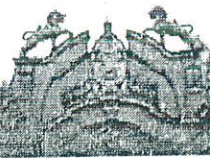


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School of Business and Public Administration

Department of Accounting and Finance

(Graduate Program)

Challenges and Prospects of Introducing Sustainable Microfinance
Services in Afar Pastoral Population



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June 2011

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**Challenges and Prospects of Introducing Sustainable Microfinance Services
in Afar Pastoral Population**

By
Mesaud Muhamed

A thesis submitted to the department of Accounting and Finance (graduate
program) in partial fulfillment of the requirements of the degree of Master of
Science in Accounting and Finance

June 2011
Addis Ababa, Ethiopia

Challenges and Prospects of Introducing Sustainable Microfinance Services
in Afar Pastoral Population

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DECLARATION

This is to certify that this thesis entitled "*Challenges and Prospects of Introducing Microfinance services in Afar Pastoral Population*" submitted to the department of Accounting and Finance (graduate program) in partial fulfillment of the requirements of the degree of Master of Science in Accounting and Finance to the School of Business and Public Administration, Addis Ababa University, through the Department of Accounting and Finance (Graduate Program), done by Mesaud Muhamed Hagos, Id. No. GSR/0204/02 is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

Name of the student Mesaud Muhamed

Signature and Date [Signature] Jun 21, 2011

Name of the supervisor -----

Signature and Date

Acknowledgements

First of all, I would like to express my deepest gratitude to my advisor Dr. Degefe Duressa, for his unreserved guidance, advice, critical comments, friendly treatments, patience and constructive suggestions throughout the conception up to the completion of this study.

I would like to thank anonymous survey respondents, and interviewees, workers of Afar BoFED, for their welcomed responses and providing me with necessary documents for the study. I would like also thank enumerators for their contribution of invaluable time.

My special thanks also go to Kemal Mohamed, Naod Mokennen, Suadiq Sufyan, Fethiya Muhamed, Ali Dalu, for their consistent encouragement and material support from the beginning to the end. I am also indebted to my families for their endless support and encouragement.

My everlasting respect, love and gratitude go to my wife Semira Ahmed for her contribution in typing and whose understanding, love, patience and moral support encourages me to complete the study.

I want to express my thanks to Addis Ababa University for providing the necessary fund for the study. Samara University is also worth acknowledged for sponsoring in the entire course of my education for Masters' Degree.

Above all, I would like to thank and say praise be to Allah who gave me the health, strength and opportunity to achieve all my goals, and who made easy for me to complete this paper.

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List of Acronyms

APDA	Afar Pastoralist Development Association
AMFI	Afar Micro Finance Institution
AEMFI	Association of Ethiopian Microfinance Institutions
IGA	Income-Generating Activities
FGM	Female Genital Mutilation
NGO	Non-Governmental Organization
PCDP	Pastoral Community Development Project
MSE	Micro and Small Enterprises
PDP	Pastoralist Development Project
IFAD	International Fund for Agricultural Development
MF	Micro Finance
MFI	Micro Finance Institutions
SACCOs	Saving and Credit Cooperatives
No.	Number

Abstract

Background: Afar regional state is one of the pastoral dominant livelihoods in the country. Like any other pastoralists Afar region was also neglected from developmental activities and services like microfinance institutions. The reason why such MFI did not exist in the region was not studied before. This study explores challenges and prospects of introducing sustainable microfinance services in the region focusing on the pastoral people.

Objective: This study explores challenges and prospects of introducing sustainable microfinance services Afar pastoral population and the demand for the service.

Methods: The study employed a mix of both quantitative and qualitative methodology employing semi structured and in-depth interviews with 60 pastoralists from two markets in zone one of Aysa'ita and Logia markets, 5 cooperative leaders from Aysa'ita woreda, and 8 key informants. The participants were selected from two markets (Logia and Aysaita) purposive sampling.

Findings: Among the pastoralist sample, a substantial number of participants were found with high need for microfinance services at the same time with lack of awareness as how to diversify income generating activities. They show also a good habit of informal lending and borrowing with good repayment culture aided by clan based court (mablo). With regard to saving they are poor in saving but they show a need of formal MFIs for saving, money transfer, and credit services. NGO and government led cooperatives were not as such effective in their five years journey. The region has some specific constraints which increase cost of providing microfinance services to the pastoral community: such as harsh climate, highly dispersed settlement, poor infrastructure and socio economic conditions and other constraints. Interest issue is the most sensitive challenge observed from the study regarding failure of introducing MFI in the region.

Conclusion: form the study it was concluded that there are specific constraints which could increase cost of providing services to the pastoralists. However, there are also compromising factors which help sustainable microfinance service like good demand and culture of repayment enforcement by the cultural court.

Recommendation: Multi-faceted interventions on issues of income diversification and business skill of pastoralists should be carried out so as to create awareness about business, and so as to encourage need of the people for credit and saving services. Integration should be maintained with interventionists so as to cover operational costs and the product design should also cope with beneficiaries' culture.

Chapter One: Introduction

1.1 Back Ground of the Study

The study area, Afar national regional state is located in the north east of Ethiopia. According to central statistics agency (2006) more than ninety percent of the people are pastoralists while the remaining are agro pastoralists. Based on the agency the regional state comprises twenty six percent of Ethiopian pastoralists.

Pastoralists in Ethiopia like in the other countries have continuously suffered from a long history of political, economic, and socio-cultural marginalization including from Microfinance services (Wolday 2008; Nur 2006; Pastoralist Forum Ethiopia 2002). More than any other pastoral groups in Ethiopia, Afar pastoralists have been neglected in terms of research and development programmes (Yayneshtet and Kelemework, 2004, p. 5).

The pastoralists' problems have been aggravated by the recurrent and complex natural calamities such as drought, flood, disease and so forth. Due to both artificial and natural calamities, the pastoralists have emerged as the poorest of the poor. Micro finance Institutions (MFIs) could play a significant role in improving food security and alleviating poverty. With regard to this several studies (Obaidullah 2008; Halder and Mosley 2004; Woller 2002; Wolday 2008...) noted that providing microfinance services to pastoral households is one aspect of promoting food security. Wolday 2008; Pastoralist Forum Ethiopia 2002, and Pastoralist Development Association 2007 also said in their study and reports that the absence of feasible microfinance activities in pastoralist areas, particularly in Afar, worsens the lively hood of the people in the region. It is obvious that micro finance institutions can contribute their role in enterprise development whenever they are implemented properly. However, some says it is not a panacea which by itself can help enterprise development.

Thus, even though these studies and other reports remarked on the non-existence of MFIs in the region they do not go through to explore firstly could introduction of sustainable microfinance institution help enterprise development given that the existing environment. Additionally, they don't try to see reasons behind dalliance of such institutions to be

establishment while its use is crucial in poverty reduction and income diversification in spite of some negligible criticisms.

Since 2008 the regional state is trying to establish feasible MFI in the region. Unfortunately, the effort of the region to establish the feasible institution does not come in to practices until this research is undertaken because of unidentified reasons.

Therefore, this study will try to explore the challenges and prospects found in the region to introduce feasible MFI for the pastoralist majority people for enterprise development and ultimately poverty reduction purpose. Consequently, policymakers and other stakeholders will be beneficiaries of the study result for their informed decision making; especially it can be helpful for establishment of client oriented MFIs.

The remaining parts of the introduction are organized as follow. Under this introductory part statement of the problem is presented first. Next to that, general purpose statement, research objective and research questions are follow respectively. Significant of the study, scope and limitations of the study and organization of the paper are also presented under this introductory part respectively.

1.2 Statement of the problem

Microfinance industry has got the attention of academicians and practitioners as an innovative method of fighting poverty. Because of this, studies made regarding MFI are several all over the world. However they are concentrated mostly in the areas MFIs are established. As per Campion, (2001, p 61), and Sharma,(2001), Because of the belief that microfinance service delivery in urban areas involves lower costs owing to higher population density as well as better infrastructure and economic opportunities, almost all MFI are established in towns and densely populated sedentary rural areas so as to undertake their services in cost effective way.

Most studies made regarding MFIs are therefore focused on the established MFI in the sedentary population areas of the world. It is obvious that significance of such researches may not help much to the sparsely settled and mobile nature communities like Afar pastoralists.

As per Letenah Ejigu (2009), most of the studies made in the settled areas of the world as well as in Ethiopia focused on three key areas. The first one is impact assessment of the MF programs on the lives of the poor. The second hot area in the MF industry among researchers is whether MF outreaches the poorest of the poor who is in need of financial services. The third area that got the attention in the MF industry is the issue of financial sustainability of MFIs.

Studies focused on need of MFIs in poverty alleviation, outreach to the active poor, and the poorest, main streaming MFIs, sustainability and performance of MFIs are also common. There are also researches which focus on tailoring MFI for specific setting of people and communities to meet their specific need in utilizing the harvest of MFIs.

Even though almost all MFIs are designed give relative services for the poor, providing Microfinance services to pastoral communities are not like providing to sedentary population. Because, pastoralists have, their own business style, income generating skill, expenditure preferences, and generally different economic activities which make them different in the need for Microfinance services from that of the densely populated and settled areas of the country.

Afar the region of pastoralists (more than 90% of the population as of 2006 CSA) is different setting. The differences includes infrastructure which needed to implement cost effective MFI for enterprise development; geographical location of the people which could impact the performance of MFI in cost efficiency and outreach concern; and other factors which can made Afar people different in setting.

There are some studies which suggest Microfinance services for pastoralists. IFAD for example assumes that financial services, where effectively developed and delivered, can offer substantial benefits to livestock owners (pastoralists) and play a significant role in rural development and risk management and mitigation strategies.

Despite the recognized importance of these cross-cutting issues, rural farmers, especially herders and pastoralists, frequently have no access to financial services in the IFAD focused pastoralist areas (Rota and Calvosa, 2009 p. 1). Some studies and report papers suggested directly or indirectly that Afar people needs MFIs as an intervention

mechanism to poverty alleviation whereas the region still did not have any MFI in operation until the study time (WIBD Consult 2005, p. xi, Pastoralist Forum Ethiopia 2002, Nur 2006, and Wolday 2008, unpublished).

Degefe (2009, p. 81) also posit that the economy of pastoralists (*Borana* pastoralists) is not yet sufficiently monetized. He did not hesitate also to mention their cultural insurance scheme which is similar to that of the sedentary farmers and urban dwellers *Iddir* insurance scheme and their customary law of contributing cattle to restore their relatives' loss of wealth by any devastation. However, Degefe, (2009, p. 83) argued that there has been little effort on the side of MFIs in Ethiopia to link their operations with traditional institutions.

Nevertheless, these studies did not go through specifically in exploring how far a microfinance service is needed for Afar pastoralist life style and how it works in such pastoral areas. They did not also try to show stakeholders what prospects and challenges are there so as to introduce feasible MFIs in the region towards enterprise development. Exploring the challenges and prospects could be done by assessing the over all aspects of the market for MFIs in the region which could be helpful to see the viability of the region for commercial or self-sustainable MFIs.

Thus, the first motive to undertake this research is to fill the gap the studies didn't go through regarding what challenges and prospects could encounter introducing MFI in the pastoral community and how different it would be from that of conventional ones.

The second rationale is in the year 2008, a committee concerned to the establishment of MFI in Afar regional state was formed. The committee was consisting of higher officials from the Afar regional state five bureaus, and Afar pastoralist development association an NGO undertaking several development activities in the region. This committee was assembled from the bureaus which were expected to be shareholders of the assumed MFI. Technical committees who can help the higher officials in the development of the institution were also formed. However, after some efforts to establish the MFI they failed to succeed in that period. Until 2011 march the MFI is under establishment procedures. No operation is started due to unidentified reasons. Therefore, knowing reasons which

make the establishment to be delayed and reasons that made the currently established MFI non-operational can also help to explore challenges which can hamper introducing MFI for pastoralists.

1.3 Purpose statement

As it is described in the next review literature, several studies in dense and settled population areas and the theoretical overview of MFIs have a number of challenges and prospects which impact their performance and feasibility. As to the literature, those challenges and opportunities are comprised of supplier side, demand side, government side, and lastly environmental side (such as remoteness from infrastructure, climate condition, and so forth).

Thus, this study aims to explore all possible prospects and challenges of introducing feasible MFI and how different would be introducing microfinance service in the 90% pastoral region and subsequently to suggest alternative MFIs which can resist the expected challenges or factors could hinder establishment of MFI in the region.

1.4 Specific objectives

Thus, the main objective of the study will be to explore prospects and challenges of introducing microfinance service in pastoralist population in afar regional state so as to see its feasibility to continue and how different it would be. Hence, the precise objectives which specifically answer the general propose statements are decomposed as follow:

- To see the need of the pastoralist people for microfinance services,
- To investigate entrepreneurial and trading skills, credit and saving habit of the pastoral people,
- To investigate physical and institutional infrastructure of the region in helping introduction of feasible microfinance,
- To see socio economic and environmental condition of the region in relation to establishing microfinance services,
- To see trends of NGOs and cooperative led services in the region,
- To see how difference microfinance institutions would need in the pastoral population from that of micro finances in the sedentary populated areas

1.5 Research questions

- How is the need of the pastoralist people for microfinance services,
- How is the entrepreneurial income raising and trading skills, credit and saving habit of the pastoral people,
- How good is the physical and institutional infrastructure of the region in helping introduction of feasible microfinance,
- What challenges or prospects does has environmental and socio economic condition of the region in relation to establishing microfinance services,
- What posit the trend of NGOs and cooperative led services for introducing feasible microfinance service in the region and
- how different microfinance institutions would need in the pastoral population from that of micro finances in the sedentary populated areas

1.6 Significance of the study

It is hoped that the study will open opportunity to hole in to pastoralists' lifestyle and studying microfinance service which could be feasible for them. The findings and recommendations of the study could also be used for Afar regional state who is responsible and facilitator for establishment of MFIs as a tool of poverty alleviation mechanism. This is because that the findings will inform decision makers about what challenges and prospects are there in introducing feasible microfinance service in the pastoral region and the recommendations will help them in their aim of what to do onwards. In addition, MFIs, NGOs and private investors wishing to establish MFI there could be benefited in aiding their market research.

Over all, the ultimate beneficiary is the Afar people from implementation of the recommendations and further studies made in the future based on this study. However, the major beneficiary of the research will be the researcher by himself for that it is first experience which will pave the way for him transform in to a qualified researcher if it undertake it in a qualified manner.

1.7 Scope and limitation of the study

Due to distance problem between Afar and Addis Ababa and shortage of human and financial resource, it is difficult to organize interviews and questioners at large scale from

the pastoral people and this can reflect limited information about the information that needed from representative people. With this view, the research topic focused on demand of the people for MF services and possible challenges and prospects of introducing microfinance services in Afar pastoral population. The study did not aim give complete feasibility study which enable to conclude the possibility of sustainable MF service in the region. However, it will give for further study some aspects of the issue which could be taken in to consideration. Mainly, the study emphasized geographically on zone one of Afar regional state taking two woredas which have a market access for the pastoralists. Because pastoralists in the region have identical lifestyle, 60 pastoralists from market of Aisi'eta and market of Logya in Dubte woreda were interviewed in the markets places of the woredas. The data were also gathered from documents, interview of different target groups.

1.8 Organization of the paper

The research result is organized in five major parts. Firstly, the introductory part which contains the research problem, purpose statement, specific objectives, research questions and other background information are presented. Next to this the review literature with theoretical as well as empirical reviews are followed. The third part gives explanation of research design and method used in the study. In the fourth part of the research presented the data analysis and interpretations side by side. The last fifth part of the research gives summary and conclusion and recommendations for the stake holders described in the significance of the study.

Chapter Two: Review of Related Literature

2.1 Introduction of Micro Finance

The micro-finance revolution was developed in the 1980s and came of age in the 1990s. This was the general context in which the financial self-sufficiency of MFIs has become a major priority. It occurred when the many advances of previous decades in market knowledge, lending methods and savings mobilization were combined with a commercial approach to financial mediation for low income people, making financially sustainable micro-finance possible Graeub and Kraehenbuehl 2004, p. 15. In spite of its focus on self-sustainability, MFIs are focusing on poor people.

Poor people are those with not ability to access loans from commercial banks normally because of lack in guarantee and collateral. But there are many other reasons also involved for which commercial banks are not willing to finance poor. These reasons are included that poor have less education, no proper experience and training, high transaction expenses of small loans and lower rate of profit. Therefore limited option to access loan leads to push poor people in more poverty. This situation resulted in emerging the idea of micro lending and microfinance. According to Mustafa and Ismailov (2008, p. 18) microfinance therefore is, a way to finance people, those have no collateral or any property for guarantee.

Generally microfinance includes a range of financial services such as savings, credit, money transfers, and insurance, among other things for poor and low income people. Having in mind the definition of microfinance, the literature is organized as follow. The literature is presented in to two main categories, which are the theoretical overview of microfinance and empirical part. In the theoretical part of the literature, theoretically stated roles, approaches and challenges of microfinance are presented. Whereas, the empirical part of the literature, it is discussed studies undertaken regarding microfinance's empirical roles and empirically observed challenges in the implementation of micro finance as a tool of poverty alleviation in several countries including Ethiopia. The flow of the empirical presentation will be starting discussion from studies all over the world and then to Africa, and Ethiopia.

2.2 Theoretical Overview Micro finance Institutions

In this part of the research it is discussed the issues of microfinance services from the theoretical literatures.

2.2.1 What is Microfinance Institution?

The definition of Microfinance institutions proposed by some authors and organizations are seemingly different from one another. However the essence of the definition is usually the same in which microfinance refer to the provision of financial services primarily savings and credit to the poor and low income households that don't have access to commercial banks.

Robinson (2001 p. 9) cited in (Letenah Ejigu, 2009) defines MF as small scale financial services primarily credit and saving provided to people who farm or fish or herd who operate small enterprises or microenterprises where goods are produced, recycled, repaired or sold; who provide services; who work for wage and commission; who gain income from renting out small amount of land, vehicles, draft animals, or machinery tools; and other individual and groups at the local level of developing countries both rural and urban area.

similarly, Ledgerwood, (1999) noted that The failure of commercial banking to provide financial services to the poor coupled with disadvantages of using informal markets are major rationales for intervention in the market for financial services at the micro level. Consequently, microfinance emerged as an economic development approach intended to address the financial needs of the deprived groups in the society. Hossain and Knight (2008, p. 1) also defined microfinance as 'the supply of loans, savings, and other basic financial services to the poor'. Besides they noted that microcredit, a central theme of microfinance, is broadly recognized as 'the practice of offering small, collateral-free loans to members of cooperatives who otherwise would not have access to the capital necessary to begin small businesses.

