending on their household necessities. Therefore, lending to women and increasing their earnings bring* *more qualitative benefits to family welfare than the earnings of men. In addition, lending to women is perceived an effective way to assist the poor women in attaining their socio-economic empowerment in the larger society (Rahman, 1999)*

Microfinance institutions' focus on women noted that credit services bring about economic benefits such as higher business incomes and better empowerment, greater self-confidence, increased role in household decision-making and better social capital, women involved in microfinance feel less marginalized, have higher aspirations for their children's education and future, use more reliable sources of drinking water, and are more likely to use latrines and contraceptives. On the other hand, microfinance institutions prefer women to men not only because they have been marginalized in socio-economic relations, but also they tend to be excellent clients, which Rahman (1999) called 'the hidden transcript'. According to Rahman, Grameen Bank targeted at women strategically for recovering of loans because of women's positional vulnerability such as shyness, being passive and submissive in some societies as well as being more reliable and more disciplined. In addition, women in many programs have been proved for repaying their loans at higher rates than men (Murdoch and Haley, 2008). As it was stated in Rahman (1999) lending to women gives microfinance institutions an unwritten guarantee of getting back their money.

Majority of microfinance programs target women with the explicit goal of empowering them. However, their underlying premises are different. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged. Others believe that investing in women‟s capabilities empowers them to make a choice, which is valuable in it, and also contributes to greater economic growth and development. Another motivation is the evidence from literature that shows that an increase in woman‟s resources result in higher well-being of the family, especially children. Finally, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers thereby contributing to their financial viability (Robinson, 2001). Another argument that explains in favor of priorities to women is their efficiency and sustainability. Women are believed to be better in their repayment records and cooperativeness. Women‟s repayment rates also excel that of men and their lower arrears and loan rates have an important effect on their efficiency and sustainability of the institutions. Women‟s equal access to financial resources is also a human rights issue. (Meron, 2007).

2.4 Microfinance in Ethiopia

Since the takeover of the current government in 1991, considerable attempt has been made to liberalize the financial sector. To this effect, Proclamation No. 84/94 was issued, which allows private domestic investors to participate in banking and insurance activities, which were previously monopolized by the government. However, according to Seifu (2002) the issuance of this proclamation alone did not totally solve the financial problem of the economically active poor people in rural and urban areas.

The legal foundation for the microfinance industry was laid in the country with the issuance of Proclamation No.40/1996 on licensing and supervision of micro financing institutions in 1996. MFIs established in accordance with the proclamation can provide a loan amount of not more than five thousand birr on the basis of group guarantee and to borrowers who have joined a membership arrangement as well as lend on limited scale to non-members on the basis of physical or other collateral (National Bank of Ethiopia, 2012/13). Another Proclamation, No. 40/96 was issued to solve the problem of the delivery of financial services to the poor. Following the issuance of this proclamation the microfinance industry of Ethiopia showed a remarkable growth in terms of outreach and sustainability. Furthermore, the National Bank of Ethiopia issued a new directive on May, 2002 to improve the regulation limits on loan size (Br. 5000), repayment period (one year), and lending methodology (social collateral).

Government institutions like commercial and development banks have also been providing credit to rural households for purchase of agricultural inputs and tools. More formal micro financing step, according to the 1999/2000 Annual Report on the Ethiopian Economy by Ethiopian Economics Association Vol. I., however, was taken in 1990 when an urban micro financing scheme was initiated at national level with credit agreement signed between Ethiopian government and International Development Association (IDA). The credit scheme was implemented. since 1994 in 59 towns of Amhara, Tigray, Oromia and Southern Nation Nationalities and Peoples Regional State has dispersed, up to the end of 1997, a total of 17.3 million birr, 20 percent contributed by the Ethiopian government and 80 percent covered by International Development Association (IDA), among more than 34,000 beneficiaries of which 65 percent were women (Ethiopian Microfinance Institutions, 2002). The reported recovery rate for 1996/97 of the successful scheme that provided evidence for success of group based lending and specialized MFIs was 92 percent. Concerning loan distribution and repayment, Worku (2000) reported that loan sizes provided by Ethiopian MFIs are modest, averaging about 50 birr to 5,000 birr to each client to start using within 7 days and begin monthly repayments. According to Wolday (2002), all MFIs in Ethiopia deliver limited and the same types of loan products to clients copying from each other, and their methodologies and products are "supply-driven instead of being demand-driven." Haftu, (2004) states that MFIs in Ethiopia are trying to move towards considering and applying new approaches in group sizes and other procedures instead of following Grameen methodology.

According to the annual report of the national bank of Ethiopia (2012/13), the number of Microfinance Institutions (MFIs) operating in the country were 31. The overall performance of micro-finance institution during the review period was encouraging. Accordingly, their total capital and total asset increased by 20.8 and 33.0 percent and reached Birr 4.5 billion and Birr 17.7 billion, respectively. Deposit mobilization and credit provision activities of micro-finance institution have also witnessed a remarkable increment. Compared to last 2011/12, deposit mobilization went up by 39.6 percent and reached Birr 7.6 billion. Their credit provision capabilities also rose by 37.6 percent indicating the expanded outreach of the microfinance institutions

2.5 How to measure the performance of MFIs?

The tools to measure the social performance of microfinance institutions such as outreach in number of clients served and depths (clients‟ poverty level), financial structure, financial performance, efficiency and productivity, and portfolio quality (loan repayment) are found to be effective measurements in order to investigate the structure of institutions and their use for the community. (Lafourcade, 2005)

2.5.1. Outreach

Microfinance developed to serve the poor people who are excluded from the financial institutions. The performance of the institutions can be measured in terms of scope (number of clients served).

The performance of microfinance institutions in breadth has its own sub measurements in terms of types of the financial service offered, number of branches established, percentage of loans to clients, percentage of female clients and targeted population served, range of financial and non-financial services, and level of transaction costs and extent of client satisfaction. According to Wolday (2000), the number of active borrowers in Ethiopia increase from time to time. On the other hand, number of MFIs does not meet the demand of those who seriously need the service. The Financial performances of MFIs in nature need to be economically viable and sustainable so that they can continue reaching their objectives. Mostly the Microfinance institution earns its income from loans and funds from other non-government organizations, penalties, and commissions.

In Ethiopia, the financial performance shows that it needs a long term prospect in order to develop. The creation of the microfinance program is not for profit organizations. However, to deliver the service the institution‟s should or depend on financial viability otherwise it is impossible (Wolday, 2000).

2.5.2 Efficiency and productivity

Normally the effectiveness and productivity of microfinance institutions is measured by financial ratios. Institutions earning performance depend on the degree to which an organization‟s income covers its expenses. Efficiency can also measure by cost per borrower and a cost per meanwhile productivity is often measured in terms of a borrower per staff members (Lafourcade, 2005).

2.5.3 Portfolio Quality

The portfolio quality or loan repayment of microfinance‟s the most revealing financial performance. Loan collection is needed for the success of microfinance. The method of collecting loans is not always reliable. There will be the risks of loan delinquency and default (Consultative Group to Assist the Poor CGAP, 2003) (Morris and Barnes, 2005). Therefore, it is important the assessment of portfolio quality or loan repayment and its challenges to know the effectiveness and its viability

2.5.4 The Subsidy Dependence Index (SDI)

This measurement method helps to measure how much the institutions depend on subsidies funds. It‟s the ratio of subsidy received to revenue from loans. The institutions mostly financed by subsidies loan for sustainable purposes. The measurement index tells how much the lending interest rate should increase to remove subsidy and increase profitability for institutions. However, rising costs will lead to lower profitability.

2.5.5 Sustainability of the Microfinance Program

The benefit of sustainability of micro finances is for the people who need the financial support. The Microfinance program is a significant and growing industry, the institutions gives benefits to the society, many can survive and manage their home well, send their children to school; eat three times a day and can even save some amount of money for emergency cases. Many MFIs in Ethiopia can deliver financial services in a sustainable way. Many can survive and benefit from the program and be self-employed. The number of borrowers and size of institution are used to measure sustainability of the institution (Murdoch, 2003, cited in Samuel, 2006).

According to Wolday (2002), the success of microfinance activities in Ethiopia depends on good governance in improving the social performance. Most clients‟ income depends on agricultural products that affect the performance of the microfinance institution because of the fluctuations of product prices that are difficult to predict. The governance should ensure consistency between various aspects of its social activities by analyzing the strength and weaknesses of institutions.

2.6 Experience of Africa countries in Micro finance

Small enterprises and most of the poor population in sub-Saharan Africa have very limited access to deposit and credit facilities and other financial services provided by formal financial institutions. For example, in Ghana and Tanzania, only about 5–6 percent of the populations have access to the banking sector. This lack of access to financial services from the formal financial system is quite striking, when one considers that in many African countries the poor represent the largest share of the population and that the informal sector is an important part of the economy.

To meet unsatisfied demand for financial services, a variety of microfinance institutions (MFIs) has emerged over time in Africa. Some of these institutions concentrate only on providing credit, others are engaged in providing both deposit and credit facilities, and some are involved only in deposit collection. According to the study made in Nnamdi Azikiwe University (Anayo 2010), Nigeria it has become common that the emergence of MFIs was largely aggravated by the exclusion of the informal sector by the formal financial system/institutions in Nigeria and indeed other developing countries. For instance, out of the about 150 million Nigerians, about 65 percent of the active population who are mostly women are not served by the formal financial institutions.

2.7 Empirical Microfinance impact studies on Ethiopia

In Ethiopia, Microfinance has become a growing sector; this is partly because of the demand created by the absolute poverty in the country and encouraging policy atmosphere for the microfinance services as part of poverty reduction strategy. Therefore in order to address the problem there have been a growing number of microfinance impact studies being conducted by academic institutions, microfinance associations, and researchers. However, some of the studies to which the researcher had access to have been reviewed here.

