



ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

IMPACT OF MICRO-FINANCE: THE CASE OF DAWURO DICHA
SAVING AND CREDIT PROGRAM IN MAREKA WOREDRA,
DAWRO ZONE, SNNPR

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ACRONYMS

AAE	Action Aid Ethiopia
ADLI	Agricultural Development Led Industrialization
ACSI	Amahara Credit and Saving Institution
ACSI	Addis Credit and Saving Institution
BTI	Bureau of Trade and Industry
CSA	Central Statistics Authority
DBE	Development Bank of Ethiopia
DDSCP/U	Dawuro Dicha Saving and Credit Program/Union
DESI	Dedebit Credit and Savings Institution
FDRE	Federal Democratic Republic of Ethiopia
FINCA	Foundation for International Community Assistancess
FOCCAS	Foundation for Credit and Community Assistance
GB	Grameen Bank
GO	Government Organization
IMR	Infant Mortality Rate
KSCP	Koysha Saving and Credit Program
MCP	Micro Credit Program
MDG	Millennium Development Goal
MEDaC	Ministry of Economic Development and Cooperation
MFIs	Micro Finance Institutions
NGO	Non Government Organization
OCSSCO	Oromia Credit and Saving Share Company
PA	Peasant Association
PRUDE	Promotion of Rural Initiatives and Development Enterprise
PRA	Participatory Rural appraisal
SDPRP	Sustainable Development and Poverty Reduction Program
SML	Share Microfinance Limited

SNNPRS	Southern Nations Nationalities People's Regional State
SSA	Sub-Saharan African
TFR:	Total Fertility Rate
WMU:	Welfare Monitoring Unit
SACCOs	Saving and Credit Cooperatives
RUSACCOs	Rural Saving and Credit Cooperatives
RUFIP	Rural Financial Intermediation Program

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ABSTRACT

Sustainable provision of microfinance services is suggested to widen the income sources of the poor. Since the poor do not have access to formal financial services, micro - finance is suggested as useful way out for financial constraints. The poor can resume productive activity or offset financial shortages.

This study hypothesizes that the poor as development agent have way outs to resume productive activity if their capital constraint is tackled. This assumes that micro - credit facilities will solve micro-level development constraint (lack of finance) for farming households/individuals. Thus this study focuses on the analysis of the impact of microfinance interventions (a case micro - credit program).

The main objective of this study was therefore to assess the impact of micro finance services provided by "Dawro Dicha Saving and Credit Program" on household livelihoods. The impact of micro - credit was investigated on household income, on access to education, household saving, ability to pay health expenses, key asset ownership, farm expansion and coping stresses of the household. Data for the analysis was generated from primary and secondary sources. Analysis was conducted by using cross tabulation, frequency distribution, percentages, and chi - square for categorical variables, and independent sample t-tests for continuous variables.

The impact of delivering financial service (micro - credit) for regular and one loan cycle clients was analyzed based on some socio-economic indicators. The investigation revealed that the Dawuro Saving and Credit Program has made significant impact on household income, access to education, ability to pay health expenses, engagement in income generating activities and household supplementary food expenditure. However, statistical test results showed that the impact of the Dawro Dicha Saving and Credit program is insignificant on agricultural crop yield, farm land expansion, coping with some difficulties and saving.

Major problems encountered during the program were insufficiency of loan, timeliness of loan, market inaccessibility, interest rate, repayment, the low profitability of the enterprise and not declaring the dividend.

From this investigation, executing micro-finance at rural area could improve significantly r household livelihood. For more impact broadening loan amount, revising disbursement criteria and repayment schedule, introducing contextual insurance scheme are major areas to be noted.

Key words: Microfinance,, impact, regular and one loan cycle clients

CHAPTER ONE: INTRODUCTION

1.1 Background

As part of its integrated rural development program, Action Aid Ethiopia (AAE), an International Non-Governmental Organization (NGO), has established a community based saving and credit program (which is locally known as Koyssha Saving and Credit Program (KSCP) in 1994 in Mareka Woreda¹, Dawuro Zone, Southern Nations Nationalities Peoples' Regional State (SNNPRS). The central intention of the program was to bring about changes in the livelihoods of the poor and marginalized groups by actively involving them in the program. The program delivers micro – credit to enable the receivers to engage in income generating activities.

AAE organized the KSCP by setting up community-based groups and by providing starting fund. Moreover, identification and screening of the target households was made through Participatory Rural appraisal (PRA)-Wealth Ranking Technique, which was derived from Asian countries where the program has been well practiced, and partly achieved the desired objectives.

¹ The area is located in South Western Ethiopia, about 500 Kilo meters from Addis Ababa.

The program was made up of 133 saving and credit groups consisting of 3,101 clients. Once an individual voluntarily joins the program, he/she contributes a compulsory saving of 0.25 cents per week (for the first eight weeks). The group leadership committee appraises the credit requests and the amount disbursed to each group. Each group contained five to six clients. Each group was eligible for the credit amount of Birr 8,000 to 9,000 Ethiopian Birr. In due course, the program was able to mobilize from the members and disburse to them Birr 144,630 and Birr 1,371, 218, respectively. The program employs group collateral approach for disbursing the credit.

The government of Ethiopia has passed a proclamation No. 40/1996 prohibiting direct involvement of NGOs in micro finance delivery and proclamation 147/91 allows cooperatives voluntarily. Following the proclamation, KSCP should either be dissolved or perpetuate itself into another form. Through the support of AAE and local government, KSCP reorganized itself into six independent co-operatives. It started operation in six peasant associations in the area. The co-operatives formed Dawuro Dicha Saving and Credit Program/Union (DDSCP/U). This program has almost adopted the objectives of the preceding program, and it used the initial fund from the finance/asset of the KSCP.

The new saving and Credit Co-operatives have started formal operation in June 2002 by obtaining legal entity from the Cooperative Office of SNNPRS. Currently, the cooperative comprise 1932 members and those dropped are because of their willing.

From these members, 1858 are stayed from the commencement and the remaining 74 are new entrants.

The program/Union was lead by Board of Directors. The board had seven members. The leaders of each cooperative assume automatic members of the Board. One of the members was selected by the General Assembly.

Members of the cooperatives were supposed to own at least one share of the association. The value of a single share is 500 Birr. A member can purchase more shares not greater than ten percent of the total share. This allows members to access more loan and increase cooperatives equity. Each co-operative has its own internal bylaws, directives and credit and saving polices.

After the re-structuring of the program, the cooperatives are open for any volunteer new comer. However, the potential members need to fulfil the criteria of the respective cooperatives. The sources of the working capital for cooperatives were from initial injection of Action Aid, clients saving, registration fee, interest income, and money collected from sale of shares.

1.2 Statement of the Problem

The emphasis for solving the problems of the poor was on large investments on physical capital and infrastructure (1950s and 1960s), on improvement of health and education (1970s), improvement of economic management and liberalizing market forces (1980s), promoting opportunity, facilitating empowerment and enhancing security (1990s) (World Bank, 2000/01). Despite changes in the development paradigms and policy practices, the promise to bring wellbeing to all human being remained unfulfilled. The incidence of poverty increased; 1.2 billion people in the world live under a dollar a day (Latifee, 2003).

The Sub – Saharan African (SSA) countries possess 290 million poor people (UNESCO, 2003). The poor in SSA is assumed to increase from 300 million in 1999 to 345 million in 2015 (World Bank, 1999). This situation of poverty in its population number and the vulnerability context at the global/national/local levels is expected to increase rapidly.

In Ethiopia, the poor are growing in number, and studies show that 44% of the Ethiopian population survives by less than one dollar a day (MoFED, 1999). In the SNNPRS, 45.5% of the population survives by less than one dollar a day (Regional Income Accounting BoFED, 2003). Thus, poverty is a crucial social, academic and policy issue of national/local concern in Ethiopia. Different interventions were made to alleviate the

socio-economic situation of the poor. In this respect, micro – credit schemes are suggested as one of the instruments in Ethiopia.

This has initiated the development of the MDGs². The major MDGs are eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability, and developing a global partnership for development. The general goals as well as specific targets basically focus on issues of poverty in one way or another. The broad targets related with poverty are to halve the poor, child/maternal mortality, access health, universal education etc.

Ethiopia is working towards the achievement of the millennium development goals. Thus the role of micro credit is assumed to be immense in areas of resuming productive activities, access education/health, asset development, dietary improvement and coping stresses by increasing purchasing power. This justifies the current research in the context of the achievements of these goals in the local context where DDSCP/U is involving.

² Adapted from Dr Diane Elson 2004; *The Millennium Development Goals .A Feminist Development Economics Perspectives*. The University of Essex, Manchester, UK .Speech delivered on the occasion of 52 nd Anniversary of the ISS; The Hague the Netherlands.

Micro-finance program gained a worldwide acceptance and popularity since 1980s. Thus the Government and Donor agencies are funding an increasing number of micro-finance programs in low income countries (Hege and Marguerite, 1999). In Ethiopia, this scheme was widely practiced in providing financial services to the poor. This was assumed to solve the constraints of starting capital for the poor. The poor will thus resume productive activity, improve income and increase welfare.

In realising this, recently Ethiopian government has created favourable legal and policy environment for establishment and expansions of Micro Finance Institutions (MFIs) and Saving and Credit Cooperatives (SACCOs) in Ethiopia. To this end, there is unprecedented growth in financial institutions. Several MFIs and SACCOs have been established both in rural and urban Ethiopia. The proliferation of MFIs and 'SACCOs', relatively in short time in the country, showed high need for financial services. It also showed the critical role that credit can play in improving the situation of the poor (Assefa, 2005). A Summary study in Bangladesh, Kenya, Ghana and Mali (Veronica, 1999) has shown that micro-credit positively impacts on livelihood of the clients. However, there are fewer consensuses that the degree to which, how and when it impacts on poverty and it remained debatable (Hege & Marguerite, 1999).

Very little researches towards improving the financial sector have been observed (Wolday, 2003). Most of these studies look into the pioneer and bigger MFIs in Ethiopia.

The studies focused on Dedebit Credit and Savings Institution (DESI), Amhara Credit and Saving Institutions (ACSI), Oromia Credit and Saving Share Company (OCSSCO), and Addis Credit and Saving Institution (ACSI). These institutions are affiliates of regional governments in the country. The themes of these studies have essentially focused on growth, sustainability and empowerment of MFIs. However, very limited studies concentrated on impacts of these institutions and cooperative financial institutions.

Impact assessment of microfinance is necessary to demonstrate the positive impacts of donors' intervention. It is also necessary to provide information that allows MFIs and 'SACCOs' to improve their services (Anton, 2001).

In particular to DDSCP/U, neither institutional nor impact research was done. Moreover, the selected DDSCP/U is located at marginalized geographic (remote) area.

1.3 Objectives of the Study

The study attempted to measure whether repeated accessing in the microfinance services has brought significant difference on livelihoods of regular or frequent clients vis-à-vis one loan cycle or new clients. The study also attempted to find out the core problems faced by the program in the course of program implementation. The specific objectives:

- 1 To investigate whether repeated access to DDSCP/U micro - credit services brought impacts;
 - On asset ownership, on crop yield,
 - On children accesses to education/health,
 - On improving income and saving of clients.
- 2 To explore the constraints faced by DDSCP in implementing the credit delivery.

1.4 Research Questions

In order to achieve these objectives, the research inquires the following questions:

- 1 Did the credit provided by DDSCP/U bring impacts in the livelihood of regular clients' vis-à-vis one loan cycle clients?
 - Did the credit provided by DDSCP/U bring impact in crop yield?
 - Did the credit provided by DDSCP/U bring impact in asset ownership?
 - Did the credit provided by DDSCP/U bring impact in access to education/health?
 - Did the credit provided by DDSCP/U bring impact in household income and saving?
- 2 What are the main constraints faced by DDSCP/U in implementing the credit delivery?

1.5 Hypotheses of the Study

In order to conduct the impact research and to address the main objectives in this particular study, the following hypothesis was developed.

Hypothesis: “Repeated access to micro – credit likely improves the livelihoods of the rural poor by improving crop yield, income, feeding, saving, engaging in income generating activity, farm land expansion, coping stress and access to education/health in the study area”.

1.6 Significance of the Study

Carrying out such an empirical research would serve both academic and practical purposes. The outcome of this study may serve as an input for MFIs, SACCOs, policy makers and other beneficiaries. Above all, this research may help the staffs, managers and donors of the program to improve their services. In addition, the research may serve as an eye-opener and a pointer towards further study as it is the first empirical research in the area on the impact of micro – credit on clients.

1.7 Scope and Limitations of the Study

The scope of the study was limited to six Peasant Associations³ (PAs) in Dawuro Zone. However, given the socio-economic situation of the study area, it could fairly represent the Zone. Therefore, this research will give insights for project implementers and policy makers. Limitations pertaining to the research include shortage of budget and time.

1.8 Organizations of the Paper

This research paper is organized in to five parts. The first chapter deals with background, statement of the problem, objectives of the study, research questions, hypotheses, significance, and scope & limitations of the study. The second chapter focuses on pertinent literature and relevant empirical case studies to the research. Whereas chapter three describes the research methodology applied in the study. Chapter four deal with the major findings of the study. Chapter five is the conclusion and recommendation part of the study.

³ A peasant association is the lowest government administrative unit in Ethiopia. It consists often a population of about from 100 persons in Pastoral areas to 11, 000 persons in densely populated areas. It is the lowest government administration unit between the government and the local people (BoFED 2003).

CHAPTER TWO: REVIEW OF LITERATURE

This chapter deliberates on the theoretical and empirical literature related to the impact of micro-finance activities on the lives of the poor. The first part of this chapter provides highlights on the concepts of poverty, which essentially characterizes the target groups incorporated in this study. Then, methodological issues of impact evaluation are deliberated. This is followed by review of empirical impact studies.

2.1 Poverty and poverty reduction approaches

2.1.1 Concept and definition of Poverty

The definition and measurement of poverty is vague and fluid. Many authors defined poverty in different ways by considering different criteria and indicators of poverty. Some researchers have defined the poor as that portion of the population that is unable to meet the basic nutritional needs (Blackwood and Lynch, 1994). Others like Singer viewed poverty, in part as a function of education and/or health using the measurement of life expectancy, child mortality, etc. (Siger, 1975). Level of expenditure and consumption are other criteria used to identify the poor (Musgrove and Ferber, 1976).

The mainstream macro - economic interpretation of poverty is lack of access by poor households to the assets necessary for a higher standard of income or welfare (World Bank, 2000). However, studies on qualitative measures of poverty have shown the restraints in assets like human (access to education), natural (access to land), physical (access to infrastructure), social - political (such as networks and political influence over resources) or financial (savings and access to credit). Perhaps the point of agreement is that people who live in poverty live in a state of deprivation, a state in which their standard of living falls below some minimum acceptable standard (Greenwell, et al, 2001). Thus poverty can be measured either by level of standard of living or the incidence for the poor.

Poverty level can be classified in to absolute and relative poverty. The extent of absolute poverty can be defined in the number of people living below a specified minimum level of income- which is one US dollar per a day per person (Todaro, 1995). It is this level that is referred to as the poverty line. This line is independent of national boundary by measuring poverty as any one living on less than one dollar a day (Todaro, 2003).

Relative poverty measures the segment of the population that is poor in relation to the income of the general population. Thus, poverty is not determined by a discrete poverty line but rather it is determined related to the over all income of the population (Blackwood and Lynch, 1994). Except in a society where all the population receives

equal income, there is relative poverty due to difference in income. The incidence of poverty measures the relative number of the poor in starting from a specific time falling and coming out of poverty due to different interventions or opportunities garnered by the poor in the society.

2.1.2 Determinants of Poverty

The determinants of poverty usually include: (a) the level of education of the households, (b) size and composition of the households, (c) sex and age of the head of the households, and (d) region of residence (rural/urban, etc.). But there are exceptions to the above general consensus.

The probability of falling into poverty increased with the age of the households head: households with older and younger main labour seem to fall into poverty. Households with large households' size and higher dependency ratios and households headed by females are associated with higher incidence of poverty. For urban areas, households' size and the age of the household head had an affect on poverty similar to that in rural areas. But primary education of the head or spouse significantly reduced the chance of falling into poverty. Casual workers and the unemployed are among the poorest group in urban areas. Landless people in rural areas seem to fall into poverty.

