ADDIS ABABA UNVERSITY

SCHOOL OF GRADUATE STUDIES

INSTITUTION OF REGIONAL AND LOCAL DEVELOPMENT STUDIES

THE IMPACT ASSESSMENT OF OROMIA CREDIT AND SAVING SHARE COMPANY MICRO FINANCE PROGRAM IN IMPROVING THE LIVING STANDARDS OF POOR PEOPLE: ACASE STUDY IN GUTO WAYU WOREDA

A Thesis submitted to the school of Graduate studies of Addis Ababa University in partial Fulfillment of the Requirements for the Degree of Master of Arts in Regional and Local Development studies

BY

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Abbreviations

CSA –Central Statistical Authority

GDP –Gross Domestic Product

MEDaC- Ministry of Economic Development and Cooperation

SAP- Structural Adjustment program

SPSS- Soft ware Program Social Science

MoFED-Ministry of Finance and Economic Development

NBE-National Bank of Ethiopia

MFI-Micro Finance Institutions

NGO-Non Governmental Organizations

OCSSCO-Oromina Credit Saving Share Company

AEMFI-Association of Ethiopian Micro Finance Institution

DEB-Development Bank of Ethiopia

CBE-Commercial Bank of Ethiopia

POCSSBO-Project Office for the creation of small scale Business Opportunities

DECSI-Dedebit Credit Saving Institution

AIMS –Assessment Impact of Microfinanacing Services

USAID-United States Agency for International Development

ACSI-Amahara Credit Saving Institution

ABSTRACT

The Major causes of low economic growth and high incidence of poverty in Ethiopia, includes lack of employment opportunities, education, health and etc. To reverse the economic decline and poverty situation in the country, the Ethiopian government has taken policy measure, such as, structural adjustment program (SAP), agricultural development led industrialization (ADLI) and poverty reduction strategy paper (PRSP). Currently, increasing the access to micro finance services for the poor are accepted as one of the tool to attack poverty.

OCSSCO is one the MFI that was established in August 1997 to achieve these objectives in the region. This thesis attempt to see the impact of this institution whether it improves the living standard of its clients or not and the challenges it experienced in the Guto Wayu Woreda.

Primary data were collected through structured questionnaire from frequent and new clients. Secondary data were collected from different published books, unpublished yearly or quarterly reports journal articles, CSA reports and other relevant official reports.

The impact assessment was based on the variables such as income, nutritional status, access to education, medical facilities, saving and employment opportunities. The finding of the study indicated that the the OCSSCO'S micro financing scheme has had a positive impact on improving the living standards of its clients in the study area.

Absence of adequate trained mana power to follow up and supervise the activities of the poor who operates their business in the environments with high business risk in nature has been found in the study .There fore, OCSSCO Should develop the capacity of its staff. In addition OCSSCO must make an effort to strengthen its financial capacity in order to increase the amount of loan it disburses for each client.

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Chapter I

Introduction

1.1 Back Ground

About one billion people in the world live in house holds with percapita income of less than one dollar per day (Morduch, 2000). Especially, insubsaharan Africa countries, in cluding Ethiopia, the human livelihood are characterized by sharp contrast of increasing disparity between the rich and the poor. Poverty in Ethiopia, is a manifestation of complex factors such as, high population growth, environmentdegradation, unemployment ,drought, limited access to resources, limited access to health and education serves, etc.In otherwords, poor economic performance, low technological base, frequent occurrence of drought and famine, internal conflicts and displacement have continued to exacerbate poverty in the country. The consequence of such economic slow down is worsen the living conditions of the poor.

The World Bank, on poverty reduction strategy paper indicated that in the year 2000, about 45 percent of the country's population lives below the poverty line (World Bank, 2001).

In addition to this, the Federal Government of Ethiopia in its poverty reduction strategy paper (PRSP) stated that the incidence of poverty both in rural and urban areas is47 and 33 percent respectively (MEDaC, 1999).

Though the proportion of poor people living in rural areas is obviously high, urban poverty is also increased because of rapid growth of urban population.

Poverty is not only limited to lack of income, but also includes the deprivation of most of the population of both rural and urban from the opportunity of education, health and security. Depending on the nature of rural and urban population different features of poverty can also be observed (MEDaC, 1999).

In the rural areas, marginal land holdings, degraded natural and livestock resources, decline agricultural income, limited opportunities in non-farm activities, growing food shortages, lack of access to education, health and poor infrastructures, etc.are some of the features of rural poverty (World Bank, 2001).

In urban areas, the growing number of people living in the street, homelessness, violence, prostitution, beggary, environmental degradation, etc. indicates the extent of desperate poverty.

Based on nutritionally determined national poverty line of 2200 calories per adult per day, nearly 47% of the rural population lives below the poverty line compared to 33% in the urban areas (RUFIP, 2001, cited in Daba, 2003).

This shows poverty in Ethiopia is chronic and accelerating in both rural and urban areas. Itana Ayana (1995) indicated that there is increasing the number of house hold absolutely poor and live far below subsistence level.

The major causes of low economic growth and high incidence of poverty, in Ethiopia, includes lack of employment opportunities, skills, education, health and infrastructure (Wolday, 2000). These problems have been aggravated by soil degradation, deforestation, recurrent drought, civil war and inappropriate policies (Mekonnen, 1999).

An attempt that has been made to facilitate the economic development of the country, in its all round is challenging (Matsebula, 1996).

Todaro (1997) argued that this includes raising people's living standards, that is their incomes and consumption level of food, education, medical services, etc. creating suitable environment to growth of people's self esteem, through establishment of social, political and economic systems and institution which promote human dignity and respect and increasing people freedom to choose by increasing opportunities. However, unless the poor people are centered when development polices are formulated, economic development may serve merely to promote social injustice and inequality (sand brook, 1982). Thus, poverty and poverty alleviation issues targeting the poor is undoubtedly important for development policy formulation in countries like Ethiopia, to tackle the challenges of poverty.

To reverse the economic decline and poverty situation in the country, the Ethiopian government has taken policy measure such as structural adjustment program (SAP), agricultural development led industrialization (ADLI), and poverty reduction strategy paper (PRSP), to increase productivity and reduce poverty. Berhanu (1999) indicated that even though the reform programs and policy changes resulted economic recovery and growth of GDP, the achievement towards eradication of poverty was not satisfactory.

Recently, increasing the poor access to micro finance services are accepted as one of the policy instruments of the government and non-government organizations to enable poor households to create their own jobs to become self employed and undertake income generating activities (Webster, A and Fielder,C ,1996). Wolday (2000) argued that the establishment of sustainable and profitable microfinance institutions that reach a large number of poor household who are not served by the conventional banks such as, commercial and development banks because of high collateral and other security requirement, their institutional and structural problems have been the current issue of the new development strategy of the Ethiopian government, that is poverty reduction strategy. Many of the micro-finance programs provide credit to the poor based on social mechanisms such as, group based targeted lending to reach the poor including women, who lack access to formal financial institutions (Khandker, 1998, and Hossain, 1988).

World Bank (2001) argued that lack of access to finance led to the development of informal financial institutions which may no longer require collateral for loan guarantee and can provide resources to a large number of poor people.

This is why many governments and non-government put their attention on micro finance so as to enable the poor to engage in income generating activities.By understanding the problem of poverty in the country, the current government of Ethiopia puts poverty reduction strategies high on its development agenda. Various policies and strategies of the government clearly state that their major objective is poverty reduction in the country.

MoFED (2002) supported this argument in the Millennium Development Goals of Ethiopia. The document shows that by the year 2015, the poverty situation of the country should be decreased by half from what is now.

1.2 Statement of the Problem

Johnson and Rogaly (1997) argued that NGO's have begun to implement micro financing as an effective instrument of poverty reduction since 1990s. In Ethiopia also government and NGO's started to deliver financial resources to informal sectors. As result, micro financing has been considered available tool to reach the poorest segment of the population (Bekele, 1996, and Solomon 1996). In addition, World Bank (2000) indicated that providing the poor access to financial services is as one of the key poverty reduction instruments of international development institutions.

In any low income country, however, the prevailing operation of the formal financial institutions is inefficient to provide sustainable credit facilities to the poor. Most of the requirements demanded by formal institutions for the purpose of lending which require physical collateral worth three to four times the amount of their loans are beyond the capacity of the poor.

To solve those limitations, micro finance institutions have been developed. Many of these programs use social mechanisms, such as group based lending, to reach the poor, particularly women, who lack access to formal financial institution (World Bank, 1998).

This group based lending approach provides an innovative promising mechanism to provide credit to the poor with ultimate objectives of poverty reduction. OCSSCO, which is one of the micro finance institutions, provides credit and saving services in Oromia regional state by targeting resource poor people with ultimate objectives of achieving house hold level food security, increasing house hold income and improving the over all economic and social conditions of house hold in the region.

The poor participate in micro finance programs in the expectation that borrowing increases their income and sustain self-employment. It is also considered as a strategy to increase Income, improved saving, improved nutrition, increase access to education, health and improve living standard of the poor and ultimately, achieve the objective of poverty reduction. The impact assessment of micro finance institutions is important to assess whether it achieves its objectives or not.

In Guto Wayu Woreda, the program started in the year 1997. Though the program has been in place for the last eight years, there was no impact assessment has been under taken on the performance of the program and its contribution to improve the living standards of the poor. There fore, this study attempts to fill this gap in Guto Wayu Woreda.

1.3 Objectives of the study

The main objectives of this study is to examine the role the Oromia credit and saving share company in improving the living standard of the poor. The specific objectives include:

1. To assess the impact of OCSSCO Micro finance on the living standard of the poor.
2. To suggest appropriate policy options to improve the micro finance program of OCSSCO.

1.4 Significance of the Study

In spite of the fact that OCSSCO has been undertaking its credit and saving program for the poor people in the region since 1997, no impact assessment had been made to evaluate its program.

This study is important as it tries to verify whether OCSSCO Micro-finance program improves the living standards of the poor or not. Accordingly, the study tries to assess the impact of micro finance on the living standards of the poor. Therefore, the findings of this study may be useful to help policy makers and micro finance institutions to make decisions regarding their credit delivery mechanisms for the betterment of poor. The study may also indicate the direction for latter research work in the area.

1.5 Hypothesis

Participation in microfinance programs enables the poor to enter in to the income generating activities which leads to improve their in come, food consumption, access to health and education. In addition, with the microfinance service, the poor can save and build their assets

This hypothesis is originated from the fact that surplus production from income generating activities enables the clients to feed their house holds. The hypothesis also refers to that the intervention of microfinance increase income and there by help the poor to send their children to school and get access to medical facilities. The clients become more financially self sufficient and economically independent and thus, increased self esteem and self confidence .This leads to improved leverage indecision making and increase bargaining power.

1.6 Nature of Data, source and methodology

The research method employed is a survey method. Both qualitative and quantitative data were used in the study. The data includes both primary and secondary data.

The primary data was collected by conducting an interview with target sample respondents, using a structured questionnaire containing both close and open ended questions that were developed by USAID'S Aims project (2000). As a quantitative tool with both the control and experiment groups used with some modifications and adjustments to fit with the situations of the study area.

The secondary data was collected from secondary sources including published books, unpublished yearly or quarterly reports, journal of articles, CSA reports and other relevant official reports.

1.6.1 Sampling frame, sample size and sampling procedures.

The OCSSCO has seven branches in the Eastern Wollega zone (Guto Wayu, Guduru, Getema, Anno, Sasiga, and Sire& Diga). The selection of the sub branch of study was based on the length of time they stayed in the program. Based on these criteria Guto Wayu branch was selected for the study.
Two stages stratified sampling technique was used to select the client for the study. First round frequent clients were stratified. In second round new clients were stratified. From each stratum hundred sample respondents were selected using systematic random sampling.

Accordingly, the first group consisted of those who were in the waiting list or who have just taken a loan for the first time, but the second group consisted of people who have been in the program for more than two years and that have received a loan twice or more. The total sample size was 200. 100 were chosen from frequent clients and the other 100 from new clients.

According to Johansson and Rogaly (1997), impact analysis requires control group which is a sample of people similar to in every respect, but who have only received a loan for the first time and who have not been members of the program not for more than one year to compare with sample clients that have received loan for more than two years.

The control group approach is the most widely accepted and used approach to assess the impact of micro finance. In practice, it is difficult to find control group that exactly similar to credit worthy borrowers.

When they have assessed the impact of different micro finance institutions in Ethiopia, for instance, Tsehay and Mengistu (2002); Asmelash (2003) and Bamlaku (2004), in their studies of the impact of ACSI on its clients in Enemay woreda, impact of DECSI (Dedebit credit and saving Institution) on its clients in Ganta-Afeshum Woreda and impact of micro finance services among poor women in Ethiopia respectively, used clients of one year and less(new clients) as a control group and compared the changes observed between new and frequent clients .This argument also supported by Hulme (2000) .

To overcome these limitations, this study used new clients as a control group because they were already identified as the poor and they are similar with those of frequent Clients.

Therefore, the treatment (experiment) sample consisted of all households who were classified as frequent clients of the program for more than two years, and those who have taken loan twice or more. On the other hand, the control sample consisted of all households who were clients of the program for less than one year who had taken loan only for the first time.

