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The Success factors for women in Micro Finance Institution: The Case of Kewot District, North Shoa, Ethiopia

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The Success factors for women in Micro Finance Institution: The Case of Kewot District, North Shoa, Ethiopia

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DECLARATION

I hereby declare that the dissertation entitled study of **THE SUCCESS FACTORS FOR WOMEN IN MICRO FINANCE INSTITUTION: THE CASE OF KEWOT DISTRICT, NORTH SHOA, ETHIOPIA** submitted by me to Indira Gandhi National Open University, (IGNOU) New Delhiis for the partial fulfillment of the Master of Arts Degree.in Rural Development is my own original work and has not been submitted earlier either to IGNOU or to any other institution for the fulfillment of the requirement for any course of study. I also declare that no chapter of this manuscript in whole or in part is lifted and incorporated inthis report from any earlier work done by me or others.

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CIRTIFICATE

This is to certify that Mr./Miss/Mrs _Woubjeg G.Kirstos W.Rufail__ student of M.A. (RD) from Indira Gandhi National Open University, Addis Ababa was working under my supervision and guidance to his/her Project Work for the Course MRDP-001. His/Her Project Work entitled

The Success factors for women in Micro Finance Institution: The Case of Kewot District, North Shoa, Ethiopia which he/she is submitting, is his/her genuine and original work.

Place: Ethiopia – Addis Ababa　　Signature ____________________

Date: May 2013____　　Name Dr. Mulugeta Taye

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ABSTRACT

Micro-finance institutions have made significant contributions to the empowerment of many women through the provision of financial and supporting services, especially women in rural environments. Thus, it is understood that micro-financing, as a development strategy, empowers women who were hitherto marginalized, and as such, were restricted from participating in the social, economic and political activities of their societies. This study examined the impact of Amhara Credit and Saving Institutions' (ACSI's) micro-financing service on women's economic empowerment. Data was collected from a total of 80 rural women consisting of 40 cient women, 40 Non-Client women, in ACSI program areas respectively situated in Kewet District, Amhara National Regional State. The empirical analysis of the study was conducted using both data collection and informal discussion methods.

The results of the study indicate that the micro-financing scheme has a positive impact on women's economic empowerment as measured by the increased participation of women in household decision-making. ACSI's program has had a positive impact on the living conditions of its client women. Compared to the non-client women, ACSI have improved their household incomes and savings habit; thereby positively affecting their ability to fully participate in household decision-making. The implication of the findings is that giving women access to resources does not always mean empowering them economically they also empowered in social participation make important decisions, over their resources. Thus, beyond financial support, this study has found that the contribution of micro-finance services to women's economic empowerment should be enhanced through a combination of more effective support services along with financial services.

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LIST OF ACRONYMS

ADLI	- Agricultural Led Development Industrialization
ANRS	- Amhara National Regional State
DBE	– Development Bank of Ethiopia
DECSI	- Dedebit Credit and Saving Institution
EPRDF	– Ethiopian People's Revolutionary Democratic Front
FGD	– Focal Group Discussion
LCD	– Least Developed Countries
MFI	– Micro Finance Institutions
MOFED	– Ministry of Federal….
MTDP	- Market Town Development project
NBE	– National Bank of Ethiopia
POCSSBO	- Project Office for the Creation of Small Scale Opportunities
RUFIP	-Rural Financial Intermediation Program
SEEP	- Small Enterprise Education and Promotion
SSA	– Sub Saharan Africa
USAID	- United States Agency for International Development
UNDP	- United Nation Development Program

CHAPTER ONE

INTRODUCTION

1.1 Background

Rural development programmes require a number of interrelated projects aimed at changing the various facets of the rural economic and social life. They need to be greater in scale to be able to cover wider area and create impact on larger populations. However, this has been very difficult especially in countries like Ethiopia, where the rural population is large and widely dispersed, characterized by varied socio-economic, physical, and cultural challenges.

Chen and Ravallion (2008) state that the world population living below poverty line is estimated to be 1.4 billion, or one quarter of the population of the developing world. Even though a lot of efforts have been exerted in poverty reduction, the result obtained has been uneven across regions. The study showed that the poverty rate in East Asia fell from 80% to under 20% over the period 1981 to 2005, however, in Sub-Saharan Africa (SSA) it remained around 50% despite some sign of progress since the mid-1990s. In Africa, the share of the world's poor has risen from 11% in 1981 to 28% in 2005 (Chen and Ravallion, 2008).

Ethiopia is the one among countries widely recognized for their deep-rooted poverty. Poverty, with its income and non-income dimensions, remains deep and extensive in the country with about 33% of the population living below the absolute poverty line (MOFED, Five Year GTP, 2011-2015 September 2010). In an effort to reduce the existing abject poverty and bring about better living conditions, the government of Ethiopia has undertaken a series of economic and social reform programs. The national “Sustainable Development and Poverty Reduction Program” launched in 2002 is one of these. The program was built on four building blocks, namely: Agricultural Led Development Industrialization (ADLI), Justice System and Civil Service Reform, Decentralization and Empowerment, and Capacity Building in Public and Private sectors. Although poverty reduction is the core agenda of the country’s development programs, poverty remains a major challenge. One of the important factors for theprevalence of poverty in Ethiopia is lack of access to financial services to the poor. The poor are considered as credit risk by the formal financial institutions and support to them to initiate micro finance that can improve their livelihoods through income and employment generation doesn’t exist.

Ethiopia has, however, a strong culture of informal financial system, which can be reckoned as microfinance service provider to the poor to start micro finance if the necessary support and policy direction is provided. This includes financing from family members and friends, money lenders, Equb (a kind of rotating credit and savings associations) and Edir - a traditional community-based insurance scheme in which a member makes a regular contribution to the membership in order to be insulated from cash shortfalls in the event of death of a member of his family or him/herself (Addis Anteneh and Associates., 2009). This traditional coping mechanisms have been very useful to promote savings culture by the poor to meet emergencies and start own businesses. The usefulness doesn’t stop there, but they are also recognized to have laid out the foundation for the emergence and success of modern microfinance institutions operating in the country in an organized ways. This is covered briefly in the following sections.

The Informal Financial Sector

Edir**: -** is one of the traditional forms of cooperatives still operating almost in all parts of Ethiopia, in both urban and rural areas. It is mainly a burial association for performing funeral ceremonies, coordinating collective way of paying condolences, and also for providing financial and labor assistance for the families of the deceased (Addis Anteneh and Associates., 2009). Almost the majorities of adult people, especially family heads are members' of Edir and are obliged to be a member in order to be assisted in time of death. The main objective of Edir is to help a family in case of bereavement. Such a family receives labour, material and financial support from all of the Edir members based on the bylaw of that particular Edir. Edir can get its legal personality from ministry of justice or regional justice bureau by paying registration fees. The member's participation is very high in Edir because its foundation is based on volunteerism.