Poverty is also closely linked to degradation of the environment. Poverty depletes natural resources, which in turn stress the suffering of the rural poor. Mekonnen et.al, (2001) indicated that households with a larger family size, a higher dependency ratio, a female head of households tend to be poor. In rural areas, the type of crop that farmers grow also was shown to affect on the probability of being poor. The probability of being in poverty tends to be higher for households that grow “enset”⁴, in contrast with the households that grow cash crop or cereals. For people who are privately employed in urban areas, the chance of being in the most extreme poverty is highest among casual labourers.

2.1.3 Poverty Situation and Poverty Reducing Strategy in Ethiopia

According to the survey conducted by the Central Statistics Authority (CSA) and the Welfare Monitoring Unit (WMU) of Minister of Finance and Economic Development (MOFED), during the year 1999\2000, 44.2% of the total population in Ethiopia are absolutely poor. They are unable to meet their basic needs. The proportion of poor people from the total population of Ethiopia stood at 37% in urban area and 45% in rural area. This indicates that poverty is widespread in rural areas relative to urban areas. The poverty situation in rural areas has been exacerbated by the rapid increase in population, increase in landlessness and displacement due to tribal and border conflicts and

⁴ The issue of ‘enset’ is debatable for different reasons by different scholars. Some argue that growing ‘enset’ is a good mix for nutrient balance for human and natural environment and thus for, food security etc. others also argue that the nutrient content of ‘enset’ is not studied as in the case of cereals. Thus it is not mature for conclusion. Since it is not my concern, I did not go deeply through.

deterioration in natural environment (Itana, 2002). However, the critical issue here is that the situation may be different in different corners of the country.

The same scholar reported significant variation across different regions. In 1999/2000 the highest poverty incidence was recorded in rural Afar followed by rural Tigray and Benishangul-Gumuz Regional states. The lowest poverty incidence was noted in Harari followed by Addis Ababa and Dire Dawa. Among the urban areas, the highest poverty was recorded in Tigray followed by SNNPRS and Addis Ababa. The profile of human poverty in Ethiopia (UNDP, 1997) indicated that Ethiopia is the poorest country in the world, Access to basic services such as health and safe water is very low even compared with other SSA Countries. Moreover, adult illiteracy rate is among the highest in the world with 64.5%. Thus poverty is rampant in Ethiopia.

The country level Poverty Reduction Strategy normally exhibits understanding of the depth, distribution, cause, proportion and incidence of poverty in the country. It sets out detailed action plan to reduce poverty in its entire dimension (World Bank, 2000/2001). In this understanding, Ethiopian Government has developed the final document entitled Sustainable Development and Poverty Reduction Program (SDPRP, 2002).

According to the (SDPRP, 2002) the strategy was built on four pillars. These are Agricultural Development Led Industrialization (ADLI), Justice System and Civil

Service Reform, Decentralization and Empowerment and Capacity building in Public and private Sectors. The strategy in its details of ADLI, further, incorporated the expansion of micro-finance services. It propagates the expansion of rural banks and cooperatives to facilitate rural micro - finance. Thus, the directions for micro – finance in the poverty reduction and sustainable development program of the country is the context of study.

2.2 Contributions of Microfinance for Poverty Reduction

The situation, depth, intensity and distribution of poverty are becoming worse in the third World economies (Todaro, 1995). The economic growth does not match with the population growth. The human power is not developed to effectively manage the resources. In addition to shortage of capital to generate sufficient income, protection against shocks and vulnerability contributes to acute poverty in developing countries (Todaro, 1995).

To change this situation, one of the interventions is improving the delivery of financial services to the poor through SACCOs and MFIs in rural and urban area. Micro – finance services are one of the financial options. Micro-finance services benefits the poor by increasing disposable income, increase asset ownership and cushion consumption in food-deficit periods (Wolday, 2002). It is a way out to the poor who are normally excluded by conventional financial institutions (Ibid). Micro-finance institutions function at the grassroots level. They reach micro – level development constraints of the poor.

They are capable of involving large segment of the population. They likely build both human and productive capacity of the poor (Shannon et. al., 2005). Micro-finance strategy may deliver inclusive financial service to the poor if augmented by sound financial sector policy (Wolday, 2005). In the last two decades, governments, NGOs, donors and other development actors have given due attention to establish, expand and provide microfinance services to the poor in rural and urban areas. Thus, this study situates its argument in this context of augmenting the poor by micro – credit in rural areas in Ethiopia.

According to (Hege and Marguerite, 1999), MFIs and ‘SACCOs’ can be a means to improve livelihoods of the clients. However, the same authors argued that measuring the impact of micro-finance intervention and performance on client’s livelihood remains difficult, challenging, and complex. The first challenge is the fungibles of household expenditure and asset mobilization patterns and the heterogeneity of rural households (Susan and Ben, 2002). This assumes that the impact of the micro-credit could hardly be isolated from the contributions of various interventions (ibid). Clients may have multiple income sources and the credit may be fungible (Anton, 2001 & Susan and Ben, 2002). Thus, combining a range of tools, triangulating information and learning lessons from different perspectives and approaches of micro – credit provision is useful to control rigors (Anton 2001). Thus it is important to know by how much, by what and for whom impact was brought by micro – credit intervention (Susan and Ben 2002).

2.3 Similarity and Differences between SACCOs and MFIs

2.3.1. Similarities

Both organizations cater financial services by mobilizing and disbursing financial resources to the rural and urban poor who usually do not have formal financial services at grassroots level.

2.3.2 Differences

Table 1. Differences between MFIs and SACCOs

No	Items	Micro-finance Institutions (MFIs)	Saving and Credit Cooperatives (SACCOs)	Remarks
1	Legal base	Proclamation 40/1996 and Directives of NBE	Proclamation 147/1991 (Amended by Proclamation 147/1998)	
2	Minimum capital requirement	Birr 200,000	None except should be adequate to their objectives	Level is determined during registration
3	Voting power	Based on the size of share capital	One man vote irrespective of ownership	Share ownership is limited by law
4	Supreme body of the organization	Shareholders assembly	Members general Assembly	Members general assembly is equal to all the shareholders in cooperatives
5	Pare value of shares	Depends on the market	May not change from the initial value	
6	Reward to share capital	Dividend proportional to the capital invested	Limited interest	
7	Manner of voting	In person or by proxy	Voting by proxy is illegal	
8	Registering and Supervisory Body	NBE	Cooperatives Bureau and Commission	
9	Ownership	Shareholders that are not service users	Members who are as the same time customers	Few MFIs have client shareholders

10	Beneficiaries	Clients whose profile is already defined	Members	
11	Interventions	Mostly financial	Financial and Non financial (includes social, physiological etc)	
12	Vertical and horizontal integration	May form network vertically. Horizontal integration is informal and even may compete with each other	Can form Local, Regional, National, Continental and International vertical integrations and as need be horizontal too at varies levels.	MFI's competition among themselves may be beneficial to clients. Cooperatives are there to collaborate and support each other and not to compete
13	Lending interest rate	Decided by market	Limited by cooperatives principles, legislation and the members	In fact, as far as members are sharing the surplus based on participation there is no burden on the members as such had it not been limited by law
14	Utilization of profit/surplus	Plough back to MFI capital	70% distributed as dividend and according participation and the rest 30% to reserve, expansion and social aspects	
15	External Audit	Employed from the market	For the time being assisted by cooperatives bureau	In the long term, cooperatives are expected to hire the services of external audits by their own.

Source: Dagneu 2004

Even though there is difference between MFIS and SACCOs summarised above, their communality is providing financial services to the poor. They are used as financial intermediation institutions in grassroots level aiming to reduce financial constraints to resume productive activities. Dawro Dicha Saving and Credit Program (Union) is one of

the SACCOs operating in rural area by uniting the six primary or grassroots level cooperatives which follows more or less similar principles summarised in the table 1.

2.4 Approaches of Micro-finance Lending

There are two approaches on microfinance lending and its impacts on clients. They are “financial system approach” and “poverty lending approach”. Proponents of the first approach or ‘institutionists approach’ state that the over all goals of microfinance are to provide sustainable financial services to low income people. But it does not necessarily mean to target the poorest. Furthermore, micro – finance should proliferate in the context of competition. According to the institutionalist approach, competition will insure high-quality and low-cost services. Thus, for institutionalists, the impact evaluation of MFIs should focus on financial indicators and efficiency. They also state that NGOs do not have an important role in microfinance. This is because NGOs may deliver subsidized credits and may undermine the development of competitive financial system.

For institutionalists, microfinance should not be integrated with other development services. This is because specialization is necessary to reach financial sustainability and large scale outreach. In addition, lack of institutional capacity is perceived as a more binding constraint on the outreach of micro-finance than availability of funds.

Institutionalists believe that credit is not seen as the most important tool improving the livelihoods of the poor (Adams and Pischke, 1992) in (Hege and Marguerite,1999).

The proponents of the poverty lending approach claim that the goal of microfinance is improving the livelihoods and empowerment of the poor. They are called 'welfarists'. They believe that MFIs should target the poor. For them, assessing the impact MFIs should be their effect of the livelihoods and income generating activities of the poor. The Welfarists believe the provision of micro – finance with complementary business services to improve the livelihoods of the poor. They also believe in subsidized credits. As opposed to institutionalists, credit is seen as a powerful tool for improving the livelihoods of the poor. The Ethiopian Sustainable Development - Poverty Reduction Program is in conformity with the Welfarist approach. Thus the present study situates its theoretical underpinning on this approach. Therefore, I argue that the pattern of growth does matter and the microfinance industry must be able to demonstrate that the development of microfinance benefits the poor.

2.5 Microfinance Industry in Ethiopia

The history of financial services in Ethiopia subsisted a relatively long period. Different regimes had varied level of dedications and policy directions for the developments financial institutions and Saving and Credit Cooperatives. The basis was on government development policies and macro-economic programs.

2.5.1 Micro-finance Institutions

In the imperial regime, the financial services were largely provided for the activities that are related to the government's five-year plans. The interventions on financial services took various forms. The allocation of credit was according to coordinated investment plan, use of differential interest rate, and establishment of public commercial and specialized banks. The Imperial regime gave priority for productive projects (private or public) using foreign credits. Public banks were supposed to mobilize resources channelling in accordance with the plan (Assefa, 2005).

During the Dergue regime, the structures of financial institutions were changed inline with the then political policy of the government. Credit policy was driven by ideology and give absolute priority to the socialized sector (public enterprises, state farms and cooperatives). This policy marginalized the private sector financing to depend on self financing and non-institutional credit (Assefa, 2005).

NGOs have been active in the provision of microfinance service to the poor since the 1984/85 drought (Gebrehiwot, 2005). The operation was for the first time undertaken by the market town program of the World Bank. This program was implemented jointly with the Development Bank of Ethiopia (DBE) and the Bureau of Trade and Industry (BTI).

The beneficiary towns were 16 and were called “16 Market towns”. It was implemented in phase one. The second phase was assumed to spread the service to all major towns of the country (Tsehay and Mengistu, 2002). As time moved ahead, so did the dynamics of micro-finance development in Ethiopia. Especially in 1990s, the Ethiopian Government has promulgated various proclamations to facilitate micro-finance services in Ethiopia. This likely triggered standardized management system of micro – finance institutions.

Following the promulgation of the proclamation No 40/1996, several credit programs that were operated by NGOs or Government departments were transferred into licensed MFIs. According to (Ethiopian Microfinance Institution Performance Analysis Report, 2006), the decision of the Government of Ethiopian to restructure the financial sector in the 1990s has had a significant impact on the growth and commercialization of both banks and MFIs in Ethiopia. As of December 2006, there were twenty-six legally registered MFIs in the country. These institutions rendered services for more than 1.5 million clients. They mobilized credit and savings and manage a loan portfolio of more than birr 2 billion and saving of more than birr 816 million (AEMFIs Quarter report Dec, 2006). They have a network of about 500 branches and sub-branches in different regions Amhara, Tigray, Oromia and SNNPR (Gebrehiwot, 2002). They are governed by Board who is elected by the representative general assemblies (Itana et. al., 2003).

Regarding the general performance of institutions in Ethiopia, between 2001 and 2005, the number of clients, volume of loan portfolio and savings increased by 263%, 479%, and 206%, respectively. In 2004, 12 out of the 15 MFIs were operationally sustainable. Out of these, 5 MFIs were financially sustainable. The majority of MFIs increased their efficiency and productivity indicators because of expansion or increase in outreach. Out of the 15 MFIs, 11 had less than 5% portfolio at risk, which was encouraging. Out of 13 MFIs which registered significant growth in outreach, nine showed remarkable decline in their portfolio at risk. Thus, as a result of increased outreach, many of the MFIs maintained and/or improved their portfolio quality (Wolday, 2005).

Micro-finance institutions in Ethiopia are currently focusing their operation both in rural and urban area in line with the SDPRS of the country. However the increasingly growing demands of microfinance services is not met. For instance, at the household level, nine million poor households in Ethiopia need credit (Degefe, 2004). Another source, (Eschborn, 2002) indicate that only 9% of the financial service demand is fulfilled in the country. Both studies indicate that MFIs render service for a very small section of potential clients in rural and urban Ethiopia. Thus, its demand should be assessed in relation to its impact on the livelihoods of the poor. This issue begs for investigation.

2.5.2 Saving and Credit Cooperatives

In Ethiopia the first Saving and Credit Cooperatives Society was established by employee of the Ethiopian Road Authority in 1950 (E.C). Next to this, the employee of the Ethiopian Airlines has founded in 1956 E.C. (Dagneu 2004). Soon after, a number of SACCOs was established in government as well as in private undertakings. The number of SACCOs increased from 35 in 1974 to over 5400 in mid 2006. Their aggregate membership during the same period increased from 8,332 to over 381 thousands and their capital and saving from Birr 2 million to almost one Billion. The decade between 1994 and 2006 has witnessed more than ten-fold increase in the number of saving and credit cooperatives in the country with a corresponding increase in contribution and savings. The sharp increase, both in the number and membership of the SACCOs, over the last three years, particularly in the rural area, where, the Rural Saving and Credit Cooperatives (RUSACCOs) were recent phenomena, is attributed to the on-going Rural Financial Intermediation Program (RUFIP) (Mekonnen et.al 2007). By the end of June 2006, there were 1,166 RUSACCOs, which constitute 21 percent of the 5437 saving and credit cooperatives in the country. The RUSACCOs had 64,655 members or about 17% of the total membership of SACCOs. The aggregate capital has also increased from Birr 1.8 million in 2004/05 to almost Birr 9 million and their asset from Birr 6.8 million to about 15 million. Similarly, saving increased from 1.7 million to 8.6 million and their

outstanding loans from Birr 1.9 million to 5.7 million in 2005/06 (ibid). Dawro Dicha Saving and Credit Program/Union is one of micro credit and saving cooperative operating saving and credit program in rural areas of Dawuro Zone.

The main theme in this research is therefore to measure the impact of repeated micro-credit access on livelihoods of the clients regardless of their division in membership in MFIs or SACCOS assuming the management, structural, ownership and other differences held constant. Time variation of access is also held constant.

2.6 Methodological Issues on Impact Evaluation of Microfinance

Studies show that scholars approach impact evaluations in two ways. They are quantitative and qualitative approaches. Quantitative impact evaluation is the use of an explicit counterfactual analysis. More specifically, quantitative impact evaluation isolates the welfare effect of a specific project by comparing the actual observed outcomes of project participants with counterfactual outcomes. They assume a hypothetical outcome that would have prevailed in the absence of the project. Since people are either in or not in the project and cannot be both, these hypothetical counterfactual outcomes cannot be observed. The central objective of quantitative impact evaluation is to estimate these unobserved counterfactual outcomes. Counterfactual analysis likely evaluates estimated quantitative impacts of the project. It usually referred to as rigorous impact evaluation.

The use of such approach looks into the achievement of the quantitative goals of the program.

The quantitative technique that is frequently used in evaluating development interventions is comparing “before” and “after” outcomes on the participants. This targets the beneficiaries of that specific intervention after and before their benefit from the program. The problem of this comparison is that it uses the same group of individuals (i.e., project participants) and observes the temporal change in outcome of this group. Such technique in countries like Ethiopia where economic transactions are traditional may not generate adequate data for analysis. This gives a potentially biased measure of the project impact. This is because such a comparison fails to account for the changes in outcome that happen with the project participants anyway even without the project. For example, if one compares one’s income between times T1 and T2, the difference in income be fluid. First, it can be due to partly to one’s benefit from the project. Second, it may be partly due to one’s income change caused by changes in the economy in general. The second can happen with out participating in the MFI credit program. Thus it is fluid for generalization.

