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**CHALLENGES AND PROSPECTS OF CREDIT AND SAVING SHARE
COMPANIES: THE CASE OF META ROBI WOREDA CREDIT AND
SAVING SHARE COMPANY, IN WEST SHOA ZONE OROMIA
REGIONAL STATE- ETHIOPIA**

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**Challenges and Prospects of Credit and Saving Share Company: The Case of
Meta Robi Woreda Credit and Saving Share Companies West Shoa Zone
Oromia Regional State**

**Attainment: The Case of Meta Robi Woreda, West Shoa Zone, Oromia
Regional State - Ethiopia**

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Declaration

Abbreviation/Acronyms

ACSI	Amhara Credit and Saving Institution
ADB	Asian Development Bank
ADLI	Agricultural Development Led Industrialization
ADSCI	Addis Saving and Credit Institution
AFCAP	Capacity Building Program for Africa
ATM	Automatic Technical Machine
CBE	Commercial Bank of Ethiopia
CBN	Commercial Bank of Nijeria
CGAP	consultative Group to Assist the Poor
CSSCO	Credit and Saving Share Company
DBE	Development Bank of Ethiopia
DECSI	Dedebit Credit and Saving Institution
DfID	Department of International Development
FGD	Focus Group Discussion
GB	Garmeen Bank
ICT	Information Communication Technology
IFAD	International Fund Agricultural Development
MFDR	Management for Development Resources
MFI	Microfinance Institutions
MRCSSCO	Meta Robi Credit and Saving Share Company
NBE	National Bank of Ethiopia
NBI	National Bank of India
NGO	Non-Government Organization
OCSA	Oromia Credit and Saving Association

OCSSCO	Oromia Credit and Saving Share Company
OMO	Omo Credit and Saving
OSHO	Oromia Self Help Organization
PA	Peasant Association
PRSP	Poverty Reduction Strategy Paper
ROA	Return on Asset
ROE	Return on Equity
SAP	Structural Adjustment Program
SFPI	Specialized Financial and Promotional Institution
UNDP	United States Development Program
USD	United States Dollar

Abstract

Increasing access to micro finance services is accepted as one of the tools to attack poverty. Oromia Credit and Saving Share Company (OCSSCO) is one of the three largest institutions that accounts for 65% of the market share in terms of borrowing clients and 74% by loan provision. While OCSSCO was established in August 1997, Meta Robi Credit and Saving Share Company (MRCSSCO) was established ten years later in August, 4, 2007. This thesis attempts to assess Meta Robi Credit and Saving Share Company challenges it faced and its future potentials in this area. The research methodology was employed for this study Primary; data were collected through questionnaire, interview and focus-group discussion from regular and new clients. Secondary data were collected from different published books, unpublished yearly or quarterly reports journal of articles, academic paper and other relevant official documents and reports has been used to analyze the case study. The results of the study reveal that the MRCSSCO'S micro financing scheme has had a positive impact on improving the coverage/outreach of its clients in the study woreda. Absence of follow up, continuous training, monitoring and supervise the activities of the poor who operating their business in the environments with high business risk in nature. Based on the findings, it has been found out that, MRCSSCO should develop the capacity of its staff, enhance its institutional capability, and must make an effort to strengthen its financial capacity in order to increase its coverage for all kebeles poor households.

Key terms: Microfinance institutions, rural and urban households, credit and saving, low income households,

CHAPTER ONE

1. Introduction

1.1 Background of the study

The microfinance revolution was introduced into the development economics arena slightly more than two decades ago. However, the widespread adoption of the microfinance model did not occur until the early 1990s. Since the mid 1990s, microfinance programs and institutions have become an increasingly important component of strategies to promote micro-enterprise development in developing countries and specifically to reduce poverty (Colin, 2006:1017-1030)

Microfinance institutions provide a reliable source of financial support and assistance compared to other sources for financing. Sources operating outside the microfinance industry typically form informal relationships with borrowers and have no real legal or substantial ties with their customers. As a result, loan terms tend to carry high costs with no guarantee that lenders will remain in one place for any length. In contrast, microfinance institutions typically work alongside government organizations and also have ties with larger global organizations.

The first attribute that distinguishes microfinance institutions from conventional banks is what has come to be called its dual mission of balancing a social agenda or social impact with its financial objectives. Most microfinance institutions (MFIs) are institutions that combine a social development mission; provision of financial services to the lowest income population possible with a financial objective that drives the institution to achieve self sufficiency and thereby accomplish sustained service delivery without dependence on subsidies (Humphrey, 2006).

Microfinance institutions are institutions that provide small loans or micro loans that are not bankable to the unemployed, to poor entrepreneurs and to others living in poverty. And they provide access to cheap capital which they loan out so that people can have an opportunity to start a business, expand an existing business in bulk, so they can improve their profit margins as well as their lives.

Over the past two decades, the Government of the Federal Democratic Republic of Ethiopia has carried out far-reaching institutional and policy reforms to transform itself from a centrally planned, Marxist regime to the facilitator of a stable market economy.

Since 2007, Ethiopia has achieved strong economic growth, making it one of the highest performing economies in sub-Saharan Africa. Yet it remains one of the world's poorest countries. About 29 per cent of the population lives below the national poverty line. Ethiopia ranks 174th out of 187 countries on the United Nations Development Program's human development index, and average per capita incomes are less than half the current sub-Saharan average (IFAD, 2001).

The outreach of banks in Ethiopia is limited. The informal financial sector in Ethiopia is one of the most important sources of finance for poor households. Ethiopia has a strong culture of informal financial systems. Friends and relatives provide the bulk of the informal credits. Many people are member of informal savings and credit associations such as *iqqub* and *iddir*. Some MFIs try to integrate these associations into their own services.

The microfinance industry in Ethiopia has shown a remarkable qualitative and quantitative growth since the early 1990. The proclamation, which provides for the establishment of microfinance institutions, was issued in July 1996 as share companies in accordance with the Commercial Code of Ethiopia.

Since then, various microfinance institutions have legally been registered and started delivering microfinance services (Wolday, 2000, as cited by Deribie, et al. 2013).

In particular, the Licensing and Supervision of Microfinance Institution Proclamation of the government encouraged the spread of Microfinance Institutions (MFIs) in both rural and urban areas as it authorized them among other things, to legally accept deposits from the general public (hence diversify sources of funds), to draw and accept drafts, and to manage funds for the micro financing business (Getaneh, 2005, as cited by Deribie, et at. 2013).

As cited in Weidmaier et al. 2008, by Gashaw Ayele, 2014) MFIs are the 1990s phenomenon in Ethiopia. The Microfinance proclamation in 1996 marked start of deposit taking MFIs in Ethiopia. The sector has progressed from humanitarian orientation to combining outreach and viability missions. The Government's hand in the MFI industry is huge, ranging from extending

institutional and portfolio supports to claiming ownership in MFIs. An assessment study on access to finance (Weidmaier et al., 2008, as cited by Gashaw Ayele, 2014) noted that some of the government led MFIs have registered outstanding performance. Amhara Credit and Saving Institution (ACSI), Dedebit Credit and Savings Institution (DECSI), Oromia Credit and Savings Share Company (OCSSCO), Addis Savings and Credit Institution (ADSCI) and Omo Microfinance Institution Share Company (OMO). In 2008, the government's share in ADSCI and OMO reached 97 percent and 80 percent, respectively. The inexpensive funding and staff salaries can partly explain the low interest rates on loans existent in most of the MFIs in Ethiopia (Weidmaier et al., (2008) as cited by Gashaw Ayele, 2014).

From 31 MFIs established in Ethiopia regional states, Oromia Credit and Saving Share Company is one of the three largest institutions that accounts for 65% of the market share in terms of borrowing clients, and 74% by loan provision (Deribie et al. 2013: 014). Hence, for the last 19 years following proclamation No.40/1996 issued by the NBE on establishment of micro finance institutions, OCSSCO is one of the MFI that was established in August 4, 1997 to achieve its objectives in the region. OCSSCO sub-branch of Meta Robi Credit and Saving Share Company was established based on this program in 2007, ten years after OCSSCO was established.

Meta Robi Woreda credit and saving Share Company has provided around 12.075 million birr to 3.6 thousand poor households and organized micro enterprise members (MRCSSCo, 2013). To spread out the service of Meta Robi Credit and Saving Share Company in all kebeles, there are different problems which hindered its achievement.

The woreda under consideration is characterized by poor infrastructure, fast population growth, backward farming, poor living standard, high rate of unemployment, lack of access to financial market, low capital formation, environmental degradation, etc. which leads to low productivity; as Meta Robi Agriculture office (2013) annual report stated. The poor people who do not have capital to buy enough fertilizers and those who do not use other technological inputs for agricultural production produce less amount of output/product when compared to others. For example, the wheat product per hectare was less than 20 quintals before they used fertilizer and other technological inputs. But, after they used enough inputs their product is increasing to more than 40 quintals per hectare.

The researcher wants to deal with the Woreda Credit and Saving Share Company current challenges it faced to cover all kebeles and the future potential it has.

1.2 Statements of the Problem

The purpose of this study was to find out the future potentials the institute has and the challenges the woreda Credit and Saving Share Company faced to attain its objective.

Since 2013/14 there was no any bank and other financial institution in the woreda, which give loan or credit to support the poor farmers, unemployed people organized by micro enterprises and other poor urban households MRCSSCO, (2013). This makes the poor people i.e. poor rural farmers and poor urban households become disadvantageous by income and by their capital. Even after this credit and saving Share Company has been established in this woreda, because of shortage of capital, more than half of the organized poor households and unemployed people were not getting enough loans for their work.

Oromia Credit and Saving Share Company (OCSSCo) is expected to be one of the means for poverty alleviation and expand self employment in the region. It also has high contribution in our country's economic growth and development. This institute provides small low-cost loans to poor people and encourages them to develop their saving habit. Similarly, the oromia credit and saving share company branch, Meta Robi credit and saving share company gave service based on oromia credit and saving share company objective to the poor households in the study woreda.

There were limitations and constraints within the woreda credit and saving share company in its coverage in serving all kebeles in the study woreda.

the constraints are lack of documentation, standardized reporting, management capacities, operating and financing expenses are still the share company problem which did not overcome in the institute. Moreover, to get satisfactory evidences that the clients complain on interest rate charged on loan.

Therefore, conducting this research is essential to fill these gaps, since it assesses the level of successes achieved and examines to the extent of challenges and provides pragmatic solutions that could help Meta Robi Credit and Saving Share Company to achieve its objectives.

1.3. Research Questions

- What are the major challenges affecting the outreach of Meta Robi Credit and saving Share Company for all kebeles of this woreda?
- What prospects the Woreda credit and saving Share Company do have?
- Is Meta Robi credit and saving share company sustainability is being insured in the study area?
- What is the interest rate charged on loan in the woreda under study?

1.4 Objectives of the Study

1.4.1 General Objective of the Study

To assess the major challenges and prospects of credit and saving Share Company in Meta Robi woreda and to propose remedial measures to overcome the challenges.

1.4.2 The Specific Objectives of the Study

- ✓ To identify the major challenges of credit and saving share company (OCSSCo) in the study area
- ✓ To assess the prospects of credit and saving share company (CSSSCo) in the study area
- ✓ To evaluate the sustainability of the Oromia Credit and Saving Share Company (OCSSCo) in the woreda.

1.5 Significance of the Study

This study is important as it tries to verify whether MRCSSCO Microfinance program improves the living standards of the poor or not. Accordingly, the study tries to assess the challenges and prospects of Meta Robi credit and saving share company on reaching the poor people of all kebeles in the study woreda. Therefore, the findings of this study may be useful to help policy makers and microfinance institutions to make decisions regarding their credit delivery mechanisms for the betterment of poor. The study may also help to indicate the direction for latter research work in the area.

