ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES INSTITUTE OF AGRICULTURE AND DEVELOPMENT STUDIES PROGRAM OF RURAL DEVELOPMENT.

THE IMPACT ON ROLE OF MEKLIT MICRO FINANCE INSTITUTION IN THE LIVELIHOOD IMPROVEMENT OF RURAL WOMEN: MESQAN WOREDA, ETHIOPIA.

BY

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JULY 2014

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUTE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTRES DEGREE OF RURAL DEVELOPMENT.

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DECLARATION

This thesis is my original work, and it has not been presented for a degree in any other university and the source materials used for the thesis are fully acknowledge

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ENDORSEMENT

This study the Impact on the Role of Meklit Micro Finance Institution in the Livelihood Improvement of Rural Women: Mesqanworeda, Ethiopia was done under my supervision and guidance as partial fulfillment of the master's degree of art in Rural Development.

Name of Advisor: ____________________

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ABSTRACT

The Ethiopian economy, like all developing economies, has about 52% of its population being women and mostly found in the rural areas. Therefore there was the need to extend financial services to the rural communities in Ethiopia. This idea gave birth to the establishment of the Micro Finance Institution in Ethiopia. These Institution targeted low income clients through the provision of small loans and other facilities like savings, insurance, transfer services to poor low-income household and microenterprises.

The MesqanWoreda, one of the deprived districts in the Southern Nation Nationality People Region of Ethiopia, was selected to study the Role of Microfinance Institution (MFI) on the livelihoods of women in the area. A case study was adopted for the study. Primary and secondary of data collections methods were used as two sets of questionnaires were administered in the study; one each for clients of the MFI. Systematic simple random sampling technique methods were used to select the clients for the study, SPSS software was used to analyze the data.

The main findings were; that the presence of MFIs has contributed to large extend increased in access to credit and savings mobilization. This contributed in women's ability to improve their petty trading, hence increase in their income, and subsequently led to good health and education for their families, acquisition of assets and taking part in household decision making. Based on the findings it is recommended that financial education be intensified to educate women on financial services. Also establishment of more MFIs should be encouraged to establish their branches in rural areas.

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ACRONYMS/ABBREVIATIONS

ADB	Africa Development Bank
AU	African Union
BRAC	Bangladesh Rural Advancement Committee
LC	Local Council
LDC	Least Developed Countries
MDG	Millennium Development Goals
MFI	Microfinance institution
MFIs	Microfinance institutions
MMFI	Meklit Micro Finance Institution
NEPAD	New Partnerships for Africa's Development
NGO	Non Government Organizations
PEAP	Poverty Eradication Action Plan
PRIDE	Promotion of Rural Initiatives and Development
SACCOS	Savings and Credit Cooperative Societies
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNDP	United Nations Development Program
UNIFEM	United Nations Development Fund for Women

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Microfinance is a broad term that includes deposits, loans, payment services and insurance to the poor. In general, this concept is understood as providing poor families with small loans to help them to engage in productive activities or expand their tiny businesses (Josily, 2006). Similarly, Microfinance as defined by (Asiama&Osei, 2007), encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients through the provision of small loans and other facilities like savings, insurance, transfer services to poor low-income household and microenterprises.

About 90% of the people in developing countries lack access to financial services from formal financial institutions (Robinson, 2002). Microfinance is sought as an alternative means of providing the poor access to financial services. To most, microfinance means providing very poor families especially women with very small loans to help them engaging in productive activities or grow their very small enterprises (Kavitha 2007).

According to (Kavitha 2007). Microfinance brings the power of credit to the grass root by way of loans to the poor, without requirements of collateral or previous credit records. Experience shows that microfinance can help the poor to increase income, build viable enterprise and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-employment, especially for women to become creative and productive agents of the economy.

Although poor men as well as women face difficulties in their livelihood, women have more barriers to overcome. Among those barriers are, negative socio-cultural attitudes, practical external barriers, lack of education and personal difficulties (Kavitha 2007).The most significant factor which affects women livelihood to overcome their financial problem is limited access to capital and financial service from the formal financial institutions because women have less ownership of asset than men in the society (Berger 1989). Therefore, since poor women face many hardships in various perspectives as compared to men counterpart, special attention should be given for them so as to increase their access for financial service, (Tsion, 2006).

According to Kavitha,(2007) in order to facilitate the participation of women in micro and small enterprise; donors, government, and institutions should increase the availability of capital, develop lending programs that do not require conventional forms of collateral, replicate and expand existing successful methodologies for delivering small working capital loans, introduce saving mobilization component in the context of credit or other enterprise assistance programs, promote credit policies that are open to both small scale enterprise activities and enterprise operating in trade and commerce where women have high participation rate.

The poor in Ethiopia have low income, which leads to low investment, which in turn lead to low productivity and income (Wolday 2003). Access to institutional credit that contributes to an increase in investment is very limited. The majority of the poor get access to financial services through the informal channels such as moneylenders, *Iqub, Iddir,* friends, relatives, traders, etc (Wolday 2003).

Microfinance in no doubt has been beneficial to developing communities. People, with access to savings, credit, insurance, and other financial services, are more resilient and better able to cope with the everyday crises they face. Even the most rigorous econometric studies have proven that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets. Yet whether the microfinance intuitions in Ethiopia promote women saving habit, decision making power and accessibility rural credit requires further study.

1.2 Problem Statement

Microfinance Institutions (MFIs) ultimately measure their success by the impact they have on their clients, and on the communities in which they live. Despite a multitude of studies devoted to the topic, the impact of microfinance programs on the poor in developing countries remains an intensely debate issue.

In a study in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Microfinance does not in itself empower women. Rather, it provides a catalyst for women clients to (re)create for themselves acceptable social spaces within their hitherto hegemonic gender relations. Such a contention also stem from the emerging questions on the usual optimism with which development and or microfinance interventions are evaluated by taking beneficiaries as mere recipients of interventions. Yet, they too partake in the transformation of interventions into an acceptable and meaningful life in line with their contextual aspirations.

Moreover, Wright (2000) states that much of the skepticism of MFIs stems from the argument that microfinance projects fail to reach the poorest, generally have a limited effect on income drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from more pressing or important interventions such as health and education (Wright, 2000).

There have been so many attempts in the past to solve or reduce poverty and empower women in rural Ethiopia. We have had the Structural Adjustment Program and Economics Recovery Program all aimed at increasing the welfare of the people in urban and rural areas. We have also had microfinance program such as Microfinance and small loan (MASLOC.) were aimed to minimize the degree of poverty in urban and rural area. They all aimed at the provision of small loans to small and medium scale enterprises (SMEs). We have also had so many different models which were geared towards poverty reduction and improve the lot of rural women. However, Poverty in Ethiopia, like in most developing countries, is predominantly a rural phenomenon. It is oneof the millennium developments goals and therefore it is expected to play good role in improving the livelihood of the poor who are mostly women and live in developing countries. The issues at stake now is not about how many microfinance program implemented in Ethiopia or how many MFIs are found in Ethiopia, but it is about what they are supposed to do. The issue is, are these MFIs and their program having any impact on the lives of people in the areas where they are operating? Has the poverty level reduced in those areas as has been trumpeted to be the miraculous nature of microfinance? What are the answers to these questions?

There are also quite a number of research works that have been done on microfinance-poverty linkages in Ethiopia. However, some of the studies focus on very small areas and produce hard-to-generalize statistics on a wider perspective. More importantly, in the Guraghe zone of southern Region, where this study was conducted, studies are scanty.

Currently MMFI is providing different types of loan and other financial service to achieve its objective .However, there is no practical research as to what extent microfinance institutions improve the livelihood of the rural women. Therefore, this study is designed to fill this gap. So, this research is directed towards assessing the role of microfinance on rural women livelihoodimprovement taking MMFI client (Meskanworeda Branch) as a case study. With reference to the case study the researcher would like to address the following objectives.

1.3 Objectives of the Study

1.3.1 General Objective

To assess the role of Meklit Micro Finance Institution on the livelihoodimprovment of rural women.