Ekub: is another form of traditional cooperative or traditional self-help institution in Ethiopia. It is established voluntarily and its purpose is financial. Ekub is a rotating saving and credit type association whose members make regular contributions to a revolving loan fund. The formation of Ekub is based on classes of people who have identical (similar) earning or income. Unlike saving and credit cooperatives, it does not bear interest on the money saved (collected). The person who receives the money on his turn uses it to solve his immediate economic and social problem. To minimize risks of defaulting in an Ekub, personal guarantee should be given by the payee, when he/she takes the money from the Ekub members. Many people use this form of traditional cooperative as a means of solution to their financial economic problems.

There is a possibility that these two traditional forms of financial associations which are the values and customs of our society can be brought to modern forms of cooperatives so that they can contribute to the economic and social development of the people of Ethiopia.

1.2 Statement of the Problem

Ethiopia is one of the poorest countries in Sub-Sahar Africa both in terms of per capita income and social development parameters. According to official statistics, about 33 percent of the population lives below the poverty line of one dollar/day. Pursuing economic growth and poverty reduction have therefore remained very crucial to the Government over the last decade.

The five-year development plans implemented in the past underpinned agricultural development and poverty reduction as core objectives to be achieved. Among the strategies adopted in the past and current Growth and Transformation Five-year Development Plan (2011-2015), provision of microfinance service to the poor to reduce poverty in Ethiopia is featured as important instrument. Poverty is defined as multidimensional nature (low income, poor health and education, gender, insecurity, powerlessness etc). Accordingly, there are 30 MFIs geographically distributed across the country that have been working relentlessly in the provision of microfinance services to the poor.

Needless to say that microfinance service is expected to play important role in permitting access to financial services to the poor excluded by the mainstream financial institutions and in poverty reduction. Microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to unforeseen external shocks. It can also be a powerful instrument for social change by enabling the poor, especially women, to become economic agents of change.

However, what impact has brought the program on the poor in terms of improving household income, empowering women, increase access to education and health care and improving food security to the poor in rural Ethiopia hasn't been comprehensively and effectively evaluated to draw lessons and feedback.

This research, therefore, attempts to study the impact of microfinance service in poverty reduction in Ethiopia. For this, the Microfinance Institution known as Amhara Saving and Credit Institution (ACSI) in Kewet District of the Amhara Regional State is selected as case study.

1.3 . Objectives of the Study

The general objective of this study is to assess the major impacts of microfinance services by the Amhara Credit and Savings Institution (ACSI) on women in Kewet District, North Shoa, the Amhara Regional State.

More specifically, the study attempts

- to assess the impact of MFIs on Poverty reduction (improvement in household income and expenditure, access to education and health service; and to examine the social benefits that women gain by being a member of the MFI and identify key factors of success.

- to look in to the policy environment and sustainability of the program to enhance women's participation in microfinance services.
- to find out whether the policy implications in such an involvement is found to be gainful in achieving increased household income and economic empowerment of women.
- to analyze whether microfinance services provided by ACSI in the research area (Kewet district/Woreda) is effective in reducing poverty (increase household income, empower women, improved access to education and health service, enhance food security).
- to analyze the relationship of the traditional coping institutions (Equb and Edir) with the modern Microfinance Institution and how the former helped in consolidation of MFIs, look into the outreach and gender dimension

1.4 Significance of the Study

Alleviating poverty and achieving development requires effective deployment and efficient use of resources. With women constituting nearly half of the population of Ethiopia, this cannot be done without mobilizing the energy, talents and capabilities of this important section of the population and empowering them. In this regard, it is argued that micro-finance as a development strategy is able to give room for women's participation in socioeconomic development. However, very few studies have been done to establish the link between micro-finance and women's economic empowerment. Even the studies conducted earlier have mainly focused on Addis Ababa, and very few on regional cities. Nevertheless, as a matter of fact, the majority of the Ethiopian population lives in rural areas, therefore, research results that do not give adequate consideration to the rural society could not be judged as representative.

This study, therefore, aims to assess the impacts of microfinance services on women's livelihood change in one of the two kebeles of Kewet Woreda from which 18 rural Kebeles. Thus, the study would gather basic pieces of evidence, which shall also serve as inputs for researchers and policy makers who may further wish to consider the subject matter of this investigation in the future.

Understanding whether or not microfinance services are really effective in economically empowering women has important policy implication. With this regard, the study has made important findings regarding the role of micro-finance in the economic and financial empowerment of rural women. First, the study proved that the emergence of micro-finance in the Kewet Woreda has resulted insignificant increases in household income, asset ownership and cash savings of women micro-finance clients. Second, the study has found that, women's participation in household decision-making as an indicator of women's economic empowerment has improved as a result of micro-finance interventions availed by the ACSI program.

1.5 Limitation of the Study

It is apparent that every research works suffer from many drawbacks. This paper has also the following shortcomings:

- Finance will also put its constraint on the quality of the research output it limits the size of survey.
- Employing cross sectional data analysis does not allow studying the dynamics of multidimensional poverty among households in the study area.

1.6 Organization of the Thesis

The rest of the thesis is organized into four chapters. Chapter two that follows treats concepts and literature review. Chapter three contains a discussion of the methodology and research area, whilst Chapter four is devoted to the survey design and data. Finally, Chapter five presents conclusion and recommendations respectively.

CHAPTER TWO

LIERATURE REVIEW

2.1 Conceptual Framework

Microfinance impact analysis is the process by which one determines the effect of microfinance as an intervention. The effects examined depend on the outcomes that are sought (mostly the objectives of the MFI). Historically impact assessment has been done to meet donor needs to justify funding. It did not meet practitioner needs to help organizations learn and improve their work. Impact assessment can be used to improve services, increasing impact on poverty and microfinance institution efficiency, to promote good client service and accountability, and to provide accountability to donors and other external stakeholders (The SEEP, 2000).

However, MFI is intended as a tool for poverty reduction, which is why many experts argue that analyzing impact on poverty is an unavoidable task (Ledgerwood 1999). Thus, it is necessary to investigate further to find out who is using the services. Users should be differentiated by wealth, gender and location; and information should be gathered on how various groups are using the services to support their livelihood activities (Johnson and Rogaly, 1997).

The impact assessment should answer to the questions like: who are users of the services? How are the various groups using the services? And how does the intervention affect the life of the beneficiaries? However, the inherent the difficulties of conducting such analysis and the dilemma of cost have been persistent problems which have led to general avoidance of the task (Ledgerwood, 1999).