2.2.2 Savings: A highly important service for the poorest

Previously MFIs regarded savings as being a less important service than credit. Therefore in recent studies the savings possibility is called the "forgotten half of micro-finance"

(Graeb and Kraehenbuehl 2004, p. 15). As per the authors, collateral systems or compulsory savings were implemented, to extract saving from the clients in order to provide a security for the MFI. These kinds of programme designs are based on the prevalent and powerful assumption that the poor cannot save. The experience has shown however that there is a high demand for saving facilities, often even higher than for credit.

Therefore only credit services can become a heavy burden for vulnerable households, if they cannot rely on a regular income. Saving deposits on the other hand have quite different characteristics than loan money and they are highly valued especially by the poor households.

ROBINSON (2001: 230) as cited in Graeb and Kraehenbuehl 2004, mentions 4 main reasons why the poor save:

Savings as insurance against emergency situations like illness, old age, loss of income and others and unexpected investment opportunities.

Savings as stock to equalize irregular income, for example for farmers whose income fluctuates with the seasonal cycles. These people save when their income is high for consumption in periods when income is low. Many informal saving methods are used for this purpose.

Savings for social and religious obligations: commonly save for life crisis and ceremonies such as birth, puberty, weddings and funerals; as well as for social obligations such as contributions to family or friends or village functions.

Savings for future long-term investments: such as land purchase, children's education and house construction.

Old age and disability: include saving for investment in children's education and marriages, with the expectation that the parents will be cared for in old age or case of illness.

Although most of the poor people do not have access to formal savings deposits, there are a lot of possible ways to save for them. Poor people can deposit cash money in their home, buy animals or become a member of informal savings groups. Some even pay collectors to hold their savings safely.

2.2.3 Role of microfinance in poverty alleviation/enterprise development

Current literature is emphasizing on the growing importance of microfinance as an essential poverty alleviation mechanism. This was achieved by the creation of opportunities for entrepreneurship, which enable the poor to eliminate unemployment and poverty by fulfilling their creative potential.

Regarding to this Lalitha, (2008), cited in Luong (2010, p.3), noted that microfinance is better tool of poverty alleviation by providing financial service to the poor people as to provide small-scaled financial services primarily savings, credit and insurance to people performing small or micro business activities such as herding, farming, or micro enterprises producing and selling goods.

In addition to that, according Hossain and Knight (2008, p. 1) by adopting microfinance as a central element in their development programmes, several development organizations such as NGOs, decreased to some extent poverty level of poor people while simultaneously enhanced the profile of women and other underprivileged communities.

To sum up, microfinance can play big role in provision of financial services to poor and low-income people whose low economic standing excludethem from using formal financial systems. The provision of financial services to the poor therefore helps to increase household income and economic security, build assets and reduce vulnerability.

2.2.4 Approaches of MFIs towards outreach of the poor

Although almost all microfinance practitioners agree that their goal is to improve the welfare of the poor, they do not agree about how best to achieve this goal. Most approaches to microfinance lay between two extremes: the poverty approach and the self-sustainability approach. The poverty approach targets very poor clients who are very costly to serve. In the poverty approach, donations cover the shortfall between revenue from clients and the cost of supply. The self-sustainability approach on the other hand targets less-poor clients on the fringes of the formal financial system (Schreiner 2002, p. 1). Correspondingly, according to Fernando (2004, p. 1-2) there are three camps of thought on the issue of financial services for the poorest.

The first camp simply argues that the extremely poor cannot be reached with microfinance services on a sustainable basis. This camp suggests addressing the extremely poor households living in small, isolated communities in areas that lack basic infrastructure and markets other government interventions. The second camp advocates that the poorest of the poor can be reached not only on a sustainable basis but also on a large scale. The third camp thinks that extremely poor people can be served with microfinance but there needs subsidy to support the sustainability of the institution for long term service.

These views determine the decision of microfinance implementation in a given country or community.

Although microfinance has been utilized in almost all parts of the world, some areas/regions work especially hard to adapt certain basic microfinance tenets to their own unique circumstances. Social, economic and religious restrictions have often led to creative ways of adapting principles of microfinance to the realities of the environment (United Nations Capital Development Fund 2002, Dusuki 2008).

The other approach considers religion as criteria to implement microfinance services. According to Batool, (2007, p. 6), Islamic teaching views that, it is wrong to charge any fixed interest at all for credit services. This is based on the belief that it is unjust for anyone to earn an income purely from money itself, without any labor. Due to this view Islamic financial institutions have developed several financing techniques that are applicable according to the nature of the commodity or business and finance period of the project. The principal financing techniques are: *murabaha*, *mudaraba*, *musharaka*, *ijarah*, and *qardal- hasen* (Khan and Phillips 2010, p. 5). However, most of the instruments except *murabaha* and *qardal- hasen* are popular mechanisms in the context of microfinance. Because, the instruments need thorough reporting and transparency requirements surrounding the distribution of any profit or loss can result in substantial operating burdens and costs on small businesses which are generally unaccustomed to formal accounting and reporting.

Murabaha: is the most popular and widely used Islamic financing instrument. *Murabahah* contract is similar to trade finance in the context of working capital loans and to leasing in the context of fixed capital loans. It involves the resale of a commodity after the lender adds a specific profit margin (often referred to as the 'mark-up'), which is paid by the borrower who agrees to buy that commodity. Usually, repayment is made in installments to the financier, who pays the price to the original supplier of the commodity. As to Khan and Phillips this type of finance is commonly used for financing assets or working capital inputs, such as raw materials, machinery or equipment. Since this instrument aims to get profit it is similar to the sustainable approach.

Qardal-hasan: is lending loans without charging any profit/extra amount or interest to the poor who do not able to receive finance from other formal financial intermediaries. With such loans, the borrower need only repay the principal, although certain scholars allow the lender to cover the administrative costs incurred in disbursing the loan as well. The service charges are not profit; they are actual costs incurred through office rent and salaries, for example. This approach is similar to the poverty approach of MFIs.

2.2.5 Theoretical challenges of MFIs in helping enterprise development

Attitude of MFIs towards social responsibility and financial sustainability of microfinance institutions is an issue that influences the decision to establish MFIs in an extremely poor people. In relation to this, Luong (2010, p. 3) stated that, in order to realize the aim of reaching poor people, microfinance institutions should be self-sufficient and not to depend so much on donors and governments. MFIs which belong to financial sustainability approach believe that the institutions should be able to cover cost and make profits on services that they offer to customers.

However, according to the view of social responsibility approach too much focus on making profit may lead to shifts in customer groups, from extremely poor to marginal or above poverty line group (Luong 2010, p. 3). Thus microfinance institutions which believe in a self-sustainability approach may not strive and make investment in developing enterprises in the extremely poor areas. They may only focus on the active

poor and work with those who know what they should do to develop their enterprises using the money from microfinance.

According to Dusuki, (2008), most formal intermediaries like commercial banks regard low-income households as 'too poor' to save, thus further accentuates the risk of supplying credits to them. Furthermore, no insurer is willing to insure against possibility of non-repayment due to natural and commonest hazards afflicting small producers in developing countries; for example, drought, livestock disease and breakdown of equipment. The risk exposure in supplying credits to the poor clients is further exacerbated due to the inherent difficulty for the commercial financial institution to diversify their portfolio. For example, most of the rural clients who derive their incomes from agriculture need to borrow in the pre-harvest season, making it difficult for banks to diversify their portfolio.

Both financial institutions and poor clients face high transaction costs due to asymmetric information problems which naturally appear in the financial transactions. These costs related to searching, monitoring and enforcement costs which are directly related to the information problems inherent in the rural financial markets. The uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs, which is characterized by fixed costs (Braverman & Guasch, 1986; Zeller & Meyer, 2002) cited in (Dusuki,2008).

Dusuki identified three factors which influence microfinance services to become self-sustainable

Physical factors: Poor Infrastructure, Few roads, rails, etc., few markets, No telephone, faxes, internet, etc., few bank branches,

Supply side: high transaction costs and high risk business due to: screening problems, monitoring problems, enforcement problems, regard clients as "too poor to save", non-collateral clients, uneconomic and small loan size clients, no insurance on natural hazards and diversification problems

Demand side: Risk aversion attitude due to: Illiteracy, Feeling insecure, Lack of assets and lands, Risk of natural hazards, Risk of illness, Risk of political instability, Risk of economic mismanagement, Reluctant to borrow, and Reluctant to use better technologies in production

The other obstacles which can hinder or delay establishment of MFIs and affect performance of MF in its role of enterprise development are believed to be the uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs. Similarly, physical and socio-economic barriers may also contribute to the failure. These include poor infrastructure, remoteness, difficult terrain, illiteracy, poor healthcare, malnutrition, caste or ethnicity and gender.

2.2.6 Enabling environment for sustainable MFIs

As it was described in the introductory section of the review literature, MF is financing mechanism for the poor. Poor people may need money to help their enterprise as well their consumption. However, the matter of business development may not be retarded only by lack of loan; there may also be there other factors which can challenge introducing microfinance services for enterprise development. Thus, it needs enabling environment in addition to financing issues. Regarding the demand side constraints, Women's Refugee Commission field manual for practitioners (2009) argued that enterprise development services are most effective within the following enabling environments:

Access to Credit and Financial Services: It is preferable that businesses have access to credit to purchase necessary equipment or to expand their businesses, but in-kind grants can be a substitute if microcredit or other financial services are not available.

Access to Markets: users of microfinance services should have access for their products to the market

Relative Security and Stability: In order to function effectively, businesses need a secure environment without being constantly subject to conflict and instability. Conduct a conflict analysis to determine how conflict has affected the market and how it could potentially affect interventions.

Requisite Infrastructure: Functioning infrastructure is helpful—but not essential—in easing the flow of goods. In order to determine this, programmers can conduct an assessment of current infrastructure and its effect on market access as well as on an enterprise development intervention.

Economic Activity: For existing enterprises, there must be a steady flow of economic activity that provides them with access to producers, sellers, buyers, manufacturers, traders and other market actors along the value chain.

2.3 Empirical Evidence of Microfinance Services

In this section it would be presented findings of different researchers on the issues impact of MFIs on enterprise development and on poverty reduction. Challenges observed empirically are also to be reviewed. The empirical evidence is organized as follow. First empirical impacts of MFIs on enterprise development or poverty reductions issues of the world experience are discussed. Secondly empirically observed challenges of microfinance are presented. Next to this, over all MF evidences of some African countries and Ethiopian cases and pastoralists' cases are offered one by one respectively.

2.3.1 Empirically observed Role of Microfinance Services

Based on empirical studies undertaken on microfinance in Bangladesh and Pakistan, despite some criticisms, microfinance is making significant contribution in uplifting the livelihoods of disadvantaged rural communities (Meyer 2002; Hossain and Knight 2008; International Finance Corporation 2008). The criticism regarding the role of microfinance is emanated from the methods used in the impact studies. Nevertheless, several studies showed that microfinance can help as an instrument to poverty alleviation helped with other interventions.

According to Fernando (2004, p. 4), in his review of several studies in Bangladesh, an innovative approach targeting destitute rural Bangladeshi women who have little or no income opportunities, received training and support in poultry and livestock raising, vegetable gardening, agriculture, fishery production, or grocery business. Based on the review, two thirds of these women have 'graduated' from absolute poverty.

Bateman (2011) asks the essential question of impact studies. The key question is whether microfinance promotes sustainable 'bottom-up' development. The author summarized findings of many researchers regarding the key question. As cited by the researcher, Robinson (2001) is arguing that microfinance helps to build thriving hubs of entrepreneurial activity, with many clients escaping poverty by growing their informal microenterprises into small and medium enterprises. La Porta and Schliefer (2008), however, show that this is rare. Storey (1994) notes that policy-makers should consider the dangers associated with the very high failure rates for microenterprises, particularly new start-ups. As per the Bateman (2011), a major claim long made of microfinance is that it can reduce the credit constraints that often face potential entrepreneurs in poor communities, and that preclude enterprise development. A contrasting viewpoint is that credit constraints affecting tiny individual enterprises are not the core problem. It is the overall lack of access to credit for small and medium enterprises that prevents microenterprises growing into anything more substantive.

According to Graeub and Kraehenbuehl (2004), in their MF study made in Eritrea, contend that while micro-enterprises are an important source of income for many poor households in Eritrea, they are only one part of their overall livelihood systems. In theory, by providing money when it is needed, micro-finance can help clients to reduce their vulnerability, expand their options and graduate from a reactive mode of survival to a more proactive one. However in the context of Eritrea, micro-finance is not able to help the very poor people to climb out of poverty, but it is possible to reduce their vulnerability. Although closely related, poverty and vulnerability are different things. Income or consumption levels traditionally measure poverty, while vulnerability reflects the risk of exposure of people to downward pressures and shocks and their ability to cope with the consequences of these risks (Graeub and Kraehenbuehl 2004).

2.3.2 Empirically observed challenges of microfinance

In the past, many rural finance programs failed due to a combination of lack of attention to institution building, faulty design and implementation, and bad macro policies driven by political interests (Nagarajan and Meyer 2006).

Assumption of microfinance providers to different approaches has its impact on establishment and performance of microfinance. Research taken place in Bangladesh showed that the initial phase of rapidly expanding outreach to the extremely poor impeded sustainability of microfinance industry. As to the study, the industry must be transformed into one capable of retaining existing clients and reaching those who have been left behind. This will contribute to reducing costs and improving the sustainability of MFIs in Bangladesh, most of which are highly subsidy dependent. The study also found several impediments retarded the development of more flexible products. Such as saving culture, internal and management control systems, loan quality, and client dropouts (Meyer 2002, p. 14)

Low coverage of the extreme poor households by microfinance programmes was also mentioned in other studies. Reasons for non-involvement of the poor in microfinance providing NGOs, as identified by (Halder and Mosley 2004, p. 7) were: perception of MFIs that clients lack capacity to save and repay regularly; NGOs' fear about misappropriation of funds by clients; on the supply side. Whereas on the demand side, limitations in the availability of liquid cash for the savings, lack of awareness, illiteracy and poor culture of credit were found to be the main reasons inhibiting the extremely poor.

The primary challenges facing all MFIs in Pakistan are lack of adequate human resources, securing sources of funding, and reaching profitability. In general, in Pakistan, microfinance is still viewed as a social intervention to alleviate poverty. This viewpoint has been the primary reason for lack of growth in the sector and is the source of its current challenges (International Finance Corporation 2008, p. 17-18).

As per Graeub and Kraehenbuehl (2004 p. 144) study indicates, the experience of poor MFI clients seem to exist substantial entry or mobility barriers to high return niches

within the rural non-farm economy. The picture is one of a complex balancing act between agriculture and a growing enterprise sector. The balance in the single household will depend on a range of factors: the factors observed are presented as follow:

Priority of food security: The primacy of food security in the minds of rural Eritreans means that even where income-generating options are available the first choice will be to get land and to grow crops for home consumption.

Cultural attitudes to business: Traditional gender divisions of labor are challenged when women become involved in cash transactions. In addition agricultural activities are socially more revered than others.

Education and skills: the study remarked a strong link between business success and education in Eritrea. This correlation does not mean that better educated people always have a better income, but usually clients who have diversified with success are better educated.

Access to market: This includes not only the usual physical infrastructure facilities such as road building and maintenance, improved communication and electrification, but also institutional innovations to reduce entry costs through the introduction of grades and standards and public price reporting systems and the relaxation of burdensome licensing and regulatory requirement of micro enterprises.

Lack of capital: In the absence of complete credit or savings markets, individuals are typically unable to smooth consumption in spite of a strong desire to do so.

Dackauskaite (2009, p. 12-15) revealed in his study about client exit in Ethiopia that factors affected client exit ultimately microfinance performance could be divided in three groups namely the demand factors, the supply factors and the environmental factors. The demand side factors encompassed personal shocks and graduation while supply side factors would include competitive environment, characteristics of product and quality of services. While, the environmental factors include economic situation in the country such as unfavorable macroeconomic situation, civil unrest, or adverse weather conditions that has a negative effect on the population and increases its vulnerability.

In conformity with the above idea, Matin et al (2002, p.16) in his archival study stated that the depth of outreach problem of microfinance institutions can be seen in terms of demand and supply forces. As per the author, most studies focus on the demand side forces leading to the conclusion that not all categories of the poor can make good use of the services. However, it must also be noted that such demand side constraints are underpinned by certain supply side factors like the nature of the service provision and the terms of the contract. It could be argued that changes in these supply side features through better product design and delivery methods—would alter demand in ways that deepen outreach.

Halder and Mosley (2004, p. 8) in their finding from Bangladesh identified several supply and demand side factors influencing in non-NGO participation of the extremely poor which are summarized as follow: these factors can negatively affect establishment of microfinance for the extremely poor as well as the poor.

Demand side factors such as: economic vulnerability of the ultra poor; less use of NGO services; lack of knowledge on NGO services; lack of time; inappropriate loan size; personal conflict; and fear of misappropriation of loan money. Whereas the **Supply side factors** include: restriction in membership; vulnerable status (lack of permanent address); opposition from existing NGO members; and negative attitude of NGO staff.

Woller (2002, p. 5), noted from its archival study that the greatest challenges facing microfinance pioneers in the past were how to deliver small loans in a cost-effective and sustainable manner to a poor and often hard-to-reach clients, absent physical collateral, given information asymmetries, and with relatively high per-units costs. The solutions were a high degree of product standardization, full cost plus pricing, joint liability, a heavy emphasis on repayment discipline, and an overarching emphasis on financial self-sufficiency.

Likewise, Sebstad and Cohen (2001) cited (Cohen 2002, p. 5) using information collected in four countries, argue that if microfinance services are to be more effective in helping the poor it is better to manage financial risks, then it needs to think in terms of matching

products, loan size, repayment amounts, and financial flows and repayment cycles to clients' needs.

Ahmed (2002, p. 3) pointed out from its findings some barriers that can arise between the financial institutions and the clients in a developing economy perspective. Physical barriers of poor infrastructure like lack of markets, roads, power, communications, can worsen both the adverse selection and moral hazard problems. Physical constraints inhibit the financial institutions to gather information on their prospective clients. According to the finding once credit is advanced, it is difficult to monitor the use of the funds. Socioeconomic factors of clients like low numerical skills due to illiteracy, caste/ethnicity/gender aspects preventing interaction also add to the adverse selection problem as per the study.

Lyman et al (2005) in their report regarding the financial sectors especially microfinance activities of the country stated that microfinance of Yemen has at least two challenges. First, Yemen's Muslim religious tradition expects '*Sharia-compliant*' financing approaches. Second, Yemen has a long historical and still widespread tradition (predominantly among men) of '*qat*' consumption (a mild but addictive stimulant consumed in East and Northeast Africa and the southern Arabian Peninsula). The interaction of traditional Yemeni work habits and the consumption of '*qat*' mean that the work day for many Yemenis ends in the early afternoon.