Another frequently used technique is comparing the outcomes between a group with the project and a group without the project. People make efforts to make the “with” and “without” groups similar. However, these two groups are only similar in a general sense

and there is no guarantee that they are identical or close to identical. An obvious reason is that participating in the project self-selects participants and non-participants. This likely makes the two groups different. For example, in a micro-enterprise finance program, borrowers and non-borrowers may differ in entrepreneurial capability. They can also differ in their willingness to take risk. However, they seem similar in other observable ways. Because of the failure to control for unobservable differences between the “with” and “without” groups, the estimated impact is likely biased. Thus it is fluid to generalize from data generated by this technique that ends up in bias empirical findings.

While qualitative evaluations build stories and provide contextual insights to what is happening with the project, they often are being criticized for lacking rigor and internal validity. Major critics of this evaluation approach revolve around issues such as subjectivity in data, lack of a reliable comparison, and lack of statistical robustness often due to small sample sizes. Thus qualitative approach alone doesn't generate enough data.

Quantitative impact evaluations using explicit counterfactual analyses of data from well-designed statistically representative samples are better suited for inferring causal relationships between the program and outcomes. However, there is increasing acceptance that qualitative methods can provide critical insights into the program context. Qualitative approach enables for in-depth explanations to the results observed in a quantitative analysis. For this reason, good impact evaluations often combine both

quantitative and qualitative methods to the extent possible (SEEP Network, 2000). Therefore, the present study employed the analysis of both the quantitative and qualitative changes on the livelihoods of the poor in the study area. DDSCP was taken as a case intervening MFI in the locality.

2.7 Empirical Evidences on the Impact of Microfinance

Many authors have undertaken different researches in Asia, Latin America and Africa by using different methodologies and tools. The research findings indicate that microfinance has positive impact on income (Mosley, 1996) and (Sebstad & Walsh, 1991) cited in (Elizabeth and Gorden, 2000). The first detailed research in to the economic impact of microfinance program was Mahabub Hossain's work on (Grameen Bank in 1983-4 Hossain, 1988).

According to this research, the bank has made a positive contribution to the poor in the area of operation and starting capital for enterprising. The research has shown that the most direct effect of the Grameen Bank has been on the accumulation of capital (different assets) by the poor. The research finding further indicated that the amount of working capital employed by members' enterprises increased by an average of three times within a period of 27 months. The investment in fixed asset also increased by about 2.5 times higher for borrowers with more than three years membership than for those who joined during the year of the survey. The number of cattle owned per hundred borrowers

increased from 61 before joining the bank to 102 at the time of the survey. It is reported in the same research that about one third of the members were unemployed (7% for men and 50% for women) before joining the bank. With the loans, these members generated self employment in activities of their choice (Ibid).

According to Grameen Bank (GB) internal surveys, 42% of GB borrowers' families have crossed the poverty line (Pascal, 2004). The research on the impact of MFI was undertaken by Share Microfinance Limited (SML) in Ranga, Reddy district, India. The assessed 72 sampled households from regular clients depending on their social background. The result revealed that three out of four (76.8%) of SML regular clients experienced significant increase in their income over the past four years and half of them are no longer poor (Rao and Bavaiah 2005).

In Uganda, three microfinance programs Foundation for International Community Assistances (FINCA), Foundation for Credit and Community assistance (FOCCAS) and Promotion of Rural Initiatives and Development Enterprise (PRUDE) conducted impact study in Uganda. They classified study groups into program clients and non-client groups in the three places (Rural Mbole district, Kampala and Masaha town). They conducted an initial survey and follow up survey after two years. The study found numerous positive impacts on program clients. The study has found that the clients were engaging in new products and services. They have improved or expanded their enterprise sites and

markets. They have reduced cost of inventory purchase and increased volume of sales. The study also investigated household level impacts of MFIs. Households began new enterprise and increased the amount spent on durable assets and agricultural inputs. The study also indicated that households increased the amount of cultivated agricultural land and increased amount of households' income from crops. Thus, the study concluded that microfinance program helps client households to reduce financial vulnerability. It enables diversification of income sources and accumulation of assets (Gayle and Carolyn, 2005)

A study conducted from March to June 2006 on four MFIs (Oromiya Credit and Saving Share Company (OCSSCO), WASASA , SFPE, and Addis Credit and Saving Institute (ACSI) in Ethiopia. It focused on the empowerment of women through delivery of microfinance credit for women. The study result revealed that woman have stronghold in deciding on the issues related to saving, credit receiving, repayment and utilization in the households. Moreover, women (wife's) consultation (joint decision) with husbands improved. The result also indicated that women dependence on their husband has reduced and the MFI improved women asset ownership in the household. The study further indicated that participation in microfinance contributed significantly for improvement in feeling of self-esteem and confidence for women (wives). Thus the overall economic empowerment and self-reliance of the women (wife) clients were improved (WABEKBON consult, 2006).

A study was conducted by (Getaneh, 2005) on Amahara Credit and Saving Institutions (ACSI). He found that the impact of ACSI's micro-finance credit was positive on the living conditions of the poor. He investigated that ACSI expanded opportunity for clients, reduce their vulnerability and empowered individuals (Ibid). The study (Tsehay and Mengistu, 2002) also revealed that over 94% and 57% of clients in urban and rural areas respectively send their children to school because of access to the MFI credit. The study further identified that about 70% and 89% of regular borrowers in urban and rural areas respectively improved their diet.

The empirical findings reviewed above show positive performance of all MFIs in the country. It does not criticise performance and show any drawbacks. But there are immense constraints. There are likely potential lessons of weakness and failures in performance of MFIs. Majority of the MFIs have problem of governance. The governance problem often emanate from their ownership structure (Itana, et.al., 2003). The enterprise owners/operator lacks entrepreneurial attitude and technical skill (Tsehay and Mengistu, 20002). The marketing situation, the infrastructure (particularly the road and net-work), the skill and risk aversion behaviour (Getaneh, 2005) are found to be determinants the achievement of MFI operations in Ethiopia.

The failures of most microfinance institutions were found to be targeting the poor. They are seen targeting the upper poor in greater number than the very poor (Robert, 2001).

Very poor households are either excluded from entering the programs or drop out of this program at an early stage may be because of default in repayment (Kempson and Whyley, 1998) & (Martin, 1998) cited on (Robert, 2001). The criteria to access micro – credits have excluded the very poor like the landless, etc in (Bangladesh Osmani, 1989) cited on (Susan and Ben, 2002). Mentally and physically disabled, the elderly, street children, prostitutes and refugees (David, 2000) are the most excluded.

2.8 Analytical Framework of the Study

The analytical framework of this study was developed from the concept of poverty and its relations to households/individual improving assets, income, expenditure on consumption, access to education and health. It develops also on engagement of income generating activities. The study defines impact of micro – finance on its role in improving household asset ownership, income, saving, crop yield, access to health/education and decreasing vulnerability to stresses in rural farming community. This study derives its lesson from the impact of micro – credit provided by DDSCP (Dawuro Dicha Saving and Credit Program) in Dawro Zone in Southern Nations, Nationalities and People’s Regional State. The thesis assumes that DDSCP likely solved the micro – level development constraint (starting capital) of farmers. Thus they have resumed productive (income generating) activities at household level. The injection of this micro – credit was assumed

to improve crop yield, household income, improve saving, access health and education. It might have reduced the vulnerability to stresses (crop failure, etc.). The issue of time (both duration and starting point of injection) has seen as constant for possible impact analysis of the micro – credit. The following framework (Fig 1) leads the analysis.

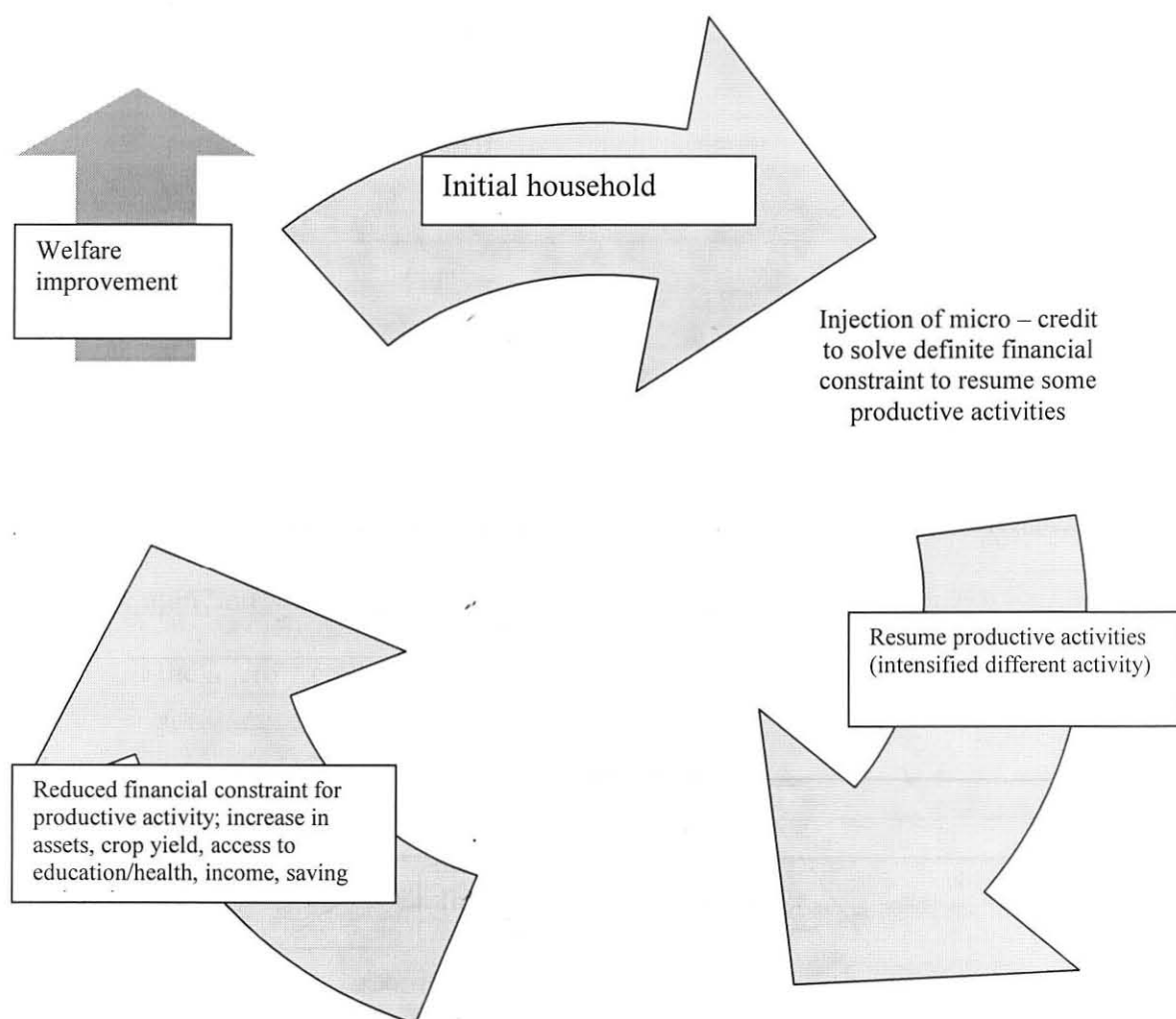


Fig 1. Impact of Accessing Micro-credit

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 The Study Approach

Various studies utilized different approaches; some employed clustering approach as used by (Tsehay et al., 2003; Bamlak, 2004; Berhanu, 1998 and Doocy et al., 2005). The clustering in these works employed grouping the target groups into new and frequent borrowers. The former cluster is used as a control group to verify differences in the living standards of the latter. The control group comprises the members who did not take loans from MFIs or the new borrowers. The new borrowers are conceptualised as those who received loan for the first time or those who have stayed in the program for less than one year. However, this approach has limitations since those who stayed in the program are systematically dissimilar (SEEP Network, 2000). On other hand, membership for long period of time in the program alone does not necessarily bring the intended change on clients. There would likely be continuous and sufficient provision of credit and/or engagement in feasible income generating activity.

This study employed one loan cycle and regular clients. It compared one loan cycle clients who received credit only once (control group) with regular clients who received loan for more than one loan cycle (experimental groups). However, the clustering is made regardless of their stay in the program. This is because those clients who fail to repay

their initial loan were not able to access additional credit from the program and also those who were not able to invest in income generating activities were also not able to obtain additional credit from the program. These groups of clients are considered as one loan cycle or new. This methodologically supports the argument that the clients who received more than one loan cycle credit would show significant impacts.

Micro – credit is defined in this study as small credit (100 to 5000 ETH. Birr) given for farming and petty trade to contribute towards improving the livelihood. Thus, this study assessed the impact of micro – credit in terms of change in crop yield, household income, household food expenditure, children access to education, access to health, saving, and asset ownership between one loan cycle and regular clients. This study also problematises continuity of credit facility and relatively sufficient provision of credit and the contribution of protected or not loosed enterprises from the failure brings impacts on clients in remoter areas like Dawuro.

3.2 Study Area

The study area, Dawuro Zone, is 500 KM away from the Capital (Addis Ababa) to South West. This area was selected mainly because of no other study conducted in the area related to micro-finance program. Dawuro Dicha Saving and Credit Program comprise

six saving and credit co-operatives located in six PAs of Dawuro Zone. These includes; Arka, Gozo Tercha, Waka Debere Selam, Mada Gobo, Yamala Meso and Arussi Gozo.

3.3 The Data Set

Both primary and secondary data sources were employed to collect qualitative and quantitative data. Primary data was collected from key informant interviews, focus group discussions and household sample survey. Secondary sources were books, reports of MFIs, DDSCP, CSA, Local Administration, etc.

3.3.1 Primary Sources and Major Data Collected

Key informant interview was carried out to obtain information on the contribution of DDSCP microfinance program and the constraints faced in the program implementation in six PAs. The key informants were those who have knowledge of the area, the clients and the program. These were selected from the DDSCP staff, DDSCP board members, Zonal and Woreda experts of Agriculture and Rural Development Office.

Focus group discussion participants were selected from the clients (one loan cycle and regular clients) and leaders of the borrowing committee. Two focus groups containing sixteen participants were involved in the discussion. The researcher managed the discussion as a moderator.

Households Sample Survey was undertaken by directly interviewing client households using structured and semi structured questionnaire.

Through various tools employed in this study, data collected include basic information on household demographic characteristics, access to loan and loan utilization, and household socio – economic information (income, expenditure and asset).

3.3.2 Sampling Technique and Sample Size

Respondents were selected from the clients based on systematic sampling method. The sample was drawn proportional to the size of sample frame. The sample frame was the population in each peasant association. After identifying sampling interval (k) any number between one and k is selected on lottery method (j). Then first j is selected and every k^{th} unit is drawn. The systematic sampling method employed was selected to minimize the sampling bias.

On a practical level, sample size is partly determined by the time and resource available for the survey. On technical level, four parameters inform the decision on sample size. These are; (1) the desired precision of the survey, (2) the probability distribution of the

variable that the survey seeks to measure in the population, (3) the choice of sample design (that is simple random or multi-stage random sampling) and (4) the number of variable (in this case impact indicators) (World Bank, 2003).

In this study, 3 to 2 ratios of regular clients to one loan cycle clients were maintained. Respondents were selected from the clients by drawing 186 representative samples from sample frame through systematic random sampling and out of these 169 respondents were found valid. It is presumed that, the result for sampling household will generate the required information in relatively good precision about the population of one loan cycle and regular clients in the program.

3.3.3 Questioner Design and Data Collection Procedures

The impact survey comprises about eight groups of questions. The standard questionnaire was developed that had groups of questions to test the identified indicators regards to the impacts of microfinance program on its clients. Six enumerators were recruited and trained for three consecutive days. After training, enumerators administrated the questioner to a sample of 20 one loan cycle clients and 30 regular clients for pre-testing in Waka Debreselem PA. The enumerators administered this pre – test for two consecutive days.

3.4 Data Analysis

Descriptive analysis was employed using cross tabulation⁵ using SPSS version 10, (Statistical Package for Scientific Studies) software. This method was used to present and analyze the information collected from the field survey. The data in this set was presented in the form of tables. Analysis was conducted using cross tabulation, frequency distribution and percentage. The chi – square and independent sample t-test was also used to prove the statistical significance of the impact of the MFI over the selected indicators. Based on the research questions, emphasis was given for those who accessed loan once and more than once.