1.3.2 Specific objectives of this study are;

1. To assess the role of microfinance services in developing rural women’s savings habit.
2. To assess the role of credit on raising rural women’s participation in household decision making.
3. To examine accessibility to micro-credit by rural women.
4. To examine the role of micro-credit women participating on community based activities.

1.4 Research Questions

1. What role does MFI play in developing rural women’s savings habit?
2. What role does access to microfinance has on raising rural women’s participation in household decision?
3. Does access to micro-credit facility impact on the businesses of the rural woman?

1.5. Definition of terms

Livelihood: - is a means of making a living. It encompasses people capabilities, assets, income and activities required to secure the necessities of life.

Micro finance:-is the provision of financial services such as loans, saving and training to people living in poverty.

Empowerment:-is the process of increasing the capacity of individual or groups to make choice and to transform those choices into desired action and outcome.

Saving: - the amount of money that are saved especially in a bank over a period of time.

Loan:-the act of giving money, property or other material goods to another party in exchanging for future repayment of the principal amount along with interest or other finance charge.

Poverty: - the state of being poor, lack of the means of providing material needs or comfort.

House hold:-a domestic unite consisting of the members of family who live together along with non relatives such as servants.

1.6 Significance of the Study

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

This study investigates the impact of micro finance institution on the livelihood of rural women in Mesqanworeda. Thus, the study would gather basic pieces of evidence, which shall also serve as inputs for researchers and policy makers who may further wish to consider the subject matter of this investigation in the future. Understanding whether or not microfinance services are really effective in economically empowering women has important policy implication.

1.7 Scope of the Study

The study is to find out roleof micro finance institution on the livelihood of rural women in Ethiopia. The research will limited to Meskanworeda because the researcher has a deep knowledge about the client and the institution. There are various MFIs in the District, but the research covered the MMFI and its clients.

In terms of context, the study covers: deposits and access to credit; the effects of credit on women's income; and their ability to participate in household decision making. In relation to time scope analysis was limited to the period 2010-2013. However, where necessary, references would be made to earlier date.

1.8 Organization of the Study

The study is presented in five chapters: Chapter 1 shows briefly, background and general introduction to the study, the problem statement and objectives of the study. Chapter 2 takes a look at the theoretical framework and reviews related literature concerning the study. Chapter 3 gives an explanation of the research process and the methods adopted for collecting and analyzing data. Chapter 4 deals with analysis of the data. Chapter 5 presents a summary as well as conclusions and recommendations of the study.

CHAPTER 2
THE LITERATURE REVIEW

2.1 Concepts of Micro Finance

Micro-finance is the provision of a broad range of financial services such as credit and savings to poor and low-income household and their micro enterprises particularly women. These services include loans, savings, insurance, and remittances. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty. Because of these varied needs, and because of the industry's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal sector (Rhyne 2003). Micro finance institutions (MFIs) consist of agents and organizations that are engaged in relatively small financial transactions using specialized, character based methodologies to serve low-income households, micro enterprises, small farmers, and others who lack access to the banking system. Although some MFIs provide enterprise development services such as skills training and marketing, and social services, such as literacy training, proper home management and health care, they are not generally included in the definition of micro finance. It must be emphasized that, micro finance covers a broad variety of institutional arrangements and approaches. They range from small self-help groups with a handful of members to huge organizations that have nationwide coverage and millions of clients. MFIs can be non-governmental organizations (NGOs), Savings and Loans Companies, Credit Unions, Government Banks, Commercial Banks, or Non-Bank Financial Institutions (William 2011).

Most micro finance organizations target poor women and usually those from socially excluded groups. The reason for the targeting of women under microfinance schemes is the relationship between gender and development. Various researches conducted by institutions such as UNDP (1995) and the World Bank (2001) indicate that gender inequalities inhibit growth and development.

Women are basically the poorest of the poor. According to UNDP (2003) Human Development Reports, women make up the majority of lower paid and unemployed portion of most economies.

It is believed that the welfare of a family is enhanced, when women are helped to increase their incomes. This is due to the fact that women spend most of their incomes on their households. Hence, assisting women generates a multiplier effect enlarging the impact of the family needs and, therefore, another justification for giving priority to them.

Women are believed to be better in their repayment records and cooperativeness (Cheston and Kuhn, 2002). Women's repayment rates also excel that of men and their lower arrears and loan rates have an important effect on their efficiency and sustainability of the institutions. Women's equal access to financial resources is also a human rights issue.

As indicated previously, microfinance services initially target women. However, it is not sufficient only to cater to women clients to solve gender issues. A gender sensitive approach is inclusive rather than exclusive (Jahan, 1995). Gender sensitivity is assured when taking into account the needs and constraints of both women and men during the design and delivery of finance. On the other hand, the "women only" targeting approach might further exacerbate gender inequalities.

2.2 Theoretical Review

There are various theories that delve into women empowerment but Mayoux (2005) identifies three contrasting paradigms with different underlying aims, understandings, different policy prescriptions and priorities in relation to microfinance and gender policy. The three paradigms, namely the feminist empowerment, poverty reduction and financial sustainability, also have different emphasis in the way they perceive the inter-linkages between microfinance and women's empowerment.

The feminist empowerment paradigm has a focus on gender awareness and feminist organization, microfinance is promoted in the light of a wider strategy for women's economic and socio-political empowerment. In this regard, microfinance must be part of a sectional strategy for change that identifies opportunities and constraints within industries which can raise the prospects for women, when addressed. In addition, microfinance should be based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change.

The poverty reduction paradigm is touched by many NGO integrated poverty-targeted community development programs. The main focus of such programs is the development of sustainable livelihoods, community development and social service. Provision like literacy, health care and infrastructure. The programs typically target the poorest of the poor. The strategies target women because of higher levels of female poverty and women's responsibility for household well-being. The assumption is that increasing women's access to microfinance will enable them to make greater contribution to household income which is believed to translate into well being for women and result in changes in gender inequality.

The financial sustainability Paradigm underlies the models of microfinance promoted since the mid-1905 by most donor agencies. Large programs which are profitable and self supporting and that, compete with other private banking institutions and capable of raising funds from international financial markets, is the ultimate aim of such endeavors. Financial sustainability is seen as addition to create institutions which reach significant number of the poor. The success of the programs is measured in terms of covering costs from incomes. The need for targeting women is justified on grounds of high female repayment rates and the need to stimulate women's economic activity. It is believed that increasing women's access to microfinance services will in itself lead to individual economic empowerment though enabling women's decisions about savings and credit use to set up micro enterprise, increasing incomes under their control.

The impact of microfinance on income has been observed to be variable. It appears that for the majority of borrowers income increases are small and even in some cases negative. This is due to the fact that most women invest in existing activities which are low profit and insecure. In addition, women's choices and ability to increase income is constrained by gender inequalities in access to other resources for investment in household responsibility and lack of mobility (Mayoux, 2002).

Hence, the presumption that access to credit automatically leads to women's empowerment is not often true. This is because women with access to credit are usually unable to gain and maintain control of it. In addition there are additional disadvantages that women face including inability to access information, productive resources and social networks that hider their access to and control of resources (Mayoux, 2002). As mentioned earlier, access to microfinance, by and large, has a positive economic impact. The impact becomes larger for those closer to the poverty line and it also increases with the duration of membership or intensity of loans as members begin to invest in assets rather than consumption (Morduch and Haley 2001). Microfinance delivery in various points of the world has improved the economic position of households, enhancing the asset base and diversification in to higher return occupations among members.

There are also a number of issues within the women's empowerment framework that impede the poverty reduction capacity of microfinance (Skarlatos, 2004). First the size of the loans is too small which does not enable the women to make long lasting income change for the household. Secondly, the increased access to credit in the same geographic area could contribute to market saturation of products provided by women.This is because poor women usually engage in similar businesses. Thirdly, there is the possibility that the women's successful business might have a negative impact on the girl child who might be required to help her mother leaving the school. The economic impact of microfinance on women depends on whether they have full control over the loan secured and their voice in house hold decision making (Goetz and Gupta, 1996)

2.3 Empirical Review

A study conducted on the Dedebit Credit and Saving Institution (DECSI); found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements over the last five years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also concluded that economic empowerment leads to social and political empowerment. On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Borchgrevink et al, 2005).