A study conducted in neighboring country Kenya noted that one of the challenges in introducing MFIs was lack of any commercial credit or financing organizations willing to operate in pastoralist areas. Because the risks involved in credit and commerce in these areas were assumed to be high (The center for minority rights development 2005, p. 8).

According to McKague and et al (2009, p. 2), despite CARE's longstanding presence and work with residents in the Kenya pastoral region, high rates of vulnerability and poverty among livestock pastoralists have persisted. Pastoralists remained continually threatened by drought with minimal access to markets and limited access to risk-mitigation opportunities like credit, savings and insurance. Loans are given only to livestock traders and ranchers, who buy the livestock from CARE's organized pastoralists.

2.3.3 Empirical Evidence from MFIs in Ethiopia

Ethiopia one of the list developed countries is using the new tool of poverty alleviation for more than a decade. Giving focus to the sector, several studies were also undertaken by different universities students and scholars. However as to knowledge of the researcher most if not all of the studies did not go through to explore challenges and prospects found in the pastoral communities specifically Afar pastoral people to investigate why establishment of microfinance institutions are delayed for a decade.

According to Wolday (2008, p. 9) paper report the objective of an enabling policy, legal and regulatory national framework of microfinance in Ethiopian should focus on: Increasing outreach, including disadvantaged groups such as women and remote areas (pastoralist areas). Contrary to the suggestions, as to the paper, Ethiopian microfinance industry suffers from limited outreach, inflexible financial products, lack of loan capital, legal and regulatory constraints, high risk, limited capacity and other external factors.

Based on the mixed approach study of Wolday (2008, p. 17) MFIs in Ethiopia need to increase their scope and function by searching for new markets and by broadening the range of financial services offered to clients. Households are not similar in culture, religion environment. Even within one group, different segments can exist with different needs. As per the paper then, microfinance providers should shift from the traditional supply-driven to demand -driven financial products which involve market research and new product development. The study remarks that the microfinance industry of the country did not give attention to the tailored made financial product needs of Muslim community.

Pastoralist Forum Ethiopia (PFE) (2002) in its policy recommendation to the Ethiopian federal affairs noted that pastoralists in Ethiopia like in the other African countries have continuously suffered from a long history of political, economic, and socio-cultural marginalization. Based on the recommendation the problems of pastoralists have been aggravated by the recurrent and complex natural calamities such as drought, flood, disease etc. Due to both artificial and natural calamities, the pastoralists have emerged as the poorest of the poor. As a recommendation the forum suggested that rural finance (microfinance) could play a significant role in improving food security and alleviating

poverty. In the pastoral areas, however, rural finance institutions (bank and micro finance) hardly exist in those areas

In Ethiopia the creation of private business enterprise and the essence of competition have come to be regarded indispensable to economic prosperity (Esayas Bekele, 2009, p. 6). As per the researcher, loans as small as five hundred birr started to be rationed to millions of Ethiopians aiming at the creation of small private enterprises. In fact the primary mandate of most of the microfinance intuitions that are found in the country is the creation of opportunities for self-employment and income generation. In Ethiopia, it is believed to bring about enterprise development with this small amount of loan.

Kereta's study cited in (Letenah, 2009, p. 4) showed that in terms of breadth of outreach, MFIs are serving an increasing number of clients in each year from 2003-2007. The industry's growth rate in terms of number of clients is 22.9%. However he indicated that the MFIs reach to the disadvantages particularly to the poor is limited that is about (38.4%).

Letenah Ejigu, 2009, p. 11 concluded in his study that In terms of depth of outreach measured by average loan size, all MFIs in Ethiopian have low average loan size of \$ 117.85 which is nearer to the standard \$150. So it seems that Ethiopian MFIs are good at depth of outreach. This is probably because Ethiopia is so poor that it extends very meager loans as compared to many countries. However he concluded in his study that:

- All MFIs are good at cost management as they have low expense ratios as compared to their industry benchmarks. Within them the large MFIs have clear cost management superiority from the small counterparts.
- Ethiopian MFIs are efficient as measured by operating expense to GLP and cost per borrower ratio and also productive measured by borrower per staff. Cost per borrower is a poor indicator and Ethiopian salary levels and other payments to inputs are so low that they will lead to false conclusion when compared to other countries as a measure of efficiency.

2.4 Summary of the Review of Related Literature

To sum up, both the theoretical as well as the empirical evidences asserted that microfinance has a vital role in poverty alleviation. Whereas some believe MF is not a panacea so it needs other helping mechanism to use its role in enterprise development. The literature showed that the impact of microfinance is determined by approaches of microfinance providers towards deep outreach and financial sustainability of the institution.

Besides from the literature one can inferred that challenges impede introduction (equally performance) of microfinance all over the world as well as in Ethiopia are not out of four factors. Which are demand factor (with regard to clients or potential clients problems), supply factor (problems of microfinance providers), government factor (policy, regulation...), and environmental factors (remoteness, weather...)

Overall, the studies reviewed above said all about the impact, challenges ad approaches of microfinance. However, except for Wolday (2008) mentioning the non-existence of microfinance institution in Afar and Somali, there is no study that explores what challenges and prospects in introducing microfinance services in Afar regional state; specifically the pastoral community with regard to introducing feasible MFIs. Thus, statements of the problem and research questions were developed after a cautious review of this literature. The gap that is going to be filled therefore is, exploring the challenges, and opportunities, how different it would be and what alternatives of microfinance in Afar regional state could be introduced.

Inferring from the literature, this research tried identified variables which can help in investigating challenges and prospects found in the region which could impact establishment and success of feasible microfinance services in the region. The variables identified from the literature are listed as following:

- Need of the pastoralist people for microfinance services
- Entrepreneurial and income raising skill of the people
- Saving and credit habit of the poeple
- Infrastructure issues in the region
- Conditions increase or decrease cost of services for sustainable MFIs
- Success or failure of the semi-formal financial services (cooperatives and NGOs)
- And lastly how different it will be from that of sedentary areas with respect to selection, disbursement, repayment, collateral, group formation, collection, and enforcement mechanism, to undertake sustainable MFI in the pastoral population.

Chapter three: Research design and Methodology

3.0 Introduction

Under this part of the study the methodology part is presented. This part includes rationale for selection of the study site, research approach of the study, data collection procedures, data collection tools, data analysis procedures and others.

3.1 Rationale for Choosing the Research Site

The region is characterized by a relatively harsh climatic condition for people to live in. Observing the specific condition of the region, and in availability MFI, Afar Region was taken as an important site of research so as to investigate all possible prospects and challenges found in such a harsh climate region in introducing sustainable MFIs.

Zone was one of the 5 zones of Afar regional state. And it was taken as a research site for this study purposively. The reason for selecting this zone is firstly because of familiarity with the area. There was an implied assumption that the exposure to background information about an area, culture and tradition of community helped the researcher to work and interact safely within the community. Besides, the purposeful selection of zone one will be accompanied by logistical reasons and availability of relatively better formal and semi-formal financial services. Out of the eight woredas in zone one two woredas which have market place for pastoralists were selected considering logistic issues. The specific study areas are the market of Aysaita woreda found in Aysaita town, and market of Logya in Dubte woreda which is located near the capital Samara. Aysaita market is one of the big and important markets in the region which integrates pastoral, agro pastoral, highlander communities. The market in Logya did not have a specific day of existence but it is a prominent market center in the region.

3.2. Research approach

A combination of qualitative and quantitative method is often the best way of handling research questions through triangulation (Russel, 2005 cited in Ahmed, 2005). Hence, endeavors were made to utilize the advantages of each method. Thus, the study used qualitative as well as quantitative research approach to explore challenges and prospects of introducing microfinance services in pastoralist population of Afar regional state. The

approach helped the study, to explore attitudes and experiences of participants (the pastoral Afar people who are assumed to be client of the institution, clan and religious leaders, official of currently establishing MFI, and officials from cooperative desk of the region).

In addition to these target groups, experts of credit giving one NGO and cooperatives desks officials which participate in giving informal microfinance services and their beneficiaries were also included. The expected experiences are regarding the need of MFI in the regional state, enabling environment for MFIs by experiencing available infrastructures, business skill of the pastoralists, geographical settings cultural and religious conditions, , saving and credit culture of respondents, the challenges of introducing microfinance in the region, and the nature of the MFI needed there and opportunities there.

The qualitative approach by its very nature is needed for its advantage of exploring of rich, detailed, valid process of data on the perception of study participants' about need of the pastoral people for microfinance services; entrepreneurial and income raising skill of the people; saving, credit and money transfer habit of the people; institutional and physical infrastructure of the region which can help MF services; condition and status of the available MF services and other issues.. Therefore in mixed approach, like mixed questionnaire and interview, document analysis, huge amount of data can be collected in the qualitative part and from this amount, required data is generated. The other major advantage of qualitative methods is flexibility which help researcher to collect data in depth and in detail. On the other hand including quantitative data can help in controlling the extra flexibility to a manageable manner. The quantitative approach was also included to get the advantage of managing respondents.

3.3 Data collection procedures

The procedures followed to collect valuable data are presented as follow:

3.3.1 Target groups and sampling

Based on the target groups that are going to be interviewed and questioned, the study employ convenience sampling technique. Apart from the target people to be interviewed documents were also consulted.

Clan leaders, religious leaders and higher officials of the establishing MFI, experts of NGOs participating in providing micro credits services, official of cooperative desk of the region, SACCOs and cooperatives were selected purposively aiming that they are key informants. Clan leaders in Afar region have a vital role in policy implementation and in overall economic, social and cultural decisions of the pastoral community. In order to represent each in the interview and get ideas from representative clans, five clan leaders were selected purposively taking one from different clans of the region. The second target group, religious leaders have also crucial role in the Muslim majority community. Thus, one higher leader of the council of Islamic affairs of the region was interviewed. The third target of the study was officials of the currently under establishment process MFI called AMFI and one of the officials was interviewed in-depth interview. Two experts of credit giving NGOs, one official of cooperatives desk of the region, on official of the Afar culture and language and 5 cooperatives'/SACCOs leaders were also interviewed. The last but the prominent target group of the study was the Afar pastoral people. For this group, the study used convenience sampling by taking 60 people from market of Aysa'ita woredas and from Logya market in Dubte woreda. The pastoralists from each market centers were comprised of half male half female, (30 females and 30 males totally).

The sample size was determined considering time and resource constraints of the researcher to undertake huge interview with laity pastoralists and believing that the pastoralists have mostly identical in perceptions and nature of responses. The target groups selected are believed also that to the most extent they can give results which could help for further research with allocation of sufficient resource, time, and human power in the future.

3.3.2 Data Collection Methods

In this study multiple data collection methods were employed. Actually, according to Wellington (1996:17) even in a single small scale study adopting a multiple method is recommendable. In this study, relevant and adequate information were gathered through reviewing related literatures, in-depth interview, and survey methods.

3.3.2.1 Review of Documentary Sources

Relevant related materials on microfinance issues were identified and reviewed with an objective to establish statement of the problem, designing questionnaire and interview guides and formulating conceptual framework for the study. Documents and web of related organizations were also assessed and analyzed so as to strengthen the analysis part of the research.

3.3.2.2 Interviews

For the purpose of collecting detailed information in the study, in-depth interviews was conducted with all official participants of the Afar microfinance institution and selected representatives of government and NGO key informants, providers of current informal financial services (NGO and cooperative), clan leaders and religious leaders. There was also a semi-structured interview with the pastoralists using some enumerators for interviewing and or translating the interview. The interview was held by interviewing 30 (15 female and 15 male) pastoralists from each selected markets of the two woredas (totally 60 from the two woredas) in market places up to the needed number of participant was obtained.

Semi structured interview questionnaires was also held with clients of NGO and cooperative desk led financial services (5 SACCOs/ or cooperatives) in order to get mixed study results regarding success or failure of such services in the region. The interview was made with 5 participants out of 11 cooperatives in the town during the study year.

3.3.3 Data collection tools

To achieve the objective of the study, relevant and reliable data were collected using appropriate research instruments. Semi structured interviews was prepared to collect quantitative as well as quantitative data through surveying pastoralist in market places



and clients in their home and work places. Various interview guides were also developed and used to gather qualitative data with the in-depth interview methods.

Specifically, the study was conducted unstructured interviews with the officials and experts from AMFI, APDA, and cooperative desk of the region. In addition to that, 5 clan leaders and one religious leader were interviewed with some flexibility by asking previously prepared interview questionnaire. This method enabled the respondents as they are key informants, to be free and give in depth information about the study. For the pastoral people of Afar the mixed approach of the interview questionnaire was implemented. Motive behind to conduct semi structured interview questionnaire for the pastoral Afar people is, that to manage and control respondents from unrelated possible answers.

The interview was designed with structured and semi structured interview questionnaires. The interview with both target groups shows that it brings good result because of the '*Dagu*' (traditional culture of information transmission) of the people which enables them to offer all what they have.

While in secondary data, the study emphasized reports of the NGO (APDA), cooperative desk of the region, regional and Federal government and other organizations, and web page of NGOs like web of Afar pastoralist development association (APDA) which give some informal credit to the pastoral community in the region and other related literatures concerning this issue.

3.3.4 Data recording procedures

For the semi structured as well as unstructured interviews, notes were taken as well as the interviews were audio taped. And later the interview was transcribed in to paper. With regard to semi structured interview questionnaire for the pastoral people, responses written on the space of the interview questionnaire. While in respect to the documents, analysis it was taken place with public documents (e.g., statistical data, strategic plan document of the region, socio economic data of the region, archival material and related web information of the region).

3.4 Data analysis procedures

The qualitative data was analyzed by summarizing the words of the study participants. As to quantitative data, tabulation, analysis and interpretation were carried out using frequencies and percentage. And it was tried to compare the data with each other. Finally, based on the analyzed data, interpretation was made side by side with the analysis part to come up with certain conclusions and recommendations at the end.

3.5 Strategies for validating findings

To strength the accuracy of the study, as it was described in data collection procedure the study tried to triangulate the study results by compare and contrasting the data from one target groups with the other target groups and supporting the pastoralists with the other responses. The data extracted from documents was compared and contrasted with that of data from officials and the data generated from the pastoral people with that of the clan leaders; the data from religious leaders with that of clan leaders and generally, all of the data were compared and contrasted with each other. The procedure was supposed to increase the reliability and validity of the study.

3.6 The narrative structure and ethical issues

The narrative structure was made by scripting the conversation and responses first and translating the conversation in to English languages to bring wordings of the respondents in to the language of the study. With respect to ethical issues, the study planned not to mention individuals' name and not to commit any behavior which can affect the culture and norms of the society.

Chapter Four: Data Analysis and Interpretation

4.1 Description of the Study Area

The region shares boundary with four national regional states i.e. in the northwest Tigray Region, in south west Amhara region, in south Oromiya and in southeast Somalia region and has Two International boundaries in east Djibouti and northeast Eritrea. At present the region is divided in 5 zones, 32 weredas, and 401 kebeles. From these 5 administrative zones, zone one is the largest zone, it covers 36% of the regional area were as zone five is the smallest zone in the region, it cover 6 % of the region area (Afar atlas, 2010).

The other issues regarding an overview of the region are presented hereunder so as to see enabling environment in the region for introduction of MF services.

4.1.2 Population size and Distribution:

The size of population of the region is one of the essential factors in the development programs. As Compared to The last three Decades To day the growth population of the region as well as the country shows low growth (CSA). According to the central statistics authority, the population size of the region is 1,411,092 and out of this 86.60 % reside in rural area and 13.40% in urban area. The spatial distribution varies from zone to zone i.e. 29.89%, 24.90%, 14.07%, 18.10% and 13.01% lives in zone one, Two, Three, Four and Five respectively (Afar atlas, 2009).

4.1.3 Population density:

Only population size of the region doesn't show the real pressure because size is relative it varies along area. Population density of the region is an indicator for population pressure (if there is unbalance economic development). In the region population density is 14.88(15) persons/ sqk.m.; it varies from zone to zone. This variation mostly depends on the suitability of the area for human settlements. Relatively, Zone Five has high density /64 persons/ sqk.m / of population whereas Zone Two has the lowest /9 persons/ sqk.m / (Afar atlas, 2009).

Relatively in high land area settlement is dense and in low in low land area due to inaccessibility, water shortages, and infestations of disease-causing insects, mainly

mosquitoes, prevent permanent settlement. Therefore, settlement is sparsely populated and the population engaged mainly in livestock rising (Afar atlas, 2009).

4.1.4 Land form/Relief of the Region

The region is an area of Low Land, with an irregular drainage system and depression, which, is 114 m below sea level as well as some of the exposed rocks. 35.47 % of the region has an elevation less than 400 m above sea level whereas 51.44% has an elevation between 400 to 900 and 13.09 % has an elevation above 900 m above sea level.

4.1.5 Temperature of the Region

The regions' temperature is usually high and ranges from 12 °c to 48°c, May, June and July being the hottest months, and January and February the coldest months (Afar atlas, 2009).

4.1.6 Rainfall of the Region

The region is highly characterized by low rainfall zone. Relatively high altitude area such as western part of zone five, zone one and four receives >900 mm of rain. These area covers 0.88% of the region area. Whereas most part of zone one and zone two receives < 300 mm. It covers 51.33% of the region. (Afar atlas, 2009)

4.1.7 Educational status of the Region

In comparison to other regions in the country, Afar region is one of the least developed and access to social services is very limited. In terms of education, the region has school enrolment rates below the national average. For example, gross enrolment (7-14 years_ is estimated at 25.22% out of 250,911 school-aged children only 64,272 are enrolled.

4.1.8 Health Services and Health Facilities

The number and quality service of health facilities are crucial to decrease mothers' and children death and to create health man power better business undertaking. In the region there are 2 Hospitals, 31 Health Centers, and 209 Health Posts. With regard to health personnel's there are 3 Specialized Doctors, 10 Doctors, 49 Health Officers, 250 Nurses, 33 Pharmacists, 56 Laboratory Technicians, 313 Front line health workers, 44 Health assistance and 29 sanitations.

4.1.9 Livelihoods

There are two major livelihoods in the region: pastoralism and agro-pastoralism. Approximately 90 percent of the region's rural population practice pastoralism while the remaining 10% practice agro-pastoralism which consist of a mixture of livestock rearing and rain-fed or irrigated crop production.

4.1.10 Land ownership

Grazing land tends to be communal although livestock migration may take place beyond a clan's territory. In urban areas individuals own land but with the approval of local administration and clan leaders. Agriculture land tends to be inherited and individually 'owned', although it is often managed by the community or clan/sub-clan. Clan leaders may rent land to private investors at an agreed fee-this is common in Gewane and Ambira areas. Large scale salt mining in Afdera is on land allocated by the government to large scale investors but in Berhale and Dobi salt mining is on a smaller scale on communal land which is allocated by clan leaders (Save the children, 2008).