1.6 The Scope of the Study

This study delimited for Oromia Credit and Saving Share Company sub branch of microfinance institute operating in Meta Robi Woreda West Shoa Zone Oromia Regional State.

1.7. Limitation of the Study

During the study time some limitations were faced like, lack of transportation facilities, time constraint, and lack of organized secondary data, inability and lack of willingness of the kebeles respondents on group-focus discussion and also the institution manager to give on time response.

1.8 Organization of the Study

This study is organized into six chapters. The first chapter contains background of the study which is an introductory part dealing with microfinance institutions revolution in the world, its importance and establishment in Ethiopia, statement of the problem, objectives of the study, significance of the study and scope of the study. The second chapter contains literature and relevant empirical case studies. Chapter three contains methodology of the study; chapter four about Meta Robi credit and saving share company, chapter five contains data analyses, interpretation, and discussion. Chapter six contains the major finding, summary, conclusion and recommendation of the study.

1.9 Definition of key terms

I used the following operational definitions in this study:-

Challenge; -Any negative effect happened to the Meta Robi Credit and Saving Share Company while it was operating with the financial services it deliver to the poor people in Meta Robi woreda.

Client; - customers or beneficiaries of the program and who are screened by the institution and took loan from the institution to repay on agreed time and also who are saving in that institution

Micro finance Institutions (MFIs); - a microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self employment activities.

Opportunity; - opportunity means benefit clients of the institute obtain or any value added to the life of the client due to Meta Robi credit and saving share company.

Prospects; the success of microfinance institutions depends on their sustainability/ continuity in their services

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of various literature materials which has related to the study, which is including definition and concepts of microfinance, theoretical Review, microfinance challenges, empirical literature, sustainability of the microfinance program and the development of MFI in Ethiopia.

2.2 Definition and concepts of micro finance institutions

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

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

In similar definition: Microfinance institutions were agents that established to facilitate community development process by providing financial service to the poor.

The government of Ethiopia also assimilated and designed various development strategies to tackle the miserable life of its people and to reform the social and economic condition of the country. Thus, interventions through the microfinance institutions is considered as one of the policy tools of the Government and Non Government Organizations to empower the rural and urban poor population to enhance development (MoFED, 2005).

2.3 Theoretical Overview Micro finance Institutions

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

2.3.1 The History of Microfinance

The concept of micro-financing has been in existence since 1700. A banking service that is made available to low-income people with intent, towards making them self sufficient is termed as micro-financing, with this kind of service the low-income people have an opportunity to borrow and save money in the process. Hence, the history of the modern MFI can be traced back to Bangladesh and the launch of Grameen Bank by Professor Muhammad Yunus in the late 1970s. Through Grameen Bank; Yunus was able to provide access to very small amounts of capital with no collateral requirements. Grameen provided this capital at a very low interest rate, which was almost unheard of when lending to the poor. He founded the Grameen bank in 1983 and won the Nobel Peace Prize in 2006. Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in rural Bangladesh, without any collateral. At GB, credit is a cost effective weapon to fight. Today, the World Bank estimates that about 160 million people in developing countries are served by microfinance. While Micro financing in Ethiopia was started later 30 years in 1994/95 to reduce poverty, and since then developing microfinance in Ethiopia has encouraged the further spread of modern financial services in the country. The program attempts to reduce the poverty by providing loans for the poor Gobezie, (2005). Licensing and supervision of the microfinance institution proclamation No.40/1996 encouraged to extend formal microfinance institution (MFI) in Ethiopia in a sustainable way. Beside banks and insurance companies, Microfinance institutions have continued to play a significant role in giving credit and facilitated condition to the microfinance sectors to enhance the economy.

As the annual report of the NBE, (2013/2014), notifies that the numbers of MFIs operating in the country have reached 31 Their overall performance was encouraging as their total capital and total asset increased by 24.6 and 38.6 percent and reached Birr 5.6 billion and Birr 24.5 billion, respectively.

At the same time, their deposit mobilization and credit provision have expanded remarkably. Compared to last year, deposit mobilization of MFIs went up by 54.8 percent and reached Birr 11.8 billion while their outstanding credit rose by 31.9 percent indicating their expanded outreach

The four largest MFIs, namely Amhara, Dedebit, Oromiya and Omo Credit and Savings institutions accounted for 74.9 percent of the total capital, 84 percent of the savings, 80.6 percent of the credit and 81.6 percent of the total assets of MFIs at the end of 2013/14 (NBE, 2013/2014).

2. 4 Microfinance Challenges

2.4.1 Challenges of MFIs in helping micro-enterprise development

Attitude of microfinance institutions towards social responsibility and financial sustainability of microfinance institutions is an issue that influences the decision to establish MFIs in an extremely poor people. In relation to this, Luong, (2010: 3) stated that, “in order to realize the aim of reaching poor people, microfinance institutions should be self-sufficient and not to depend so much on donors and governments.” MFIs which belong to financial sustainability approach believe that the institutions should be able to cover cost and make profits on services that they offer to customers. However, according to the view of social responsibility approach too much focus on making profit may lead to shifts in customer groups, from extremely poor to marginal or above poverty line group (Luong 2010: 3). Thus microfinance institutions which believe in a self-sustainability approach may not strive and make investment in developing enterprises in the extremely poor areas. They may only focus on the active 14 poor and work with those who know what they should do to develop their enterprises using the money from microfinance. According to (Dusuki, 2008), most formal intermediaries like commercial banks regard low-income households as too poor to save, thus further accentuates the risk of supplying credits to them. Furthermore, no insurer is willing to insure against possibility of non-repayment due to natural and commonest hazards afflicting small producers in developing countries; for

example, drought, livestock disease and breakdown of equipment. The risk exposure in supplying credits to the poor clients is further exacerbated due to the inherent difficulty for the commercial financial institution to diversify their portfolio. For example, most of the rural clients who derive their incomes from agriculture need to borrow in the pre-harvest season, making it difficult for banks to diversify their portfolio. Both financial institutions and poor clients face high transaction costs due to asymmetric information problems which naturally appear in the financial transactions. These costs related to searching, monitoring and enforcement costs which are directly related to the information problems inherent in the rural financial markets. The uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs, which is characterized by fixed costs (Braverman & Guasch, 1986; Zeller & Meyer, 2002, as cited by Dusuki 2008) identified three factors which influence microfinance services to become sustainable

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

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

Demand side: Risk aversion attitude due to: Illiteracy, Feeling insecure, Lack of assets and lands, Risk of natural hazards, Risk of illness, Risk of political instability, Risk of economic mismanagement, Reluctant to borrow, and Reluctant to use better technologies in production The other obstacles which can hinder or delay establishment of MFIs and affect performance of MF in its role of enterprise development are believed to be the uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs. Similarly, physical and socioeconomic barriers may also contribute to the failure. These include poor infrastructure, remoteness, difficult terrain, illiteracy, poor healthcare, malnutrition, caste or ethnicity and gender.

2.4.2 Challenges of poor households in rural and urban people in Micro finance institutions

This section deals with review literatures that related to challenges of people who are participated in microfinance service

2.4.2.1 Interest Rate

Micro finance Institutions charge high administrative costs and higher charges for risk coverage, which is in addition to the market interest rates, and taking advantage of the niche market for microloans (Morduch, 2010). However, According to Khan and Rahman (2007) study although some individuals argue that ,the interest rate of MFIs is high, in their analysis they found that most of the study participants did not have the same opinion on this issue and found it to be reasonable.

2.4.2.2 Diverting loan to urgent problems

According to Khandker and Zaman (2012) diverting loan money to urgent problems especially for basic need and for unexpected crises is among the challenges individuals face in microfinance in repaying the credit. Thus, the potential of microfinance can be best exploited by recognizing the lessons from careful impact evaluation studies. Bamlaku Alamirew (2006) also added that, clients were using the loan for unintended purposes. The poor divert loan to their urgent problems, because, it is clear that not all borrowers benefit equally as it depends on their local economic environment, their entrepreneurial ability and the extent their income sources is diversified(Levin ,2012).

2.4.2.3 Production failures in Rural and Small Size enterprises

Concerning the constraints of client in microfinance intervention, the study done by Jemal Abafita (2007) and IFAD(2008) noted that poor rainfall, small farm size, and shortage of labor during peak agricultural seasons as the main constraints.

When the literature review summarized as far as the reviews of various literatures were concerned, accessing finance to the marginalized segment of the society is best strategy to achieve the objectives in addressing economic and social poverty.

2.5 Empirical Evidence of Microfinance institutions

It is possible to see the empirical evidence of micro finance institutions challenges in different countries. For instance, in Ghana: the descriptive finding of the study in this country divided challenges in to internal and external challenges.

2.5.1 The Internal challenges of Microfinance in Ghana

One of the most fundamental internal challenge of MFIs in Ghana is high operational/transaction cost. The operational costs include payment of rent, utility bills, salary of employees, travel and transportation, administration, depreciation etc. Electricity and water tariff hikes coupled with epileptic nature of supply forces MFIs to provide themselves with electricity and water at exorbitant costs resulting in high operational costs, thus threatening their survival. Other operational costs include mobile service, door to door service which is the most used medium for advertising MFIs products. In sum, small units of services, pose the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations especially in rural communities.

Another important internal challenge identified to militate against the performance of MFIs in Ghana as identified by Asiama and Osei, 2007; Gyamfi, 2012; Boateng and Boateng, 2014 is limited support for human and institutional capacity building. The paucity of human capacity in the microfinance sub-sector in Ghana has been an issue from the days of RCBs. According to Asiama and Osei, (2007), one of the major problems of the microfinance sub-sector is recruitment of effective and appropriate manpower. This they ascribed to the inability of the sector to adequately compensate personnel. Other human resource problems faced by microfinance institutions include lack of training opportunities and poor conditions of service. The quality of manpower in these institutions is reflected in the poor performance of many of them, inefficiency and high levels of frauds and forgeries.

2.5.2 The External challenges of Microfinance institutions in Ghana

One of the most fundamental external challenge MFIs in Ghana have is the near absence of basic infrastructure.

This lack of basic infrastructure compounds the operational difficulties of these banks, which ordinarily are faced by high operational costs because of their nature of business. By dealing with many small customers MFIs' transaction costs are usually higher than those of conventional banks. Regrettably, these banks are also forced to incur additional costs to provide themselves with electricity and water. The absence of good roads, electricity, telecommunications and information technology etc especially in the rural areas also distorts their outreach Asiama and Osei, (2007). All these work in concert to drive cost of operations up and put them at a very big competitive disadvantage.

The lack of banking culture in the rural areas, per-urban and among the urban poor is another factor militating against the growth of MFIs. Traditionally, these people borrow money from friends and relatives and repay the same amount of money borrowed no matter the tenure of such loans. They therefore find it difficult to understand the payment of interest on bank loans, coupled with the fact that the rate of interest charged by MFIs leaves a lot to be desired. According to a study carried out by Boateng and Boateng (2014), MFIs charge between 40% - 100% interest on loans while they pay 3% to 6% on savings (www.vibeghana.com).