⁵ When one or more variables are measured on a nominal or ordinal scale, **cross tabulation** is a means of identifying a relationship between two variables. It categorizes into cells the number and percent of cases in which different combinations of responses occur (World Bank Poverty Assessment tool, 2000).

CHAPTER FOUR: DISCUSSION AND ANALYSIS

4.1 The Respondents Characteristics and Loan History

4.1.1 Individual and Household Demographic Characteristics

Assessment of microfinance impact requires explaining a clear picture of individual and households' demographic characteristics of the respondents such as, individual marital status, mean age in year, educational level (literacy) of the respondent, and sex category of the clients, average family size and average number of dependents in the households.

Table 2 summarises the individual demographic characteristics of the sample households.

Table 2. Individual Demographic Characteristics

Description		Clients chosen				Total	
		One loan cycle client		Regular client			
Sex		Number	%	Number	%	Number	%
		Male	56	92	95	88	151
	Female	5	8	13	12	18	11
Marital status	Single	3	5	2	2	6	4
	Married	56	93	103	95	159	94
	Widowed	1	2	3	3	4	2
Age	Mean age	39	-	40	-	40	-
	Minimum age	18	-	19	-	18	-
	Maximum age	65	-	75	-	75	-
Level of education	Less than grade 4	26	43	36	33	62	37
	Grade 5 – 8	27	44	46	43	73	43
	Grade 9 – 12	8	13	26	24	34	20

Source: Survey Data

As it can be seen from Table 2, a large majority of the respondents (151 or 89%) were male and very few of them were female (18 or 11%). This may likely indicate that the credit scheme targets more of males than females in the area.

Various studies show that in the development process, the way women (women headed households) are included is often a matter of concern. The above showed that women are likely side-placed. On the other hand, studies also show that the propensity of women to get into poverty trap is likely higher than those of male counterparts but commitment of policy makers to develop appropriate policy direction to women and including women in development program highly affects their achievements. In addition, women lack access to education and health, and they face time constraint and lack decision power in households. These make women to stay in poverty and hinder their participation in development program. Thus the above fact likely shows such reality.

All the sample groups were economically active. That is 18 and above aged clients was included in the program and almost the two groups are in similar age category. This may implicate that most of the clients were in the productive age and if they are provided with 'sufficient' credit money; and if their business perform well, they might likely escape poverty trap. This is because the productive age group can allocate labour in production activities and may generate and build asset. However, the productivity of this age group also depends on the health status of individuals or the dependants in the household.

Marital status of the surveyed household's exhibited similar for the one loan cycle (56 out of 61) and regular clients (103 out of 108) indicating similarity between the two groups. Out of interviewed total clients, 62 respondents found below grade four (Table 2) indicating low level of education in the area.

With regard to average family size, (Table 3) there were slight differences but not significant between one loan cycle and regular clients. The average family size was 7.2 and 7.4 for the one loan cycle and regular clients, respectively. Similar trend was observed for average number of dependants, i.e. 3.3 persons for one loan cycle and 3.4 persons for the regular clients, respectively. This indicated that over all average family size and number of dependants is high for both clients. This likely indicated more consumers than producers for the income obtained either from credit or other sources. In addition, it is not easy to bring and maintain livelihood improvement for poorer households unless the size of family is limited due to the fact that they require high income to cover all the necessary expense of the households implying low saving potential. In fact, it is observable in rural areas that children from the age of seven participate in the household activity sets in one way or another. However, the productivity is likely very low.

Table 3. Average Household Family Size and Dependents

Household		Average family size	Average number of dependent*
One loan cycle	Number	61.0	61.0
	Mean	7.2	3.3
Regular client	Number	108.0	108.0
	Mean	7.4	3.4
Total	Number	169.0	169.0
	Mean	7.3	3.4

Source: Survey data

* Below 14 and above 60 years old.

4.1. 2 Socio Economic Characteristics

In the socio economic section, an attempt has been made to discuss on major occupation of the adult as portrayed in Table 4. About 87% of one loan cycle and 91% of the regular clients were engaged in agricultural activities. This is followed by 12% and 9% of the one loan cycle and regular clients, respectively engaged in non-farm income generating activities (petty trade). This likely indicates that households are diversifying income generating activities out of agriculture. There are also students that benefit from the program; however it needs detail data and explanation as to how students are able to access and on what kind of extra – curricular income generating activities they are engaged.

Even though there was continuous access to loan for frequent clients', their major occupation was agriculture. This likely indicates that most of the regular participants

were peasants who want to increase agricultural productivity, and diversification is still very low.

Table 4 Main Occupation of Respondents

Main occupations of adult household	Household			Total
		One loan cycle clients	Regular client	
Self employed in agriculture	Count	53	98	151
	%	87	91	89
Self employed in non farm enterprise	Count	7	10	17
	%	12	9	10
Student	Count	1	0	1
	%	2	0	.6
Total	Count	61	108	169
	%	100	100	100

Source: Survey data

This result was also tested using chi – square to examine the difference in statistical significance.

Table 5 Chi – Square Test for Participation Practicing other than Agriculture

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.1	2	0.4
Likelihood Ratio	2.3	2	0.3
NO of Valid Cases	169		

Source: Survey data

The chi – square result has indicated (Table 5) that the value of the test is greater than 0.05. Thus the null hypothesis is accepted and the alternative hypothesis is rejected. This indicated that through repeated access to micro – credit, households do not necessary

participated in activities outside agriculture. Rather they seemed mainly involved in crop farming, animal rearing and trading related to agricultural products.

4.1.3 Amount of Loan Disbursed

Provision of need based and sufficient loan is one of the interventions that would likely impact the livelihood activities, welfare and incomes of clients.

Table 6 shows that the average length of time spent in the program by one loan cycle clients was 7.7 years while regular borrowers have been member for 10.6 years.

Table 6. Clients Loan History

Household type		Average No of months in program	Average first loan size (Birr)	Average second loan size (Birr)	Average third loan size (Birr)	Average cumulative loan size (Birr)	Average No of cycle
One cycle client	Mean	92	661	-	-	661	1.0
	Number	61	61			61	61
Regular client	Mean	127	435	808	1186	1310	2
	Number	108	108	108	7	108	108

Source: Survey data

The average participation time in the scheme in number of years for regular clients is greater than that of one loan cycle participants. As it can be seen from the data, regular clients had an opportunity to have more average loans. This is due to the fact that they showed good repayment records in the program. Yet, due to the fact that most of the one

loan cycle clients investment found suffered from social or individual failure, hence they (Table 9) could not repay the first loan they took for long period of time. Repayment is an important criterion for accessing additional loan. Thus the individual's good will, client's social trust among the others, and collateral are seen by the program as insurance to minimize the default rate of repayment. In fact, it is evident in many scholarly studies that such an approach usually excludes the poorest of poor (Robert, 2000). This assumes that repeated access to micro – credit widens household's options to employ income generating activities, diversify income sources and solve finance constraints.

The mean loan received by the frequent client was 1310 Birr and that of one loan cycle clients was 661 Birr. A test of hypothesis using independent sample T-test was made to check whether the mean difference is statistically significant or not.

The result of the t- test (Table 7) showed that the result (0.00) is less than 0.05.

Table 7. Average Loan Disbursed and Independent Sample T-test

Household type	Mean	Std. Deviation	Mean Difference	t	f	Sign (2 tailed)
Regular	1310	235	648	-12	18	0.00
One loan cycle client	661	493	-	-		-

Source: Survey data

Therefore, we can conclude that the loan disbursed for frequent clients is significantly greater than that of the one loan cycle clients at 95% confidence level. This demonstrated that regular clients received much more cash from the micro – credit scheme than the one

loan cycle clients. Thus, they had more options for investment in income generating activities than the one loan cycle clients of the program.

4.1.4 Major Reasons for None Repayment of Loan by New Clients

One of the major criteria to access the subsequent loan was repayment status of the client. In DDSCP some of the clients (termed as one loan cycle or new clients in this research) remained with first loan only. To single out the reason why this group left within one time credit service interviewees were asked for their reflection. Based on the response (Table 8) sound to be death of animal (26%) followed by diversion to home consumption (20%) were the major reasons. Failure of crop and inability to engage in income generating activities, accounted for 15% which were also great challenge for the one loan cycle clients. These factors highly affected the productivity of the clients. The average month of time in the program for this group was 92 months (Table 6), but due to individual or social failure of the loan investment and critical loan criteria set in the program, one loan cycle clients could not able to receive additional loan that likely make them not to be productive. The DDSCP needs to revise their loan criteria in order to make them productive and to make impart of the benefit.

Table 8 Major Reason for Not Repaying the Loan

The Reason for Defaulting	One loan cycle Clients	
		Count
Not engaged in productive activity		9
	%	15
Death of animal	Count	16
	%	26
Illness or death of one of the family member	Count	12
	%	13
Failure of crop	Count	9
	%	15
Home consuming during crises	Count	12
	%	20
Failure of non farm activities	Count	3
	%	5
Total	Count	61
	%	100

Source: Survey data

4.2 Impacts of Microfinance on Participants Livelihood

4.2.1 Impact on Monthly Income

Micro – credit programs are expected to generate income by availing liquid cash to invest in different investment form so as to create more wealth. This assumes that households with more income have more choice to meet their basic needs and enjoy more opportunities. From (Table 9) the average monthly income for one loan cycle and regular client found 191 Birr and 358 Birr, respectively. There was around 167 Birr difference on average between the two groups.

Table 9 Monthly Income Independent Sample T-test

Households type	N	Mean	Std. Deviation	Mean Difference	t	sign
Regular	61.00	358	306	167	-5.45	0.00
One loan cycle client	108.00	191	65	-	-	-

Source: Survey data

From the independent sample T- test Table 8, the value is less than 0.05. Therefore, the mean difference of monthly income earned by regular clients is significantly greater than that of one loan cycle clients. This showed that repeated access to micro – credit for regular clients increased household’s monthly cash income. However, the variability in the monthly income of the regular clients is very high as indicated by the standard of deviation (SD=306 birr) per month. The reflection from focus group discussion also confirmed that the income from the microfinance program enabled them in improving their income and modernizing saving culture.

4.2.2 Engagement in Income Generating Activities

Repeated access to micro – credit enables adult households to engage in income generating activities. For this regard the clients were asked to find out how many adult persons in a household engaged in income generating activities. The result, (Table 10) indicated that on average, 1.25 persons of one loan cycle and 2.02 persons of the regular clients were engaged in income generating activity to earn income.

Table 10. Number of Household Members Engaged in Income Generating Activity

Household	Number	Mean	Std. Deviation	Mean Difference	t	Sign (2-tailed)
Regular	108.00	2.02	1.57	0.77	-4.61	0.00
One loan cycle	61.00	1.25	0.57		-	-

Source: Survey data

Thus independent sample- test at 95% confidence level was conducted to test whether more members of the regular clients from family size were engaged in income generating activities than one cycle loan clients.

The result indicated in (Table 10) that the value of the test is less than 0.05. Thus, this depicted that significantly more household members of the regular clients engaged in income generating activities.

4.2.3 Key Household Assets Owned

The assets owned during the last 12 months and the different sources of money to own these assets could be one of the indicators to assess the impact of the micro – credit service on household assets of the clients. Table 11, indicated that 79% of regular clients and 87% of one loan cycle clients own assets such as home furniture, radio, tape records, poultry, bed matter, oxen/cow, sheep/goat, donkey, etc. by using the cash they accessed from the micro – credit. The decision to invest on productive assets differed for one cycle loan and regular clients. The one loan cycle clients invested their money in the purchase

of poultry (21%) and sheep/goats (39%) and the regular clients invested in the purchase of oxen/cow (46%) and horse /donkey (15%). The amounts expend for oxen/cow and horse /donkey are higher than sheep/goat. This difference in decision is likely due to the amount of money the clients received. The regular clients received more money from the service and have bought larger livestock (oxen/cow). The new clients invested on smaller livestock like sheep/goat and poultry. The data set therefore showed that the micro – credit has impact on household’s asset ownership. The results in (Table 11) shows that repeated access to micro – credit enabled regular households to buy bigger livestock. For example, access to draft power (oxen) may enable regular clients to expand crop production and/or enable to secure more profit by fating the oxen.

On the other hand, 6.6% of one loan cycle clients and 12% of regular clients owned asset by selling crop or animal products. Out of this, 4.9% of one loan cycle clients owned the asset oxen/cow and 6.5% of regular clients purchased sheep/goat. This result indicated that clients had an opportunity to own different types of assets from different sources of income. Likewise, in focus group discussion also censuses reached about asset creation in buying chickens, then small ruminants and converted to cows/oxen level as an asset. The focus group also agreed that asset creation is one of the copying strategies for crop failure and also other household shocks in case of condolences and other shortcomings.

Table 11. Assets Owned and Source of Money by Clients

Source of money	Assets owned	Household type		Total
		One loan cycle	Regular client	
Micro credit	Chairs/table/bench	4(6.6)	0	4(2.4)
	Poultry	13 (21)	2(1.9)	15(8.9)
	Construct house	1(1.6)	1(0.9)	2(1.2)
	Radio/tape recorder	2(3.2)	3(2.8)	5(3.0)
	Bed/mattress	1(1.6)	1(0.9)	2(1.2)
	Oxen and cow	8 (13)	50 (46)	58(34.3)
	Sheep and goat	24 (39)	12(11)	36(21.3)
	Horses/donkey	1 (1.6)	16 (15)	17(10.1)
	Total	53 (87)	85(79)	139(82.3)
Crop/animal and other products sales	Chairs/table/bench	0	1(0.9)	1(0.6)
	Radio/tape recorder	0	1(0.9)	1(0.6)
	Bed/mattress	1(1.6)	0	1(0.6)
	Oxen and cow	3(4.9)	3(2.8)	6(3.6)
	Sheep and goat	0	7(6.5)	7(4.1)
	Construct house	0	1(0.9)	1(0.6)
	Total	4 (6.6)	13 (12.0)	17(10.1)
Extension package	Oxen and cow	1(1.6)	0	1(0.6)
	Total	1(1.6)	0	1(0.6)
Own savings	Oxen and cow	2(3.2)	6(5.6)	8(4.7)
	Total	2(3.2)	6(5.6)	8(4.7)
Own business	Sheep and goat	0	4(3.7)	4(2.4)
	Total	0	4(3.4)	4(2.4)
Grand Total		61	108	169

Source: Survey data.

4.2.4 Trend of Agricultural Crop Yield

In this section, due to lack of data at household level regarding major crops of the study area, the researcher focused on the over all trends of agricultural crop yield assuming an incremental trend in crop could be indicative for one or more crop type yields change. Hence, during the survey, the interviewees were asked about the trend of over all

agricultural crop yields in comparison to the former year. According to the respondents (Table 12) 45% regular and 31% of one loan cycle clients reflected that over all agricultural crop yields increased. About 80% of the one loan cycle and 86% of regular clients (Annex I) reported that the reason for the crop yield increment was increase in market prices; none of the interviewee responded in relation to credit. From this, we can depict that farmers respond for price change in market price.

Table 12 Trends of Agricultural Yield of this Season versus the Preceding Season

Trend of over all agricultural crop yield		. Household type		Total
		One loan cycle client	Regular client	
Decreased	Count	20	35	55
	%	33	32	33
Stayed the same	Count	11	16	27
	%	18	15	16
Increased	Count	19	49	68
	%	31	45	40
Do not know	Count	4	4	8
	%	7	4	5
No response	Count	7	4	11
	%	12	4	7
Total	Count	61	108	169
	%	100	100	100

Source: Survey data

The chi – square test (Table 13) result indicated that the alpha value of the test found greater than 0.05, indicating that there is no significant difference for regular clients and one loan cycle clients in trend of over all agricultural crop yield increment.

Table 13. Chi-Square Test for Trend of Crop yield

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7	4	0.17
Likelihood Ratio	6	4	0.17
N of Valid Cases	169		

Source: survey data

Agricultural farm land expansion is one of the factors for total out put growth. During this study, 69% of the regular and 59% of the one loan cycle clients responded that there exists agricultural farm land expansion at household level (Table 14). Investigated reasons for expansion farm land was access to credit or working capital accounted 40% for regular and 13% for one loan cycle clients and access to land accounted 27% for regular and 18% for one loan cycle clients (Annex-II). From this, it is likely possible to conclude that, repeated access to credit enabled the regular clients to expand their existing farm land by purchasing draft power or oxen or renting land from the others by the working capital they accessed.