1.6.2 Instruments of Data Gathering and Analysis.

In this study, mix of approaches was used in data gathering instruments, in assessing the impact of OCSSCO on its clients. Primary data were collected through the interview from the sample respondents using structured questionnaire. Questionnaires are related to indicators of income, status of consumption, accumulation of assets, saving, educational facilities, medical facilities, and other related issues.

This structured questionnaire was the quantitative tool that was used to collect primary data from sample respondents in addition to this, and focus group discussions were conducted with the clients of the program and officials and employees of sample branch.

A total of five focus group discussions were conducted with clients of different duration category and the officials of sub branch.

Secondary data was collected from secondary sources such as review of books journal articles, unpublished study documents, CSA reports and other official reports of relevant quality.

The questions were first prepared in English language then it was translated in to" Afan Oromo" to facilitate the data collecting process. In order to collect the primary data, six enumerators were recruited and trained. Based on this, the primary data was collected.

The data was analyzed using descriptive statistics, SPSS. Statistical tools such as ratios, percentage, means and standard deviations were used. Inferential statistics of chi-square test of independence was used to establish relationship between the dependent variables and other explanatory variables in condensing the data for interpretation.

CHAPTER II

Theoretical Review of Literature

The term micro finance refers to small-scale financial services primarily credit and savings provided to people who farm or fish or herd and who are engaged on small enterprises or micro enterprises and to other individuals and groups where goods and services are produced (Robinson, 2001). According to Bose (1998), the poor in most of developing countries could not engage on productive activities due to lack of capital. In addition, Mengistu (1999) argued that markets, in developing countries are fragmented and don't function well. As the result, they limit the financial flows between formal and informal sectors. This is the reason why most of the people in developing countries are considered to be very poor and unable to accumulate substantial savings. Gebrehiwot (2002) also argued that the poor could not engage on productive activities because of financial constraints, especially from the formal financial sectors.

Khandker (1998) and Hulme (2000) supported the above argument that formal financial sectors require collateral and credit rationing and also they prefer for high-income clients and large loans. In addition, Gebrehiwot (2002); Johnson and Rogaly

(1997); and Dejene (2001), noted that the poor do not access to credit from formal financial institutions are their unrealistic collateral requirement, the high transactions costs for small loans, lack of information and the informal nature of the businesses in which the poor are engaged and considered as illegal activity. The processes and procedures they use to provide loans are bureaucratic and tedious.

There fore, there is a gap between the demand of the poor to financial resources to increase their productivity and improve their income to escape from poverty, and actually the availability of the finance to the poor. So as to use this opportunity, moneylenders began to provide small loans in the absence of formal financial institutions. But according to Murdoch (1998), in his study conducted in Bangladesh argued that the interest rate charged by these moneylenders is too high, since moneylenders operate with little competition. In support of the above argument, Ghate (1992), indicated that, in spite of the important role of informal money lenders in many low income countries, the majority of rural poor households are not benefited and can not invest on productive and income generating activities due to they charge high interest rates. And this has been aggravating the situation of the poor people, consequently, an alternative and innovative approach that can provide credit to the poor has been designed and successfully attempt in many developing countries. The Grameen Bank of Bangladesh is one of the micro finance institutions, which focuses its credit on the basis of group collateral to promote self-employment and income growth (Khandker, 1998; Solomon, 1996).

The emergence of micro finances could be seen from two directions. First, as potential market growth for financial services. Secondly, as development paradigm shift by the government and NGOs from mere relief assistance to mobilize the society towards sustainable development (Foina, 1999 as cited in Wolday, 2000).

World Bank (1996) indicated that many of the developing countries have established the micro finance programs with the explicit goal of reducing poverty by providing small amount of credit to the poor to generate self-employment in income earning activities. Bangladesh is a leader among low-income countries offering micro finance using a group based the loan guarantee mechanism rather than collateral.

The Grameen Bank of group based lending schemes has two important features that attract the poor. Borrowers are allowed to deal with a financial institution through a group and members self-select their own group. This group based lending also reduces Grameen's loan default costs by exerting peer pressure to repay loans. It also helps the Grameen Bank to pool resources and diversify the risks of lending a cross communities and groups.

According to Solomon (1996), the operations of the informal finance obtain their rules and regulations from the culture of the society, their common cultural background and the mutual obligations and family bonds help to operate and promote the trust accountability and moral responsibility in the informal financial sector. As the results, their transactions are conducted on the basis of trust and intimate knowledge of customers.

The success story of the Grameen Bank has been the main model for the rapid expansion of micro finance institutions throughout the developing countries

Hailu (2000), also stated that micro finance schemes for the poor gained momentum in the 1980s and 1990s and were used as an effective means of poverty eradication and empowerment of poor.

Choen (2000) also agreed with the contribution of micro finance. According to him, access to microfinance is a key risk management strategy for clients, and reduces vulnerability and contributes to poverty reduction.

The poor people in Ethiopia have low income that leads to low investment, which results to low productivity and more low income. Access to institutional credit that contributes to increase in investment is very limited in Ethiopia. The majority of the poor are access to financial services from informal lenders such as, moneylenders, "Iquib", "Iddir", friends, relatives, traders etc.

The capacity of the formal financial institutions in Ethiopia has been too weak to satisfy the demand of the poor for credit. The commercial Bank of Ethiopia (CBE) and Development Bank of Ethiopia (DBE) have only 170 and 32 branches respectively, in the whole country. As of March 31, 2001, the private banks all put together had 89 branches. The majority of branches of the commercial banks are concentrated in urban areas. According to Mulat Demeke et al (1998), only 21 percent of the Woredas in the country have bank branches although there are banks in some Woredas, because of high collateral requirements, the poor have limited access to the conventional banks. In addition to the above argument, Abdi (2003); Solomon (1996); Aseffa (1987), supported that because of the limited capacity, high collateral and other security requirements of the development banks, over 80 percent of the rural poor have not been eligible for credit from formal banks.

As the result, conventional banks have disbursed bulk of their loans to government owned agricultural and industrial projects, state farms, state created cooperatives and rich businessmen who met the qualifications (Abdi, 2003). These indicate the credit provisions of formal institutions in Ethiopia don't consider the needs of the poor.

The study under taken by IFAD and World Bank (Cited in Wolday, 2000) supported this argument. According to this study, though, there are 5.2 million active poor in Ethiopia; only 500,000 have got access to credit. These problems can be attributed to the failure of formal financial institutions to operate in countries like Ethiopia. As the result, the micro finance program in Ethiopia has got considerable acceptance in order to provide credit to the poor.

Wolday (2001) indicated that micro finance activities in Ethiopia as policy instruments which support both the rural and urban poor to increase output and productivity, induced technology adoption, improved input supply, increase income, reduce poverty and achieve the objective of food self sufficient. Hence, micro finance is taken as a prime component of the new development strategy of Ethiopia, which focuses on poverty reduction. As the result of such policy, in the last decade, micro finance industry has shown a remarkable growth in terms of out reach and sustainability.

2.2 Micro Finance and Poverty Reduction

Webster, A and Filder, C (1996) argued that lack of savings and capital make it difficult for many poor who wants jobs to be come self-employed and engage on income generating activities. Providing credit seems away to generate self- employment opportunities for the poor. But, due to lack of physical collateral, they do not have access to institutional credit. Micro finance programs provide credit using social mechanisms such as group based targeted lending to reach the poor including women, who lack access to formal financial institutions (Khandker, 1998; Hossain, 1988).

According to, Bamako (2000), micro finance institutions have encouraged the poor households to use the variety of saving services and products. Deposit services helps low income house holds to save for different purposes, including ,accumulate funds for future investment such as purchasing livestock, children's education, housing construction, purchase of machinery, managing irregular income streams and social and religious obligations, such as life crises, ceremonies, religious holidays, contribution to local funds and functions, old age and disability.

Wolday (2001) stressed that even if micro finance is not panacea for poverty and all other development related challenges, it is nevertheless an important instrument in the poverty reduction programs.

Khandker (1998) argued that when poverty results from unemployment, reducing poverty requires expanding the opportunity of jobs, where poverty is the result of low productivity and low income, reducing poverty requires investing in human and physical capital to increase workers productivity. But in most of developing countries poverty is caused by lack of both physical and human capital. Therefore, increasing productivity by creating employment and developing human capital is unquestionable. Hence, providing the poor with access to financial services is one of the instruments to increase their incomes and productivity.

Similarly, Wolday (2001) argued that although micro finance alone cannot provide infrastructures such as roads, housing, health, water supply and education services, it contributes important role in order to realize the above interventions. In addition, it empowers the poor and provides them with the confidence, self-esteem and financial resources to increase income and access to social services.

The purpose of micro finance is much more than an income generation instrument, it has considered as one of the key driving mechanisms towards meeting the millennium development goals. Cross (2003) has argued that there exists a direct link between micro finance programs and four of the millennium development goals. He has agreed that in the line with reducing exterm poverty and hunger, evidences demonstrate that micro finance helps reduce poverty through increased income, allowing people to accumulate assets and reduce their vulnerability. In achieving universal education, he maintained that households that have access to micro finance spend more on education than non-members and participating in credit and saving programs has enabled many families to send several children to school and reduce dropout rates. Similarly, in promoting gender equality and women empowerment, micro finance has been widely accepted for empowering women by increasing their contribution to house hold income; there by, increase their control over decision that affect their lives. Micro finance programs also contribute to improve nutrition housing and health, especially, among women clients hence, it has been helping reduce child mortality, improve maternal health and combat diseased.

2.3 Out reach and Sustainability of Micro Finance

The performance of micro finance institution is evaluated in terms of three variables; such as, out reach, sustainability and Impact. Yaron (1994) argued that outreach is a hybrid measure that assesses the extent to which the MFI has succeeded in reaching its target clients and the degree to which it has satisfied the clients demand for financial services. In other words, out reach refers to the provision of a wide array of quality financial services to a large number of clients, the level of transaction costs levied on the poor, and the extent to which clients are satisfied with financial services. Many of micro finance institution have achieved the out reach objective of reaching a large number of clients with small amounts of resources. However, studies of outreach fail to show who benefited most from micro finance institutions program.

Goetz and Gupta (1996) argued that women are the main participants and beneficiaries. Yet, many poor women lack enough power with in the household in order to mobilize their loans to improving living standard. On the other hand,

Sustainability of a MFI is measured in terms of generating enough revenue (excluding subsidies to cover the cost of all aspects of production and loan funds).

According to Wright and Dondo (2001), to achieve both sustainability and out reach objectives, the organization should give attention to the designing of appropriate products and cost effective and efficient systems of operation.

When we see the experience of the Grameen Bank, this approach successes in densely settled poverty stricken areas of Asia, but for African appropriate delivery mechanism has to be designed through trail and error. The Grameen Banks approach of formation of small homogenous groups, for group guarantee of loans and supervision of loan utilization, recovery of loans in small regular installment and institutions for collective save could work well across different environments. However, the activities such as taking the bank to the poor people and intensive interaction of bank staffs with borrowers may not appropriate and could become to costly to provide credit for sparsely settled people. (Hosain, 1985 as cited in Daba, 2003), park and Ren (2001), indicated that there are always trade off between sustainability and out reach. From the experience of Grameen Bank, the Bank, Charges 20 percent interest rate on small loans while the financially sustainable interest rate for the bank is 32 percent. At the time the MFIs are trying to achieve financial self- sufficiency, they mostly face difficulty to reach the poorest of the poor in rural areas due to they charge high interest and transaction cost.

Similarly, Johnson and Rogaly (1997), park and Ren (2001), indicated that Garameen Bank and Bank Rakyat Indonesia (BRI) provide loans that tend to be larger (and less focused on the poor) at commercial viable rates (48 percent and 34 percent) respectively, have not only achieved operationally sustainable (i.e. are covering operating costs inclusive of subsides), but also are approaching or have achieved financial self sufficient (Where costs, especially, capital, are measured at their market valves).When there is attainment of such sustainability, it involves too much cost interms of borrowers socio economic impoverishment (Rahman, 1999). Due to the cost of reaching their people exceed possible revenues, subsidies are important so as to reach the poorest people in sparsely settled rural areas (Johnson and Rogaly, 1997).

However, any kind of subsidy provided must be to support the operational cost of scheme of the institutions rather than in the form of low interest rates and tax repayment policy (Johnson and Rogaly, 1997, Kabeer, 2001).

Yaron (1994) also stressed that almost all of micro finance programs rely heavily on subsidies granted from government, donors and non- government organizations.

He also argued that MFIs usually do not subsidies in order not to the interest rates are generally at or above market levels.

Asmelash (2003) argued that however, the main objective of micro finance institutions is not to increase their operational income or outreach and sustainability rather to increase the level of income of their beneficiaries as well as to improve their productivity and living standards by providing easily accessible and appropriate financial services. There fore, the success of the performance of the micro finance is best measured on the change they bring on the living standard of the poor.

2.4 Conceptual Framework of Micro finance

Impact assessment on poverty Reduction

Impact assessment of micro finance program is an important to evaluate the success of the program in its major objectives, whether the program brings the desired benefits to the target group or not. Assessing micro finance impact has been the main concern of development specialists in order to know whether providing financial services to the poor has improved the living standard of the poor and has reduced the poverty.

According to Lidgerwood (1999) and Tsehay and Mengistu (2002) there are two major schools of thought that are important in impact assessment of micro finance. The first one is the financial system approach and the second one is the client oriented impact analysis approach. The first one focuses on changes in the organization (MFI) and its operations. As such, outreach and sustainability of the program are taken to be important proxy indicators of the impact of the program on the clients (Goetz and Gupta, 1996).