2.5.3 Prospects of microfinance institutions in Ghana

An unarguable as a lot of opportunities exists in the microfinance subsector in Ghana. Scholars are agreed in their agreement that there exist a large untapped market for MFIs. Ghana Web, 2010, Osei-Boateng and Ampratwum (2011), buttresses this by pointing out that about 80% of the Ghanaian population is engaged in the informal sector or agricultural production. Going by the country's population of over twenty six million people we can deduce that about sixteen million are in this sector. In the same line though differing in figures, Akuffo, (2014) held that MFIs in Ghana only serve less than one million people against the over fourteen million adult population that require their services. The scenario above is indicative of an enormous market which MFIs can take advantage of. This large untapped market in the microfinance subsector is further enhanced by the fact that over 70% of the entire population of Ghana has no access to banking services (Akuffo, 2014; www.business.myjoyonline.com). To say that this leaves a lot of room for existing MFIs to expand their scope of operations and for new ones to enter will be stating the obvious.

Government's renewed interest and improved regulatory environment in the microfinance subsector also enhances the prospects for development and success of MFIs. One indication of this is the implementation of training programs for regulators, promoters and practitioners by the government.

2.5.4 Microfinance experience in Kenya

Kiiru and Mburu (2006) conducted a research on microfinance Entrepreneurship and Rural development in Makueni District, Kenya (2006). In their studies they tried to find the main resources those under what circumstance microfinance creates jobs, and increases wage employment and higher income in the rural areas. They used two main addressing research questions, those were, what are the individual household characteristics in the rural areas and

which of these household characteristics are important determinants in the participations and joint liability microfinance borrowing groups. The second question was the effect of those loans on the livelihood assets of households. They employees rich cross-sectional data set collected from the south western part of Makueni district of Kenya to study the households to assess to microfinance credit and how this affects their livelihoods.

They analysis based on the mainstream theoretical work on rural development through entrepreneurship. In their study the result was interacting the econometric model show that demand for joint liability microfinance loans decreases with household socio-economic status. The principal finds of them were microfinance is only option for the relatively poor of the society among the participating poor. There are the better “off poor” or the “active poor” who are likely to get positive impact from microfinance and thirdly they investigated that the vulnerable poor have a great risk to slide backwards in the course of strengthen loan repayment procedures from the results of their findings they discovered two kinds of entrepreneurship in the rural areas. The first was the opportunity” arisen entrepreneurship and the second were “necessity or survival” arisen entrepreneurship household involves in necessity entrepreneurship tend to be of lower socio-economic status, are looking for basic household survival in terms of meeting basic needs, like food and medication. These households are likely to deplete their livelihood assets in loan repayment and are more likely to become worse off in the process of borrowing and repayment in a market oriented microfinance intervention. The result also shows that loan repayment rate by the point liability borrowers are well above 97%.

Generally Kiiru and Mburu (2006) used different models to move how microfinance aided rural poor lives and livelihood they used econometric model, theoretical model, welfare, effects of microfinance sustainable livelihood, rapid appraisal method for measuring relative poverty regression,...etc. they conclude that there is need to create police that create demand for goods and services in the rural area. As well as an urgent need to set up microfinance regulatory frame work that protects pre-existing properties of the borrowers. As expecting such regulatory policy is likely to change the course of microfinance institution as they attempt to reduce the eminent risks given that the poor would no longer be pushed below their current welfare to repay their loans.

Brune (2009) he carried out a study in Africa and Asia, to assess the impact of microfinance institution role on development especially micro credit is the most robust mechanism to enhance development in recent years by employing mixed market data base, descriptive analysis, economic analysis, statistical regression analysis by ordinary least squares. According to the different model of finding shows that trigger strategy in group lending is efficient, if the individual profit generated through micro credit exceeds opportunity costs of the alternative income. By saving Traps in micro-economic growth model, he conclude that micro-finance institutions are through simple yet sophisticated lending schemes, they support poor people by granting micro credit and enhance private savings. Increases in saving or saving rate can, in turn enable an economy to pass a privative level of capital accumulation and associated level of income and, hence, to evade stagnation caused by saving traps. Based on the descriptive analysis, selecting microfinance institution, it is striving that the number of employees as well as clients has been strongly increased during the past decade implying increased demand for microfinance services. Their contribution to the development of the poor functions in their content of origin Asia, as well as, African countries.

Kulkarni (2011) carried out a research on women's empowerment and micro finance an Asia perspective study in akitan employing /field studies conducted under IFAD. They principal finding was, the microfinance improves the lives and the livelihood of the poor, poverty alleviation intervention do not exist in isolative. Rather they are rooted within the large social matrix that influences them that they restrain influence this social matrix consists of economic, political, ideological and cultural categories. The issue is also related to the potential microfinance in that it indicates the empowerment of women and poor end vulnerable people through microcredit is also dependent on the large social matrix.

The empowerment political and significance of the larger social matrix indicate the microfinance needs to be designed not an economic model, but as holistic approach to development, women should benefit from the loan. On his research he also identified how culture interacts with microfinance promises an effective implementation of microcredit programs this requires a more sophisticated and nuanced analysis of culture to understand the empowerment/access linkage.

In relation between microfinance and women empowerment, there are a few forms of cultural structures that are particularly relevant both conceptually and in-terms of policy. These includes

gendered norms, symbols and forming process, in each of these forms the significance of culture, in understanding and explaining the relationship between microfinance and women empowerment is revealed.

Moti, et.al (2012), carried out research in Menu Town, in Menu country of eastern province of Kenya, the target population was 70 credit officers of the 14 microfinance institutions registered and operating in Menu Town. Under the file of effectiveness of credit management system on loan perform from microfinance sector in Kenya by employing descriptive survey design, the main principal of Anthony (2006) findings was the relationship between the capacity of client to repay and loan performance as supported by the computed chi-square value ($\chi^2 = 10.868$) at 3 degree of freedom the computed value for this variable was 0.012 less than 0.05 at 95% confidence level. This therefore means that capacity to repay is critical in client appraisal and microfinance institution should consider the capability of the customers they are awarding loans to repay.

2.6 Microfinance Trends, Problems and Prospects

The microfinance trends, problems and prospects are divided into three sections. Under microfinance trends it deals with why microfinance? The second section is related with the various problems like deserving poor are still not reached, regional disparity, high interest rates, low depth of outreach and lack of insurance services in the growth of microfinance and the third section incorporates the prospects of microfinance program.

Microfinance scheme provides a wide range of financial service to people who have little or nothing in the way of traditional collateral. It helps them to build up assets, survive cross and to establish small business to come out of poverty. Except extending small loans (micro-credit) microfinance program provides various other financial and non financial services, such as saving, insurance, guidance, skill development training, capacity building and motivating to start income generating activities to enhance the productivity of credit.

2.6.1 The role of governments

In several African countries for example, Ghana, Guinea, Tanzania and Uganda governments have in the past relied on state-owned banks to extend rural and urban credit and microfinance services. In most cases, these banks have incurred large losses and have had to be restructured, recapitalized, privatized or liquidated. This experience of failed state-owned banks has led

African governments to focus on financially viable approaches to providing microfinance and on developing regulatory and supervision frameworks that are well adapted to supporting such an effort. In Ghana notably, NGOs have worked extensively in the northern part of the country, where licensed MFIs are scarce. In Tanzania, NGOs and donors are heavily involved with all layers of the microfinance system, from regulators to rural MFIs, in staff capacity building and technology transfer. To mention only one of many examples, the Department of International Development (DfID) works and provides funds for capacity building to the Microfinance Capacity Building Program for Africa (AFCAP), and to Micro save Africa a joint initiative with UNDP to provide technical assistance to organizations to strengthen the development of saving services. Regulatory systems in the countries reviewed have evolved through a cycle of easy entry, weak performance, and finally tightening up of regulation and restructuring. (World Bank, 1997)

This evolution generated adaptive licensing and regulatory frameworks that proved conducive to the development of the sector, but exemplified the risks associated with lax regulation of microfinance activities. In all four countries reviewed, the failure of major institutions led to major restructurings.

The success of those restructurings was allowed by the simultaneous strengthening of the regulatory environment and of the supervisory capacity to avoid moral hazard problems. The experience of the four African countries reviewed.

2.7 Sustainability of the Microfinance Program

The benefit of sustainability of microfinance is for the people who need the financial support. The Microfinance program is a significant and growing industry, the institutions gives benefits to the society, many can survive and manage their home well, send their children to school; eat three times a day and can even save some amount of money for emergency cases. Many MFIs in Ethiopia can deliver financial services in a sustainable way. Many can survive and benefit from the program and be self employed.

The number of borrowers and size of institution are used to measure sustainability of the institution (Littlefiel, Murdudh and Hashemi, 2003). According to Wolday 2005, Review of MFI in Ethiopia), the success of microfinance activities in Ethiopia depends on good governance in

improving the social performance. Most clients' income depends on agricultural products that affect the performance of the microfinance institution because of the fluctuations of product prices that are difficult to predict. The governance should ensure consistency between various aspects of its social activities by analyzing the strength and weaknesses of institutions.

Self- Sustainability: Microfinance industry sustainability measured by return on asset and return on equity (Consultative Group to Assist the Poor CGAP, 2003).

Sustainability challenges: Microfinance institutions ability to continue operating and grow in the future is dependent on profitability of the institution. Profitability of microfinance institutions were measured and analyzed using operational and financial self sufficiency, return on assets and return on equity ratios. ROE:-For this purpose, the institutions return on equity (ROE) ratios has also been tested. Accordingly, Gasha MFI the results obtained shows unfavorable (negative) results with the ROE ratios of -4%, 2003 and 2007 fiscal periods. The unfavorable ratios are the results of the huge net loss reported by the firm during the year. SFPI's and ADCSI's ROE average ratio for 2003 and 2007 fiscal periods are 1% and 5% respectively which is unfavorable because it could not even meet the minimum requirement of 9% and compared to the main stream banks the result is too low to attract any capital to the institution.

Financial sustainability (profitability)

Indicators;

$$\text{ROE} = \frac{\text{After-tax profits}}{\text{Starting (or period-Average) equity}}$$

$$\text{ROA} = \frac{\text{After-tax profits}}{\text{Starting (or period-Average) assets}}$$

Portfolio Quality Ratios: - The study also examines the portfolio at risk of the firms by comparing the outstanding balance of all loans with 30 days (PAR>30) past due payments with the value of current portfolio outstanding. Hence, for all three MFI's Gasha, SFPI and ADCSI the result revealed shows due passed loan stood as high as 37% in2006 for Gaha, 200% in 2004 for ADCSI and 9% in 2005 for SFPI. This high none performing loan ratio shows, the firms

ineffectiveness and those financial institutions could not be self sustained. Taking into account the regulation of NBE for provisioning for none performing loan, all three institutions seriously suffer profitability and lose of fund. The other challenges of today's MFI is their clients portfolio, most of the clients of those MFI's are under educated and do not have training in their sector of engagement. Improving their skill makes them competitive and these in turn make them profitable to repay their loan. All MFI studied do not have automated MIS system, they depend on manual operation for their management information system. This manual operation worsens already difficult process of managing loan even more challenging. Experience form the main stream banks in Ethiopia and other countries experience in MFI shows that automated MIS system could play a constructive role in follow-up of none performing loan efficient service and better management and reporting.

On the basis of government regulation and supervision Microfinance Institution regulated in order to have sustainable delivery of financial service for the poor people. Based on the survey made and from literature in the previous sections of this paper the regulatory framework for Microfinance Institutions in Ethiopia brought many benefits and challenges for the institutions. Moreover, microfinance in the rural areas lack a means of keeping information because of the ICT and electricity goes off and on. Black out is a serious problem in the country which actually affects the handling and functioning of these small and large scale banking as a whole. Some who works in this sector are not trained thus lack adequate skills of organizational knowledge management. In collecting information on sustainability and up-to-date information, most of microfinance institutions are not keeping the data in the required format. Microfinance risks may come from external or internal environment, however many MFIs in Ethiopia give small attention to identify and manage these risks.