The other study was conducted on OMO and SIDAMA micro-finance institutions' women clients in Awassa town, Southern Nations and Nationalities Peoples‟ Regional State. According to this study, a majority of the clients are involved in the making and trading of food, and food-related products. The study also witnessed there is no diversification in their business activity. The reason for this is that the production of food and related items trade involves less risk compared to other activities. The study further found that 92% of them are not very much aware that the savings are more important than credit to build their future. The researchers‟ explanation of this finding is that MFI‟s savings policy is only to cover the risk situation rather creating any element of thrift among the clients.

Nevertheless, the study argued 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 in many cases in business improvements, decision making process and asset formation at low levels, and it is believed not sufficient (Padma &Getachew, 2004). The importance of the micro and small enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share of employment and small capital requirement. These are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises (Gebrehiwot&Wolday, 2001).

In line with the development of micro-finance institutions, the Government of Ethiopia set up participatory rules and policies which gave space for women productivity. Government has formulated and issued the Ethiopian Women's Policy to speed up the economic and social advancement of women. This policy gives special emphasis to rural women by facilitating the necessary conditions whereby they can have access to basic services and to ways and means of lightening their workload'. Consequently, all development programs at national and regional levels should be able to integrate gender concerns in their plans and programs to ensure that women participate, contribute, benefit, become recognized, and obtain technological support. Rural development programs need to reorient their implementation strategies so that they would target rural women as beneficiaries of development initiatives and programs. Within this framework, anti-poverty and women empowerment could be aspects of the major development strategies.

2.4 Conceptual frame work

The conceptual framework is the foundation on which the entire research project is based. It identifies the network of relationships among the variables considered important to the study of given problem. The dependent variable is Livelihood improvement of women which was measured using four parameters. Livelihood improvement of women was measured on four indicators such as decision making, control over business, acquisition of assets and ownership and provision of essential needs. The independent variable is KWFT itself as the microfinance institution that offers loan and other microfinance services. The intervening variables are Government policy and the general environment i.e. the political, social, economical and technological environment under which the loans are offered by the KWFT. This is portrayed in figure 2.1.

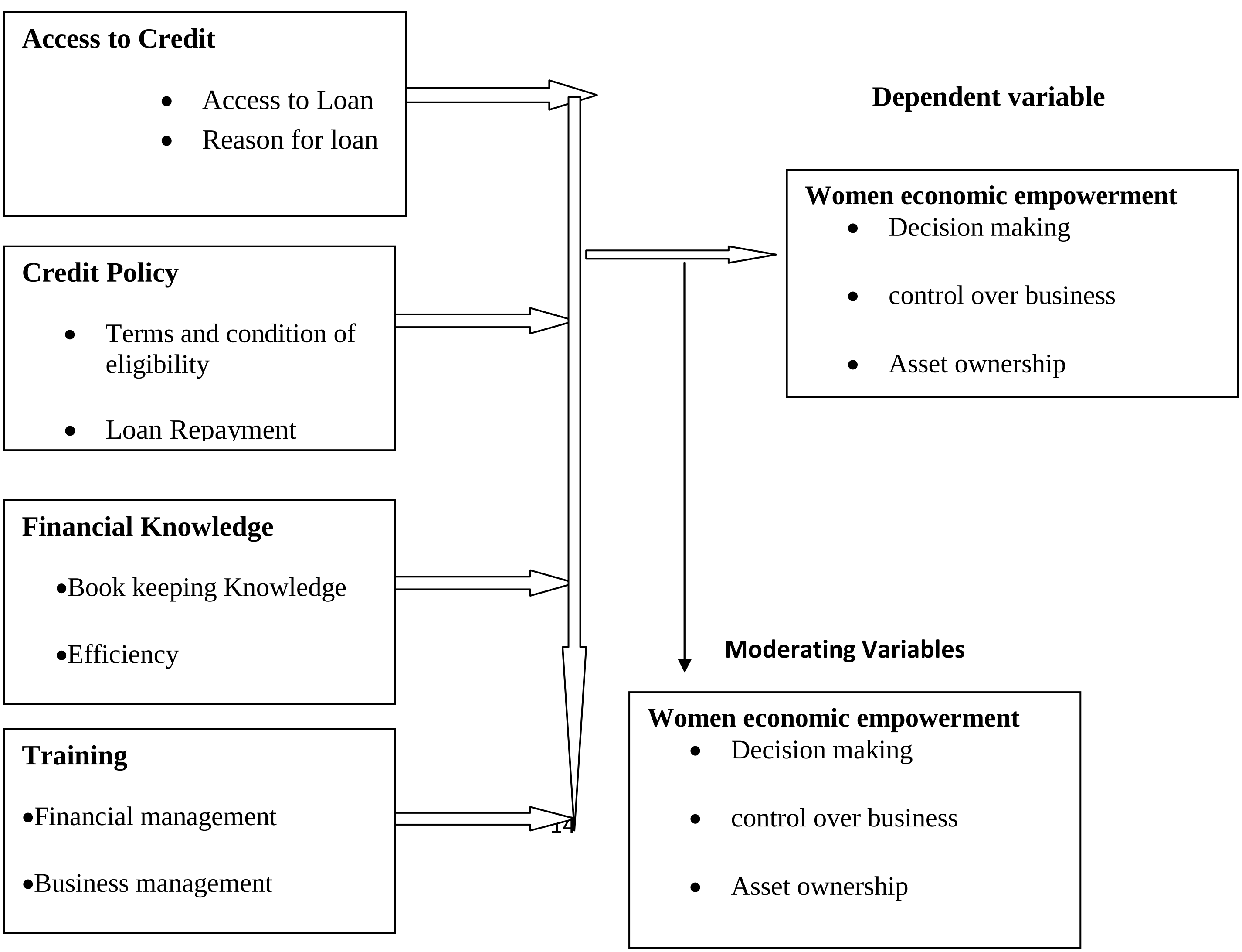
The study attempted to find out the influence of MFI on the Livelihood improvement of women. The study had four variables that the researcher found critical to women economic empowerment. Access to credit was selected as a key variable to the study. This was assed to determine the influence it had on women decision making, control over business, asset ownership and acquisition, and in the provision of essential needs as such food, clothing, health and education. Access to credit empowers women by putting capital on their hands and allowing them to earn an independent income and contributing financially to their households and countries.

Credit policy was identified as critical to the economic livelihood improvement of women due to the terms and conditions of eligibility and loan repayment procedures. Policies define and guide the delivery of credit. They define the rules to be followed, state values and set standards. On the whole they protect the interests of both the lending institutions and borrower. Credit policy is central in safeguarding the interests and requirements of the institutional loan repayment procedures.

Financial knowledge influenced the economic empowerment of women as crucial to creating order, effectiveness and efficiency in financial management of their businesses, income and service delivery.

Training on finance influenced the economic empowerment of women by improving on their business management and profitability. Training improved or transformed their lives by changing their mindset to be economically independent by starting up business ventures, access funds and manage it effectively to realize their goals in business and in household needs.
In conclusion, within the wider environment, other factors were identified which may have an impact on the economic empowerment of women. These were government policy, social political, economic and technological environments. This relationship is presented in figure 2.1 by single line

Independent variable



2.5. Microfinance in Developing Countries

There is significant literature to support the existence of microfinance in the different parts of the developing world. Although not many sources were reviewed on particular microfinance program some information about the origins, spread and operations of microfinance in some developing countries was obtained. The information obtained about microfinance in other parts of the developing world is given below.