Despite the many success stories on microfinance institutions in numerous countries and a prove from different case studies that microfinance programs have successfully managed to provide financial products on a sustainable basis, different stakeholders especially NGOs and funding institutions are still keen on knowing how and to what extent microfinance programs have contributed to the reduction of poverty and to what extent have served their purpose. Most literatures cited that sustainability alone does not reduce poverty (Schafer, 2001). For instance he argued that impact measurement in microfinance should not stop at the institutional level. Program intervention serves multiple ends. Impact measurement should seek to measure and explain induced changes that occur at the client level in terms of quality, quantity and direction and addressing how to achieve meaningful program results.

As stated by Narayan (2002), in most poor countries, men's domination of women is strongest within the household. Access to credit and participation in income-generating activities is assumed to strengthen women's bargaining position within the household thereby allowing them to influence a greater number of strategic decisions. Ethiopia is also one of the poor countries where women have a low standard of living. This study looks into microfinance institutions as contributing to women's knowledge and self-confidence by widening their social networking. It also gives women the tools and skills they need to participate more effectively and successfully in formal politics andinformally influence decisions and policies that affect their lives.

Decision making within the households about investment and selection of productive activity, some decisions are made jointly by husband and wife; others are made separately. Situations such as how resources flow to the household, who control them, and whose efforts are invested in managing those resources are affected by gender, age and status and they may be generate cooperation or conflict affecting, in turn the outcomes and who benefit from them.

Microfinance institutions also provide benefits to women and play an important role intheir empowerment. The goal of microfinance institutions as development organizations is to service the financial needs of un-served or underserved markets as a means ofmeeting development. It includes reducing poverty, empowering women or other disadvantaged population groups to create employment (Ledgerwood, 2000).

The intimate connection of the microfinance intervention with household makes it difficult to analyze it or understand it as a separate and distinct entity. This study assumes impact occurs in different areas connected to the household. That is; this study assumes that impact occurs (the unit of analysis for this study will be) at individual level, household level, enterprise (farm) level and at community level. Therefore, this conceptual framework will be used as a ground for the formulation of hypotheses of this study as well as used as guide for the analyzing the survey results of this study.

Generally, this study deals with the role of microfinance in creating employment and income opportunities to women and subsequently in empowering them to play an activerole in the economicand socio-cultural sphere in the study area.

Therefore, since ACSI mainly aims at enhancing its client's welfare and improving their standard of living, this study will follow the second approach in order to evaluate the impact of the institution ACSI on the welfare and other potential variables of its beneficiaries.

Broadly speaking, impact of microfinance fall into three categories (Ledgerwood 1999): the first category is economic impacts. Thus large MFIs reaching hundreds of thousands of clients may expect or aim at impact in terms of changes in economic growth in a region or sector. The second category of impact is sociopolitical or cultural impacts. MFI may seek a shift in the political economic of a particular sub sector. For example MFI in remote rural area may expect to help rural people from barter to a monetized economy. The third category of impact is personal or a psychological impact, which deals with borrowers' sense of self.

Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. The economic empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries. It is clearly visible that involvement in successful income generating activities should translate into greater control and empowerment (Narayan, 2002).

2.2. Micro Finance Industry in Ethiopia

In Ethiopia, 'banking the un-bankable' using a specialized financial service providers is only a decade-old phenomenon. Following the 1970s drought and associated famines in the country, NGOs had initiated subsidized credit schemes as part of their food security and poverty reduction programs (Addis Anteneh and Associate, 2009). As the micro credit activities gradually expanded, the need for operational and financial sustainability became an apparent issue. The much debated subsidized credit and undifferentiated social and economic objectives of NGO credit programs were ultimately resolved by Proclamation No. 40/1996. (Addis Anteneh and Associate, 2009)

The Ethiopian financial sector was highly repressed for about seventeen years during the Derg period. It was virtually passive. The government largely obviated the need for intermediation, with the financial sector ignoring risk and accommodating the credit demand of the state plan. The structure of the financial institutions was quite narrow and segmented. Besides, about 70%of the assets of the financial institutions were controlled by the National Bank of Ethiopia and Commercial Bank of Ethiopia alone. During that period monetary policies were fully geared towards supporting the centrally-planned economy, with financial institutions serving particularly to meet the demand for credit by the central government and public enterprises. Preferential interest rates were given to socialist oriented industrial and agricultural co-operatives and public enterprises (Yohannes 2002).

Since the takeover of the present government in 1991, considerable attempt has been made to liberalize the financial sector. To this effect, Proclamation No. 84/94 was issued to liberalize the financial sector. The proclamation allows private domestic investors to participate in banking and insurance activities which were previously monopolized by the government. However, the issuance of this proclamation alone did not totally solve the financial problem of the economically active poor people in rural and urban areas (Seifu 2002). Another Proclamation, No. 40/96 was issued to solve the problem of the delivery of financial services to the poor. Following the issuance of this proclamation the microfinance industry of Ethiopia showed a remarkable growth in terms of outreach and sustainability. Furthermore, the National Bank of Ethiopia which is empowered to supervise and license the microfinance institutions, issued a new directive on May 2002 to improve the regulation limits on loan size (Br. 5000/250 USD) repayment period (one year), and lending methodology (social collateral) which had been negatively affecting the contribution of microfinance institutions in the development endeavor of the country.

The Ethiopian Government has shown its commitment to promote the delivery of microfinance services to the poor. It considers microfinance as a tool to fight poverty as reflected in the country's poverty reduction programs, rural development strategy, industrial policy, as well as food security programs.

2.3 Empirical Impact Studies on Ethiopia

Poverty reduction has been a major concern of microfinance service in Ethiopia. Since establishment, the MFIs in Ethiopia have been preoccupied with provision of financial services to the poor to reduce poverty through financing microenterprises promoted by the poor. However, despite the growing importance of microfinance service provision to the productive poor people, there are only a few studies made on the impact of the program on poverty reduction in the area. Moreover, many of the studies conducted are limited to the supply side from the perspectives of lending institutions performance. Generally, it can be said that microfinance impact assessment studies are very limited. But, since the inception of the microfinance programs in the country, different researchers have been recording some positive results. For instance Mengistu, (1998) conducted a study on credit service administration under the micro enterprise project. He noted that the increase in the number of program beneficiaries was an indicator of the assistance of the program to employment creation. He also indicated that, the increase in the level of credit ceiling as well as the use of saving accounts as indicators of the growth of microenterprises towards the formal sector. With respect to loan repayment rate, he found out encouraging result (92%).

