

**INDRA GANDHI NATIONAL OPEN UNIVERSITY**  
**SCHOOL OF CONTINUING EDUCATION**

**IMPACT OF MICRO-FINANCE INSTITUTIONS IN IMPROVING THE LIVING  
STANDARD, EMPOWERMENT & POVERTY ALLEVIATION OF POOR PEOPLE:  
THE CASE OF AMHARA CREDIT & SAVING INSTITUTION (ACSI) IN FOGERA  
WOREDA**

**A Thesis Submitted to Indira Gandhi National Open University, School of Continuing  
Education, Post Graduate Programs, St. Mary's University College, in Partial  
Fulfillment of the Requirements for the Degree of Master of Arts in Rural Development**

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**November, 2013**

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## DECLARATION

I hereby declare that the Dissertation entitled IMPACT OF MICRO-FINANCE INSTITUTIONS IN IMPROVING THE LIVING STANDARD, EMPOWERMENT & POVERTY ALLEVIATION OF POOR PEOPLE: THE CASE OF AMHARA CREDIT & SAVING INSTITUTION (ACSI) IN FOGERA WOREDA submitted by me for the partial fulfillment of the M.A in Rural Development to Indira Gandhi National Open University, (IGNOU) New Delhi 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 in this report from any earlier work done by me or others.

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## CERTIFICATE

This is to certify that Mr. Tilahun Altaseb Tegegne student of M.A. (RD) from Indira Gandhi National Open University, New Delhi, was working under my supervision and guidance for his/her Project Work for the course of MRDP-001. His/her Project Work entitled IMPACT OF MICRO-FINANCE INSTITUTIONS IN IMPROVING THE LIVING STANDARD, EMPOWERMENT & POVERTY ALLEVIATION OF POOR PEOPLE: THE CASE OF AMHARA CREDIT & SAVING INSTITUTION (ACSI) IN FOGERA WOREDA which he/she is submitting, is his/her genuine and original work.

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## **ACKNOWLEDGEMENT**

Above all, glory and praise be to God Who gave me the power and strength, and enabled me to accomplish my wish.

I am also greatly indebted to my advisor, Dr. Mulugeta Taye, for his unreserved assistance in the thesis right from its inception to its completion in providing the necessary guidance and supervision.

My heartfelt gratitude extends to my best friend, Haileyesus Tadesse Yigzaw, who gave me invaluable moral and material support and enabled me to be successful; otherwise my overall academic result might be in question.

My deepest admiration and thanks also goes to my cousin Getassew Engidaw, who had contributed a lot in all aspects.

I would like also to thank the staffs of ACSI that provided me the necessary data and helped in facilitating the necessary conditions for data collection for the study.

All those who stood on my side during my study, but whose name is not mentioned here, are also thankful from my heart.

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## **LIST OF ABBRIVATIONS**

AAU-Addis Ababa University

ACSI-Amhara Credit and Savings Institution

AEMFI-Association of Ethiopian Micro Finance Institutions

CSA-Central statistics Agency

EEA-Ethiopian Economics Association

FWFEDO-Fogera Woreda Finance and Economic Development Office

ILRI-International Livestock Research Institute

MEDaC-Ministry of Economic Development and Cooperation

MFI- Micro Finance Institutions

MoFED- Ministry of Finance and Economic Development

NBE-National Bank of Ethiopia

NGOs- Non Governmental Organizations

UNDP-United Nations Development Program

USAID-United States Agency for International Development

## **ABSTRACT**

The challenge Ethiopia faces today is to achieve sustained economic growth for healthy national development and reduce poverty. Thus, microfinance programs have been considered as one of the main instruments in poverty reduction in recent development agenda. It is a means to support the marginalized active poor of the society. Studying the impact of microfinance intervention is important to assess its viability on poverty reduction. The main objective of this study is to find out whether the provision of microfinance services of ACSI MFI has brought changes on alleviating poverty and improving the living standards of clients.

Primary data were collected through close-ended and open-ended structured questionnaire from clients as well as using focus group discussions and interviews with the officials and employees of ACSI. Secondary data were gathered from different published and unpublished relevant materials. The study mainly applied analytical approaches such as frequencies, averages and percentages.

The impact of delivering financial services to poor clients was analyzed based on some socio-economic and political indicators in different levels. The finding of the study indicated that ACSI's micro financing scheme has had a positive impact on improving the living standards of its clients in the study area.

Therefore, strengthening the development of MFIs in Ethiopia is an appropriate and appreciated policy instrument to realize the objectives of the Poverty Reduction Strategy of Ethiopia.



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# Chapter One

## 1. Introduction

### 1.1. Background

Poverty in Ethiopia is a manifestation of complex factors such as high population growth, environmental degradation, unemployment, drought, limited access to resources, limited access to health and education services, etc (Wolday, 2003). In other words, poor economic performance, low technological base, frequent occurrence of drought and famine, internal conflicts and displacement have continued to exacerbate poverty in the country. The consequence of such economic slowdown is worsening of the living conditions of the poor. The World Bank, on poverty reduction strategy paper, indicated that in the year 2000, about 45% of the country's population lives below the poverty line (World Bank, 2001). In addition to this, the Federal Government of Ethiopia in its Poverty Reduction Strategy Paper (PRSP) stated that the incidence of poverty in rural and urban areas is 47% and 33%, respectively. (MEDaC, 1999) Though the proportion of poor people living in rural areas is obviously high, urban poverty is also increasing because of rapid growth of the urban population.

Poverty is not only limited to lack of income, but also includes the deprivation of most of the population of both rural and urban from the opportunity of education, health and security (World Bank, 2001). Depending on the nature of rural and urban population different features of poverty can also be observed (MEDaC, 1999). In the rural areas, marginal land holdings, degraded natural and livestock resources, decline agricultural income, limited opportunities in non-farm activities, growing food shortage, lack of access to education, health and poor

infrastructures, etc. are some of the features of rural poverty (World Bank, 2001). In urban areas, the growing number of people living on the street, homelessness, violence, prostitution, beggary, etc. indicates the extent of desperate poverty. Based on nutritionally determined national poverty line of 2200 calories per adult per day, nearly 47% of the rural population lives below the poverty line compared to 33% in the urban areas (RUFIP, 2001, cited in Daba, 2003). This shows poverty in Ethiopia is chronic and accelerating in both rural and urban areas. The major causes of low economic growth and high incidence of poverty in Ethiopia also includes lack of employment opportunities, skills, education, health and infrastructure (Wolday, 2000). These problems have been aggravated by soil degradation, deforestation, recurrent drought, civil war and inappropriate policies.

Thus, to reverse the economic decline and poverty situation in the country, the Ethiopian government has taken policy measure such as Structural Adjustment Program (SAP), Agricultural Development Led Industrialization (ADLI), and Poverty Reduction Strategy Paper (PRSP), to increase productivity and reduce poverty. Berhanu (1999) indicated that even though the reform programs and policy changes resulted in economic recovery and growth of GDP, the achievement towards eradication of poverty was not satisfactory.

Recently, increasing the poor access to micro finance services are accepted as one of the policy instruments of governments and non-government organizations to enable poor households create their own jobs, to become self employed and undertake income generating activities (Webster, A and Fielder, C, 1996). Wolday (2000) argued that the establishment of sustainable and profitable Micro Finance Institutions (MFIs) that reach a large number of poor households who are not served by the conventional banks, because of high collateral and

other security requirement, their institutional and structural problems, have been the current issue of the new development strategy of the Ethiopian government, that is, poverty reduction strategy. By understanding the problem of poverty in the country, the current government of Ethiopia puts poverty reduction strategies high on its development agenda. Various government policies and strategies clearly state that their major objective is poverty reduction in the country. MoFED (2002) supported this argument in the Millennium Development Goals of Ethiopia. The document shows that by the year 2015, the poverty situation of the country should be decreased by half from what is now.

## **1.2. Statement of the Problem**

It is argued that NGO's have begun to implement micro financing as an effective instrument of poverty reduction since 1990s (Johansson and Rogaly 1997). In Ethiopia also government and NGO's started to deliver financial resources to informal sectors. As a result, micro financing has been considered as a viable tool to reach the poorest segment of the population (Bekele, 1996). In addition, World Bank (2001) indicated that providing the poor access to financial services is one of the key poverty reduction instruments of international development institutions. In any low income country, however, the prevailing operation of the formal financial institutions is inefficient to provide sustainable credit facilities to the poor. Most of the requirements demanded by formal institutions for the purpose of lending, which require physical collateral worth three to four times the amount of their loans, are beyond the capacity of the poor.

Thus, MFIs have been developed in many countries in order to solve those limitations of the formal financial institutions. Many of these programs use social mechanisms, such as group

based lending, to reach the poor, including women, who lack access to formal financial institution. This group based lending approach provides an innovative promising mechanism to provide credit to the poor with ultimate objectives of poverty reduction. ACSI, which is one of the MFIs in Ethiopia, provides credit and saving services in Amhara National Regional State by targeting resource poor people with ultimate objectives of achieving household level food security, increasing household income and improving the overall economic and social conditions of household in the region.

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

Thus, the aim of the study was to assess the performance of ACSI's programme and its contribution in improving the living standard of the poor, empowerment and poverty alleviation since the beginning of its operation in Fogera Woreda.

### **1.3. Objectives of the Study**

In the light of the research topic, the general objective of this study is to examine the role of Amhara Credit & Saving Institution (ACSI) in reducing poverty and improving the living standard of the poor as well as in empowering them especially female clients. The specific objectives of the study include:

1. To assess the impact of microfinance services of ACSI on the income level of the households of its clients.
2. To examine whether the micro finance service provided by ACSI improved the health services and children's education enrollment of its clients or not.
3. To investigate the impact of micro finance services on the decision-making capacity of women clients.
4. To examine the implication that the micro finance service provisions of ACSI have on poverty alleviation activities in Amhara region and recommend possible suggestions for future improvements of the programmes of ACSI.

#### **1.4. Research Questions**

This study attempts to answer the following key research questions.

1. Which groups among the poor does ACSI reach? Are the poorest left out?
2. Do microfinance services of ACSI result in poverty reduction and improvement in the living standard at the household level?
3. Does women's role as clients of microfinance programs translate into empowerment for them?

#### **1.5. Hypothesis**

The aim of microfinance impact assessment is to identify whether or not the program led to observed or stated changes. To assess these changes, different indicators or variables can be used based on the objective of the study and available resources (human, financial and time).

In this respect, this research paper tries to answer the basic research questions, which have



been evolved into the following hypotheses:

1. ACSI (Amhara Credit and Saving Institution) extends financial services to the poorest segment of the society;
2. Microfinance services of ACSI MFI lead to reduction in poverty and improvement in living standard of the poor; and
3. Participation of women in microfinance programs enhances empowerment of women clients.

## **1.6. Significance of the Study**

Microfinance provision in an institutionalized manner is a recently emerging phenomenon which had not been given due attention in earlier development paradigm, particularly in Ethiopia. Consequently, very limited studies have been undertaken in this area. The document in the Association of Ethiopian Microfinance Institution revealed that Ethiopian microfinance institutions are facing a number of challenges. Among these, lack of research to understand clients' needs is a vital problem. This case study has attempted to address the lacuna of research on the impact of micro financing programs at enterprise and household levels and its role in combating poverty. Thus, the study will contribute in filling the information gap by assessing the socio-economic impact of ACSI operations in Amhara region at the household and enterprise level. Besides, microfinance service providers, microfinance promoters, and development policy makers could use the findings of this study to improve microfinance products and services as well as to justify investment in the sector. Furthermore, practitioners can also use it as a source of information in advancing for further research.

### **1.7. Scope and Delimitation of the Study**

Amhara Credit and Saving Institution operates its activities in 10 branches and 204 sub-branches. Thus, the study is limited to only one of the branches, S. Gondar branch, and among the 22 sub-branches of S. Gondar branch, the study was conducted by taking Fogera Woreda as a sample sub-branch. Since it is difficult to include all the clients in the study due to time, financial and human resource constraints, the study was conducted by taking 80 sample clients of the institution.

### **1.8. Limitation of the Study**

As any research requires sufficient time, up-to-date information, reference materials, finance, and the like, the student researcher also encountered these challenges in carrying out this project. Lack of clients' recorded assets prior to they become beneficiaries of the program of ACSI was a major constraint.

The other limitation of the study is related with its scope, that is, due to financial, human and time constraints, the study could not cover all the zones in the Amhara region in which ACSI provides its services.

Due to the above mentioned major problems, the findings of the study may not be sufficient to represent the entire of the Amhara region.

## **1.9. Organization of the Paper**

The whole research paper is organized into six chapters. In the first chapter background, statement of the problem, objectives of the study, research questions, hypothesis and significance of the study, scope and delimitation of the research, limitation and conceptual framework of the study are dealt detail. The second chapter focuses on pertinent literatures and relevant empirical case studies. Chapter three deals with background and description of the study area and the MFI under investigation whilst chapter four describes the research design and methodologies applied in the study. In chapter five the major findings of the study are presented in detail. Chapter six consists of the conclusion and recommendation part of the study.