The assumption is that if both outreach and sustainability have been enhanced, then the interventions is judged to have a beneficial impact as it has widened the financial market which in turn extend the choice of people looking for credit and saving services. The second one is the client oriented impact analysis approach. The approach focuses on the intended target groups or clients, this is the case developed by USAID'S AIMS project that seeks to assess impact at household, enterprise, individual and community levels (Yaron, 1997).

This idea is supported by, Getaneh (2004); Hulme (2000) and Khan lker (1998). Ledger wood (1999) stated that there are three types of impact of a program. These are Economic impacts, socio political or cultural and personal or psychological. The assumption is that large MFIs reaching hundred of thousand of clients may aim at, bringing change in economic growth in a region or sector, a shift in the political aspects of a particular district and improvement in borrowers' sense of self.

To assess the impact micro finance interventions at different levels, the type of the variables to be assessed should be defined carefully and must be measurable. Hulme (2000) stated that economic indicators have dominated micro finance impact assessment. The social indicators such as educational status, accesses to health services, nutritional levels and contraceptive use have recently been extended in to the socio-political arena in an effort to assess whether the micro finance can promote empowerment (Mayoux, 1997).

2.4.1 Impact assessment at Household level

At the house hold level, micro-finance services have impacts on household income, income diversification, household assets, education, health, nutrition and coping strategies which are mainly the indirect impacts of increased in household income generated by the micro enterprises (Khandker, 1998 and Hulme 2000).

Impact assessment of the micro-finance services at the participant level requires adjustments to control for differences in unobservable household and village characteristics. That is, to measure the credit impacts of programs that are due to variations in individual level participation, it is necessary to control for differences in village level characteristics that attract a program to particular village (Daba, 2003).

In addition Zeller and Sharma (1998) argued that the impact assessment of the micro finance services consists of comparing house hold or individual level out comes between those with access to financial services and those without .

It is important to control various other factors that simultaneously affect household welfare such as prior-owned human and physical capital.

During the impact assessment there is an issue, which requires attention. These are the extent to which the observed differences in welfare out comes between frequent client and new client households due to credit access or due to unobservable factors. There is a strong possibility that benefits attributed to credit could be over estimated if the non-observable attributes are not considered (Asmelash, 2003).

Failure to consider unobservable characteristics may lead to biased measure of impact. There are two key sources of bias can exist in empirical work during the impact assessment of micro finance on poor households. These are selection bias and placement bias. The first one exists due to key differences between micro-finance program frequent clients and new clients that can not be observed and measured. Where as, selection bias arises where those with particular characteristics choose to participate in a program a key problem.

Morduch (1998) stated that selection bias not only lead to over estimation benefits, but also lead to under estimation of benefits incases where programs take special care to select clients that have some inherent but immeasurable weakness. Furthermore, if the programs have under taken in location with better infrastructures, no accounting for this fact can again lead to the over stating of benefits and quite to the reverse is true if they are placed in communities that are worse off. Therefore, assessing impact needs careful analysis of the out comes attributed to the program and identification of control groups similar to the experiment group to minimize the attribution problem.

2.5 Micro-Financing in Ethiopia

The existence of financial markets capable of mobilizing financial resources is widely accepted as essential for economic development of any country. But the credit market in the country is highly fragmented; this limits the financial flows between formal and informal sectors (Mengistu, 1999).
Itana (2001) argued that the poor in Ethiopia are often self employed in small scale businesses due to lack of education and skills and limited employment opportunities. In addition to this, Hayat (1997) stated that the poor particularly, Women create their own jobs in very small agricultural, manufacturing service and petty trading. Yet, these small scale informal activities are

not in apposition to yield sufficient income to escape the poor out of poverty (Itana, 2001).

In Ethiopia, conventional banks are not in a position to provide financial services to the poor because of high transaction cost for small loans, unrealistic collateral requirement and shortage of financial resources (Seifu, 2002, cited in Asmelash, 2003). More over, the structure and location of these institutions is also another factor limits access to finance, particularly, to the rural poor. A number of Woredas in the country, which have formal banks (such as commercial banks and development banks) are limited. Although there are branches in some Woredas due to high collateral requirements, the poor have limited access to credit.

Solomon (1996) argued that informal financial lending has been considered as the most important source of finance both in urban and rural poor in Ethiopia. It has assumed that the increased prominence, mainly due to excessive rules and regulations of the formal financial sector.

Dejene (1993) indicated the function of Iqquib and Iddir as the source of finance in informal sector in Ethiopia. How ever they have certain limitations, associated with the scarcity of loanable funds for investment.

Andualem (1997); Mengistu (1999) and Itana (2001) argued that raising investment, capital and lack of sufficient loan able funds and facilities are among the barriers faced by micro enterprises sector particularly, informal sector. Since microentrprices have very limited access to from conventional banks specialized financing scheme should be developed to facilitate credit access to poor, increasing their productivity and income generating activity.

In recent years, considering that poor people have limited access to credit from the formal financial market and recognizing that lack of finance is the major problem of informal sector operators to start their business, some NGO's such as the Relief society of Tigray, Ethiopia Relief organization, ReddBarna (Norwegian), National Association for Development and Action Aid Ethiopia have tried to extend credit to poor house holds in some parts of the country (Mengistu, 1997 as cited in Berhanu, 1999).

Wide scale micro financing started on March 30/1990 following the signing of credit agreement between the government of Ethiopia and the international Development association (IDA). The credit scheme aimed at financing the market towns to improve infrastructure in towns, in market and service centers for the agricultural hinterland and to alleviate problems of urban poverty (Mengistu, 1997).

In the past, micro credit service and saving mobilization in Ethiopia were being carried out by NGOs, government departments, cooperatives and others in fragmented and inconsistent way. But according to Wolday (2000), the government took the initiative to establish a regulator frame work in order to facilitate sound development of micro finance industry.

The National Bank of Ethiopia (NBE) supervises MFI in Ethiopia. The Ethiopian government has laid down a regulatory frame work for the establishment of MFI by issuing a proclamation No. 40/1996 that provide for the licensing and supervision of MFIS. Currently, there are 22 micro finance institutions registered under the National Bank of Ethiopia, operating in the urban and rural areas of the country. They are sponsored by regional governments, local associations, NGOs, and government departments (Seifu, 2002). Since the issuance of this proclamation in July 1996, 22 MFIS have legally registered and started delivering Micro finance services.

2.6 Review of Empirical Literature

Different studies in different countries have been conducted to examine whether micro finance can really help the poor or not. The studies made on three micro finance institutions in Bangladesh on selected household levels. This study indicated that the most important of the effects of borrowing from a micro finance program is its impact on per capita expenditure. The study also pointed out that the participation in group-based micro finance shows positive and significant impacts for school enrollment, asset holdings, consumption, nutritional status and house hold net worth of borrowers in all three programs. Two major studies have assessed the economic impact of Grameen Bank on rural households. The first of this, undertaken in the mid 1980s by Hossain, M. (1988) was based on structured surrey of 975 borrowers in the villages. Household information was collected from a random sample of 200 households in five villages and 80 households in two control villages. The study produced several types of evidence indicating the positive impact on the economic status of Grameen Bank borrowers. The loans had generated new employment, which reported that they were unemployed before joining the program. Incomes in member households were 43% higher than in target group households in the control villages. The study also indicated increases in per capita food consumption in member households and more in housing and education.

The second by the World Bank together with the Bangladesh Institute of Development studies used data on consumption, savings, and asset ownership and net worth to assess the effects of micro finance programs on poverty. The data were collected from members of the program and non-members. Based on the above measures, the researchers argued that Grameen Bank not only reduced poverty and improved welfare of participating households, but they also enhanced the house holds' capacity to sustain their gains over time (Khandker, 1995 cited in Daba, (2003).

Pitt and Khandker (1998) argued that micro finance has brought positive marginal impacts on consumption and male schooling in Bangladesh. They showed that micro finance has become a promising strategy to shield the poor from vulnerability through consumption smoothing as well as building assets.

In addition, they indicated that micro finance and investment in human capital are directly related. This shows that micro finance encouraging participation in schooling. They further stated that the micro finance has improved the program clients towards reproductive health.

Several studies have conducted to measure the effects of participation in credit programs specifically on food security and nutrition. According to Zeller and Sharma (1998) argument, in most countries, the poor spend as much as 91 percent of their income on food and also that most loans taken, particularly, informal sector, were used for the purpose of financing consumption related expenditure. However, when the impact of program participation on food security and nutrition was evaluated, the results were mixed. Positive effects were found on household caloric availability in the studies conducted in Bangladesh, China and Madagascar.

Similarly, Pitt, M.M and S.R Khandker (1998) evaluated the impact of the program participation interrelation with seasons in consumption. Based on this study, the largest consumption effect of credit was in the hungry season, just before the crops were harvested. They argued that households with low consumption in the hungry season were more likely to participate in credit programs. According to those studies, micro finance has appositive impact on food security and household caloric intake of its clients' household. However, participation in micro finance program and use of credit for consumption purpose is also affected by seasons (Pitt and Khandker, 1998; cited in Asmelash, 2003).

According to Khandker (1998); World Bank (1998), Based on the impacts of three credit programs in Bangladesh such as Grameen Bank, Bangladesh Rural Advancement committee and Bangladesh Rural Development Board found that impacts of micro-finance services given to women were much greater than that of men. In all three programs a 10 percent increase in women's borrowing increases household spending per capita by 0.4 percent; women's borrowing increased household consumption twice greater than men's borrowing. In addition to this, women's borrowing also found improved children's welfare and their education. Generally speaking, borrowing from micro finance programs has significant impact on the nutritional well being and improved household net worth.

With the objective of examining the long-term impacts of micro finance on program clients in Bangladesh, Khandker (2003) also conducted a research work. In his study, he found out that micro fiancé is serving a useful purpose in benefiting the poorest segment of the program clients and in reducing poverty in

Bangladesh. He also argued that females were benefited than male from micro finances. Services. But the poor found to spend much on food, not on other income generating activities. There fore, according to Khandker, enhancing the skill of the program clients is very important in addition to providing them with credit. From this, what we concluded unless the poor engaged on income generating activities, the micro finance institutions could not achieve their objectives so; the benefit of the micro finance is evaluated from the perspective of meeting people's short-term problems. (Khandker, 2003; Cited in Bamlaku, 2004).

2.7 Literature on Ethiopia

Studies on impact assessment and loan repayment determinants of micro finance institutions are very limited in Ethiopia.

Kassa (1998) in his study of impact of micro financing under the micro enterprises project scheme in southern Ethiopian, has shown that before the credit scheme 1584 program participant were able to send 5504 children to school, while after the credit scheme (in the first cycle), 1168 program participants sent 5952 children to the school. Moreover, in the second credit cycle, the number of children sent to school increased from 406 to 421 out of 460 program participants.

He also indicated that the growth in income, employment, consumption and medical expenditure of program participants after the loan has increased. According to him, the average income after the loan was greater than the average income before the loan in all round (in the first, second and third loan cycles).

Similarly, Daba (2004), in his study to examine the relationship between participating in micro financing and the improvement in living standards of the poor, he found that OCSSCO has made positive contribution towards improving the welfare of the program beneficiaries.

He also argued that since the out reach is increasing as the years go by and the loan repayment performance has been 100% for several years, it is possible to argue that OCSSCO is contributing to poverty, reduction.

In addition to this, Berhanu (1999) conducted a research work on micro credit and poverty reduction based on a case study of POCSSBO in Addis Ababa. The main objective of the study was to identify the determinants of the loan repayment and the contribution of micro credit on poverty reduction by financing micro enterprises and creating, job opportunities Based on his research results were that loan repayment is mainly affected by factors like type of activities, gender differential, wealth differential, the availability of other sources of income, the attitude of program participants towards loan repayment, the educational level of the program clients and the size of the loan.

He also found that health, education, and consumption expenditure have increased after the loan compared to that before the loan. Employment and household income have also increased after the loan. According to his study, access to health services educational facilities and nutritional status of the program clients have also shown some improvements. He also stated that micro finance intervention has appositive effect towards poverty reduction. But he found unsatisfactory results for saving mobilizations, as the project did not attach the saving facility with its credit program or facility.

Berhanu (1999) argued on the positive impact of micro finance in improving the living standard of the poor and thereby reducing poverty. He used loan repayment performance as determinant factor for improvement in living standards of the poor.

Tsehay and Mengistu (2002) on the impact of micro finance among poor women in Ethiopia argued that the micro finance interventions have brought positive Impacts in the improvement of economic status and empowerment of micro finance programs beneficiaries.

In addition to the above-mentioned argument, Camilla (1997), in her study of micro finance for women's indicated that poor women do not want to take risk. This is why they concentrate on low income business based on their traditional skills and experiences which contradicts the objectives of empowerment of micro finance institutions. According to her, since they engaged on the same activities such as in food processing and retailing they provide the same products and services and competing with each other for a limited markets.

Oxaal and Baden (1997), also stressed that for credit and income generating programs to have a positive impact on women's empowerment they need to move a way from a frame work where women are the passive recipients of a service using borrowers group as the basis of social development activities, the scope of credit programs can be broaden from an arrow focus on individual economic self, reliance to other activities, such as training in health.