4.1.11 Employment

There is relatively little employment to be found outside the towns, other than seasonal agricultural labor, and sometimes livestock herding (Save the children, 2008).

4.1.12 Livestock and migration

Cattle, sheep/goats and camel are the main productive livestock reared. In normal and good years migration tends to be within home districts or zone, whereas poor years may result in migration across to other zones or neighbouring regions (Save the children, 2008).

4.1.13 Markets and marketing corridors

Different administrative and livelihood zones have their own main market towns. Most administrative zone capitals and district towns are important trading centers for surrounding villages/ towns. There are, however, a number of important market towns which serve wider areas as marketing hubs for livestock, food and non-food commodities. These include Yallo, Chifra, Aysaita, and Werer. Dalifage, Ab'alaDulecha and Berhale are also important market centers although selling fewer commodities.

Livestock markets in neighbouring regions such as Senbete, Bati and Almata are also very important for Afar region (Save the children, 2008).

The main commodities sold by the pastoral and agro-pastoral groups of the region are mainly livestock. Unlike, other pastoral communities such as the Somali, milk sales are limited due to market constraints and the fact that most of it is consumed by communities producing it. Sesame, onions, fodder, and fruits and vegetables are also grown along the Awash River and sold to neighbouring markets and Djibouti. Commodities that are normally purchased by local communities are mainly foodstuffs such as *teff*, wheat flour, rice, and sugar and household items.

4.1.14 Constraints

Given the magnitude of livestock resources, livestock market and services are limited market centers are located far from the epicenter of high potential livestock areas. In most cases, pastoralists have to travel long distances to access markets which results in livestock body condition deteriorating on the way. When the livestock reaches the market, it fetches the lower price due to deteriorated body condition. This is serious when weakened livestock travel long distances to reach markets and often die on the way. Major constraints to marketing are poor infrastructure, inaccessible areas due to poor roads, and lack of reliable market information both for pastoralists and traders. Others constraints are conflict and limited cross-border opportunities especially towards Djibouti (Save the children, 2008).

4.2 Overview of Hawsi-Resu Zone

Administrative Zone one (Hawsi-Resu Zone) is one of five Zones of the Afar Region of Ethiopia. This zone is bordered on the south by Administrative Zone three, on the southwest by Administrative Zone five, on the west by the Amhara Regional State, on the northwest by Administrative Zones four and two, on the north by Eritrea, and on the east by Republic of Djibouti. Hawsi-Resu zone comprises eight woredas namely (Aysa'ita, Dubti, Afambo, Mille, Elider, Chifra, Adaar, & Korri woredas).

Based on the CSA, 2008 this zone has an estimated total population of 421,790 of which 230,537 were males and 191,217 were females; 82,827 or 19.6% of its population are urban dwellers.

The Hawsi-Resu Zone has the following characteristics:

- It comprised the highest population number as compared to other zones of the Afar region
- The largest number of cooperatives found in this zone.
- The largest number of Livestock Population are found in this zone;
- From these 5 administrative zones, zone one (Hawsi-Resu) is the largest Zone; it covers 34.58% of the Regional total area;
- The largest number of woredas were found in this Zone namely (Aysa'ita, Dubti, Afambo, Mille, Elider, Chifra, Adaar, and Korri woredas);

4.3 Socio Demographic Characteristics of Participants

4.3.1 Age and sex composition of respondents

The sample respondents were aimed to be half female and half male so as to identify differences in responses between the sex compositions. Mostly MF services are related with Millennium Development goals (MDG) (Wolday2008, Hossain and Knight 2008, p. 1, and Women’s Refugee Commission field manual for practitioners 2009). Women are mostly the focus of MF services. For that reasons assessing womens’ need separately is essential. Thus the proportion of female to male respondents is fifty-fifty.

Table 1: Age and sex composition of respondents

Age group	Male		Female		Total	
	No.	%	No.	%	No.	%
20-30	4		7		11	18.3
31-40	8		13		21	35
41-50	9		9		18	30
51-60	9		1		10	16.7
Total	30		30			100

Source: Survey result 2011

With regard to age composition of respondents, since the interview was made considering maturity for credit services and maturity for contract, their age starts from 20. The maximum age of respondents was 60 and average respondents' age is 39.5 years.

4.3.2 Marital status of respondents

Table 2: Marital status of Respondents

Marital status	Male		Female		Total	
	No.	%	No.	%	No.	%
Single	0	0	1	3.3	1	1.7
Married	30	100	23	76.7	53	88.3
Widowed	0	0	2	6.7	2	3.3
Divorced	0	0	4	13.3	4	6.7
Total	30	100	30	100	6	100

Source: Survey result 2011

All of male respondents are married and out of the 30 male respondents 10 of them have more than two wives. This could indicate that they have high family size and ultimately which exposed them to share the existing wealth among the extended family of the household. With regard to female respondents 88.3% of them are married whereas the remaining 1.7%, 3.3%, and 6.7% are attributable to single, widowed and divorced respectively.

Respondents' response from the open questions shows that most of widowed, divorced and single respondents are leading their live depending on relatives and parents. This could be an opportunity for microfinance services. Because, the result indicates that there is a need to get finance for income generation purpose to get-out from sfamily dependency.

4.3.3 Educational status of Respondents

Education can be factor for success of Microfinance services in a community. The study result from Eretria shows that there is a strong link between business success and education in Eritrea Graeub and Kraehenbuehl, 2004. People with quality equation means with better know how and awareness about business, market and other issue.

Afar regional state is one of the poorest regions in terms of education coverage. Respondents of this research are not also different from the general educational characteristics of the region (Save the children, 2008). The result in table 3 also confirms that the pastoral participants are poor in education.

Table 3: Educational status of Respondents by sex

Education level	Male		Female		Total	
	No.	%	No.	%	No.	%
Illiterate	14	46.7	25	83.3	39	65
Read and write	4	13.3	3	10	7	11.7
Grade 1-8	0	0	0	0	0	-
9-12	0	0	0	0	0	-
Arabic	12	40	2	6.7	14	23.3
Total	30	100	30	100	60	100

Source: Survey result 2011

46.7% of male and 83.3% of female are illiterates in total 39 respondents which are 65% of them cannot read and write. This have a negative effect on MF service providers, in terms of cost of trainings and other customer capacity building issues.

Out of the total respondents only 11.7% can read and write through informal education in kebeles and other opportunities. Arabic in the region is given either in the village ‘Qur’an’ centers or in grade level in towns, and Djibouti. 40% of male 67% of female on total average 23.3% of respondents said that they can read and write ‘Arabic’.

4.3.4 Family size and dependency characteristics of respondents

Average family size of Afar region from CSA is 5.5 (2007). However here, respondents respond that a single household takes 14.3 dependents. 88.3% of respondents lead their livelihood independently (Table 4). The remaining respondents 11.7% are dependent on their relatives. 46 of the 53 respondents have dependents. Totally, the family and extended family members dependent on all respondents are 856 which are on average 14.3 persons per respondent. The highest family size in a household respondents stated are 24 with in household and 9 dependent outside the household.

As stated in the in depth interview with higher officials from Afar culture and language development office the Afar people are still living in a communal way of life. One who is does not have any to spend, did not bothered about the basic needs. Relatives consider helping those who do not have as responsibility and the donated person also consider getting basic needs from their relatives as a right to be helped.

Question was forwarded to the pastoral respondents to see if there are family members who generate income other than the income from the household. 26.7% of the respondents said that there are about totally 44 members who work their own work(table 4). However, most respondents do not believe that most of the individual work of the family members is not enough lead their livelihood.

The reason push them to such generalization as stated in their responses is because, family member who work in kebeles, and wage of construction works did not got out of help from the extended family.

Table 4: Family size and dependency characteristics of respondents

Category of respondents	Number of respondents	Percentage	Total family members in household	Highest family members recorded
Respondents who lead their livelihood independently	53	88.3	643	24
Respondents depending their livelihood on relatives	7	11.7	29	-
Total	60	100		
Dependents who lived with the independent respondents	46 of 53		184	9
Total members in all category			856	
Average of total household members to total respondents			14.3	
Family members who earn income	Number of respondents	percentage	total number of member generating income	
Yes	16	26.7	44	
No	44	73.3		

Source: Survey result 2011

The source of income from those who has job outside their family jobs are, employment at government offices like kebeles, work in neighboring and Arab countries, wage in *Tendaho* project, petty trade and animal marketing.

The extended family which has many dependents in the back indicates that there is a need for MF services to serve the several dependents behind respondents.

4.4 Borrowing and Lending Culture of Pastoralists

4.4.1 Borrowing culture of respondents

Assessing borrowing culture of pastoralists helps to know first their knowhow and awareness about loan and credit related issue such as repayment conditions and relation of the pastoralist with formal or informal finance providers. Assessing this condition enables MF service providers to design the training for customers and other related issues.

The first question forwarded to pastoralists regarding borrowing culture was whether they have borrowing trend in the past and or currently. All of participant responded this question and the results are presented for female and male separately. Since women are the focus (Hossain and Knight 2008, p. 1,) of MF services, knowing their trend of borrowing separately can help stakeholders design MF services for special needs of every user of the services.

Table 5: Borrowing culture of pastoralists by sex

Age group		Male		Female		Total	
		No.	%	No.	%	No.	%
2.1 Borrowing habit form each other							
	Yes	20	66.67	18	60	38	63.3
	No	10	33.3	12	40	22	36.7
	Total	30	100	30	100	60	100
2.2 Amount of borrowing from each other		Number of respondents	Higher borrowed amount	Lowest amount borrow		Average borrowed amount	
Sex	Male	23	1500	50	98,100	42/5	
	Female	17	1500	10	13,850	815	
	Total	40			111950	2800	
2.6 Agreement on interest issue for the borrowing?							
	Yes					40	100
	No					-	-
	Total					40	100

Source: Survey result 2011

The result shows that 66.7% of male and 60% of female (Table 5) respondents are user of credit from the informal sector (relatives, family members, friends and neighbors). On average, the total respondents who experience borrowing are 63.3%. The rest 36.7% percent did not have borrowing culture as such remembered. And even some of them hate borrowing and see it as begging.

Sources of borrowing responded by the pastoral respondents are mostly relatives, neighbours, friends, Brothers and sisters. No one of the respondents had borrowed ever from any formal sector like banks. Even, no one had experience of borrowing from the cooperatives operating for five years in the region. This shows that the pastoralists are aware of borrowing from relatives but in terms of their experience with formal and semi-formal financial providers it is zero taking the sample respondents as a base.

4.4.1.1 Purpose of borrowing

A good borrowing culture could contribute for sustainability of MF services. However, high awareness about borrowing by itself could not be helpful for success of sustainable MFIs. It could be a burden to the borrowers if borrowing is consumption purpose rather than income generating. Thus, assessing the purpose for which the loan is taken could be a good experience for sustainable type MF services. Borrowing for the purpose of consumption and other household expenditures could create burden on the house hold to repay the loan. According to Graeub and Kraehenbuehl, (2004, p. 15), credit services can become a heavy burden for vulnerable households, if they cannot rely on a regular income generation to get profit and to services loan repayment.

With regard to the purpose of the borrowing, pastoral respondents give different responses apart from the business purpose and related to their own experience. Some of the respondents' borrowing experience is related to preserve their livestock from losing. If livestock breeding livelihood was considered as business, it could be said that those who borrow to preserve selling animals in lower price during bad season are said to be borrowing for business purpose (i.e. livestock preserving as income generating purpose). However since MF service is needed for income generating and income diversification purpose (Dusuki, 2008) such borrowings are considered here as borrowing for consumption purpose.

The reasons stated by the respondents listed down here under except two respondents out of 38 are related to consumption and house hold spending purpose.

Borrowing for business purpose

- To undertake petty trade specially to buy floor and sugar from the market and sale it in the vicinity (village) and get profit.
- To buy goats in cheap and sale them in the market in profit.

Borrowing for other purposes

- In case of cash shortage for consumption spending to preserve from selling animals in cheap and losing their value when no market/demand/
- When spending for house hold consumption is beyond capacity of the borrower.
- For health spending
- In case of no asset to sale for spending they borrow to fulfill basic needs.
- Respondent depend their livelihood on others also borrow to fulfill some need which could not be covered by their relatives.

Cooperatives in the region give interest free loan for their members for business as well as other necessary issues. APDA also gives charge free loans to cooperatives and SACCOs aiming the loan and aid to be credited at retail level by these parties for business purpose. However, individual borrowers from those cooperatives in practice spend some times for other purposes other than business for example for health spending.

4.4.1.2 Repayment Condition of the pastoralist Participants

Culture of people towards repayment can affect introduction of feasible MFIs in a region. If people consider loan/credit as a gift in its culture, any self-sustainable approach MFI fears to undertake financial services in such conditions. According to (Braverman and Guasch, 1986; Zeller & Meyer, 2002) cited in (Dusuki, 2008), uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs, which is characterized by fixed costs.

Pastoral communities are known in their social interaction and helping each other. According to interview with some officials, elders and clan leaders, helping relatives is considered as a responsibility while the donated person considers all gifts from its

relative as the right to get from the haves. Communal use of wealth is still working in Afar region. However, the view of pastoralists for obligation is different. The question which enabled checking the condition of repayment condition of borrowing responded in table 6.

Table 6: Repayment condition of the pastoralist participants

Repayment condition of the pastoralists	Total Response	
	Frequency	%
2.7 Agreement during borrowing regarding repayment conditions		
Yes	27	69
No	12	31
Total	39	100
3.2 Do you repay your liability on time		
Yes	27	73
No	10	27
Total	0	0
3.4 Does lenders pressure you to repay on time or before	37	100
Yes	8	20
No	32	80
Total	40	100

Source: Survey result 2011

The question of agreement culture of the pastoralists during taking credit from their relative was responded by 97.5% (39) respondents who had a trend of borrowing. Out of that 27 respondents (69%) responded that they have agreement with the borrowers (relatives and friends). The agreements are not in written document but an oral promise to pay back the liability on a specific time. If the amount of money borrowed is considered big/much the borrowing and lending is made between eyewitnesses. The other 31% of respondents did not have any oral agreement regarding payment conditions for the credit. If the borrowers did not tell the lender when to repay, the lender did not have a culture of asking when to repay.

To measure the peoples' culture of repayment another question was far warded which said '*do you repay your liability on time*'. The question was posed to the participants who had an experience of borrowing. 37 or 92% of the 40 respondents who experience borrowing responded the question. Out of them, 73% said that they pay their liability to the relatives on time whereas the remaining 27% believe they repay the liability delaying

by passing some time. No one of the respondents fail to repay its liabilities at all except if the lender forgives (say '*Aufir*') the borrower. Reasons for payment delaying are lack of market for animals to sale in good price and waiting good price by extending the repayment.

Those who repay on times said that since liability is others' property it should be turned back to its owners. They said also that refusing to pay obligation means one wants to get social sanction and hated by clan members others. They also fear not only social sanction but borrowing in the future may not be possible if obligations are not paid.

Pressure of lenders on the borrowers to repay timely shows a reach culture of borrowing and lending because if there is pressure on borrower the people are serious regarding contract of repayment. If not the lending and borrowing culture of the people is part of helping each other. The entire respondent who experience borrowing answered this question and out of the 40 respondents 80% responded that lenders did not pressure them to repay while the remaining 20% said their lenders sometimes told them to repay.

In case of refusal of repayment and any problem related with that Afar people have their own culture of solving such conflicts. All of the respondents said that in case of default and refusal of repayment, if the lender claims, the issue will be seen first by the borrower's family and relatives. If they could not solve the problem it went to the sub clan or else to the clan leader and solved there. The lender forgives small amount of money lent as a gifts to the borrower.

With respect to cooperative members they do not face default of repayment. However, some (4 out of 7) APDA's client cooperatives did not fully pay their loan at cooperative level at the time they were supposed to pay. And still APDA give them a favor to pay back the revolving fund taking some time. The problem with this is mostly because they could not accumulate and set aside profit for paying back the revolving fund. Payment revolving fund is down payment at the end of the five years.

From the interview with community elders and clan leaders, even if the lender is from other clan or from other people other than Afars, his money can get easily in the cultural court called '*Mablo*'. To decide on such issues the Afar clan leader and or community

elders ask eye witness or if there is no eye witness they force the borrower to give swearword in the name of his/her god or in the name '*Quran*'. Oath is a very respected belief in Afar pastoralists. If one swearword in a deceptive way they believe that something bad will get him or her.

This is one specific culture of pastoralists in Afar region which has a positive implication for MF services to lend money with contract in front of eye witness and then the money is assured in repayment whether the borrower failed or not; because, liability of a clan member is a liability of the clan as a whole if the amount is above the capacity of the borrower and or his relatives.

The borrowers do not also want be named defaulter. They do not want also claim repeatedly to their clans bringing to them problems and obligations; because, if a member of a clan always bring a problem and liability to its relatives or to the clan there will be social sanction that they refused to give him respect. So fearing the social sanction no one wants to bring obligations to his relatives and clan, if the liability is not above its capacity. Thus, this culture insures lenders from default risk. And generally costs related to searching, monitoring and enforcement which are directly related to the information problems inherent in the rural financial markets could get solution.

The government structure of kebele is also made in the region considering the clan structure. Thus any issue known in the kebele is known in clan. And issue claimed at clan level is known in kebele. This culture could give security from default risk to finance providers and ultimately it helps introduction of sustainable approach MFIs in the region. If the services of MFIs are accepted by the community, the culture of pastoral community in forcing the members who fail/refuse to pay their obligation and the act of the society to cover any liability of their members could contribute to reduce risk of losing the loan money in the mobile style of pastoral community.

However acceptance of the types of the service by the culture and religion of the community seems a precondition. Interview with clan leaders and religious leaders shows that they could help MF services if the services did not contradict with Islamic teachings.

The cultural court (mablo) of Afar is structured from *Macabantul kedoabba* which means clan leader, *dadal Abba* (sub clan leader) *DinihSa'ala/ sheik/kadi*(religious affairs of the clan), and *fi'emaSa'ala*(youths affairs leader).Soconsidering culture and religion in Afar is similar. Therefore, MF services which consider need of its customers can see the relation of the culture and religious affairs in the pastoralists.

The people have a great respect to the cultural courts than to government court. Through this court the people are administered and solve their problems for centuries and until now the government courts are not as such working for the pastoralists since the problems are solved at a grass root within the clan itself (Source: interview with one key informant).

4.4.1.3 Decision on borrowed money

In developing countries the trend of property ownership and spending is in the hands of husbands mostly by the sole decision of men. To see this condition in afar pastoralist community it was forwarded to the participants if there is any entity who decides on spending of borrowed money.