## **1.10. Conceptual Framework**

Impact assessment can be used to improve services, increasing impact on reducing poverty and microfinance institution's efficiency, to promote the delivery of good client services and accountability, and to provide accountability to donors and other external shareholders. Microfinance impact analysis is the process by which one determines the effect of microfinance on the living standard of the poor as an intervention (Johansson and Rogaly, 1997). According to Yaron (1997), there are two major schools of thought that are prominent in impact assessment of microfinance. The first one focuses purely on changes in the organization and its operations. In this approach, generally, two key variables of institutional outreach and institutional sustainability are focused on. In other words, the main focus for the impact assessment in this approach is the performance of the institution in extending the credit. The assumption is that if both outreach and sustainability have been enhanced, then

the intervention is judged to have a positive impact as it has widened the financial market in sustainable fashion. This, in turn, is based on the assumption that such institutional impact extends the choices of people looking for credit and saving services and that extension of choice ultimately leads to improved micro enterprise performance and household economic security.

The second approach, which is currently gaining prominence and is applied for this impact assessment, is the one which focuses on clients' needs rather than on the organizations delivering the financial services. It should answer the questions, such as who are users of the services? How the various groups using the services are identified? And how does the intervention affect the life of the beneficiaries?

The impact assessment methodology applied in this case are the ones developed by USAID's AIMS project that seeks to assess impact at household, enterprise, individual, and community levels. This approach is believed to produce a fuller picture of overall impacts of microfinance activities. The rationale for using household and enterprises as units of impact assessment is that for an organization aiming at providing financial services to alleviate poverty, its end result is fully measurable only in direct relationship to the lives of human beings. Human beings are part of the household, the society or the community in which they live. These elements would, in one way or the other, influence the actions or activities of the clients. In other words, the impact of the credit may occur as a result of the composition of the household, the quality of the decision making within the household to any economic activity of the household (Tsehay and Mengistu, 2002). At the household level, impact may be measured by net increase in household income, asset accumulation and labor productivity.

At the enterprise level, it is measured by changes in enterprise income, employment, profit and volume of production.

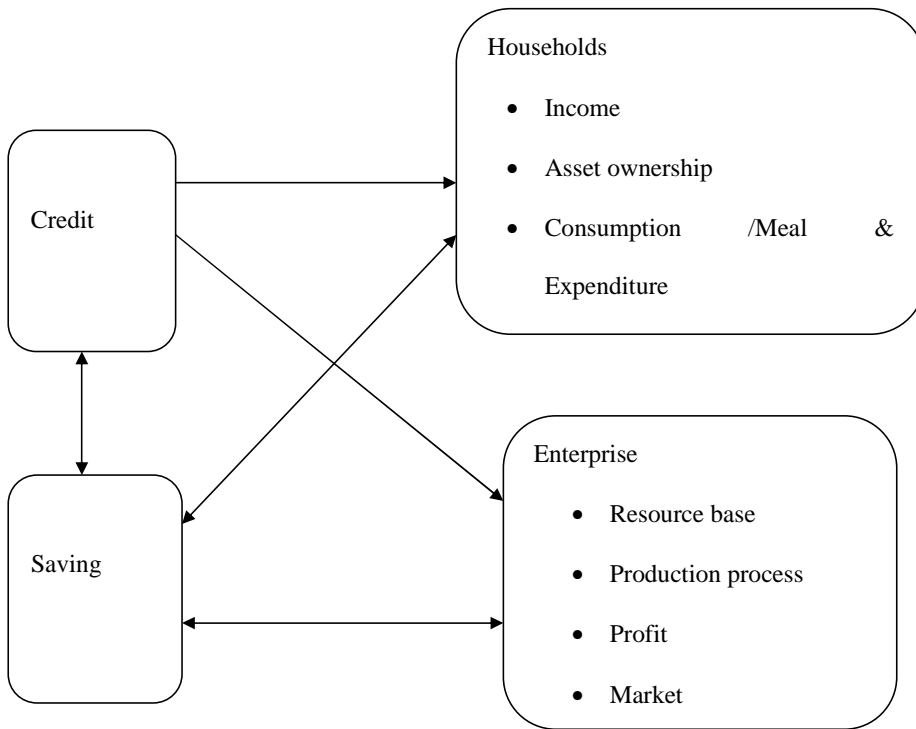
The result of this kind of assessment would enable the organizations to take appropriate decisions to build on their strengths and strive to concentrate on areas of clients' needs that call for much improvement (Tsehay and Mengistu, 2002). The aim of ACSI is to reduce poverty by targeting poor people to improve the clients' welfare and standard of living. Therefore, this study applies the second approach which focuses on clients' needs to assess the impact of ACSI on the living standard of the clients.

The study attempts to measure the impact that occurs at household level and enterprise level use it as a conceptual framework. The impact can be assessed by specific indicators such as increase in household income and expenditure (consumption), change in the enterprises income, improvement of employment and production, and empowerment of women.

The research has both independent and dependent variables. The independent variables are the services that are provided by ACSI for its clients, that is, credit and savings. On the other hand, the dependent variables are the indicators of improvement in the livelihood of the clients. Therefore, the finding depends on the relationship and outputs of the independent and dependent variables. The following diagram shows the relationship between the independent and the dependent variables.

**Independent Variables**

**Dependent Variables**



Household income =f(credit, saving)

Figure: 1. 1. Relationship between independent and dependent variables

## **Chapter Two**

### **2. Literature Review**

#### **2.1. Poverty**

##### **2.1.1. Concept of Poverty**

There is no clear consensus among development experts and policy makers on how to define, measure, and eradicate poverty (Meehan, 1999). Accordingly, there is no a single, absolute and standardized definition of poverty rather than defining it in relative terms and different people view and define it in different ways. Traditionally poverty was understood primarily as material deprivation, as living with low income and low consumption characterized by poor nutrition and poor living conditions. This is commonly known as income poverty. It is associated with the low health and educational levels that are either the cause or the result of low income said to be human poverty. Many researchers define poverty on the basis of income level instead of using its broader definition, which includes well being as well. A classical definition of poverty sees it as the inability to attain a minimal standard of living measured in terms of basic consumption needs or the income required for satisfying them (World Bank, 1990). Poverty is thus characterized by the failure of individuals, households or entire communities to command sufficient resources to satisfy their basic needs. The inability to attain minimal standards of consumption to meet basic physiological criteria is often termed as absolute poverty or deprivation. It is most directly expressed as not having enough to eat or simply malnutrition. In absolute sense the poor are materially deprived to the extent that their survival is at stake. In relative terms, they are also deprived in relation to other social groups whose situation is less constraining. Attimir (1982) defined the concept of

poverty as a situation of poor health facilities, low level of education, malnutrition and lack of participation in decision-making process. Generally, the broad and widely accepted definition of poverty is developed by the World Bank, which includes the economic, social, political and environmental conditions of the people.

### **2.1.2. Measures of Poverty and Its Distribution**

Just like that of its definitions, it is not easy to measure poverty. Thus, measures of poverty are different in different countries. Conventionally, the income or expenditure level that can sustain a minimum standard of living measures it. Poverty can be commonly measured by constructing a line called poverty line. Poverty line is the critical cutoff in income or consumption below which an individual or a household is determined to be poor. (World Bank, 2001) The poverty line represents a minimum level of economic participation in a given society at a given point in time. People below this threshold is said to be poor. Poverty line can be estimated in two different approaches: absolute poverty and relative poverty.

Absolute poverty refers to a condition in which people barely exist. In such situation, the availability of the next meal will be a matter of life or death. It is a critical condition in which people live on aid, food relief or their own meager returns from squatter farming, prostitution, scavenging on refuse tips and so on (Todaro, 1997). It tends to identify those who are starving without any comparison made with others. To allow for international comparison the world Bank has established an international poverty line of 1US dollar a day per person in 1985 purchasing power parity (PPP) prices which is equivalent to 1.08 dollar a day per person in 1993 PPP prices. According to this measure the proportion of extremely poor people in the world's population (people living on less than 1 dollar a day) had fallen from



28% to 24% in the period between 1987 and 1998, in which the decline is below the rate needed to meet the international development goal of reducing extreme income poverty by half by 2015. (World Bank, 2001)

The relative poverty implies that one has less than what others have. It tends to identify by comparison made with others. It tends to identify with comparison of the circumstances one group of people or an entire economy with another one. It refers to a relative income differential of distribution. It may not be a situation of an entanglement in between life and death as of the case in absolute poverty. It exists when the subjects under consideration are “poor” in relation to others (Todaro, 1997).

The burden of poverty in the world is spread unevenly and generally the developing world have the highest percentages of population living below the poverty line There is also variation among the regions of the developing world, among countries within those regions, and among localities within those countries. Nearly half of the world's poor live in South Asia, a region that accounts for roughly 30 percent of the world's population. Sub-Saharan Africa accounts for a smaller, but still highly disproportionate, share of global poverty. Within regions and countries, the poor are often concentrated in certain places: in rural areas with high population densities, such as the Gangetic Plain of India and the island of Java, Indonesia, or in resource-poor areas such as the Andean highlands and the Sahel. (World Bank, 1990)

Thus, states in the world have been taking different measures to reduce poverty in their respective countries. However, the approach to reducing poverty has evolved over the past 50 years in response to deepening understanding of the complexity of development. In the 1950s

and 1960s large investments in physical capital and infrastructure was viewed as the primary means of development and reducing poverty. In the 1970s awareness grew that physical capital was not enough, and that at least as important were health and education. In the 1980s, following the debt crisis and global recession and the contrasting experiences of East Asia and Latin America, South Asia, and Sub-Saharan Africa, emphasis was placed on improving economic management and allowing greater role for market forces. In the 1990s governance and institutions moved toward center stage—as did issues of vulnerability at the local and national levels. (World Bank, 2001)

### **2.1.3. The Situation of Poverty in Ethiopia**

Poverty is mostly the manifestation of developing countries like in Africa, Asia and Latin America. Ethiopia is among the poorest countries in the world with an annual per capita income of US\$ 170. The UNDP's Human Development Report for 2007-2008 ranked the country 169<sup>th</sup> out of 177 countries on the Human Development Index. The average life expectancy at birth is 48 years and infant and maternal mortality as well as child malnutrition rates are among the highest in the world. About 47% of the children under the age of 5 years are underweight and although access to education has increased in recent years, the overall adult literacy rate is low compared to the Sub-Sahara African countries. HIV/AIDS constitutes a major threat to sustained economic growth, with about 6% of adults estimated to be HIV positive (Ramanaiah and Gowri, 2011). World Bank (2005) also describes that the country has one of the highest child malnutrition and child mortality rates in the world and has also one of the highest maternal mortality rates in Sub-Saharan Africa (if not in the world) and a large portion of the population lack access to basic health services and the number of physicians and nurses per capita is among the lowest in the world, mainly

concentrated in urban areas. The majority of people in Ethiopia are living in rural areas where poverty is more widespread than in urban areas. About 45% of the rural populations are below the nationally defined poverty line, while it is 37% for urban population. Poverty is also deeper and more severe in rural areas than in urban areas. On average, the income of the rural poor is 12.1% far from the poverty line, while it is 10.1% for the urban poor (Tassew, 2004). Similarly MoFED (2002) estimated the poverty incidence of 45.4% and 36.9%, depth of 12% and 10%, and severity of 4.6% and 3.9% for rural and urban Ethiopia respectively. Extreme poverty manifests itself in terms of various social, cultural and economic indicators, such as backward and dominantly rural population, high illiteracy rates, repressed women, high fertility rates, high dependency ratios, overcrowded housing system, unsafe drinking water, widespread of HIV/AIDS, drought etc. Most of the poor are women, children, the elderly, small scale farmers and unskilled workers. These people lack the financial capacity to meet the minimum standards of living (AEMFI, 2005). Generally, the socio-economic situation of the country is characterized by low investment, low growth of income, inadequate social services, high population growth rate, economic inefficiency and high unemployment rate. (Wolday, 2003)

## **2.2. Microfinance**

### **2.2.1. Concept of Microfinance**

Micro-finance has undergone several transformations in terms of concept, service type and approaches/modes of provision. Although an evolving concept, micro-finance has been recognized as a development approach intended to benefit low-income women and men (Ledgerwood, 1999). In using the term micro-finance, there exists, however, some confusion.

The point of confusion lies on the nature of clients served and types of services offered. Regarding the nature of clients, though different scholars stated micro-finance program in different perspectives, most of them tend to believe that the program has emerged to help the poorest sections of the society. Others, however, argue that since it is rather not easy in practice to consistently serve clients that are living below the poverty line, micro-financing is meant for those who are presumed to be able to repay loans (Meagher and Wilkson, 2000).

By taking the types of services into consideration, micro-finance is often defined as lending small amounts of money for short periods with frequent repayments (Meagher, 2002). Such understanding equates the concept with micro-credit, which is rather a part of micro-finance service, and thus, micro-finance is much more than simply credit (McGuire and Conroy, 2002). In some other cases, micro-finance is conceived as the provision of credit and saving services only. This again limits the concept to micro-banking, or simply banking services. But micro-finance is not simply banking; rather it is a development tool (Ledgerwood 1999). In a broader understanding, Ledgerwood conceived that micro-finance refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit; however, some MFIs also provide credit cards, payment services, money transfers, and insurance services. Besides, many micro-finance institutions undertake social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus, the concept of micro-finance often includes both financial and social intermediation. (Ledgerwood, 1999)

A more useful and perhaps practical definition of micro-finance, for the purpose of this thesis, is given by Meyer and Nagarajan (2000) which defines micro-finance as the provision

of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor, low-income households and micro-enterprises usually lacking access to formal financial institutions. With regard to this, McGuire and Conroy (2002) indicated that low-income households do not generally have access to financial services but they have considerable effective demand for such services. Thus, micro-finance refers to the provision of financial services, usually in the form of small- sized financial transactions, to people who usually fall outside the reach of formal finance and who tend to be the poorest members of all societies. This is because commercial banks usually ignore them to avoid high transaction costs of servicing small loans and savings deposits. Moreover, most of the poor do not possess assets normally demanded as collateral, and they are perceived as being too risky to be granted loans.