2.5.1 Microfinance in Bolivia

Bolivia's microfinance sector has had a strong orientation toward commercial level operations. Most of the momentum has come from NGOs transforming into regulated financial institutions, but recently some banks and financial companies 24have started to provide microfinance services (Rhyne& Christen 1999:4-5). The push toward commercialization in Bolivia has been assisted by the Government's creation (at the urging of MFIs) of a special category of Institution, called Private Financial Funds (PFFs). PFFs are regulated financial intermediaries with a relatively low minimum capital requirement (Rhyne& Christen 1999:4-5). PFFs' status provides a pathway for NGOs that are transforming into commercial operations or for the entry of purely commercial companies with a focus on small loans. With so many institutions seeking to expand, competition for clients is becoming fierce. The existing Program are now serving more than one third of an estimated six hundred thousand micro enterprises in Bolivia (Rhyne&Christen1999:4-5).Bolivia is also experiencing another phenomenon that impinges on the microfinance market and this is consumer lending. Consumer lenders, who serve mainly the salaried sector, have been growing at a faster rate and compete indirectly with the microfinance institutions. This is mainly because they provide similar services but attract the salary earners who may just want a loan to clear specific needs like school fees and the money is deducted from the salary (Rhyne& Christen 1999:4-5).

It should be noted that in the recent past, almost all microfinance institutions have included such non secured loan products for the salaried earners whose requirement is only the pay slip and bank account from which to deduct monies due at the end of the month. This is true for almost all MFIs and commercial banks in Ethiopia and in MesqanWoreda as well.

2.5.2. Microfinance in Bangladesh

The original generations of microfinance program are the Grameen Bank, BRAC and Proshika, and they remain the market leaders in terms of client numbers reaching seventy percent of the six million and five hundred thousand clients being served (Rhyne& Christen 1999:9). These programs have grown to 25such a scale that they compete head to head in hundreds of villages. There is a growing increase in the NGO offering microfinance services whereby by only five of the current NGOs existed before 1980, while three hundred and twenty began since 1990 (Rhyne& Christen 1999:9).

In Bangladesh, donors remain major funders, accounting for forty seven percent of all loan able funds held by NGOs, while commercial sources account for only fourteen percent (Rhyne& Christen 1999:9). However, there are signs of changing this scene in that, formal banks are beginning to report microfinance loans and government authorities are beginning to consider revising regulations to provide a more conducive environment for savings mobilization and lending innovations (Rhyne& Christen1999:9). Until recently, nearly all microfinance programs in Bangladesh used the Grameen Bank methodology of targeting loans nearly exclusively to women. In fact eighty one percent of all microfinance clients in Bangladesh are women (Rhyne&Christen 1999:9).

The Grameen Bank's credit delivery system is through the peer group monitoring approach whereby the group has compulsory weekly meetings for the collection of savings as well as the repayment of loan installments (UnitedNations 1998:5). These group meetings are important in that they reinforce a culture of discipline, routine repayments and staff accountability (United Nations1998:5). The Grameen Bank regards microfinance as an amazingly simple approach that is a proven tool of empowering very poor people around the world to pull themselves out of poverty (Grameen Foundation 2000:2). This is done through using small loans (usually less than US$ 200), other financial services and support from local organizations called microfinance institutions (MFIs) to start, establish, sustain, or expand very small, self-supporting businesses. The MFIs educate the local communities about the opportunity to improve their lives with microfinance, make micro loans and provide other financial services such as savings accounts and insurance, collect weekly loan payments and assist clients in solving some of the life challenges they may face (Grameen Foundation2000:2).

2.5.3 Microfinance in Uganda

In Uganda, the microfinance industry began in earnest after the country's return to peace and macroeconomic stability and after the 1993 financial sector reform, which created a relatively free operating environment (Rhyne& Christen 1999:8). All the microfinance programs in Uganda remain strongly backed by donors and include both Banks and NGOs such as Centenary Rural Development Bank, FINCA, PRIDE, FAULU, FOCCAS, UGAFODE, UWESO, UWFCT, and World Vision. (Rhyne& Christen1999:8).

This is emphasized by Dichter&Kamuntu in the UNDP microfinance assessment report for Uganda,(1997:24), where they report that NGOs involved in micro-credit include NGOs linked to an international family or network that focus on microfinance, NGOs which are international in character and do some credit services, national NGOs which cover part or the whole country or those doing credit work but not part of any international family and the localized, community based NGOs, that are small with few if any linkages to outside.

The United Nations Development Program has been reported to have given so much support to the Government of Uganda to establish the policy andregulatory framework for microfinance institutions (UNDP builds capacity to expand availability of micro-credit services 2005:17). This support resulted into the establishment of the microfinance law, the micro deposit taking institutions Act 2003 and the microfinance outreach plan (UNDP builds capacity to expand availability of micro-credit services 2005:17).The government of Uganda, donors, international and most advanced national NGOs are collaborating in a joint effort to develop a microfinance industry that follows sound practices and internationally accepted performance standards (Seibel &Almeyda 2002:19).

The government is also creating an adequate policy framework, the donors are supporting the commercialization of MFIs and support services to strengthen the industry, and the MFIs are responding to competition, innovating their products and operations to become more efficient and profitable (Seibel &Almeyda 2002:19). It has been reported that the government is working on a policy framework to ensure sustainable, reliable and increased access to financial services through support from the United Nations Development Programme.This support to microfinance industry in Uganda by the UNDP has been identified as being executed as a sub component of the Micro and Small Enterprises/Microfinance (MSE/MF) and the Income Generation and Sustainable Livelihood (IG/SL) program.

The focus of the microfinance component in Uganda has been established to be policy formulation, institutional development, support to seventeen existing Village Savings and Credit Institutions and community mobilization and sensitization to establish Village Savings and Credit Institutions. It was reported by the then State Minister in charge of Microfinance Mr. AgadiDidi, that the government plan is to have the whole country covered with small savings and credit institutions with special focus on the agricultural communities who are the majority of people and need loans to enhance and boost their savings. The Executive Director of the Association of Microfinance Institutions in Uganda (AMFIU), David Baguma, reiterated the government's support to microfinance institutions in the country which is evidenced through the establishment of the District Microfinance Committees at every district in Uganda.

These committees have sensitized the people about the benefits of microfinance services in their districts. Baguma also pointed out that in Uganda; eighty percent of the beneficiaries of microfinanceservices are women, who have mostly been involved in the informal sector with little income. Baguma further asserted that in Uganda, microfinance services are going to exist for the clients by giving out the money and also getting it back. In order to get the money back, it has been found that there are several intervention methods the microfinance services use. These include, monitoring the clients, compulsory savings and training in microfinance, businesses and book keeping.It has been stated that the microfinance industry in Uganda is expanding rapidly with the government, the donors and the private sector implementing a tripartite arrangement to develop sustainable microfinance institutions to deliver the much needed financial services to the economically active poor.

According to Seibel &Almeyda(2002:1), the policy framework in Uganda is conducive to the development and mainstreaming of MFIs as one of the several measures of liberalization and prudential regulation to improve domestic resource mobilization and financial deepening. The government of Uganda developed the Poverty Eradication Action plan (PEAP) 2004/5 – 2007/8, in response to the challenge of eradicating growing poverty in the country.

As far as microfinance is concerned, under PEAP, the government would attempt to encourage the people to start small businesses by giving them skills and loans and also encourage Banks and institutions that lend money to reach many people in all parts of.It was reported that the government of Uganda has since designed and established a multi donor, private sector driven microfinance outreach plan to spread sustainable microfinance services to undeserved areas in Uganda. This microfinance outreach plan has the aim of benefiting as many active rural poor as possible, in support of the government's objective of eradicating poverty and building a 29prosperous and stable nation.

The vision of this microfinance outreach plan is to develop a coordinated, professionally efficient and sustainable microfinance industry providing affordable financial services especially to the rural Ugandans. The objectives of this microfinance outreach plan have been identified as increasing savings mobilization, assisting microfinance apex institution to support and build capacity of their member institutions, developing and building capacity in the microfinance training market and enhancing the rural population's capacity and business orientation to access financial services for income generation.It has been revealed that in order to develop a healthy microfinance sector, Bank of Uganda issued a policy statement on microfinance regulation in July 1999.