Table 7: Decision on borrowed money

Is there any who decide on spending of borrowed money	Female Respondents	
	Number	Percentage
Yes	3	20
No	12	80
Total	15	100

Source: Survey result 2011

All of the male respondents who had asked the question said that no one participate on the decision to the spending issue. They borrow when they want and they spend it as they want. However, with regard to the female respondents, out of the 15 female respondents who respond this question 3 i.e. (20%) said that husbands have influence on what to do and how to spend borrowed money. nevertheless, 80% of them said that they have their own right and decision how to spend and what to do with the money they borrow by their own. Because, the money is borrowed to cover basic needs of the household.

In the open part of question, some female respondents said that they do not tell husbands what they borrow from relatives.

4.4.2 Lending trend of the pastoralists

People are eager mostly to tell their good behavior. Asking the people in this case about their repayment trend of loans on timely bases could or could not be answered well because people may excaudate the punctuality and loyalty.

To solve such possible misleading responses, the pastoralists were asked their lending culture and their borrowers' repayment trend.

Table 8: Lending trend of the pastoralists by sex

Age group	Male		Female		Total	
	No.	%	No.	%	No.	%
4.1 lending habit of the pastoralists						
Yes	24	80	8	26.7	32	53.3
No	6	20	22	73.3	28	46.7
Total	30	100	30	100	60	100
4.4 Charging of interest on lending						
Yes					-	-
No					32	100

Source: Survey result 2011

The first question posed to the pastoralists was about their lending trend. This question was answered by all of the participants. 80% of male and 26.7% of female respondents said that they have lending culture some of the respondents who experience lending to others did not have borrowing culture. The remaining 20% of male and 73.3% of respondents did not have lending trend totally from the 60 participants 53.3% responded that they lend to their relatives, friends, and neighbors. The rest 46.7% from the total did not have lending experience.

Male respondents are better experienced in lending culture than female ones. This could indicate that female respondents do not mostly own a property to lend and have not the right to lend much money. Money lent by female is small in amount as they respond in the open part of the question showed.

With regard to in what way they lend, all of the lending and borrowing are made in money. In addition there is trend of lending milked animals until the milk time is over for those who do not have milk for consumption.

One of the clan leaders said that helping each other in Afar region is the day to day activity. Poor families which have not animals for lively hood are given milk animals to use the milk and then return back the animal thereafter.

What kind of credit culture they have is a matter which is a better to explore from the respondents. Regarding this, question was posed to those respondents who have lending culture. The question was regarding interest charge on lending and was responded by all of the respondents. No one of these respondents charge interest or any other charges for the credit they give to their relatives.

The reasons forwarded to the question emanated from cultural and religious point of views. Most of the respondents reasoned out that receiving and giving interest on credit is a taboo in Afar 'Adda' (culture), prohibited in Islamic teaching and considered as greediness. Some of the respondents also do not charge interest for the credit they give not because of religious point of view but, due to there is no trend of receiving such additional money on what one gives as helping his relatives.

"The aim of the credit people borrow and lent out is not expecting profit. So expecting profit from one who did not have any money and borrow from you is a taboo and improper action to receive additional money "; this is response of one elder during interview of clan leaders.

No one of the clan leaders and elders had experienced interest rate charge. Clan leaders and members see charging interest from the religious as well as cultural point of view. One of the elders said that *"taking and giving 'riba' (interest) is worse than sexual intercourse with one's own mother!"* The culture and religious teaching regarding interest are identical in the eyes of the pastoral people.

4.4.2.1 Repayment conditions on lending of pastoralists

Repayment condition of participants was touched in the borrowing part of the paper. However for the reason previously stated it was better to ask participants about the repayment trend of their borrower.

The question regarding repayment agreement was responded by 31 of the 32 respondents. Out of these respondents 25 which are 80.6% of them responded that they agree as when to repay the credit however from 80.6% responses 48.4 only said they do agree regarding repayment time, while the remaining 32.2% responded that the word of agreement is come from the borrower telling of payment time or season. 19.4% respondents also did not have trend of agreement for the credit they give to others.

Table 9: Repayment conditions on lending of pastoralists

Items	Responses	
	Frequency	Percentage
Agreement with borrowers regarding repayment date during lending?		
Yes oral agreement	15	48.4
The borrower tells when to repay	10	32.2
No agreement	6	19.4
Total	51	100
Repayment condition borrowers on time?		
Yes most of the times	26	83.9
Delay mostly	1	3.2
Some delay some pay timely	4	12.9
Total	81	100

Source: Survey result 2011

The trend of Agreement regarding repayment time when one becomes borrower is lower by about 11% than (table 9) when one becomes lender. This result might be because the composition of respondents is somewhat different and the number of respondents is also unlike. Having these differences the results are related. All the agreements are oral and not formal because, the respondents consider promising when to repay back the credit by borrower is like an agreement.

How is the repayment condition of borrowers? On timely basis or not; was also asked to the lender respondents and the responses is summarized.

From the 31 respondents 83.9% responded that their borrowers pay mostly the liability on time. One out of 31 respondents said that his borrowers mostly delay to pay back its liability. Whereas the remaining 4 respondents which are 12.9% of 31 respondents believe that their borrower are mixed. Some repay timely and some delay.

4.5 Saving culture of pastoralists

MFIs are spending much cost on awareness creation among their users so as to mobilize huge amount of saving and made that saving as a source of money for further lending. Saving culture of a people can play indispensable role in assuring sustainability of microfinance services (Meyer 2002, p. 14). Because the more the people are good in saving the lesser the cost needed-

Table 10: Saving culture of pastoral respondents by sex

Items	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
4. Saving habit of pastoralists						
Yes	15	50	6	20	21	35
No	15	50	24	80	39	65
Total	30	100	30	100	60	100
4.2 kind of saving?						
Live stock					1	5.3
Money					7	36.8
Livestock and money					10	52.6
Jewelry and Money					1	5.3
Total					19	100
4.3 Saving Amount of respondents	<i>Number of respondents</i>		<i>Total saving of the respondents who respond to the question</i>		<i>Average saving amount</i>	
Male	7		127,000		18,143	
Female	2		18000		9000	
Total	9		145000		1611	

Source: Survey result 2011

for MF services to spend on costs like awareness creation regarding saving and the more able to generate lesser cost finance. Higher training costs can hinder sustainability approach MF services from undertaking business in such areas. With regard to saving culture of the people the first question posed to the pastoral participants was if they have saving.

The question was responded by all of the participants. Out of the 60 pastoral participants 21 which are 35% said that they have saving culture. The other about three fold of the respondents responded that they do not have saving trend. Responses of female and male respondents are not proportional. The proportion of respondents who save and who do not in the case of male respondents is fifty-fifty. Whereas, the female respondents who have saving are only 6 out of the totals female respondents. This is 20% of the female respondents. The remaining 80% of female do not know or do not have saving. The total 35% who have saving trend are composed of 25% male and 10% female respondents.

Totally the saving culture of the pastoral respondents is one third of the participants. Thus, the result could be considered as low saving trend. Females' contribution to saving is very low which is lower than the lower the total result.

Some of respondents consider their livestock as saving and some of them consider saving only the amount reserved in monetary. Question which identifies the kind of saving they used was forwarded. The question was answered by 19 respondents out of those who believe they have saving which are 21 respondents.

One of the respondents i.e. 5.3% believes that its livestock are savings. For this respondent, there was no saving in money. 7 out of the 19 respondents (36.8%) said that they save in money. Another 10 out of 19 (52.6%) said that they have saving in money as well as they believe their livestock wealth is part of their saving. There is a female respondent also who has saving in cash and in jewelry form. From those who said their saving is in cash, there are respondents who have livestock. However they do not consider the animals they have as saving.

Question regarding amount of saving experienced by participants was posed and responded only by 2 females and 7 male respondents. Out of the whole pastoral participants who explain their saving amount are only 9 respondents those are 15% out of 60 respondents. On Average the amount saved by each of the 9 respondents is birr 16,111. The average for male respondents, saving amount is more than a double of female respondents' saving.

Some of them also said that the amount is not stable so there is no specific amount of saving they saved before so with regard to their current saving, since they do not have saving currently they could not explain the fluctuating amount they saved before.

The saving amount for cooperatives starts from 20 birr and goes as per the savers need. The amount saved is not enough to undertake business for members greater than 28. APDA did not take saving however; it pushes its beneficiaries to have saving account in banks. At the end of December 13, 2011 APDA coordinated SACCOs saved totally 46370. This is very low within one year which was accumulated from 366 members. The share of the saving is birr $46370 \div 366$ members about 126 birr per a year.

One official of cooperative desk said that *“there is a fear in the desk, because, some cooperatives are waiting until they get seed capital instead of accumulating their capital through saving participating in business activities”*.

4.5.1 Saving place for the pastoralists and Need for formal saving institutions

Table 11: Saving place for the pastoralists and Need for formal saving institutions

4.5 Place of saving	Frequency				Percentage	
At Home	11				68.75	
In shops of Nearby town	5				31.25	
Banks	-				-	
Total	16				100	
4.7 Demand of the pastoralists for formal institutions which give you saving services	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
Yes I need	11	40.7	2	9.5	13	27.1
I do not know what it used	2	7.4	10	46.6	23	47.9
No I don't need	14	51.9	9	42.9	12	25
Total	27	100	21	100	48	100
4.8 Initiation for saving if institutions give interest for saving?						%
Yes					4	10
No					36	90
Total					40	100

Source: Survey result 2011

Saving trend at home and saving trend in the formal financial institutions are not similar. In terms of awareness for MF services one who has trend of saving in banks and other

formal savings are better. Whereas in terms of need for MF services people who save at home need financial services which give them a profit on it and more security than putting at home.

Respondents who have saving trend were asked to explain the place they used to save. From the 35% of total pastoral participants which are 21 respondents only 16 participants which are about 76.2% are able to explain the place they used to save. Out of the respondents 68.75% (11 in number) said that they saved their money at home in the places which they believe that is secured. Some of them save the money especially men respondents giving their money to wives to put it in secured place. The remaining 5, respondents which are 31.25% of 16 respondents put their saving in shops of the nearby towns.

The purpose of saving why the pastoralists save was also asked. The aim of saving from both respondents seems different. Because, female respondents' saving focused mostly on meeting the current need of house hold spending when household leader refused/failed to give money for the house hold basic needs. However there is one female respondent who is saving to live in town after some time for better life and education for her children.

Regarding male respondents' aim of saving, they mostly they focus on security of livestock from losing them at all during drought by death. To secured the livestock from losing entirely by death during drought period, some of the male respondent sale their deteriorated livestock and save the amount for restocking during good time.

The result shows that awareness of male respondents seems better than female respondents. However, the result may become due to property right of the people.

No one of the respondents was experienced with saving in banks. So the next question posed to the pastoral respondents was about their need to have formal saving institution. The question was posed to all of the participants but responded by only 80% of the participants the composition of the respondents was 27 male and 21 female respondents. 40.7% of male respondents and 9.5% of the 21 female respondents show need for formal

financial institution to be established for their saving. Out of the 27 male respondents 10% and 46.6% of female respondents do not know and or do not care to have formal financial institution for their saving. The remaining 51.9% of male and 42.9% female respondents do not need formal financial service for saving. Taking the total average for both female and male respondents, 27.1% 47.9 and 25% of respondents said that their need for formal financial service, no care and no aware of its use and they do not need to have it respectively.

From the respondents who do not need to have and do not aware about the financial services, there are individuals who said putting money at home and in shops of supplier is secured and no need to have an organization serving similar service.

Respondents who show need for formal financial service said that when they save at home, some of them faced losing the money through distributing of it to relatives. Because, if one hears about the money saved at home all ask them to borrow. Some of the respondents also said that saving at home is not successful be because members of a household take from the saved money now and now without necessity to take money. These defects of saving at home initiated the respondent to the need of formal financial services for their saving.

Question was forwarded aiming to see changes of respondents' response in their need for financial services after adding to the saving service interest rate.

Out of the 48 respondents respond to the previous question only 40 were continued responding. Only 4 out of 40 that is 10% respondents were initiated to have formal saving if they get additional money for the saving they made. Whereas, 90% the respondents responded that they would not be initiated to save in that financial service. Some respondents who were supporting establishment of formal financial services for their savings were turning back to those who have denied having formal financial service in their area. The interest rate in this case plays a negative role in initiating people to save result this opposes the belief of conventional MFIs interest result can initiate savers to save.

Interview results from NGOs, cooperatives and officials show that saving mobilization in Afar, region is not as such big amount. From the SACCOs which are believed to be at good position and given certificate from the cooperative coordination office in the region, the highest saving amount in two years is 40,000 Birr save by more than 30 members. No saving service in the region gives interest to the savers regarding cooperatives and SACCOs coordinated and or helped by APDA and afar regional government rural and pastoral development Bureau.

4.5.2 View of the Pastoralists for Interest Rate based saving

As to the interviews show the most sensitive issue regarding MF services in the region is the issue of interest. Resistance for interest comes from religious and cultural point of view. The opposition is not only from the members of the cooperatives but also all participants of the program and outside the program including staff members and officials. Because they believe that they are in a position to fulfill the need of their people.

The MFI which is found in the process of establishment is planned to have service change for its credit services. As to the MFI this was taken as a temporary solution for the opposition from the people to interest on credit. However the institution could not found even temporary solution to solve problems related with saving. If the MFI charges service charge starting from 10-14% and forget paying any benefit for savings the aim of the MFI which is contributing to reduce poverty will be affected negatively. Burden of debt will be higher when the people pay interest for borrowing where as they do not receive interest for the saving they make.

One of the reasons those who do not save was, they do not like saving because of the birr amount saved at one time is not like putting money in terms of property which is livestock. Those respondents understand that putting cash at home is making it inactive. According to these respondents, instead of putting money aside to save, it is better to buy animal and which could give birth or it will be fattened and sold for more than that of the money which was aimed to be saved. Thus, it could be concluded that some of them knows the nature of money which deteriorating in value if put aside without yield. This

result shows that they need any formal saving service which is acceptable by their culture and give them not only security but also yielding of the money saved.

Even though most of the people reject to have interest based financial service for saving, alternatives passed by the religious leaders and some officials during interview may initiate people to save. As to the interview result, working for sharing of profit by contributing one's capital and other's knowledge, time to the administration and operation of the business, and effort is not prohibited. The alternative is called '*Murabaha*'. It is one of the instruments developed by the contemporary Islamic Finance provides (Khan and Phillips 2010, p. 5, AsyrafWajdiDusuki 2008).

Even though the alternative seems acceptable by the people due to its freeness from interest, its complexity could create another problem if not well managed. Application in Ethiopia needs more care than the conventional interest based MFIs.

4.6 Money transfer trend of pastoralists

MF institution provide mostly services like credit, saving and money transfer activities. Pastoralists are claimed to be not yet sufficiently monetized their economy (Degefe, 2009, p. 81) than the settled highlanders which are getting focus of MF services due to their viability for feasible MFIs.

The total banks found in Afar region are only 5 which are located only in two of the 5 zones. The only Banks found in Afar are commercial bank of Ethiopia in 5 towns and *Ambesa* bank in Samara. The rest 30 woredas out of the total 32 did not have any financial institution.

To see viability of the region for feasible MF services extracting the pastoralists' money transfer trend is necessary because money transfer is one of the services provided by MFIs. The better the people are aware of and using any money transfer mechanism means there is a better market for this business. But it could also indicate that they may not need other alternative than that of they used currently to transfer money between the pastoralists.

The first question posed to the pastoralist regarding money transfer was if the used to send money to others. All of the participants responded the question and presented the result by sex.

Respondents who said yes to the question were 66.7% 6.7% and 36.7% for male, female and whole average respondents respectively. The rest 33.3% of male, 93.3% of female, and totally 63.3% respondents did not experience sending money to others (Table 12).

Table 12: Money transfer trend of pastoralists by sex

Items	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
5.1 Do you send money to others						
Yes	20	66.7	2	6.7	22	86.7
No	10	33.3	28	93.3	38	63.3
Total	30	100	30	100	60	100
5.2 Do others send money to you?						
Yes	21	70	9	30	30	50
No	9	30	21	70	30	50
Total	30	100	30	100	60	100
5.3 Do your money sent reach to the recipient?						
Yes					20	90.9
No					2	9.1
Total					22	100
5.7 do you lost your money on transfer?						
Yes					5	15.6
No					27	84.4
total					32	100
Opinion about having formal money transfer institution in their vicinity	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
Support	14	63.6	6	31.6	20	48.8
No care and Awareness	7	31.8	13	68.4	20	48.8
No need	1	4.6	-	-	1	2.4
Total	22	100	19	100	41	100

Source: Survey result 2011

The difference in response of female respondents from male respondents here is also apart of property right of the people. In every question which touches the property right, female respondents' result is lower than the male. So the result may not indicate females

which are the focus of MFIs are less aware than the male but, it indicates they have less property right than the men.

The problem of property right may have effect on the credit service provided by MFI. The effect is the credit may not be effectively used by the targeted users (Fernando 2004,). From the result it could be said that property right among the participants is low, because, sending money to others is expected to be experienced frequently. But, all of them send money to others seldom.

Participants who do not experience sending money to others were given another alternative question. The result was also somewhat higher exposure of money transfer experience than the result in the previous question. Female respondent who receive money sent from their relatives and family members from other places are 30% of the respondents. This result is higher experience of money transfer by 23% than when they were asked if they have experience of sending money to others. Males result is also similarly increased by little from 66.7% to 70%. Totally male and female respondents grow from 36.7% to 50% the increment in percentage of experience in money transfer may be attributable to the availability of money to send. Which means, pastoralists are more receiving amount sent from abroad and their relatives than they send money to others.

Generally the response indicates half of the participants showed their need for financial service which gives money transfer service.

The means of money transfer they used is mostly by relatives, friends and neighbours who went to the place they need to send. Except for one who experience receiving of money from banks, the whole respondents use the informal mechanism to receive money sent from their relatives.

Checking the experience of the pastoralists is needed concerning the safety of money in transfer by the informal mechanism. The more suffer respondents faced by this money transfer mechanism the more they need another secured alternative of money transfer.

Generally, even though they did not mostly face losing of money except few, delay in receiving, sending and turning back of the amount sent are common sufferings which indicates there is a need for formal money transfer in the region.

To the respondents who have experience of receiving money from others they were asked about loss of money during transfer. This question was responded by 32 respondents. Out of these 5 which are 15.6% of respondents said they faced an event of losing money in transfer. The rest 84.4% did not face losing of the money. However there were contradicting responses in the open side of the responses for example some of them said that they lost small amount of money in transfer but they ignored it. Some was exposed to receive in longer time passing sometime after the time it was supposed to be received.

The reason for the losing of money in transfer was not out of the issue mobility. Recipient respondent's mobility, ignorance of the persons who bring the money and relative share the money after it received safely were the reasons mentioned.