### **2.2.2. Microfinance in Ethiopia**

Although we are in the 21<sup>st</sup> century where science and technology plays a decisive role in the pace of development, many countries in Africa suffer from hunger, poor health, mass poverty and illiteracy. In order to curb these awful conditions there is a need for massive financial resources. Ethiopia, as one of the least developed countries in the world, also needs a huge amount of financial resources for rapid and sustainable development and reduce the gap between the rich and the poor. However, the sources of finance for micro-enterprises in urban areas and the off-farm and on-farm activities in rural areas were confined only to informal sources of finance like money-lenders, friends and relatives (AEMFI, 2003). Thus, in order to solve this financial problem, there were attempts by the government to deliver financial, especially credit services to the poor through government projects and programs. Accordingly, an urban-based micro-credit scheme was started in 1990 through an agreement

reached between the Government of Ethiopia and the International Development Association (IDA) so that there were micro-credit programmes to promote micro-enterprises through the regional trade and industry bureaus (EEA & AAU, 2002). Starting in the middle of 1980s, following the drought of 1984/85, both local and international NGOs have also been initiating rural and urban credit and saving activities as part of their humanitarian and developmental objectives. Nonetheless, both types of programmes were operated in a scattered manner and lacked sustainability (AEMFI, 2003). On the other hand, conventional banks in the country are mostly concentrated in urban areas and they have also a profit motive and require high collateral. Consequently, they are not in a position to serve the financial needs of the poor people. Since recent times there is also a global agreement that Micro Finance Institutions (MFIs) are essential instruments to fill the gap of limitations of conventional banks in reaching the poor and the vulnerable non-poor with banking services; as well as in eradicating poverty, improving the living condition of the poor and empowering them.

Considering all these factors the government of Ethiopia took the initiative to issue and to implement a regulatory framework in order to facilitate sustainable delivery of financial services to the poor and as a result, proclamation No. 40/1996 was issued. According to the proclamation, any institution, in order to engage in micro-finance activities, should fulfill three important criteria: obtaining a license from the National Bank of Ethiopia, depositing a minimum capital of 200,000.00 birr (2,400.00 USD) in a bank and forming as a company governed by the Ethiopian Commercial Code of 1960 (a share company fully owned by Ethiopian nationals and having its head office in Ethiopia). The NBE was empowered not only to license MFIs but also to supervise them as well. (Federal Negarit Gazette, 1996)

At the beginning, the regulatory framework has affected the welfare oriented NGOs in Ethiopia which focused on welfare programs by providing free or subsidized micro-credit services to the poor and as a result, following the issuance of the proclamation and the subsequent 12-directives by the Bank, the majority of the NGOs have terminated the delivery of financial services and by the time only sixteen credit service providers were registered as MFIs. (EEA and AAU, 2002) However, through time the situation has been changed and as of July 2007, there were 27 MFIs operating with legal license from the NBE and had an active loan portfolio of birr 2.7 billion delivered to 1.73 million active clients, but, meeting only less than 20% of the demand for micro-finance services of the active poor in the country (ACSI, 2008). Currently, there are 29 licensed MFIs reaching about 2.2 million active borrowers with an outstanding loan portfolio of approximately 4.6 billion birr, but satisfying insignificant proportion of the poor people particularly in rural areas (Ramanaiah, and Gowri, 2011).

### **2.2.3. Impact Indicators of Microfinance on Poverty**

The income that is generated, assets owned, welfare and consumption expenditure can be used as indicators of impact. The framework designed by Ledgerwood (1999) defines domains of impact indicators to measure impact at the household, enterprise, individual and community levels. At the household level, income, assets, consumption expenditure and basic services are indicators of impact assessment. At the enterprise level, five domains of development include the resource base, production process, management, markets and financial performance. At the individual level, three domains of well being include independent control of resources, leverage in households' decision-making units and community participation. At the community level, four domains of development include net

changes in employment and income, forward and backward linkages, social networks and civil participation. Thus, the changes of these indicators that indicate the movements at different levels toward or away from greater economic security are believed to suggest the role of micro-finance interventions in expanding options for the poor in relation to the broader development goals of poverty alleviation and economic growth.

#### **2.2.4. Empowerment**

World Bank (2005) defines empowerment as the process of enhancing the capacity of an individual or a group to make choices and transform the choices in to desired actions and outcomes. The status of a person's empowerment is the outcome of the interaction between the person's ability to make meaningful choices (which is largely indicated by his asset endowments, including material, financial, human, informational, organization and psychological assets) and the context within which the person operates (which is shaped by the presence and operation of formal and informational institutions, or rules of the game). Microfinance can be considered as an instrument that enables the poor to work to get out of poverty particularly by supporting their economic participation. A basic premise is that economic participation is a foundation for other dimensions of empowerment. Its impacts can be observed through its ability to bring some changes on its clients. Microfinance can play its role in the region in terms of empowering individuals with respect to increasing control over resources, increasing savings, self-esteem, orientation towards the future, etc.

Mayoux (2005) and Ramanaiah, and Gowri, (2011) discuss that empowerment as a development strategy approach, especially for women empowerment, involves two levels: Intrinsic and extrinsic. As the name implies, intrinsic level empowerment involves changes



from within, such as the rise in self confidence, consciousness, and motivation. On the contrary, extrinsic level empowerment involves the gaining of greater access to and control over resources. This approach recognizes women's triple roles (as wife, mother, as well as business women) and finds the way to meet strategic gender needs through bottom-up participation on resources and development issues that concern the life of women.

Mayoux further discusses that there are four basic views on the link between micro finance and empowerment, especially women's. There are those who stress the positive evidence and are essentially optimistic about the possibility of sustainable microfinance programs worldwide empowering the poor. There are also others that recognize the limitations to empowerment but explain those with poor program design. The third school of thought recognize the limitations of microfinance for promoting empowerment, but see it as ingredient as important in themselves within strategy to alleviate poverty, empowerment in this view needs to be addressed by other means. There are also other groups that see microfinance program as a waste of resource.

Micro finance program has a power to empower the poor through increasing their economic role in their households. Theoretically, it is accepted that properly channeled micro finance services have a positive relationship with the empowerment of disadvantaged groups of a society. Similarly, microfinance services have positive impact on other aspects such as increased participation in income generating activities and create awareness about their economic and social problems.

### **2.2.5. Empirical Impact Studies**

A large number of MFIs have been established mainly by NGOs however with great support of the respective governments. Consequently, a growing number of studies are being conducted by academic institutions, micro-finance associations, government agencies, and funding organizations and donors so as to examine whether micro-finance can really help the poor in getting out of poverty or not. Accordingly, there are evidences that show the positive impact of micro-finance on the households' income and quality of life in millions of poor people in developing countries of Asia, Latin America and Africa.

Johansson and Rogaly studied the impact of micro-finance intervention in Mexico, Gambia, Ecuador and UK. Accordingly, from the impact study conducted on Union Regional de Apoyo Campesino (URAC), an MFI in Mexico, they concluded that URAC's flexible savings facilities are appreciated by its members and used to support a wide range of livelihood needs including food purchases, emergency health care, and insurance for periods of unemployment. Thus, the services have demonstrated their usefulness and relevance to members and enabled them both to protect and improve their livelihoods.

The impact study conducted on Action Aid Agricultural Loan Provision in Gambia revealed that among 30 respondents who took the loan, the 29 reported that the loan that they received increased production, improved yield, more food, less need to borrow from elsewhere, and reduced length of the hungry season. The impact study carried out on Casa Campesina Cayambe (CCC) in Ecuador revealed that many members who received the loan from CCC financial institution have improved milk products and raised income.

Another impact study was conducted in Ladywood Credit Union (LCU) in UK and revealed that the financial service provided by LCU is useful for the thrift, preventing indebtedness through savings and providing a means of building security against uneven cash needs, providing people with a means of being in control of their own finances, and living within their income. LCU users who live on benefits or very low incomes tend to save in irregular small amounts. Those people who are benefited from the credit union are very positive about the service, stressing in particular the understanding approach of staff, the flexibility, and the chance it provides to save in small amounts, the low rate of interest on loans, and the greater sense of control it offers them in difficult circumstances. (Johansson and Rogaly, 1997)

A study conducted by Rao and Bavaiah (2005) on the impact of micro-finance on household income and employment in India indicates that the impact of the program on poverty reduction has been very encouraging. The findings revealed that 76.8% of Share Micro-finance Limited (SML's) mature clients have experienced significant reduction in their poverty and 37% of the mature clients who were below the poverty line have come out of poverty line and now they are on the category of the non-poor. 80% of the mature clients responded that SML intervention increased their income. Micro-finance helped the poor women beneficiaries to enter into new economic activities and increase their income significantly. The study revealed that SML contributes 58 to 90% of their total income.

### **2.2.6. Empirical Impact Studies in Ethiopia**

In Ethiopia, a study conducted on Dedebit Credit and Saving Institution (DECSI) found that DECSI's program has had a positive impact on the livelihoods of its clients. The clients, as compared to non-clients, have experienced greater improvements over the years 2000 – 2004.

According to this study the situation of the clients of DECSI has been improved in terms of income, consumption and assets as well as in social, economic and political empowerment. (Borchgrevink et al, 2005)

Padma and Getachew (2004) in their research on Omo and Sidama Micro Finance Institutions in Awassa Town women clients found that there is a good influence of micro credit on the urban women working groups in terms of income and self-employment generation. Furthermore, it also reflected business improvements, decision making process and asset formation of their clients although at low levels and not sufficient.

A study conducted by Daba on the impact of Oromiya Credit and Saving Share Company (OCSSCO) on poverty reduction in Eastern Wollega zone of Oromiya National Regional State reveals that the program has increased the probability of improvement in economic status of its clients. According to the study, 95% of the respondents reported that their living condition has been improved because of program participation. Accordingly, there is an improvement in diet, improved ability to respond demand for medical care, improvement in job opportunities and expansion of business. (Daba, 2003)

## **Chapter Three**

### **3. Description of the Study Area and Background of Amhara Credit and Saving Institution- ACSI**

#### **3.1. Description of the Study Area**

##### **3.1.1. Physical Features**

###### **3.1.1.1. Geographical Location and Administrative Structure**

Fogera woreda is found in S. Gondar zone of the Amhara National Regional State and astronomically, it is situated at 11°46'N to 11°59'N latitude and 37°33'E to 37°52'E longitude. Woreta, which is the capital city of the woreda and became a separate city administration since recent years, is found at a distance of 55 km from the regional capital, Bahir Dar, and 625 km northwest from Addis Ababa (ILRI, 2012). The woreda is bounded with Farta woreda in the east, Lake Tana in the west, Libo Kemkem woreda in the north and Dera woreda in the south. The woreda is divided in to 5 sub-woredas comprising 28 kebeles of which 27 are rural kebeles and 1 urban kebele, that is, Aember, which is the major town of the woreda. (FWFEDO, 2009)

###### **3.1.1.2. Topography and Climate**

With an altitude ranging from 1774 m to 2415 m above sea level and average annual rainfall of 1216 mm, the climate of the woreda, according to the Ethiopian traditional climate classification, is predominantly Woina Dega. The woreda receives its rain from both the short

(March and April) and long (June to September) rainy seasons, however, farmers depend heavily on the long rainy summer season for crop production. Gumara and Rib, that cross many of the kebeles in the woreda, are the two most important rivers that drain the woreda and recharge Lake Tana and play an important role in the irrigation agriculture system of the woreda. The total land area of Fogera is 117,405 hectares of which flat lands account for 76% while mountains and hills account for 11% and the remaining 13% is accounted by valley bottoms. The woreda is one of the eight woredas bordering Lake Tana with estimated water body of 23,354 hectares. An interesting characteristic of Fogera woreda is the seasonal flooding of the six kebeles (Shaga, Shina, Nabega, Wagetera, Kidest Hana, Aboakokit) bordering Lake Tana because of overflow of the lake and so that the flood plains are the major rice production areas. The dominant soil type on the Fogera plains is black clay soil (ferric Vertisols), while the medium and high altitude areas are orthic Luvisols (ILRI, 2012)

### **3.1.2. Socio-Economic Aspects**

#### **3.1.2.1. Population**

According to the 2007 population census of the country (CSA, 2008), the total population of the woreda was 226,595 (115,693 males and 110,902 females). The majority of the population (201,411 or 88.9%) lives in the rural areas while the remaining 11.1% live in urban areas. The greater proportion of the population (218,776 or 96.55%) is a follower of Orthodox Christian religion and 8120 (3.58%) are Muslims while the remaining follows other different religions. In Ethiopia children 10 years of age and above are expected to perform some duties that are considered as productive. Thus, taking this in to consideration, the same source indicates that the economically active population is 122,273 or 54% indicating the

presence of high dependency ratio in the woreda. The number of households in the woreda are 52,611 conventional and 294 non-conventional (total is 52,905), so that there would be an average household size of 4.28 persons (CSA, 2008)