2.6 The Impact of Microfinance on Poverty

As argued in the preceding sub-heading, there is a certain amount of debate about whether impact assessment of microfinance projects is necessary or not (Simanowitz, 2001). The argument is that if the market can provide adequate proxies for impact, showing that clients are happy to pay for a service, assessments are a waste of resources. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001).

Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is significant difference between increasing income and reducing poverty (Wright, 1999). He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends on what the poor do with this money, oftentimes it is gambled away or spent on alcohol (Wright, 1999). So focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to sustain a specified level of well-being (Wright, 1999) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators‟skepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murduch&Hashemi (2003) "various studies document increases in income and assets, and decreases in vulnerability of microfinance clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty. For instance, a report on a share project in India showed that three-quarters of clients saw significant improvements in their economic well-being and that half of the clients graduated out of poverty (Murduch&Hashemi, 2003).

Dichter (1999) says microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is generally well below expectation he does however, conceded that some positive impacts do take place. He further explained that from a study of a number of MFIs it emerged that consumption smoothing effects, redistribution of wealth and influence within the household are the most common impact of MFI program. Hulme& Mosley (1996) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed program can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the middle and upper poor (Hulme& Mosley, 1996). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (Hulme& Mosley, 1996).

Mayoux (2001) states that while microfinance have much potential the main effects on poverty have been: credit making a significant contribution to increasing incomes of the better-off poor, including women and microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They stated that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries" overall vulnerability. Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

2.7 Impacts of Microfinance on Livelihoods

The impact of MF on livelihoods is focused in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. The provision of MF can assist the poor find the means to protect their livelihoods against shocks and to build up and diversify their livelihood activities (Johnson &Rogaly, 1997). Chowdhury, Mosley &Simanowitz (2004) argued that if MF is to fulfill its social objectives of bringing financial services to the poor, it is important to know the extent to which its wider impacts contribute to poverty reduction. Social networks play an important part in helping clients escape from poverty. Access to social networks provides clients with a defense against having to sell physical and human assets and so protect household assets.

A study of 16 different MFIs from all over the world pointed out that having access to MF services have led to an enhancement in the quality of life of clients, had increased their self confidence, and had helped them diversify their livelihood security strategies and thereby increase their income (Robinson, 2001). Health care and education are two key areas of non-financial impact of MF at a household level. Wright (2000) stated that from the little research that has been conducted on the impact of MF interventions on health and education, nutritional indicators seem to improve where MFIs have been working. MF interventions have been shown to have a positive impact on the education of clients" children because one of the first things that poor people do with new income from micro-enterprise activities are to invest in their children's education (Littlefield, Murduch&Hashemi, 2003).

Moreover, women empowerment is a key objective of MF interventions. Women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. MFI cannot empower women directly but can help them through training and awareness rising to challenge the existing norms, cultures and values that place them at a disadvantage in relation to men and to help them have greater control over resources and their lives. Littlefield (2003) stated that access to MFI can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

Hulme& Mosley (1996) also made this point when they referred to the naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women. MF projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously (Hulme& Mosley, 1996). However, Chowdhury&Bhuiya (2004) found that violence against women actually increased when women joined the program, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger. The question is whether some constraints affected the accession to the MF program of women or not. By providing material capital to a poor people, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

It helps to empower women by supporting women's economic participation and so promotes gender equity. Based on various case studies, they show how MF has played a role in reducing poverty, promoting education, improving health and empowering women. Concerning financial assets, MF contributes to enhance financial capital of livelihoods assets, which can be converted into other types of capital and be used for direct achievement of livelihoods outcomes.

MF also contributes to building up physical assets. According to Marconi & Mosley (2004), clients reflected significant increases in ownership of livelihood assets such as livestock, equipment and land. They stated that this should not be surprising as poorer clients are more risk averse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock (Marconi & Mosley, 2004). MF creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty (Otero, 1999).

2.8 Microfinance and Livelihoods of Rural Women in Ethiopia

Whether microfinance services have created significant changes in the livelihoods of rural women or not is discussed from two dimensions (Akudugu, 2009). The first dimension is the opportunity created by the microfinance institutions for people to save, borrow or engage in other financial activities such as insurance and money transfer. The second dimension is the application of proceeds due from access to credit into production.

Major guiding principle of rural banks, credit unions and microfinance institutions that were established with financial and human capital from rural people is that the rural people would participate in the administering of credit to themselves. Such participation in loan decision-making and repayment is expected to result in efficient and effective intermediation of credit and enables the institutions to serve the microfinance needs of their catchment areas. These institutions do not exclude women from participating. In fact most of them mainstream gender issues are their priority. Many analyze the roles males and females play in communities and target the disadvantaged, who more often than not are women.

In spite of the participation of rural people in the establishment and administration of these institutions, a study has shown that about 78 percent of rural households do not have access to financial services. This figure appears large, unless it is understood that those who do not have access include those who have never attempted to participate in the financial system as well as those who attempted and failed. These categories of people are considered as having limited access to microfinance services due to certain fears.

Their fears were usually based on wrong information or perceptions they hold about the financial institution. In a recent survey by CMA (2008) only 11.5 percent of the women respondents who have attempted to borrow have failed. Those who sought information and made attempts were largely successful (70%). Out of those who were successful, many were given the full amount they applied for (72.5%); only a few were not given the full amount applied for (27.5%).

The issue of effectively educating rural women to understand the financial systems becomes critical (Akudugu, 2009). The perceptions people hold about a system has been found to influence the decision to participate in it. When people are not well informed they can act in ways that are not beneficial to their livelihoods. For instance, a study by Akudugu in (2009) showed that women in the Upper East region who perceived that high education is a requirement for accessing credit from financial institutions were less likely to be successful when they attempt to access credit.

Similarly, those who perceived that the application procedure was cumbersome, that there was difficulty in accessing land for cultivating cash crops, that the interest rate was high, the distance to bank was far that banks would refuse credit to women with low income levels, or have small farm sizes, grow no cash crops, have no previous bank savings, and were not members of economic associations, were less likely to be successful with loan application. This is because such applicants refuse to seek further clarifications on the workings of formal financial institutions, or fail to alter behavior and therefore resign themselves to their fate.

Those who learn from financial information they received are those who are encouraged to save and receive credit later or are given credit and encouraged to save during repayment. The survey results indicate that, many women have received about ET Birr of 500.00 because of the mere fact that they engaged in micro enterprises and participated in financial literacy meetings organized by microfinance institutions. Sometimes the actual financial needs of the micro-entrepreneurs are not adequately assessed and the monies they are given are far below what is needed to spur investment and growth. What is of key interest though is that, whether credit is rationed or not, many of the women who learned and have associated with microfinance institutions have indicated that they have benefited somewhat from their association with the micro-financial system to a large extent. It is noted that the women who said their livelihoods have been influenced are of varied backgrounds: Age, marital status, family size, educational level, occupation , scale of operation, farming size, religion, ethnicity, and location, remote rural verses close to urban.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The previous chapter discussed the literature about the role of microfinance in the socio-economic development of communities. The literature review gave an insight into the topic under study by presenting what had been established by several scholars in regard to micro-credit and socio-economic development. It was established that in Dobikebele, there was no specific literature on the role of microfinance in the socio-economic development of women and this research would provide one of the references that would be available to guide other scholars and researchers.

In this chapter the methods used to get to the findings and the conclusions of the research are discussed. The methods were employed in order to get representative data that could be applied to the communities of Mesqanworeda, which was the focus of the study. The study was aimed at establishing the relationship between the microfinance and livelihood improvement of rural women. The research process that was used is presented in this chapter. It explains the methods used to collect data; how respondents were selected and how findings were arrived at. In addition a discussion of how the data was processed and analyzed is presented. Lastly it is also explained why a particular research methodology was used. The research process enabled the researcher to establish salient issues and conclusions about the role played by microfinance in the livelihood of rural women in Mesqanworeda. The challenges faced during the research process and how they were handled in order to facilitate the research process is also analyzed.

3.2 The Study area

This chapter is devoted to introducing the study woreda. Necessary background information regarding topography, demographic characteristics and their livelihood activities are briefly discussed. Besides, the location of the study area in relation to the Zone and the country is depicted using maps.