Knowing more about the pastoralists' needs of money transfer helps to see one of the aspects which contribute to the viability of the region for sustainable MFs. Question was forwarded regarding the need of the people for formal financial service for money transfer activities. This question was responded by 22 male and 19 female totally 41 respondents. Out of those, 63.6% of male and 31.6% of female respondents were in support of introducing financial service for money transfer in charge for the service it provides. From the 41 (Table 12) respondents there are also who do not care whether to have or not to have such institution. 31.8% of male 68.4% of female and totally 48.8% of respondents are in this category. The total support for the formal money transfer services are 48.8% of the 41 respondents.

It could be concluded that indispensable number of respondents believe that introducing such institution could solve the problems of delaying in receiving of and sending to money. Some respondents said that security of information could be maintained if such institution exists.

Some officials said that the Awash basin areas (including the study area) and other parts of the region are not similar in money transfer activities, because, youths in zone 2 for

example are mostly migrated to middle east countries and send money to cover their parents' livelihood. In addition the administration sitting of the regional government is in the Awash Basin area. Thus, migrants in Arab countries and government employees in Samara send money to their parents, families and relative under their help by the persons who went to that place.

There are people who do not send to their family and dependents because of lack of means to send money. The regional government also uses the neighboring regions' towns that have banks to send money for the woredas of the Afar region.

Unavailability of financial institution serving this service could be in this case a prospect for introducing MFI in the region; because, there is a need to have it by the people as well as by the regional government. Thus, introducing MF service in this case could help sustainable MFI to monopolize market and get more profit from it.

4.7 Source of Income, Business and Income Generating Skill of Pastoralists

MF services according to sustainable approach MFIs works, to active poor who can use money and knowhow to yield it for repayment after taking their profit(Graeub and Kraehenbuehl 2004, Schreiner 2002,). By asking different questions related to this issue, it could be measured pastoralists business knowhow and viability for MF services with and minimum business and marketing training costs.

Table 13: Source of income, business and income generating skill of pastoralists

Primary source of income	Number of Respondents	Percentage
Animal herding	45	75
Herding Mixed with farming	4	6.7
Employment	2	3.3
Dependent on Relative animal herding	9	15
Total	60	100
Secondary source of income		
Farming	25	41.7
Petty trade and animal marketing	5	8.3
Employments by herding others' livestock	6	10%
No secondary source	24	40%
Total	60	100

Source: Survey result 2011

As it is seen (Table 13), 75% of the participants get the primary income from livestock breeding, while the rest 6.7%, 3.3% and 15% get their primary income from agro pastoral activities, employment for milk and getting born animals, and dependent on relatives respectively.

Secondary income of the participants was also asked. Out of the total participants, 41.7% said that they have a plot of farm which help the house hold; 8.3% participates in petty trade like selling sugar and floor in their village; and goats marketing taking from village to nearby towns. Other 10% from the respondents also said that they take others' animal with their small number of animals for grazing to get some benefits. The rest 40% of respondents have not additional income generating activity.

90% of Afar people are pure pastoralists. The result here shows that there are near to half agro pastoralist out of the 60 pastoralist participants. This result could indicate that either pastoralist are not as such good in proportion of coming to market than agro pastoralists, or the study areas are affected by Awash basin effect. About half of the people in the areas lead their livelihood by the means of agro-pastoralism. If the sample was taken from zone two and zone four of Afar region it may show different results.

Some respondents who have farm as secondary sources did not own the farm on their own. Instead they share from the product produced by relatives who take the land as a share from the clan. Until the research is undertaken land is owned by tribes. All those who farm land said that they receive some amount after the portion of product is paid (half of it) to the cultivator and the rest shared among relatives who own the land.

Most of the respondents who said their primary source of income is not livestock rearing are, dependent on the livestock breeding either by getting employment in animal breeding or getting basic needs from the pastoralists as an aid. Agro-pastoralism is only considered as equal source of income as livestock breeding by 4 respondents which is 6.7% of all participants.

4.7.1 Interval of respondents coming to market

Relation of the people with market indicates to some extent that the more the pastoralists come frequently to market the more they are nearest to monetized economy the more they

could be categorized as active poor. Pastoralists were asked about the interval they come to market to see extent of their relation with market.

The result of the question shows that 33.3% of female and 6.7% of male respondents come to market within 1-2 weeks some of them come weekly and sometimes within two weeks. Out of the total respondents of each sex 36.7% of male and 40% of female come to market within 3 weeks to 1 month. There are also 40% male and 6.7% of female respondents who take more than 2 months to come to market. The remaining 6.7% of male and 20% female respondents do not know definitely in what interval they come to market.

Females' interval of coming to market showed that they are more related to market than the male. The reason of the result may be here due to job (work) distribution among the pastoralists. In a far region more productive as well as reproductive activities are made by females.

The interval of the pastoralists coming to market could be affected due to distance of their vicinity from the market centers. The study area Aysa'ita and Dubte are of the towns which have market centers. However there are also places and woredas which do not have market centers around their area. Some woredas which are related to neighboring regions use the neighboring regions towns walking long distance journey with high temperature.

However currently the regional government is establishing animal yards' throughout the woredas to facilitate establishment of market and enabling people increase their transaction and ultimately to develop their business activities and income diversification.

4.7.2 Awareness to Business and Business Diversifying Trend of Pastoralists

Purpose of pastoralists coming to market could show their knowhow about business. People who know trade are more productive and can use credit for yielding purpose on the other hand if people are always come to market only to buy consumption good it may indicate that they have lesser awareness about business, than those buying goods for sale.

Table 14: Business awareness and diversifying trend of pastoralists

Habit of taking commodities from the market to resale in their village	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
Yes	6	20	4	13.3	10	16.7
No	24	80	26	86.7	50	83.3
Total	30	100	30	100	60	100
Habit of pastoralists for fattening and reselling animals buying from market						
Yes	1	3.3	3	10	4	6.7
No	29	96.7	27	90	56	93.3
Total	30	100	30		60	100

Source: Survey result 2011

Their trend of buying goods for resale in their villages is 10 out of 60 participants (16.7%) respondents. Almost all of the commodities taken to village as stated by respondents are basic goods like floor, sugar and other small consumer goods sold by female respondents. The rest majority (83.3%) of respondents come to market only for the purposes other than trade (petty trade). Regarding their trend of buying animals for fattening and reselling in the market from the total participants only 6.7% respondents are participating in buying animals either directly for resale in profit or take some time up to they become fatten and selling after that for profit.

However, as the percentage of respondents who do not participate in any business activity other than pastoralism and agro-pastoralism is high, it shows the need of the people to participate in business is less. Awareness of the people towards business activities is not only seen in the pastoralists of the region. Afars who dwell in urban areas, are also hesitate to take business activities (APDA report, 2007). Almost all of the merchants in the market are non-Afars.

Thus MFIs who aim to serve pastoral population of Afar need to be aware of the businesses found in the region to be financed.

4.7.3 Wealth of the Participants

Determining wealth of people is one of the factors which help to know the level of poorness in a region. The main target of MFIs is the poor people. Wealth in afar region is

determined mainly by number of livestock owned. Save the children determined that the main wealth of Awsa livelihood zone (study area) is livestock and land ownership.

Regarding the pastoralists' number of livestock, out the 60, 38 respondents (63.3%) have camels; whereas 36 respondents are owners of cattle in addition to the other animals. There are also 54 respondents (90%) who process goats. There are also 17 respondents who have donkeys. There are responds who own camels and goats but not cattle. There are also other respondents who process cattle with goats but not camels. Respondents who have all type of animals, who have only goats and do not process any livestock, are also there.

Table 15: Wealth of the participants

Animal category	Range of ownership	Number of respondents	Total number animals in a range	Average animals to (60) respondent	Average animal to total dependents of respondents
Camel	1-5	20	54	2.7	311/856= 0.36 1 camel for 3 dependents
	6-10	7	70	10	
	11-20	11	187	17	
	Total/Average	38 63.3%	311	311/60= 5	
Cattle	1-5	5	20	4	781/856= 0.91 almost one for a dependent
	6-10	9	88	10	
	11-20	4	65	16	
	21-40	14	418	30	
	Above 40	4	190	47.5	
	Total /Average	36 60%	781	785/60= 13	
Goat/sheep 30	1-10	12	124	10	2796/856= 3.3 almost 10 goats for 3 persons
	11-30	14	300	21	
	31-50	7	311	44	
	51-100	12	980	82	
	Above 100	9	1081	120	
	Total	54 90%	2796	2796/60= 46.6	

Source: Survey result 2011

At the house hold level which has on overage 14.3 dependents, average number of camels, cattle, and goats owned are 5, 13, and 46.6 respectively. At household level wealth status of the participants seems at good stage.

Simply presenting number of livestock owned by the house holds can indicate the people are wealthier. But, if the number compared to the number of dependents it could show the true wealth status of the people.

In the demographic characteristics of the pastoralists the result shows that the 60 respondents have in the back about 856 members who depends their livelihood them. Average number dependents weather it is family member or any of the relative is 12.5 dependents per household.

To see the level of poorness in the society it is better to show the number of livestock each dependent owns in a house hold. Even if it could not be representative, the number of animals each member can have, has present in the table. According to the survey 0.36 camel is for each member in the households of respondents. This means from 3 dependents in a household one owns a camel. The number of cattle for 10 dependents of the respondents is about 9 cattle; this means out of 10 dependents 9 have cattle for each and one is without a cattle. Regarding goats, each dependent of the respondents have 3.3 goats; which means almost about 1 goat for every 3 members in the household. The culture of the region is to help each other when one increases its wealth there is high possibility of increasing dependents (save the children (2008, p. 41).

According to save the children,(2008, p. 61), all wealth groups of Afar pastoralists receive food aid, because, better-off and middle groups take dependents from their relatives .As the result shows availability of potential customers for MF service is high in the region. The potential challenge concerning wealth of the pastoralists is identifying and getting or identifying active poor who can help sustainability of feasible MFIs.

APDA did not need to separately serve only poor and no identifying mechanism poor is found, because, Afar pastoralists are considered all poor. So cooperative organized in the working site of APDA (in 7 woredas) are viable to be financed by the program. The cooperative desk of the region is also serving all members of the society who wants to cooperate by their own effort.

4.8 Mobility of Pastoralists

Financing mobile people have higher difficulty in terms of lean controlling staff costs, infrastructure availability issues (Coppock et al 2002, and Houten 2002).

The more the settlement is stable and dense; it is less costly to introduce MF service there. However being mobile only may not contribute to higher cost, because, if the migration place and time is identified and number of migrating members from a house hold is identified the service can be provided with the remaining family members or may be designed a method used to cope with the mobility nature of pastoralists.

Settlement style of pastoralists was forwarded and the number of respondents lead sedentary livelihood, mobile during drought and flood, and always migrating from places to places for grazing are 13.3%, 56.7% and 30% out of the 60 respondents. The more mobile the people are the more riskier and costly to undertake financial services in such mobile population. About 86.7% of the respondents are mobile either during drought season and/or flooding.

Table 16: Settlement of respondents

Settlement style of respondents	Number	Percentage
Sedentary	8	13.3
Mobile during drought flood seasons	43	56.7
Pure mobile	18	30
Total	60	100
Coming back to original settlement in good time?		
Yes	53	98.1
No	1	
Total	54	100

Source: Survey result 2011

As the responses from the open part of the question show, there is no difference between those who are purely mobile and mobile during drought season. Almost all respondents migrate leaving some family members in home. Even from those who say their livelihood is purely settled there are respondents who said their youths are migrating during drought and flood season taking livestock to better grazing places starting with in their wordas and up to cross zonal migrations.

4.8.1 Possibility of mobility for money transfer micro finance service

The mobility of pastoralists can have an opportunity for MFIs. Regarding this, some respondents show need of money transferring services during migration, because, most of the respondents said that their family is divided during the migration time that some went with livestock and some stay at home. Even through financing mobile people have an additional operation and costs and specific default controlling risks, the result shows there is greater prospect for money transferring service.

4.9 Need of the participants for Formal Microfinance Services

The Afar regional state rural development office in cooperation with PCDP (Pastoral Community Development Program) coordinates through the region about 37 saving and credit cooperative (SACCOs). Based on the interview with officials however, the SACCOs are not till working in an effective way even through this 37 cooperatives are selected and certified SACCOs in the region, due to lack of awareness in the people about business, marketing and cooperatives and other pre-season they are not effective. Out of the 37 cooperative the one which have better saving until the survey time is, one cooperatives which saved about birr 40,000. This is saved by more than 30 members talking 2 years of saving.

APDA is also aiding and coordinating about 20 cooperatives. More than half of the cooperatives are not as such effective. However, the initiatives may plant a root to the awareness creation of the pastoralists.

For MF services aiming to achieve outreach of the poor without compromising sustainability issues, it needs also to explore the need of the people by asking direct questions which explore the needs pastoralists for MF services. In addition, it is necessary to know awareness of the pastoralists, the amount they need from the formal MF service, for what purpose they need to take the credit, what is their perception to interest based MF service, and other related issues.

The first question regarding those issues was concerning awareness of the pastoralists towards any saving and credit services. 50% of male and 20% of females responded that

they have awareness about saving and credit services. Totally, 35% out of the 60 respondents from both sexes have an exposure to hear about saving and credit. The -

Table 17: Need of the people for formal Microfinance services

8.1	Experience in saving and credit services	Male		Female		Total	
		N	%	N	%	N	%
	Yes	15	50	6	20	21	35
	No	15	50	24	80	39	65
	Total	30	100	30	100	60	100
8.2	Intention of pastoralists to take loan from MF program if it exist						
	Yes	10	33.3	18	60	28	46.7
	No	20	66.7	12	40	32	53.3
	Total	30	100	30	100	60	100
8.3	Amount demanded to be borrowed from the MF services if it existed	Male		Female		Total	
	Highest recommended amount	Birr 10,000		10,000			
	Lowest recommended amount	Birr 4,000		2000			
	Number of respondents who put the amount they need to borrow	9		12		21	
	Total amount recommend by respondents	Birr 58,000		Birr 67500		Birr 125,500	
	Average loan amount needed by the respondents	6444.4		5625		Birr 5976.2	

Source: Survey result 2011

remaining 50% of male 80% female totally 65% of respondents did not have awareness about saving and credit service giving organizations.

From the SACCOs coordinated by the cooperative desk of the region with PCDP 11 are found in aysa'ita. SACCOs initiated by APDA, rural and pastoral development of the region, and individually formed are also in the study areas. However, awareness of the people about saving and credit service is not as such satisfactory. No one of the respondents was member of any cooperative or SACCOs. Their awareness about the issue of credit and saving was through 'daagu' (cultured information communication).

Their intention to take credit service from formal MF service was also asked. 33.3% of male, 60% of female and totally 46.7% respondents did not want to borrow or they do not care, because, their relatives can provide them aid or credit. So they do not know the

difference between borrowings from formal financial institutions and from their relatives. The need of female respondents for credit service is higher than the male respondents.

Getting higher intention/need to get finance from female respondents is advantageous for MF service providers because the cost may include to get consent of female to participate in MF service can be minimized. Women are considered by MFIs better credit worthier than men (Women's Refugee Commission field manual for practitioners (2009)).

Microfinance programs provided in the sedentary populated areas of the country give credit service on average \$117.85(Letenah Ejigu 2009, p. 11). For MF services aiming to undertake its operation needs to know what amount people need from the credit service.

Regarding this issue, question was forwarded. As it is shown in (Table 17)it was responded by 9 male and 12 female respondents. The highest amount male and female respondents requested to borrow are, 10,000 for both and the lowest was 4000, for male and 2000 for female. On average male, female and both of them stated birr 6444.4, birr 5625 and birr 5976.2 respectively.

The borrowing trend of cooperative members is from birr 500 to birr 5000. The determinant to take the maximum amount of loan is the contribution and saving amount of the member. APDA coordinated cooperatives also follow the member with highest share ownership of the cooperative gets highest loan. The amount mostly lent to individual members of APDA's cooperatives is from birr 3,000 to 7,000.

The source of loan for the APDA's target cooperatives is birr 40,000 seed capital and birr 60,000 of revolving fund which do not charge interest given by APDA. The loan by all cooperatives and APDA is given in money form.

The purpose they want the credit service was also asked to respondents. Some said they want it to increase or to have livestock. Some others also said that they need to have credit to fulfill house hold spending during shocks and bad seasons there were also two respondents who said they need to borrow to leave pastoral livelihood and live in towns to get schooling for children and the other one to leave dependency on relatives and lead independent livelihood with their family members.

The purpose pastoralist mention could be taken as purpose of business, if livestock rearing is considered as a means of income generation. The result show almost all of the respondents did not aware of income diversification other than livestock breeding.

All the questions regarding using MF services were asked before raising the issue of interest, because, if interest was raised before need of credit service it would not be identified respondents need for the formal MF service.

Most of respondents who need the credit responded to interest issue that they will not take credit if there is interest rate due to the prohibition culturally and religiously.

All of the five the cooperatives are not giving interest for saving. 4 of them and APDA did not charge interest or any other charge on the loan. However, there is one cooperative from the five which did not give interest for saving but which charge service charge of 10% to cover some operational costs. Some members consider it like an interest; however, since the charge is not paid out to others, they believe there is no interest.

The interview with the currently establishing MFI and cooperative desk of the region showed also, the most challenging issue with regard to MFIs and MF services is about interest rate. No SACCO in the region is giving any additional charge or interest for their members thus. The trend of the SACCOs in the region shows that it could be an obstacle to serve pastoralists. All clan leaders and religious leaders said that members of the clan and religion do not have a trend of paying or receiving interest for borrowing or lending. It is taboo (not appropriate) and 'Haram' (prohibited) by Islamic teaching and not acceptable by the people.

Clan leaders and religion leaders were asked regarding the sustainability issues of MFIs. If there is no profit for the institutions; the poor may not be benefited thereafter from such services.

One of clan leaders said that *"the people under my clan did not have any trend of receiving or paying interest. Thus, my clan members do not need and will take their decision; but, if the service is coming by government, we do not oppose its establishment since others who need may be benefited from it. It may also be used for the people like the services banks provide us now"*.

The religious leaders also said that it sustainability could be maintained through methods which complies with Islamic teaching such as doing business for profit sharing and others Islamic methods.

With regard to the interest issue the AMFI is aiming to charge service charge of 10, 12, and 14 for small enterprises, pastoralists, and medium enterprises. According to the officials, the service charge is not really calculated cost of services. But, it includes mark up for growing purpose. However, as per the interview the service charge was not accepted by the religious and clan leaders, and other officials. But, as one of the officials said, the service charge is on a way to be changed by any other profitable method. It was only mentioned in the memorandum of establishment for license compliment purpose. After establishment, detailed discussions will be taken to design MF services which cope with the interest sensitive pastoralist customers. They also aimed to have experience sharing with the newly established interest free bank in Ethiopia.