### **3.1.2.2. Economic Activities**

Like the rest part of the region the major source of livelihood in the woreda is mixed agriculture, both growing of crops and rearing of animals. Average land holding is about 1.4 hectare with a minimum and maximum area of 0.5 and 3.0 hectares respectively. Fogera woreda is endowed with diverse natural resources and can grow a number of annual and perennial crops. The woreda produces different kinds of cereals, leguminous crops, spices, oil crops, fruits and vegetables using rain water as well as irrigation. Consequently, it is one of the surplus food-producing woredas of the region. Fogera woreda is also the home of the Fogera cattle breed, which is highly productive indigenous milk animal in the country and also known for its meat production and traction power. (ILRI, 2012) Of the total area of the woreda, 514.75 km<sup>2</sup> is under cultivation and a substantial amount of land (269.99 km<sup>2</sup>) is used for grazing activity (FWFEDO, 2009)

## **3.2. Background of Amhara Credit and Saving Institution - ACSI**

### **3.2.1. History, Mission and Objectives**

ACSI has started its operation in the region in 1995 as one of the departments of Organization for Rehabilitation and Development in Amhara (ORDA), a local non-governmental organization engaged in development activities in the Amhara Region. Following the

launching of Proclamation no. 40/1996 which requires all existing microfinance providers in the country to register, ACSI was licensed as a separate microfinance share company in April 1997 and the shareholders are the Regional Government (25%), Organization for Rehabilitation and Development of Amhara - ORDA (35%), Amhara Development Association - ADA (20%), Amhara Women Association - AWA (10%) and Endeavor (10%). (USAID, 2006) The mission of ACSI is to improve the economic situation of the low income, productive poor in the Amhara region, primarily through increased access to lending and saving services and by maintaining cost-effectiveness in service delivery and by integrating its activities with government and non-government organizations working towards achieving food security and poverty alleviation (ACSI, 2004).

The objectives of ACSI have four major dimensions: promoting agricultural and non-agricultural economic activities (productivity objective), alleviating poverty and stimulating the region's economic growth as well as giving priority to rural and remote communities particularly women (outreach objective), significantly increasing the clients' income and asset position (impact objective) and promoting sustainable services, both operational and financial (institutional sustainability objective). (Ibid)

### **3.2.2. Operational Modalities, Products and Targets**

ACSI believes that good portfolio quality can be achieved only when demand based, quality lending practices that maximize value to clients are followed. Thus, it follows diversified lending modalities and provides diversified products with the terms and conditions that it considers as suitable in terms of loan size, repayment period, repayment frequency, collateral, transaction costs, etc. Accordingly, since the poor have no the capacity to provide collateral,



they shall not be required to avail collateral and the institution follows Group Guarantee and Lending Model (ACSI, 2004). However, following clients' real needs the institution has introduced individual lending methodology, while also assessing the possibility of village banking modality. Regarding loan size, ACSI believes that the best way to introduce the very poor to the business world is to start with small but surely progressive loan size between loan cycles. This is because the very poor would have no business experience and it is expected that the clients would gain experience through time. Furthermore, it also enables them to repay the loan in a relatively shorter period of time since the smaller the loan size the shorter would be the repayment period. Thus, while the loan repayment period has for long been limited to one year, it has been extended to two years, and up to five years for specific purposes, pursuant to the directives of the National Bank of Ethiopia (ACSI, 2004).

Currently, ACSI delivers five types of financial products/services, namely, credit, savings, money transfer, pension fund management and micro-insurance (ACSI, 2011). Due to scarcity of loan-able fund and limited capacity of the institution to serve all the credit demand in the region, ACSI provides credit only for income generation and related activities so that the current loan products can be categorized broadly as income generating and asset loan. Credit is delivered also on a priority basis so that, focus of the target is on the poorest, particularly women, as this is believed to have the highest impact on poverty through bringing about improvements upon both the rate as well as the depth of poverty/food insecurity. Therefore, targeting is both at area level as well as at the household level and gender-focused. At area level, priority is given to those areas which are more food insecure, and at household level priority is generally given to the productive poor. In both the cases special focus is given to women as they are the ones who most suffer from all kinds of

poverty and deprivations, and at the same time improvement in women's income can have an immediate impact on reducing household poverty and improving nutritional status of the household (ACSI, 2004).

With regard to the savings, ACSI provides saving services for both the loan clients as well as the public at large so that two types of saving products are provided: compulsory savings (exclusively for loan clients) and voluntary savings (open to all). Today ACSI has been offering its services in all woredas of the region and 99% (3396) of the total kebeles through 204 sub-branches and 15 micro-banks (ACSI, 2011).

## **Chapter Four**

### **4. Research Design and Methodology**

#### **4.1. Data Sources, Nature of Data and Methodology**

The research method employed in the study was a survey method. Both qualitative and quantitative data were used in the study. Quantitative techniques were used to derive an empirical estimate of the impact of an intervention on the target groups. A qualitative method was used to show the direction of change and individuals' perceptions. The data includes both primary and secondary data. The primary data were collected by conducting an interview with target sample respondents, using a structured questionnaire containing both close-ended and open-ended questions. The questions were first prepared in English language and then translated in to the local language, Amharic, in order to facilitate the data collection process. This structured questionnaire is the quantitative tool used to collect primary data from the sample respondents and the questionnaires are related to indicators of income, status of consumption, accumulation of assets, savings, access to educational and medical facilities and other related issues. In addition to the questionnaire, five focus group discussions were conducted with the clients of the programme, two groups from the control group and three groups from the experiment group. Furthermore, data were also collected by interviewing ACSI officials. The secondary data were collected from secondary sources including published books, unpublished yearly or quarterly reports, journal of articles, CSA reports and other relevant official reports.

## **4.2. Sampling Frame, Sample Size and Sampling Procedure**

The Amhara Credit and Saving Institution has 10 branches throughout the region. The sample sub branch, i.e., Fogera Woreda sub-branch, is one of the 22 sub-branches found under the South Gondar branch. To conduct the study in the selected sub branch, probability sampling technique was applied. Among the different kinds of this technique, two stages stratified sampling technique was used to select the clients for the study. In the first round clients of the sample woreda were stratified in to two groups: mature clients and new clients groups. In the second round from each group/stratum 40 sample respondents were selected using systematic random sampling technique. Accordingly, the first group (mature clients) consists of those people who have been in the program for more than two years and that have received a loan twice or more. The second group (new clients) on the other hand consists of those people who were in the waiting list or who have just taken a loan for the first time. Thus, the total sample size of the study was eighty.

According to Johansson and Rogaly (1997), impact analysis requires control group which is a sample of people similar in every respect, but who have only received a loan for the first time and who have not been members of the program not for more than one year to compare with sample clients that have received loan for more than two years. In practice, it is difficult to find control group that is exactly similar to credit worthy borrowers. Thus, when they have assessed the impact of different microfinance institutions in Ethiopia, for instance, Tsehay and Mengistu (2002); in their studies of the impact of ACSI on its clients in Enemay woreda, they used clients of one year and less (new clients) as a control group and compared the changes observed between new and mature clients. This argument is also supported by Hulme (2000).

Therefore, this study also used new clients as a control group because they are already identified as the poor and they are similar with those of frequent Clients. Thus, the treatment (experiment) sample consists of all households who were classified as mature clients of the program staying for more than two years and those who have taken loan twice or more, and the control sample consists of all households who are clients of the program for less than one year and who had taken loan only for the first time.

### **4.3. Data Processing and Analysis**

The completed interview schedule had been scrutinized, verified, edited and arranged serially. For coding purposes three master-code sheets were prepared: one for the data collected from clients, the other for the data collected from focus-group discussion, and the third for the data collected from officials and employees of the sample branch. The data was analyzed using descriptive statistics. Statistical tools such as ratios, percentage, means and standard deviations were used. Inferential statistics of chi-square test of independence was also used to establish relationship between the dependent variables and other explanatory variables in condensing the data for interpretation. In order to process the raw data, statistical program SPSS version 20 has been used.

## **Chapter Five**

### **5. Empirical Analysis**

#### **5.1. General Characteristics of Respondents**

In the study of the impact of MFI on the life of its clients assessing the demographic characteristics of the clients should be an essential component of the study. This is because the demographic characteristics of the respondents such as their ages, marital status, their educational level, health condition and wealth conditions may have direct and indirect relations with the way they use the loan or other financial services. In addition to this, impact assessment requires a clear picture of the individuals' and households' demographic characteristics such as educational level, sex, marital status, number of dependents, etc. The demographic characteristic of the sample respondents is summarized in the following successive tables.

Accordingly, as it is shown in Table 5.1 below, the total number of the sample respondents included in the study was 80 (40 mature clients and 40 new clients) and of these respondents 26 (32.5%) are males and 54 (67.5%) are females. From the total sample respondents of mature clients 15 (37.5%) are males and 25 (62.5%) are females and from the total of sample respondents of new clients 11 (27.5%) are males and 29 (72.5%) are females implying that the majority of the clients of ACSI are female clients. This is because ACSI believes that women are the ones who suffer the most from all kinds of poverty and deprivations, and at the same time, improvement in women's income can have an immediate impact on household poverty and nutrition.

**Table 5.1: Sample respondents by sex**

Type of Clients	Unit	Sex		Total
		Male	Female	
Mature Clients	Count	15	25	40
New Clients	Count	11	29	40
Total	Count	26	54	80
	Percentage	32.5	67.5	100

Source: Computed from the survey data

Age of clients is considered as one of the factors in MFI schemes especially in providing loans. This is because MFIs provide loans for productive purposes and one of their targeting principles is that the individuals looking for credit should be in the productive age group. The targeting principle of ACSI in terms of age is also not different from other MFIs, that is, it lends for the productive poor, who if appropriately assisted could by themselves create the activities that could enable them to get out of poverty.

The results of this study, as it is shown in Table 5.2 below, indicate that the minimum age for both the clients is 20 while the maximum age for mature clients is 68 and for the new clients it is 50. The mean age of the respondents of mature clients was 34.65 whereas the mean age of the respondents of new clients was 33.45 years. So, there is no as such a great difference between the mature clients and the new clients in terms of their age.

**Table 5.2: Sample respondents by age**

Type of Clients	Number	Mean	Standard Deviation	Minimum	Maximum
Mature Clients	40	34.65	10.369	20	68
New Clients	40	33.45	8.726	20	50

Source: Computed from the survey data

As far as the marital status of respondents is concerned, as it is shown in Table 5.3 below, 71 (88.75%) of the total respondents are married, 3 (3.75%) are divorced and 6 (7.5%) are widowed. Out of the respondents of mature clients, 39 (97.5%) are married and the remaining 1 (2.5%) are divorced; whereas out of the respondents of new clients, 32 (80%) are married, 2 (5%) are divorced and 6 (15%) are widowed. This indicates that the majority of sample respondents are married.

**Table 5.3: Sample respondents by their marital status**

Type of Clients	Marital Status				Total
	Single	Married	Divorced	Widowed	
Mature Clients	-	39	1	-	40
New Clients	-	32	2	6	40
Total	-	71	3	6	80
Percentage	-	88.75	3.75	7.5	100

Source: Computed from the survey data



Educational status of clients is also another characteristic feature that has to be considered in studying the impact of microfinance on its clients. This is because human development is an important aspect in country's overall development and the success of business of clients of an MFI. This is to mean that level of education can have a positive impact on the effectiveness of performance in the business world. When we observe the educational status of respondents, the survey shows that out of sample respondents of mature clients 34 (85%) are non-literate and 6 (15%) can read and write. On the other hand, out of the sample respondents of new clients 32 (80%) are non literate, 2 (5%) of them are grade 1-4 and 6 (15%) are grade 5-8 complete. From the total respondents of both mature and new clients, 66 (82.5%) are non-literate, 6 (7.5%) of them can read and write, 2 (2.5%) are within grade 1-4 and 6 (7.5%) are grade 5-8 complete. This indicates that the educational status of majority of the sample respondents lies in the range of non literate and no one is in the secondary education level or higher.

**Table 5.4: Educational status of sample respondents**

Type of Clients	Unit	Level of Education						Total
		Not Literate	Read & write	Grade 1-4	Grade 5-8	Grade 9-12	Above Grade 12	
Mature Clients	Count	34	6	-	-	-	-	40
New Clients	Count	32	-	2	6	-	-	40
Total	Count	66	6	2	6	-	-	80
	Percentage	82.5	7.5	2.5	7.5	-	-	100

Source: Computed from the survey data

## 5.2. Sufficiency of the Loan and Fairness of Interest Rate on the Loan

The amount of loan that an MFI provides for its clients can have an effect on the life or effectiveness of its clients in their activities. This is to say that the amount of loan that an MFI provides for its clients should be sufficient to start a business that the client wants. Thus, sample respondents were asked about the sufficiency of the loan that they took from ACSI and as a result 23 (57.5%) of mature client respondents and 10 (25%) of the new client respondents replied that the borrowed money is sufficient to run their business whereas 17 (42.5%) of the mature client respondents and 30 (75%) of the new client respondents said that the money was not sufficient for their business operation. Thus, there is a significant difference between the mature and the new client respondents in terms of sufficiency of the loan they borrowed. Generally, from the total respondents 33 (41.25%) of them said that the borrowed money was sufficient for their business operation whereas 47 (58.75%) of the respondents said that the money they borrowed from ACSI was not sufficient for their business. Therefore, we can conclude that the amount of money borrowed is not sufficient for customers' business.