Also Solomon (1996) conducted a survey on 65 beneficiaries of microenterprise financing scheme of Development Bank of Ethiopia, at Debre-berhan branch. Basically, his objective was evaluating Market Town Development project (MTDP) by focusing on the performance of loan status under group liability and impact on income in general. His subsequent findings were that the loan recovery rate was above 93%, which is remarkably high. On the other hand his preliminary impact evaluation showed that only 49% of the sample household have experienced an increase in income level, 32% no change, and 19% experienced decline in income despiteaccess to financial services.

Similarly, Berhanu made another study in 1999 on microcredit and poverty alleviation, based on a case study of POCSSBO in Addis Ababa. The objective of the study was to identify the determinants of loan repayment and the contribution of micro credit on poverty reduction through financing micro enterprises and creating job opportunities. His findings were that loan repayment is mainly affected by factors like type of activities, gender differential, wealth differential, availability of other sources of income, beneficiaries' attitude towards loan repayment, educational level of the beneficiaries, and size of the loan. His study also confirmed that, microfinance intervention has a positive effect towards poverty alleviation.

Wolday A. (2002) also studied the challenges and prospects of new product development in the microfinance industry in Ethiopia. His results showed that products of microfinance institutions were not identified and developed based on market analysis to meet the need and preference of the clients while keeping the financial institutions profitable. This has consequently increased dropout rates, and affected outreach and long-term objectives of the programs.

Another study in the area though not comprehensive, was made by Meehan (2002) in Tigray region. Meehan made a case study of Dedebit Credit and Saving Institution (DECSI), based on its credit operation analyzing the impact of microcredit provision at household level in rural Tigray. The study comes up with the findings that credit provisions have had a positive impact on alleviating poverty in the study area. The impact was absorbed at least in the short term by increasing economic activities and income levels of the beneficiaries but diminish to sustain a long run positive impact. Therefore, positive impact at household level appeared to be highly correlated with the continuous access to credit. In place where the access was interrupted, the improvement in household income decreased. Sectorally she found that though rural clients were recorded as better off than urban clients initially, they were less likely to maintain it over time than the urban clients. Again, the study identified important factors determining effectiveness of the programs such as initial income differential, the type of economic activity in which the clients engaged, sex differential and dependence on vulnerable agriculture.

Microfinance service impact assessment study made in the Amhara Regional State also shows positive results. Evaluation made by Getaneh G. (2001) finds that the financial services of ACSI has increased income and improved food security of clients through making possible for clients increase agricultural productivity and production.

In addition to the above-mentioned studies made in the area of microfinance currently few studies have been made with regard to impact assessment on microfinance interventions, especially on the impact of micro finance intervention and gender (Tesfay A. 2002; Tsehay T. and Mengistu B. 2002). The findings of Tsehay T. and Mengistu B. (2002) on the impact of microfinance among poor women in Ethiopia, which was based on the case study of four MFIs, indicates that the microfinance interventions have brought positive impacts in the improvement of economic status and empowerment of women microfinance participants.

With respect to empirical studies on the determinants of loan repayment performance in the country there are only limited studies. For example, Mengistu B. (1998) has made a study using a binomial Probit model, on the determinants of loan repayment performance in Hawassa and Bahir-Dar towns, under the micro enterprise project scheme. He found a positive relationship between repayment performance of the clients and the number of workers employed by the program beneficiaries, as well as the beneficiaries' educational level in Hawassa, while a negative relationship between loan diversion and repayment performance was found during his study. Similarly the findings of Berhanu L. (1999) on the performance of loan repayment of POCSSBO have been consistent with the findings of Mengstu B..

Generally, most of the studies with the exception of Meehan and Tsehay T. and Mengstu B. have followed similar approach in investigating the effectiveness of microfinance institutions. That is they were tried to evaluate the impact of MFI's from the supply side-that high loan recovery rate was considered as a sign of sustainability and indirectly implied welfare improvement. However, to some degree, most of the above studies confirmed that the rise in income as the result of the microfinance intervention was not significant; voluntary savings did not expand accordingly; sustainable increase in income was recorded in urban than in rural; and the importance of wealth, gender and activity differentials in determining the effectiveness of the programs was found to be highly significant, and so emphasized in all of the results of impact assessment studies.

Relatively, a recent impact evaluation conducted by WABEKBON Development consultant (2006) finds that the access to microfinance service by poor women in Tigray Regional State, has improved their income because they invested in new businesses and also expanded their economic activities horizontally and vertically. Dependence of women clients on their husbands has also been reduced and their increased income enabled them to be self-reliant and endowed them with economic empowerment. The study has also found that Microfinance service contributed significantly to women clients' self-esteem and confidence. A study made by Axel Borehgrevink et al (2005) however finds economic growth, availability of rural infrastructure facilities such as electricity, water and roads are critical to promote microenterprises which can generate income to the poor on sustainable basis. Poor infrastructure service, including access to health care and education can help in reducing the incidence of poverty along with microfinance services.

The most recent microfinance service impact evaluation undertaken by a Consultancy Firm (Addis Anteneh and Associates, 2011) finds that the development of microfinance in Ethiopia have set in motion a process of change to be a viable business. The achievements in terms of financial service delivery targeting the poor are also found resounding in the following areas:

- The myth that the poor households cannot and do not save has been shattered Savings can be successfully mobilized from the poor households.
- Poor, especially poor women have emerged as creditworthy clients, enabling microfinance service delivery at low transaction costs without relying on physical collateral
- Microfinance services have strengthened the social and human capital of the poor, particularly women, at the household, enterprise and community level

- Sustainable delivery of microfinance services has generated positive developments in microfinance policies, practices and institutions
- Microfinance services have triggered a process towards the broadening and deepening of rural financial markets

2.4 Microfinance Development and Women's Participation in Ethiopia

Up until the early 1990s, the sources of finance for rural and urban poor and micro and small enterprise operators in Ethiopia were confined only to informal sources of finance like moneylenders, friends and relatives (Itana et al, 2004). He further noted that, starting in the mid-1990s, following the drought of 1984/85, some Non-Government Organizations (NGOs) introduced the idea of saving and credit among poor people as a strategy for rehabilitation and development. Later on, special government programs operated mainly in collaboration with international financial institutions came into the picture. However, both types of programs were operated in a scattered manner and lacked sustainability until 1996.

Of the substantial measures taken to liberalize the financial sector, the promulgation of proclamation No.40/96 is most commonly cited. The proclamation provides the framework to create, expand and develop micro 26 finance programs. Micro-financing is viewed as a means to alleviate poverty through pumping capital to subsistence agriculture and micro enterprises. Following the Agricultural Development Led Industrialization (ADLI) strategy of the EPRDF government, rural finance has been considered as an important tool for agricultural and food security (Belay A., 2001). Consistent with its ADLI policy, the government had to reconsider the operational modality of microfinance to facilitate a very significant improvement in service delivery and outreach.