3.2.1 Physical Characteristics

MeskanWoredais situated in the Gurage zone of the Southern Nations, Nationalities and Peoples State. It is one of the 15 woredas of the Zone. The capital of the woreda, Butajira town is located at 200Km south of Addis Ababa. The woreda has 47 kebeles of which 38 are rural and 6 urban. The Woreda Administrative Council, Line Ministries and the Gurge Zone Development Association have their offices in Butajira town.The woreda has area coverage of 552,000sq.Km and its elevation ranges from 1501-3500 m above sea level. Astronomically, it is situated between 7.99-8.27 oN Latitude and 38.26-38.57 oE Longitude. Based on the 2007 Regional Abstract Report, the mean annual temperature of the woreda was registered to range from 7.5-17.5oc and a mean annual rainfall between 1001-1200mm.

3.2.2 Population, Religion and culture

According to the 1994 housing and population census, the total population was 228, 154 of which 113, 779(49.9 percent) are male and 114,375(50.1 percent) are female.

With 32 respect to rural/ urban settlement pattern 30, 459(13.4 percent) was urban and 197,695 (86 percent) rural. According to the regional statistical abstract report in 2007 the woreda has a total population size of 225,565 of which 112,914 are male and 112,655 are female. It also consists of a total of 47, 439 households. The major ethnic group of the woreda is the Gurage, sub divided into the Sodo, Meskan, Silti and Mareko clans. The population is predominantly Muslim and the majority among the Sodo practice Christianity of the Orthodox denomination. Polygamy is witnessed as an aspect of marital life among the Muslim population.

3.2.3 Socio-economic Profile

Rural households live in traditional round houses (tukuls) made of wood and plastered with clay, covered by thatched roofs. The majority of rural households share their living quarters with their domestic animals. Water (for both human and animal use) is mostly obtained from springs, rivers and well. The majority of the rural people are engaged in subsistence agriculture taking place on small and fragmented plots through the employment of oxen and traditional farm implements.

Maize and Inset are the major staples in the woreda. Poor households often take recourse to petty trades and hired labor to supplement meager incomes derived from farm activities. Due to the recurrent drought and low agricultural productivity in most parts of the woreda, the challenges imposed on many rural households especially on female-headed households multiply several folds owing to their multi responsibility of managing household affairs. The instinct for survival and self-preservation, therefore, compels women to take recourse to preying on the environment that again appears the last sanctuary for making life easier. Sale of fuel-woodland using natural vegetation covers as source of energy remains to be the only option for ensuring the barest kind of existence.

3.3. Study design

The researcher used case study design with both qualitative and quantitative methods of data collection and analysis so as to capture the details and adequate information. The use of both methods also ensured that the data was effectively interpreted using the numbers, figures as well as the narrative.

3.4. Study population

The study population for this research comprised of womenbeneficiaries from microfinance institutions.

3.5. Sample size

It is from the large group of people who constituted the study population, that a sample of fifty people was selected to comprise the respondents for the study. This particular sample size was selected because it was easier to manage and it was enough to generate findings as well as to generalize the findings to a bigger population. The sample size also took into account the fact that the respondents were beneficiaries of two or more microfinance institutions thus getting more would imply interviewing the same people under different institutions.

3.6. Samplingand sampling procedure

Mesqanworeda was selected purposefully because of deep knowledge of the researcher about the woreda. Among kebeles in the wordaDobi were selected by using purposive sampling.From 400 beneficiaries 50 beneficiaries were selected by using cut of method (25% 400). To select the respondent the researcher used systematic simple random sampling. Every 8 term of the respondent were selected.

3.7. Research instruments

The instruments used in this research are discussed below.

3.7.1. Qualitative tools of data collection

3.7.1.1. Unstructured interviews

The researcher used the interview schedule to guide the discussion with the respondents who were key informers and thus needed to elaborate on several issues.

3.7.2. Quantitative tools of data collection

3.7.2.1. Questionnaires

The questionnaires were used to obtain quantitative data for the research because it has been observed that, in considering the various research options for systematically gathering information. Therefore, the questionnaires were used to obtain the quantitative information from the fifty beneficiaries of microfinance services in Mesqanworeda. The questionnaire was used because it was specific for the respondents to explain the exact situation without giving room for unnecessaryand irrelevant information for the study topic.

3.8. Data quality control/quality assurance

The researcher employed some measures to control the quality of the data. These included the following:

3.8.1. Piloting

This is where the data collection materials were tested and or piloted and refined. This took into consideration the language spoken and understood by the respondents.

3.8.2. Training

The researcher carried out the research with the assistance of two research assistants/data collectors that were trained to assist the researcher with thecollection of data especially using the questionnaires. They were trained on how to administer the interview guide and the questionnaire and how to record any other useful information they came across in the field

. Each of the research assistant was able to administer both the interview guide and the questionnaire to the respondents under the direct supervision and monitoring of the researcher. The field notes were made and edited immediately after data collection on a daily basis.

3.8.3 Editing questionnaires

The questionnaires were edited on receipt from the research assistants and any missing information was rectified immediately. The data from the key informants was recorded immediately during the interviews

3.9. Data analysis

After the information had been gathered, SPSS soft ware tools were used to analyze it in order to capture the relevant findings and also present it in a manner that would be understood by fellow researchers and other research users. These tools are discussed below.

3.9.1. Editing

Editing was done in order to discard unwanted and irrelevant information, verify the data and check for consistency.

3.9.2. Coding

This involved grouping answers of a similar nature or with similar meaning into one set of answers and giving them a particular number called a code. This means that for example answers with “yes” in a given questionnaire would be coded as number one and answers with “no” would be coded as number two for each questionnaire. The coding assisted the researcher to get the total number of responses for each of the questions. This also helped to tabulate the data using the figures and numbers obtained.

3.9.3. Tabulation

Tabulation involved representing the information obtained in figures and tables. This would later be used to establish comparisons as well as conclusions for the study.

3.9.4. Report writing

The research report was written based on the themes and conclusions drawn from the findings as presented in the research report that comprise this document.

3.10. Ethical considerations

The researcher considered the research values of voluntary participation, anonymity and protection of respondents from any possible harm that could arise from participating in the study. Thus the researcher; introduced the purpose of the study as a fulfillment of a Masters' Study programme and not for any other hidden agenda by the researcher and requested the respondents to participate in the study on a voluntary basis and refusal or abstaining from participating was permitted. The researcher also assured the respondents of confidentiality of the information given and protection from any possible harm that could arise from the study since the findings would be used for the intended purposes only. The respondents were to be provided with feedback about the findings of the study.

3.11. Challenges faced and how they were handled

The researcher faced certain challenges but there were ways of handling them so as to enable the researcher to complete the research. There was a challenge of the responses from the respondents who had participated and benefited from more than two MFIs which proved confusing as far as synchronizing results was concerned. The researcher handled this issue by guiding the respondents to identify themselves with only one MFI for the study.

Another challenge was that the respondents were very far apart and this affected the period within which the research was completed. This meant that in a day either one or two respondents could be met since the distance travelled from one to another was so long. This was controlled by the researcher and research assistants ensuring that at least the questionnaires were filled on the day the respondents were identified in their localities. This also ensured that no questionnaires were lost or not returned.

The budget was small and only two research assistants were employed. This affected the period of data collection and analysis. This was controlled by the researcher ensuring that at least the two research assistants that were employed were paid favorably and motivated to provide extra time and effort to meet the deadlines. Other challenges included travelling long distances on a very tight budget.

CHAPTER FOUR: -
RESULT AND DISCIUTION

Introduction

The study was aimed at establishing whether microfinance has a role to play in the livelihood of women in a community. The study area was around DobiKebele in MesqanWoreda in Ethiopia. The literature reviewed showed that microfinance has worldwide support as a strategy to eradicate poverty in the developing countries, has also evolved from small to big organizations providing the services and targets women.