MFIs managers should consider risk management in providing guideline to strict licensing and minimum capital requirement, responsibility and standard regarding owners. Most Microfinance institutions in Ethiopia follow Greeman loan method which is group lending, this method helps the poor not to show collateral, and rather each group member is collateral for each other. However when the size of the group member exceeds more than 5 there will be problem inside the group member, each person has different character, need and may not commit equally for the

group. The performance of Microfinance Institution is best evaluated in light of the institution's context and stage of development

2.8 The Development of MFI in Ethiopia

The development of microfinance institutions in Ethiopia is a recent phenomenon. The proclamation, which provides for the establishment of microfinance institutions, was issued in July 1996. Since then, various microfinance institutions have legally been registered and started delivering microfinance services (Wolday, 2000). In particular, the Licensing and Supervision of Microfinance Institution Proclamation of the government encouraged the spread of Microfinance Institutions (MFIs) in both rural and urban areas as it authorized them among other things, to legally accept deposits from the general public (hence diversify sources of funds), to draw and accept drafts, and to manage funds for the micro financing business (Gobezie, 2005).

The Ethiopian microfinance sector is characterized by its rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed Microfinance Institutions (MFIs), an emphasis on rural households, the promotion of both credit and savings products, a strong focus on sustainability and by the fact that the sector is Ethiopian owned and driven. The regional state governments and many local NGOs are shareholders in many of the MFIs. Some of them are Amhara Credit & Savings Institution, Dedebit Credit & Savings Institution, Oromia Credit & Savings Institution, Omo Microfinance Institution, Addis Credit and Savings Institution, Dire Microfinance Institution, Benishang Microfinance Institution, and Harar Microfinance Institution. The three largest micro finance institutions account for 65% of the market share in terms of borrowing clients, and 74% by loan provision. These are Amhara (ACSI), Dedebit (DECSI) and Oromia (OCSSCO) Credit and Savings Institutions. Microfinance institutions are decisive way outs from the vicious circle of poverty particularly for the rural and urban poor in a country like Ethiopia where many people live barely below the absolute poverty line.

Ethiopia is one of the lowest income countries in the world. Its economy, which is mainly dependent on agriculture, has been hit by several internal and external shocks. Devastating wars, frequent draughts, high population growth, distorted investment environment, volatile primary product prices, etc have been some of the shocks the economy has been experiencing (Deribe. et al, 2000).

2.8.1 Credit policy in Ethiopia

The formal and informal financial sectors are the principal sources of finance for any investment or business that can be undertaken at micro, small-scale and large-scale levels in an economy. The major financial institutions in the formal financial sector in Ethiopia are the commercial Bank of Ethiopia (CBE) and the Development Bank of Ethiopia (DBE). As (Dejene, 1993) noted, because of the elaborate paper work, bureaucratic lending procedures and stringent collateral requirements, the institutions do not deliver credit as and when needed. Moreover they operate at high transaction costs. One of the MFI so established is Oromia Credit and Saving Association (OCSA for short) which is operating in the Oromia Regional State of Ethiopia. It was originally established as Oromo Self Help Organization (OSHO) in 1996 to deliver credit and mobilize savings in rural Oromia. Soon it was transformed into OCSA and got registered in 1997 as per proclamation No 40/1996. The general objective of OCSA is to alleviate poverty and promote economic development through provision of credit and saving services.

The specific objectives of OCSA include: Achieving household level food security in Oromia, increasing household income, and improving the overall economic and social conditions of rural households. Regarding the program norms, OCSA's average loan size for the first loan is Birr 1000. A client obtains the next higher loan after the successful repayment of the first loan. Loan terms of OCSA are established at different levels for different activities with a maximum loan period of one year. To ensure the viability and sustainability of its operations OCSA charges 12.5% per annum on its loan amount and interest will be paid on declining balance. On the other hand OCSA pays 8% interest on the amount saved by its clients. OCSA is currently operational only in 29 districts of Oromia. Yet, the entire region has, 180 districts. This indicates OCSA is at its infant stage, requiring tremendous expansion of its activities to reach the rural poor (MFDR, 2000). OCSA is confined in areas where the majority of small-scale poor farmers live.

2.8.2 The development of the microfinance industry in Ethiopia: performance, problems and prospects.

The delivery of financial services in Ethiopia through the MF has increased in a brief period of time. Both outreach and sustainability of the microfinance institutions have increased significantly. There is clear empirical evidence that the microfinance institutions are efficient but unprofitable due to low lending interest rates. The MFIs have mobilized significant amount of

saving and addressed the difficult task of reaching the rural poor. This is partly the result of a favorable legal and policy environment in the country. In spite of the significant outreach of the microfinance institution, there are problems of addressing the hard core poor, monitoring the regulatory framework, limited support to micro and small enterprise development, limited awareness of the role of micro finance in poverty alleviation, lack of loan fund, weak legal system, the delivery of supply-driven financial products, low lending interest rates, limited capacity of the national bank of Ethiopia, limited capacity of microfinance institutions and poor infrastructure, which need to be resolved.

2.8.3 Challenges faced by micro financing

The Microfinance Institution in Ethiopia is growing in well and changing the lives of the poor. Besides the good things, some challenges which faced MFIs are lack of adequate whole sale funding possibilities, lack of knowledge about microfinance services and standardized reporting and performance monitoring system, high operating and financing expenses and high turnover of MFI staff consequently deteriorating the skills based in the industry, weak governance and management capacities for further developments and limited financial products unable to address the various needs of clients.

Similarly, less attention and emphasis on the financial sustainability of MFIs, inadequate donor funding and drought and local market failures, low interest rates in the microfinance industry affecting the financial health and viability of MFIs and Poor infrastructure affects the outreach and sustainability of MFIs. This increases the transaction cost and affects the profitability of the institution are some challenges faced by MFIs (Wolday, 2000).

CHAPTER THREE

3 Research Methodologies

3.1 Site selection

The study was conducted in Meta Robi woreda located east of Ambo, the center town of west shewa zone in Oromia Regional State. The fact that this woreda was selected is based on the reason that Meta Robi Credit and Saving Share Company have a one decade of service in the woreda and it is appropriate to see its challenges and prospects on its coverage. On the other hand the researcher has been worked for long period of time in the woreda under studied, so that he has opportunities to get official document/ information for the intended questions thus why he selected the branch or Meta Robi CSSCO in west shewa zone Oromia Regional State.

3. 2 Selection of appropriate method

Choosing a research method and design requires acceptance of trade-offs between time, cost, favorable environment (politics, security...) and confidence that one can place in the expected findings (Mulugeta Debebe 2012: 68).

Documenting the research methodology is important for seeing how the conclusions are drawn from the empirical evidence, to help others who might want to do the research over and over again and to assess the overall quality of the study. This chapter presents research methodology applied in this thesis. It comprises of the research approach; research design that includes research strategy, unit of analysis and research method.

Mixed method research combines both qualitative and quantitative approached to social research at the same time. This study employs both quantitative and qualitative research approach for gathering data and analyzing the evidence and the approach.

3. 3 Research design

This study adapted a descriptive research design. The researcher aimed to collect data on the challenges faced Meta Robi credit and saving share company and the prospects it attained in the study woreda. Descriptive research design is used when data collected describes persons, organizations, settings or phenomena. This approach is appropriate because the data collected mainly involved descriptions of the different variables in the study. This descriptive research

design enabled the research capture quantitative data to provide in depth information about the factors affecting the activities of Meta Robi woreda credit and saving share company.

3.4 Population and Sampling Technique

3.4.1 Target population

Currently there are 41 rural and 5 towns the total of 46 kebeles in the study area. Which need financial service from Meta Robi credit and saving share company. The woreda kebeles populations are the target population of the study for this case study.

From 46 kebeles residents in the study woreda 24 were accessed to service. Due to time and financial constraints, it is difficult to study entire population; as a result, the researcher selected a sample of respondents from sample population. The six kebeles beneficiaries, Meta Robi Credit and Saving Share Company Office staff members, organized micro-enterprises, and stake holders/community elders were the sample respondents.

3.4.2 Sampling techniques

Meta Robi Credit and Saving Share Company currently give service for organized micro enterprises groups and other poor rural and urban people's in 24 kebeles out of 46 kebeles in woreda. The researcher selected a sample of six kebeles out of 24 kebeles, which are accessed to service. Those six kebeles selected purposively by applying non-probability sampling method. The six sample kebeles were comprised three (Shino, Ketketo and Goro) from towns and three (Gola-Gurji, kimo-Dima and Suba-Gajo) from rural accessed kebeles based on the categories of Meta Robi Credit and Saving Share Company borrowing credit and repaying performance rank, which are from the top (4) one, from middle (13) three and from lower (7) two have been selected. The total number of the sample frame populations from six sample kebeles were about 575 which are about M=358 and F=217. In-addition researcher used non-probability sampling technique called purposive for interview and group-discussion and convenience sampling technique for open ended and close ended questionnaires. Hence, the total sample size for this study was 114 respondents.

Table 1 Selection of Informants

No	Sample kebeles	Sample frame	Sample taken from sample frame in %		
			1(10%)	2(3%)	3
1	Town=Shino-01	106	11	5	-
2	Town=Ketketo	95	10	5	-
3	Town=Goro	63	6	3	-
4	Rural=Gola-gurji	100	10	5	-
5	Rural=Kimo-Dima	75	8	4	-
6	Rural=Suba-Gajo	80	8	4	-
7	Management & experts	26	3	-	2
8	Stakeholders/community elders	30 (from each kebele 5)	-	3 from each kebele	2from each kebele
9	Total	575	56	44	14

For all the interviews 14 (two respondents from each sample kebeles and two from MRCSSCO management and experts, focus group discussions 44 (4 to 6 respondents from each sample kebeles) and questionnaires 56 (10% from each kebeles sample frame respondents) key informants from the three kebeles, and three towns and from woreda level were taken.

1. Informants for questionnaire from each sample frame in convenience sampling method (10 %)
2. Six sample kebele informants for focus-group discussion by purposive sampling technique from each sample frame beneficiaries, and stakeholders/community elders.
- 3 The informants for interviews by purposive sampling technique from sample beneficiaries, MRCSSCO staff members and stakeholders/community elders.

3.5 Data Source and Data Collection Instrument

3.5.1 Data source

The data source for this study was primary data sources and secondary data sources. The primary data collection have been done through questionnaires, group discussion and interview and the secondary data sources was from Magazines, books, reports, woreda sectors, journals, articles, related literatures, website and the like.

3.5.2 Data gathering instruments

The researcher used both primary and secondary data sources. The primary data collection has been done through questionnaire, group discussion, and interview. And secondary data were collected by referring books, journals, MRCSSCO documents, reports articles, web-sites...etc. the primary instruments translated to'' Oromiffa'' language.

Questionnaire administration: - administration of questionnaires is the chief instrument for the collection of data in the research. According to questionnaires asking in both open-close and close-ended questions were used.

The researcher used questionnaires for primary data sources from concerned institution office that was, Meta Robi credit and saving share company office staff members and woreda sample kebeles beneficiaries and stake holders.

Focus Group Discussion /FGD/ this instrument also for primary data sources by forming one-one small homogeneous groups of selected informants from the survey population with some 4 to 6 individuals in each group from each sample kebeles. It was appropriate instruments for qualitative data collection in that it provides some quality control on the accuracy of the responses given by the participants in the focus group discussion which helps to check on each other opinion.