With regard to the cooperative respondents to the sustainability issue they are not working together a business. They mobilize saving and give credit for members who need to borrow. Thus no profit is expected to the cooperative as finance provider.

4.10 Trend of Cooperatives and Credit Giving NGOs (APDA)

APDA gives revolving birr 660,000 fund to 11 cooperatives starting before 5 years and additional aid of birr 300,000 to these 11 cooperatives. There are also 9 SACCOs that take birr 360,000 seed fund. Totally, APDA invested birr 1,320,000 for these 20 cooperatives. Additionally, controlling, operational and fund raising costs attributable to this program and staff salaries are expenditures splendid by APDA.

According to the experts of APDA, with such kind of subsidized credit program, the 11 cooperatives were not as such effective even though there is indispensable change achieved through training and timely controlling of the cooperatives' accounts.

4.10.1 Challenges and Prospects

Interview results from cooperatives and APDA shows that there are several challenges as well as prospects in the region with respect to microfinance services.

Challenges:

- Lack of awareness about business and marketing ;
- Shortage of capital to undertake profitable business;
- Sustainability issues due to interest sensitivity of the people;
- Lack of human resource;
- No central price index and market information for members' products in the region;
- Saving is not easy to be collected mostly because members are; not voluntary, since they do not have any benefit by saving except some members get credit service;
- Low working habit of members;
- Employing workers in the kebeles is not successful. Almost all staffs employed for cooperatives were grade 8 complete, there is still high turnover;
- Markets are not as such available in the region most markets are out of the region;
- The need of people and products of cooperatives are not much, due to marketing problem of members;
- Lack sufficient infrastructure in the region to reach kebeles;

Prospects

There are also prospects seen by AMFI, APDA, and cooperative desk of the region.

Those are:

- Several capital providers waiting establishment of MFI in the region
- Government focus on micro level business
- Untouched market and monopoly of benefits from financial services in the region due to unavailability sufficient of financial intermediaries
- Well organized clan based potential customers and others

Chapter five: Conclusion and Recommendation

This study was conducted to explore challenges and prospects of introducing sustainable Microfinance services in Afar pastoral population. Based on the findings of the study, the following conclusions could be drawn and recommendations were forwarded.

5.1 Summary and Conclusion

Major constraints to developmental activities in the region are, harsh climatic condition which result in high turnover of staffs and additional cost to cope the climate, risk of drought, poor infrastructure, low education as well as health coverage, inaccessible areas due to poor roads. Lack of reliable market information is also the major problems of the region. Others constraints are conflict with different tribes which result in losing pasture areas. Market centers are located far from pastoralists. When the livestock reaches the market, it fetches the lower price due to deteriorated body condition.

All of these constraints could hinder introduction of sustainable MFI in the region; because, additional costs could be incurred and the risks would be taken to cope with the constraints. Operational and controlling costs in such dispersed and mobile areas are high. Default risk is also expected to be higher than other areas due to the mobility of the pastoralists. However the community has specific qualities which can compromises the constraints. Afar pastoralists are a well-organized society that could help for sustainable MFIs. The clan based way of life could enable MFI to be secured from default risk due to the culture of the society to cover ones liability by relatives or if big amount by the clan members. In addition there are several sources of funds waiting establishment of MFI in the region from developmental organizations which is an indicator of prospect.

Average family size of Afar region from CSA is 5.5 (2007). However based on the survey a single household has 14.3 dependents. According to the survey from 3 dependents in a household one of them owns a camel. Out of 10 dependents 9 have cattle for each and one is without a cattle. Regarding goats, each dependent in the household has 3 goats.

The result shows availability of potential customers for MF services due to the existence high number of poor dependents on relatives.

Afar pastoralist participants lack income diversification and business skill other than livestock breeding (75%). The remaining generates their primary income from agro pastoral activities, employment for getting small (born) animals and milk, and dependency on relatives. Most of the participants did not have secondary income source other than livestock or agro pastoral activities. Almost all of the merchants in the market are non-Afars. From the result it could be concluded that credit service for pastoralists without income diversification skill and without business skill lead to debt burden if the MFI did not supported with other intervention activities

Pastoralists have good borrowing and lending trend mostly for household consumption purpose. Their repayment culture is also admirable; because, the clan based life style enable them to manage defaults. At cooperative level, some cooperatives delay repayment of revolving fund. Source borrowing for the pastoralist participants is totally from the informal sector (relatives, neighbors, and friends). No respondents have borrowed ever from any formal sector like banks. Even, no one had experience of borrowing from the cooperatives operating for five years in the region. On average pastoralists need to borrow from formal MFI is about birr 6000 which is big amount compared to that of average credit given in Ethiopia.

From the finding it could be concluded that pastoralists are aware of borrowing from relatives but in terms of their experience with formal and semi-formal financial providers it is minimal taking the sample respondents as a base. The purpose of borrowing was not for income generating activities rather for consumption purpose. Credit for smoothing consumption are considered indebting the poor rather than benefiting. Indebting pastoralists also may lead to default risk.

MFIs are spending much cost on awareness creation among their beneficiaries so as to mobilize huge amount of saving and made source of fund for further lending. Only 21 participants (35%) have informal saving culture at home and in shops mostly if there is surplus money after household spending from sale of livestock. 80% of female do not

do not have saving culture. On Average the amount saved by 9 respondents is birr 16,111 each. This average is good when it is compared to the cooperatives saving. Cooperatives' saving is not effective due to the failure of members to save timely. The purpose of the saving is partly for business purpose and some for security of losing animals by death in the case of drought and shocks. Even though it is small, there is need for formal MFI. Thus, the result shows there is limited saving culture in the region. However, the amount saved could point out that there is an opportunity for sustainable MFIs of getting huge amount of fund by mobilizing surplus money from pastoralists who sold livestock.

The most sensitive issue regarding MF services in Afar region is about interest. Pastoralists as well as cooperatives are mostly aware of the '*riba*' (interest) issue. In their culture of borrowing and lending they do not have trend of charging any additional money on the credit. All of the participants see interest from cultural as well as religious point of view. For sustainable approach, serving without interest is not viable in the conventional MFIs. For that reason, AMFI changed the name of interest by "Service charge" with the normal fixed interest of 10 to 14 percent. Result from the study shows that the resistance for interest could not be halted by "service charge"; because, issue of prohibition in Islam is not with the name called interest, but, with the fixed nature of getting secured profit by one side while the other take full risk of getting or loosing profit from the loan. Alternative for sustainability issue posed by some of key informants was related with the contemporary Islamic finance. And AMFI aims to do more on the interest area to make the service charge comply with Islamic teachings.

The resistance of the pastoralists to interest due to religious and cultural prohibition could be seen as a big challenge to introduce conventional sustainable MFI in the region.

Trend of money transfer in pastoralist population is low due to unavailability sufficient institutions which give the service. There are only 6 banks in the region five of which located in one zone. Some cooperatives use neighbouring regions banks. 48.8% of the 41 pastoralist participants support introducing of formal money transfer services to receive remittances and to send money to their relatives.

Unavailability of financial institution serving money transfer service in the region, could be in this case a prospect for introducing MFI in the region; because, there is a need to have it by the people as well as by the regional government. Thus, introducing MF service in this case could help sustainable MFI to monopolize the undeveloped financial market and get more profit.

There is no difference between those who are purely mobile and mobile during drought season. Almost all respondents migrate leaving some family members in home. This is an opportunity for MFI in the region to give microfinance services for the settled family members and control the loan given similar to that of other sedentary populated areas. In addition it could be an opportunity for money transferring services.

Trend of subsidized cooperatives in the region did not show expected change in five operational years. Even cooperatives which get seed capital and revolving fund are mostly in effective due to so many factors like lack of business and marketing skill, low demand for their products, shortage of capital, infrastructure of the region etc...

5.2 Recommendations

Based on the study results and conclusions, the researcher would like to recommend the following points for effective implementation of MFI which could keep its sustainability without compromising the values of the pastoral community.

1. The major constraint of the pastoralists observed in the study area was infrastructure issues and limited awareness about microfinance and business. MFIs aiming to be established in Afar region by focusing on the pastoral community should therefore work, in cooperation with interventionists, government, and developmental organizations to minimize operational other costs and maintain sustainability e.g. by using some budgets of the developmental organizations for training target beneficiaries, by using governmental buildings for office use.
2. From the study it was observed that pastoralists are mobile in settlement. Both financial institutions and poor clients face high transaction costs due to

asymmetric information problems. And this had been seen as a challenge which exposes to high default risk. However this constraint could be solve to some extent by providing the loan in recognition of clan leaders. If the services are based on the clan structure side by side with the government structure, MFIs could be benefited by leaving the loan controlling responsibility to the clan leaders. The clans' trend of forcing liability payment by the borrower or by its relatives or by the clan at large could serve in this case as a better collateral as well as way of outreaching by giving equal opportunity for all clans. And generally costs related to searching, monitoring and enforcement which are directly related to the information problems inherent in the rural financial markets could get solution.

3. Pastoralists in the study area showed a demand for credit mostly for consumption smoothing. To make the potential customers business oriented borrowers, and befit from them, MFIs should identify appropriate businesses for the region before credit delivery. Working much on training of the pastoralists to aware about income diversification skills and saving habits helped with the interventionists working in similar areas also could help sustainable MFI in the region. And the MF services should be started from the densely pupated areas to keep its sustainability. At the breakeven in the long run through outreaching huge customers, MFI could be profitable if it starts from the densely populated areas.
4. Interest on loan and saving was the most challenging issue observed in the Afar regional state. Changing the name of interest by service charge was not also accepted by the most of pastoralists. Thus, it needs long lasting solution; and here there are two recommendations forwarded: a) either serving the poor without a profit by covering calculated cost of operation; b) or by designing a profitable MFI which comply with the culture and religion of the customers. This could be done by adopting the contemporary Islamic finance in to the region's conditions.



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Appendices

Appendix A

Interview questions (survey questionnaires) for Non-Borrowers Pastoralists

Enumerator _____

Date _____

1: Personal details

1.1 Age of pastoralist _____

1.2 Sex _____ Female ☐ Male ☐

1.3 Marital Status Single ☐ married ☐ divorced ☐ widowed ☐

1.4 Educational level Illiterate ☐ Read and write only ☐ Grade 1-8 ☐

Grade 9-12 ☐ above grade 12 ☐

1.5 Number of dependents:

Within the household _____ outside the household _____

1.6. Are there family members who earn income? a. Yes _____ b. No _____

1.7. If "yes" to Q 1.6, could you tell us their number? _____

What is their source of income? _____

2. Borrowing habit of the pastoralists

2.1 Did you borrow ever before? a. yes b. no

2.2 If you say yes how many times did you borrow? _____

2.3 From where do you borrow? _____

2.4 For what purpose do you borrow? _____

2.5 How much did you borrow on average? _____

2.6 Did you agree before the loan with regard to interest charge for the loan?

2.7 Did you agree at the time the loan you take regarding repayment condition? _____

2.8 What kind of agreement _____

2.9 If yes did you repay on the agreed time? _____

2.10 If you say no why _____

2.11 If you say yes why _____

2.12 Did the lender ask you to repay the loan within the agreed time? _____

2.13 If do not repay the loan for your lender who solved the problem? _____

3. Lending habit of the pastoralists

- 3.1 Do you lend for others? a. yes b. no
- 3.2 If you say yes how many times lend? _____
- 3.3 If you say yes what do you lend? _____
- 3.4 Do you charge interest charge to your borrower _____
- 3.5 If not why don't you charge interest rate on the loan _____
- 3.6 What is your benefit when you lend _____
- 3.7 Do you decide a time for the repayment? a. yes b. no
- 3.8 Did your borrower repay your asset on the due date? a. yes b. no
- 3.9 If not what was/ or is your action for delaying or refusal of payment?
- _____
- 3.10 what is the reason your borrower borrow the money _____

4. Saving habit of the pastoralists

- 4.1 Do have you saving? a. yes b. no
- 4.2 If you have saving what is your saving?
- a. Livestock b. money C. Jewelry
- d. others (specify) _____
- _____
- _____
- 4.3 How much do you save? (specify each of your saving)
- _____
- _____
- 4.4 Saving amount in livestock
- 4.5 If your saving is in money, where do you save? Circ _____
- _____
- _____
- 4.6 For what purpose do you save? _____
- _____
- _____
- 4.7 Do you need institution which gives you saving service? _____
- 4.8 What about if the institution gives you interest for your saving? _____

5. Money transfer awareness of the pastoralists

- 5.1 Do you send money for others? a. yes b. No

5.2 If you say yes, by what means do you send?

5.3 Does your recipient receive the money on time? a. yes b. No

5.4 If you use to send money the money you send is received

1. Fully

3. Not received

2. Partially

4. I did not check ever whether it received or not

5.5 Do others send you money? _____

5.6 Who bring for you the money? _____

5.7 Have you ever lost your money on transfer? a. yes b. No

5.8 If yes, how many times did you lose? _____

5.9 What was the cause of lose?

5.10 How do you see if there exists organization to serve this money transfer?

6. Marketing business and income raising skill of the pastoralists.

6.1 What is your primary source of income? _____

6.2 Do you have source of income? _____

6.3 in what interval you came to market? _____

6.4 Do you have trend of taking goods from the market for sale your village?

6.5 Do you have a trend of buying and fattening livestock for resale _____

6.6 If you say yes how do you describe its profit ? _____

6.7 Do you have your own livestock, if you have fill the number of the livestock under each category

Camel _____ cows and oxen _____ Goats _____ sheep _____

Others (specify) _____

7. Mobility of the pastoralists

7.1 How is your settlement style? a. sedentary b. mobile c. other

7.2 How far your current settlement is from market center

7.3 If you say mobile, how far you migrate from market center?

7.4 Please describe frequency of your migration in a year?

7.5 How long do you stay there? _____

7.6 If your settlement is mobile, Is your migration place a. different b. similar

7.7 Do you come back to your original settlement after migration?

7.8 How do remained families lead their livelihood there? _____

7.9 Which and how much of the family are migrating for grazing?

7.10 If there are family members remainder in your original settlement how do they lead their live

7.11 Do your remained family members send money for migrant family members?

7.12 Do you migrant send money or to the remained family? _____

7.13 Who take the transferring service responsibility of the money? _____

7.14 Is it secured to send money in such away? _____

8. Need of the people for credit

8.1 Do you know saving and credit services _____

8.2 Do you have an intention to be a beneficiary of the micro credit program?

a. Yes _____ b. No _____

8.3 If you need the credit service how much you need? _____ Birr

8.4 If you need credit in what way do you prefer to be?

a. in money c. goods

b. livestock

d. others

8.5 For what purpose do you need the credit? _____

8.6 What is your opinion if the credit giving organization charges you interest rate the loan?

8.7 Do you believe credit service will change your livelihood?

8.8 How? _____

በአዲስ አበባ ዩኒቨርሲቲ
ድህረ ምረቃ ጥናት
የቢዝነስና ኢኮኖሚክስ ፋኩልቲ
የአካውንቲንግና ፋይናንስ ትምህርት ክፍል
በአርብ አደሩ የሚመለስ የተቀናጀ የቃል መጠይቅ

መመሪያ: የዚህ ጥናት ዋና አላማ በአፋር ክልል በአርብ አደሩ አዋጭ የሆነ የማይክሮ ፋናንስ አገልግሎት ለማስተዋወቅ ያሉ ችግሮችና እድሎችን ለማወቅና ለእነዚህ ችግሮች መፍትሄ ለመጠቀም ነው፡፡ የዚህ ጥናት ውጤትም እርስዎ በእያንዳንዱ ጥያቄ ላይ በሚሰጡት ትክክለኛ መረጃ ላይ የተመሰረተ በመሆኑ ይህንኑ ተረድተው በታማኝነት ትክክለኛ መረጃ እንዲሰጡ እየጠየቁን የሚሰጡን ማንኛውንም መረጃም ለትምህርት ጉዳይ የሚውል መሆኑን ላረጋግጥልዎት እወዳለሁ፡፡

የጠያቂ/አስተርጓሚ ስም _____
ቀን _____

1. ጠቅላላ ግላዊ ሁኔታዎች

1.1 የአርብ አደሩ /ሯ ዕድሜ: _____

1.2 ፆታ _____ ሴት ☐ ወንድ ☐

1.3 የጋብቻ ሁኔታ: ያገባ/ች ☐ ያላገባ/ች ☐ የፈታ/ች ☐

1.4 የትምህርት ሁኔታ የማያነብ የማይፅፍ ☐ ማንበብና መጻፍ ብቻ የሚችል ☐ ከ1-8ኛ ☐ ከ9-12ኛ ☐
ከ12ኛ ክፍል በላይ ☐

1.5 በሰርህ ያሉ ጥገኞች ቁጥር

- በቤተሰብ ውስጥ ያሉ _____
- ከቤተሰብ ውጭ ያሉ _____

1.6 ከቤተሰብ ውስጥ ገቢ ያላቸው አሉ? _____

1.7 መልሰዎ አዎ ከሆነ ስንት ናቸው? _____

1.8 ለቁጥር 1.6 መልሰዎ አዎን ከሆነ የገቢ ምንጮቻቸው ከምንድን ነው?

2. የአርብ አደሩ የመበደር ልምድና ሁኔታ

2.1 ከአሁን በፊት ተበድረው ያወቃሉ? _____

2.2 መልሰዎ አዎን ከሆነ ስንት ጊዜ ተበደሩ? _____

2.3 ብድሩን ከማን ያገኙታል?

2.4 ብድሩን የሚወስዱት ምን ሊሰሩበት ነው?

2.5 በአማካይ ምን ያክል ይበደራሉ? _____

2.6 በብድሩ ወቅት ስለወለድና ሌሎች ትርፍ ክፍያዎች ስምምነት ያደርጋሉ?

2.7 በብድሩ ወቅትም ይሁን ከብድሩ በፊት ስለ እዳዎ አከፋፈል ዉል ያደርጋሉ? _____

2.8 መልሰዎ እዎ ከሆነ ምን አይነት ዉል _____

2.9 ዕዳዎን በተስማሙበት መሰረት / በወቅቱ ይመልሳሉ?

2.10 መልሰዎ አልመልሰዎ ከሆነ ለምን? _____

2.11 ለቁጥር 2.9 መልሰዎ እዎ አመልሳለሁ ከሆነ ለምን? _____

2.12 አበዳሪዎ በጊዜ እንዲመልሱ ጫና ያደርጋል?

2.13 በአከባቢዎ ብድር በማይከፈልበት ወቅት የሚከሰት ችግር ካለ ችግሩ እንዴት ይፈታል?

2.14 የተበደሩት ገንዘብ /ንብረት ወጭ በማድረግ ተፅኖ ያለዉ ሰዉ አለ?