**Table 5.5: Sufficiency of the loan to run the business**

Type of Clients	Unit	Do you think that the loan is sufficient to run your project?		Total
		Yes	No	
Mature Clients	Count	23	17	40
New Clients	Count	10	30	40
Total	Counts	33	47	80
	Percentage	41.25	58.75	100

Source: Computed from the survey data

Fairness of interest rate on the loan is also one of the factors that affect the effectiveness of clients in their business activities as well as sustainability of the MFI. This is because the lower the interest rate the better the capacity of clients to repay their loan and the more they save and vice versa. Besides, the lower the interest rate, the more it attracts clients to borrow and the increase in the number of the clients of an MFI, otherwise, clients go to other competent MFI with lower interest rate and brings the question of sustainability of the former MFI. Accordingly, respondents were asked regarding the fairness of the interest rate of the loan provided by ACSI and among the mature clients 23 (57.5%) of the respondents thought that the interest rate was high and 17 (42.5%) thought that the interest rate was fair. Out of the total respondents of new clients 17 (42.5%) thought that the interest rate was high, 15 (37.5%) thought fair and 8 (20%) thought that the interest rate was low. From the total of all the respondents 40 (50%) of them thought that the interest rate was high, 8 (10%) of the respondents thought that the interest rate was low, and the remaining 32 (40%) thought that it was fair. From this analysis we can conclude that the interest rate that borrowers pay for their loan is high.

**Table 5.6: Fairness of interest rate on the loan**

Type of Clients	Unit	What do you think about the interest rate on loan?			Total
		High	Low	Fair	
Mature Clients	Count	23	-	17	40
New Clients	Count	17	8	15	40
Total	Counts	40	8	32	80
	Percentage	50	10	40	100

Source: Computed from the survey data

### **5.3. Impacts of ACSI on Income**

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

One of the immediate impacts of having access to credit from the micro financing program is on income of clients' households. Thus, participation in micro finance program is expected to have a positive impact on the economic welfare of clients' households by enabling them to have more choices, better meet their basic needs, and enjoy broader opportunities. The change in the household welfare may be evident in the diversification of income sources, in the trend of income, in the food security, in the education of children, access to health facilities and employment opportunities, in the food consumption patterns, and the ownership of key household assets.

However, the above factors are not solely affected by improvement in income. Therefore, an attempt has been made to look in to the possible ways of measuring the impact of ACSI service on the living standard of the poor so as to make reasonable conclusion. Hence, the impact of micro finance on the income of the beneficiaries may be evident in the mean of income and in the sources of the income.

It is expected that participation in micro finance and credit service will lead to an increase in household income. Therefore, in order to evaluate the impact of ACSI's service on the households' income of its clients, sample respondents were asked to judge their household income in the past two years. Accordingly, 37 (92.5%) of the mature client respondents replied that their income has increased in the past two years whereas 3 (7.5%) of the mature and 40 (100%) of the new client respondents reported that they have experienced no change in their income in the last two years. There is the significant difference at the 99% of confidence level between the frequent and new clients in the trend of their income.

Respondents were also asked the reasons for the increase or decrease in the income of their household in the past two years. Accordingly, among those who replied that their income has increased in the past two years, 30 out of 37 (81.08%) of the mature client respondents replied that their income has increased due to the fact that they were able to purchase inputs because of accessibility of credit facilities from ACSI, 3 (8.11%) of them replied that it was due to expansion of existing business and the remaining 4 (10.81%) of the respondents was due to good agricultural season.

Thus, the main reason for the increase in the household income of respondents is effect of microfinance intervention in the case of the mature clients whereas for the new clients there is no increase in income at all. The chi-square test result also supports the hypothesis that microfinance intervention improves income of its clients and thus, at 99% of level of confidence, there is a significant difference between the mature and new clients in terms of improvement in income.

**Table 5.7: Trend of household income and reasons for increase in income**

	Mature clients		New clients		Total		X <sup>2</sup>
	No	%	No	%	No	%	
<b>Trend of household income</b>							
• Increased	37	92.5	-	-	37	46.25	58.197 (P = 9.21)
• Decreased	-	-	-	-	-	-	
• Remained same	3	7.5	40	100	43	53.75	
<b>Total</b>	40	100	40	100	80	100	
<b>Reason for increase in income</b>							
• Able to purchase inputs due to accessibility of credit	30	81.08	-	-	30	81.08	
• Got jobs	-	-	-	-	-	-	
• Expand existing business	4	10.81	-	-	4	10.81	
• Good agricultural season	3	8.11	-	-	3	8.11	
• Others	-	-	-	-	-	-	
<b>Total</b>	37	100	-	-	37	100	

Source: Computed from the survey data

#### 5.4. Impacts of ACSI on Household Consumption

An increase in household consumption expenditure can be taken as an indicator of the impact of an MFI on the life of its clients in the sense that households which have higher income spend higher expenditure to satisfy their needs than those which have lower income. The increase in consumption expenditure can be either to increase the amount that the household

consumes or to increase the number of meals of a day or it can be to increase the variety of diet since the condition of diet (nutrition) is an important factor in the wellbeing of the household members. Thus, the assumption of this variable is that the participants of the micro finance scheme will have a better household diet condition and food security in bad years as compared to household diet condition of the control groups. Hence, for the purpose of this study the monthly expenditures on food and the trend of consumptions expenditures of respondents as well as the trend in improvement of the number and type of meals were used as the variables.

Accordingly, respondents were asked to estimate their average monthly consumption expenditure for the family before and after they took the loan and the study shows that before they took the loan the approximate mean monthly consumption expenditure of mature and new client respondents was birr 485.90 and 239.40 respectively whereas after taking the loan the average approximate monthly consumption expenditure of mature and new client respondents was found to be birr 746.2 and 315.30 respectively. This indicates that the approximate average monthly consumption expenditure of mature client respondents increased by birr 260.30 whereas that of the new client respondents increased by birr 75.90 only. This in turn indicates that there is a higher increase in average monthly consumption expenditure in mature client respondents (more than 3 times) than the new ones. Therefore, the result supports the argument that microfinance scheme improves the consumption expenditure of the households of its clients.

**Table 5.8: Approximate monthly consumption expenditure of respondents**

Type of Clients	Time	Number	Mean	Standard deviation
Mature Clients	Before program participation	40	485.9	264.3
	After program participation	40	746.2	244.2
	Change due to loan in birr		260.3	19.9
New Clients	Before program participation	40	239.4	185.7
	After program participation	40	315.3	158.1
	Change due to loan in birr		75.9	27.6

Source: Computed from the survey data

Participation in MFI is also expected to bring improvement in the type and number of meals of beneficiary households. Thus, for the question asked whether there is an improvement in the type and number of meals in the past two years, in mature clients 39 (97.5%) of the respondents said that there has been an improvement in their type and number of meals whereas in new clients only 5 (12.5%) of the respondents have an improvement. From those respondents whose meal condition is improved, the majority of them (24 or 61.5% of the mature client respondents and 3 or 60% of the new client respondents) answered that their improvement in meals is manifested by their ability to buy more cereals such as teff, maize and others. On the contrary, the majority of the new clients (35 or 87.5%) and only 1 (2.5%) of the mature client respondents did not show improvement in the type and number of meals even after taking the loan. Thus, from this argument, we can conclude that ACSI has brought about a change in the feeding condition of the households of its clients. The chi-square test result of the data analysis also supports the argument and therefore, there is a significant



difference between the mature and the new clients in terms of improvement of the number and type of meals after taking the loan.

**Table 5.9: Trend of improvement in the number or type of meal and its manifestations**

Trend of improvement in the number or type of meal	Mature clients		New clients		Total		X <sup>2</sup>
	No	%	No	%	No	%	
• Improved	39	97.5	5	12.5	44	55	48.419 (P = 9.21)
• Remained the same	1	2.5	35	87.5	36	45	
• Decreased	-	-	-	-	-	-	
Total	40	100	40	100	80	100	
Manifestations of improvement							
• Able to buy more cereals such as teff, maize, etc	24	61.5	3	60	27	61.3	
• Able to buy vegetables and fruits	8	20.5	-	-	8	18.2	
• Able to buy dairy products milk, meat, cheese, egg, etc.	1	2.6	-	-	1	2.3	
• Able to eat suitable foods like pasta macaroni etc.	-	-	-	-	-	-	
• Able to eat three times (meal) a day	6	15.4	2	40	8	18.2	
Total	39	100	5	100	44	100	

Source: Computed from the survey data

## **5.5. Impact on Accumulation of Assets**

The survey attempted to assess the impact of micro finance on the households' accumulation of assets. This is because ownership of durable assets is regarded as one of the most important indicators of improvement in the household welfare. For many households, the house they owned is the most valuable asset. When the house is improved, it appreciates in value, and thereby increases a household's material wealth, it provides shelter and contributes directly to the material wellbeing of the household and serve to create or enhance a business premise. The way of improvement of the house may be in such a way that rooms and storefronts can be added to the already existing house to be used for rental or enterprise purposes or there may be construction of new ones. Such improvements can help households to diversify and to add a steady income stream to their economic portfolio. Hence, the assumption of this variable is that beneficiaries of micro finance scheme have better housing condition and this is the result of taking loan and engaging in more profitable and productive activities, that increases their income level. Due to this reason, they will have better financial capacity to upgrade their residential and business houses through repair or build additional rooms from the income obtained due to loan-able activities.

According to the survey, before they started to participate in the credit and saving program of ACSI, among the mature client respondents 12 (30%) of them were having houses with iron sheet roof and 28 (70%) had thatched roof houses. Among the new client respondents 14 (35%) of them had houses with iron sheet roofs and 26 (65%) of them were having houses with thatched roof. Generally, 54 (67.5%) of the total respondents were having thatched roof houses while the remaining 26 (32.5%) of the respondents had houses with iron sheet roofs. This implies that the majority of the respondents were having houses with thatched roofs

before they took the loan from ACSI.

However, it is believed that participation in MFI programme will bring about a change in the type of houses of clients due to an increase in income of the households. Therefore, respondents were asked about whether there was an improvement in the type of houses they owned after they took the loan. Accordingly, as it is shown in Table 5.10 below, 32 (80%) of the mature client respondents replied that they have improved their houses after their participation in the programme while the rest 8 (20%) of them said that they had not improved their houses. However, none of the new client respondents improved their houses after their participation in the programme. Thus, the majority of the mature client respondents improved their houses after they started to participate in ACSI's programme.

But the above description by itself does not show the impact of ACSI on the improvement of the houses of respondents; rather, the reason for improvement clearly indicates its impact. This is because households may improve their houses using non-MFI sources of money such as from remittance. Accordingly, when they were asked the reasons for the improvement in the type of houses, among those mature client respondents who improved their houses, 19 (59.375%) of them said that the main source of income for improving their house is access to credit from the microfinance intervention, 1 (3.125%) gifts/aid, 10 (31.25%) improvement in income from non-microfinance activities and the remaining 2 (6.25%) from other sources. Thus, the main reason for improvement in the houses of the mature client respondents is access to credit facility from ACSI. Therefore, from this argument, it is possible to conclude that ACSI's micro financing intervention has a positive impact on the housing improvement of the households of its clients.

The other indicator of improvement in household welfare for the rural society is ownership of livestock. This is because the major source of livelihood of the rural society is agriculture. Thus, the major source of livelihood of the sample respondents before they started to participate in the credit scheme of ACSI was also agriculture. Therefore, respondents were asked if they do have an increase in the number of livestock after their participation in MFI programme. Accordingly, 24 (60%) of the mature and 40 (100%) of the new client respondents answered that the number of livestock they do have has increased after programme participation whereas only 16 (40%) of the mature client respondents reported that they did not experienced an increase in the number of livestock after their participation in the programme. The reason for the increase in the number of livestock after programme participation is the fact that the respondents purchased livestock by the loan they obtained. For the mature clients, purchase of additional livestock by the income obtained through MFI activities is also another factor for the increase in the number of livestock of the respondents. The fact that the number of new client respondents whose livestock number has increased is greater than that of the mature client respondents does not show the negative effects of ACSI on livestock ownership of its clients. For those mature clients who responded that the trend of their livestock number remained constant, the prime reason is they encounter the problem of death of their animals in the process of their operation whereas in the case of the new clients the research has been conducted few months after they took the loan so that there is no time to experience such unfortunates. Generally, the majority of the total respondents, 64 (80%), answered that there has been an increase in the number of their livestock after programme participation.