Key informant Interview: - this instrument carried out to obtain information on community profile. The informant includes community elders, stake holders living in the study area or working at the study site, youth association, basic cooperative members and peasant administration (PA) officials to get reliable community profile, the interview questions were structured and unstructured form.

3.6 Method of data analysis

The data were collected analyzed by **quantitative** and **qualitative data** analysis techniques. Data which collected from sample respondents through questionnaire were analyzed quantitatively, because it concentrates on measuring or counting and involves collecting and analyzing numerical data and applying statistical tests. By categorizing in table and processed to provide frequency tables and percentages.

The information gathered through interview and group discussions were analyzed qualitatively in exact words of the respondents. Because it describe the state of affairs as it exists and involve studies that do not attempt to quantify their results through statistical summary or analysis.

Chapter Four

4. Description of the study area

4.1 Background of Meta Robi woreda

Meta Robi woreda is one of the 18 woredas of West Shewa Zone in Oromia Regional State, which geographically located in the Eastern part of the Zonal Center, Ambo. When we see its Relative location it bounded in north with north shewa (Salalie) Zone, in south with Ejere and Jeldu woreda, Adea-Berga woreda in east and Abuna Gindeberet woreda in west.

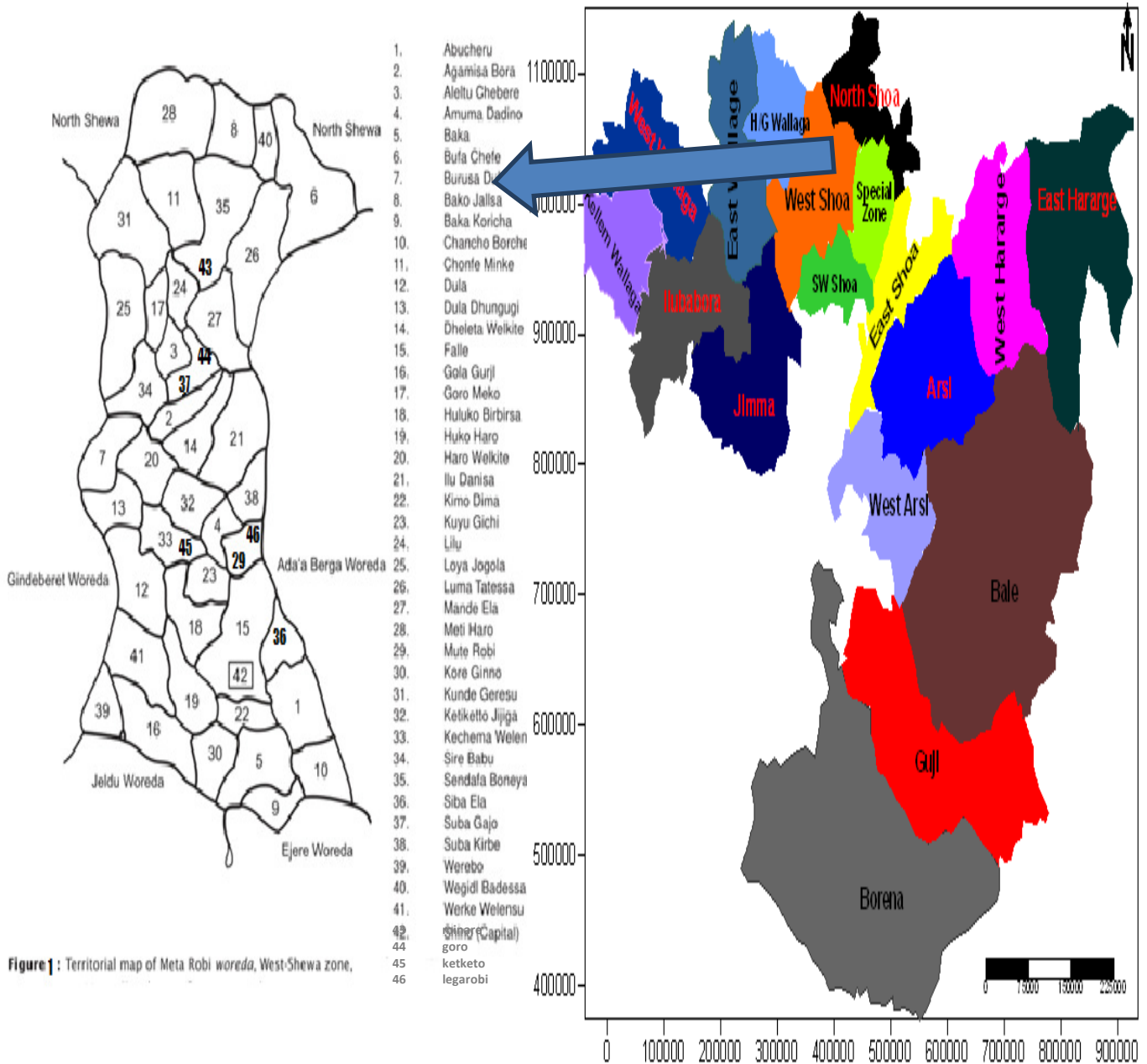


Figure 1: Territorial map of Meta Robi woreda, West Shewa zone,

Source: NCCR North-South Dialogue, no. 39 2012

Map 1 of oromia (ODA, 2011)

According to 2007 CSA report a total population of Meta Robi woreda was 140,627, of whom 69,664 were men and 70,963 were women; 4,027 or 2.86% of its population were urban dwellers. An estimated area of 972.51 square kilometers, Meta Robi has an estimated population density of 148.2 people per square kilometer, which is less than the Zone average of 152.8. As 1994 national CSA the two largest ethnic groups reported in Meta Robi were the Oromo (97.61%), and the Amhara (2.33%); all other ethnic groups made up 0.06% of the population. The Oromo language was spoken as a first language by 99.15% the majority of the inhabitants said they practiced Ethiopian Orthodox Christianity, with 62.35% of the population reporting they observed this belief, while 27.49% of the population was Protestant, and 9.76% practiced traditional beliefs.

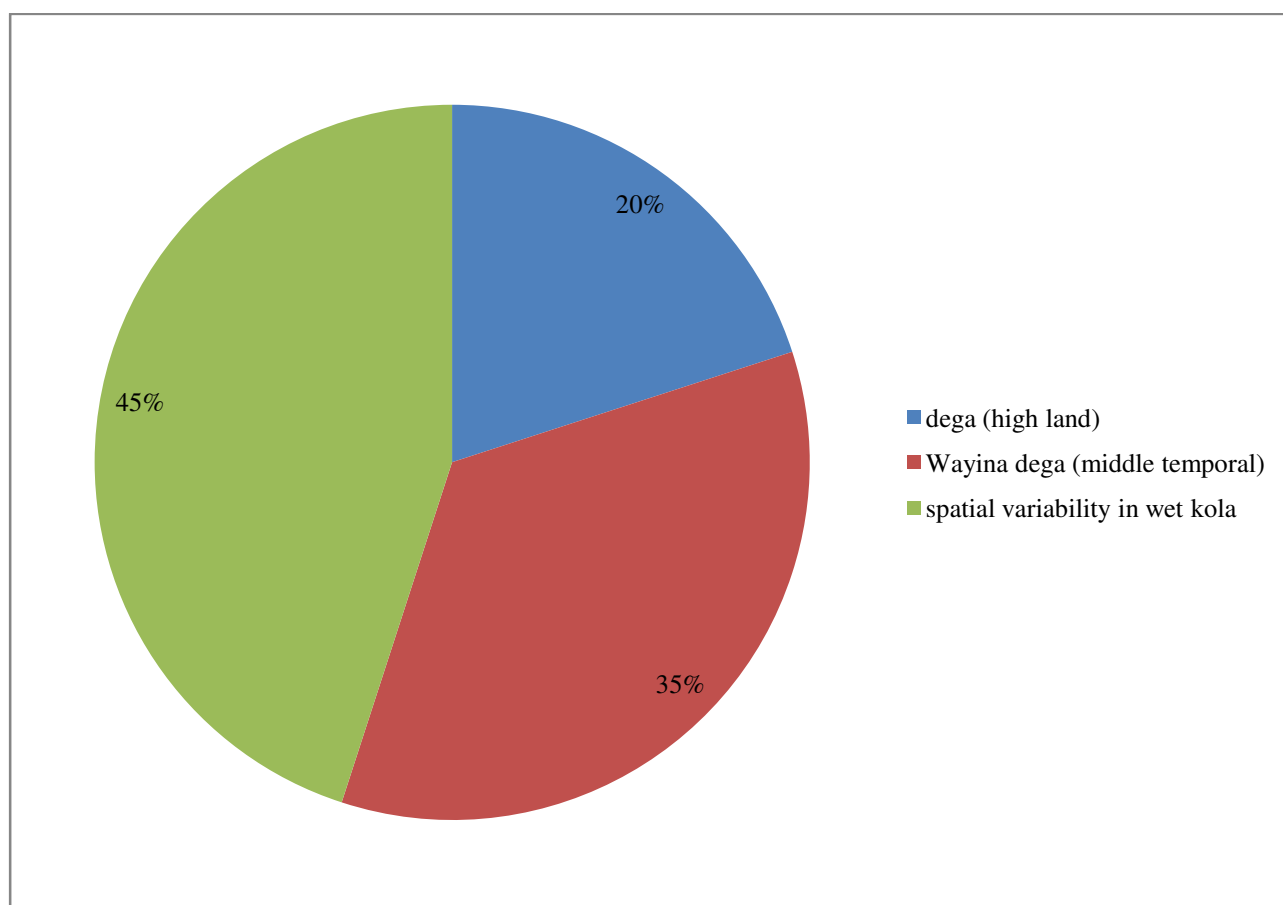


Figure 2: Meta Robi Woreda Topography

According to the woreda Agriculture office Meta Robi woreda is ecologically characterized by long wet season, with main rainy season between June and August. The woreda is characterized

by 20% dega (high land), 35% Wayinadega (middle temporal), and 45% spatial variability in wet kola, with annual precipitation ranging from 1000mm to 2000mm.

The woreda comprises of 41 kebele peasant associations and 5 urban dwellers. From 41 kebele peasant associations and 5 urban dwellers of the woreda 24 kebeles were accessed to the woreda Credit and Saving Share Company services.

The woreda has eight perennial rivers. The woreda is known for its staple grains like wheat, teff, barely, maize and others like potato and sweet potatoes. Livestock production, goat, sheep, cow and oxen, mule and horse are the main livestock resources. The woreda also has great potential in cement, gypsum and other minerals, if it will be well managed and handled, there are many minerals within Meta Robi Woreda.

4.2 Social institution in this woreda

A. Health

The woreda health institutions consists of 41 health posts, 6 health station, 12 private clinics, 1 drug shops. According to the woreda health, office the health coverage of the woreda reaches 93%.

B. Education:

Regarding educational institution, there is one kindergarten, 4 (1-4), 54 (1-8). However, educational coverage in primary school is 126%, Secondary school, 4 (9-10) and second cycle secondary school, 1 (11-12) covers 11% and 3.9% respectively. From 46 total kebeles of Meta Robi woreda functional adult literacy program has been in seventeen stations.

C. Micro enterprises

The number of organized micro enterprises is in urban 41 with members of 302, whereas the rural are 60 with members of 1526. The numbers of kebeles having service by MRCSSCO are rural 19 urban 5 a total of 24 kebeles.

4.3 Meta Robi credit and saving share company

MRCSSCo is a microfinance institute which operates within the boundaries of Meta Robi woreda kebeles Administrations. It was established in July 2007 and registered with the Oromia credit and saving share company. This MFI seeks to reduce the rural and urban poverty and unemployment and change the living standard of the poor people in the study woreda.