June 1996. The central elements of the proclamation seem to be outreach and sustainability. That is, if properly implemented, the proclamation has the potential to facilitate significant outreach, and the flourishing of several sustainable Micro-finance institutions (Meklit MFI et al, 2005). After the enactment of this Proclamation, about 26 MFIs have been legally registered by the National Bank of Ethiopia (NBE), (Wolday A., 2007).

The importance of the micro and small enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share of employment and small capital requirement. These are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises (Gebrehiwot A. and Wolday A., 2001). In line with the development of micro-finance institutions, the Government of Ethiopia set up participatory rules and policies which gave space for women productivity. Padma M. and Swamy P.G. (2003) noted that, government has formulated and issued the Ethiopian Women’s Policy to speed up the economic and social advancement of women. This policy gives special emphasis to rural women by ‘facilitating the necessary conditions whereby they can have access to basic services and to ways and means of lightening their workload’. Consequently, all development programs at national and regional levels should be able to integrate gender concerns in their plans and programs to ensure that women participate, contribute, benefit, become recognized, and obtain technological support. Rural development programs need to reorient their implementation strategies so that they would target rural women as beneficiaries of development initiatives and programs. Within this framework, anti-poverty and women empowerment could be aspects of the major development strategies.

The number of MFIs operating in the country has also shown remarkable growth in terms of outreach. since the issuance of the proclamation for Microfinance Institution establishment in 1996, the number of MFIs registered by the NBE has reached 30 (with 1000 branches and sub-branches) geographically distributed across the country aiming at delivering financial services to the poor excluded from access to financial services by banks (Wolday A. 2012).The number of active clients increased from 746,136 in 2003 to 2.4 million by the end of 2011. The loan active loan portfolio has also registered an aggregate growth from Birr 589 million to 7.1 billion (408 million USD) over same period. The average loan size also increased from Birr 789/39 USD in 2003 to Birr 2,883/144 USD per client in 2011 registering significant growth. The percentage of women clients (borrowers) also increased from 30% to 51% in 2011, indicating that MFIs are working more to empower women and reduce women vulnerability to poverty and lack of access to basic services.

Deposits mobilized by MFIs has also shown remarkable growth shattering the belief that the poor cannot and don’t save. Total savings mobilized from clients by 30 MFIs grew from Birr 323,503,677/16,175,183 USD in 2003 to Birr 3.6 billion/180,000,000 USD in 2011. The average savings per client also increased from Birr 324 million/16,200,000 in 2003 to Birr 2.7 billion/ 135,000,000. The Figure suggests that MFIs covered about 51% of their loan portfolio from deposits mobilized from clients and this indicates that the poor can save if provided that they are given the right products and policy environment. Despite the remarkable growth in expanding outreach, MFIs in Ethiopia have only met less than 20% of the total demand for financial services. This indicates that there is huge unmet financial service demand and more should be done in terms of expanding outreach and strengthening the institutions to bring about meaningful poverty reduction in the rural areas. The table below summarizes the outreach of MFIs over the period covering 2003-2011.

Table 1: Microfinance Institutions Outreach, Ethiopia 2003 – 2011

Year	No. of Active Client	Women Borrowers (%)	Outstanding loan	Compulsory Saving	Voluntary Saving	Total Saving	Growth of Avg. Loan	Growth of av. Saving
2003	745,136	30.00	588,701,314	122,692,079	200,811,598	323,503,677	789	402
2004	622,650	47.00	609,505,993	150,436,843	260,797,976	411,234,819	979	660
2005	939,585	45.00	1,229,598,480	218,867,864	364,796,235	583,664,099	1,309	621
2006	1,299,896	57.00	2,045,114,853	332,891,955	466,464,369	799,356,324	1,573	615
2007	1,700,396	43.00	3,058,547,333	449,929,538	722,950,231	1,172,879,769	1,799	690
2008	2,172,823	54.00	4,691,242,443	734,921,215	745,207,415	1,489,128,630	2,159	685
2009	2,197,688	55.00	4,892,658,879	811,874,946	1,411,568,98	2,223,443,931	2,226	729
2010	2,325,914	55.00	5,706,372,461	817,133,865	1,738,595,85	2,555,729,720	2,453	1,099
2011	2,480,810	51.00	7,152,069,840	931,248,218	2,764,768,57	3,696,016,796	2,883	1,490

Source: The Development of Deposit-taking Microfinance Institutions (MFIs) in Ethiopia: Performance, Growth Challenges and the Way Forward. Occasional Paper No. 18.

Lessons Learned from Literature Review

Microfinance is a critical element of the overarching poverty reduction and women empowerment objective in Ethiopia. MFIs have reached 2.3 million active clients as at end of June 2010 with total loan portfolio of Birr 5.8 billion/290,000,000. Despite their significant achievements, they meet only less than 20% of the demand for financial services in rural Ethiopia leaving behind huge unmet financial service demand. Generally, in the early microfinance institutions didn't make a significant poverty reduction impact because of their limited outreach. Poor infrastructure, sluggish agricultural growth, lack of product diversification, poor entrepreneurship and limited markets imposed serious limitations on the potential for broad based growth in rural areas and access to credit could contribute little to permanent improvements in income for clients. Thus, to maximize their development impact and poverty alleviation, it is important for microfinance institutions to integrate microfinance services withother critical rural development programs aimed at reducing poverty.

Other lessons learned include:

1. Microfinance is an effective way to assist and empower poor women, who make up significant proportion of the poor and suffer disproportionately
2. Social mobilization is necessary to introduce the poor to a market oriented institutional environment. This is particularly true for poor women and the poorest of the poor
3. Microfinance clients are more concerned about access to financial services that are compatible with their requirements than about the cost of the services.

CHAPTER THREE

METHODOLOGY AND RESEARCH DESIGN

3. Description of the Study Area

3.1 Geographical area

The Amhara National Regional State (ANRS), located between $9^0 20'$ – $14^0 0'$ north latitude and $36^0 20'$ - $40^0 20'$ east longitude, has an area of 170,152 km^2, which accounts for 15% of the total land area of Ethiopia. It shares boundaries with Tigray in the north, Benshangul Gumuz and the Sudan in the west, Oromiya in the south and Afarin the east (Amhara Bureau of information and communication, 2002).

Shoa Robit is the administrative and commercial center of Kewet Woreda which consists of 18 rural Kebeles, with a total population size of 88,137 (42,666 F). It is 220 km North of Addis Ababa along the main road that connects the capital with the north its climate is very hot.