Table 14. Agricultural Farm Land Expansion at Household Level

Agricultural land expansion presence	Household type		Total
	One loan cycle	Regular client	
No	Count	25	34
	%	41	31
Yes	Count	36	74
	%	59	69
Total	Count	61	108
	%	100	100

Source: Survey data

This percentage difference result was also tested using chi – square to prove its statistical significance.

The chi – square test shown that the alpha value of the test is greater than 0.05 and hence, we can conclude (Table 15) that the agricultural expansions of regular clients was not significantly greater than that of one loan cycle clients

Table 15. Chi-Square Tests for Agricultural Farm Land Expansion

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2	2	0.4
Likelihood Ratio	2	2	0.4
No of Valid Cases	169		

Source: Survey data

4.2. 5 Accesses to Education

As indicated in Table 16 access to credit made a difference in sending children to school. The average number of children, school aged (5-17 in the household) were 3.3 and 3.1 for one loan cycle and regular clients, respectively; and average number of children currently attending school is 1.7 for the one loan cycle and 2.6 for the regular clients indicating difference between the two groups of clients. The trend of sending children to school for the last two years increased by 13 (21%) for one loan cycle and by 48 (44%) for regular clients. Regarding school expense; 28 (46%) of one loan cycle and 77 (71%) of the regular clients were able to cover expenses of children schooling for the last 2 years (Annex III).More over, the average monthly educational expense were 33 Birr for the one

loan cycle clients and 65 Birr for the regular clients. The expense highness for regular clients is attributed to the more number of children attending school and relatively higher expenses to school material.

Table 16. Group Statistics and Independent Sample T-Test for Children Attending School

Children's access to education and educational expense	Household type	N	Mean	Std. Deviation	Mean Difference	t	sign
Mean school -aged (5-17)	Regular clients	104	3.1	2	0.2	0.6	0.6
	One loan cycle clients	54	3.3	2			
Mean children currently attending school	Regular clients	103	2.6	2	-0.9	-5	0.00
	One loan cycle clients	53	1.7	0.8			
Average monthly educational expense (Birr)	Regular clients	103	65	58	-32	-5	0.00
	One loan cycle clients	53	33	28			

Source: Survey data

A statistical analysis showed that the average number of children attending school and average education expense for regular client was significantly greater than that of one loan cycle clients. Thus, it is possible to say, that microfinance has significant impact on access to education in reference to currently attending school via enabling households to send school aged children to school. More over the information obtained though focus group discussion revealed that, the income they are getting from the program enabled the clients to send more children to school.

4.2.6 Household Health Expenditure

Improvements in education, health and food are useful explanatory variables in individual living standard. A person with good health and skill (educated/trained) is not likely poor in relative terms. Consequently, an individual enjoying improved education, health and food usually motivated as well as fit to resume and enterprise productive activity that would develop resilience (in terms of income or asset) for risks (vulnerability contexts). In extreme situation, motivated and healthy labour could sale labour or migrate to areas where jobs are available to avert stress (deprivation). The skill would make the person fit to assume jobs and compete under different circumstances that can risk illiterate. Thus, clients that repeatedly accessed the credit have shown to have access to health and education. From all respondents 18% and 64% from the one loan cycle clients and regular clients', respectively (Table 17) reported that accessing credit is found positive contributor for the ability to pay for medical expense. This is one of the most important indicators to evaluate the contributions of micro-finance for household access to medical facilities. On other hand, the amount of health expenditure might be determined by the incidence of medical demand or illness or free access to public medical facilities, rather than the insignificant improvement in the income level of the clients' household. In order to test the statistical significance, chi-square test utilized.

Table 17. Contributions of Microfinance for Ability to Pay Health Expense

Micro – credit on household ability to pay medical expense		Household type		Total
		One loan cycle client	Regular client	
No	Count	50	39	89
	%	82	36	53
Yes	Count	11	69	80
	%	18	64	47
Total	Count	61	108	169
	%	100.0	100.0	100.0

Source: Survey data

The value of the chi-square test (Table 18) is less than 0.05 and hence accessing micro-credit significantly contributed for regular clients' than one loan cycle client's ability to pay health expenses when medical service is required.

Table 18. Chi-Square Tests for Microfinance impacts on Health Expense payment

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33	1	.000
Continuity Correction	31	1	.000
Likelihood Ratio	35	1	.000
Fisher's Exact Test			
N of Valid Cases	169		

Source: Survey Data

4.2.7 Household Food Expenditure

In this section data regarding food items obtained from own harvest was not collected due to the difficulties to value and aggregate all food items consumed from their own harvest. More over, the most power full indicator to show the contribution of microfinance on

conditions of diet was also not included here due to data discrepancy and only valid data collected on household expenses basically expenditure on food items which was expended to buy supplementary food items from market is included here. The impact of the micro – credit on household supplementary food expenditure (Table 19), showed that the mean monthly supplementary food expenditure of regular clients was 232 Birr and while that of the one loan cycle clients was 154 Birr.

Table 19 The T-Test for Household supplementary food expenditure (Birr)

Household chosen as	Number	Mean (birr)	Std. Deviation	Mean Difference	t	sign
Regular client	61	232	122	-78	-6	0.00
One loan cycle client	108	154	51			

Source: Survey data

As revealed in sample t-test for the monthly supplementary food expenditure for the regular clients was significantly greater than that of the one loan cycle clients; indicating the micro – finance service impact on household supplementary food expenditure.

4.2.8. Coping Difficulties or Stresses

Microfinance program potentially reduces vulnerability enabling the clients to diversify or increase income, increase their savings, accumulate physical assets, increase expenditure on consumption and other related measures. Since the DDSCP major share of the loan was targeting agricultural enterprise possibility to be affected by drought, the clients were asked on how they have been responding to stresses like crop failure, livestock death and long time illness. The response was summarized in (Table 20),

reveals that the way of coping difficult situation was more or less similar for both groups of clients. That is 43% of regular 41% of one loan clients sell personal property at time of difficult situation and 19% and 23% of regular and one loan cycle clients respectively, borrow food or cash from relatives with out cost followed by 11% regular and 10% one loan cycle clients borrow with cost. Thus, from this we can likely conclude that coping strategy against vulnerability, stress or damage was not quite different for repeatedly accessed regular and one loan cycle clients. This is may be the non existence of insurance schemes in the program and low saving capacity of the clients. A test of hypothesis was also made in order to examine whether different stress copying mechanisms to reduce vulnerability exist between regular and one loan cycle clients.

Table 20. Mechanisms of Coping Stresses

Coping stresses	Clients					
	One loan cycle clients	Percent (%)	Regular clients	Percent (%)	Total	Percent (%)
Borrow food/cash from family/relative/neighbour	14	23	21	19.	35	21
Borrow food/cash at cost	6	10	12	11	18	11
Sell personal property	25	41	46	43	71	42
Total	61	100	108	100	169	100

Source: Survey Data

The test showed (Table 21) that the alpha value of the test is greater than 0.05, Therefore; regular clients do not have significantly different stress coping mechanisms than the one

loan cycle clients. From this finding we can depict that repeated access to micro – credit cash does not necessarily improved the coping mechanism of clients in the study area.

Table 21. Chi-Square Tests for Stress Coping

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3	4	0.5
Likelihood Ratio	5	4	0.3
Number of Valid Cases	169	-	-

Source: Survey data

4.2.9 Micro Finance Impact on Saving

One of the major objectives of the micro-finance programmes is enabling the poor to generate enough income by investing in productive activities. Saving part of profits for future investment and improving the quality of the lives of the beneficiaries is also another objective. According to (Ted, 2001) lack of access to credit and saving facilities increases household vulnerability to wards endogenous and exogenous shocks such as natural disaster. To minimize such shocks DDSCP has developed saving scheme for their clients through time. The survey result (Table 22) indicated that the average annual saving exhibited 215 Birr for the regular and 210 Birr for one loan cycle clients.

Table 22. Average Saving and Independent Sample T-Test

	Household type	N	Mean	Std. Deviation	Mean Difference	t	sign
Cash saving	Regular client	82	215	211	-5	-0.11	1
	One loan cycle client	45	210	276	-	-	-

Source: Survey data

However, the independent sampling t-test analysis at 95% confidence level result showed (Table 22) that, there is no significant difference between the regular and the one loan cycle clients in the amount of average annual saving. This is partly because the clients are required by the program to invest on income generating activity and they also consume some of the loan for example for buying food, and education and other related expenses. From the result of the test, microfinance service didn't bring significant impact on savings of the regular clients. Despite, insignificance in saving, in focus group discussion, the discussants disclose the benefits of the program in saving that, traditional experience was saving in house that could be subject to theft, burnt or other kind of loss. Some were saving with their relatives or friends where it was also much subject to denial/refusal to give back. But after the DDSCP commencement they reported that they have been saving now in the program. Saving could be used even by their descendents in case of death. The key informants also stated that they liked renovating culture of saving, social trust building up and thinking in a sense of business.

4.3 Decision Making Role of Households

Microfinance programmes are supposed to empower women through increased role of decision-making in the households and community, improving business skills, better incomes, greater self-confidence and better social acceptance, among others. Women who are participating in the microfinance programmes are also assumed to feel less marginalized, and have higher aspirations for their children's education and nutrition.

The other rationale was that the clients participated in micro-finance service were likely involved their wife/spouse in decision making at their household due to change of attitude. With this assumption, both the one loan cycle and regular clients' questioned about principal decision makers in the households.

Among the one loan cycle clients, about 57% reported self - decision and about 25% reported (Table 23) that the husband and wife make decisions together. With regular client, the joint decision making by husband and wife was 34%. This implies that, a gradual improvement of women involvement in households' decision making that is power to decide over matters of households concern improved.

Table 23. Principal Decisions – Maker in the Households

Households level decision – making dynamics	Households type					
	One loan cycle clients	(%)	Regular clients	(%)	Total	(%)
Self	35	57	58	54	93	55
Male (husband)	10	16	12	11	22	13
Female (wife)	1	2	1	1	2	1
Husband and wife	15	25	37	34	52	31
Total	61	100	108	100	169	100

Source: Survey data

4.4. Decision Making Role of Respondents in the Community Level

The microfinance service delivered to the study area is reflected that the intervention has brought positive effects to the clients' capability on the socio-economic empowerment. To this end out of one loan cycle clients' 79% and 66% of regular respondents have been participating as Kebele member yet, from regular borrowers, about 27% of the interviewed reported that they have been playing as development committee member as opposed to merely 3% respondents from one loan cycle clients involved (Table 24). Development is a joint effort that spill over to community from the individual households, the interest of participation is increasing.

Table 24. Decision Making Role in Community/Social Empowerment

Community level decision – making dynamics	Household type					
	One loan cycle clients		Regular clients		Total	
	N = 61	Percent (%)	N = 108	Percent (%)	N = 169	Percent (%)
Committee member	2	3	29	27	31	18
Kebele member	48	79	71	66	119	70
Attend meeting	4	7	5	5	9	5
Never participate	7	12	3	3	10	6
Total	61	100	108	100	169	100

Source: Survey data

4.5 Major Constraints of the Program

Some of major problems as the survey result indicates, (Annex IV), the loan repayment system or procedure was not suitable for 74% of regular and 67% of one loan cycle clients. About 82% of the regular clients reported that their income generating activities affected by lack of sufficient and timely accessing loan followed by lack of sale due to limited market access. Similarly, 74% of one loan cycle clients reported that the problems encountered were lack of sufficient and timely accessing the loan, followed by lack of sale due to limited market access. In addition, the business the clients engaged was also not making money 33% for regular and 46% for one loan cycle clients. Lastly but not list, overall shortage of income received, was reported by 18 and 23% for regular and one loan cycle clients, respectively. Likewise, the survey result of customers' satisfaction indicated that (Annex V) 36% of regular and 17% of one loan cycle clients were not satisfied with high interest rate; and 28% of one loan cycle and 18% of regular clients were not happy with absence of insurance. Higher proportion of one loan cycle clients (37%) reported that their credit demand was not fulfilled unlike to that of regular clients (16%). In fact, the one loan cycle reporting for their unmet credit demand was due to this group not binding with credit accessing criteria of DDSCP. Yet, the type of major problems affecting one loan cycle and regular clients seems having similar degree more or less. Most of these problems are highly interrelated and interlinked which call for

strong commitment of the planners to break off their tie. Obviously, micro-finance institutions give loans to individuals or groups for investment in productive activities; generate income, and repay loans with interests within initially framed time schedule. If loan provision is not sufficient and timely available, it hampers the success of micro-finance from various angles. As a result the client might not engage in productive activity at the proper time via correct type of business. This in turn affects repayment of loan or holds back from timely repayment of loan.

Apart from the survey result, the focus group discussion conducted was also gathered reflections in relation to the view and perceptions of clients about the DDSCP performance in area of loan, saving, interest rate, suitability of repayment and other related issues. Both groups participated in the discussion liked their access to credit service. Nevertheless, encouraging impact of the loan, the groups disliked the time of loan repayment, the high interest rate, high registration fee and poor infrastructure at their village. They also complained about the amount of credit insufficiency and not timely disbursement. The discussants pointed out market access limitation, absence of insurance and limited regular supervision and monitoring. In addition the discussant disclosed about shortage of total capital too.

The key informants also pointed out the limitation of insurance in case of failure as one of problems. It was reported during interview that the amount of credit couldn't

sufficiently finance enterprise of the clients due to the criteria in place though the credit ceiling is limited to 5000 Birr. Likewise, the clients thought about the business, and failure of some of the clients due to individual and social calamities. More over, they further noted that the remoteness of the area negatively contributed to attain the intended impact. The management gap was also one of areas stressed by key informants. As to that of household survey result, some of those borrowed loan didn't payback in time or total failure.

4.6. Issues Clients' Stated for Betterment of the Program versus the Problems

Getting idea or the way out from community is indispensable to improve any stage of the program. Obviously, the policy idea gathered from grassroots level would have big impact. Hence, during the survey both interviewees were asked about what to be improved or done for DDSCP betterment. About 43% of one loan cycle clients suggested the importance of introducing insurance scheme, 23% to reduce the registration fee followed by expand DDSCP to masses, 12% reduce interest rate, 7% more Government support and 5% change the management body. While, out of regular client respondents 28% suggested introduction of insurance scheme, followed (24%) focusing to reduce registration fee, (19%) reduce interest rate, expand DSCP to masses (17%), and introduce periodic evaluation /monitoring (7%) and 5% asked changing management (Annex VI).

The data portrays that the opinion in case of one loan cycle and regular clients revealed similarity in introducing insurance scheme, reducing interest, and outreach. So, policy implication could be paying due attention about insurance scheme and expand micro-credit program. In addition to survey result, the key informants also voiced on managing client complaints. They also raised about awareness raising, changing the guideline of the program on credit ceiling, periodic evaluation, creating better terms of reference to assess and support in marketing and refreshment training for committee members.

CHAPETER FIVE: SUMMARY AND RECOMMENDATIONS

5.1. Summary of the Findings

Impact assessment of microfinance is necessary not only to demonstrate to donors that their interventions are impacting positively, but also to generate information that allows MFIs to improve their services, and thus improve impact. In particular to the study area, DDSCP of this research, there is neither institutional nor impact research conducted. The study attempted to measure whether repeated participation in the microfinance program has brought significant difference on livelihoods of regular vis-à-vis one loan cycle clients. The study also attempted to find out the core problems faced by the program in the course of program implementation.

The study results clearly indicated that injection of microfinance to household income set has brought changes in their livelihoods. The overall finding indicates that micro – credit provision has impacts on the livelihoods of the rural people even in remote areas like Dawuro. For major variables the statistical test results showed significance.

Impact on income: Micro – credit programs enable clients to generate income by availing liquid cash to engage in income generating activities. This assumes that

households with more income have more choice to meet their basic needs and enjoy more opportunities. The study on DDSCP has clearly shown that the average monthly income for one loan cycle and regular client was 191 Birr and 358 Birr respectively. The independent t- test has also indicated significance of micro – credit on household monthly income. Therefore the mean difference of income earned by regular clients is significantly greater than that of one loan cycle clients. This shows that repeated access to micro – credit created increased in household’s cash income.