According to the Meta Robi woreda credit and saving share company manager, MRCSSCO has currently has three main sources of funds which include, loans from the Oromia credit and saving share company, own equity and savings. The share company offered Small loans suitable for rural and urban low income households for different business activities such as retail, petty-trade, farmer and handcraft. In addition the share company offered for civil servants for different purposes.

4.4 Institute related challenges

As literature part of this paper showed the trends of microfinance institutions challenges they faced when they implement their scheme due to different cases. Some challenges such as, lack of adequate wholesale funding possibilities, lack of knowledge about microfinance service, high operating and financing expenses, standardized reporting and performance monitoring system, weak governance and management capacities for further developments and limited financial products unable to address the various needs of clients. Similarly, at observation period the target woreda faced some of the above challenges specially, in the beginning lack of documentation, standardized reporting, management capacities, operating and financing expenses are still the share company problem which did not overcome in the institute. The other factors those challenged the share company faced were;

- Poor infrastructure,
- lack of access to financial market,
- low capital formation,
- environmental degradation,
- fast population growth,
- backward farming system, and
- poor living standard of the people have been faced the woreda share company for the last nine years in the area.

4.5 Institute related opportunities to sustain

Meta Robi credit and saving share company has the opportunity for sustain in this study area. Indicators are;

Exceed number of low income people, unemployed young people, number of organized micro enterprises, which are 41 and 60 in urban and rural respectively. The amount of disbursed and loan recovery was shown change and improved from time to time. The culture of saving and borrowing of the client was changing.

Table 2 below shows the characteristics of the loan disbursed and recovery between 2011-2015 by MRCSSCo.

year	Loan disbursed	Loan recovery		No. of clients	
		amount	In%	male	female
2011	1,163,500	988,975	85	840	250
2012	1,479,300	1,316,577	89	930	228
2013	10,425,700	9,695,901	93	2,379	1,388
2014	12,075,614	11,471,833.3	95	3,511	893
2015	12,829,547	12,059,774.18	94	2,375	828

Source: MRCSSCo, 2016

The success of any scheme is measured from the criteria of the disbursed and recovery status of the share company loans. If the members of the scheme were profited from the loan then they will like to return loans at regular intervals in order to gain more loans. On the client side the numbers of beneficiaries were exceeded from the budget allocated for them. For instance, numbers of clients 1090 in 2011 and 3565 in 2014 and 3203 in 2015, due to the increments the beneficiaries the amount of money offered for individual clients were increased from 1000 Eth. Birr to 3600 Eth. Birr for the first entry and the recovery percent also improved from 85% to 95% from 2003/2011 up to 2007/2015.

Therefore, the disbursed and recovery of loans given under microfinance program was showed change from earlier, which is quite essential for program sustainability. It may also be interpreted that the microfinance system is working well for Share holder Group members as well as the funding institutions.

4.6 The amount of the loan the company offered for the clients

Regarding the loan offered to the client depends up on the applicants' business plan. According to table W below, MRCSSCO can give a maximum amount of 7000 Eth. Birr depending on the business plan. It should be noted that the maximum loan size for urban and rural is considerable greater than that of MSEs, business loan, bio-gas loan, general purpose loan for employees that have a maximum of Birr less than 10%. The loan product has a maximum period of one year and security conditions include the title of the business plan. The emphasis of the loans is very much on improvements of business activities profit. Currently, MRCSSCO issue loan in the name of group and whole group is considered responsible for repayment. The amount of loan depends upon the total accumulated amount of saving of the group and individuals' loan amount depends on the performance repaying. The share company has to make frequent and close contact with individual clients to provide credit products customized to the specific needs of the individual. The urban interest rate charged on their loan and saving amount was 13% and 5% respectively. Whereas, the rural is 17% interest rate and 5% saving.

Table 4 the loan amount offered by MRCSSCO for different business activities

Loan sizes/ Limits	Amount in Birr
Farmer	3000
Petty-trade	3000
Retailer	2100
handcraft	7000

Source: MRCSSCO, 2016

The loan given for client for different business activities

Petty trade includes: activities like **Local beverages** includes; selling local drinks, "Arake and Tela" both in the retailer in Gullet and in their home. **Selling** „shiro" literary mean powdered bean, „barbare" (hot pepper) „Injera"(Ethiopian traditional food like pancake), „Dabo" (bread)

„Anbasha“ (local bread) salt , charcoal ,vegetable , edible oil ,fruits, cheese , butter , and etc inthe „Gullit“ or in their home or in front of their home .

Daily labor includes; the wage earned through washing clothes; being house servant; collecting fire wood to sell in the market, participating in construction activities to earn living.

B. Handcraft included: activities like woodworking...chair, table, bed, shelf, “sofa”, “control-bufe”, door, window ...and box, in group or individually in shop or in their home corner under shadow.

C. Other activities like: Weaver, barber (tsegur astkakay), tailor,

D. Farming includes: Animal bearing, crop cultivation and fattening

4.7 Challenges clients faced

The major challenge micro-enterprises and urban and rural poor faced was lack of affordability interest rate charged on the loan due to their income low. Interviews and focus-group discussion with the low income people revealed that some who could have benefited from the loans were not willing to be indebted for long periods thus resulting in their reluctance to participate in the business loan products. However, the results revealed some urban, micro-enterprises and poor rural who were willing but could not benefit from it due to lack of secure residence as MFIs demanded large loan amounts for their business activities. These poor are then forced to make unnecessary repeat borrowings or use part of their savings to complete the business, thus adding unnecessary costs and burdens.

4.8 Client selection criteria

The institute selected the individuals clients based on their application by approving their resident kebele leaders stamp ratification. While the organization (micro-enterprises selection) was based on their tax-receipt, license, ID-card and their own stamp in what they were legalized. Between 2007 and 2015 the organized micro-enterprises have gotten loan services number were in rural 10 and in urban 20 the total of 30 each group with average members of 3 to 5, and the individual client number was between 1.45 thousand and 3.6 thousand in between 2011 and 2015.

CHAPTER FIVE

5. Data Presentation, analyses and Discussion

This chapter deals with data presentation, analysis and discussion that collected through questionnaires, focus-group discussion and interview distributed to 114 sample respondents, which encompass 56 questionnaires, 44 focus-group discussions and 14 interviews for beneficiary households, stakeholders and experts. From these questionnaires 50 (89.3%) respondents filled, while 6 (10.7%) have not responded for unknown reasons. From 44 focus-group discussion of six sample kebeles 29 (65.9%) have responded 15(34.1%) not responded, from six sample kebele respondents 14 interviewee, all have responded. From total respondents 81.6% gave their response, while 18.4% were unwilling to respond.

5.1 Demographic status of the clients

The demographic characteristics of the respondents such as their sex, ages, marital status, their educational level and family size, may have direct and indirect relations with the way they use the loan they borrowing. In addition, the challenge and prospects assessment involves a clear picture of the clients/households demographic characteristics such as sex, age, family size, educational level, job and marital status groups in the household. The following table summarizes the sample respondents' individual demographic characteristics.

Table 5 Sex Composition of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid m	31	62=60	62=60	62
f	19	18=40	38=40	100.0
Total	50	100.0	100.0	

Source: field survey, 2016

As the table indicates above out off the sample respondents 31(62%) of the sample clients/beneficiaries and the remaining 19(38%) were female from the total respondents. It is better to consider sex composition of the sample client's participation and their beneficiary to

understand the general situation of microfinance activities in the study area. Based on the data that is obtained from the beneficiaries/clients survey, most of the clients in the study area were male. From this it is possible to conclude that still there was gap between male and female in having their own resource.

Table 6 Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30years	31	62	62	62
31-40years	9	18	18	80
41-50years	5	10	10	90
> 50years	5	10	10	100.0
Total	50	100.0	100.0	

Source: field survey, 2016

As indicated in the table above the age of the clients in the study area were found in the age group 18-30 years which accounts for 31(62%) of the sample beneficiaries and stakeholders, 31-40 years account for 9(18), 41-50 years are 5(10%) and above 50 years comprise 5(10%) together. As the data shown in the table, large portion of the respondents which is 62% were found in youth age those who are in productive age group of the society and have contribution in development.

Table 7 Respondents marital status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid single	9	18	18	18
married	33	66	66	84
widowed	4	8	8	92
divorced	2	4	4	96
6	2	4	4	100.0
Total	50	100.0	100.0	

Source: field survey 2016

As the survey data shows above among the sample respondents of the clients in the beneficiaries survey, 33(66%) were married, 9(18%) single, 4(8%) widowed and 2(4%) were divorced. From this it's possible to conclude that more than half of the clients were married which is challenge to work and make profit, to save properly.

Table 8 Educational Levels of Sample Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
illiterate	12	24	24	24
1-4	10	20	20	44
5-8	19	38	38	82
Valid 9-10	2	4	4	86
11-12	3	6	6	92
diploma and above	4	8	8	100.0
Total	50	100.0	100.0	

Source: field survey 2016

As it indicated in the table above the educational status of the sample beneficiaries of field survey result showed that, 24% cannot read and about 76% can read and write. From these about 20% were (1-4), 38% (5-8), 4% (9-10), and 6% (11-12), and 8 % of clients were at college level and above. From this data it's possible to say around 24% of the respondents cannot read and write so they need near support to be fruitful Educational level of the sample respondents was collected by categorizing beneficiary household into illiterate, 1-4, 5-8, 9-10, 11-12 and college and above, the illiterate category includes clients who cannot read and write.

Table 9 Job of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
farmer	19	38	38	38
Petty. trade	15	30	30	68
hand craft	3	6	6	74
Valid civil servant	5	10	10	84
other	4	8	8	92
6.00	4	8	8	100.0
Total	50	100.0	100.0	

Source: field survey 2016

As table above indicates among the respondents of the beneficiaries and stakeholders 19(38%) were farmers, 15(30%) were petty-trade 3 (6%), handcraft, 5(10%) civil servant, and 4(8%) were others. From this data it's possible to conclude 38% of the sample respondents are farmers those who are charged high interest rate on their loan and faced challenges.

Table 10 Status of Clients Family Size

	Frequency	Percent	Valid Percent	Cumulative Percent
<2member	9	18	18	18
2-3member	25	50	50	68
Valid 5-10member	9	18	18	86
>10member	4	8	8	94
6.00	3	6	6	100.0
Total	50	100.0	100.0	

Source: field survey, 2016

As the above table shows among the questionnaire respondent clients gave their response around 50% have 2-3 family members whereas around 18% have 5-10 family members. Regarding the remaining respondent clients those who gave response by group-discussion and also interviewees have more than three family members. Concerning family size it has both positive and negative effects on household income generation. If we use active age for production it has benefit, in opposite to this if most family members are only consumers it is crises.

Table 8 Meta Robi share company and client’s Activities in Credit and Saving Program

I. Clients activities	valid	percents
Clients have their own business source before joining the program	Yes	38.3%
	No	59.6%
Client income contribution after joining the program increased	Yes	93.6%
	No	4.3%
II. Institute activities		
Credit program improved clients business activities	yes	93.6%
	No	6.4%
Meta Robi share company credit stimulates clients saving	Yes	95.7%
	No	4.3%
The institute offered the requested amount of loan for their clients	Yes	12.8%
	No	87.2%
The share company issued a loan/credit on time	Yes	44.7%
	No	55.3%
Clients are using loan entirely for the intended purpose	Yes	87.2%
	No	12.8%
Have you thought credit and saving program has future potential to sustain	Yes	80%
	No	10%

Source: field survey, 2016

As the table above indicated clients/beneficiaries served in credit and saving program of MRCSSCO have involved in different activities.