According to Johnson and Rogaly (1997), micro finance helps to improve social relations. Micro finance programs are powerful means of developing the self-confidence of the poor by providing a demonstration of trust in their clients. It helps to identify the problem of powerlessness (which may result from economic inequalities) with in the households and in the community at large. The self-confidence of the poor is developed through the time with the improvement of their economic activities.

In sum, studies of overseas on the impact of the MFIs in improving the living standard of the poor are not exhaustive. Though the program has been in place for the last eight years, no impact assessment has been undertaken. This study tries to fill this gap by focusing only on the impact of micro finance on improving the living standard of the poor. That is poverty reduction.

Chapter III

3.1 Description of the study Area

Guto Wayu is among the 21 districts of east wallega zone that has a total area of 1439.82 square kilometers. The district holds about 6.42 percent of the total area of the zone. Guto Wayu district is contiguous with Sibu Sire in the east, Sasigga and Digga in the west, Gidda Kiremu and Limu in the north & Jima Arjo, Nunu Kumba and W/Boneya to the south bordering also some part of Gudeya bila in the northeast. This district is divided in to three distinct geographical areas with different proportions: namely the high land 4.35 percent which is very small part of the district, midland 45.90 percent & the low Land 49.75 percent. Guto Wayu is characterized by undulating landform features with ridge and plain in all its an Area. With the exception of Uke and Loko farm areas, it is full of ups and downs with some hillsand mountains.Komto and Delati are two of the mountaions having on altitude of 2490 and 2016 meters above sea level respectively. Additionally, there are some hills namely Miti 1500m, Loko 1890m and Dale 2360m.Guto Wayu is endowed with numerous streams and rivers such as Icy, Uke, Loko, Bespeaks, Wachu, Adiya, Tato and ada. In addition to these rivers we can find some of the streams such as Gengelet, EBicha, Jato, Wendo and Kaya Jabo which are permanently flowing through out the year.

Since the district is situated at an altitude above 1300 meters above sea level the dominant climatic condition is a sub tropical type. As result, this area is experienced mean annual temperature of slightly greater than150c and mean annual rainfall of 1600 to 2000mm.

The dominant soil types are district Nitosols, Which have good agricultural potentiality with high water carrying capacity. The PH value is less than 5.5, which is an indicator of acidity.

Previously, the district was highly covered with dense forests and savanna grasses and the high lands even around the capital town "Nekemte" there are remnants or big mother Trees which show the presence of forests in the past which is now denuded and left the area barren with out any regret. Today man made and natural forests of the district like komto and some others are under sever condition, Which needs close control in order to save for future ecological balance for the surrounding. These forests are also the home of different wild animals including very attractive seasonal birds, which are not found in areas where there is no forest. Deforestation is highly practiced by the local farmers through which they gain an income by selling charcoal, firewood and different lumbering materials. The greatest portion of fuel wood consumption of the capital town is obtained from this district, in which the major areas in the district where fuel wood possibly comes at large to the town is expected from these forests. The natural vegetation pointed above occupies 10612 hectares of land in the district, in which 1542-hectare is natural forest and 9070 hectare is man made forest. Major types of wild animals found in the district are Hyena, Pig, Monkey, Ape, and Fox, Lion & Tiger. There is no reserved land for wild life conservation.

The 1989 population & housing census result is the base of population projection all over the country. Based on this census result, the population of Guto Wayu district is projected to be 133823with 0.66 percent urban population in 1995 .The percentage of urban population for the district doesn't include Nekemte town population for that it has got its own urban administration power recently. From the total population in the district 99.34 percent is the rural population, which directly sustains his life & the neighboring urban dwellers by the agricultural & similar activities. The crude population density of the district in the same year was about 93 person's per. Km 2. & the dependency burden is about 80.93.

Agriculture, which is basically rain fed and is dominated by small and a subsistence holder is the backbone of the in habitants of the woreda. Because of long population settlement, over cropping (crowding) and little or no improvement in traditional forming practices there is considerable natural resource degradation.

This has further resulted in declining agricultural production and there by starvation of the population, because of recurrent drought and famine As in the case in many Ethiopian rural areas the level of poverty in Guto Wayu keeps people trapped in marginal, existence with emphasis only on day to day survival.

As a result, people have little opportunity to accumulate capital either to invest in income generating activities or for future use during time of adversity. Industrial development is extremely backward.

The major economic activities of the population in the woreda include farming, animal raring , petty trade, services giving, wood and metal work.

3.2 Description of OCSSCO and its program

Based on the experience and the model developed by the Grameen Micro finance, the first micro finance service in Ethiopia was introduced as an experiment in 1994 when the Relief Society of Tigray (REST) attempted to rehabilitate drought and war affected people through rural credit scheme (Mulat Demeke etal, 1998). Although the development of micro finance institutions in Ethiopia started very recently, the industry has shown

A remarkable growth in terms of out reach, particularly in number of clients. According to proclamation No. 40/1996, National Banks of Ethiopia (NBE) issued for licensing and supervision of micro finance activities, the NBE registered OCSSCO in August 1997.

Institution willing to engage in micro finance activity should fulfill the following

Should obtain license from the National Bank of Ethiopia.

Should create Share Company that is governed by commercial code of 1960 owned fully by Ethiopians national and having head office in Ethiopia and,

Should deposit the required minimum capital 25000 US Dollar or 200,000 Ethiopian birr.

Since it has been registered, OCSSCO has been involved in assisting resource poor people through the provision of financial resources.

The general objective of OCSSCO is to alleviate poverty and promote economic development through the provision of credit and saving services.

The specific objectives of OCCCO includes, achieving house hold level food security in Oromia, increasing house hold income and improving the over all economic and social conditions of rural house holds (AEMFI,2000).

The strategy of OCSSCO is to meet the above objectives includes, targeting resource poor people, mobilizing both compulsory and voluntary saving, and delivering credit to the poor.

According to AEMFI (2000) quarterly bulletin, the following are criterion to qualify for OCSSCO's credit and saving services:

The capability of poor, i.e. those house holds who have relatively basic resources and can afford to pay savings and loan with interests.

Physical and mental fitness in terms of requirements of the specific enterprises intended to be undertaken.

Willingness to join OCSSCO and adhere to group and center laws and by laws and join responsibility for loan repayment.

Good personal conduct and having a recommendable history of trust worthiness in the community.

Residing permanently with in the boundary of OCSSCO's Operation.

Prompt loan utilization and repayment.

Daba (2003) indicated that the process of identifying the poor starts by consultations and discussions with the peasant association administrations and local elders to target the poor people.

The local elders and Kebele administration are responsible to rank peasant association members in to poor, medium and rich based on their wealth.

After the poor are identified, trained and accepted by OCSSCO, borrowers form their group based on the following criteria.

A group comprises of 4-6 members

Both male and female can form a group.

Member of a group must be from the same village

Only one person from a house hold is allowed to be a member of a group

Center consists of 8-10 groups

Initially, the institution allows a loan size of birr 1000 per an individual. The next higher loans is allowed only after the borrower repays the previous loan. The duration of the loan is one year.

Accordingly, individuals of four to six members who knows each other form a group and eight to ten groups form a center .The centers meet once a month for the purpose of compulsory saving and discussion the matter concerning their economic and social issues of their environment currently, the organization has more than 90 sub branches .The sub –branch is the basic organization and operational unit. That is all loans are processed, approved, disbursed and followed up. AS AEMFI (2000) quarterly bulletin, OCSSCO managed to provide credit and savings services to 41099 clients. This shows it remains much for OCSSCO to meet the financial needs of the poor in the region.

Loan terms are related with maturity of activities for which the loan is used. Interest rate on loan is 11.5% Repayment is based on pay as you earn methodology with in a year. This method helps the clients in reducing interest expense and the institution in reducing cost of default .The credit program is dedicated to finance agricultural in puts, farm oxen, petty trade, fattening oxen and ruminants, and activities related to farming operations.

The company charges 3% service charge to cover expenses during loan processing. 10 Birr is also compulsory for first time borrowers as a membership fee. Groups and centers can set penalty and fining systems for disciplining their members of groups are encouraged to save.

The members should have (or establish) trust on each other. The clients Volunteer to take joint liabilities which include volunteer to repay loan and save compulsory savings if other group members don't /not willing/can't pay loan clients should be those who accept and respect obligatory social traditions .The center formation is based on willingness for center joint liabilities. Those groups come together and form a center.

If group member is absent/not willing to pay /can't pay, the group to whom he/ she belongs, should pay the loan. If more than 50% of group members are absent/not willing to pay/ can't pay, the center to which the group belongs should pay the sum amount that should be paid on the same date and time (this is the group guarantee approach). A group whose member defaulted will not be granted further loan.

Clients can save any amount, but a minimum of Birr 2 per month as compulsory. Members and non-members can save as voluntary, individual savings. Group saving is a deduction of

10% of loan disbursed to an individual. Group saving serves as collateral. With drawl from this account is prohibited, unless all group members fully pay their loan and interest and quite from their membership.

Chapter IV

Findings of the study

4.1. General characteristics of clients

The demographic characteristics of the respondents such as their ages, marital status, their educational level, health condition, their relations with the head of house hold and wealth conditions may have direct and indirect relations with the way they use the loan or other financial services. In addition to this, impact assessment requires a clear picture of the individuals and households demographic characteristics such as educational level, sex, household size, number of dependents and working groups in the household.

The following table summarizes the sample respondents' individual demographic characteristics.

Table 4.1: Sample Respondents by sex

Type of clients related to loan		Sex		Total
		Male	Female	
Frequent client	Count	61	39	100
New client	Count	64	36	100
`Total	Count	125	75	200
	Percent	62.5	37.5	100

Source: Survey Data

From the total of 200 sample respondents in the sample branch, 100 from frequent clients and 100 from sample respondents of new clients were interviewed for this research purpose. Of the total of sample respondents of frequent clients 61(61.0%) are males, and 39(39.0%) are females and from the total of sample respondents 0f new clients 64(64%) are males and 36(36%) are females. From the total of sample respondents 125(62.5%) are males and 75(37.5%) are females.

Table 4-2 Marital status of the household.

Type of clients related to loan		Marital status of the house hold head				Total
		Single	Married	Divorced	Widowed	
Frequent Client	Count	14	72	6	8	100
New client	count	3	88	4	5	100
Total	Count	17	160	10	13	200
	Percent	8.5	80.0	5.0	6.5	100.00

Source: Survey Data

Table 4.3

Chi-Square Tests

	Value	df	Asymp.sig (2-sided)
Pears on Chi-square	9810	3	.020
Likelihood Ratio	10427	3	.015
Linear by linear association	116	1	.733
N of valid cases	200		

Considering the marital status of the total respondents, 17(8.5%) are single, 160(80.0%) are married, 10 (5.0%) are divorced and 13(6.5%) are widowed. Out of the total respondents of frequent clients 14(14.0%) are single, 72(72.0%) are married, 6(6.0%) are divorced and 8(8.0%) are widowed. where as out of the total respondents of new clients, 3(3.0%) are single, 88(88.0%) are married 4(4.0%) are divorced and 5(5.0%) are widowed. This indicates that majority of sample respondents are married. Significant at 95% of confidence level, that means there is a significant difference between frequent and new clients in their marital status.

4.3 Sample respondents by Educational status

From the total respondents 87 (43.5%) are non-literate, 91(45.5%) are grade 1-4 complete and 22(11.0%) are grade 5-8 complete. Out of sample respondents of frequent clients 45(45.0%) are non-literate, 40(40.0%) are grade 1-4 complete and 15(15.0%) are grade 5-8 complete. On other hand, out of sample respondents of new clients 42(42.0%) are non-literate, 51(51%) are grade1-4 complete and 7(7.0%) are 5-8 complete. This shows that the educational status of the sample respondents 91(45.5%) lie in the range of grade 1-4 completed and 87(43.5%) are non-literate. This implies that most of sample respondents are in the range of grade 1-4 complete. There is no significance difference between frequent and new clients in their educational status.

Table 4-4: Sample respondents by their educational status

Educational status of sample respondents		Type of sample respondents		Total
		Frequent clients	New clients	
Non-literate	Count	45	42	87
Grade 1-4 complete	Count	40	51	91
Grade 5-8 complete	Count	15	7	22

Source: survey Data

Table 4.5

Chi square Tests

	Value	df	Asymp. Sig (2-Sided)
Pearson chi-square	4342	2	.114
Likelihood Ratio	4413	2	.110
Linear –by-Linear Association	.283	1	.595
N of valid cases	200		

Table 4-6: Age of sample respondents

Type of clients related to loan	N	Mean	Std. Deviation	Min	Max
Frequent clients	100	32.29	10.102	18	52
New Clients	100	32.21	2,022	18	55

Source: survey Data

The mean age of the respondents of frequent clients was 33.29 where as the mean age of the respondents of new clients was 32.21. Using T-Test significant at 95% confidence level. Therefore, there is significant difference between the respondent of frequent and new clients in their age.

Table 4-7: Number of dependents with in house hold

Type of clients Related to loan		N	Mean	Std.deviation	Min	Max
Frequent clients	With out approach	100	3.44	2,022	1	10
	With approach	100	3.80	2,025	1	10
New clients	With out approach	100	2.91	1,386	1	7
	With approach	100	2.93	1,365	1	7

Source: survey Data

The mean number of house hold dependents between frequent and new client was 3.44 and 2.91 before the loan respectively and 3.80 and 2.93 after the loan respectively.