Getaneh (2005) Amara Credit and Saving Institution, before and after the program analysis of impact on clients, ACSI has brought very little impact in poverty reduction and enterprise development. The outreach performance is also minimal. The poor marketing situation, lack of infrastructure (road network in particular) and lack of business skill by the borrowers have negatively affected the performance of ACSI

The research conducted by Padma and Getachew (2005) on women clients of Omo and Sidama MCIs in Awassa town of SNNPRS shows that some clients were able to send their children to private schools and build assets. However, lack of entrepreneurial skills and low returns in business and marketing were indicated as major obstacles.

According to (Meron.2007), 373 clients questioner survey in Addis Ababa in Specialized Financial and Promotional Institution (SFPI), were asked their level of income before and after they joined MFI, the purposes for which they use the loans, the level of savings in comparison to the times before joining MFI and their decision making powers on the loan secured. This shows that after joining MFI, 5.4 percent of the respondents have acquired less than Birr 100 while 18.8 percent have between Birr 101-200. The percentage of respondents that have between Birr 201 and 300, Birr 301 and 400, and Birr 401 and 500 has respectively been 32.4 percent, 8.6 percent and 10.2 percent. While 6.2 percent has more than Birr 500, 18.5 percent are not aware of how much they have. Before joining MFI, 7 percent of the respondents had acquired less than Birr 100 while 24.4 percent had between Birr 101-200. The percentage of respondents that had between Birr 201 and 300, Birr 301 and 400 respectively was 29.2 percent and 6.7 percent and 8 percent had between Birr 401 to 500. While 6.2 percent had more than Birr 500, 18.5 percent are not aware of how much they had before joining the MFI. This concludes that although small income increases have been recorded for some clients after joining the MFI, it is not possible to generalize that incomes increase with the delivery of microfinance. Income levels may or may not improve after the participation in the MFI owing to various circumstances. There were even cases where clients find it hard to tell whether their incomes have increased or decreased after their involvement in MFI.

The research conducted by Zigiju (2008), on the role of microcredit institution in urban poverty alleviation in Ethiopia case of AdCSI and AVFS: He concludes that AdCSI is addressing the non-poor while AVFS (Africa Village Financial Services) is addressing the poor. Improvement for AdCSI participants is remarkable. The income has increased for almost all of them and that led to improvement in the overall quality of living. On the other hand, AVFS was not able to effectively improve the life of the poor.

On the other hand, the finding by Asmelash (2003) from the study conducted in Tigray region reveals that the credit provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to these microcredit services. He showed that microcredit has brought a positive impact on income, asset building and access to schools and medical facilities in the study area.

CHAPTER THREE

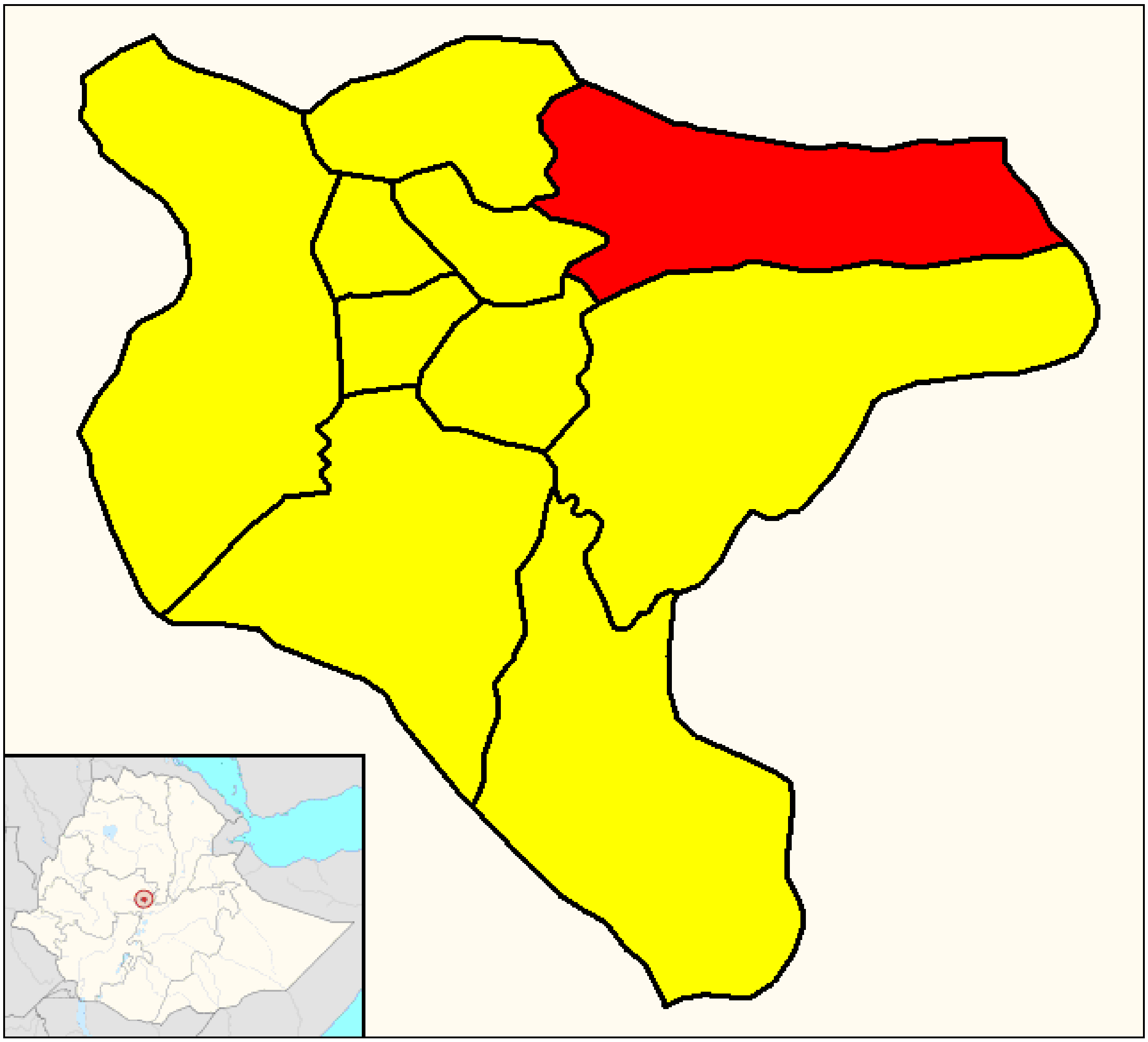
RESEARCH METHODOLOGY

3.1 Description of the study Area

Addis Ababa, the capital of Ethiopia was found in 1886. It is the largest town in the country, located almost at geographical center of the national territory. It covers an area size of 51948.85 hectare. Addis Ababa has a history of more than 125 years. Based on the 2007 Census conducted by the Ethiopian National Population Authority, the population of Addis Ababa is 3,384,569 million, 662,728 households were counted living in 628,984 housing units, which results in an average of 5.3 persons to a household. Addis Ababa lies at an altitude of 7,546 feet (2,300 meters) and is a grassland biome, located at 9°1′48″N 38°44′24″E. As of the report of UN –habitat, 2007, the average annual population growth rate of the city in 2004 was 2.92 % and the city attracts 90,000 to 120,000 new residents every year. According to 2002 study by the Association of Ethiopian Microfinance Institutions report the informal sectors in Addis Ababa employs about 51 % of the economically active labor force .Unemployment is a big problem in the city (34.7%) and it is even worse than the other urban areas of the country which is 22% (UN-habitat, 2007) and over all the poverty level in Addis Ababa is still one of the major problems and it seems to have been increasing in the last years. The city is currently divided in to ten sub city administrations namely, Arada, Addis ketema, Lideta, Kirkos, Yeka, Bole, Akaki kaliti, Nifas silk lafto, Kolfe Keranyo and Gulele sub cities.

Yeka sub city the study area of this research is situated in the North part of Addis Ababa, bounded from south by Bole sub city, from west by Lideta sub city and from North and East by Oromia region. At present the sub city is divided in to 13 woredas, 124 sub woredas, 394 seferes and 1344 blocks. According to the 2007 census, the total population within this sub city is 346,664 which are 12.65% of the entire population of the city. From the total population 161,592 are male while 185,072 are female. Addis credit and saving institution is a micro financial institution, which operates within the boundaries of Addis Ababa City Administration to serve people residing in the City of Addis Ababa with a total of 33,569 clients so far in ten sub cities (AdCSI, 2014). AdCSI was established & registered at the National Bank of Ethiopia on January, 2000 as per proclamation no 40/88 of the FDRE. It is owned by six shareholders, namely, Addis Ababa City Administration, A.A. City Women, Youth & Teachers associations' Karaalo Akababi Hulegeb peasant's cooperative & one natural person

Fig 1. Addis Ababa City Map-Yeka sub city



Source: Wikipedia

3.2 Type and Source of data

Primary and secondary methods of data collection were employed in the research. Primary sources of data have been collected through structured questionnaires and interviews. In order to enhance confidence in the ensuing findings and to increase the credibility and validity of the results, the researcher used the method of triangulation. Quantitative as well as qualitative methods were also employed. Secondary data sources such as annual and monthly reports, brochures, publications and records of AdCSI, Association of Ethiopian Microfinance Institutions, Ministry of Finance and Economic Development and National Bank of Ethiopia were also used besides the primary sources.