Regarding their status before they joined the program those who did not have their own business sources were more than 59% and around 38% have their own business sources. This showed as the clients since the program hold-on/began service they didn't have enough source to participate in business activities. On the other side as the information indicate in the table the income contribution of clients after joining the program have increased, and credit/loan program improved the business activities of the low income people in the study woreda. Similarly, the program stimulates the clients saving which was responded by 95.7% of the sample respondents, but clients can't get the amount of money they request from Meta Robi Credit and Saving Share Company. Because except 12.8%, 87.2% of the sample respondents gave their response as the institute didn't give them the amount of money they ask. At the same time the loan/credit that was asked by beneficiaries was not issued timely. As (Dejene, 1993) noted, because of the elaborate paper work, bureaucratic lending procedures and stringent collateral requirements, the institutions do not deliver credit as and when needed.

After they got the loan, they have the right to use for the intended purpose. When the respondents asked about the future potential of Meta Robi Credit and Saving Share Company 80% of the respondents have respond as it has future potential to sustain, while 10% of the respondents said it hasn't the future potential to sustain.

Table 11 Accommodation Status of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
owned house	35	70	70	70
rented	13	26	26	96
sharing	2	4	4	100.0
Total	50	100.0	100.0	

Source: field survey, 2016

As the result indicates in the table above among the respondent clients 70% have their own house/residence, 26% and 4% have rented and shared homes respectively.

Table 12 client after joining the loan/credit program

No	Meta Robi credit and saving share company contribution	strongly disagree	disagree	undecided	Agree	strongly agree
5	Micro-enterprises' income and saving has increased	-	5	3	67	25
6	People accessed to Better education and healthcare	2	8	9	51	32
7	People accessed to Better housing conditions		7	4	54	35
8	Employment opportunities and living standards in general have increased		10	22	48	20
9	The rate of interest of microcredit provided by this credit institution is high	6	18	18	42	16
10	The procedure of obtaining loans from MRCSSCO is easier than conventional banking	4	8	-	52	36

Source: field survey, 2016

5.2 The benefits the clients have gotten after they joined the program

As it indicated in the table above after the clients joined Meta Robi credit and saving share company program the actual benefits they have gotten was responded as follows;

From questionnaires 92%, from interviewee 86% and from focus group nearest to 93% were agree as rural and urban clients and micro-enterprises' income and saving increased, while 5% and 14% and 7% respectively not agree with the idea. Similarly between 51% and 54% of the

questionnaires, 79% interviewee and 97% FGD respondents agree as clients have better access to education, health care and house condition, 32% to 35% of the questionnaire respondents strongly agree, while 7% to 8% disagree. On the other side 48% from questionnaires, 57% from interviewee and 51% of the FGD respondents agree as employment opportunities and their living standard increased.

5.3 Interest rate charged on clients' loan

The respondent's idea related to the interest rate of microcredit provided by MRCSSCO is high and operational assistance received from MRCSSCO was helpful to run the business and to reduce poverty. This idea was supported by 58% questionnaires, 79% interviewee and 97% FGD respondents. While, they remain were disagree. Affordability of loan is equally important to the access of financial services to the low income poor people. Economic fundamentals encourage that every borrower is interest sensitive and the capacity of borrowing decreases with increase in interest rates. High interest rates may demonstrate to be counterproductive, and weaken the social and economic condition of poor clients. Meta Robi Credit and saving charged 17% on rural borrowers and 13% on urban loan they borrowed. This perceived by their clients and stakeholders as exploitive. The reason that forward by the woreda credit and saving institute was the interest imposed to compstate transaction cost, the cost of documents and some other charges. All Meta Robi credit and saving share company staff members responded in their questionnaire and interview as the interest rate the share company charge was not enough and it is low. So here is possible to conclude that there is different understanding on the interest rate charged on loan distributed. This showed that the interest rate the institute charged on clients was not having clarity for clients and need awareness creation.

Table 13 the Initial Capital of the Respondents

	Variables	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	personal saving	23	46	46	46
	friends and relatives	1	2	2	48
	loan from MRCSSCO	19	38	38	86
	Others	7	14	14	100.0
	Total	50	100.0	100.0	

Source: field survey, 2016

In the table above as sample respondents' responded 46% said their initial capital was personal saving, 38% said loan from MRCSSCO, 14% and 2% are said from others and from friends and relatives respectively. The capital initiation of Meta Robi credit and saving Share Company was less than 40% which was supported by FGD and interviewee respondents their initial capital for their business activities was "Iqub" Many people are member of informal savings and credit associations such as iqqub and iddir. Some MFIs try to integrate these associations into their own services Dajene, (1993).

5.4 Information collected from Interview and Focus-group discussion

The focus-group and interviewee respondents stated on the loan they have taken that;

The loan they have gotten from the institute was changing their living standard, because they have been using the credit money for animal fattening, petty-trade and sheep.

5.4.1 Challenges Meta Robi credit and saving Share Company faced

As interview conducted with MRCSSCO officials and their source documents, the critical problem faced this woreda credit and saving Share Company was the number of employees in the institute. Distance of clusters from center shino up to some kebeles those have gotten loan service in the study woreda and limited and unreliable sources of funding that the clients asked. The main sources of finance are equities, contributions from stakeholders/ shareholders and savings that were not enough to cover the demand of clients' loans. Some times the amount of

money did not released in time from main branch, the disbursed money would not recover on period and Employees turnover was another problem in this institute,

This share company was the first microfinance institute in the study area which faced challenges to serve the poor households, due to the poor habit/culture of the saving and credit of the local community in the study woreda.

5.5 Response from MRCSSCO staff members

The service coverage is limited in 24 kebeles, because the number of employee in the branch is not enough to open post-branch on cluster towns, the second reason is the branch institute has not vehicles to move in this very large woreda. Even to collect clients/beneficiaries monthly saving and repayment of loans or credit money. Sometimes the institute paid allowance for safeguard men to save the money, because to keep or put the money in bank which is collected from clients/beneficiaries, there was no any bank on the cluster town. The third problem was employee turnover in this woreda and lack of incentive was another problem in the study area.

5.6 The success of Meta Robi credit and saving Share Company

The woreda credit and saving share company achieved institute related success as follows;

Meta Robi credit and saving share company has a service experience of nine years in the study woreda. As challenges faced the branch it also achieved its objective which scores incremental success. The number of clients and the amount of loan capital increased. The literature part indicates microfinance institutions showed progress which changes life and living standard, of the people of the woreda understudy. It also improves the access to education, access to health care and access to good housing condition. In addition;

- the amount of money disbursed recovery was increased
- the saving and borrowing culture of the local community were changed
- employments opportunity was increased and
- institute contribution in country economic development increased

5.7 Problems clients faced after they joined MRCSSCO program

Some beneficiaries from questionnaires, interviewee and FGD claim the institute because of the repaying period is not enough/short, the institute did not give enough training and continuous training on business plan and how to manage (save and expend) their money, they did not get the amount of money they ask and not made continuous follow up, especially for illiterate groups who need more support. In this case they challenged the share company to repay on time and also the clients spend the credit money for unprofitable or unplanned activities and they could not use for intended purposes. If the institute prolongs the repaying period from one month to three months and the share company offered the amount of money they ask, they can get enough time to work.

Some of the clients were not happy/ satisfied with the institute's service.' They gave their reason why they were not happy in the service is that the institute was not gave more clarity, the institute did not give the amount of money the clients asked, surplus appointment/ prolong appointment. As indicated in the literature above, poor infrastructure affects the outreach and sustainability of MFIs, the speed of the institute to outreach/cover all poor people in kebeles was slow; it was not trying to reach for similar poor farmers and poor urban households and young students complete from school, and colleges and university graduates who are living with them after they exhaust in school for long time. They say, "It is government money so why don't they give to our low income people and to our children who were not employed".

In the literature part it had been shown that, weak governance and management capacities for further development are the problem; the institute's management should improve the institute's regulation and work as private banks. Because private banks relatively serve as clients' wish. Respondents mentioned that their relation with Meta Robi Credit and Saving Share Company is good, but the place from where they are coming for saving is too far from their center of residence, if the share company near/close to their kebeles they could save time for their cultivation, at the same time they complain that the interest rate in% should be deduct. In general they mentioned that the institute is very important if it managed and served them more efficiently as they need.

CHAPTER SIX

6. Summary of Major Finding, Conclusion and Recommendation

6.1 Summary of major findings

The study was carried out in six kebeles of Meta Robi woreda namely, Shino, ketketo, Goro, Gola-Gurji, Kimo-Dima and Suba-Gajo. The researcher used both quantitative and qualitative methods approach and the collected data were analyzed both in quantitative and qualitative approach. In order to assess the challenges Meta Robi credit and saving share company faced and the prospects it has been attain. In line with this the problem of credit and saving institute performance to satisfy the need of clients in loan giving were examined by using different statistical methods.

The interest rate charged on loan on urban and rural were different and clients said the interest rate was high which is 13% on urban and 17% on rural low income poor people in the study woreda. According to the investigation from total sample respondents, about 87.2% of the total sample population has said that the woreda credit and saving institute was not providing the amount of loan the clients asked. According to the data gathered from field survey and loan borrowers some of the sample beneficiaries were not using the credit they borrowed for the intended purposes because of low amount of money the institute lends them. Result from data analysis show that, age, sex, educational level, family size and marital status of clients, has significant relationship with credit and saving program. It can be concluded that beneficiary households who owned a relatively large number of capital and income have better change in their living standard.

Timely repaying and issuing loan from this woreda credit and saving Share Company made the clients profitable and change their living level. 31-40years (62%) age group of the respondents were productive age in the society. Married households have influenced positively or negatively the income of their house. Around 38% of the sample respondents were farmers. This has negative influence on their credit using as shown in data analysis. Because they could not use for trade business in case they used for fertilizer, animal fattening this took time to repay the loan and the clients were not repaid in time.

The institute faced transportation problem, employees turnover, clients dropout, lack of manpower, lack of capital, lack of supervising, continuous training, lack of follow up and

monitoring are the challenges faced the institute. On the other side the share company attained some prospects which indicate the sustainability of the institute.

6.2. Conclusion

The development of microfinance institutions in Ethiopia is a recent phenomenon. The proclamation, which provides for the establishment of microfinance institutions, was issued in July 1996. Since then, various microfinance institutions have legally been registered and started delivering microfinance services.

Oromia credit and saving Share Company is one of the microfinance institutions which was established in Oromia regional state in 2007. Oromia credit and saving share company founders were Oromia self help organization (OSHO), DINSHO, and Oromia regional state, and it gave the service in 29 districts from 180 districts in early beginning. But now day the branches of this institute reached 305 in number and it has been given service in all woredas, 18 zones and two city administrations in Oromia regional state. The loan products were 90% based urban and rural group, the second largest was for MSE, and they remains are business loan, housing loan, bio-gas loan and general purpose loan for employees (GPL). The amount of average loan size given to the first entry client/house hold increased from 1000 ETB to 3600 ETB when it compared with early beginning as June, 2015 OCSSCO annual report.

Meta Robi Woreda credit and saving Share Company was one of the branches of OCSSCO which has provided around 12.8 million birr to 3.6 thousand poor households and organized micro enterprise members (MRCSSCo office, October, 2015). To spread out the service of Meta Robi Credit and Saving Share Company in all kebeles, there are multi factors that hindered its objectives.

Meta Robi woreda is characterized by poor infrastructure, fast population growth, backward farming, poor living standard, high rate of unemployment, lack of access to financial market, low capital formation, environmental degradation, etc. which leads to low productivity; as the Agriculture office (2013) annual report stated.