There was the increment of the number of household dependents of frequent clients after they have become the beneficiaries of the micro finance program. Before the loan the average number of house hold dependents was 3.44 where as after the loan the average number of household dependents was 3.80. On the other hand, the average number of house holds dependents of the new client before the loan was 2.91 where as after the loan 2.93. There was a significant difference at 99% of confidence level. Therefore, there was a significant difference on the number of household dependents between frequent clients and new clients after the loan.

4.4 The impact of OCSSCO on income

Micro finance is expected to improve the long term economic and social security of its clients through wealth creation, income smoothing and asset building etc. The assumption is that the intervention of the micro finance through the provision of financial services, especially credit that aimed at enhancing the welfare and economic situation of its clients by availing adequate finance to engage them in profitable activities. On the other hand, if the loan is used for non-productive activities, such as consumption and purchase of non-productive assets, micro finance intervention will not bring the intended impact, which is poverty reduction.

One of the immediate impacts of having access to credit from the micro financing program is on income of clients' households. Thus, participation in micro finance program may have a positive impact on the economic welfare of clients' households. House holds with higher income levels have more choices, can better meet their basic needs, and enjoy broader opportunities. And the change in the household welfare may be evident in the diversification of income sources and in the trend of income in the food security, in the education of children and access to health facilities, employment opportunities, in the food consumption patterns, and the ownership of specific key assets. However, the above factors are not solely affected by improvement in income. There fore, an attempt has been made to look in to the possible ways of measuring the impact of OCSSCO service on the living standard of the poor so as to make reasonable conclusion. Hence, the impact of micro finance on the income of the beneficiaries may be evident in the mean of income and in the sources of the respondents. Respondents were asked to give information about their household annual income and trend of income during the last two years.

Table 4-8: Trend of household income

Type of client Related to loan		Over all house hold in come trend In the past two years			Total
		Increase	Remain the same	Decrease	
Frequent client	Count	68	10	22	100
New client	Count	16	26	58	100
Total	Count	84	36	80	200
	Percent	42	18	40	100

Source: survey Data

Table 4.9

Chi-Square Test

	Value	df	Asymp.sig (2-slded)
Pearson chi-square	54.804	2	.000
Likelihood Ratio	58.067	2	.000
Linear-by-Linear	46.212	1	.000
N of valid cases	200		

Participation in micro finance service has an expectation that leads to in crease in house hold income. Therefore, in order to evaluate the impact of OCSSCO's service on the house holds income of its clients, sample respondents were asked to judge their household income in the past two years. Accordingly, 68(68%)of frequent clients, and 16(16%) of new clients replied that their in come has in creased in the past two years, 10(10%) of frequent client and 26(26%) of new clients reported that they have experienced no change in their in come and 22(22%) of frequent client and (58%) of new clients replied that their income has decreased in the previous two years. There is the significant difference at the 99% of confidence level between the frequent and new clients in the trend of their income.

Respondents were also asked the reasons for increased or decreased the in come of their household since they have participated in the micro finance program.

Table 4-10: Reason for income increase

Type of client Relate to loan		If income increased, why?			
		Good Agricultural season	Able to Purchase inputs due to accessibility of credit	Got jobs	Total
Frequent client	count	21	46	1	68
New client	Count	16	0	0	16
Total	Count	37	46	1	84
	Percent	44.04	54.76	1.85	100

Source: survey Data

Table 4.11

Chi-square Tests

	Value	df	Asymp sig (2-sided)
Pearson chi-square	70,290	3	.000
Likelihood Ratio	89.253	3	.000
Linear-by-linear	25.61	1	.000
N of valid cases	200		

Based on the response of the respondents the reason why their income has increased in the previous two years, 46(46.0%) and 0(.%) of frequent and new client respectively replied that their income has increased due to they are able to purchase in put because of accessibility of credit, 21(21.0%) and 16(16.0%) of frequent and new clients respectively their income has increased due to good agricultural season. The difference is significant at 99% of confidence level between the frequent and new clients. The main reason for increment of income of frequent client was due to accessibility of credit. In similar way, respondents who felt decreased household income were asked to the reasons for that, accordingly, 62.6% of new clients replied that their income has decreased because of unable to get inputs due to lock of credit.

Table 4-12: Reason for income decreased

Type of clients related to loan		Why did your income decrease?				
		Illness or death of one or more of family member	Unable to get inputs due to lack of credit	Crop failure	Family member Lost jobs	Total
frequent clients	Count	4	8	7	3	22
New clients	Count	3	46	7	2	58
Total	Count	7	54	14	5	80
	Percent	8.75	67.5	17.5	6.25	100

Source: survey Data

Table4.13

Chi- square Tests

	Value	df	Asump sig (2-sided)
Pearson chi square	74.218	4	.000
Likelihood Ratio	82.304	4	.000
Linear by linear Association	61.088	1	.000
N of valid cases	200		

For better under standing of this variable, respondents were asked to explain the reasons for increase or decrease of their income. From the discussion conducted, with the respondents of

frequent and new clients which have answered their income was increased or decreased, the following responses were obtained.
For instance, 46%, 21% and 1% of frequent clients which replied that their income has increased, they reported that their income was increased because their were able to purchase in puts due to accessibility of credit, good agricultural seasons, and got jobs respectively. Only 16% of new clients, who replied that their income was increased, they agreed that their income was increased due to good agricultural season.

On the other hand, the most fundamental reasons for the decrease of the house holds income during the last two years, 4%, 8%, 7% and 3% of frequent clients replied that illness or death of one or more of family member, unable to get inputs due to lack of credit, crop failure and family member lost jobs respectively, were the main reasons why their income were decreased.

Where as, 3%, 46%, 7% and 2% of new clients replied that illness or death of one or more of family member, unable to get in puts due to lack of credit, crop failure and family member lost jobs respectively were the main reasons for their income were decreased.

The result of the chi-square analysis supports the argument that micro financing scheme has a positive impact in improving the income level of the beneficiaries. This result is similar to what zeller and sharma (1998) and Pitt and Khandker (1998) argued. Hence, one could argue that respondents of the frequent borrower were beneficiaries from OCSSCO's of credit scheme.

4.5 Impact on House Hold Consumption

Micro finance intervention are expected to support clients in ensuring food security, which is one of the main objectives of the institutions and the prime concern of all house hold insuring food security, (Tsehay and Mengistu, 2002). The condition of diet (nutrition) is an important factor in the well being of the household members. Thus, the assumption of this variable is that the participants of the micro finance scheme will have a better house hold diet condition and food security in bad years as compared to house hold diet condition of the control groups.

Hence, for the purpose of this study the monthly expenditures on food and the trend of consumptions expenditures of respondents were used as the variables.

In line with this, respondents were asked the changes they perceived in their food consumption after micro finance program participation.

Table-4.14 approximate monthly consumption Expenditure

	Type of client related to the loan	N	Mean	Std. Deviation
With out approach	Frequent client	100	277.27	101.532
	New client	100	285.70	103.064
With approach	Frequent client	100	351.05	123.445
	New client	100	288.53	102.165
A change due to loan in birr	Frequent client	100	73.78	50.388
	New client	100	2.83	15.994

Source-survey Data.

Before the loan the approximate mean monthly consumption expenditure of frequent and new client were 277.27 and 285.70 respectively. The average approximate monthly consumption expenditure of new clients was higher than the frequent clients before the loan. After the loan the average approximate monthly consumption expenditure of frequent client was higher than the new clients. The change was 73.78 and 2.83 birr respectively. Extremely higher change was observed in the monthly approximate consumption expenditure of frequent clients.

Table 4.15

In dependent sample Test

		Levine's Test for Equality of variances	
Approximate monthly Consumption expenditure Before the program in birr	Equal variances assumed	.265	.608
Approximate monthly Consumption expenditure After the Program in Birr	Equal variances assumed	2.603	.108
Approximate monthly Consumption expenditure change due to the program Birr	Equal Variances assumed	101.597	.000

The change of approximate monthly consumption expenditure of frequent clients after the program was higher than new clients so the result supports the argument that the intervention of the micro finance improves the consumption expenditure of the house holds of its clients.

4.6 Impact of micro finance on accumulation of assets

The survey attempted to assess the impact of micro finance on households' accumulation of assets. This is because owner ship of durable assets is regarded as one of the most important indicators of improvement in the household welfare. In this regard, in addition to the impact on the overall house hold in come, micro finance is also expected to improve the ownership of key household assets of its clients. For many households, the house, they owned, is the most valuable asset. When the house is improved, it appreciates in value, and there by increases a house hold's material wealth, it provides shelter and contributes directly to the material well being of the house hold, but it can also serve to create or enhance a business premise. Housing improvements may create space for inventory or other enterprise-related items. Rooms and storefronts can be added to the house to be used for rental or enterprise purposes. Such improvements can help households to diversify and to add a steady income stream to their economic portfolio.

Hence, the assumption of this variable is that, beneficiaries of micro finance scheme have better housing condition and ownership of residential houses obtain an opportunity of large capital through loan, they will be engaged in more profitable and productive activities, there by increasing their income level. Due to this, they will have better financial capacity to up grade their residential and business houses through repair or build additional rooms from the income obtained due to loan able activities

Table 4.16 The type of the house the respondents have

Type of clients Related to loan		What type of house did you have?				Total
		Roof with iron sheet	Roof with grasses	Others	Both types Of houses	
Frequent clients	Count	47	42	0	11	100
New clients	Count	37	56	2	5	100
Total	Count	84	98	2	16	200
	Percent	42	49	2	16	100

Source: Survey Data

Table 4.17 Chi-square Tests

	Valve	df	Asymp.sig (2-slded)
Pearson chi-square	7440	3	0.059
Likelihood Ratio	8279	3	0.41
Linear by linear Association		1	1000
N of valid cases	200		

Furthermore, Table 4-18 summarizes the frequencies of whether the respondents have made any improvement on their houses and the type of improvement made by the respondents.

Table 4.18 Answer of the respondents whether they have Improved their house or not

Type of clients Related to loan		Did you improve Your house?		Total
		Yes	No	
Frequent client	Count	61	39	100
New client	Count	17	83	100
TOTAL	Count	78	122	200
	Percent	39	61	100

Source: survey Data

Table 4.19

Chi –square tests

	Value	df	Asymp sig (2-slded)	Exact sig (2-sided)	Exact sig (1-sided)
Pearson chi-square	40.689	1	.000		
Continuity correction	38.86	1	.000		
Likelihood ratio	42.572	1	.000		
Linear –by-Linear	40.486	1	.000		
N of valid cases	200				

The survey result indicated that 61(61%) of frequent clients and 17(17%) of new clients made improvements and repairs their housing during the last two years, From this argument, it is possible to say that OCSSCO's micro financing intervention has appositive impact on the housing improvement of the house holds of its clients.

In addition to this, when clients were asked the source of income to improve their houses, their reasons would be summarized as follows.

Table 4.20

Reason for the Improvement of the house of the respondents

Type of clients Related to loan		If you have improved your house, how?			
		Improved income due to Access to credit	Gifts or Aids	Other	Total
Frequent clients	count	53	8	0	61
New clients	Count	4	6	7	17
Total	Count	47	14	7	78
	Percent	73.07	17.94	8.97	100

Source. Survey Data

Table 4.21

Chi -Square Tests

	Value	df	Asymp sig (2-sided)
Pearson chi-squ	65.23	4	.000
Like lihood Ration	79.145	4	.000
Linear by Linear Association	57.328	1	.000
N of valid cases	200		

From the above analysis, it was found out that out of the total frequent clients reported they have improved their house, 53(86.88%) replied that the source of income for the improvement of their house was due to access of credit from the micro financing intervention. Therefore, the results suggest that OCSSCO'S micro financing intervention has a positive impact on the improvement of housing of its client's households.

Respondents were asked whether their purchasing power to buy items was improved or not. The result shows that 70 (70%) and 16 (16%) of frequent and new clients respectively reported that their purchasing power to buy items was improved. On other hand 30(30%) and 84 (84%) of frequent and new clients respectively replied that their purchasing power was not shown improvement.

Table 4-22 Trend of purchasing power of clients

Type of clients Related to loan		Have your purchasing power to buy items improved		Total
		Yes	No	
Frequent clients	Count	70	30	100
New Clients	Count	16	84	100
Total	Count	86	114	200
	Percent	43	57	100

Source: Survey Data

Table 4.23

Chi-Square Tests

	Valve	Df	Asymp. Sig (2-sided)	Exact sig (2-side)	Exact sig (1-sided)
Pearson chi-square	59.486	1	.000		
Continuity correction	57.303	1	.000		
Likelihood Ratio	63.219	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Association linear	59.188	1	.000		
N of valid cases	200				

Out of the sample respondents who reported that the trend of their purchasing power to buy items was shown improvement, 51(51%) of frequent clients replied that their purchasing power to buy items was improved due to in come from loan able activities. On other hand, out of the sample respondents who reported that the trend of their purchasing power to buy items was not shown improvement, 64 (64%) of new clients agreed that their purchasing power to buy items was not improved due to lack of credit.

The findings of the survey indicated that OCSSCO'S micro financing scheme has a positive impact on the improvement of the purchasing power of its beneficiaries to buy items.