3.3 Methods of Data Collection

This study was conducted in Addis Ababa, Yeka Sub city branch. Yeka Sub city branch was selected in that this sub city encompasses wide area of micro and small business activities compared to other sub cities. In addition the researcher has easy access to collect data regarding cost and time consideration since the branch office is easily accessible. The research work also limited itself to a single institution due to time and financial constraints. In this regard, Addis Credit and Saving Institution (AdCSI) Yeka Sub city is selected purposively. The sub branch was also chosen because of its wide area coverage with clients from 13 weredas in the sub city. The weredas selected were relatively at similar distance from the main branch. Founding of the study on such a wide client base is believed to provide opportunities to obtain different sets of ideas, opinion and views that enrich the undertaking.

Purposive sampling method was used to select interviewees, which was considered more appropriate for qualitative analysis. Qualitative methods were usually employed for deeply rooted studies that attempt to interpret social reality. Accordingly, this research employed qualitative method with the view of assessing the areas and extent of resulting from the contribution of microfinance and also identifying the challenges and problems faced by the clients in the undertaking. In this regard interview methods were used for the purpose. A typical interview should account for a small sample size which was 13 interviewees from the selected weredas. A selection was then made from among the clients from the selected weredas.

With the objective of obtaining accurate quantitative information, a questionnaire was developed for a total of 98 respondents for primary information. The questionnaire was translated from English into Amharic for the propose of clarity and when we come to quantitative research method, 98 clients from the total of 3900 clients were selected through simple random sampling procedure. Based on this the researcher adopt a mathematical formula for the purpose of determining the sample size. (Taro Yamane, 1967, cited in Meron, 2007) has suggested the following mathematical formula for determining sample size.

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

Where, N is the total population, and „e" is the error or confidence level.

The conventional confidence level of 90% was used to ensure a more accurate result from the sample. Based on this, the error term would equal to 0.1. Using the total population of 3900 and error margin of 0.1, the sample size is calculated as follows.

$$n = \frac{3900}{1 + 3900\,(0.1)^2}$$

$$n = \frac{3900}{1 + 3900\ *.01} = 98$$

Hence, out of the total population of 3900 microfinance clients, a sample size of 98 was taken. A random sampling technique was also adopted to select the 98 participants.

3.4 Data Analysis

The questionnaire was cleaned and analyzed using the Statistical Package for Social Sciences (SPSS) program. Regarding the quantitative data analysis, it passed through various steps. First the questionnaire was first cleaned on Excel sheet after data collection .That is each respondent"s result regarding the key variables response was listed and identified. Then, since the Statistical Package for Social Sciences (SPSS) program cannot receive raw data (characters) and should be coded using numeric values. The next step is that the key variables were encoded into the variable view of the SPSS program in which its result was shown in the data view button. The data view shows all coded variables with the key variables to be analyzed. By copying the coded results from the Excel sheet to the data view button analysis of the main variables was made. The qualitative data on the other hand was collected from interview. Each interview was collected and squeezed based on the position of the response and suggestion of the respondents so as to harmonize with the quantitative data.

Finally, simple statistical analysis such as frequency distribution, percentage and cross tabulation were used to find out the result. Qualitative information collected through interviews was also incorporated into the quantitative results.

CHAPTER FOUR

FINDINGS, DISCUSSTIONS AND ANALYSIS

4.1 Demographic characteristics of the respondents

This chapter deals with the background characteristics of the respondents considered in the study. As regarding to the demographic characteristics of the respondents, 62.2% of the respondents are females and the family size of the majority is between 3 and 6 members. The age of the study participants ranged from 18 to 40 and above, the large proportion falls in the age range of 25-34 .The respondents, whose educational level ranged from illiterate to first degree level, majority of the respondents have attended above primary school level. The respondents have been members of the microfinance institution from one to more than four years. Furthermore, it is observed that the participants differ in their marital, i.e., consist of single, married, widow and divorced and 65.3% of the respondents are married.

The background characteristics of respondents are presented here below.

Table 1 The sample by sex

Sex	Frequency	Percent
male	37	37.8
female	61	62.2
Total	98	100.0

Source: - Survey Data, 2014

Table 1 above shows that 62.2 percent of the respondents are female and 37.8 percent of them are male. This reflects that AdCSI plays an active role in participating female clients. Today the majority of microfinance clients worldwide are female. Not only is microfinance good for female, but it also turns out that female is good for microfinance.

In other words, if microfinance programs are supposed to contribute to poverty alleviation, female have to participate more than male from the outcome of the credit programs.

Table 2: Proportion of age distribution of the sample population

Age	Frequency	Percent
18-24	9	9.2
25-34	51	52.0
35-49	32	32.7
>50	6	6.1
Total	98	100.0

Source: - Survey Data, 2014

Table 2 above shows that 52 percent of the respondents fall in the age group of 25-34. The age between 35-49 years of age constitute 32.7 percent. 9.2 percent of the respondents are between 18 to 24 years of age while those aged above 50 are 6.1 percent. Generally, the majority of the clients are above the age of 25. The above data indicates that most of the respondents are at active working age. This shows AdCSI plays an active role in participation in economic activities.

Table 3: The sample by marital status

Marital status	Frequency	Percent
single	26	26.5
married	64	65.3
widowed	5	5.1
divorced	3	3.1
Total	98	100.0

Source: - Survey Data, 2014

As Table 3 indicates, 65.3 percent of the clients are married while 26.5 percent are singles. Respondents who have divorced are 3.1 percent only while the remaining 5.1 percent are widows.

This shows that the great majority of the clients are married. As observed from the married respondents they usually engaged in AdCSI microfinance as a solution of financial dependency from their respective spouses while the rest are as a main source of livelihood

Table 4 The sample by level of education

	Frequency	Percent
illiterate	22	22.4
read and write	37	37.8
primary	12	12.2
secondary	14	14.3
diploma	10	10.2
degree	3	3.1
Total	98	100.0

Source: - Survey Data, 2014

As indicated in Table 4, 37.8 percent of the respondent can read and write although they have not undergone through formal education while 22.4 of clients are illiterate , 12.2 percent of them are primary school complete .14.3 percent of the respondents have secondary school complete. Furthermore, 10.2 percent and 3.1 percent have diploma and first degree respectively.

This reflects majority 37.8% of the respondents are illiterates and can read and write. It also appears from the above figures that AdCSI provides financial access generally to those who are not educated and helps as a main source of income. Therefore, we can conclude that AdCSI is mainly targeting to the poor segment of the society in its credit provision.

Table 5 The sample by occupation

Occupation	Frequency	Percent
Trader/Gulet	51	52.0
government employee	14	14.3
daily laborer	6	6.1
self-employee	27	27.6
Total	98	100.0

Source: - Survey Data, 2014

As can be seen from Table 5 above, AdCSI has tried to address a larger stratified group of people who are engaged in different economic activities. However, the majority of the respondents were engaged in trade/gulit and self-employment. From this, we could observe that microcredit institution has shown its power for those of poor who have low level of job have been outreached by the program.

4.2 General characteristics in relation to AdCSI

4.2.1 Microfinance Membership

Table 6 The sample by source of information about AdCSI

Source of information about AdCSI	Frequency	Percent
private money lenders	10	10.2
kebeles	39	39.8
friends	27	27.6
edir/equib	14	14.3
AdCSI	7	7.1
media/TV, radio)	1	1.0
Total	98	100.0

Source: - Survey Data, 2014

As shown in Table 6 above, 39.8 percent of the respondents get information about AdCSI from kebele while 27.6 percent of clients are informed from their friends. The remaining 14.3 percent, 10.2 percent, 7.1 percent and 1 percent of the respondents are informed from edir/equib, private lenders, AdCSI and media respectively

As we see from the data presentation table 6 above most of the respondents get information about AdCSI microfinance informally either from Keble‟s or friends. What can conclude from this is that AdCSI microfinance lagged behind in promoting its services to the society formally

Table 7 The sample by the loan provision by AdCSI

Reason for choosing AdCSI	Frequency	Percent
low interest rate	26	26.5
steady source of working capital	10	10.2
group mortgage	62	63.3
Total	98	100.0

Source: - Survey Data, 2014

As indicated in Table 7, 63.3 percent of clients choose AdCSI microfinance due to group mortgage and 26.5 percent of the total respondent chooses AdCSI microfinance institution the fact that AdCSI imposes lower interest rate as compared to other sources. The remaining respondent‟s i.e. 10.2 percent are in favor of AdCSI it gives steady source of working capital.

As explained above, one of the great roles of microfinance institution is its easier guarantee requirement as it allows clients to get money by forming a group and be collateral to each other. Although the advantage of such an arrangement is clear, it might also leave the clients in a disadvantageous position. This occurs when a group member fails to pay the debt making the rest of the group settle on her/his behalf.

A 38 years old lady who is married recalled the consequence she faced as a result of the default of group member.

When we joined AdCSI all of us had agreed to settle our debts timely. However one of the members failed to repay the loan and we had to settle her loan on top of ours. The situation was very difficult (Interview 1)

The above indicates that although AdCSI has pleased the clients from fulfilling collateral requirements and enabled them access to credit, they still bear burdens when a group member fails to settle debts as per the repayment schedule

Table 8 The sample by loan frequency from AdCSI

Loan frequency	Frequency	Percent
once	7	7.1
twice	35	35.7
three times	39	39.8
fourth times	11	11.2
five times	6	6.1
Total	98	100.0

Source: - Survey Data, 2014

In Table 8, it shows that 39.8 percent of the respondents have been taken loan three times from AdCSI. While 35.7 percent of the respondents took loan twice, about 11.2 percent of the clients have loan experience fourth times. The lease client‟s i.e. 6.1 and 7.1 percent have loan experience of five and one times respectively. From this what we can observe is that the clients are beneficiary and decided to take loan more than two times. The minor decline of the percentage from three times to four times show that some of them are self-sufficient to run their business with the previous capital.