3.2 Demographics

Based on figures from the town's Finance and Economic Development Office, Sheoa Robit has an estimated total population of 42, 202, of whom 21,590 are men and 20,612 women. The town has an estimated area of 14, 125 square kilometers. Of these, 5068 ha is cultivated land, 950 ha grazing land, 619 ha natural forest, 310 ha manmade forest, 850 ha bush land, 57 water land, 3014 ha settlement land and the rest constituted by others. The largest resident ethnic group is Amhara. But there are also people of Afar, Tigre, Argoba, and Gurage ethnic groups.

3.3 The Socio-Economic and Cultural Context

Starting from the year 2008, the town has become an independent town administrative district, directly responsible to the Regional State. Currently it has 4 "urban'' and 5 "rural" Kebeles.

Tuesday and Saturday, its main market days, bring a large number of people in to exchange from Argoba, Oromo and Afar localities.The town is also a transit centre for agriculture labourers who move from the north to and back from Awash and Tendaho agricultural development areas. Moreover, it is linked with the 18 rural Kebeles of Kewet Woreda and other rural surroundings with all-weather gravel roads.

Multiple sexual partnership is a wide spread practice. The majority of the town's youth spend much of their time in chewing Chat or drinking local liquors. The local liquor houses, snack bars, hotels, restaurants, groceries are full of child prostitutes that come from different parts of the country. Many young rural men from the surrounding productive Kebeles and Afar, freely moving prisoners, visiting guests and passengers stay in or visit the town for sex.

The population is patriarchal. Be it at home or in the public and in economic, social as well as community leadership affairs, priorities are always to men.

3.4 Study Methodology

3.4.1 Micro-finance Impact Assessment Approaches

The methodology employed to assess the impact of micro-finance on women's economic empowerment utilizes different approaches. In this study, in order to evaluate the impact of micro-financing on women's economic empowerment, the methodology used by Amin et al (1998) was employed.

According to these scholars, comparing clients with non-clients in non-programmer areas with respect to women's economic empowerment was used to examine whether or not a variation in economic empowerment could be explained by a variation in membership. Similarly, non-clients from microfinance program areas are used to compare with non-clients from non-program areas in order to look at the diffusion effect of microfinance membership on women's economic empowerment among non-clients.

In addition, incoming-clients were compared with matured-clients, in order to analyze the effect of the duration of microfinance membership on women's economic empowerment. Schuler and Hashemi (1994) used combining and comparing participants and non-participants with residents of villages without credit programs, in order to look at village-level effects. In addition, a membership duration variable is used to test the effect of credit programs on women's economic empowerment; whether this increases over time.

Despite its popularity, the "before" and "after" evaluation approach has great limitation when used to assess the impact of microfinance on women's economic empowerment (The SEEP network, 2001). It depends only on client self-reports; and the lack of a comparison group makes it impossible to know whether the changes described by clients exist because of the programme, or if they simply represent general trends in the area. Also, it is indicated that the method of making comparison between clients and non-clients (control group) is the most common cross-sectional design used in evaluation research. Even though this approach represents an improvement relative to "before" and "after" method of impact assessment because of its controlling group, this method also has its own limitations i.e. the responses of clients are compared to those of non-clients through a with/without framework.

Therefore, 80 women selected for this study, it was believed that the method of comparing matured and incoming clients with respect to empowerment is the most promising and useful tool and is the most valid of the cross-sectional approaches. Accordingly, in order to avoid the above limitations, this study used both "Matured versus Incoming Clients" and "Matured versus non-Clients". The justification of using "Client versus non-Client" and "Matured versus Incoming Clients" approaches is to control for the respondents' demographic and socioeconomic characteristics in the regression model.

3.5 Research Design and Methods

Data was collected from active women clients of ACSI who were receiving the service during 2008 - 2012, from the non-members of ACSI as a control group living in the same kebele of Kewet woreda kebele 01 and 02. Review of various documents, bulletins, proclamations and other sources were also conducted as source of secondary data

Data was collected using both open ended and closed ended questionnaires. The prepared questionnaire category was four in number: One category of structured questionnaire for active clients (both open and closed ended) and one category for staff members (open ended). Thus, the research design, sampling techniques, data collection and analysis methods will be presented in the following chapter.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 General Characteristics of Respondents

The qualitative data was collected using focus group discussions, various key informants, as well as interviews and participant observations. The following respondents were included in the focus group discussions: women clients, women non-client, determinant informants such as kebele administrators' and kebele women association leaders.

Table 2: Summary of Respondents and other Informants

Types of respondents	Instruments' used	Number of respondents
Women clients and non-clients	Interviews, FGDs and Observations	80
Key informants (MFI representative)	FGDs	5
Total		85

4.1.1 Age Distribution

The majority of the respondents (45.0%) were within the reproductive age limits (30-34years). Accordingly, 7.5% were in the age group of 44 - 44 years, 15.0% were grouped between the ages 25 - 29 years, and the remaining 32.5% were between the ages of 35 - 39 years. The age group >44 was not found. (Table 3) (Questionnaire is attached as Appendix I).

Table 3: Age distribution of the Client Women

Age	Number of women	Percent
25-29	6	15.0
30-34	18	45.0
35-39	13	32.5
40-44	3	7.5
>44	0	0
Total	40	100.0

As regards members of the service client women, almost all of the household members were also found in the productive age, which can positively affect the effectiveness of the MFIs services.

For the control group the non-client women the age distribution is out of 40 women 30% of women from 25-29 years, 32.5% from 30-34 years and 37.5% from 35-39 years. As compare to the client women their age distribution is similar and they were in the productive/working age. (Questionnaire is attached as Appendix II).

4.1.2 Educational Status

One of the socio-economic characteristics of survey respondents are measured on educational background. As education is a key for empowerment of women in all aspects and in regard to the MFI membership it is a major/key for success. Out of the total 40 respondents 10% are illiterate, 42.4 have Completed literacy, 37.5 % have first cycle academic education (1-4), 10% have second cycle (5-8) education, Survey findings on educational status of the respondent reflects low illiteracy rate among women in the study area (Table 4). The client women more than 50% of them are at least they can write and read. It shows that one of the successive factors of the women in MFI in the area is there educational level.

Table 4 – Educational Statusof Client Women

Educational Status	Frequency	Percent
Illiterates	4	10.0
Completed literacy	17	42.5
First cycle academic education (1-4)	15	37.5
Completed Junior High	4	10.0
Total	40	100.0

The educational status of the non-client women or the control group is much more similar with compare to the client women. 17.5% of the women are illiterate, 35.0% of the women Completed literacy, 17.5% of the women Primary level completed and 30% of the women Junior Secondary level completed. As compare to the client women there is no significant difference with educational status of non-client women.