**Table 5.10: Trend of improvement in the type of house and reasons for improvement, and trend of number of livestock after program participation**

	Mature clients		New clients		Total		X <sup>2</sup>
	No	%	No	%	No	%	
<b>Trend of improvement in house type</b>							
• Improved	32	80	-	-	32	40	36.364 (P = 6.63)
• Not improved	8	20	40	100	48	60	
Total	40	100	40	100	80	100	
<b>Reason for improvement in house type</b>							
• Access to credit	19	59.375	-	-	19	59.375	
• Gifts or aid	1	3.125	-	-	1	3.125	
• Improved income from non-MFI activities	10	31.25	-	-	10	31.25	
• Others	2	6.25	-	-	2	6.25	
Total	32	100	-	-	32	100	
<b>Trend of number of livestock</b>							
• Increased	24	60	40	100	64	80	21.587 (P = 9.21)
• Remained the same	16	40	-	-	16	20	
• Decreased	-	-	-	-	-	-	
Total	40	100	40	100	80	100	

Source: Computed from the survey data

It is also believed that participation in micro finance programs will increase the purchasing power of its clients to buy assets. Accordingly, the samples of the study were asked whether

their purchasing power to buy assets was improved or not after programme participation in ACSI. The result shows that 35 (87.5%) of the mature and 7 (17.5%) of the new client respondents reported that their purchasing power to buy assets was improved after programme participation whereas 5 (12.5%) of the mature and 33 (82.5%) of the new client respondents replied that their purchasing power had not shown improvement. This indicates that the number of mature client respondents whose purchasing power is improved is greater than that of the new client respondents. Thus, there is a significant difference between the mature and the new clients in terms of improvement in purchasing power of clients to buy household assets.

In order to analyze the impact of ACSI on the purchasing power of its clients to buy assets, respondents were asked the reason why their purchasing power to buy assets was improved. The result shows that 33 (94.3%) of the mature clients reported that their purchasing power to buy assets was improved due to increase in income from micro financing activities and the remaining 2 (5.7%) from gifts and due to good agricultural season. On the other hand, among the new client respondents 4 (57.14%), 2 (28.57%) and 1 (14.29%) of them replied that their purchasing power was increased due to good agricultural season, improvement in income from non-microfinance activities and gifts respectively. This indicates that the number of mature client respondents whose purchasing power is improved is greater than the number of the new client respondents. Furthermore, it indicates that the reason for the improvement in purchasing power to buy assets is micro financial factor for the mature clients whereas for the new client respondents, it is non-micro-financial factor. Thus, from this it is possible to conclude that ACSI has a positive impact on the improvement of the purchasing power of assets of its clients.

**Table 5.11: Trend of purchasing power of clients and reasons for increase in purchasing power**

Trend of purchasing power	Mature clients		New clients		Total		X <sup>2</sup>
	No	%	No	%	No	%	
• Increased	35	87.5	7	17.5	42	52.5	31.27 (P = 6.63)
• Not increased	5	12.5	33	82.5	38	47.5	
Total	40	100	40	100	80	100	
Reason for increase in purchasing power							
• Increase in income from MFI activities	33	94.3	-	-	33		32.64 (P = 13.28)
• Increase in income from non-MFI activities	-	-	2	28.57	2		
• Gifts/aid	1	2.85	1	14.29	2		
• Good agricultural season	1	2.85	4	57.14	5		
• Others	-	-	-	-	-	-	
Total	35	100	7	100	42		

Source: Computed from the survey data

## 5.6. The Impact on Access to Education

It is believed that while poverty discourages families from sending their children to school due to inability to cover the necessary expenditures, the provision of credit for income generating activities is expected to reverse the situation. The assumption is that households

with higher income levels have more choices and broader opportunities so as to meet their needs. Therefore, the hypothesis of this section is that in addition to the improvement in income, microfinance is also expected to improve the possibility of additional expenditures in education of beneficiaries' household members. The findings below are based on the trend of the number of school age children attending school. A simple measure of participation in education is the enrollment rate, defined as the percentage of children with the normal age range for attending a particular level of schooling that are actually enrolled. Information was collected on the trend of school age children enrolment in both frequent and new clients and the findings of the study are as follows.

The survey result regarding trend of enrollment of school age children during the last two years reveal that mature client households have reported better improvement on school age children enrollment during the period, whereas the percentage of new client households who have shown an increase is relatively lower than the mature clients. The result shows that 28 (70%) of the sample mature client respondents and only 8 (20%) of the sample new client respondents reported the trend that the number of their family members attending school increased for the last two years. However, 32 (80%) of sample of new clients and 12 (30%) of mature clients reported the trend that the number of their family members attending school has remained the same over the last two years.

A number of factors can play their own role for the increase in the number of children attending school. Thus, in order to see if the MFI intervention has played a role, sample respondents were asked about the reasons for the increase in the number of children attending school during the last two years. Based on this among the mature client respondents 24



(85.7%) replied that the main reason for the improvement of school age children was income improvement, 3 (10.7%) due to the increase in the awareness of households towards education and the remaining 1 (3.57%) due to other factors. Among the new client respondents 4 (50%) replied that the factor for the increase in the number of children attending school is access to new school building, 3 (37.5%) due to increase in the awareness of households towards education and the rest 1 (12.5%) due to other factors. This implies that the factor for the increase in the number of children attending school is improvement in income due to access to credit for the mature client respondents whereas for all of the new client respondents the reason is non-microfinance factor. Therefore, one can conclude that ACSI has played a great role in the school enrolment of children of its clients thereby contributing for the success of the millennium development goals of the country in the education sector.

**Table 5.12: Trend of school enrollment of children after program participation and the reasons for increase in school enrollment**

Trend of school enrollment	Mature clients		New clients		Total		X <sup>2</sup>
	No	%	No	%	No	%	
• Increased	28	70	8	20	36	45	23.485 (P = 9.21)
• Remained the same	12	30	32	80	44	55	
• Decreased	-	-	-	-	-	-	
Total	40	100	40	100	80	100	
Reason for increment of school enrollment							
• Income improvement	24	85.7	-	-	24	66.67	24.429 (P = 11.34)
• Access to new school building	-	-	4	50	4	11.11	
• Increase in awareness of household towards education	3	10.7	3	37.5	6	16.67	
• Others	1	3.57	1	12.5	2	5.55	
Total	28	100	8	100	36	100	

Source: Computed from the survey

## **5.7. Impact on Access to Medical Facilities**

One of the manifestations of poverty is inability of households to get access to medical facilities/services due to their low income. Therefore, when family members become sick, many poor people prefer simply staying at home or going to traditional healers to public health institutions and as a result many die without getting medical care. Hence participating in micro finance scheme is expected to improve clients' access to medical facilities with the assumption that MFI programme increases income of the clients and as a result enables them to cover the medical costs.

The results of this study shows that before they started to participate in the MFI scheme, the majority of the respondents were not having access to medical facilities; and even those who had access to medical facilities, their medical expenditure was covered by the governments free medical care service.

However, after they started participating in MFI 40 (100%) of the mature and 6 (15%) of the new client respondents thought that their access to medical facilities has shown improvement while 34 (85%) of the new client respondents did not show improvement. This implies that ACSI has played a significant role in the improvement of access of its clients to medical facilities. Thus, there is a significant difference between the mature and the new clients in terms of access to medical care after joining ACSI.

In order to see if ACSI has any role for the improvement in access of clients to medical facilities, respondents were also asked the reason for the improvement in access to medical facilities and 38 (95%) of the mature client respondents whose access to medical facilities is

improved replied that it is due to access to money from the microfinance activities. On the other hand, 2 (5%) of the mature clients replied that it is due to better local treatment and 6 (100%) of the new client respondents said that it is due to the borrowing of money from other source that their access to medical facilities increased after programme participation. Therefore, it is possible to conclude that ACSI has a positive impact on the improvement of access to medical facilities of its clients.

**Table 5.13: Trend of access to medical facility after program participation and the reasons for improvement**

	Mature clients		New clients		Total		X <sup>2</sup>
	N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%	
<b>Trend of access to medical facility</b>							
• Improved	40	100	6	15	46	57.5	59.13 (P = 6.63)
• Not improved	-	-	34	85	34	42.5	
Total	40	100	40	100	80	100	
<b>Reason for improvement in access to medical facility</b>							
• Access to money from the micro-finance activities	38	95	-	-	38	82.6	46.00 (P = 13.28)
• Better local treatment	2	5	-	-	2	4.4	
• Sold household assets	-	-	-	-	-	-	
• Borrowed from other sources	-	-	6	100	6	13	
• Others	-	-	-	-	-	-	
Total	40	100	6	100	46	100	

Source: Computed from the survey

## **5.8. Impact on Employment**

Access to micro finance scheme is expected to have a positive impact on the employment opportunities of the beneficiaries. As a result of access to micro finance scheme, clients will have the opportunity to engage in other additional productive activities in order to diversify their income source. In line with this assumption, data were collected on the type of business activities and the trend of employment opportunities of clients of ACSI after they started to participate in the programme.

The study indicates that before they started to participate in the micro finance programme, almost all of the respondents were engaged in agricultural activities. However, after they started to participate in the programme, 31 (77.5%) of the mature and 12 (30%) of the new client respondents have replied that the trend of their employment opportunities have shown improvement. On the other hand, 9 (22.5%) and 28 (70%) of the mature and the new client respondents respectively reported that the trend of their employment opportunities had not shown improvement after programme participation. Those who responded that their employment opportunity has been improved they explain the reason that due to the credit scheme one or more of the household members are able to engage in other productive activities other than their original livelihood. On the other hand those respondents who replied that their employment opportunity has not been improved said that the reason is lack of finance to undertake additional activities.

Respondents were also asked to explain the major additional activities that they engaged after obtaining the loan and the study indicates that 24 (60%) and 7 (17.5%) of the mature clients are engaged in additional retail trade and local drink preparation activities respectively while

the remaining 9 still depend solely on their former occupation that is, agriculture. On the contrary, only 5 (12.5%) of the new client respondents are engaged in local drink preparation. Thus, there is significant difference between mature clients and new clients in the trend of their job opportunities and it is possible to say that the micro financing scheme has a positive impact on employment generation.

Data were also collected on the perception of the clients about the trend in their business. Accordingly, 32 (80%) of the mature and 7 (17.5%) of the new client respondents replied that their business has increased. On the other hand, 8(20%) of the mature and 33 (82.5%) of the new client respondents reported that their business had not shown any improvement in the last two years. This shows that the increase in the number of business is greater for the mature client respondents than the new client respondents.

**Table 5.14: Trends of employment opportunities, major types of activities that sample respondents engaged and trend of business of clients**

Trend of employment opportunity	Mature clients		New clients		Total		X <sup>2</sup>
	N <sub>0</sub>	%	N <sub>0</sub>	%	N <sub>0</sub>	%	
• Improved	31	77.5	12	30	43	53.75	30.00 (P = 6.63)
• Not improved	9	22.5	28	70	37	46.25	
Total	40	100	40	100	80	100	
<b>Major additional activities</b>							
• Local drink preparation	7	17.5	5	12.5	12	15	
• Agricultural activities	9	22.5	35	87.5	44	55	
• Retail trade	24	60	-	-	24	30	
Total	40	100	40	100	80	100	
<b>Trend of business</b>							
• Increased	32	80	7	17.5	39	48.75	31.754 (P = 9.21)
• Decreased	3	7.5	11	27.5	14	17.5	
• Remained the same	5	12.5	22	55	27	33.75	
Total	40	100	40	100	80	100	

Source: Computed from the survey

## **5.9. The Impact on Savings**

Participation in MFI scheme is also expected to promote the saving habits and potentials of beneficiaries of the scheme. This is because on the one hand, when beneficiaries become effective in their activities and earn additional income, they seek to save some amount of the additional income voluntarily either in the MFI itself or in other formal or informal saving institutions. On the other hand, when clients take the loan, they are forced to save certain proportion of the loan to be used as collateral. Thus, there are two types of savings: compulsory and voluntary savings. Compulsory saving is normally enforced and started immediately when the loan is approved for the program participants and it includes compulsory individual saving, compulsory group saving and compulsory center saving. The voluntary saving is an individual saving that is based on the willingness of the individual to save and withdraw at any time when the need arises.

Thus, respondents were asked whether they used to save money in any formal or informal saving institution and the type of saving, if so. Accordingly, all the mature and the new client respondents replied that before they started to participate in ACSI, they did not save money in any formal or informal financial institution. However, after they started participating in the micro finance scheme, all of them responded that they opened their individual saving accounts in the MFI itself and the type of saving is both voluntary and compulsory saving.

As it is shown in Table 5.15 below, the average monthly saving amount of mature client respondents is birr 41.35 while that of the new clients is birr 38.25. Thus, there is no as such a big difference between the mature and the new client respondents in terms of saving. This is because clients are required to start saving since the time of taking the loan and all the new

client respondents took a loan once so that both the new and the mature client respondents start to save since the time of taking their loan. Besides, respondents were also asked the source of money for saving and the purpose of saving. Accordingly, all the respondents replied that their source of money for saving is business/farm profit financed by the loan and the purpose of saving is multi-purpose, which is, they save the money for earning interest, for repaying their loan, for expanding their business as well as to make it safe from the danger of theft or damage.

**Table 5.15: Monthly saving amount of clients**

Type of Clients	Number	Minimum	Maximum	Average	Standard deviation
Mature clients	40	20	60	41.35	9.46
New clients	40	30	45	38.25	4.46

Source: Computed from the survey

### **5.10. The impact on Empowerment**

In addition to the impact on economic and socio-cultural aspects, microfinance intervention is also believed to boost the borrowers' sense of self-esteem. Ledgerwood (1999) termed this as personal or psychological impact, which is one aspect of empowerment manifested by participation indecision making, equal status in the family, increased political power and increased self-esteem as indicators of empowerment. In recent years, much attention has gone to describing how micro finance might lead to increased empowerment of the borrower. In many cases, the focus is on women borrowers and changes in their status within the household and the community.