Table 9 The sample by comment on rate of interest provided by AdCSI

Rate of interest provided by AdCSI	Frequency	Percent
too high	5	5.1
high	9	9.2
normal	51	52.0
low	33	33.7
Total	98	100.0

Source: - Survey Data, 2014

As indicated in Table 9 above, 52 percent of the respondents think that the interest rate provided by AdCSI is normal as compared to other source of loan while 33.7 percent commented as the interest rate is low. Furthermore, 9.2 and 5.1percent have comment that the interest rate is high and too high.

A Married client who is 31 years of age and has been a member of AdCSI for four years noted the following

The interest rate applied by AdCSI is smaller compared to that levied by private lenders. However, the rate is still too much for me. In addition the interest of loans taken is not comparable to the amount offered for savings. Interest used to be calculated on the remaining balance of the loan taken but these days the initial amount is considered for interest (Interview 4)

While the clients are happy to AdCSI for the loans provided, they are not happy with the fact that interests are calculated on the base loan even while they are settling their debts as per the agreed repayment schedules

4.3. Contribution of microfinance on Income and saving before and after taking the loan

The major objective of microfinance institutions is to create income among poor households and thereby alleviate poverty. The increase or decrease in the level of income may have an implication on the life standard of the individuals. An increase in income, for instance the opportunity to open business, employment, entrepreneurship, access to health services, education, and house ownership.

4.3.1 Income

Table 10 The sample by level of income

Net income level(monthly)	Before joining AdCSI		After Joining AdCSI	
	Frequency	percent	Frequency	percent
<100	45	45.9	2	2
101-200	18	18.4	4	4.1
201-300	17	17.3	14	14.3
301-400	8	8.2	19	19.4
401-500	7	7.1	24	24.5
>500	3	3.1	35	35.7
Total	98	100	98	100

Source: - Survey Data, 2014

Table 10 shows that after joining AdCSI 2 percent of the respondents have acquired less than birr 100 while 4.1 percent have between 100-200 birr. The percentage of respondents that have between birr 201-300, Birr 301-400, Birr 401-500 has respectively been14.3 percent, 19.4 percent, 24.5 percent. While 35.7 has more than 500 Birr. Before joining AdCSI, 45.9 percent of the respondents had acquired less than Birr 100 while 18.4 percent had between birr 101-200. The percentage of respondents that had between Birr 201-300, Birr 301-400 respectively was 17.3 percent and 8.2 percent and 7.1 percent had between Birr 401-500 while 3.1 percent had more than 500 Birr.

The above comparisons indicate that majority of the clients have increased their incomes after they joined AdCSI although others still earn the same amount of income during both periods. There are also clients that were not able to specify their incomes both before and after they participation in AdCSI. Similar to this concept, the result of interview revealed that the increases in income after joining AdCSI are larger for the majority of the clients. In addition, some respondents were not able to tell whether their incomes have exactly increased or decreased after their membership in AdCSI.

38 years old men who have been a client of AdCSI for three years stated the situation as follows.

I was previously engaged in small business/trade and continued in the same business after I joined the AdCSI. I can't say whether my income has exactly improved or deteriorated after joining AdCSI (Interview 5).

There are also clients who said that their incomes have increased or decreased after they joined the MFI. The results of interview also showed clients with a pattern of an increase or decrease in income after participation in AdCSI.

A 26 year old woman with an experience of two and half years with AdCSI stated as follows.

I was involved in small trade before joining AdCSI. Following my membership in AdCSI, I was able to expand my business and settle my debts timely. My income has increased after I joined AdCSI (Interview 6).

Another client, aged 27 and a member of AdCSI for the last two years noted that her income has actually decreased after she joined the institution.

I have been engaged in small business both before and after joining AdCSI. However, after joining the AdCSI, I was not able to run my business as before. My income has generally deteriorated but I continue to settle my debt as per my commitment (Interview 7)

4.3.2 Saving

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

Table 11 The sample by level of saving

Saving Amount	Before joining AdCSI		After Joining AdCSI	
	Frequency	percent	Frequency	percent
No saving	77	78.6	0	0
50-100	21	21.4	21	21.4
101-200	-	-	26	26.5
201-300	-	-	31	31.6
>300	-	-	20	20.4
Total	98	100	98	100.0

Source: - Survey Data, 2014

As indicated in Table 11 above, after joining AdCSI 100 percent of the respondents have money savings either mandatory or voluntary savings. 21.4 percent of the clients saved Birr 50-100 while 26.5 percent saved Birr 101-200.the percentage of respondents that save between Birr 201-300 cover 31.6 percent. More ever 20.4 percent of the respondents save more than 300 Birr. But, before joining AdCSI only 21.4 percent of the respondents had money savings with rests at the minimum amount, i.e. 50-100 while 78.6 percent of the respondents do not have saving account before. This shows that AdCSI helps the poor to have money saving and creates initiation to save. This again builds confidences and ownership in the household level.

A 32 years married woman explained the situation as follows

I did not have a saving account before joining AdCSI. Since I had a very small amount of money, it was shameful to go to the bank and deposit it. I now have a bank book opened with the AdCSI which allows me to deposit my savings upon settlement of the loan (Interview 8)

This indicates that AdCSI helped them to make money and open a saving account in bank and deposit a small amount of money as they can now deposit money starting from Birr one when they go to AdCSI to settle their loans. Therefore, the provision of saving facilities is one of the major advantages of microfinance institutions. Although the savings might be smaller, it makes the clients familiar with the benefits of the scheme. In addition, having some amount of savings is believed to help them build self-confidence and can serve as a positive sign of empowerment.

Table 12 The sample by saving account

Saving Account	Before joining AdCSI		After Joining AdCSI	
	Frequency	percent	Frequency	percent
Yes	21	21.4	98	100
No	77	78.6	-	-
Total	98	100	98	100

Source: - Survey Data, 2014

Table 12 shows that 78.6 percent of the respondent s had no saving account while the remaining 21.4 percent had saving account before joining AdCSI. But, after they join microfinance institution all clients have saving account in AdCSI. This is because the clients have mandatory saving when they take the loan. In addition to that there is also voluntary saving. One can conclude from this is that AdCSI use to mobilize saving.

4.4 Employment opportunities, Housing conditions, and Food

4.4.1 Contribution on Employment opportunity

It is obvious that borrowers take a loan for the purpose of different activities; the provision of microfinance from theoretical perspectives is to reduce poverty level through enabling the poor participants in income generating activities and enable clients to engage in small business and create employment opportunity. However due to the nature of money, borrowers can use the loan for non-productive and non-targeted activities like paying for credit they had before, for ceremonial expenses and the likes. Apart from these disciplined borrowers can use their loan for The intended purpose likes to open new business, to change the old business they had in to another new business, to repay other loan and etc.

Table 13 The sample by use of loan received from AdCSI

Purpose of the loan	Frequency	Percent
to open my business	68	69.4
to change the previous business	8	8.2
to expand my business	13	13.3
to furnish my home	9	9.2
Total	98	100.0

Source: - Survey Data, 2014

As Table 13 indicates, 69.4 percent of the respondents take a loan to open the new business and 13.3 percent of clients use the loan to expand their business while 9.2 percent of the respondent use loan to furnish their home. The minimum amount i.e. 8.2 percent of them use their loan to change the old business they had in to another new business

Hence, microfinance has enabled clients to engage in small business and create employment opportunity. In interview also indicated that majority of the clients use the money for intended purposes. Some respondents used the loan to prepare and sell *Injera* (type of Ethiopian bread) and *Ambasha* (local bread). A few of them utilized the money to buy *lakech mitad* (a type of flat stove made up of clay used to prepare injera). Some prepare *Baletena* (hot pepper), *Shiro* (powdered beans) etc for sale. Furthermore, some clients also opened their beauty salon shops, barbery, internet cafe services, and the like

4.4.2 Contribution on better Housing condition

Table 14 The sample by Hosing condition

housing condition improved after joining AdCSI	Frequency	Percent
strongly disagree	6	6.1
disagree	25	25.5
agree	46	46.9
strongly agree	21	21.4
Total	98	100.0

Source: - Survey Data, 2014

Table 14 above shows that 46.9 percent of the respondents agree that better housing condition after joining AdCSI while 21.4 of the clients believed that strongly agree on better housing condition after joining AdCSI. Furthermore, 6.1 and 25.5 percent of the clients strongly disagree and disagree on the housing condition after joining AdCSI. This leads us to conclude that program participation has improvement in better housing condition after joining AdCSI.

Table 15 The sample by Asset acquisition for Housing condition

Asset acquisition for Housing condition	Frequency	percent
stove	13	13.27
refrigerator	11	11.22
sofa	10	10.20
bed	23	23.47
TV	9	9.18
Never acquired	32	32.65
Total	98	100

Source: - Survey Data, 2014

The researcher tried to identify duration in microfinance impact in asset acquisition for better housing. i.e., those who wait longer time in microfinance service have better experience of acquiring key assets for their houses than those who are late comers. Accordingly, 67.35 percent of the respondents acquired key assets for better housing during the last two years. In contrast 32.65 percent of the respondents acquired nothing during the previous two years. As it was observed from the interviews of the respondents, when they collect some amount of money from their business they prefer to buy home furniture. A 35 year client in the interview responses,

After I joined ADCSI microfinance I have already owned a refrigerator and better beds. Additionally, I usually buy some house furniture. (Interview 10)

4.4.3 Contribution in Nutritional Intake (Food)

One key indicator of the impact of microfinance on poverty is improving nutrition intake (food) of the participating households. The clients were asked if there have been improvements in their nutritional intake since they began receiving loans. Their responses have been summarized in the Table 16.