Asset owning: The result of this study shows that 79% of regular clients and 87% of one loan cycle clients owned assets such as home furniture, radio, tape records, poultry, bed matter, oxen/cow, sheep/goat, donkey, etc. by using the cash they accessed from the micro – credit loan. The one loan cycle clients purchased of poultry (21%) and sheep/goats (39%). However, the regular clients purchased oxen/cow (46%), 15% donkey/ horse. The amount of money (cash) to buy these assets differs. This difference in decision is likely due to the amount of money the clients received. The regular clients received more money from the service and have purchased larger livestock (oxen/cow) and donkey or horse. The one loan cycle clients purchased smaller livestock like sheep/goat and poultry. The data set showed that the micro – credit brought impact on household’s type of assets they choose to own.

Improvement in crop yield: The study result showed that agricultural crop yield increased for regular clients (45%) and 31% for one loan cycle clients. The result also indicated that the expansion of farm land found 59% for one loan cycle and 69% for regular clients. However, both crop yield increment and farm land expansion were not statistically significant.

Ability to Pay Health Expenditure: The study results indicated that clients that repeatedly accessed the credit loan have shown improved access to health/medication. From respondents 18% of one loan cycle clients and 64% of regular clients' reported that the ability to pay health expense was improved. There existed significant difference in contributions of microfinance on ability to pay health expense for regular clients than one loan cycle clients.

Education: The study showed that micro – finance impact on children's access to education. The average enrolment and status of staying at school was greater for regular than one loan cycle clients (borrowers). The regular clients have indicated that the credit they received from DDSCP enabled them to pay school expenses of their children at ease. Therefore, the average number of children currently attending school is significantly greater for regular clients than the one loan clients. In the independent t- test, repeated access to micro – credit significantly affects access to education for frequent clients. Thus it is possible to say microfinance program has significant positive impact on improving

school enrolment, sending children continuously to school and mean monthly educational expenses of regular clients.

Household supplementary food expenditure: the average monthly supplementary food expenditure of regular clients was found 232 Birr and that of one loan cycle clients found 154 Birr. From the statistical test too the average monthly supplementary food expenditure of regular client found significantly greater than that of the new clients. Therefore, micro – finance contributed positive impact on household supplementary food expenditure.

Coping stresses: The study also inquired whether repeated access to micro – credit loan improves vulnerability to stresses of clients. The result showed that coping risk was mainly by selling personal property for both regular and one loan cycle clients. The test of significance also shows that repeated access to micro – credit cash not significantly improve the coping capacity of clients and coping stress seems the same for frequent and one loan cycle clients.

Improvement in saving: The survey result indicated that the average annual saving for regular client exhibited 215 Birr and 210 Birr for one loan cycle clients, but this was not significantly different.

Decision making role of households: The result of the research findings indicated, among the one loan cycle clients, about 57% reported for their self - decision and about 25% reported that the husband and wife make decisions together. With regard to regular clients, the joint decision making by husband and wife found 34%. This implies that, a gradual improvement of women involvement in households' decision making due to exposure to micro-finance.

Decision Making Role of the Community: To this end out of one loan cycle clients' 79% and 66% of regular clients' responded their role was mainly as Kebele member. Yet, from regular borrowers, about 27% of the interviewed played as development committee member as opposed to merely 3% respondents from one loan cycle clients.

Major Constraints of the Program: According to the regular clients, the reported major problems interest rate loan-repayment system or procedure not suitability, the insufficiency of the loan to run enterprise and weak timely disbursement of the loan, limited market access, and relative unprofitably of the selected enterprise they engaged. The same holds true for one lone cycle except the magnitude. The unique problem in reference to one loan cycle is their unmet credit interest. In fact, this problem attributed to their not meeting the criteria set to be eligible for follow up credit accessing. More over, in both group case the absence of insurance scheme forwarded as one of the constraints.

The key informants also confirmed about insufficiency of the loan, poor payback culture, accesses to market situation and also reflected weak local government offices support.

5.2. Recommendations/Policy Issue

Based on the major findings of the study the following recommendations are suggested:

- Assessing over all short, medium and long term enterprise feasibility before providing credit to mitigate the business failure.
- Revise the loan delivery time, loan accessing criteria, the loan size, and credit repayment system.
- Introduce insurance scheme so as to build confidence of investment.
- Interest rate and the logic behind the interest have to be well communicated to clients.
- Timely monitoring and evaluation of the program so as to correct any shortcomings at spot.
- Improving the DDSCP management system in relation to strengthening the overall management.
- Intentionally involve females in DDSCP so as to benefit the community as a whole.
- Revise the registration fee to attract more clients

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ANNEXES

Annex I. Reasons for crop yield increment

Reasons for better agricultural yield		House hold chosen as		Total
		New client	Regular client	
Improved farm management	Count	3	1	4
	%	5	1	2
Better price for sales	Count		1	1
	%		1	1
Good climate	Count	8	13	21
	%	13	12	12
Increase in market price	Count	49	94	142
	%	80	87	84
Total	Count	60	108	168
	%	100.0	100.0	100.0

Source: Survey Data

Annex II. Reason for agricultural farm land expansion

Reason for agricultural farm land expansion		Household type		Total
		One loan cycle	Regular	
Access to credit or working capital	Count	8	43	51
	%	13	40	30
Access to land	Count	11	29	40
	%	18	27	24
Sold the asset	Count	4	10	14
	%	7	9	8
Access to inputs	Count	-	1	1
	%	-	0.9	0.6
Not applicable	Count	15	7	22
	%	25	7	13
No response	Count	23	18	41
	%	38	17	24
	Count	61	108	169
	%	100	100	100

Annex1III. Access to education by clients

Trend for children attending school in the last two years			Household chosen		Total
			New client	Regular client	
Trend for children attending school in the last two years	Increased	Count	13	48	61
		%	21	44	36.1
	Decreased	Count	7	12	19
		%	12	11	11
	Stay same	Count	40	45	85
		%	66	42	50
	Invalid	Count	1	3	4
		%	2	3	2
		Count	61	108	169
	Total%	100.0	100.0	100.0	
Trend of school expense compared to last year	Decreased	Count	8	8	16
		%	13	7	10
	Stay same	Count	8	8	16
		%	13	7	10
	Increased	Count	40	87	127
		%	66	81	75
	Invalid	Count	5	5	10
		%	8	5	6
	Total	Count	61	108	169
	%	100.0	100.0	100.0	
to cover children's school expenses for last 2 years	No	Count	27	25	52
		%	44	23	39
	Yes	Count	28	77	105
		%	46	71	62
	Invalid	Count	6	6	12
		%	10	6	7
		Count	61	108	169

Source: Survey data

Annex IV. Major Problems of the Clients

Major problems by respondents		House hold		Total
		One loan cycle client	Regular client	
They do not give loan as per my plan	Count	45	88	133
	%	74	82	79
Lack of sales due to limited market access	Count	30	58	88
	%	49	54	52
Loan activity was not profitable	Count	28	36	64
	%	46	33	38
low income	Count	14	19	33
	%	23	18	20

Source: Survey data

Annex V. Reasons for Clients Dissatisfaction

Name of things the client dislike	Household type		Total
	One loan cycle client	Regular client	
High interest rate on loan	10(17%)	37(36%)	47(29%)
No evaluation and monitoring system	6(10%)	6(6%)	12(7%)
Customers do not pay back credit in contract	2(3%)	10(10%)	12(7%)
There is no insurance service	17(28)	19(18%)	36(22%)
We could not get credit when we need it	22(37)	17(16%)	39(24%)
Management problem	2(3%)	4((4%)	6(4%)
Some do not pay the principal/ interest timely	1(1.7%)	11(11%)	12(7%)
	60	104	164

Numbers in parenthesis are in per cents

Annex VI. Issues Clients Stated for Betterment of DDSCP

Issues Clients State for Change or Betterment		House hold chosen		Total
		One loan cycle client	Regular client	
I will facilitates for the availability of insurance service	Count	26	30	
	%	43	28	2
I will create evaluation and monitoring system	Count	1	8	9
	%	2	7	5
I will change the whole management	Count	3	5	8
	%	5	5	5
I will increase the credit amount(ceiling) for all borrowers	Count	2	-	2
	%	3	-	1
I will sale more shares to the members	Count	-	4	4
	%	-	4	2
I will adjust credit disbursement time (Sep - Jan)	Count	-	2	2
	%	-	2	1
I will reduce the interest rate	Count	7	20	27
	%	12	19	16
I will expand basic infrastructure (roads, health)	Count	-	1	1
	% s	-	.9	.6
I will convince government or public for support	Count	4	9	13
	%	7	8.3	8
I will start long run credit service	Count	1	1	2
	%	2	.9	1
I will expand MCP to the masses	Count	14	18	32
	%	23	17	19
I will provide credit on their interest	Count	1	3	4
	%.	2	3	2
I will make the MCP to pay the dividend timely	Count	-	2	2
	%	-	2	1
Total	Count	61	108	169
	%	100.0	100.0	100.0

Source: Survey data

Annex VII. Survey Questionnaire

Subject: Questionnaire for survey on the *Impact of Micro Finance: in Case of Dawuro Dicha Saving and Credit Program (DDSCP), Mareka Woreda, Dawuro Zone, SNNPRS'*

Instruction

Dear Respondents,

I am a prospective graduating student from Addis Ababa University (Postgraduate program in Regional and Local Development Studies). In partial fulfilment of the program, I am undertaking the research on '*The Impact of Micro of Micro-Finance: in Case of Dawuro Dicha Saving and Credit Program (DDSCP), Mareka Woreda, Dawuro Zone, SNNPRS'*'. The research exclusively relies on data collected through survey questionnaire. Consequently, this survey questionnaire aims to collect sufficient and valid data in order to comply with this academic requirement. The findings of this research are expected to be used by policy makers, academicians and donors. Your respectful response to these questions, thus, will have a big impact on the results of the paper. Finally yet importantly, I assure you that all personal information obtained from you will be kept confidential. Thank you very much.

Note to the enumerators:

Introduce yourself to the respondents; clarify the objectives of the study, and make sure that you clearly explain the questions to the respondents.

A. General information

1. Name of interviewer-----

2. Date of interview (dd/mm/yr) -----

B. Household Basic information

3. Name of peasant Association -----

4. Name of respondent (Household head) ----- Age----- Sex-----

5. Marital status 1= Single 2=Married, 3=widow 4= divorced

6. Number of household members;

 1=between 14-60----- 2=less than 14----- 3=over 60-----

7. Main occupations of adult household (greater than or equal to 14 years);

 1=self-employed in agriculture 2=self employed in non-farm enterprises

 3=student 4=casual worker 5=unemployed 6=unwilling to work 7=not able to

 work 78 = others specify -----

8. Level of education; 1 Less than grade four 2=5-8 3=9-12 4=above 12

C. Accesses to loan, Loan Utilization, and repayment

9. How long did you stay as a member of the program in months? -----
10. How many times did you receive loan? -----
11. How much Birr did you receive in the 1st loan? -----
12. How much Birr did you receive in the 2nd loan? -----
13. How much Birr did you receive in the 3rd loan? -----
14. How much is the cumulative loan you received from the program? -----
15. Did you invest any of the last credit loans from the program into income generating activity?

1=yes (Go to No 16) 2=no (Go to No 17) (Go to No 17)

16. How did you invest the last loan you took from the program? (Multiple answers possible);

1= trading (includes petty trade) 2=hand crafts and wood work 3=agriculture
(crop production, animal raising)

17. Did you use any portion of your last loan to (Multiple answers possible).

1. Buy food for your household 1=yes 0=No
2. Buy clothes or other household items 1=yes 0=No
3. Give or loan the money to your spouse or someone else 1=yes 0=No
4. Did you keep some money on hand to use in case of emergency 1=yes 0=No
5. To repay other debt 1=yes 0=No

6. For house/land improvement or purchase 1=yes 0=No

7. To spent on celebration, like wedding 1=yes 0=No

18. Has the loan repayment system suitable for you? 1=yes 0=No

19. If the answer for question No 18 is No, specify why it is not suitable for you? -----

20. Was repaying the loan difficult for you? 1 = yes (go to # 2) 0 = no

21. If the answer for question No 20 is yes, what were your problems? (Multiple answers);

1 = Loan activity was not profitable 2 = I or others in my family had been sick

3 = Use some of the loan money for food or items for the household

4 = Sold on credit

5= Lack of sale or demand 6 = Death in animal 7 = Family celebration

8 = Others/ specify ----- 99= Don't know 98= Not Applicable

22. (For only one loan cycle clients), what were the reasons for not repaying the first loan (specify)?

D. House Hold Level Income, Income Utilization and Asset

23. From the member of your family, is there any one who is engaged in income generating activities? 1=yes 0=No

24. If the answer for question No 23 is yes, in what kind of activities are they engaged?

Types of activities	Monthly income
Petty trade	-----
Hand craft	-----
Daily labourers	-----
Livestock Products (milk & milk products)	-----
Others	-----

Annual Income

Crop Sales (Since the last 12 months)	-----
Livestock Sales (since the last 12 months)	-----

25. How many adult persons in your household are working –engaged in work that earns income? –

26. How much was your household monthly income from all sources? -----

27. What is the trend of the income of the household over the last 12 months?

1=decreased 2=stay the same 3=increased 99=don't know 98=not applicable

28. If decreased, why did your income decrease? (Multiple answer possible)

1. One of the household member has been sick 1=yes 0=No

2. Poor sale 1=yes 0=No

3. Poor agricultural season 1=yes 0=No

4. Unable to get inputs 1=yes 0=No

5. Lost job 1=yes 0=No 6. Others (specify) -----

29. (If increase at all) why did your income increase? (Multiple answers possible)

1. Expanding existing income generating activity 1=yes 0=No

2. Undertook new income generating activity 1=yes 0=No

3. Good agricultural inputs 1=yes 0=No

4. Increase in sale 1=yes 0=No

5. Got a job 1=yes 0=No 6. Other (specify), ----

30. During the last 12 months, in what three principal ways did you use the profit from your income generating activity? (Multiple answers possible);

1=Buy food 2=Buy clothing 3=Pay school expense

4=Pay health related costs 5=buy items for the house 6=save 7=other (specify) -----

31. Have you acquired key assets during the last 12 months? 1=yes 0=No

32. If the answer for Q. No 31 is yes, which of the following assets did you own? (State the asset owned only after your membership)

	Assets	Value	Source of money
Chairs/table/bench	-----	-----	-----
Radio/Tape recorder	-----	-----	-----
TV/Video player	-----	-----	-----
Bed/Mattress	-----	-----	-----
Oxen and cow	-----	-----	-----
Sheep and Goat	-----	-----	-----

Mule	-----	-----	-----
Donkey	-----	-----	-----
Horses	-----	-----	-----
Poultry	-----	-----	-----
Others (specify	-----	-----	-----

33. during the last two years, has the number of your livestock-----?

1=decreased 2=stay the same 3=increased

34. If increased why-----

35. If decreased why-----

36. During the last 2 years, did you make any expansion in your farm land? 1=yes 0=no

37. If the answer for question No 34 is yes, why?

1=access to credit or working capital 2=access to land 3=sold the assets

4=Access to inputs 5=other (specify) -----

38. If the answer for the question No 34 is no, why?

1=Lack of credit 2=Lack of land 3=Lack of inputs

4=Lack of rain fall 5=others (specify) -----

39. How do you compare the agricultural yield of this season to that of the last season

1=decreased 2=stay the same 3=increased

40. If you had significant change in agricultural yield took, what do you think is the reasons? –

E. Household level welfare

1. Diet and Coping with Difficult Times

41. During the last 2 years, did you face shortage of food or money to buy food due to drought or other stress or difficult situations? **1** = yes (Go to # 42) **0**=No (Go to # 44)

42. How many months did this period last; specify in number of months? -----

43. What did your household do to get through this difficult situation? (Multiple answers);

1 = borrowed money or food from family at no cost **2** = borrowed money or food at cost

3 = Sold personal property

4 = Self or some one else in family left area to seek employment **5** = Self or some one else in family got local employment **6** = other (specify), ---

44. What was your average monthly supplementary food expenditure? -----

2. Children Education and Health

45. How many children in your household are schools -aged (5-17years of age) -----?

46. How many of these children currently attend school, full or part time? -----

47. How many of these children have never attended school? -----

48. Number of household members able to read or write-----

49. What was your monthly expense of education? -----

50. What was the trend in number of children attending school over the last two years?

1=Increased (go to # 51) **2**=Decreased (go to 52) **3**=Stay the same (go to # 53)

51. If increased, what contributed for the rise?

1=Establishment of new school in the area 2=Improvements of the household's income 3=Enrolment of those children newly joined school age 4=others (specify)

52. If decreased, what are the reasons? (Multiple answers);

1=Shortage of money 2=Need for children labour in household activities

3=Children's completion of school 4=others (specify) -----

53. During the last 2 years, were you able to cover your children education expense?

1=yes 0=no

54. Do you think that your access to medical facility or your responsiveness has been improved for the last twelve months? I=yes 2=no

55. In the last 2 years, were you able to cover your household medical expenses?

1=yes 0=No

56. If yes for No 55, what was the source of money for the medical service?

1=business profit 2=saving 3= micro – credit loan 4=others (specify)

3. Individual Saving and Empowerment

57. Who is a principal decision-maker in your household?

1=self 2=male (husband) 3=female (wife) 4= husband & wife

58. Which of the following represents your role in the community?

1=you participate in community/ kebele development committee 2=you participate in community development as member 3=you only attended meetings when invited

4=you never participate in community development efforts 5=others (specify) ---

59. How much money you saved in cash during the last 12 months? -----

-60. During the last 12 months how was your personal saving---?