4.1.3 Martial Status

Marital status was another socio-economic characteristic of the client that was studied. More than 50 % of the respondents were married. The findings of the study indicated that 5% of the respondents were single, 7.5% were divorced and 20% were widowed. (Table 5) (Questionnaire is attached as Appendix I).

These data shows that 32.5% of the respondents were living alone and they are breadwinners of the household. The other respondents married and they have another income from their spouses.

Table 5 – Marital Statusof the ClientWomen

Marital Status	No. of Women	Percent
Single	2	5.0
Divorced	3	7.5
Married	27	67.5
Widowed	8	20.0
Total	40	100.0

The concept of MFI and women empowerment should think the strategy to encourage the MFI for the participation of Divorced and Widowed women in special consideration. Hence, they were bread winners of the household.

The marital status of the non-client women is 45% single, 27.5% divorced, 17.5 married and 10% widowed. These data tells that above 50% of the non-clients were single, divorced and widowed that means they were breadwinners especially the divorced and widowed need the involvement of the MFI for their livelihood improvement.

4.2 MFI membership

The typical micro finance clients are low-income persons that do not have access to formal financial institutions. Micro-finance clients are typically employed, often house hold based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc.

The data shows that most of the client women participated over two years in MFI, 5% one year, 30% two years, 12.5% three years and 52.5% for four years. This shows the participation of women in MFI increased every year. (Table 6) (Questionnaire is attached as Appendix I).

Table 6 – Number of years in MFI membership for women clients

	No. of Women	Percent
One year	2	5.0
Two years	12	30.0
Three years	5	12.5
Four years	21	52.5
Total	40	100.0

All the non-client women do not participate in any of micro-finance service. Amongst 40 non-clients 11% of them didn't have previously information about the MFI and the other 11% of the non-client group they know about the MFI but they didn't want to be a member.

Thus, in further discussion with FGD the women said that they don't want to be a member of MFI because they have a fear of loan and they didn't want to take a risk by being MFI member. They have wrong perception about MFI also they thought that MFI is only for credit/loan they didn't know about the saving service.

The FGD discussion also covers about the 11% of the non-client women who didn't get a chance to be MFI member in depth. They showed their interest to get a loan and be a member of the group but because of the MFI procedure they didn't get the chance as they said. In this case also the MFI should doadvocacy of their services and also the procedure to be a member of MFI especially for women in the woreda.

Table 7- The interest of Non-client women to be a member of MFI

	No. Of Women	Percent
Yes, But I didn't get a chance to be member	18	45.0
No, I didn't have any information	11	27.5
Yes,But I don't want to be a member	11	27.5
Total	40	100.0

4.3 Level of Participation in Income Generation Activity (IGA) for client women

Almost all of the client women participate in individual or group IGA. 40% of the clientsengaged in individual IGA, 42.5% group IGA and 17.5% didn't engage at all.

Table 8: Participation of client women in different IGA forms

	No. of Women	Percent
Yes, in Individual IGA	16	40.0
Yes, in group IGA	17	42.5
No	7	17.5
Total	40	100.0

Their involvement in IGA plays main role for their income contribution for their livelihood, with the FGD all are happy by doing individual/group IGA. In previous studies discover that Women engaged in the informal employment contributes three-fourth (75%) of the household consumption (UNDP, 2006).

In the FGD they also mentioned this opportunity also give them to engage themselves in different social activities like different level of kebele committee leadership, edir and other social committees, this is part of the social empowerment. Social empowerment is one of the main important things for women empowerment because of their education and culture women didn't have enough contribution for social empowerment. When women increased their income and control by their own it gives them self-confidence, ensure voice and vote in household decision, like domestic well-being, economic, fertility and land use, and start to decide on their life option.

4.4 Monthly Income of the client and non-client women

The monthly income of the client women were 17.5% between 100 – 150 birr (5 – 7.5 USD), 25% between 151 – 300 birr (7.5 – 15 USD), 27.5% between 301 – 500 birr (15.05 – 25 USD) and 30% with no monthly income. For women who didn't have monthly income before the membership of the MFI were a good achievement and a real economic empowerment process for women. The MFI participation gives a chance to do an individual or group IGA.

The monthly income of the client women are also related in the participation of different IGA that refers in Table 7.Most of the client women participated in individual or group IGA as result of these more than 50% of the women have their own monthly income.

As Blumberg (1993) states, economic empowerment of women has diverse effect on achieving millennium development goal (ensuring universal free primary education to boys and girls of all citizens). This means that, women can play a major role to increase the enrollment of girl students in school that ensure the reduction of gaps between boys and girls in education. This is possible when women are economically empowered.

Table 9- Monthly income of the Client women

	No. of Women	Percent
100 - 150 birr / 5 – 7.5 USD	7	17.5
151 - 300 birr / 7.5 – 15 USD	10	25.0
301 - 500 birr / 15.05 – 25 USD	11	27.5
No income	12	30.0
Total	40	100.0

According to Rajasekhar (2004), microfinance is the strategy for providing to the poor in rural and urban areas, especially women with savings and credit facilities to set up or expand business, invest in self-employment activities and increase household security. Also Schreiner and Colombet (2001) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector".

4.5 Availability of Loan

The availability of loan for client women is crucial for their economic empowerment. As per the data collection 35% of the client women said yes we get loan from MFI easily, 40% of the client women said no we didn't get loan easily and 25% of the client women said that yes we have got loan but it is late.

Table10 -The access of loan for Client Women in MFI

	No. of Women	Percent
Yes	14	35.0
No	16	40.0
Yes but it is late	10	25.0
Total	40	100.0

In general the data shows that the availability of loan for the client women was more than 50%. But it is still needs the improvement of loan availability and also the MFI in the future should revise the process of loan with the discussion of the clients.

Table 11: The feeling of client women by being a member of MFI

	No. of Women	Percent
Happy	25	62.5
Indifferent	10	25.0
Not happy	5	12.5
Total	40	100.0

Table 11 shows that the women clients by being a member of MFI 62.5% of the client women were happy, 25% of the client women were indifferent that means not happy or sad and 12.5% of the client women not happy about the MFI process. In the further discussion with FGD the women said that the MFI didn't have sufficient access of loan as compare to the need of the clients. (Questionnaire is attached as Appendix I).

4.6 Culture of Saving

One of the indicators was majoring culture of saving for client and non-client women. As per the result, 20% of the women have the culture of saving but the kept the money in their home, 10% of the women have the culture of saving and used bank for their saving, 37.5% of the women used MFI for their saving and 32.5% of the women didn't save at all.