Table 16 The sample by nutrition in take (Food)

Nutrition in take after joining AdCSI	Frequency	Percent
improved	70	71.4
no change	28	28.6
Total	98	100.0

Source: - Survey Data, 2014

Table 16 above shows that 71.4 percent of the respondents their nutrition intake has improved while the remaining 28.6 percent clients not yet changed. From this we can observe that most of the clients are improve or have got better ability to after joining AdCSI. However, the respondents of those clients who reported improvement in their nutrition intake since their participation in the microfinance program said on the interview that the new jobs created by the loan, expansion of their businesses, and additional incomes from those activities caused the improvement in the nutrition intake.

This in general can be a good indication that microfinance programs hardly contribute to improving the living conditions of the poor people

4.5 Woman empowerment

Microfinance programs are supposed to empower woman through increased decision making in the household, training and awareness, better incomes, among others. Woman who are participating in the microfinance programs are also assumed to feed important and have a desire to increase the stability of the family member

4.5.1 Decision making role in household

One of the positive signs of microfinance is assumed to increase woman decision role within the household, business and community. When women are given decision making power, they generally make decisions that will promote nutrition healthy and literacy within their families, which in turn could enable them to contribute something constructive to the benefits of the communities. In this regard, the provision of woman decision making role within the household is dealt with here

Table 17 The sample by decision making in the household

	Frequency	Percent
wife only	48	78.7
husband only	8	13.1
wife and husband	5	8.2
Total	61	100.0

Source: - Survey Data, 2014

The result in Table 17 shows that 78.7 percent of the respondents respond that wives alone make decisions with in the households while 8.2 percent of clients respond that wife and husband make decisions. The remaining respondent"s i.e.13.1 percent respond that husbands alone make decision within the households. Therefore, we can conclude that the program participation contribute to improvements of decision making role in the household

However, different finding were gathered from woman that chose to provide feedback on the interview. A 31 years old lady noted the following.

I did not see any difference in this regard before and after I joined AdCSI. My husband and I discussed together on the household issues before and after I joined AdCSI (Interview 11)

4.5.2 Decision about loan taking

Table 18 The sample by decision about loan taking

Decision about loan taking	Frequency	Percent
wife only	39	64.1
husband only	12	19.6
husband and wife	10	16.3
Total	61	100

Source: - Survey Data, 2014

Similarly, as table 18 indicating, 64.1 percent of the clients respond that wives alone in decision making role concerning loan taking while 19.6 percent of clients respond that husbands alone playing a decisive role in loan taking. Furthermore, 16.3 percent of the clients respond that both wife and husband in decision making role concerning loan taking. This shows that microfinance service of AdCSI increased decision making role of woman concerning their business

4.5.3 Delivery of Training

Respondents were asked what type of training received on business entrepreneurship and related trainings after they joined AdCSI

Table 19 The sample by types of training

Types of training	Frequency	Percent
loan usage	39	63.9
Business skills	13	21.3
Never trained	9	14.8
Total	61	100.0

Source: - Survey Data, 2014

Table 19 above shows that, 63.19 percent of the clients trained how to use their loan given from AdCSI, while 21.3 percent of the respondents took training. And the remaining 14.8 percent of the clients do not gain any kind of training. AdCSI arranges training schedule for all clients before taking the loan but the training is not in detail. The positive side from the findings is that above 85 percent of the respondents get different types of training

The results of the interview also show that the majority of women have received some sort of training on small business entrepreneurship. Many clients have received training on small business entrepreneurship. Many clients have received training related to loan usage. Most attended trainings when they joined AdCSI. This indicates that the clients awareness regarding training and business entrepreneurship has somewhat increased after joining AdCSI

4.6 Targeting the poor

The major objective of AdCSI as one of microfinance institute is making the low income segment of the community (with especial attention to women and making unemployed and new business startups its ultimate target clients) beneficiary of reasonable loan and saving service

Table 20 The sample by source of income before joining AdCSI

Source of income	Frequency	Percent
yes	19	19.4
no	79	80.6
Total	98	100.0

Source: - Survey Data, 2014

As shown in Table 20 above, 80.6 percent of the respondents did not have any other source of income before joining AdCSI, while the least i.e. 19.4 percent of the respondents had a source of loan before joining AdCSI microfinance. This may be a good indicator that AdCSI is mainly targeting to the poor segment of the society in its credit provision.

The majority of the respondents also said that they like microfinance institutions to join as source of income due to the easier requirements compared to other sources. In addition, they found it hard to borrow money from banks or other loan services as a source of income that require collaterals because most lack, formal job, working capital, etc. microfinance institution offer them to make groups of four to five clients and allow them to play a collateral role for each other.

A 31 years old lady who is divorced explains how microfinance has helped her to improve her life and as source of income during the interview.

I am not educated and did not have a job. I had to borrow money to start my own business but did not meet the collateral requirements for the loan .After joining AdCSI and organizing as a group; I was able to secure loans and started my own business (Interview 12)

CHAPTER FIVE

CONCLUSTIONS AND RECOMEDATIONS

5.1 Conclusions

The previous chapters provide information about microfinance itself, its practice, contribution in urban poverty alleviation. The concepts and definitions help the reader to understand microfinance program. Moreover, the primary data investigated and conducted in Yeka sub city branch offices of AdCSI demonstrates a practical insight regarding the contribution of microfinance practice in urban poverty alleviation within the sub city. Hence, based on the previous chapters and discussions made we can finalize all the findings in the following points

Microfinance implies providing the poor with credit and savings facility to set up income generating activities after taking loans. The increase or decrease in the level of income may have an implication on the life standard of the individuals. An increase in income, for instance the opportunity to open business, increase in saving , employment, entrepreneurship, access to health services, education, and house ownership. The study indicated that the delivery of microfinance has resulted in income and saving increase after taking loans. The client profile clearly indicated that majority of respondents (80 percent) have increase their income. Furthermore, the majority of the clients (78.6 percent) have able to generate money savings after joining AdCSI. In addition, after they join microfinance institution all clients have saving account in AdCSI. This is because the clients have mandatory saving when they take the loan. The above results indicate that the delivery of microfinance has shown positive signs towards client change on their income and saving after the credit utilization

The provision of microfinance from theoretical perspectives is to reduce poverty level through enabling the poor participants in income generating activities and enable clients to engage in small business and create employment opportunity, to generate income and meet their basic needs. The investigation made supports that most of the respondents believed that microfinance has enabled them to engage in small business and create employment opportunity. Out of the sampled borrowers, 69.4 percent of respondents use the loan to open new business, some respondents used the loan to prepare and sell injera and *Anbasha*. Some of the respondents use the money to prepare *Baletean* for sale. Some clients also opened their beauty salon shops, barberry, internet café service and the like. In addition 68.3 percent of the respondents agreed that better housing condition after joining AdCSI and 67.3 percent of the respondents acquired asset for better housing. Furthermore, 71.4 percent of the respondents their nutrition intake has improved. The above impact studies show that microfinance has positive impact on client‟s employment opportunity, income diversification, nutrition and housing empowerment of the poor. However, the evidence at the country level shows that there has not been any significance in the overall level of poverty. Therefore, there is a need to support microfinance programs in Ethiopia so as to reach the poorest segment of the population. Microfinance alone could not reduce poverty. It should be supported by other development interventions.

Microfinance plays a significant role in the economic empowerment of woman, because woman by default have less access to credit and they face constraints unique to their gender. Through the provision of loans to woman, particularly to the poor and who are not able to fulfill the collateral requirements laid down by other lending institutions, microfinance enables them to be self-employed. Consequently some of the woman has managed to increase their incomes, although in small amounts, and improve savings. The data from AdCSI shows that woman clients have better access to loans to a greater extent than men, which supports the mission of the institute. The study also supports that in Yeka sub city out of the sampled clients 62.2 percent of them were woman. In addition, the decision making powers of the woman on the loan secured from AdCSI has been enhanced following their participation in AdCSI. 78.7 percent of the clients respond that woman alone make decision within the households. Furthermore participation on training in microfinance has also improved the woman‟s self-confidence and enabled them to realize their potentials to engage in business and improve the household which is positive sign of empowerment. Therefore, the above findings indicate that microfinance has positive impacts in the empowerment of woman.

As we know, AdCSI were established based on the objective of poverty reduction by targeting the poor. The targeting and client selection instrument then should towards addressing poor. The investigation made supports the conclusion that AdCSI Yeka sub city branch is addressing the poor. The responses of the respondents clearly indicate that 80.6 percent of the respondents did not have any other source of income before joining AdCSI. 72.4 percent of the respondents are not educated; AdCSI provides financial access generally to those who are not educated and helps as a main source of income. 64.28 percent of the respondents have an average monthly income of less than 200 birr. Therefore, the above findings indicate that AdCSI is targeting the poor.

5.2 Recommendations

Based on the above conclusions and data analysis in the previous chapters, the following recommendations are put forward.

5.2.1 As it was observed from the respondents most clients usually a source of information about AdCSI microfinance service from people informally. AdCSI should work more in advertising its services and help the poor. In addition, information to loans, deposits, interest rates charged, repayment rate and time should be clearly explained to clients

5.2.2 Empowerment of women reported by the respondents in terms of business skills, and delivery of training should also be further extended to decision-making roles, and improving their capacities to send children to school

5.2.3 As it was observed from the findings the loan size given to the client is not enough so as to run business. It is recommended to upgrade the loan size considering the current situation.