1=decreased 2=stay the same 3=increased

61. Name three things you like most about the credit program;

62. Name three things you do not like about the credit program;

63. What are the major constraints of the program? specify-----

64. What do you suggest for the betterment of the program in delivering loans clients?

Annex VIII. Focus Group Discussion Guides

1. Your view about the overall program?
 - Saving and loan delivery
 - Loan repayment and interest payment
2. Major constraints of the program?
3. What you liked most out of the program? What not liked?
4. Impact of the program on your household (income, saving, schooling, covering health cost, asset creation, housing improvement and coping the stresses)

Annex IX. Key Informant Discussion Guides

- 1) Is there insurance service for the clients?
- 2) How many times you delivered training to clients on average in a single term of a loan?
- 3) Are there any controlling mechanisms for clients whether they use the loan for intended purpose?
- 4) Are there any feedback mechanisms from clients to assess their needs?
- 5) What were the main problems claimed by clients?
- 6) What are clients' opinion in your service provision and the amount in both loan and interest rates?
- 7) Did you provide the necessary services for your clients in satisfactory way?

- 8) What is the main source of the income for the program?
- 9) What is your suggestion for the role of the program in poverty reduction?
- 10) What are the main constraints for the program?
- 11) Is there any policy gap for this program function?
- 12) What are the main weaknesses of the program which needs corrections?

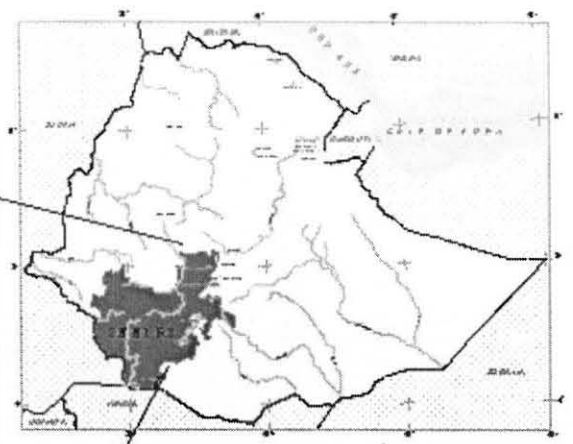


Fig-2 98



የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ

ፌዴራል ነጋሪት ጋዜጣ

FEDERAL NEGARIT GAZETA

OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

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አዲስ አበባ-ታኅሣሥ ፳ ቀን ፲፱፻፺፩

የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የሕዝብ ተወካዮች ምክር ቤት ጠባቂነት የወጣ

5th Year No. 27
ADDIS ABABA - 29th Decem., 1998

ማዕ-ፍፃ

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Proclamation No. 147/1998

የኅብረት ሥራ ማኅበራት አዋጅ ፲፰ ፱፻፺፩

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አዋጅ ቁጥር ፳፻፵፯/፲፱፻፺፩

PROCLAMATION NO 147/1998

በኅብረት ሥራ ማኅበራት የወጣ አዋጅ

A PROCLAMATION TO PROVIDE FOR THE
ESTABLISHMENT OF COOPERATIVE
SOCIETIES

ተመሳሳይ ፍላጎት ባላቸው ሰዎች መካከል በረቀቀነት ላይ የተመሰረተ ኅብረት በመፍጠር ገንዘብን ዕውቀትን ገንብረትንና ጉልበትን በማስተባበር ቁጠባንና እርስ በርስ መደጋገፍን የሚፈጥሩ የኅብረት ሥራ ማኅበራትን ማቋቋም አስፈላጊ በመሆኑ የኅብረት ሥራ ማኅበራት በነፃ ገበያ የኢኮኖሚ ሥርዓት ውስጥ ተገቢውን ሚና እንዲጫወቱ ማድረግ በማስፈለጉ ይኸንን ዓላማ ለማሳካት የኅብረት ሥራ ማኅበራት የሚደራጁ በትንና የሚተዳደሩበትን የተግባር ስነ ማዕዘን በማስፈለጉ በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ ስነ ማዕዘን ለንቀጽ ፶፭/፩/መሠረት የሚከተለው ታውጧል።

WHEREAS, it has become necessary to establish cooperative societies which are formed by individuals on voluntary basis and who have similar needs for creating savings and mutual assistance among themselves by pooling their resources, knowledge and property;

WHEREAS, it has become necessary to enable cooperative societies to actively participate in the free market economic system;

WHEREAS, it has become imperative to issue a comprehensive legislation by which cooperative societies are organized and managed in order to achieve the above mentioned objectives;

NOW, THEREFORE, in accordance with Article 55(1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE
General

1. *Short Title*
This Proclamation may be cited as the "Cooperative Societies Proclamation No. 147/1998."

2. *Definitions*
In this Proclamation unless the context otherwise requires:

ክፍል አንድ
ጠቅላላ

፩. አጭር ርዕስ

ይህ አዋጅ "የኅብረት ሥራ ማኅበራት አዋጅ ቁጥር ፳፻፵፯/፲፱፻፺፩" ተብሎ ሊጠቀስ ይችላል።

፪. ትርጓሜ

የቃሉ አገባብ ሌላ ትርጉም የሚያሰጠው ካልሆነ በስተቀር በዚህ አዋጅ ውስጥ።

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- ሀ) ራሱን በሁለት ወይም ከዚያ በላይ በሆነ ማኅበራት ሊከፋፈል፡ ወይም
 - ለ) ከአንድ ወይም ከዚያ በላይ ከሆኑ ማኅበራት ጋር በመዋሃድ እዲስ ማኅበር ሊመዘገብ ይችላል።
 - ፩. የማኅበር መዋሃድ ወይም መከፋፈል ለዶ ውሳኔ ተፈጻሚ የሚሆንው፡
 - ሀ) የማኅበሩ አባላትና እጽዕኖቻቸው የተከፈላቸው ወይም በመከፋፈሉ የተሰማሙበት፤ ወይም
 - ለ) ያልተሰማሙ አባላትና እጽዕኖቻቸው የተከፈላቸው ወይም የክፍያ ዋስትና የተሰጣቸው፤ መሆኑ ተረጋግጦ ለዶ ውሳኔው አግባብ ባለው ባለሥልጣን ሲመዘገብ ነው።
 - ፪. በውህደት የተፈጠረው ማኅበር ሲመዘገብ ወይም አንድ የነበረው ማኅበር ሲከፋፈል የተፈጠሩት ማኅበራት ሲመዘገቡ የተደገፉት ማኅበራት ወይም ማኅበር ምዝገባ ይሠራሉ።
 - ፫. በውህደት ሕልውናቸውን ያጡ ማኅበራት መብትና ገደታቸውን አዲስ ለተፈጠረው ማኅበር ይተላለፋሉ።
 - ፬. በመከፋፈሉ ሕልውናቸውን ያጣው ማኅበር መብትና ገደታቸውን በዚህ አንቀጽ ንዑስ አንቀጽ (፪) መሠረት በተመዘገበው የማኅበሩ ለዶ ውሳኔ ላይ በተመለከተው ዝርዝር መሠረት እዲስ ወደ ተጽዕኖት ማኅበራት ይተላለፋሉ።
- ከፍላ ሦስት**
- የማኅበር አባላት መብትና ገደብ**
- ፲፩. የማኅበር አባል ለመሆን የሚያስፈልጉ ሁኔታዎች የሚከተሉትን የሚያሟላ ማንኛውም ሰው የማኅበር አባል ለመሆን ይችላል።
 - አ. መሠረታዊ ማኅበር ከሆነ ዕድሜው 14 ዓመት የሞላው፤ የማኅበሩን ዕጣ ለመግዛትና የመመዘገቢያ ክፍያ ለመክፈል የሚችል፤
 - ለ. የማኅበሩን ዓላማና መተዳደሪያ ደንብ የተቀበለና ገደብ ያቆን ለመፈለግ ሊታደግ የሆነ፤
 - ሐ. እንዲሁም ይህን አዋጅ ለግብረሰብ በሚወጡት ደንቦችና መመሪያዎች የሚወሰኑ ሁኔታዎችን የሚያሟላ፤
 - መ. ከመሠረታዊ ማኅበር በላይ ከሆነ አግባብ ባለው ባለሥልጣን የተመዘገበ ማኅበር።
 - ፲፪. የአባላት መብትና ገደብ
 - አ. ማንኛውም የማኅበር አባል የሚከተሉት መብቶች ይኖሩታል፡
 - ሀ) ማኅበሩ የሚሰጠውን ግልጋሎትና ተቅም የማግኘት፤
 - ለ) በማኅበሩ ጉባዔዎች ላይ የመክፈልና ድምጽ የመስጠት፤
 - ሐ) የመምረጥና የመመረጥ፤
 - መ) ጥቅሞች ተከብረውለት በጥያቄው መሠረት ከማኅበሩ የመሰናበት።
 - አ. ማንኛውም የማኅበር አባል የሚከተሉት ገደታቸው ይኖሩታል፡
 - ሀ) የማኅበሩን መተዳደሪያ ደንብ፣ መመሪያዎችና ውሳኔዎች የማክበር፤
 - ለ) በማኅበሩ መተዳደሪያ ደንብና መመሪያ መሠረት የሚሠሩ ሥራዎችን የመስጠት፤
 - ሐ) የዕጣና የመመዘገቢያ ክፍያዎችን የመክፈል፤
 - መ) የማኅበሩን የጋራ ንብረት የመክበብ።
 - ፲፫. ከአባላት ስለመሰናበት
 - አ. ማንኛውም አባል በራሱ ፈቃድ ከማኅበሩ ሊወጣ ይችላል።

- (a) by dividing itself into two or more societies; or
 - (b) by amalgamating itself with one or more societies.
- 2) The special resolution on the amalgamation or division of the society shall be effective on the date of its registration by the appropriate authority upon verifying that:
 - (a) the members and creditors of the society fully agree to the amalgamation or division; or
 - (b) the members and creditors that do not agree have been paid off or their payment is guaranteed.
 - 3) The previous registration of societies shall be canceled from the register as soon as the newly formed society by amalgamation or by division are registered.
 - 4) The rights and duties of societies which have lost their identities by amalgamation shall be transferred to the newly formed society.
 - 5) The rights and duties of a society which has lost its identity by division shall be transferred to the newly formed societies as specified in Sub-Article (2) of this Article.

PART THREE
The Rights and Duties of Members of a Society

13. **Requirements Necessary for Membership of a Society**
Any individual may become a member of a society where:
 - 1) he has attained the age of 14 if it is a primary society;
 - 2) he is able to pay the share capital and registration fee required by the society;
 - 3) he is willing to implement his obligation and observe the objectives and by-laws of the society;
 - 4) he fulfills other requirements which may be specified in the regulations and directives issued for the implementation of this Proclamation;
 - 5) it is registered with the appropriate authority if it is a society above the primary society.
14. **Rights and Duties of Members**
 - 1) Any member of a society shall have the following rights:
 - (a) to obtain services and benefits according to his participation in the society;
 - (b) to participate in the meetings of the society and to vote;
 - (c) to elect and be elected;
 - (d) to withdraw from the society on his request with payment of benefits.
 - 2) Any member of a society shall have the following duties:
 - (a) to respect the by-laws, directives and decisions of the society;
 - (b) to perform those activities which ought to be performed in accordance with the by-laws and directives of the society;
 - (c) to pay for share of capital and registration fee;
 - (d) to protect the common property of the society.
15. **Dismissal from Membership**
 - 1) Any member of a society may leave the society on his own initiative;

- ፩. ማንኛውም አባል በተደጋጋሚ ገደታቸውን ባለማኅበሩ ወይም በማኅበሩ ላይ ጥፋት በመፈጸም ምክንያት ከማኅበሩ እንዲወጣ በጠቅላላ ጉባዔ ሊወሰንበት ይችላል።
 - ፪. ከማኅበሩ የተሰናበተ ማንኛውም አባል የማኅበሩ መተዳደሪያ ደንብ በሚፈቅደው መሠረት መብቱ ይጠበቅለዋል።
 - ፫. በማንኛውም ምክንያት የተሰናበተ አባል የዚህ አዋጅ አንቀጽ 11 ደንጋጋሚዎች እንደተጠበቁ ሆነው ተመልሶ አባል ለመሆን ይችላል። ሆኖም በዚህ አንቀጽ ንዑስ አንቀጽ (፪) መሠረት የተሰናበተ አባል ተመልሶ አባል ለመሆን የሚችለው በጠቅላላ ጉባዔ ውሳኔ ሲፈቀድለት ብቻ ነው።
- ፲፮. ስለዕጣ ክፍያ**
- አ. ማንኛውንም ማኅበር ለመመዘገብ ሥራውን ለማግኘት ላቀሰ የሚያስችለውን የካቢታል መጠን ጠቅላላ ጉባዔው በሚወስነው መሠረት ከአያንዳንዱ አባል የዕጣ ክፍያ ይሰበሰባል።
 - አ. የማኅበሩን የገንዘብ እቅድ ለማግኘት እስከሚገኝ ለገንዘብ ጠቅላላ ጉባዔ ሲወሰን ተጨማሪ ዕጣዎች መሸጥ ይቻላል።
 - ለ. ማንኛውም አባል ከተሸጠው ጠቅላላ የዕጣ መጠን 1% በላይ ድርሻ ሊኖረው አይችልም።
- ፲፯. ስለአባላት መዝገብ**
- አ. ማንኛውም ማኅበር የሚከተሉትን ዝርዝር የያዘ የአባላት መዝገብ ማደራጀትና መያዝ አለበት፡
 - አ. የአያንዳንዱን አባል ስም፣ አድራሻ፣ ሥራ፣ ዕድሜና ደታ፤
 - አ. አባል የሆነበትን ተገኝ እና አባልነቱን ያቋረጠበትን ተገኝ፤
 - ለ. የአያንዳንዱን አባል የዕጣ መጠን እና የመመዘገቢያ ክፍያ፤
 - ሐ. የአያንዳንዱን አባል ወራሽ ስምና አድራሻ፤
 - መ. በመተዳደሪያ ደንቡ የተወሰኑ ሌሎች ዝርዝሮች።
- ፲፰. ስለ ድምጽ አሰጣጥ**
- አ. ማንኛውም አባል የለው የዕጣ መጠን ከግምት ውስጥ ላይገባ በሰበሰባ ላይ ጥፋት የሚሰጠው ድምጽ አንድ ብቻ ይሆናል።
 - አ. ማንኛውም የመሠረታዊ ማኅበር አባል በሰበሰባ ላይ ተገኝቶ ራሱ ድምጽ መስጠት ይኖርበዋል።
 - ለ. ከመሠረታዊ ማኅበር በላይ ባሉት ደረጃ የሚቋቋም ማኅበር ድምጽ የሚሰጠው በተወካዮች ይሆናል።
- ፲፱. ዕጣን ወይም ተቅምን ስለማስተላለፍ**
- አ. ማንኛውም አባል ዕጣን ወይም ተቅምን ለማስተላለፍ የሚችለው፡
 - ሀ) ዕጣን ወይም ተቅምን ከአንድ ዓመት ላላነሰ ጊዜ ይዘት የቆየ ሲሆን፣ እና
 - ለ) የማስተላለፍ ተግባር በሥራ አመራር ኮሚቴ የተፈቀደ ሲሆን ነው።
 - አ. አንድ የመሠረታዊ ማኅበር አባል ሲሆን ዕጣው ወይም ተቅም በማኅበሩ መዝገብ ውስጥ በወራሽነት ለሰየመው ወይም ግድ ወራሽ ያለበት ከሆነ በሕግ ለመውረስ ለሚችል ወራሹ ይተላለፋል። ይህም የሚሆነው ወራሹ የማኅበሩ አባል ከሆነ ወይም ለመሆን ሊታደግበት ከገለጸ ነው።

- 2) Any member of a society may leave the society when it is decided by the general assembly to dismiss him from the society because of committing repeated faults;
 - 3) The rights of any dismissed member shall be respected in accordance with the by-laws of the society;
 - 4) Without prejudice to the provisions of Article 13 hereof, any dismissed person may reapply for membership. However a member dismissed in accordance with Sub-Article (2) of this Article may become a member of the society only if he obtains the approval of the general assembly.
- 16. Payment of Shares**
- 1) The capital which enables the society to expand its work activities shall be obtained from paid up shares of each member in accordance of the decision of the general assembly;
 - 2) The society may sell additional shares if it is found necessary to promote the financial capacity of the society subject to the decision of the general assembly;
 - 3) No member shall hold more than 10% of the total paid up share capital of such society.
- 17. Register of Members**
Every society shall keep a register wherein shall be entered:
- 1) the name, address, occupation, age and sex of each member;
 - 2) the date on which he became a member or ceased to be a member;
 - 3) the amount of shares held and the registration fee paid, by each member;
 - 4) the name and address of the heir of the member;
 - 5) any other particulars that may be specified in the by-laws.
- 18. Voting**
- 1) Every member shall, regardless of the number of shares he has, have only one vote at the meeting of the society;
 - 2) Every member in a primary society shall personally be present at the meeting of the society to cast a vote;
 - 2) Every member in a primary society shall personally be present at the meeting of the society to cast a vote;
 - 3) Members of a society above primary level shall cast a vote through their representatives.
- 19. Transfer of Share or Benefit**
- 1) No transfer by a member of his share or benefit in a society shall be valid unless:
 - (a) the member has held such share or benefit for at least one year before he transfers;
 - (b) the transfer is approved by the management committee.
 - 2) On the death of a member of a primary society, his share or benefit shall be transferred to one of his heirs designated as such in the register of society or failing such designation to his legal heir at law; and where such heir is a member or is willing to be a member.