In this research, participation in a micro finance program is expected to have positive impacts on empowerment of the individuals who receive and use the micro finance services especially female clients. Thus the study tries to assess the gender dimension with in the household. This means that the assessment was made in order to evaluate patterns of decision making and what happens to the role of the married women in the house hold and business activities as they become member of micro finance program. The survey sought to determine if mature women clients gained more control over decisions on the use of resources in the household than their new counterparts. Furthermore, it also sought to identify if there is great individual decision making by women clients on applying for loan and use of the loan funds as well as their self-esteem.

As we have seen above, empowerment of women is one important dimension of welfare improvement and hence ACSI has this as one of its prime concern. This is because ACSI believes that empowering women has high impact on poverty/food insecurity and improves their bargaining power within the household. That is why ACSI has been striving to make at least 50% of its borrowers of credit to be women clients in the past many years. It is, therefore, very fundamental to raise the issue of women empowerment as result of the credit provision. With this in mind, however, examining whether women really invested the loan they have taken in activities that they found appropriate so as to improve their living standard needs closer attention.

Participation in micro finance program is expected to help to control over resources in the part of women clients. Data on who makes decisions regarding the decisions about taking loan and using loan was collected. Accordingly, 39 (97.5%) of the mature client respondents



replied that decisions regarding the taking of loan and its utilization is made by husband and wife whereas in the case of new client respondents 29 (72.5%) of them replied the decision is made mostly by the husband. Regarding the question of decision making to buy inputs and sell agricultural and business products, in both the cases the majority of respondents, 39 (97.5%) of the mature and 23 (57.5%) of the new client respondents, reported that the decision is made by discussion of the husband and the wife. Likewise, on the issue of sending children to school and purchasing food items and clothes for the family, 39 (97.5%) of the mature and 34 (85%) of the new client respondents said that both the husband and the wife together make decisions in consultation with one another. These discussions indicate that mature women clients are participating in decision making in their households more than their new counterparts.

**Table 5.16: Decision-making in the household**

Decision-maker	Unit	Decision to take loan and utilization of the loan		Decision to buy inputs and sell agricultural and Business products		Decision on sending children to school and purchasing food and clothes	
		Mature clients	New clients	Mature clients	New clients	Mature clients	New clients
Husband only	Count	0	3	0	3	0	3
Wife only	Count	1	3	1	7	1	3
Husband with wife	Count	39	5	39	23	39	34
Mostly husband	Count	0	29	0	7	0	0
Mostly wife	Count	0	0	0	0	0	0
Others	Count	0	0	0	0	0	0
Total	Count	40	40	40	40	40	40
$\chi^2$		56.2 (P = 18.48)		18.044 (P = 18.48)		4.342 (P = 18.48)	

Source: Computed from the survey data

## **Chapter Six**

### **6. Conclusion and Recommendations**

#### **6.1. Conclusions**

Nowadays providing the poor access to credit is one of the various mechanisms used in order to reduce poverty. Since formal financial institutions failed to reach the poor for collateral requirements, micro finance program is being practiced all over the world as one of the major strategies being used to reduce poverty through the delivery of financial services such as credit, saving, insurance, etc. Micro finance institutions have been established in Ethiopia after the issuance of proclamation No 40/1996 that twenty two micro finance institutions have been legally registered by the National Bank of Ethiopia (NBE) and started delivering services. Today, provision of credit and saving mobilization is thought of as an instrument of up lifting the poor and an avenue for development. Based on this line, ACSI was established in 1997 in Amhara National Regional State with the objective of reducing poverty and promote economic development through the provision of credit and saving services. The main objective of this study is to assess the impact of ACSI's program, whether it has improved the living standard of the poor and reduce poverty or not. The impact assessment was conducted in Fogera woreda sub-branch of ACSI in South Gondar Zone.

However, knowledge about the achievements of these strategies remains only partial and controversial. On the other hand, there are studies indicating that the micro finance programs are found important agents of social change simultaneously addressing poverty reduction. The few impact assessment studies conducted in Ethiopia showed that the intervention of micro finance has positive impacts on improving the living standard of the poor and

ultimately reduce poverty. But there are studies that indicate Pessimistic kind of result on the impacts of micro finance towards reducing poverty.

Based on this assumption, it was hypothesized that participating in micro finance programs improves: the level of income, food security of their household members, their assets and enables the poor to have access to education and medical facilities. Data were collected randomly from the sample respondents of mature and new clients using questionnaire and focus group discussion. The questionnaire includes household characteristics such as socio-economic conditions, perception of respondents about the program and their suggestions. The assessments were focused on the impact of MFI at household level, which is mainly associated with the changes in the living condition of the clients, though impact at enterprise level was also covered in the study. The analysis of the assessment at the household level were by using descriptive analysis and chi-square test of independence based on variables such as income, household nutrition, employment opportunities, saving, access to education, and medical facilities and women empowerment. The assumption of micro finance intervention is that the provision of financial services to the poor alleviates poverty, improves the living condition and economic situation of its clients and empowers women in decision making in their households.

Based on this assumption, the findings of the study made on the intervention of micro finance in the study area are summarized as follows. In the study area, most of the sample respondents from the mature clients were found to register an increasing trend in their income for the last two years in comparison with new clients (control group), that is, 37 (92.5%) of sample respondents of mature clients while there was no change in the case of the of new

clients. Improvement of their ability to purchase agricultural or business inputs due to accessibility of credit facility was found to be the main factor for the increasing trends of income for mature clients. In other words, the main factor for the decrease in the trend of the income of new clients was their inability to obtain inputs due to lack of credit facilities.

As far as food consumption expenditure is concerned, there was a significant difference after the loan on the average approximate monthly consumption of clients. The change was birr 260.3 for the mature clients and birr 75.9 for the new clients. Extremely higher change was observed in the monthly approximate consumption expenditures of mature clients.

Regarding to the housing situation, the survey result indicated that 32(80%) of the mature clients made improvement and repairs their housing during the last two years while no improvement is observed in new clients. In addition to this when respondents were asked the source of income to improve their houses, 19 (59.375%) of the mature clients indicated that it is due to income from loan-able activities. The survey result also indicated that the employment opportunities of mature clients were better improved than the new clients during the last two years.

The study also indicated the positive impact of the micro finance on the improvement of medical facilities of program participants. The findings of this study showed that mature clients have shown improvement of the medical facilities of their households than new clients, that is 40 (100%) of the mature clients, but only 6 (15%) of the new clients have shown improvement of access to medical facilities during the last years. Accordingly, the main factor for the improvement of their medical facilities was access to money from loan-

able activities for 38 (95%) of the mature clients.

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

The result of the findings also indicated that the intervention of the micro finance scheme in the study area had a positive impact on access to educational facilities of the households of mature clients. But women's autonomy in household decision-making has not shown so much difference between the mature and the new clients. Therefore, it is difficult to conclude that empowerment of women clients in household decision making is solely the effect of micro finance scheme, rather, other factors have contributed more.

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

The study indicates that most of the mature clients agreed that the intervention of the micro financing scheme in the area improved the living standard of their households. Absence of adequate trained man power to follow up and supervise the activities of each individual, lack

of sufficient financial resources, absence of sufficient infrastructures especially in the rural areas and illness or death of its clients to recollect the loan were some of the main problems identified from the discussion made with the official and staff of ACSI.

## **6.2. Recommendations**

As a policy indicator, the intervention of micro finance is expected to improve the living standard of the poor and reduce poverty. As such it improves the economic status of the society and the country as a whole. From its initial establishment, ACSI is expected to reduce poverty and promote the economic development through the provision of credit and saving services to the productive poor. Based on the findings of this study, ACSI has attained the target of improving the living condition of its clients in relation to income, employment opportunities, consumption status, and education and health facilities. However, since there is no great difference between the mature and the new clients and difficult to conclude that it is the effect of ACSI, much more must be done in relation to improving the status of women in the decision-making process.

The influence of amount of loan that an MFI provides for its clients, on the effectiveness of its clients cannot be ignored. This is because the business activities that clients engage after taking the loan vary in both type and size, requiring different amount of money. Thus, the smaller the size of the loan, the less will be the chance to engage in profitable activities that require high initial capital. The study reveals that there were no diversification of business activities and almost all of the loans were disbursed for agricultural activities. However, there are different agricultural activities that require high startup capital. As many of the respondents in the study suggested that the loan that is given to the clients was not sufficient

to run their businesses, this limited their capacity to engage in activities that require high initial capital even within the agricultural sector. As a result, they were simply engaged on activities that give them immediate return and would enable them to repay their credit. Therefore, ACSI ought to make an effort to revise regularly the size of loan for its clients in relation to the business size and type of activities by taking the current market price of inputs in to consideration.

Moreover, respondents also indicated that the interest rate of the loan is not fair, especially, when they compare the interest rate on saving (6%) with the lending interest rate (18%). They suggested that especially for beginners of the business the high interest rate leads to bankruptcy and further poverty and discourages others to take the loan from the institution. Thus, although it is understood that there is high administration cost in MFIs, it has not to be forgotten that they are not for-profit organizations so that ACSI should look at the way for minimizing the loan interest rate and attracting clients to use saving accounts.

The results of the study show that one of the challenges that ACSI has faced currently is lack of loan-able funds to reach all the productive poor in all the kebeles. Therefore, since ACSI is a share company, it should promote for NGOs, private investors, unions of associations and government's development organizations to purchase a share so that it would have additional source of funds to reach out the remote and the poorest segment of society. It is also important to solicit donations although it should not depend on it. In addition to this, the NBE should devise ways to solve the shortage of loan-able funds by allowing them to borrow in bulk from mainstream banks and lend in small loans to the productive poor.

It has to be noted that providing financial services to the poor by themselves cannot ensure improvement of the life of the poor, rather, poverty has to be tackled in a holistic manner and especially on-job training and consultation are important. However, the study indicates that there is a gap in providing training and counseling after the provision of loan. Therefore, ACSI should establish a strong and strategic alliance with other stakeholders, and in cooperation with other potential actors, should think how borrowers can be effective in their activities. In this regard the institution should collaborate with others to provide different skill-based trainings, business oriented information and counseling services. With this respect, the different levels of agriculture bureau, trade and industry bureau, micro and small scale promotion agency, Amhara Development Association (ADA), etc can be some of the assets of the institution. Besides, different incentive mechanisms for those clients who succeeded with the programme are important to motivate clients to work hard towards the intended goal.

At last but not least, devising a proper system of gathering the opinion of clients is an important tool of information for the sake of identifying gaps and improving the services. However, it is pointed out that there is a certain gap in this respect. Therefore, the institution should give due attention for opinions of clients and take in to account their recommendations.



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## **Annexure I**

### **INDRA GANDHI NATIONAL OPEN UNIVERSITY**

#### **SCHOOL OF CONTINUING EDUCATION**

##### **INTERVIEW SCHEDULE FOR ACSI CLIENTS**

Questionnaire for the survey on “Impact of Micro Finance in Improving the Living Standard, Empowerment and Poverty Alleviation of Poor People: The Case of Amhara Credit & Saving Institution (ACSI) in Fogera Woreda.”

Name of interviewer \_\_\_\_\_ Date of interview \_\_\_\_\_

##### **GENERAL INSTRUCTION**

For close-ended questions please put a “✓” corresponding the number that contains your answer, and for open ended questions please write the answers on the space provided.

##### **1. PERSONAL INFORMATION OF THE RESPONDENT**

1.1. Code/ID No. : \_\_\_\_\_

1.2. Sex:            1. Male •    2. Female •

1.3. Age \_\_\_\_\_

1.4. Marital Status: 1. Single • 2. Married • 3. Divorced • 4. Widowed •

1.5. Educational level    1. Not literate •    2. Grade 1 - 4 complete •

3. Grade 5 - 8 complete •    4. Grade 9 - 12 complete •

5. Above grade 12 • (specify the qualification)\_\_\_\_\_

1.6. Number of dependents within the household

1. before the loan \_\_\_\_\_ 2. after the loan \_\_\_\_\_

##### **2. LOAN AND LOAN REPAYMENT**

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

Institutions?    1. Yes •                    2. No •

2.2. If your answer for Q. No. 2.1 is 'Yes', state the source, amount and purpose of borrowing.

<u>Source</u>	<u>Amount in birr</u>	<u>Purpose of loan</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

2.3. In how many months was the total loan to be fully repaid? \_\_\_\_\_

2.4. Have you completed repayment of the loan? 1. Yes • 2. No •

2.5. If your answer for Q. No 2.4 is 'No', explain your reason and amount.

Amount of outstanding Birr \_\_\_\_\_

Reason \_\_\_\_\_

2.6. Are you a customer of ACSI? 1. Yes • 2. No •

2.7. If your answer for Q 2.6 is 'yes', when did you start as customer? Month & Year (in Ethiopian calendar) \_\_\_\_\_

2.8. How many times have you taken loan since then? \_\_\_\_\_

2.9. What was the amount of the first loan? \_\_\_\_\_ Birr

2.10. What is the amount of your current loan? \_\_\_\_\_ Birr

2.11. Would you tell us the amount of credit you have taken from ACSI?

1<sup>st</sup> round \_\_\_\_\_ Birr      2<sup>nd</sup> round \_\_\_\_\_ Birr

3<sup>rd</sup> round \_\_\_\_\_ Birr      4<sup>th</sup> round \_\_\_\_\_ Birr

5<sup>th</sup> round \_\_\_\_\_ Birr      6<sup>th</sup> round \_\_\_\_\_ Birr

7<sup>th</sup> round \_\_\_\_\_ Birr      8<sup>th</sup> round \_\_\_\_\_ Birr

2.12. What guarantee did you give to ACSI so as to get the loan?

- 1. Group responsibility •      2. Guarantee of salaried officials •
- 3. Guarantee of individuals having assets like home, car, etc •
- 4. Other (specify) \_\_\_\_\_

2.13. If your answer for Q. No. 2.12 is group responsibility, have you and your group been willing to accept people without any assets and business activities as group members?