5.2.4 The organizations involved in microcredit initiatives should take account of the fact that microfinance shouldn‟t be only an economic support. Thus, microfinance is better used as an instrument along with other development interventions rather than a poverty reduction strategy in isolation. It should also have capacity building programs for economically deprived clients

5.2.5 Microfinance institutions should try to look those urban poor through empowering them to take risks, structure the economy to be conducive to greater income equality and growth

5.2.6 Since the poor are abandoned by the formal banking system, the prospect offered by the services provided by the microfinance institutions should allow the poor to access the credit at relatively low interest rates

5.2.7 The progresses observed in alleviating poverty by AdCSI can be further enhanced. If various ways were arranged to extend loans, economic capacities of those clients needing bigger loans should have been developed.

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Annexes

Annex 1

Sample questionnaire of Amharic Version

አዲስ አበባ ዩኒቨርሲቲ

የቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

የህዝብ አስተዳደር እና ልማት አመራር ክፍል

የዚህ መጠይቅ ዋና አላማ የብድር እና ቁጠባ ተቋማት የከተማ ድህነት ቅነሳ/ማጥፋት ያላቸው ሚና ለመመዘን/ለመገምገም የተዘጋጀ ጥናት ነው ፡፡ በመሆኑም የሚሰጡት መረጃ በአጠቃላይ ለትምህርት አላማ ብቻ የሚውል ሲሆን ከተቋሙ ጋር ምንም አይነት ግንኙነት የለውም ስለዚህ ትክክለኛ መረጃ በመስጠት እንዲተባበሩኝ በትህትና እጠይቀዎታለሁ ፡፡

ለመልካም ትብብርዎ በቅድሚያ አመሰግናለሁ ፡፡

ክፍል አንድ ፡- የምላሽ ሰጭ አጠቃላይ መረጃ

1.1. ፆታ 1. ወንድ 2. ሴት

1.2. እድሜ 1. 18-24 ዓመት 2. 25-34 ዓመት 3. 35-49 ዓመት 4. ከ50 ዓመት በላይ

1.3. የትምህርት ሁኔታ 1. ያልተማሩ 2. ማንበብ እና መፃፍ 3.1ኛ ደረጃ (1-6) 4. 2ኛ ደረጃ 6-12 5. ዲፕሎማ 6. ድግሪ እና ከዛ በላይ

1.4. የጋብቻ ሁኔታ 1. ያለገቡ 2. ያገቡ 3. ባለቤትዎ በሞት የተለዩ 4. ከባለቤትዎ ጋር የተፋቱ

1.5. የቤተሰብ ብዛት 1. ከ3 ባታች 2. 3-6 አባላት 3. ከ 6 በላይ

1.6. ስራ 1. የጉልት ንግድ 2. የመንግስት ሰራተኛ 3. የቀን ሰራተኛ 4. ሌላ

1.7. ለምን ያህል አመታት የአዲስ ብድር እና ቁጠባ ተቋም አባል ነበሩ? 1. ከአንድ አመት በታች 2. 1-3 ዓመት 3. 4-6 ዓመት 4. ከ7 ዓመት በላይ

ክፍል ሁለት ፡- ከአዲስ ብድር እና ቁጠባ ተቋም ጋር የተያያዘ አጠቃላይ መረጃ

2.1 ስለ አዲስ ብድር እና ቁጠባ ተቋም የመረጃ ምንጭዎ ምንድን ነው?

1. የግል ገንዘብ አበዳሪዎች 2 . ከተቆሙ ሰራተኞች 2. ቀበሌ 3. ዘመዶች /ጓድኞች
4. እቁብ/እድር 5. ከቡድን አባላት 6. መገናኛ ብዙሃን /ቲቪ፣ ሬዲዮ 7. አላስታውስም

2.2 ከሌሎች አበዳሪ ተቋማት ይልቅ የአዲስ ብድር እና ቁጠባ ተቋም ብድር ለምን መረጡ ?

1. ከሌሎች የብድር ምንጮች ይልቅ ዝቅተኛ ወለድ መኖር
2. ቀጣይ የስራ ካፒታል ምንጭ መሆኑ
3. የግሩፕ መተባበር እና/ወይም ግሩፕ ተለዋዋጭነት
4. ከሌሎች ብድር አማራጮች ይልቅ ቀላል ዋስትና ማስፈለግ

2.3 ከአዲስ ብድር እና ቁጠባ ተቋም ምን ያህል ጊዜ ብድር አግኝተዋል ?

የተበደሩበት አመት	የብድር መጠን በብር	መልሶ የተከፈለ መጠን
1. 1ኛ ዓመት	______________	____________________
2. 2ኛ ዓመት	______________	____________________
3. 3ኛ ዓመት	______________	____________________
4. 4ኛ ዓመት	______________	____________________
5. 5ኛ ዓመት	______________	____________________

2.4 ከአዲስ ብድር እና ቁጠባ ተቋም ለምን አለማ ብድር ተቀበሉ ?

1. የእራሴን ንግድ ለመክፈት 2. በሌላ ንግድ የምሰራውን ንግድ ለመለወጥ 3. የእራሴን ንግድ ለማስፋፋት 4.የቤቴን እቃ ለማሞላት 5. ሌላ ካለ ይገለፅ

2.5 ለፈለጉት አላማ የፈለጉትን አጠቃላይ ያወጡትን የብድር መጠን ተጠቅመዋል ?

1. አዎ 2. አልተጠቀምኩም

ከላይ ላለው ጥያቄ ምላሽዎ አልተጠቀምኩም ከሆነ ገንዘቡን የተጠቀሙበትን ሌላ አላማ ካለ ይገለፅ

____

2.6 ለዚሁ ብድር ተቋም አጠቃላይ ብድር ሳያዘገዩ መልሰው ከፍለዋል?

1. አዎ 2. አልከፈልኩም

2.7 ለጥያቄ ቁጥር 2.6 ምላሽዎ አዎ ከሆነ በብድሩ እገዛ ካገኙት ጥቅም መልሰው ከፍለዋል?

1. አዎ ሙሉ በሙሉ 2. አዎ ሆኖም በሙሉ አይደለም 3. አይ ከሌላ ምንጭ 4. ሌላ ካለ ይገለፅ ___________

2.8 ለጥያቄ ቁጥር 2.6 ምላሽዎ አልከፈልኩም ከሆነ ምክንያቱ ምንድን ነው?

1. በሰዓቱ መልሶ ለመክፈል ገንዘብ የለኝም 2. የግሩፔ ሌሎች አባላት መልሰው አልከፈሉም 3. ለሌላ ይበልጡን ጠቃሚ ለሆነ አላማ ለመጠቀም ፈልጌአለሁ
4. ሌላ ካለ ይገለፅ

2.9 በዚህ የብድር ተቋም የሚጠየቀው ወለድ

1. በጣም ከፍተኛ ነው 2. ከፍተኛ 3. የተለመደ 4 ዝቅተኛ

2.10 ብድርዎን በወቅቱ መልሶ ላለመክፈል ዋናው ችግር ምንድን ነው ?

1. የመልሶ ክፍያው ጊዜ አጭር በመሆኑ 2. የንግዶ መዘጋት 3. ከፍተኛ ወለድ 4. ሌላ ከሆነ ይገለፅ

ክፍል ሶስት ፡- አዲስ ብድር እና ቁጠባ ተቋም ብድር ከወሰዱ በኋላ

3.1 ገቢ.ዎ ጨምሯል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.2 የሚቁጠቡት ገንዘብ ጨምሯል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.3 በተሻለ ቤት ውስጥ መኖር ጀምረዎል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.4 የተሻለ ትምህርት ማግኜት ችለዋል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.5 የተሻለ የጤና እንክብካቤ ማግኘት ችለዋል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.6 የስራ መልካም አጋጣሚዎች ጨምረዋል

1. በከፍተኛ ደረጃ አልስማማም 2. አልስማማም 3. እስማማለሁ 4. በከፍተኛ ደረጃ እስማማለሁ

3.7 ለራስዎ እና ለልጆችዎ ልብስ የመግዛት አቅምዎን እንዴት ይገልጹታል

1. የብድር ፕሮግራም ከመግባቱ በፊት የተሻለ ነበር 2. የብድር ፕሮግራም ከገባሁ በኋላ የተሻለ ሁኖል

3.8 የብድር ፕሮግራም ከመግባትዎ በፊት እና በኋላ ያለውን ልዩነት በተለይም የመብራት እና ውሃ አገልግሎቶች ወጭ ለመክፈል ያለውን ልዩነት እንዴት ይገልፁታል

1. የብድር ፕሮግራም ከመግባቱ በፊት የተሻለ ነበር 2. የብድር ፕሮግራም ከገባሁ በኋላ የተሻለ ነው

ክፍል አራት ፡- ስራ ቅጥር መልካም አጋጣሚ ፣ ገቢ እና ቁጠባ

4.1 አዲስ ብድር እና ቁጠባ ተቋም ከመግባትዎ በፊት ስራ ነበረዎት ?

1. ነበረኝ 2. አልነበረኝም

4.2 ለጥያቄ 4.1 ምላሽዎ ነበረኝ ከሆነ አዲስ ብድር እና ቁጠባ ተቋም ከመቀላቀለዎ በፊት ገቢ.ዎ ምን ያህል ነበር?

1. ከ100 ብር በታች 2. ከ101-200 ብር 3. ከ201-300 ብር 4. ከ301-400 ብር 5. ከ401-500 ብር

6. ከ500 ብር በላይ

4.3 ከአዲስ ብድር እና ቁጠባ ተቋም የተበደሩት ብድር በዋነኝነት ጥቅም ላይ የዋለበት አላማ ምንድን ነው ?