Table 4.24 The reason for improvement of purchasing power

Type of client related to loan		If your purchasing power was improved, why?				Total
		Due to income from loan able activities	Gifts or Aids	Good Agricultural season	Others	
Frequent clients	Count	51	1	18	30	100
New clients	Count	0	10	15	84	100
Total	Count	51	2	33	114	200
	Percent	25.5	1	16.5	57	100

Source: Survey Data

Table 4.25

Chi –square Tests

	Value	Df	Asymp, sigi (2-sided)
Pearson chi-square	76.852	3	.000
Likelihood ratio	97.607	3	.000
Linear by-Linear Association	75.247	1	.000
N of valid cases	200		

Table 4.26 The Reason for of the purchasing power was no improved

Type of clients related to loans		If your purchasing power was no improved why?			
		Lack of Credit	Failure of Agriculture Products	Market problem	Total
Frequent Clients	Count	0	16	14	30
New clients	Count	64	17	8	89
Total	count	64	33	22	119
	Percent	32	16.5	11	100

Source: survey Data

Table 4.27

Chi-square Tests

	Value	df	Asymp.Sig (2-sided)
Pearson chi-square	108.642	3	.000
Likelihood Ratio	138.343	3	.000
Linear by Linear Association	94.646	1	.000
N of Valid cases	200		

4.7 The impact on Access to Education

As children and other school age dependents of the poor households have marginal access to educational facilities, credit provision for income generating activities is expected to improve this Situation (Birhanu, 1999).

The assumption is that house holds with higher income levels have more choices and broader opportunities so as to meet their needs.

Therefore the hypothesis of this section is that in addition to the improvement in income, micro finance is also expected to improve the possibility of additional expenditures in education of beneficiaries' household members.

The findings below are based on the number of school age children attending school.

A simple measure of participation in education is the enrollment rate, defined as the percentage of children with the normal age range for attending a particular level of schooling that are actually enrolled.

Information was collected on the trend of school, school age children enrolment in both frequent and new client; the findings of the study are as follows.

Table 4.28 Trends in number of family members attending school

Type of client Related to loan		Changes in number of family members a tending school			Total
		In creased	Remained the same	Decreased	
Frequent client	Count	60	23	17	100
New client	Count	15	37	48	100
Total	Count	75	60	65	200
	Percent	37.5	30	32.5	100

Source: survey data

Table 4.29

Chi square Tests

	Value	df	Asymo sig (2-sided)
Pearson chi-square	45.051	2	.000
Likelihood Ratio	47.612	2	.000
Linear –by-Linear Association	41.198	1	.000
N of valid cases	200		

The survey result regarding trend of school age children enrollment during the last two years reveal that frequent clients house hold have reported better improvement on school age children enrollment during the period, where as the percentage of new clients house hold who have shown an increase is relatively lower than the frequent clients.

The result shows that 60(60.0%) of sample frequent clients and only 15(15%) of sample new clients reported the trend that the number of their family members attending school increased for the last two years. However 48(48%) of sample of new clients and17 (17%) of frequent clients reported the trend that the number of their family members attending school has been decreased over the last two years.

Farther more, when clients were asked for the reasons of increase or decrease in the trend of their access to school during the last two years, those who have shown an increasing trend have replied that the main reason for the improvement of school age enrollment in their house hold, was income improvement from loan able activities and followed by access to new school building in the area. However, lack of in come for school tuition was the main reason for the decrease of access to school enrollment for those who had shown a declining trend.

Table 4.30

The Reasons for increase in school Enrollment

Type of clients related to loan		If there is increase in number of school attendants why?			
		Income Improvement From loan able activities	Access to new school building	Increase in the awareness	Total
Frequent clients	Count	35	14	11	60
New client	Count	0	10	5	15
Total	Count	35	24	16	75
	Percent	47.0	32.0	21.0	100

Source: survey Data

Table 4.31

Chi-Square Tests

	Valve	df	Asymp.sig (2-sided)
Pearson chi-square	54.117	3	.000
Likelihood Ratio	68.065	3	.000
Linear by linear Association	49.346	1	.000
N of Valid cases	200		

Table 4.32 Reason to decrease in school enrollment

Type of client related loan		If there is decrease in number of school attended why?				
		Lack of income for school tuition	Lack of access to education in area	Lack of interest to attend school	Others	Total
Frequent clients	Count	19	20	2	0	40
New clients	Count	52	23	8	2	85
Total	Count	71	43	10	2	125
	Percent	56.8	34.5	8.0	1.6	100

Source: survey Data

Table 4.33

Chi- Square Tests

	Value	df	Asymp.sign (2-sided)
Pearson chi-square	47.309	4	.000
Likelihood Ratio	50.756	4	.000
Linear-by-Linear Association	38.626	1	.000
N of Valid cases	200		

The increase in educational expenses is not the basic criteria to evaluate the impact of micro finance on access to education due to the increase in educational expenses may be associated with the increase in the price of educational materials or the level of education .This is the reason why the number of school age children currently attending school and the trend of school enrollments are used.

Table 4-34 Numbers of family members attending school

Type of clients Relate to loan	N	Mean	Std deviation	Std.Error mean
Frequent client	99	2.40	1124	.113
New clients	83	2.11	1148	.126

Source Survey Data

Respondents of frequent borrowers' average number of family members attending school were 2.40. On the other hand the average number of family members attending school of new clients was 2.11 from this there was significant difference between the enrollment of school age children who are currently attending school of the frequent clients and new clients have shown differences.

The main reasons for the school age children do not attend the school include they are need to work in business and agricultural activities. Therefore based on the above test results it is possible to say that OCSSCO's micro financing scheme have shown a positive impact on improving school enrollment of its clients house hold.

4.8 Impact on Employment

Having access to micro finance credit has also expected impact on the employment opportunities of the household of clients. Based on the assumption, information on the type of business activities and trends of employment opportunities were collected.

Table 4-35 Major types of business activities they engaged after the Loan

Type of clients related to loan		Major types of business activities								Total
		Local Drinking preparation	Selling injera	Wood or metal work	Textiles	Beauty salon	Agricultural activities	Animal Husbandry	Retail Trade	
Frequent Clients	Count	20	17	15	2	1	25	2	18	100
New Clients	Count	11	6	15	6	0	37	0	25	100
Total	Count	31	23	30	8	1	62	2	43	200
	Percent	15.5	11.5	15	4	.5	31	1	21.5	100

Source: survey data

Table 4.36

Chi-square tests

	Value	Df	Asymp.si
Pearson chi-square	16.336	7	.022
likely hood Ratio	17.867	7	.013
Linear-by -linear Association	6.774	1	0.09
N of valid cases	200		

Out of total sample respondents, 25(25%) and 37(37%) of frequent and new clients respectively reported that they were engaged on agriculture. The other 20(20%) and 11(11%) 17(17%) and 6(6%) and 15(15%) and 15(15%) of frequent and new clients respectively they were engaged on the business activities of local drink preparation, selling injera and wood or metal work respectively. These were the main business activities that sample respondents were engaged. Respondents were also asked the trend of their employment opportunities, whether there was improvement or not. Accordingly, 75(75%) and 18(18%) of frequent and new clients respectively reported that the trend of their employment opportunities have shown improvement on the other hand, 25(25%) and 82(82%) of frequent and new clients respectively reported that the trend of their employment opportunities have not improved. There is significant difference between frequent clients and new clients in trend of their job opportunities, 99% of confidence level, it is possible to say that the Micro financing Scheme have positive impact on employment generation.

Table 4-37 Trends of employment opportunities in the last two years

Type of Clients related to loan		Was your employment opportunities have improved?		Total
		Yes	No	
Frequent clients	Count	75	25	100
New clients	Count	18	82	100
Total	Count	93	107	200
	Percent	46.5	53.5	100

Source: survey Data.

Table 4.38

Chi-square Tests

	Value	df	Asymp.sig. (2-sided)	Exact Sig. (2-sides)	Exact sig.(1-aides)
Pearson chi-square	65.300	1	.000		
Continuity connection	63.029	1	.000		
Likelihood Ratio	69.532	1	.000		
Fisher's Exact Test					
Linear-by-Linear Association	64.973			.000	.000
N of Valid Cases	200	1	.000		

Perceptions of clients with the Micro financing scheme in improvement of the trend of their business since they have become the program beneficiary were also collected.

69(69%) and 22(22%) of frequent and new clients respectively reported that the trend of their business was improved. On the hand, 21(21%) and 50(50%) of frequent and new clients reported that the trend of their business was reduced.

Table 4-39 Trend of the business

Type of Clients related to loan		What was the trend of your business?			Total
		Improved	Remain Constant	Reduced	
Frequent Clients	Count	69	10	21	100
New clients	Count	22	28	50	100
Total	Count	91	38	71	200
	Percent	45.5	19	35.5	100

Source: - Survey Data

Table4.40

Chi: - Square Tests

	Value	df	Asym.sig.(2-sided)
Pearson chi-square	44.646	2	.000
Likely hood Ratio	46.565	2	.000
Linear-by-Linear Association	35.920	1	
N of valid cases	200		

Respondents were also asked the reason for the improvement of the trend of their business. From the respondents of sample client who reported the improvement of the trend of their business 38(38%) and 17(17%) of frequent and new clients respectively reported that the reason for the improvement of the trend of their business was due to their favorable price of their product and the other 25(25%) and 1(1%) of frequent and new clients respectively replied that the trend of their business was improved due to the quality of their product.

Table 4-41 Reason for the improvement of business trend

Type of clients related loan		If the trend of your business was improved why?				
		Product quality	Favorable Price	Location Advantages	Other type of improvement	Total
Frequent clients	Count	25	38	4	2	69
New clients	Count	1	17	3	1	22
Total	Count	26	55	7	3	91
	Percent	28.57	60.43	7.69	3.29	100

Source: survey Data

Table 4.42

Chi-Square Tests

	Value	df	Asymp.sig (2-sided)
Pearson chi-square	59.914	4	.000
Likelihood Ratio	57.221	4	.000
Linear by Linear Association	48.990	1	.000
N of valid cases	200		

On the other hand, respondents were also asked the reason for the trend of their business was not improved .Out of the sample respondents who reported that the trend of their business was not improved 20(20%) and 53(53%) of frequent and new clients respectively, the reason for the trend of their business was not improved due to un favorable prices.

Table 4-43 Reason for the trend of business reduced

Type of clients related to loan		If the trend of the business was not improved, why?				
		The price of substitute reduced	Unfavorable price	Location disadvantages	Other reasons	Total
Frequent clients	Count	5	20	4	2	31
New Clients	Count	4	53	12	9	78
Total	Count	9	73	16	11	109
	Percent	8.25	66.97	14.67	10.09	100

Source: Survey Data

Table 4.44

Chi-Square Test

	Value	df	Asymp.sig. (2-sided)
Pearson chi-square	47.758	4	.000
Likelihood Ratio	50.077	4	.000
Liner by Linear Association	32.072	1	.000
N of Valid cases	200		

From the above analysis frequent clients have shown more improvement in their trend of their business than the new clients. But it is difficult to conclude that trend of the business was improved due to micro financing scheme. Because out of sample respondents who reported the trend of their business was improved, when they were asked the reason for the improvement of their business, the main reason for the improvement of the trend of their business was the favorable price of their product which may or may not related to the micro financing scheme. The same is true for sample respondents who reported the trend of their business was not improved when they were asked the main reason for the trend of their business was not improved; they agreed that it was due to unfavorable price of their product.

4. 9 Impacts on Savings

There are two types of savings. Compulsory and voluntary saving compulsory saving is normally enforced and started immediately when the loan is approved for the program participants. On the other hand, compulsory saving includes compulsory group saving, compulsory center saving and compulsory individual savings. These kinds of saving are important in micro financing scheme since they are used as collateral. Compulsory individual savings ranges from birr 3 to 6, and compulsory center saving ranges from birr 2 to 4 per month. Compulsory group saving is a saving of 10% from the loan size. These voluntary saving is an individual saving that is based on the willingness of the individual to save and with draw at any time when the need arises.

Table 4-45 -Saving Mobilization in Guto Wayu Branch of Ocssco (Birr)

Year	Types of Savings				Total
	Compulsory saving			Voluntary	
	Individual saving	Group saving	Center saving	Individual saving	
2002/03	3009	36,270	2089	4350	45718
2003/04	7260	116,890	31,395	25370	180915
2004/05	-	202,970	71,356	346208	620534
2005/06	-	273,940	70580	107006	451526

Source-Ocssco 2006.

No statistics are computed because presence of personal saving account after the program participation is constant. After the program participation, all frequent and new clients had their own personal saving account. But the type of savings was compulsory and voluntary saving by micro finance institution.

When respondents were asked their source of money for saving 79 (79%) and 2 (2%) of frequent and new clients respectively reported that it was from business (Farm) profit financed by the loan. On the other hand 5(5%) and 29(29%) of frequent and new clients respectively reported that the source of Money for their saving was loan from money lenders and friends.