- 1. Yes •      2. No •

2.14. If your answer for Q. No. 2.13 is 'no', state why you have not been willing to accept people without assets as group members \_\_\_\_\_

2.15. For what purpose did you receive loan from ACSI and what amount?

<u>Intended purpose</u>	<u>Amount of loan</u>
_____	_____
_____	_____
_____	_____
_____	_____

2.16. Did you spend the total amount you borrowed for intended purpose?

- 1. Yes •      2. No •

2.17. If your answer for Q. No. 2.16 is 'No', state the other purposes on which you spent the money. \_\_\_\_\_

2.18. Do you think that the loan is sufficient to run your project? 1. Yes • 2. No •

2.19. If your answer to Q.2.18 is 'No', how much do you propose that is sufficient to run your project? \_\_\_\_\_ Birr

2.20. What is the interest rate of the loan? \_\_\_\_\_ Percent

2.21. What do you think about the interest rate on loan? it is \_\_\_\_\_

- 1. High •      2. Low •      3. Fair •

2.22. If you answer for Q.2.21 is 'high', would you tell us the appropriate interest rate?

\_\_\_\_\_ Percent

**3. INFORMATION ABOUT SOURCE OF INCOME**

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

1. Yes • 2. No •

3.2. If your answer for Q.3.1 is 'yes', explain the source of livelihood of the family

Source of income	Mark “•” the source	Order the source according to their contribution to the household income as 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , . . .
Micro business		
Farming		
Monthly salary		
Remittance		
Wage labor		
Others (specify)		

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

1. Increased • 2. Decreased • 3. Remained the same •

3.4. If your income increased, how did it increase?

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

3.5. If your income remained constant or if it decreased how did it remain constant or decrease?

1. Illness or death of one or more of the family member  
 2. Unable to get inputs due to lack of credit 3. Crop failure  
 4. Family member lost jobs 5. Others (specify) \_\_\_\_\_

**4. CONSUMPTION AND NUTRITIONAL STATUS**



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

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

4.3 Does the number or types of your meals for the last two years have

1. Improved • 2. Remained the same • 3. Decreased •

4.4 If your answer for Q.4.3 is 'improved', how has it improved?

1. Able to buy more cereals such as teff, maize, etc. •  
2. Able to buy vegetables and fruits •  
3. Able to buy dairy products milk, meat, cheese, egg, etc. •  
4. Able to eat suitable foods like pasta macaroni etc. •  
5. Able to eat three times (meal) a day •  
6. Others (specify) \_\_\_\_\_

4.5. Do you think that this improvement of consumption expenditure of your household is associated (related) with a rise in income from business financed by the loan?

1. Yes • 2. No •

4.6. If your household diet has not been improved after program participation, what are your major reasons? \_\_\_\_\_

## 5. INFORMATION ABOUT THE HOUSEHOLD ASSETS

5.1. What type of house did you have before program participation?

1. Roof with iron sheet • 2. Thatched roof •  
3. Others (specify) \_\_\_\_\_

5.2. Did you improve your house after program participation? 1. Yes • 2. No •

5.3. If your answer is 'yes', it is due to;

- 1. Access to credit •            2. Gifts or aids •
- 3. Improved income •        4. Others (specify) \_\_\_\_\_

5.4. If your answer for Q.5.2 is 'No', what are the reasons? \_\_\_\_\_  
 \_\_\_\_\_

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

<u>Type</u>	<u>Number</u>	<u>Total value in birr</u>
1. Chairs	_____	_____
2. Tables	_____	_____
3. Beds	_____	_____
4. Radio / Tape Recorder	_____	_____
5. Stove	_____	_____
6. TV	_____	_____
7. Refrigerator	_____	_____
8. Others (specify) _____		

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

- 1. Yes •                    2. No •

5.7. If your answer is 'Yes', how?

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

5.8. If your answer is 'No', Why?

- 1. Lack of credit •            2. Failure of agricultural products •
- 3. Market problem •        4. Lack of working capital •

5. Others (specify) \_\_\_\_\_

5.9. Do you have livestock? 1. Yes • 2. No •

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

<u>Type</u>	<u>Number</u>	<u>Average price (Birr)</u>
1. Oxen	_____	_____
2. Cows	_____	_____
3. Calves	_____	_____
4. Sheep	_____	_____
5. Goat	_____	_____
6. Horses	_____	_____
7. Mule	_____	_____
8. Donkey	_____	_____
9. Chickens	_____	_____
10. Others (specify)	_____	

5.11. Did the number of your livestock after program participation

Increased • 2. Remained the same • 3. decreased •

5.12 If your answer is 'increased', how? \_\_\_\_\_

\_\_\_\_\_

5.13. If your answer is 'decreased' or remained the same, why? \_\_\_\_\_

\_\_\_\_\_

## 6. INFORMATION ABOUT ACCESS TO EDUCATION

6.1. If you have school-aged children, how many of them have been attending school before program participation? \_\_\_\_\_

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

1. Increased •      2. Remained constant •      3. Decreased •

6.3. If increased, how?

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

6.4. If decreased or remained constant, why?

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

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

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

## 7. ACCESS TO MEDICAL FACILITIES AND EXPENDITURE

7.1. Did you and your family have access to medical facilities before program participation?      1. Yes •      2. No •

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

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

7.3. What is the average annual household medical expenditure after program participation? \_\_\_\_\_ Birr

- 7.4. Do you think that your access to medical facilities has been improved after program participation?      1. Yes •      2. No •
- 7.5. If your answer for Q.7.4 is 'yes', what is the main reason?
1. Access to money from the microfinance activities •      2. Better local treatment •
3. Sold household assets •      4. Borrowed from other sources •
5. Others (specify) \_\_\_\_\_

### 8. INFORMATION ON EMPLOYMENT

- 8.1. What were the major types of activities you engaged after program participation?  
(more than 1 answer possible)
1. Local drink preparation •      2. selling "injera" •
3. Wood or metal work •      4. Textiles •
5. Shoe polish or repair •      6. Beauty salon •
7. Agricultural activities •      8. Animal husbandry •
9. Retail trade •      10. Others (specify) \_\_\_\_\_
- 8.2. Do you think that your employment opportunities have been improved after program participation?      1. Yes •      2. No •
- 8.3. If your answer for Q.8.2 is 'Yes', how? \_\_\_\_\_
- 8.4. If your answer for Q.8.2 is 'No', why? \_\_\_\_\_
- 8.5. Do you think that your income has been improved due to improvement in job opportunities due to microfinance?      1. Yes •      2. No •
- 8.6. Have you used hired labor in your business or farm activities? 1. Yes •      2. No •
- 8.7. If your answer for Q 8.6 is 'yes', how many? \_\_\_\_\_
- 8.8. Is it for temporary or permanent? \_\_\_\_\_ and for which activities? \_\_\_\_\_

## 9. SAVING AND USE OF ACCOUNTING SYSTEM

- 9.1. Had you ever been saving money in informal or formal institutions before program participation?      1. Yes •      2. No •
- 9.2. If your answer for Q.9.1 is 'yes', specify the monthly saving amount Birr \_\_\_\_\_
- 9.3. Do you have a personal saving account after program participation?  
1. Yes •      2. No •
- 9.4. If your answer for Q.9.3 is 'yes', what type of savings have you made and where?  
(more than 1 answer is possible)
1. Compulsory savings in MFI •      2. Voluntary savings in MFI •  
3. Saving and credit association •      4. Iqub •  
5. Iddir •      6. Others (specify) \_\_\_\_\_
- 9.5. Specify the average monthly saving amount in Birr \_\_\_\_\_
- 9.6. What is your source of money for saving?
1. Business /farm profit financed by the loan •  
2. Borrowed from money lenders and friends /relatives •  
3. Gift from relatives/friends •      4. Others (specify) \_\_\_\_\_
- 9.7. For what purpose did you save?
1. To earn interest income •      2. Loan repayment •  
3. To expand the business •      4. For safety purpose (from theft or damage) •  
2. Others (specify) \_\_\_\_\_
- 9.8. Do you have accounting records (system) for your business?  
1. Yes •      2. No •
- 9.9. If your answer for Q.9.8 is 'yes', for what purpose?
1. In order to evaluate financial position or net income or loss •

- 2. for tax purpose •                      3. for loan repayment or settle purpose •
- 4. Others (specify) \_\_\_\_\_

9.10. If your answer for Q.9.8 is 'No', why?

- 1. The transaction is too small to record •
- 2. Lack of accounting knowledge •
- 3. Others (specify) \_\_\_\_\_

**10. PRICE AND BUSINESS**

10.1. How was the price of your products or services?

- 1. Favorable •                      2. Unfavorable •

10.2. What was the trend in your business?

- 1. Increased •                      2. Decreased •                      3. Remain constant •

10.3. If increased, it was due to.

- 1. Favorable price •    2. Product quality •    3. Location advantage •
- 4. Others (specify) \_\_\_\_\_

10.4. If decreased, it was due to

- 1. The price of substitute products was reduced •
- 2. Unfavorable prices •                      3. Location disadvantages •
- 4. Others (specify) \_\_\_\_\_

**11. EMPOWERMENT**

11.1. Who makes decision to take loan and utilization of the loan in your household?

- 1. Husband only •    2. Wife only •                      3. Husband with wife •
- 4. Mostly husband •    5. Mostly wife •                      6. Others (specify) \_\_\_\_\_

11.2. Who makes decision to buy inputs and sell agricultural and Business products?

- 1. Husband only •    2. Wife only •                      3. Husband with wife •

4. Mostly husband • 5. Mostly wife • 6. Others (specify)\_\_\_\_\_

11.3. Who make decisions on sending children to school and purchasing food and clothes?

1. Husband only • 2. Wife only • 3. Husband with wife •

4. Mostly husband • 5. Mostly wife • 6. Others (specify)\_\_\_\_\_

11.4. Is there any change in your business skill after joining the MFI?

1. Yes • 2. No •

11.5. If yes, state the changes\_\_\_\_\_

11.6. Do you think that taking loan from ACSI contributed anything to your self esteem?

1. Yes • 2. No •

11.7. If yes, state how it contributed\_\_\_\_\_

## 12. OTHER INFORMATIONS

12.1. Do you think that you have been benefited from the credit scheme of ACSI?

1. Yes • 2. No •

12.2. If your answer for Q.12.1 is 'No', why?\_\_\_\_\_

12.3. During your ACSI loan program participation period, what are your major Operational problems that you faced?

1. Lack of business knowledge • 2. Shortage of working capital (land) •

3. Lack of market for output • 4. Lack of knowledge of using the loan •

5. Loss or damage • 6. Weather conditions •

7. Others (specify)\_\_\_\_\_

12.4. What is your overall opinion about the credit scheme of ACSI?\_\_\_\_\_



## **Annexure II**

### **QUESTIONS FOR FOCUS GROUP DISCUSSION**

1. How many members does your group have?
2. How do you become the ACSI's program beneficiaries?
3. Did you attend regular group meetings? If so, in what interval?
4. What are the issues you have discussed at the center meeting?
5. Have you had any support in the form of training or consultancies from ACSI for your activities?
6. What do you think about the loan amount, loan repayment period and, loan and saving interest rates of ACSI?
7. Do you think that there are changes in your life or wellbeing of your household since you have been loan beneficiary of ACSI? If so, what changes have you observed?
8. What problems you have encountered since you have become ACSI's program beneficiaries?
9. What is your opinion about the whole program?

### **Annexure III**

#### **QUESTIONS FOR ACSI OFFICIALS**

1. How was the history and background of ACSI?
2. What are the services provided by ACSI?
3. What types of loan does ACSI provide?
4. How do you identify the poor to be the program beneficiaries of your institutions?
5. What is the main source of income for the institution?
6. Did you provide training for clients before and after loan provision? If so, how many times do you provide training for clients on the average in a single term of loan?
7. What is your mechanism used as collateral in loan provision?
8. If a client fails to pay his/her loan, how can you manage the arrears?
9. Is there any controlling mechanism for clients whether they use their loan for the intended purpose?
10. Is there any feedback mechanism from clients to assess their needs?
11. What are the main reasons for client dropouts?
12. What are the main problems claimed by clients?
13. What is the opinion of clients regarding your service provision as well as the amount in both loan and saving interest rates?
14. How do you suggest the role of the institution in poverty reduction of its clients?
15. Is there any legal or policy gap in the operation of the institution's function?
16. What are the main challenges (problems) for the institution?