1. ለንግድ 2. ለምግብ እና ልብስ ፍጆታ 3. እዳ ለመክፈል 4 ሌላ ካለ ይገለፅ-------------

4.4 ለጥያቄ ቁጥር 4.3 ምላሽዎ 1 ከሆነ አዲስ ብድር እና ቁጠባ ተቋም ከገቡ በኋላ ወርሃዊ ገቢዎ ምን ያህል ነው

1.ከ100 ብር በታች 2. ከ101-200 ብር 3 ከ201-300 ብር 4 ከ301-400 ብር 5. ከ401-500 ብር 6. ከ500 ብር በላይ

4.5 ለንግድ ስራዎ ሰራተኛ ቀጥረው ያሰራሉ?

1. አዎ 2. አልጠቀምም

4.6 ለተራ ቁጥር 4.5 ጥያቄ መልሰዎ አዎ ከሆነ የንግድ ስራዎ አማካኝ ወርሃዊ ወጭ ስንት ብር ነው? ____________

4.7 አዲስ ብድር እና ቁጠባ ተቋም ከመቀላቀለዎ በፊት የቁጠባ ሂሳብ ነበረዎት ?

1. ነበረኝ 2. አልነበረኝም

4.8 ለጥያቄ ቁጥር 4.7 ምላሽዎ ነበረኝ ከሆነ ገንዘብ የት ይቆጥባሉ?

1. በብድር ተቋማት ውስጥ እቆጥባለሁ 2. ባንክ እቆጥባለሁ 3. ፈፅሞ ቆጥቤ አላውቅም

4.9 አዲስ ብድር እና ቁጠባ ተቋም ከመቀላቀለዎ በፊት ምን ያህል ብር ይቆጥባሉ?

1.ቆጥቤ አላውቅም 2 50 - 100 ብር 3. 101 - 200 ብር 4. 201 - 300 ብር 5. 300 ብር በላይ

4.10 አዲስ ብድር እና ቁጠባ ተቋም ከተቀላቀሉ በኃላ ምን ያህል ብር ይቆጥባሉ?

1. ቆጥቤ አላውቅም 2.50 - 100 ብር 3. 101 - 200 ብር

4. 201 - 300 ብር 5. 300 ብር በላይ

ክፍል አምስት ፡- ሀብት ፤ፍጆታ እና ወጭ

5.1 ባለፉት ሁለት አመታት ቁልፍ ሀብት ንብረቶች አፍርተዋል?

1. አዎ 2. አላፈራሁም

5.2 ምላሽዎ አዎ ከሆነ የሚከተሉት የቱን ንብረት ባለቤት ሆነዋል

1. ወንበር/ጠረጴዛ 2. ራዲዮ/ቴፕ 3. ቲቪ/ቪዲዮ 4. ምድጃ 5. ማቀዝቀዣ 6. ሶፋ 7. አልጋ/ ፍራሽ.

5.3 የቤተሰብ አባልዎ ወደ ጤና ተቋም ከሄዱ ለህክምና አገልግሎት የገንዘብ ምንጭዎ ምንድን ነው ?

1. የንግድ ትርፍ 2. ቁጠባ 3. ከዘመድ/ጓድኛ ብድር 4. ሌላ ካለ ይገለፅ--------------

5.4 ባለፉት ሁለት አመታት የቤተሰብዎ አመጋገብ ሂደት ምን ይመስላል

1. ተሻሽሏል 2. ለውጥ የለም 3. ተባብሷል

5.5 ከተሻሻለ በምን መልኩ ተሻሽሏል?

1. የበለጠ የምግብ ፍጆታ/የብዛት ጭማሪ 2. የተለያዩ ምግብ ፍጆታ/ አትክልት፣ ጥራጥሬ ፣ፓስታ ወ.ዘ.ተ 3. የእንስሳት/ወተት ምርቶች ፍጆታ/ስጋ ፣ ወተት፣አይብ ፣ እንቁላል ወ.ዘ.ተ 4. ሌላ ካለ ይገለፅ

5.6 የቤተሰብ አባልዎት አዲስ ብድር እና ቁጠባ ተቋም ከመግባትዎ በፊት እና በኂላ የጤና ተቋም

ግልጋሎቶዎን እንዴት ይገመግሙታል?

1. ጨምሯል 2. ለውጥ የለም 3 ቀንሷል

5.7 በአጠቃላይ በአዲስ ብድር እና ቁጠባ ተቋም መሳተፍ ከጀመሩ በኂላ ማንኛውም አይነት መሻሻል/ለውጥ

በኑሮዎ ላይ ተመልክተዋል? 1. አዎ 2. አልተመለከትኩም

ክፍል ስድስት ፡- ለሴት ተበዳሪዎች ብቻ

6.1. በተቋሙ ብድር በሚወስዱበት ወቅት ከባለቤትዎ ጋር አብረው ይኖራሉ? 1. አዎ 2. አልኖርም

6.2. ከአዲስ ብድር እና ቁጠባ ተቋም ብድር ለመውሰድ ማን ውሳኔ ሰጠ?

1. ሚስት ብቻ 2. ባል ብቻ 3. በአብዛኛው ሚስት 4. በአብዛኛው ባል 5.ባል እና ሚስት

6.3. ብድር ከመውሰድዎ በፊት ከባለቤትዎ ጋር ተነጋግረዋል 1. አዎ ተነጋግሬለሁ 2. አልተነጋገርኩም

6.4. ብድር አጠቃቀም ላይ ፣ ዕቃ ለመግዛት እና ምርቶችን ለመሸጥ ላይ ማን ውሳኔ ይሰጣል?

1. ሚስት ብቻ 2. ባል ብቻ 3. በአብዛኛው ሚስት 4. በአብዛኛው ባል 5.ባል እና ሚስት

6.5. ከአዲስ ብድር እና ቁጠባ ተቋም ከተቀላቀሉ በኃላ ምን አይነት ስልጠና ወስደዋል?

1. ስለ ብድር አጠቃቀም 2. ስለ ንግድ ክህሎት 3. ስልጠና ወስጀ አላውቅም

6.6 ማይክሮ ፋይናንስ ከተሳተፉበት ጊዜ ጀምሮ በንግድ ክህሎትዎ ላይ ለውጥ ተመልክተዎል? 1. አዎ 2. የለም

6.7 በብድር አጠቃቀም እና አስተዳደሩ ላይ የባለቤትዎ ተፅዕኖ ምንድን ነው?

____

ለትብብርዎ በጣም አመሰግናለሁ !

Annex 2
Sample questionnaire of English Version

Addis Ababa University

College of Business and Economics

Department of Public Administration and Development Management

Masters of Public Management and Policy

Dear respondent,

This is a questionnaire that intended to assess the contribution of microcredit institutions in urban poverty alleviation. The information you provide is totally required for academic purposes and shall be kept strictly confidential. Therefore, you are kindly requested to give accurate information.

Direction: Each Questioner should be answered by one respondent only

Thank you in advance for your kind cooperation.

Part I. General information of the respondent

1.1 Sex: 1. Male 2. Female
1.2 Age: 1. 18-24 years 2. 25-34 years 3. 35-49 4. Over 50 years
1.3 Education: 1. Illiterate
2. Read and Write
3. Primary (From 1-6)
4. Secondary (From 6-12)
5. Diploma
6. Degree and above
1.4 Marital status: 1. Single 2. Married 3. Widowed 4. Divorced
1.5 Family Size: 1. less than 3 2. 3-6 members‟ 3. More than 6
1.6 Occupation: 1. Trader/Gulit 2. Governmental employee 3. Daily laborer 4. Others
1.7 For how long (in years) have you been a member of the AdCSI?

1) <1 2) 1-3 3) 4-6 4) >7

II. General information in relation to AdCSI

2.1 What is your source of information about AdCSI?

1. Private money lenders
2. Keble
3. Relatives/Friends
4. Equib/Iddir
5. AdCSI
6. Media (TV, Radio)
7. I don"t remember

2.2 Why do you prefer the loan provision by AdCSI from other Credit institutions?

1. Low interest rate than other informal sources of credit
2. Steady source of working capital
3. Group solidarity and/or group dynamics
4. Easier guarantees than other loan alternatives

2.3 How many times have you received loans from AdCSI?

Year of borrowing		Loan size in birr	Amount repaid
First year	________	____________	_____________
Second year	_______	____________	_____________
Third year	________	____________	_____________
Fourth year	________	____________	_____________
Fifth year	_________	____________	_____________

2.4 For what purposes did you receive loan from AdCSI?

1. To open my own business
2. To change the business that I was doing in to another business
3. To expand my own business
4. To furnish my home
5. Others (please specify)

2.5 Did you spend the total amount you borrowed on the purposes intended?

1. Yes 2. No

If your answer for the question above is No, state the other purposes on which you spent the money___________________________

2.6 Did you replay your loan fully to this credit institution without delay?

1. Yes 2. No

2.7 If your answer for Q. 2.6 is "yes" did you repay from the benefit you obtained

from activities under taken with the help of the loan?