Table 12: Personal saving habit for client women

	No. of Women	Percent
Save at Home	8	20.0
Save in Bank	4	10.0
Save in MFI	15	37.5
Never saved	13	32.5
Total	40	100.0

The proportion of households having personal cash savings is significantly different between the client and non-client women, with (32.5%) of the respondents in the client womenno experience of having savings deposits compared to (50) % for the non-client women. The two major places where clients keep personal savings are with the MFIs and at home. The proportion of households having saving deposits with the MFIs is higher for the client women (37.5%) compared to the non-client (0%). However, the proportion of households keeping their cash savings at home is higher for the client women (20%) as compared to the treatment group (27.5%).

The culture of saving is one of the most powerful mechanisms to make women empowered economically and have contribution to their livelihood and get decision making power at household level. If they start saving from minimum to middle and high level that encourage them to do their own business and change their life through time.

4.7 Household contribution

Household contribution is one of the indicator and it shows that 15% of the client women cover >50% of their household expense, 10% of the client women cover 50% of their household expenses, 47.5% of the client women cover <50% of their household expense and 27.5% of the client women didn't contribute for their household expense at all. (Table 13)

Table 13: The contribution of Client Women for their household expense

	No. of Women	Percent
> 50% expenses	6	15.0
50% expenses	4	10.0
< 50% expenses	19	47.5
Nothing	11	27.5
Total	40	100.0

The contribution of money for their household expenses communicate in different things like their start sharing the decision making power with their spouses, and their social empowerment also increases through time.

According to Morduch and Haley (2001), microfinance has proven to be an effective and powerful tool for poverty reduction. Like many other development tools, however, it has insufficiently penetrated the poorer strata of the society. The poorest form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to microfinance. Also, Hussien and Hussain (2003) say there is increasing reliance on microfinance as an instrument of poverty alleviation in Pakistan.

4.8 Ekub

As mentioned under the introduction chapter, Ekub is another form of traditional cooperative or traditional self-help institution in Ethiopia. It is established voluntarily and its purpose is financial. Ekub is a rotating saving and credit type association whose members make regular contributions to a revolving loan fund. The formation of Ekub is based on classes of people who have identical (similar) earning or income.

Table 14: The Client Women participant in Ekub

	No. of Women	Percent
Yes, before being a member of MFI	20	50.0
Yes, after being a member of MFI	6	15.0
Yes, before and after a member of MFI	8	20.0
No, Not at all	6	15.0
Total	40	100.0

The above table shows that 50% of the women clients were a member of Ekub before being a member of MFI, 15% of the women clients were a member of Ekub after being a member of MFI, 20% of the women clients were a member of Ekub both before and after being a member of MFI and 15% of the women clients didn't exercise Ekub at all.

The research has found out that Ekub has also contributed in promoting savings culture and initiating micro enterprises that can contribute to womenlivelihood support. These traditional forms of cooperatives are also useful to accumulate seed capital that is required to invest on microenterprises since the members of Equb should pay some amount of money regularly per month/week as per their agreement, and each member collects turn by turn on the basis of rotation.

Policy Implication

Although the study finds that microfinance service has contributed to poverty reduction and women empowerment economically, there are challenges still to make the program sustainable and expand the outreach to serve the un bankable rural poor in Ethiopia. The following are very crucial to broaden the scope of operation and reach the unreached rural poor mainly women.

1. Policy environment: Despite improvement in the policy environment for microfinance services, there are still areas that need action to ensure sustainable growth in microfinance operation. For instance, needs especial service for women clients by giving more attention for women headed family in order to sustain their livelihood.
2. Limited outreach: despite relatively the high number of MFIs (30), the outreach is limited covering only less than 20% of the demand for financial services (Wolday A. 2012). This shows that about 80% of the poor in Ethiopia have no access to financial services. There is no mechanism to sustain the positive impact on a small number of clients beyond the loan period.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study is based on primary and secondary data sources. The survey used cross sectional design in 3 rural Kebeles; all selected using stratified random sampling technique. A total sample of 80 rural women; 40 women clients and40 non-client women in program areas selected. Primary data was collected through structured questionnaires, group-focused discussions, interviews and informal discussions; and the data was then analyzed using both descriptive and analytic methods.

Microfinance service plays a significant role in the economic empowerment of women. Throughthe provision of loans to women, particularly to the poor, uneducated and who are not able to access the bank in their areas andmicrofinance enables them to be self-employed. Consequently, some of the women have managed to increase their incomes and improve savings. Inaddition, the decision making powerof the women on the loan secured from the MFI isenhanced following their participation in the service.

The study further finds that Microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to unforeseen external shocks. It can also be a powerful instrument for social change by enabling the poor, especially women, to become economic agents of change, and more importantly from the social perspective, women tend to reinvest the profits from their businesses into their families. With these actions, these small businesses not only make an impact on the women themselves and their families, but also the entire local community.

Women's participation in the MFI has also contributed substantially to the improvement of their income. Those women clients who have access to microfinance service have been found to be in better socio-economic status, in terms of their increased income levels and control over their earnings, when compared with the non-client women. The loan program helped women clients to diversify their sources of income by investing indifferent income-generating activities.

The study has further revealed that women's increased role in the decision making process at household and community levels is an indicator of women's economic empowerment and is positively linked with the micro-finance service program. Thus, the implication of this study is that, though additional efforts are needed, micro-financing service that is being rendered by the Amhara Credit and Savings Institution has been contributing positively towards improving the socio-economic status of women, and has impacted on women's economic empowerment in the study area.

5.2 Recommendations

Based on the findings established by this study, the following recommendations are forwarded.

1. This study has revealed the demand for such service in areas is not yet met. The MFI should expand its services in Kewet woreda to reach out more women who need the micro-finance service. Considerable outcomes would be registered in women's economic

empowerment if the majority of vulnerable rural poor women have the opportunity to receive supportive micro-financing services.

2. To satisfy a larger number of women clients, the policies of the MFI should be friendly to attract non-client women who didn't receive the service because of the MFI rules and regulation regarding access to loan. The organization should design strategies to address more women for credit service.
3. The contribution of micro-finance services to women's economicempowerment should be enhanced through a combination of more effective supportservices of MFIs, or linkages should be made with services provided by other agenciesincluding organizations that work directly to enhance gender mainstreaming, challengewomen's marginalization and subordination by helping to improve the socio-economicstatus of women.
4. MFIs should give top priority to woman especially the bread winners of their family for more participation in credit and saving programs.
5. The loan policy should be friendly to women in order to encourage them to be the member of MFI. The services under the MFI should advocate for women because most of the non-client women didn't know that the MFI had and saving service. The current products are very limited in scope, therefore it is imperative to develop new financial service products to diversify the services and meet client demands.

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