፳፮. የሥራ አመራር ኮሚቴ ሥልጣንና ተግባር
 የሥራ አመራር ኮሚቴ ሥልጣንና ተግባር በማግባቱ መተዳደሪያ ደረጃ ደንብ የሚወሰን ሆኖ በተለይ የሚከተሉትን ይፈፃሙል፡፡
 ለ. የሰብሰባ ቃል ጉባኤዎችን በጽሑፍ ይይዛል፤
 ለ. የማግባቱን መዘገብ ለገባት የሚገባ ይይዛል፤
 ለ. የማግባቱን ዓመታዊ የሥራ ዕቅድና በጀት ያዘጋጃል፤
 ለ. ሲፈቀድም ተግባራዊ ያደርጋል፤
 ለ. በማግባቱ መተዳደሪያ ደንብ መሠረት ጠቅላላ ጉባኤውን ይጠራል፤
 ለ. ሌሎች የጠቅላላ ጉባኤ ውሳኔዎችን ያሰፈጽማል፤
 ለ. የሥራ እንቅስቃሴ ሪፖርት ለጠቅላላ ጉባኤ ያቀርባል።

፳፯. የቁጥጥር ኮሚቴ
 ለ. የገንዘብ ማግባቱ ቁጥጥር በመተዳደሪያ ደንብ የሚወሰን ለገባት የሆነ ለጠቅላላ ጉባኤ ተጠሪ የሆነ የቁጥጥር ኮሚቴ ይኖረዋል።
 ለ. የኮሚቴው አባላት የሥራ ዘመን ሦስት ዓመት ይሆናል። የቁጥጥር ኮሚቴ አባላት ከሁለት ተከታታይ የሥራ ዘመን በላይ ሊመረጡ አይችሉም። በተመሳሳይ ጠብቅ የሥራ ዘመን በማናቸውም ጊዜ በጠቅላላ ጉባኤ ሊሻሩ ይችላሉ።

፳፰. የቁጥጥር ኮሚቴ ሥልጣንና ተግባር
 የቁጥጥር ኮሚቴው፡፡
 ለ. የሥራ አመራር ኮሚቴ ጋላጊነቱን በትክክል መወጣቱን ይከታተላል።
 ለ. የማግባቱ ገንዘብና ገቢዎችን በትክክል ሥራ ላይ መዋሉን ይቆጣጠራል።
 ለ. የማግባቱ ልዩ ልዩ እንቅስቃሴዎች በማግባቱ መተዳደሪያ ለገባት ደንብ መሠረት መከናወናቸውን ይከታተላል።
 ለ. በጠቅላላ ጉባኤ የሚሰጡትን ሌሎች ተግባሮች ያከናወናል።

፳፱. ስለሌሎች ጉዳዮች ኮሚቴዎች
 ሌሎች ጉዳዮችን ኮሚቴዎች በማግባቱ መተዳደሪያ ደንብ መሠረት ሊጻጹ መቻላቸውን ያረጋግጣል።

ከፍል አምስት
 የማግባቱ ልዩ ልዩ መብቶች

፳፺. ለማግባቱ ዕዳ ከፍቶ ትድሚያ ስለመሰጠት
 በማንኛውም ሕግ በሌላ ሁኔታ የተደነገገ ቢኖርም፣ ማንኛውም ማግባቱ ከሌላ ላይ የሚፈልገው የዕዳ ከፍቶ የመገገሙት እዳን ላይ ለሥራ ከሌሎች ዕዳዎች ከፍቶ ትድሚያ ይሰጠዋል።

፳፻. የአባላትን ዕጣ ወይም ተቅም ስለማቻቻል
 የማንኛውም አባል ዕጣ ወይም ተቅም ማግባቱ ለሚፈልግበት የአባል ከፍቶ ማቻቻያ ሊደረግ ይችላል።

፳፻. ዕጣን ወይም ተቅምን ለማስከበር ወይም ለመሸጥ ስለሚቻል
 በዚህ አዋጅ አንቀጽ ፳፱ ከተደነገገው በስተቀር ማንኛውም አባል በማግባቱ ውስጥ የሚኖረው ዕጣ ወይም ተቅም አባሉ ላለበት ዕዳ ግንኙነት ሲኖረው ወይም ሌላ ሆኖ አይችልም።

፳፻. የመገገሙት ድጋፍ
 ለ. በሕገመንግሥት ስር ሕገ-ጥያቄዎች በሌሎች ስር ጥቅም የተፈቀዱት ማበረታቻዎች ለገባት ሥራ ማግባቱን መፈቀዱን ያረጋግጣል። ሆኖም የገባት ሥራ ማግባቱን የሚከተሉትን ድጋፍ ማበረታቻ ያገኛል፡፡
 ሀ) በዚህ አዋጅ መሠረት የሚፈቀድ አንድ ማግባቱ የሚያገኘው ገቢ ከገቢ ግብር ነገ ይሆናል። ሆኖም አባላት ከሚያገኙት የዕጣ ድርሻ አገባብ ባለው ሕግ መሠረት የገቢ ግብር ይከፍላሉ።

24. Powers and Duties of the Management Committee
 The powers and duties of the management committee shall be determined in pursuance of the by-laws and in particular shall include the following:
 1) maintain the minutes of a meeting in writing;
 2) maintain the documents and books of accounts of the society;
 3) prepare the annual work programme and budget of the society; implements same upon approval;
 4) call general assembly in accordance with the by-laws of the society;
 5) execute such other decisions given by the general assembly;
 6) submit reports to the general assembly on the activities of the society.

25. Control Committee
 1. Every society shall have a control committee which is accountable to the General Assembly and the number of which shall be specified by the by-laws of the society;
 2. The term of office of members of the committee shall be three years. No members of the control committee shall be elected for more than two consecutive terms. They may, while in term of office, be dismissed by the general assembly.

26. Powers and Duties of the Control Committee
 The Control Committee:
 1) follows up that the management committee is carrying out its responsibilities properly;
 2) follows up that the funds and property of the society is properly utilized;
 3) controls that the various activities of the society are carried out pursuant to the by-laws and internal regulations of the society;
 4) performs other duties given by the general assembly.

27. Other Sub-Committees
 Other sub-committees may be established pursuant to the by-laws of the society.

PART FIVE
 Special Privileges of Society

28. Priority of claims by Society
 Notwithstanding any provision to the contrary in any law, debts owed to the society by member shall take precedence over all other debts, except the debt owed to the Government.

29. Set-off in respect of Share or Benefit of Members
 The shares or benefits of any member may be set-off for debts due to the society from such a member.

30. Share or Benefit not Liable to Attachment or Sale
 Except as provided in Article 29 hereof, the share or benefit of a member in a society shall not be liable to attachment or sale.

31. Government Assistance
 1) Without prejudice to incentives permitted under Investment laws and other laws, Societies which are organized and registered under this Proclamation shall be entitled to the following:
 a) to be exempted from income tax; provided however, members shall pay income tax on their dividends;

ገጽ ፱፻፲፯ ልደራሳ ነጋሪት ጋዜጣ ቁጥር ፳፯ ታህሣሥ ፳፻፲፱ ደረጃ ፩-፮

፳፻. ወራሪ የማግባቱ አባል ካልሆነ ወይም አባል ለመሆን የማይችል ግድያ የሚደረግበት ከሆነ የሚቻል የዕጣው ዋጋ እና ተቅም ይከፈላል።

፳፻. በዚህ አንቀጽ ጉዕብ አንቀጽ (፪) መሠረት ዕጣ ወይም ተቅም የሚተላለፍለት አባል ዕጣው በዚህ አዋጅ አንቀጽ ፲፮/፪/ የተወሰነውን ገደብ የሚያልፍ ሆኖ ሲገኝ ልዩነቱ በገንዘብ ይከፈላል።

፳፻. በዚህ አንቀጽ ጉዕብ አንቀጽ (፪) መሠረት የተደረገ ማስተላለፍ ወይም ከፍቶ ሦስተኛ ወገናት በማግባቱ ላይ በሚያቀርቡት ጥያቄ ማስገባት አይቻልም።

ከፍል አራት
 ስለሥራ ልዩ ልዩ መብቶች

፳፻. ስለማግባቱ የበላይ አካል
 የማንኛውም ማግባቱ የበላይ አካል የማግባቱ ጠቅላላ ጉባኤ ይሆናል።

፳፻. የጠቅላላ ጉባኤ ሥልጣንና ተግባር
 የአንድ ማግባቱ ጠቅላላ ጉባኤ፡፡
 ለ. የማግባቱን አጠቃላይ የሥራ እንቅስቃሴዎች እየመገመ ውሳኔዎችን ያስተላልፋል።
 ለ. የማግባቱን መተዳደሪያ ደንብና ውስጠ ደንብ ያዘጋጃል፤
 ለ. የማግባቱን የሥራ አመራር ኮሚቴ፣ የቁጥጥር ኮሚቴና የሌሎች ጉዳዮች ኮሚቴዎች ለገባት ይመርጣል፤ ይሽራል።
 ለ. የማግባቱን የአጣጣል ይወስናል፤
 ለ. የማግባቱን የተጣራ ትርፍ ድልድል ይወስናል፤
 ለ. በሂግብ ምርመራ ሪፖርት ላይ ውሳኔ ይሰጣል፤
 ለ. የሥራ ከገደብ ሪፖርቶችን ያጻምጣል፤ ተገቢውን ውሳኔ ይሰጣል።

፳፻. በዚህ አዋጅ መሠረት ማግባቱ ከሌላ ማግባቱ ጋር እንዲዋሃድ ወይም ማግባቱ እንዲከፈል ይወስናል።

፳፻. በሥራ አመራር ዕቅድና በጀትን ያደርጋል።

፳፻. በሥራ አመራር ኮሚቴ ሌሎች ኮሚቴዎች የሚቀርቡ ለትን ማናቸውንም ጉዳዮች ይወስናል።

፳፻. ጠቅላላ ጉባኤ ስለመጠየቅ
 ለ. የማግባቱ ጠቅላላ ጉባኤ ቢያንስ በዓመት አንድ ጊዜ ይደረጋል።
 ለ. የማግባቱ የሥራ አመራር ኮሚቴ ወይም ከጠቅላላ አባላት መካከል አንድ ሦስተኛው ስብሰባ እንዲጠራ ሲጠይቅ የ፲፭ ተን ትድሚያ ማስታወቂያ በማውጣት ለስታዲያ የጠቅላላ ጉባኤ ሲጠራ ይችላል።

፳፻. በዚህ አንቀጽ ጉዕብ አንቀጽ (፪) መሠረት ለስታዲያ ጠቅላላ ጉባኤ እንዲደረግ የሥራ አመራር ኮሚቴ ጥሪ ያለውን አንድህን አገባብ ያለው ባለሥልጣን ጥሪውን ያደርጋል። ይህ ጥሪ ጠቅላላ ጉባኤው በሥራ አመራር ኮሚቴ እንደተጠራ ይቆጠራል።

፳፻. የሥራ አመራር ኮሚቴ
 ለ. እያንዳንዱ ማግባቱ ቁጥጥር የሥራ አመራር ኮሚቴው በመተዳደሪያ ደንብ የሚወሰን ለገባት የሆነ ለጠቅላላ ጉባኤ ተጠሪ የሆነ የሥራ አመራር ኮሚቴ ይኖረዋል።
 ለ. የሥራ አመራር ኮሚቴ አባላት የሥራ ዘመን ሦስት ዓመት ይሆናል።
 ለ. የሥራ አመራር ኮሚቴ አባላት ከሁለት ተከታታይ የሥራ ዘመን በላይ ሊመረጡ አይችሉም። በተመሳሳይ ጠብቅ የሥራ ዘመን ውስጥ በማናቸውም ጊዜ በጠቅላላ ጉባኤ ሊሻሩ ይችላሉ።
 ለ. የሥራ አመራር ኮሚቴ አባላት በማናቸውም ሁኔታ ሥራቸውን ለሌላ በሥራ ዘመናቸው ያከናወኑትን ተግባር የማስመርመር ግድታ አለባቸው።

3) Where such heir is not a member and does not wish to become or is not admitted as a member, he shall be paid the value of the share or benefit of the deceased member.
 4) If the shares or benefit to be transferred to a member under Sub-Article (2) of this Article are found to be beyond the limitation prescribed in Sub-Article (3) of Article 16 hereof, the member shall be paid the difference in cash.
 5) The transfer or payment concluded in pursuance of Sub-Article (2) of this Article shall not be reversed due to the claims pursued by third parties on the society.

PART FOUR
 Management Bodies

20. Supreme Organ of a Society
 The supreme organ of any society shall be the general assembly.

21. Powers and Duties of the General Assembly
 The general assembly of a society shall:
 1) pass decisions after evaluating the general activities of the societies;
 2) approve and amend the by-laws and internal regulations of the society;
 3) elect and dismiss the members of the management committee, control committee and when necessary the members of other sub-committees;
 4) determine the amount of shares of the society;
 5) decide on how the annual net profit of the society is distributed;
 6) give decision on the audit report;
 7) hear work reports and give proper decision;
 8) decide that a society either be amalgamated with another society or be divided in pursuance of this proclamation;
 9) approve the annual work plan and budget;
 10) decide any issue submitted by the management committee and other committees.

22. Calling of General Assembly
 1) The general assembly shall meet at least once in a year;
 2) If the management committee or one-third of the members of the general assembly require a meeting to be called, an emergency meeting may be held by giving 15 days prior notice.
 3) Where the management committee fails to call an emergency general assembly in accordance with Sub-Article (2) of this Article such meeting shall be called by the appropriate authority and shall in such case be deemed to have been called by the management committee.

23. Management Committee
 1) Every society shall have a management committee which is accountable to the general assembly and whose members and manner of election to be determined in the by-laws of the society.
 2) The term of office of the management committee shall be three years.
 3) Members of the management committee shall not be elected for more than two consecutive terms. They may be dismissed at any time by the general assembly.
 4) When members of the management committee leave their office for whatever reasons, they have the obligation to submit for inspection the activities they performed during their term of office.