Table 4.46

Chi- square Tests

	Value	Df	Asymp.sig.(2-sided)
Person chi-square	123.186	2	.000
Likely hood Ratio	147.887	2	.000
Linear by-Linear Association	101.347	1	.000
No of valid cases	200		

From this analysis there was a significant difference between frequent clients and new clients in the source of money to save. The source of money for 79(79%) of frequent clients was from business (farm) profit financed by the loan but for new clients the source of money was loan from moneylenders and friends. There fore, it is possible to say that 99% of confidence level, there is significant difference in source of Money for saving between the two groups of clients

4.10 Impact on Access to medical Facilities

With regard to the impact of OCSSCO's on access to medical facilities to its clients, the respondents' access to medical facilities during the last two years was examined. From this analysis, it was found out that: -

Table 4-47 Trends of medical facilities of respondents

Type of Client related to loam		Was access to medical facilities improved after the program?		Total
		Yes	No	
Frequent Client	Count	60.	40	100
New Clients	Count	23	77	100
Total	Count	83	117	200
	Percent	41.5	585	100.0

Source: survey Data

Table 4.48

Chi- square Tests

	Value	df	Asymp.sig. (2-sided	Exact sig. 1- Sided
person chi-square	28.195	1	.000	
Continuity correction	26.691	1	.000	
Likely hood Ratio	28.993	1	.000	
Fisher's Exact Test				
Linear -by-Liner Association	28.04	1	.000	
N of Valid cases	200			

60(60%) of sample respondents of frequent clients and 23(23. %) of new clients have reported that an increasing trend in their access to medical facilities, however 40% of sample respondents of frequent clients and 77% of sample respondents of new clients reported the trend that their ability to get access to medical facilities has not been improved after the program participation. The difference between frequent and new clients in getting access to medical facilities was examined. There fore, the difference is statistically significant at 99% to confidence interval. The above Chi-Square results leads to the support of the hypothesis, which states that there is the difference between frequent clients and new clients in their trend of access to medical facilities. The result indicated that the percentage increase in a access to medical facilities was higher for frequent clients than the new clients.

Table 4-49 Reason for the improvement of trend of medical facilities

Type of clients		If access to medical facilities was improved				
		Access to money from Lon able Activities	Better local Treatment	sold house hold assets	Others	Total
Frequently	Count	40	18	6	0	64
New clients	Count	0	17	4	4	25
Total	Count	40	35	10	4	89
	Percent	44.94	39.32	11.23	4.49	100

Source survey data

Table 4.50

Chi-square Tests

	Value	df	Asyinp.sig.(2-sided)
Pearson chi-square	55.098	4	.000
Likelihood ratio	71.223	4	.000
Linear by linear Association	43.212	1	.000
N of valid cases	197		

From the above analysis, it was also identified that from the frequent clients who reported the improvement of the trend of their medical facilities, 40(40%) of have agreed that the improvement of the access to medical facilities was due to access to money from loan able activities. We can conclude that the program participant have benefited from the micro financing scheme.

There fore, it is possible to conclude that 99% of confidence level, there is a significant difference between the frequent and new clients in the access to medical facilities due to the OCSSCO's micro financing intervention.

4.11 The impact on Empowerment

A part from economic and socio-cultural impacts, micro finance intervention is believed to boost the borrowers sense of self-esteem. This according to Ledger wood (1999) is personal or psychological impact, which is one aspect of empowerment.

In their study of empowering women through micro finance, Cheston and Khun (2002) considered participation indecision making, equal status in the family, increased political power and increased self-esteem as indicators of empowerment.

In recent years, much attention has gone to describing how micro finance might lead to increased empowerment of the borrower. In many cases, the focus is on women borrowers and changes in their status with in the household and the community.

In this research, participation in a micro finance program is expected to have positive impacts on empowerment of the individuals who receive and use the micro finance services particularly female clients.

This study also tried to assess the gender dimension with in the household. That is the assessment was made in order to evaluate patterns of decision making and what happens to the role of the married women in the house hold and business activities as they be come member of micro finance program. The survey sought to determine if frequent clients gained more control over decisions on the use of revenue from their matched enterprise also, it sought to identify if there is great individual decision making among the clients on applying for loan and use of the loan funds.

As we have seen above, empowerment of women is one important dimension of well fare improvement since; OCSSCO has this as one of its prime concern. It is, there fore, very fundamental to raise the issue of women empowerment as result of the credit provision. With this in mind, however, examining whether women really invested the loan they have taken in activities that they found appropriate so as to improve their living standard needs closer attention. As we have seen below women were most females decided to take the loan jointly with their partners.

Participation in micro finance program expected to help to control over resources in the part of women clients. Information who makes decisions regarding the decisions about taking loan and using loan was collected.

Out of total sample respondents of clients 80(80%) and 76(76%) of frequent clients and new clients respectively, make decision about taking the loan the husband together with the wife, 18(18%) and 19(19%) of sample respondents of frequent and new clients respectively husband only make decision to take loan and 4(4%) and 5(5%) of respondents of frequent and new clients respectively the wife only make decision regarding to take loan. On the other hand 70(70%) and 74(74%) of frequent and new clients respectively, the husband with their respective partners(wife) make decision to use the loan for their activities, 14(14%) and 17(17%) of sample respondents of frequent and new clients respectively the husband alone make decisions concerning to use loan and 16(16%)and 9(9%) of sample respondents of frequent and new clients respectively the wife only make decisions regarding to use loan. From this result, we were not safe to say that women were actually making use of the loan they have taken to improve their own and their family's living standard. There fore, it is difficult to suggest the impact of credit of micro financing scheme on woman empowerment due to the result does not show much difference between the frequent clients and new clients.

Table: 4.51 Decision making in the household and business activities

Decision maker	Decision about taking loan		Decision about loan use	
	Frequent Clients	New clients	Frequent clients	New clients
Husband Only	16	19	14	17
Husband and wife	80	76	70	74
Wife only	4	5	16	9

Source survey Data

Table 4.52 Chi-square Tests

	Value	df	Asymp sig. (2-sided)
Pears on chi-square	6.742	3	0.540
Likelihood Ratio	9.312	3	0.102
Linear by linear Association	6.432	1	0.141
N of valid cases	198		

4.12. The major operational problems OCSSCO loan program

Based on the information that was collected from sample respondents, the following table summarizes the responsiveness of clients concerning their major operational problem after they have participated in the OCSSCO's program.

Table 4.53 Major operational problems of OCSSCO loan

Type of clients related to loan		Major problems						Total
		Lack Of Business knowledge	Shortage of working capital (land)	Lack of market for out put	Lack of knowledge to use loan	Loss or damage	Weather condition	
Frequents clients	Count	40	0	53	4	1	2	100
New clients	Count	32	26	36	6	0	0	100
Total	count	72	26	89	10	1	2	200
	Percent	36	13	44.5	5	0.5	1	100

Source: Survey Data

Table 4.54

Chi-Square Tests

	Valve	df	Asymp: sig (2-sided)
Pearson Chi-square	33.536	5	.000
Likelihood Ratio	44.763	5	.000
Linear-by-Linear	1105	1	.293
N of Valid cases	200		

Respondents were asked their main operational problems since they have become the beneficiary of micro financing scheme. Accordingly, 53 (53%)and 36 (36%) of frequent and new clients respectively reported that absence (lack) of market for their out put was the main operational problem, and the other 40 (40%) and 32 (32%) of frequent and new clients reported that lack of business knowledge was the main operational problem and so on.

The perception of clients in the program

As it was explained in the methodology part of this research, there was focus group discussions made with sample respondents. Based on this group discussion, an attempt was made to know the perception of sample respondents with the OCSSCO's micro financing scheme in the study area.

From this discussion, information was gathered in relating with the benefits, the sample respondents obtained from the program, any kinds of weakness that needs attentions about the program and their recommendations to show the direction of improvement about MFIs services.

Accordingly, the perceptions of clients concerning the benefits they gained from the program participations on improvements on house hold income, house hold consumption status, access to employment opportunity, access to medical facilities, educational facilities and savings are identified.

From the discussion, it was identified that 90.2% of sample respondents reported that participating in micro finance program would serve a useful purpose in increasing in come of house holds and wealth (assets) accumulation, clients have developed the habit of saving help them to expand their business to offset any possible future loss, for loan repayment, urgent need to cover an expense of education, medical expenditure, house rent, to purchase house hold equipments, and for contingency.

Most of the sample respondents have agreed with the time of loan disbursement, voluntary individual saving of the program, group compulsory saving, center compulsory saving, appropriate interest rate, sufficient a device and supervision monthly center meeting and appropriate time of loan disbursement, and loan repayment. During the discussions, respondents replied that inspite of the benefit of the credit provision in improving the income of their house hold, the size of the loan the institution have allowed is too small. This, according to them, limited their capacity so they are forced to engage in activities that asked them little effort and provided them with quick return over that would enable them pay their debt timely. Itana /2002/ supported this idea by saying that the smaller the size of the loan, the less will be the chance to engage in profitable activities. In addition, they went on to explain that small loans discourages even those poor people whose credit requirements higher than the maximum amount of money that could be permitted by the institution. During the focus group discussion also most of the clients argued, that in spite of the fact that they have a capacity to borrow a loan amount of more than the maximum amount of that is allowed to borrow the institution does not permit to borrow larger amount.

They have agreed that group lending approach is important to clients that can not provide collateral for credit, but all of the respondents are not interested in this lending approach. They replied that despite the fact that their group members, especially those who are not in a position to settle their debts when illness or death are assisted, but they are people who commit default intentionally or fail to repay loans, place a financial burden up on their group members, where by all members of the group would be forced to share the cost.

Chapter V

Conclusion and Recommendations

5.1 Conclusions

Providing the poor access to credit is one of the various instruments in order to reduce poverty. Since formal financial institutions failed to reach the poor for collateral requirements, micro finance program is being practiced all over the world as one of the major strategies being used to reduce poverty through the delivery of financial services such as credit saving, insurance, etc. Micro finance institutions have established in Ethiopia after the issuance of proclamation No 40/1996 that twenty two micro finance institutions have been legally registered by the National Bank of Ethiopia (NBE) and started delivering services. Today, provision of credit and saving mobilization is thought of as an avenue for development Based on this line, OCSSCO was established in 1997 in Oromiya Regional state with the objective to reduce poverty and promote economic development through the provision of credit and saving services. The main objective of this study is to assess the impact of OCSSO's program whether it has improved the living standard of of the poor and reduce poverty or not. The impact assessment was conducted in Guto Wayu sub-branch of OCSSCO in Eastern Wellega Zone. However, knowledge about the achievements of these strategies remains only partial and controversial. On other hand, there are studies that indicate the micro finance programs are found important agents of social change simultaneously addressing poverty reduction. The few impact assessment studies conducted in Ethiopia showed that the intervention of micro finance has positive impacts on improving the living standard of the poor and ultimately reduce poverty. But there are studies that indicate Pessimistic kind of result on the impacts of micro finance towards reducing poverty.

Based on this assumption, it was hypothesized that participating in micro finance programs improves: the level of income, food security of their house hold members, their assets and enables the poor to have access to school and medical facilities. Data were collected randomly from the sample respondents of frequent and new clients. The questionnaire includes household characteristics such as socio-economic conditions, perception of respondents about the program and their suggestions. The assessments were focused on the impact of MFI at house level, which mainly associated with the changes in the living condition of the clients. The analysis of the assessment at the house hold level were by using descriptive analysis and chi-square test of independence based on variables such as income, house hold nutrition, employment opportunities, saving, access to education, and medical facilities and women empowerment.

The assumption of micro finance intervention is that the provision of financial services to the poor improves the living condition and economic situation of its clients.
Based on this assumption, the findings of the study made on the intervention of micro finance in the study area would be summarized as follows

In the study area, most of the sample respondents from the frequent clients were found to register an increasing trend in their income for the last two years in comparison with new clients (control group). 68 (68%) of sample respondents of frequent clients only 16 (16%) of new clients the trend of their income has shown increasing for the last two years. Improvement of their ability to purchase in put due to access ability of credit was the main factors for the increasing trends income for frequent clients. In other words, the main factors for decrease the trend of the income of new clients 62(62%) was they couldn't get inputs due to lack of credits.
As faras food consumption is concerned, there was a significant difference, after the loan on the average approximate monthly

consumption of clients. The change was birr 73.78 and birr 2.83 for frequent and new clients respectively. Extremely, higher change observed in the monthly proximate consumption expenditures of frequent clients.

Regarding to the housing situation, the survey result indicated that 61(61%) of frequent clients and 17(17%) of new clients made improvement and repairs their housing during the last two years. In addition to this when respondents were asked the source of income to improve their houses, 40(40%) of frequent clients and 1(1%) of new clients, indicated that due to income from loan able activities.

The survey result also indicated that the employment opportunities of frequent clients were improved than new clients during the last two years.

The study also indicated the positive impact of the micro finance on the improvement of medical facilities of program participants .The findings of this study showed that frequent clients have shown improvement of the medical facilities of their house holds than new clients 60(60%) of frequent clients, but only 23(23%)of new clients have shown improvement of medical faculties during the last years.

Accordingly, the main factor for the improvement of their medical faculties, was access to money from loan able activities for 40(40%) of frequent clients.

Concerning saving, both frequent and new clients did not have saving account before they had participated on the micro finance program, but after they become the member of OCSSCO both are, the beneficiary of compulsory and voluntary saving there fore, based on this variable there was no significant difference.

The result of the findings also indicated the intervention of the micro finance in the study area had a positive impact on the educational facilities of the household of frequent clients.

But women's autonomy in household decision-making has not shown improvement after the loan. There for the intervention of the micro finance in the study area did not have positive impact on empowerment of women.