1. Yes, Fully 2. Yes, but not all 3. No, it is from other source 4. Others (specify)_______________________________________

2.8 If your answer for Q. 2.6 is "No" what is the reason

1. I don"t have money to repay on time
2. Other members of my group didn"t repay
3. I wanted to use the money for other more useful purpose
4. Others (specify)

2.9 The rate of interest of provided by this credit institution is

1. Too High 2.High 3. Normal 4. Low

2.10 What is the main challenge to repay your loan on time?

1. Short repayment period (installment period)
2. Loss in my business
3. High rate of interest
4. Specify if other

III. After joining the loan/credit program on AdCSI:

3.1 The income has increased

1. Strongly disagree 2. Disagree 3. Agree 4. strongly agree

3.2 The saving has increased

1. Strongly disagree 2. Disagree 3. Agree 4. Strongly agree

3.3 Better housing conditions

1. Strongly disagree 2. Disagree 3. Agree 4. Strongly agree

3.4 Better access to education

1. Strongly disagree 2. Disagree 3. Agree 4. strongly agree

3.5 Better access to healthcare

1. Strongly disagree 2. Disagree 3. Agree 4. Strongly agree

3.6 Employment opportunities have increased

1. Strongly disagree 2. Disagree 3. Agree 4. strongly agree

3.7 How do you explain your ability to buy clothing for self and for your children in general?

1. Better before joining the credit program
2. Better after joining the credit program

3.8 How do you explain the differences (in terms of before and after joining the credit/loan program) in affording to pay for service expenses of electricity and water ?

1. Better before joining the credit program
2. Better after joining the credit program

IV. **Employment opportunity, Income and Saving**

4.1 Do you have any job before you join AdCSI? 1. Yes 2.No

4.2 If answer for question 4.1 is “yes” what your level of income from any job was before Joining AdCSI ?

1. <100 birr 2 .101 - 300 birr 3. 301 - 500 birr

4. 501 - 700 birr 5. 401 - 600 birr 6. Above 600 birr 7. I do not remember

4.3 For what purpose the loan mainly used?

1. Business/Trade
2. for food and cloth consumption
3. To pay my debt
4. Specify, if other

4.4 If your answer for Q 4.3 is 1, what is your level of income after joining AdCSI per month?

1. <100 birr 2 .101 - 300 birr 3. 301 - 500 birr

4. 501 - 700 birr 5. 401 - 600 birr 6. Above 600 birr 7. I do not remember

4.5 Do you use hired labor for your business? 1. Yes 2. No

4.6. If yes, what is the average monthly cost of labor for your business in Birr? __

4.7 Do you have saving account before joining AdCSI? 1. Yes 2. No

4.8 If your answer for Q. 4.7 above is yes, where did you save your money?

1. Save in credit institution 2 Save in Bank 3 .Never saved

4.9 If your answer for question number 3.8 above is yes, what is your level of saving per month in any of the saving institution (Bank + MFI?)

1. 50-100 birr 2 .101 - 150 birr 3. 151 - 200 birr

4. 201 - 300 birr 5. Above 300 birr

V. Asset, Consumption and Expenditure

5.1 Have you acquired key assets during the last two years? 1. Yes 2. No

5.2 If yes, which of these assets have been owned?

1. Stove 2. Refrigerators 3. Sofa 4. Bed 5. TV 6. Never acquired

5.3 If your household members go to health institutions, what was the source of money for the medical services

1. Business profits
2. Savings
3. Borrowing from relatives/friends
4. Others (specify) ____

5.4 What has been the trend in your household"s nutrition intake over the last two years?

1. Improved 2. No change 3. Worsened

5.5 If improved, how has it been improved?

1. Consumption of more food (increase in quantity)
2. Consumption of variety of food (vegetables, legumes, pasta etc)
3. Consumption of animal/dairy products (meat, milk, cheese, egg etc)
4. Other (specify) ____

5.6 If your household"s nutrition intake improved state what caused the improvement and give examples of the improvement__________________

5.7 How do you evaluate your household members visiting health institutions as compared to time before joining AdCSI? 1. Increased 2.No change at all 3. Decreased

5.8 If it increased, what is the main reason for this?
Reason______________________________________

5.9 Overall, has there been any improvement (change) in your livelihood since your Participation in the microfinance? 1. Yes 2. No

5.10 If yes, what kinds of changes or improvements happened to your Livelihood ? Give examples______________________________

VI Only for Female Borrowers

6.1 Are you living with your husband? 1. Yes 2. No

6.2 Who makes decisions within the household issues?

1. Wife only 2. Husband only 3. Husband and wife

6.3 Who make decisions taking loans?

1. Wife only 2. Husband only 3. Husband and wife

6.4 Who makes decisions on utilization of loans, what inputs to buy; and how to sell products?

1. Wife only 2. Husband only 3. Husband and wife

6.5 What type of training received after joining AdCSI?

1. Loan usage 2. Business skills 3.Never trained

6.6. Is there any change in your business skills since your participation in the microfinance?

1. Yes 2. No

6.7. What is the influence of your husband in terms of your loan utilization and management?

Thank you very much for your cooperation!

Annex 3
INTERVIEW

Age _________________

Sex___________________

Marital Status _________________

Level of Education _________________

Duration of Microfinance (MFI) Membership (In Years) ______________

1. Before joining AdCSI, where did you use to borrow money from? If you had a source of credit, please explain any problems you experienced with the former source of credit.
2. How do you compare the Income, saving and asset owner ship levels before and after joining AdCSI?
3. Did you have any business and your own income source before joining this credit program?
4. In your view, what are the advantages and limitations of the microfinance delivery by AdCSI?
5. In what types of economic activity were participating before you joined AdCSI?
6. How do you utilize the loan secured from the AdCSI?
7. For what purpose you use the majority of the loan secured from AdCSI?
8. How can you evaluate the consumption and monthly expenditure trend of your household Before and after joining AdCSI?

10. Who decides on the use of the loan received from AdCSI? Who is the head of your family?

11. Do you make contributions to the household from the loans secured from the MFI? If yes, how does your husband view your contribution to the family?

12. Is there any change in your household decision making after your membership?

Annex 4

Loan depersement in terms of Sex

Year	Male		Female		Total	
	No. of Clients	**Amt. of Loan disbursed**	**Number of clients**	**Amt. loan disbursed**	**No. of clients**	**Amt. of loan disbursed**
2000	609	719,805	912	1,079,708	1,521	1,799,513
2001	565	1,177,995	4756	6,439,492	5,321	7,617,487
2002	1,571	2,370,950	5858	7,617,800	7,429	9,988,750
2003	837	1,490,800	3663	5,405,200	4,500	6,896,000
2004	8,452	19,276,260	13071	24,786,190	21,523	44,062,450
2005	13,418	70,653,700	13,526	38,905,300	26,944	109,559,000
2006	4,456	26,478,738	6,402	24,529,205	10,858	51,007,943
2007	7,994	51,409,357	10,300	46,402,698	18,294	97,812,055
2008	12,883	105,862,659	14,372	70,333,270	27,255	176,195,929
2009	14,007	142,851,753	17,480	89,162,367	31,487	232,014,120
2010	18,729	208,577,019	18,700	116,434,339	37,429	325,011,358
2011	17,568	250,860,220	18,533	145,969,861	36,101	396,826,081
2012	15,468	354,488,728	13,703	166,760,980	29,171	521,249,708
2013	14,140	473,825,042	18,510	361,845,227	32,650	835,670,269
2014	15,420	780,149,532	18,149	783,088,479	33,569	1,563,238,011
total	153,216	2,490,192,558	170,836	1,888,756,116	324,052	4,378,948,674

Source: AdCSI, 2014

Annex 5

Number of client, loan given, loan replayed, Amount due and repayment rate

Year	No of client	Loan disbursed	Loan repayment	Amount of due	Repayment rate
2000	1,521	1,799,513	2,101,990	2,489,900	84.40%
2001	5,321	7,617,487	2,639,128	3,435,930	76.80%
2002	7,429	9,988,750	5,145,136	7,652,159	75.80%
2003	4,500	6,896,000	7,330,500	7,697,934	92%
2004	21,523	44,062,450	11,281,773	11,430,367	98.70%
2005	26,944	109,559,000	33,096,686	33,668,043	98.30%
2006	10,858	51,007,943	45,910,937	46,800,937	98.10%
2007	18,294	97,812,055	54,433,689	55,601,316	97.90%
2008	27,255	176,195,929	104,411,169	107,500,000	97.10%
2009	31,487	232,014,120	154,774,688	159,000,000	97%
2010	37,429	325,011,358	221,221,045	232,099,711	97.30%
2011	36,101	396,826,081	317,257,127	303,763,580	104%
2012	29,171	521,249,708	376,908,339	385,799,823	97%
2013	32,650	835,670,269	505,391,105	4,972,478	96.50%
2014	33,569	1,563,238,011	912,598,726	818,279,421	97.40%
Total	324,052	4,378,948,674	2,533,280,993	1,948,091,888	

Source: AdCSI, 2014

Annex 6

Saving mobilization, interest income and service charge of AdCSI

Year	Saving Mobilization	Interest income	Service charge
2000	114,548	434,523	53,057
2001	69,391	504,005	66,599
2002	121,334	1,122,391	160,035
2003	2,528,000	1,509,341	217,965
2004	4,466,909	2,216,308	360,342
2005	42,238,562	5,423,550	990,00
2006	19,829,058	9,077,098	1,404,363
2007	20,599,312	9,860,549	2,020,977
2008	28,035,597	17,739,472	2,567,479
2009	57,399,327	23,774,828	2,625,087
2010	114,760,308	31,222,617	3,206,798
2011	203,000,000	43,247,000	3,655,000
2012	392,791,100	61,827,349	4,327,574
2013	753,798,764	79,797,523	6,814,546
2014	1,081,044,356	125,355,187	13,248,495
Total	2,403,036,258	338,642,124	33,866,519

Source: AdCSI, 2014

DECLARATION

I declare that this thesis is my original work and has not been presented for a degree in any university and all the sources of materials used for the thesis are duly acknowledged

Name of candidate; Mulugeta Berrie

Signature ____________________

Date ____________________

CONFIRMATION

This thesis can be submitted for examination with my approval as university advisor.

Advisor; Mulugeta Debebe (PhD)

Signature ____________________

Date ____________________