2.15 መልሰዎ አለ ከሆነ በተበደሩት ንብረት የሚወሰነዉ

ሀ. ባል

ሐ. ወላጆች

ሰ. ሌሎች (ይገለፁ)

ለ. ሚስት

መ. ሌሎች የቤተሰብ አባላት

3. የአርብቶ አደሩ የአበዳሪነት ሁኔታ

3.1 አበድረዉ ያዉቃሉ?

3.2 መልሰዎ እዎ ከሆነ ስንተ ጊዜ አበደሩ?

3.3 የሚያበድሩት ምንድን ነዉ?

ሀ. ገንዘብ/ ብር

ለ. ከብቶችና ፍየሎች

ሐ. ሌሎች ካሉ (ይጥቀሱ)

3.4 ሲያበድሩ ወለድ ያስከፈላሉ?

3.5 ወለድ የማያስከፍሉ ከሆነ ለምን አያስከፍሉም?

3.6 ብድር በማበደርዎ የሚያገኙት ትርፍ ምንድን ነዉ?

3.7 ስለመክፈያ ጊዜዉ ቀድመዉ ከተበዳሪ ጋር ስምምነት ያደርጋሉ?

3.8 ተበዳሪዎ በወቅቱ ብድሩን ይመልሳል?

3.9 ተበዳሪዉ በወቅቱ ካልመለሱ ወይም አልከፍልም ካሉ ምን አይነት አርመጃ ይወስዳሉ?

3.10 ተባብሮ የገንዘብን የሚበደሩበት ምክንያት ለምንድን ነው?

4. የአርብቶ አደሩ የቁጠባ ልምድና ሁኔታ

4.1 ቁጠባ ይቆጥባሉ?

4.2 መልስ አዎን ከሆነ የሚቆጠቡት በምን መልኩ ነው?

ሀ. ከብቶች

ሐ. በጌጥ ጌጥ መልክ

ለ. በገንዘብ

መ. ሌሎች

4.3 የሚቆጥቡ ከሆነ ምን ያክል ይቆጥባሉ?

4.4 የሚቆጥቡትን ንብረት ከሆነ መጠኑን/ቁጥሩን ይግለጹ

4.5 የሚቆጥቡት ገንዘብ ከሆነ የት ያስቀምጡታል?

4.6 የሚቆጥቡ ከሆኑ የሚቆጥቡት ለምንድን ነው?

4.7 የቁጠባ አገልግሎት የሚሰጥ ተቋም ቢኖር ይመርጣሉ?

4.8 የቁጠባ ተቋሙ ስለቆጠቡ ወለድ የሚከፍል ቢሆን ገንዘብዎን በተቋሙ ለማስቀመጥ ይበረታታሉ?

5. የአርብቶ አደሩ ገንዘብ ዝግጁ ልምድና ሁኔታ

5.1 ገንዘብ ለሌሎች ይልካሉ?

5.2 የሚልኩ ከሆነ በምን መልክ ይልካሉ?

5.3 ገንዘብ የሚልኩ ከሆነ ተቀባዩ በተገቢው ጊዜ ይደርስዋል?

5.4 ገንዘብ ሚልኩ ከሆነ የላኩት ብር:

ሀ. መጡ በመጡ ይደርሳል

መ. አብዛኛው ተጓዶች ይደርሳል

ለ. ትንሽ ጎድሎብት ይደርስዋል

ሠ. ሁሉም ተበልቶ ይቀራል

ሐ. ከፊሉ ተቀንሶ ይደርስዋል

ረ. መድረስ አለመድረሱን አላረጋግጥም

5.5 ከሌሎች ገንዘብ ይላክዎታል?

5.6 የሚላክለዎት ከሆነ መልእክቱን ማን ያመጣዋል?

5.7 የተላከለዎት ገንዘብ በእጅዎ ሳይደርስ የቀረበት ጊዜ አለ? _____

5.8 መልሰዎ አዎ ከሆነ ስንት ጊዜ ሳይደርሰዎ ቀረ? _____

5.9 ለቁጥር 5.8 መልሰዎ አዎ ከሆነ የተላከለዎት ገንዘብ ሳይደርስ የሚቀርበት ምክኒያት ምንድን ነው? _____

5.10 የገንዘብ ዝግጁነት አገልግሎት በከፍተኛ የሚሰጥዎት ተቋም ቢኖር ምን አስተያየት አለዎት? _____

6 የአርብቶ አደሩ የግብይት፣ የንግድ ክህሎት እና የገቢ ምንጭ

6.4 ዋናው የቤተሰቡ የገቢ ምንጭ ምንድን ነው? _____

6.5 ከእንስሳት አርባታ ወጪ የቤተሰቡ የገቢ ማስገኘት መንገድ አለ? _____

6.6 ገበያ በየስንት ጊዜ ይወጣሉ? _____

6.7 በመኖርያ መንደርዎ የሚሸጡት ነገር ይዘው የመሄድ ልምድ አለዎት? _____

6.8 እንስሳ በትርፍ ለመሸጥ ገዝተዉ ያደልባሉ? _____

6.9 መልሰዎ አዎ ከሆነ ትርፉ እንዴት ይገልፁታል? _____

6.10 የራስዎ እንስሳት አለዎት? ካለዎት ያለዎት አይነት እንስሳት ቁጥር ይንገሩን? _____

ሀ. ግመል _____	መ. በግ _____
ለ. ከብት(ላምና በሬ) _____	ሠ. አህዮች _____
ሐ. ፍየል _____	ረ. ሌሎች _____

6.11 እንስሳቱን የሚያረቡት ለምንድን ነው? _____

7 የአርብቶ አደሩ ከቦታ ቦታ ዝግጁነት ሁኔታ

7.4 የኑሮ ሁኔታዎ እንዴት ነው? _____

ሀ. በቋሚ ቦታ _____	ለ. ተንቀሳቃሽ _____
-----------------	-----------------

7.5 አሁን ያሉበት ቦታ ከገበያ ወይም ከከተማ ምን ያክል ይርቃል? _____

7.6 የኑሮ ሁኔታዎ ተንቀሳቃሽ ከሆነ ከገቢያ ምን ያክል ርቀው ይሰደዳሉ? _____

7.7 በአመት ውስጥ ስንት ጊዜ ይሰደዳሉ? _____

7.8 በተሰደዱበት ቦታ ለስንት ጊዜ ያክል ይቆያሉ? _____

7.9 ኑሮዎ ተንቀሳቃሽ ከሆነ የሚሰደዱበት ቦታ: _____

ሀ. ይለያያል _____
ለ. ተመሳሳይ ነው _____
ሐ. ሌላ _____

7.10 ኑሮዎ ተንቀሳቃሽ ከሆነ ወደ ቀድሞ ቦታዎ ይመለሳሉ? _____

7.11 የሚመለሱ ከሆነ መቼ ይመለሳሉ?

7.12 ኑሮዎ ተንቀሳቃሽ ከሆነ የሚሰደዱት የቤተሰቡ አባላት እነማንና ምን ያክሉ ናቸው?

7.13 ሁሉም የሚደንቀሳቀሱ ከሆነ እቤት የሚቀሩት በምን ይተዳደራሉ?

7.14 እቤት የሚቀሩት ለተንቀሳቃሾቹ ገንዘብ ይልካሉ?

7.15 ከብት ይዘው የወጡት እቤት ለቀሩት ገንዘብ ይልካሉ?

7.16 ገንዘብ የሚላላኩ ከሆነ አገልግሎቱን የሚሰጣቸው ማን ነው?

7.17 አሁን ያለው ገንዘብ የመላላክ ልምድ አስተማማኝነቱ እንዴት ነው?

8 አርብቶ ኢደሩ ለአነስተኛ ብድርና ቁጥባ አገልገሎት ያለው ፍልጎትና እይታ

8.6 ስለ ብድርና ቁጥባ ሰምተው ያዉቃሉ?

8.7 የብድር አገልግሎት የሚሰጥ ድርጅት ቢኖር ብድር ይወስዳሉ?

8.8 ብድር የሚፈልጉ ከሆነ ምን ያክል ይፈልጋሉ?

8.9 ብድሩ በምን መልክ ቢሆን ይመረጣሉ?

ሀ. በመገንዘብ

ለ. ለአንስሳት

ሐ. በሽቀጥ

መ. ሌላ ካለ ይግለፁ

8.10 ብድር የሚፈልጉ ከሆነ ተበድረው ምን ይሰሩበታል?

8.11 አብዳሪ ድርጅቱ ላበደረገው ገንዘብ ወለድ ቢጠይቅ ያለዎት አስተያየት ምንድን ነው?

8.12 ብድር ቢያገኙ የኑሮዎ ሁኔታዎ ይሻሻላል ብለው ያስባሉ?

8.13 ብድር ኑሮየን ይቀይረዋል ካሉ እንዴት?

Appendix B

Guiding interview questions to official of AMFI:

Status of established,

Why was it delayed till that time?

What is its plan?

Who will be the focuses of the institution?

Pastoral,	Agro pastoralists,	Town dwellers,
Women,	youths,	others

Availability of staff, currently and in the future

Initial and future capital and Source of capital

Infrastructure issues in the region used to undertake the services smoothly

How do you describe awareness of the pastoralists, agro pastoralists and urban dwellers regarding microfinance?

Did the MFI undertake feasibility study?

If so what the study shows

What type of MF is going to be introduced?

What will be the selection procedures?

Did, you start giving Micro finance services,

If not why

What challenges did hinder the program from undertaking the service

What fears and threats are seen in the future?

What prospects and opportunities can you identify for the MFI?

If you start services what kind of services did you start?

Credit in money / kind

Saving and insurance

Did you consider the social structure/ or social capital of the pastoral community in rendering service?

How is the coordination of the responsible bureaus, NGOs, and other concerned bodies?

What mechanisms are identified to finance the poor pastoralists without compromising sustainability of institutions established or going to be established?

What could contribute the strategic plan of the region in helping feasible MFIs for poverty reduction?

Appendix C

Guiding Interview questions to Clan leaders

Structure clan of your clan

Do you know where all your people are? (Geographical description) and their direct leader,

Who are the poor in your society?

How do you help your poor?

Do your people borrow from each other?

Is there a conflict regarding repayment,

How do you resolve the conflict?

Do your people repay the money in surplus or the same amount they borrow?

How do you treat the borrower who fails to repay the loan?

What sanctions do you have?

What kind of credit services for the poor does your clan have?

What do you say if there is organization which gives credit, saving and money transfer services in your community?

Such organization needs to be continuous and so they need profit, if they want profit from what they borrow what could you say?

Appendix D

Guiding Interview Questions to Religious Leaders

Do believers in your area borrow each other?

In what economic activities religious leaders participate?

Contract of borrowing, repayment, default settlement

Do you engage in repayment settlement?

What is the structure of the religion?

Mosques, how many mosques, imams per kebele?

Do the mosques found allover settlement of the pastoralists?

What about in the case of mobility

What do you breach your believers regarding credit saving and other business issues

How do you perceive introduction of MFI in Afar regional state?

How can the religious affairs help introducing MFI in the region?

Appendix E

Semi Structured Interview Questionnaire to NGOs (APDA) and Cooperatives

1. Clients profile

How many clients are involved in your programme?

How are your clients distributed geographically?

Do you target specific ethnic or religious groups?

What is the eligibility criteria used to select target groups?

How your programme target the poor?

How do you identify the poor people in a community?

How is your clients' repayment status?

How do you enforce people to repay in case of default?

2. Conditions of loans

What type of financial services do you render?

Did you charge interest rate for your clients?

What is their response/perception about the interest rate?

If there is interest what is the interest rate for loan?

Does your programme require collateral?

If yes: What are examples of collateral?

Do you require collateral savings?

What is the maximum amount of the first loan?

What is the maximum amount of the succeeding loans?

How long are the loan repayment periods?

Do you concede a grace period?

What are the loan repayment rates?

How do you give loan?

How do you distribute your loan and saving services service?

3. Purpose of the loan

3.1 For what purpose do give the cliets loan?

3.2 Did your clients use the loan for the purpose it was given?

3.3 How do you control it?

4. Training

5. Changes observed

Did you observe changes on you clients' livelihood?

6. Staff

7. Portfolio and balance sheet

7.1 Can you tell us the total amount of savings per programme cycle?

7.2 Can you tell us the total amount of donor money per year, per programme cycle?

7.3 What is your average yearly budget for the program?

7.5 How do you maintain the sustainability of the program?

8. Controlling/and evaluation procedures

9. Can you provide us with additional material?

Evaluation documents	Annual reports
Training guides	Proposals other related documents

በአዲስ አበባ ዩኒቨርሲቲ

ድህረ ምረቃ ጥናት

የቢዝነስና ኢኮኖሚክስ ፋኩልቲ

የአካውንቲንግና ፋይናንስ ትምህርት ክፍል

በአፋር ክልል የማይክሮ ፋይናንስ መስል ስራ በሚሰሩ NGOዎች እና በራስ አገዝ የቢድርና ቁጠባ ማህበራት የሚመለስ መጠይቅ

መመሪያ: የዚህ ጥናት ዋና አላማ በአፋር ክልል በአርብቶ አደሩ የማይክሮ ፋይናንስ አገልግሎት ለማስተዋወቅ ያሉ ችግሮችና እድሎችን ለማወቅና ለእነዚህ ችግሮች መፍትሄ ለመጠቀም ነው፡፡ የዚህ ጥናት ውጤትም እርስዎ በአያንዳንዱ ጥያቄ ላይ በሚሰጡት ትክክለኛ መረጃ ላይ የተመሰረተ በመሆኑ ይህንኑ ተረድተው በታማኝነት ትክክለኛ መረጃ እንዲሰጡ እየጠየኩኝ የሚሰጡኝ ማንኛውንም መረጃም ለትምህርት ጉዳይ የሚውል መሆኑን ላረጋግጥልዎት እወዳለሁ፡፡

1. የፕሮግራሙ ተጠቃሚዎች በተመለከተ

- 1.1 በፕሮግራሚችሁ ስንት ተጠቃሚዎች አሉ? _____
- 1.2 የተጠቃሚዎች ጂኦግራፊያዊ ስርጭት እንዴት ነው? _____
- 1.3 ልዩ ትኩረት የሚደረግባቸው የህብረተሰብ ክፍሎች አሉ? _____

1.4 በሚከተሉት መካከል የፕሮግራሙ ስርጭት እንዴት ነው? በፐርሰንት (%)

ሀ. አርብቶ አደር _____

ለ. ከፊል አረረብቶ አደር _____

ሐ. የከተማ ኗሪ _____

መ. ሴቶች _____

ሠ. ሌሎች _____

1.5 የፕሮግራም ተጠቃሚዎችን ለመምረጥ የምትከተሉት ቅድመ ሁኔታ ምንድን ነው?

1.6 ተጠቃሚዎችን ተደራሽ የምታደርጉት በምን ሁኔታ ነው? _____

1.7 ድሆችን የምትለዩበት ዘዴ እንዴት ነው? _____

2. የቢድር ሁኔታን በተመለከተ

2.1 የተለያዩ የቢድር አገልግሎት ትሰጣላችሁ? _____

2.2 ለቢድሩ ወለድ ታስከፍላላችሁ? _____

2.3 ተጠቃሚው ለወለድ ያለው አስተያየት እንዴት ነው? _____

2.4 ስታቢድሩ ማስያዣ ትጠይቃለችሁ? _____

2.5 የምትጠየቁ ከሆነ የምትጠቀሙት የማስያዣ ዋስትና ምንድን ነው? _____

2.6 መጀመሪያ ዙር ላይ የሚሰጠው የብድር መጠን ከፍተኛው ስንት ይደርሳል? _____

2.7 ቀጣይ ዙር ላይ የሚሰጠው የብድር መጠን ከፍተኛው ስንት ይደርሳል? _____

2.8 የብድሩ የክፍያ አርዝማኔ ስንት ይሆናል? _____

2.9 ፕሮጋራው ብድሩን የሚሰጠው በምን መልኩ ነው?

ሀ. በገንዘብ መልክ

ለ. በሌላ አይነት ከሆነ ይዘርዝሩ _____

2.10 ከብድር ወጭ ፕሮጋራው የሚሰጠው የፋናንስ አገልግሎት ምንድን ነው? _____

2.11 የብድርና የቁጠባ አገልግሎት ተጠቃሚዎችን እንዴት ታስተባብራለችሁ? _____

3. ብድር የሚሰጥበት ምክኒያት

3.1 ተበዳሪዎች ብድር የሚሰጣቸው ለምን ጥቅም ታስቦ ነው? _____

3.2 ተበዳሪዎች የወሰዱት ብድር ለወሰዱበት አላማ ያወሉታል? _____

3.3 የብድሩ ገንዘብ ለተባለለት አላማ ስለመዋሉ እንዴት ትቆጣጠራለችሁ? _____

4. ስልጠናን በተመለከተ

4.1 ለተበዳሪዎች ስልጠና ይሰጣል? _____

4.2 ስልጠና የሚሰጥ ከሆነ የስልጠናው አይነት ዘርዝሩ? _____

4.3 ስልጠና በመሰጠቱ የታየ ለውጥ እንዴት ይታያል? _____

5. በፕሮጋራው የተገኘ ለውጥ

5.1 ፕሮጋራው ያመጣው ለውጥ በተመለከተ ጥናት ታደርጋለችሁ? _____

5.2 ባደረጋችሁት ጥናት ወይም ሌላ ዘዴ በተበዳሪ ኑሮ ላይ የታየ ለውጥ ይዘርዝሩ? _____

6. የሰው ሃይል በተመለከተ

6.1 ለፕሮግራሙ የተቀጠሩት ሰራተኞች ምን ያክል ናቸው? _____

ሀ. የመስክ ሰራተኞች _____

ለ. አስተባባሪዎች _____

ሐ. ሌሎች _____

7. የፕሮግራሙ ፖርትፎሊዮ በተመለከተ

7.1 የፕሮግራሙ ዓመታዊ አማካይ በጀት ምን ያክል ነው? _____

7.2 የፕሮግራሙ ደጋፊዎች ለፕሮግራሙ የሚሰጡት ዓመታዊ አማካይ እርዳታ ምን ያክል ነው? _____

7.3 በየአመቱ የቆጣቢዎች አማካይ የቁጠባ መጠን ምን ያክል ነው? _____

7.4 የፕሮግራሙን ቀጣይነት በምን ትጠብቁታላችሁ? _____

7.5 የመመለሻ ጊዜው ደርሶ ያልተመለሰ ብድር በፐርሰንት ይግለፁ _____

7.6 አመታዊ አማካይ ትርፍ ከዶክመንት _____

8. ፕሮግራሙ ያጋጠሙት ችግሮች እና ያሉት ጥሩ አእድሎች ካሉ ይዘርዝሩ