Most of the respondents have appreciated the appropriate time of loan disbursement and appropriate time of re payment. Center meeting created a chance for clients to make contact and to exchange their experiences and share their problem. But in group-based approach, clients claimed that some clients intentionally failed to repay their debts so that it becomes the financial burden on the other group members. Others also claimed that the loan was not sufficient for their projects.

This study indicates that 90.2% frequent clients agreed that the intervention of the micro financing scheme in the area improved their living standard of their households.

Absence of adequate trained man power to follow up and supervise the activities of each individual, lack of sufficient financial resources, absence of sufficient infra structures especially in the rural areas and illness or death of its clients to recollect the loan were some of the main problems identified from the discussion made with the official and staff of OCSSCO.

5.2 Recommendations

As a policy indicator, the intervention of micro finance is expected to improve the living standard of the poor and reduce poverty. As such it improves the economic status of the society and country as a whole.

From its initial establishment OCSSCO is expected to reduce poverty and promote the economic development through the provision of credit and saving services. Based on the findings of this study, OCSSCO has attained the target of improving the living condition of its clients in relation to income, employment opportunities, consumption status, and education and health facilities.

But much more must be done in relation to improving the status of women in decision-making .As most of the clients suggested that the loan was not sufficient to run their projects. Therefore, OCSSCO ought to make an effort to increase the size of loan for its clients in relation to the business size and type of activities.
Moreover, clients also indicated that the interest rate is not fair, especially, when they compare it with interest rate on saving (3%) with the lending interest rate (11.5%). They say it discourages saving in the institutions.
The finding of research also indicated that there were the diversification of business activities, almost 25%and 75% of the loans were disbursed for agricultural activities and different business activities respectively, but the size of the loan the institution allows is very limited. This, according to the respondents, limited their capacity to engage in activities required high initial capital.
As a result, they were simply engaged on activities that give them immediate return and would enable them to repay their credit. Therefore, OCSSCO must make an effort to strengthen its financial capacity in order to increase the amount of loan it disburses for each client. At the end, it should call NGO, investor and government for additional source of funds to reach out the remote and the poorest segment of society.

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ANNEX 1

SURVEY QUESTIONAIRE
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Institute of Regional and Local Development Studies

Questionnaire for survey on " The Impact assessment of the microfinance on improving the living standards of poor: The Case of Oromia Credit and Saving Share Company (OCSSCO) in Guto wayu woreda."

Name of interviewer ______________

Date of the interview ______________

1. Personal information of the Respondent

(Please make a '√' mark in the Dash provided in front of the Question)

1.1 Name: ______________

1.2 Sex: 1. Male ________ 2. Female ___________

1.3 Age ________

1.4 Marital Status:

1. Single _________3. Divorced___________
2. Married_______ 4. Widowed ___________
5. Others if any __________

1.5 Educational level

1. Non—literate ___________
2. Grade 1-4 complete ___________
3. Grade 5-8 complete ___________
4. Grade 9-12 complete __________
5. Above grade 12 _____________

If it is above grade 12, specify the qualification:________________

1.6 Number of dependents within the household

1. Before the loan _____________2. After the loan ____________

2. Loan and Loan Repayment

2.1 Did you have previous access to credit from other formal or informal financial Institutions?

1.Yes __________ 2. No ___________

2.2 If Yes, When? ________ Amount of loan in birr ________

2.3 Purpose of loan _______________

2.4 In how many months was the total loan wanted to be fully repaid? ____________

2.5 Have you completed repayment of the loan?

1.Yes _________ 2.No ________________

2.6 If your answer for Q. No 2.5 is No, Explain your reason and amount.

Reason _______________

Amount of outstanding Birr ____________

2.7 Are you a customer of OCSSCO?

1, Yes ________

2, No ________

2. 8 If your answer for Q 2.7 is yes, when did you Start as customer? Year (in Ethiopian calendar) ________________

2.9 How many times have you taken loan since then? ________

2.10 What was the amount of the first loan? __________Birr

2.11 What is the amount of your current loan? __________Birr

2,12 Would you tell us the amount of credit you have taken from OCSSCO?

1st round _________Birr	5th round _________Birr
2nd round _________-Birr	6th round _________Birr
3rd round _________ Birr	7th round _________Birr
4th round _________ Birr	8th round _________ Birr

2.13 Do you think that the loan is sufficient to run your project?

1, Yes ________ 2, No ________

2.14 If your answer to Q.2.13 is No, how much do you propose that is sufficient to run your project? ________ Birr

2.15 What is the interest rate of the loan? ________Per cent

2.16 Do you think that the interest rate on loan is fair?

1.Yes ________ 2.No ________

2.17 If you answer to Q.2.16 is 'No, 'would you tell us the appropriate interest rate? ________Percent

3, Information about source of income

3.1 Did you have a source of income for your household before the loan?

1, Yes ________ 2, No ________

3.2 If your answer to Q.3.1 is yes, explain the source and the amount of your income

Source of income ________

Amount of monthly income ________ Birr

3.3 During the last two years did your over all household income

1. Increase ____ 2. Remains the same _____ 3. Decrease ____

3.4 How did your income increase? (If increased)

1. Good agricultural season
2. Expand existing business
3. Able to purchase input due to accessibility of credit
4. Got jobs
5. Others (specify)

3.5 How did your income remain constant or decrease? (If remain constant and decease)

1. Illness or death of one or more of your family member
2. Unable to get inputs due to lack of credit

3. Crop failure
4. Family member lost jobs
5. Others (specify) ________

4. Consumption and Nutritional Status

4.1 What was the approximate monthly consumption expenditure of your household before program participation? Birr ____________

4.2 What is the approximate monthly consumption expenditure of your household after program participation? Birr ______________

4.3 Does the number or types of your meals for the last two years have
1. Improved______ 2. Remained the same______ 3. Decreased ______

4.4 If your answer to Q.4.3 is improved, how has it improved?
1. Able to buy more cereals such as teff, maize, etc
2. Able to buy vegetables and fruits
3. Able to buy diary products milk, meat, cheese, egg, etc.
4. Able to eat suitable foods like pasta macaroni etc.
5. Able to eat three times (meal) a day
6. Others (specify)

4.5 Do you think that this improvement of consumption expenditure of your household is associated (related) with a rise in income from business financed by the loan?
1. Yes __________ 2. No __________

4.6 If your household diet has not been improved after program participation? What are your major reasons?
1. ____________________
2. ____________________
3. ____________________

5. Information about the household assets

5.1 What type of house did you have before program participation?
1. Roof with iron sheet
2. Roof with grass
3. Others (specify)

5.2 Did you improve your house after program participation?
1.Yes __________2. No ____________

5.3 If your answer is yes, due to;
1. Access to credit 3. Improved income
2.Gifts or Aids 4. Others (specify)

5.4 If your answer for Q.5.2 is No, what are the reasons?
1. ________________________
2. ________________________
3. ________________________

5.5. What are the types, numbers and estimated value of the assets you purchased after program participation?

Type	**No**	**Total value in birr**
1. Chairs		
2. Tables		
3. Beds		
4. Radio / Tape Recorder		
5. Stove		
6. TV		
7. Refrigerator		
8. Others (specify)		

5.6 Did your purchasing power to buy assets was improved after program participation?

i, If your answer is ' Yes', how?

1,Due to increase in income from microfinance activities
2, Due to increase in income from non-microfinance activities
3, Gifts or aids
4, Good agricultural season
5, Others (specify)

Ii If your answer is No, Why?

1, Lack of credit
2, Failure of agricultural products
3, Market problem
4, Lack of working capital
5, Others (specify)

5.7. Do you have livestock ? Yes _______ No ________

If yes, list their type, number and average price per animal

Type	**No**	**Average price in Birr**
1.Oxen		
2. Cows		
3. Calves		
4. Sheep		
5. Goat		
6. Horses		
7. Mule		
8. Donkey		
9. Chickens		
10. Others (specify)		

5.8. Did the number of your livestock after program participation

1,Increased 2, Remained the same 3 decreased

5.9 If your answer is increased, how?

____

5.10 If your answer is, decreased and remained the same, why?

____

6.Information About Access to Education

6.1 If you have children of school-going age, how many of them have been attending school before program participation?________

6.2 Did the number of your children attending school after program participation

1. Increased 2. Remained constant 3. decreased

6.3 If increased, how?

1. Income improvement
2. Access to new school building
3. Increase in the awareness of household towards education
4. Others (specify) ________

6.4 If decreased or remained constant, why?

1. Lack of income for payment of school tuition fee
2. Lack of access to education in area
3. Lack of interest to attend school
4. Others (specify) ____________

6.5 If there are school age children, and currently don't attend school, what is the reason?

1. They are required to assist in the business activities
2. They are required to assist in non – business activities
3. Disabled
4. Don't want to learn
5. Others (specify)__________

7. Access To Medical Facilities and Expenditure

7.1 Did your family and yourself have access to medical facilities before program participation?

1. Yes ________ 2. No _________

7.2 If your answer to Q.7.1 is yes, who was the bearer of medical expenditure?

1. Yourself 2. Other family members
3. Relatives 4. Free medical service user

7.3. What is the average annual household medical expenditure after program participation? ____________Birr

7.4 Do you think that your access to medical facilities has improved after program participation?

1. Yes __________ 2. No __________

7.5 If your answer to Q.7.3 is 'yes', what is the main reason?

1. Access to money from the microfinance activities
2. Better local treatment ________________
3. Sold household assets ________________
4. Borrowed from other sources___________
5. Others (specify) _________________

ormation on Employment and Business

the major types of activities you engaged after program
?

k preparation 2. selling "injera "
netal work 4. Textiles
sh or repair 6. Beauty salon
ral activities 8. Animal husbandry
le 10. Others (specify) __________

k that your employment opportunities have been improved
ticipation?

1. Yes ____________ 2. No ______________

er to Q.8.2 is Yes, how?

____

____

r to Q.8.2 is No, why?

____

____

nk that your income has improved due to improvement
rtunities due to microfinance?

1. Yes ___________ 2. No ___________

d hired labor in your business or farm activities ?

. Yes ____________ 2. No ___________

r to Q 8.6 is yes, how many? ______________

emporary or permanent? ___________ and for which
____

G AND USE OF ACCOUNTING SYSTEM

e a personal saving account before program participation?

Yes _________ 2. No _________

r for Q.9.1 is yes, specify the monthly saving amount

Birr _________

a personal saving account after program participation?

1. Yes __________ 2. No __________

r for Q9.3 is yes,

at type of savings have you made and where?

Compulsory savings in MFI

ii. Borrowed from money lenders and friends /relatives
iii. Others (specify) __________

9.6 To what purpose did you save?
i. To earn interest income
ii. Loan repayment
iii. To expand your business
iv. For safety purpose (from theft or damage)
v. Others (specify)

9.7 Do you have accounting records (system) for your business?
1. Yes ______ 2. No ______

9.8 If your answer to Q.9.7 is yes for what purpose?
1. In order to evaluate financial position or net income or loss
2. for tax purpose
3. for loan repayment or settle purpose
4. others (specify)

9.9. If your answer to Q.9.7 is 'No', why ?
1. the transaction is too small to record
2. lack of accounting knowledge
3. others (specify) ____________

10. Price and Business

10.1 How was the price of your products or services?
1. It was favorable ____________
2. It was unfavorable __________

10.2 What was the trend in your business?
1. Increased 2. Remain constant 3. Decreased

10.3 If increased, it was due to.
1. Product quality
2. Favorable price
3. Location advantage
4. Others (specify)

10.4 If decreased, it was due to
1. The price of substitute products was reduced
2. Unfavorable prices
3. Location disadvantages
4. Others (specify)

11. **Empowerment**

11.1 Who makes decision to take loan and use loan in your house hold
1. Husband only
2. Wife only
3. Husband with wife
4. Others (specify)

11.2 Who makes decision to buy in puts and sell agricultural and Business products?
1.Husband only
2.Wife only
3.Husband with wife
4.others (specify)

12. Other Information

12.1. Do you think that have you benefited from the credit scheme of OCSSCO?
1. Yes __________ 2. No ___________

12.2. If your answer to Q.11.1 is No, why?
____
____
____

12.3. During your OCSSCO loan program participation period what are your major Operational problems?
1, lack of business knowledge
2, shortage of working capital (land)
3, lack of market for output
4, lack of knowledge of using the loan
5, loss or damage
6, weather conditions
7, others (specify) ______________

12.4. What is your overall opinion about the credit scheme of OCSSCO?
____
____
____
____

Focus Group Discussion

1. How many members does your group have?
2. How do you become the OCSSCO's program beneficiaries?
3. What are the issues you have discussed at the center meeting?
4. Do you think that they're a change in income and well being of your household since you have been loan beneficiary of OCSSCO's ?
5. Have you agreed that there is any support mechanism among group members?
6. Have you had any support in the form of training or consultancies from OCSSCO's for your activities?
7. What problems you have encountered since you have be come program OCSSCO's beneficiaries?

Questions for the official and employees of the sub branch

1. How do you identify the poor to be the program beneficiaries of your institutions?
2. Do you think that the loan is sufficient for your client to run their projects?
3. What are the problems you have faced to achieve your objectives?

Declation

This thesis is my original work and has not been presented for a degree in any other university and that all sources of material used for this thesis have been dully acknowledged.

Declared by:

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Date 03/08/2006

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