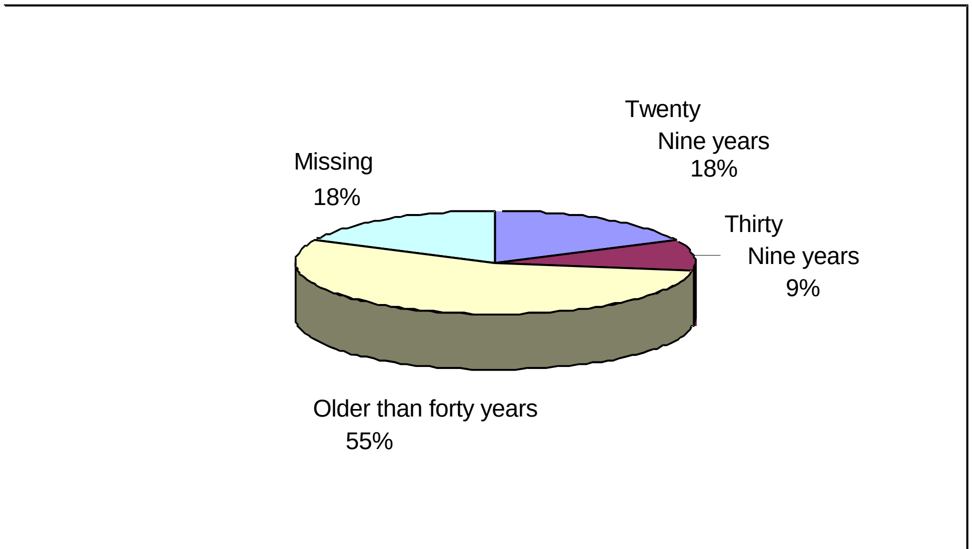
The respondents were selected using simple random sampling in order to get direct beneficiaries from the microfinance institutions and a total of fifty respondents were selected for the study. The tools used to obtain data from the respondents were interviews and the questionnaires which yielded the focus for the presentation in this chapter.

4.1. Demographic characteristics of the respondents

It was important to find out from the respondents their marital status, age, education levels, occupation and number of dependants they have. These specific characteristics would affect their participation in the microfinance projects.

4.1.1 Age group of respondents

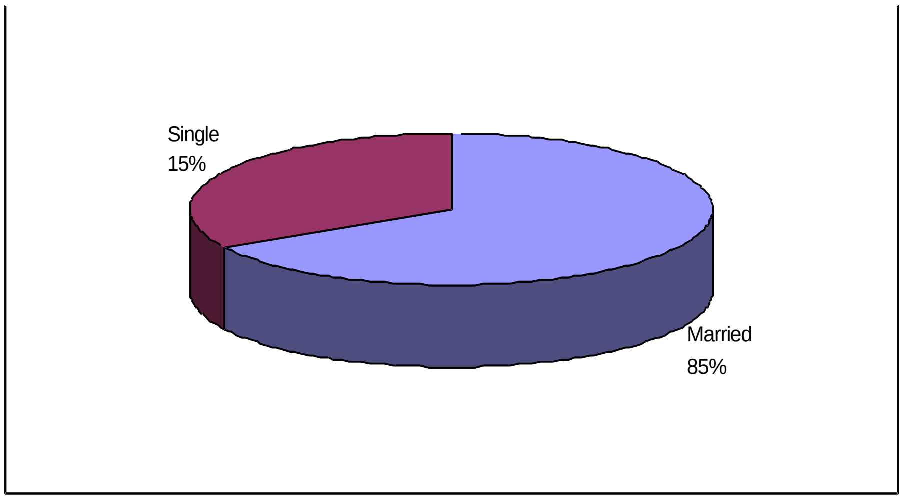
Figure 4.1 Ages of the respondents



The majority of respondents who were fifty five percent were older than forty years. This attributed to the fact that this age group has several responsibilities to undertake especially paying school fees and feeding the family. Thus when the available funds are not enough, they apply loan to MFIs in order to fulfill their obligations in the family. It could also be that this particular age group has the ability to negotiate the loan terms and get products that are rather comfortable to them. These people are also well respected in the community and are well known to the leaders of the community and this minimizes the cases of defaulting and running away from the community. The MFIs are also hesitant to give the youth loans because they are mobile, they can move to another location anytime before they complete the repayment. Thus the MFIs concentrate on the mature people who may have land titles, are permanent residents of the area and are well established in the area.

4.1.2 Marital status

Figure 4.2 Maritalstatuses of respondents



The above figure shows that the majority of the respondents that was eighty five percent were either legally or traditionally married. The married persons were also found in the study to be more steady and faithful in loan repayment than the single persons who would default and run away from the area without paying. It was also found that because some MFIs focus on women, the husbands encourage their women to get the loan to start a business, or pay school fees or purchase household items and they in turn assist in the loan repayment.

Table 4.1 Educational Status of Respondents

Level of education	Frequency	Percent
Illiterate/Primary	30	60
JHS/SHS	16	32
Tertiary	4	8
Total	**50**	**100**

The presence of people that have gone to school also eases the sensitization process and training about business development and loan utilization and repayment. This is because the educated people would grasp the ideas faster than those with low education levels. It was also found out that the issues of expansion and diversification of businesses, asset accumulation, interest calculations were all found to be well understood and practiced by the educated people in the loan groups. The above table showed as 60 percent of the respondent were they are under illiterate and primary level while 32 percent of the respondent was their educational status was junior of secondary school level the rest 8 percent of the respondent their educational status was tertiary level.

4.1.4. Occupation

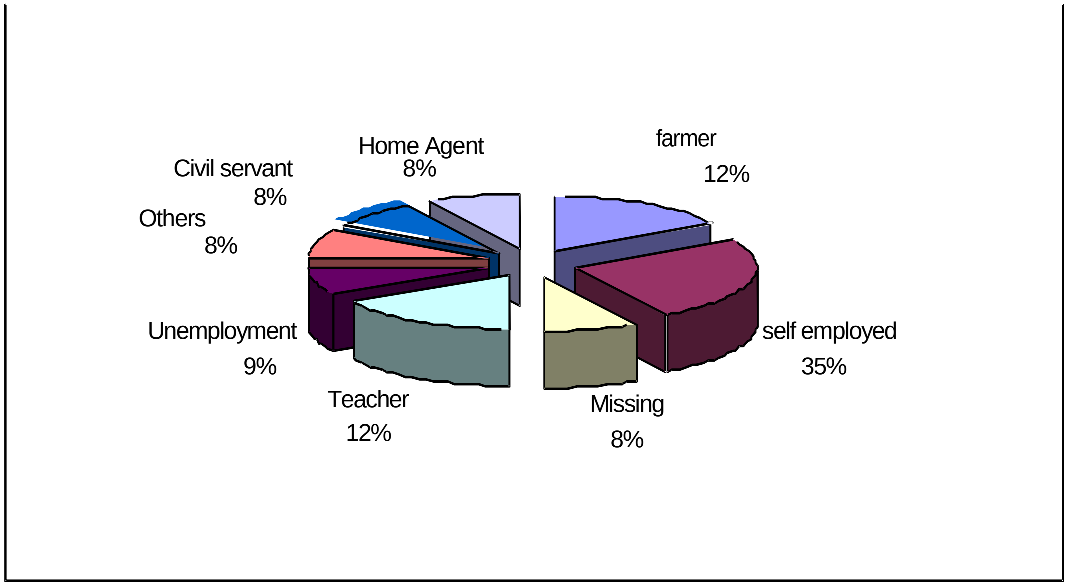


Figure4. 3 Occupation of respondents

The majority of the respondents, who were twenty six percent, were civil servants while seventeen percent were self-employed. The professionals such as the Teachers who were seventeen percent (and Engineers who were eighteen percent were residents working. These sources of income for the respondents contribute largely todetermining the access, source and utilization of the MFI services.

Apart from the civil servants and the professionals that were key informants, the majority of the respondents were self employed. These people are attracted to microfinance services because they own no property, and require small amounts of money to inject in their small businesses.