In line with this all the poor people who do not have capital to buy enough fertilizers and those who do not use other technological inputs do not produce equal to those whom buy agricultural inputs to maximize their production. For example, the wheat product per hectare was less than 20 quintals as compared with those who used agricultural input and got more production. In the

other way the training given to the clients was not enough to manage their business and to enhance their profits. In the other way the challenges of good governance was another bottle neck problems which wastes their time in ups and down repetitions of appointments. Above all these the repayment period was too short to profit to pay the interests as well as the principal money. However the woreda credit and saving share company has been shown progress in its loan disbursement, loan recovery and service when it compared with earlier. But still the institute did not reached or accessible for those poor households who seek credit service in district. Out of 41 rural and 5 urban dwellers kebeles the institute has been only covered 24 kebeles. From this it is possible to conclude that the coverage of MRCSSCO was limited to 52% of total kebeles.

6.3 Recommendation

Based on the finding of this case study, the following are possible areas of intervention suggested as recommendation forwarded, which might improve the Meta Robi credit and saving share company service delivery.

- Even though different training, follow up and capacity building program has been given for low income households to build their business. But they are not practically implemented. Therefore, the branch institute management bodies should be in place.
- The interest rate the institute charged is very vital on the loan disbursed for poor /low income households to increase their saving, income amount and living status, but the institute could not keep up on this line because the share company's different costs affect its sustainability so the amount of interest rate charged on loan should be revised.
- Saving provides opportunities for household asset accumulation, protection against shock and reducing burden. However saving was the main problem of sample clients under study. Therefore, the emphasis should be given on saving culture and need additional strategies to practice it. This highly influences the business capital and income status of the share company, therefore mobilization cost should be considered for branch office by OCSSCO main office.
- The finding of the study indicated that 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 manpower 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 observed in the study. Therefore, MRCSSCO should develop the capacity of its

staff. In addition to this, OCSSCO must make an effort to strengthen MRCSSCO financial capacity in order to increase the amount of loan it disburses for each client.

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APPENDICES

Appendix 1

Questionnaire Format

Addis Ababa University

College of Business and Economics Department of Public Management and Policy

Questionnaire to be filled by clients of Meta Robi Credit and Saving Share Company

Dear Respondents,

This is a questionnaire that intended to assess the challenges and prospects of Credit and Saving Share Company the case of Meta Robi Woreda Credit and Saving in West Shoa Zone Oromia Regional state.

The information you provide is totally sought for academic purposes and shall be kept strictly confidential. Please feel free to share your comments and experiences regarding the credit service you are receiving from Meta Robi Credit and Saving Institution (MRCSSCO).

Thank you in advance for your kind cooperation.

Circle where appropriate

Part I. Background information of the respondents

I. Sex

- a. Male b. Female

II. Age

- a. 18- 30 years b. 30- 40years c. 40-50years d. above 50years

III. Marital status

- a. Single b. Married c. Widowed d. Divorced
e. other (specify) -----

IV. Educational back ground

- a. Illiterate b. 1-4 c. 5-8 d. 9-10
e. 11-12 f. college and above

IV. Occupation

- a. Farmer b. Petty trade c. Handicrafts d. Civil servant
e. other.....

V. Family size

- a. Less than 2 b. 2-5 members c. 5-10 members d. more than 10
members

Part II. Please Rate the following statements and circle the letter accordingly

1. Did you have your own business source before joining this credit and saving program?

- a. Yes b. No

2. How many are dependents?

- a. Male----- b. Female-----

3. Do you have your own accommodation?

- a. Owned house b. Rented c. Sharing d. other ----

4. Is your role increased in terms of income contribution after joining microfinance program?

- a. Yes b. No

Key. A=strongly disagree B=disagree C=undecided D=agree E=strongly agree

15. Are you happy (satisfied) with the services rendered by MRCSSCO?

- a. Yes b. No,

If not, why? -----

16. For how long have you been a member of MRCSSCO?

- a. Less than one year b. 1-2 year c. above two years

17. For what purpose have you taken the loan?

- a. Consumption b. Fertilizer and seeds c. Animal fattening
d. Petty trade e. if others (specify).....

18. Did you use the loan entirely for the intended purpose?

- a. Yes b. No.

If no, how did you spend the remaining amount?

19. What is the source of your initial capital?

- a. Personal Savings b. Friends and relatives c. Loan from MRCSSCO
d. others-----

20. Have you thought that the woreda Credit and Saving Share Company has future potential to sustain? a. Yes b. No

21. Do you think that the loan given by Meta Robi credit and saving share company is fairly disbursed? a. Yes b. No c. if no what is the reason...

22. What is your overall opinion/outlook about the program? -----

Thank you very much for your cooperation!!!

Questionnaire for experts or/and managements

Dear Respondents

This questionnaire is prepared to gather information from MRCSSCO staff. The main purpose of the questionnaire is to collect information about the challenges and prospects of the woreda credit and saving Share Company. Your genuine responses will have greater value for the success of the study. Therefore, I would like to assure you that all the information provided would be kept confidential and only used for the purpose of the study.

Please circle on the answer that best represents how you feel about the subject in question.

Thank you for your cooperation!

Part I Respondents' background

i. Sex

- a. Male b. Female

ii. Age

- a. 18- 30 years b. 31- 40years c. 41-50years d. above 50years

iii. Marital status

- a. Married b. Single c. Widowed d. divorced

iv. Educational level

- a. Grade 10 and below b. Certificate c. Diploma d. First degree e.
Second degree and above

v. Current occupation/position

- a. Manager b. Expert c. Support-staff

vi. Work experience

a. In this institution:

- a. less than one year b. 1-3years c. 4-6years d. More than
6years

6. Is interest rate you charged reasonable and make the share company profitable and eventually operate without setting of subsidy?

- a. Yes b. No

If your answer is no, why do not the share company increase the interest rate?

7. Do the beneficiaries voluntarily return the credit on time/period? a. yes b. no if not, what is the reason?-----

Table 1 Credit disbursement and recovery

year	Loan disbursement	Loan recovery	No. of clients	
			Men	female
2003				
2004				
2005				
2006				
2007				

a. Interest rate for urban on

On loan-----

On saving-----

b. Interest rate for rural on

On loan-----

On saving-----

8. What are the major challenges that affect the successes of credit and saving at woreda level?

Challenges affect the program -----

Prospects/success -----

9. Does the OCSSCO of MRCSSCO sub-branch have enough capital? a. yes b. No c. if no, what is the reason? -----

10. Is your loan amount satisfying your customers?

- a. Yes b. No

If not, why? -----.

Table 2 Challenges of Meta Robi Credit and Saving Share Company

Key A=strongly agree B=agree C=undecided D=disagree E=strongly disagree

No.	Major challenges	Strongly Agree	Agree	undecided	Disagree	Strongly disagree
11	Meta Robi Credit and Saving Share Company has a lack of awareness creation					
12	The groups (borrowers) have lack of loan repayment.					
13	The culture of a society is other problem on borrowing.					
14	Lack of group borrowing experience					

Table 3 Prospects and sustainability of Meta Robi Credit and Saving Share Company

No.	Major success/Sustainability	Strong Agree	Agree	Undecided	Disagree	Strong disagree
15	Prospects have been seen by Meta Robi Credit and Saving Share Company					

16	Meta Robi Credit and Saving Share Company sustainability is believable					
17	Present of Many enterprises in woreda are an opportunity for Meta Robi Credit and Saving					
18	There are well organized clients based potential customers in the woreda					

Appendix-2

Interview Questions for Clients/Stakeholders

Semi structured interview questions expected to be answered by clients/stakeholders

1. How do you explain the service delivery of Meta Robi credit and saving Share Company?
2. How do you evaluate the capacity of Meta Robi credit and saving Share Company in order to satisfy the beneficiaries?
3. Do you believe that Meta Robi credit and saving institute can serve the poor and enterprises properly/equally?
4. Do you feel that the interest rate of Meta Robi credit and saving institute is reasonable and fair?
5. Does the woreda credit and saving Share Company has future potential to sustain/keep up its service?
6. What are the factors that hinder the spread/coverage of the woreda credit and saving?
7. What are your main challenges as a client/stakeholder in this institute?
8. Do you think that Meta Robi Credit and Saving Share Company loan service hinder the woreda enterprises sustainability?

9. If you have other suggestion or additional information please!

Thank you very much!!

Appendix-3

Interview Questions for Meta Robi credit and saving institute managers and experts

Semi structured interview questions expected to answer by managers and experts.

1. How do your institute identify clients need?
2. What are the criteria's to select beneficiaries?
3. Do you have service delivering standard in your Share Company?
4. Do you believe that Meta Robi credit and saving institute currently satisfy the needs of the customers? If no why?
5. In your opinion, do you think that a prospect of Meta Robi credit and saving Share Company has the future potential for its sustainability?
6. Do you believe that Meta Robi credit and saving Share Company is serving the urban and rural poor equally? If yes how? And if no why?
7. Do you believe that group lending is appropriate to borrow, to a business and payback?
8. What are your main challenges as a service delivery institute working with customers?
9. What are your grumbles resolution mechanisms for customers?
10. If you have other suggestion or additional information

Thank you very much!!

Appendix-4

Questions for Focus- Group Discussion

Below are semi structured questions for Focus- Group discussion expected to answer by Keble's administrators and stakeholders.

1. What is your relation and information sharing system with Oromia/Meta Robi credit and saving Share Company in your kebele?
2. How do you explain the service and coverage of Oromia Credit and Saving Share Company in your woreda/kebele?
3. Do you believe that the serviced poor urban, rural and enterprises of Meta Robi credit and saving institute have long life?
4. What are the major strength and weakness of Oromia credit and saving Share Company in your woreda/kebele?
5. How do you evaluate the quality of service delivery of Meta Robi credit and saving Share Company in order to safeguard the society as a government representative?
6. Do you have additional suggestion used to improve client's satisfaction by this financial institution?

Thank you very much!!

Appendix-5

Respondents gave their respond from each kebeles

Focus-group discussion				interview				Questionnaire				Remark
Pla ned	M	F	T	Pla n	M	F	T	Pla n	M	F	T	
8	4	2	6	2	1	1	2	11	6	2	8	Town=Shino-01
8	3	2	5	2	1	1	2	10	7	3	10	Town=Ketketo
6	2	2	4	2	1	1	2	6	5	1	6	Town=Goro
8	2	2	4	2	1	1	2	10	8	-	8	Rural=Gola- Gurji
7	3	2	4	2	1	1	2	8	6	2	8	Rural=Kimo Dima
7	3	2	5	2	1	1	2	8	6	1	7	Rural=Suba- Gajo
	-	-	-	2	1	1	2	3	2	1	3	Mgt and experts
44	17	12	29	14	7	7	14	56	40	10	50	93/114

Appendix 6

Background of manager and experts participated on questionnaire and interview

code	age	sex	Work experience	Education level	Job position	M/status	participation
Amansisa	29	M	4.5/12	BA	Manager	married	Interview
Kusa	24	M	2.6/12	BA	Expert	Single	Questionnaire
Meseret	21	F	2.9/12	Dip.	>>	>>	>>
Fantu	21	F	1.5/12	BA	>>	>>	Interview
Wayuma	22	M	2.3/12	BA	>>	>>	Questionnaire

DECLARATION

I, Adugna Hirpa Araya, do hereby declare to Addis Ababa University School of Graduate Studies that this thesis is a product of my original research work, and it has not been submitted to any other university for any academic degree. Materials and information other than my own are duly acknowledged.

Name: Adugna Hirpa Araya

Signature: _____

Date of Submission: May 2016

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