4.2 Saving Habits of Women in Microfinance

Most of the respondents saved with the bank for different reasons. Some had the intention of saving to accumulate capital for their businesses. Others saved in order to access credit facility from the bank.

4.2.1 Type of Savings with MFI's

The intention for opening accounts determines the type of saving one made with the bank. About 58 percent of the respondent had ordinary savings with the bank whiles 20 percent had fixed savings. Daily based saving constituted 22 percent of the type of savings with the MFI. Ordinary savings, as the name imply, is meant for the purpose of accumulating deposits to meet future cash demand of the clients. Fixed Deposits on the other hand is an investment by the clients and with MFI for specified period in future. Daily based savings is on daily basis which allow the clients access to their money after a month contribution. Table 4.2 shows the type of savings women in rural communities had with the MMFI.

Table 4. 2: Type of Saving with MFI

Types of saving	Frequency	Percent
Ordinary Savings	29	58
Fixed savings	10	20
Daily based savings	11	22
Total	**50**	**100**

4.2.2 Rate of Cash Deposit in Savings Accounts

The rate at which cash is deposited differed among the respondents. About 52 percent of the respondents were doing daily savings whiles 10 percent were doing weekly savings. Those that deposited on monthly basis were 34 percent whiles other kind of savings, thus, those who do not have pattern of cash deposit, formed 4 percent. Other type of savings was mainly farmers and people that have seasonal income.This daily type of savings was mainly patronized by food venders and traders usually after their daily sales. The monthly savings were however deducted at source especially, that of monthly salary workers.

Table 4.3 shows how often cash is deposited in the savings account of women in microfinance in rural communities at MesqanWoreda.

Table 4. 3: Frequency of Deposits

Deposit frequency	Frequency	Percent
Daily	26	52
Weekly	5	10
Monthly	17	34
Others	2	4
Total	50	100.0

4.3 Women Participation in Household Decision making before and after Joining the MFI

The field research reviewed that 16% took part in household decision making before joining the MFI whilst 84% did not take part in household decision making. However, 30% took part in household decision making after joining the MFI. Yet majority representing 70% did not take part in household decision making after joining the MFI.

Though the number of those who took part in household decision making increased from 16 percent to 30 percent, however the majority representing 70 percent were not granted the opportunity to contribute ideas towards management of the households. This is because power is deeply rooted in our social systems and values and it is tilted towards men. Therefore it is unlikely that any one intervention such as the provision of credit may completely alter power and gender relations. Table 4.4 shows Women participation in household decision making before and after joining the MFI's.

Table 4.4: Women Participation in Household Decision Making before and after

Women participation	**Before**		**After**	
	Frequency	Percent	Frequency	Percent
Took part Household decision making	**8**	**16**	**15**	**30**
Did not take part in household decision making	42	84	35	70
Tota	50	100	50	100

4.5 Reasons for joining MFIs

There were different reasons why women in the Dobi District joined MFIs. This was derived from the information gathered from the field which showed that 28 percent joined MFIs for savings purposes. About 56 also joined MFIs in order to access credit facilities whiles those that joined due to payment services were 14 percent. Those that joined the MFIs due to saving were to help them accumulate capital to enhance their living conditions. The other groups were also with the intention of getting credit facilities from the bank whiles the last groups were workers who opened account in order to access their monthly salaries from the bank. The results indicate that all the reasons stated above are important to the respondents on why they joined the MFI. This is represented in the

Table 4.5 below.

Table 4. 5 Reasons for joining the MFI

Reason	Frequency	Percent
Savings	14	28
Credit	28	56
Payment service	8	14
Total	50	100.0

4.6 Duration of Membership with the MFI

The duration of membership with the MMFI showed that about 46percent of the women in small scale enterprises have been with the Institution between 1 month and 1 year. Those that have business to do with the bank between 2 years to 5 years were 36 percent whiles 18 percent have been with the bank for more than 5 years. This clearly indicates that the need to operate account with MFI has appeared to sound very essential for the past 1 year. Respondents testified this situation to the current product and service of the bank which has made banking very easy.

Table 4. 6: Duration of Members with the MFI

Response	Frequency	Percent
1Month-1Year	23	46
2Years-5Years	18	36
More than five years	9	18
Total	50	100

4.7 FinancialLoan from Meklit Micro Finance Institution (MMFI)

Respondents were asked as to whether they have received financial loan from the MMFI before. 62 percent responded yes whiles 38 percent responded no. A host of reasons were given by the women on why they had not taken financial loan from financial institutions. The reasons for failure to access financial are discussed further in Table 4.7

Table 4.7: Ever receive Financial Loan from MFI

Response	Frequency	Percent
Yes	31	62
No	19	38
Total	50	100.0

4.8 Reasons for Refusal to Access Credit

Out of the total 50 respondents who refused to access credit from the MFI, 26 percent were due to high interest rate after they were receiving the loan they fear the interest rate while they return the loan whiles 46 percent were due to inability to meet collateral security requirement. Untimely delivery of financial assistance and bureaucracy in the process of loan acquisition also had 18 percent and 10 percent respectively. This is shown in the Table 4.8

Table 4. 8: Reasons for Loan Refusal

Reason	Frequency	Percent
High interest rate	13	26
Inability to meet collateral security requirement	23	46
Untimely delivery of financial assistance	9	18
Bureaucracy in the process of loan acquisition	5	10
Total	50	100.0

4.9 Financial Loan Acquisition Process

The first step in the loan acquisition process of the MMFI was a loan application letter. Guarantors and physical pledge of properties were the main collateral taken by the MeklitMicro Finance Institution from borrowers. Subject to the recommendation of a committee, the loans are either given or refused. With the basic requirement for the award of financial loan to the women, 34 percent had to use physical collateral, 28 percent used savings with the bank whiles 32 percent used guarantors. Other type of requirements, like social collateral, group joint guarantee, regular salary earners, formed 6 percent. Majority in the category above, were mainly the salary workers who took their monthly salary from the bank. Applicants however lamented over how to come by these securities as most people entertain fears that in event that the beneficiary refuse to repay the loan he or she may have to use the salary as lien. Most of them also lack proper documentation of physical assets which could be used to access the loan. The easiest form was to operate saving accounts with the bank and by periodic accumulation savings, financial assistance can be accessed. The Table 4.9 shows the basic requirement women in rural communities of the mesqanworeda used to access financial loan from MMFI.

Table 4. 9: Basic Requirement for Financial loan

Requirement	**Frequency**	**Percent**
Physical collateral	17	34
Savings	14	28
Guarantors	16	32
Others	3	6
Total	50	100.0

4.10 Purpose of Financial loan

The women gave different purposes for utilizing the financial loan from the field results. About 22 percent used it to start their businesses whiles 32 percent used it to expand existing businesses. Those that used their loan for the payment of domestic activities such as, health insurance bills, electricity, school fees and housekeeping expenses were 46 percent.

Credit facility may be sought to start small scale business and or for farming purposes. The institution said it was risky in investing in start-up business therefore they put in place stringent measures to assess the prospect of the business before the loan is granted. Again expansion of existing business may be in the form of an increase in materials as inputs, building kiosks or metal containers, hiring of additional hands and many others. It is clear that majority of the respondents are into various forms of business already and only required credit to expand those businesses

This is shown in the Table 4.10

Table 4. 10: Purpose of Financial loan

Reason for financial loan	Frequency	Percent
To start business	11	22
Expand existing business	16	32
Domestic Use (To pay health insurance, School fees, electricity and housekeeping money)	23	46
Total	50	100

4.11 Financial loan/Loan repayment

The ability to pay back loans/financial loan was factored into the data collection. It showed that about 86 percent were able to repay their loans whiles 14 percent were not able to repay their loans. This was buttressed by the information from the MMFI which revealed a maximum loan recovery rate as 95 percent with the minimum been 78 percent. The inability ofthe women in micro economic activities to repay their financial assistance was mainly due to misused of funds. The credit even though sought for a particular purpose were used for different purposes other than the original purpose used to secure the credit. MFIs may step up effective strategy for credit appraisal, monitoring and control to check misapplication of credit. Table 4.11 shows the ability to repay loans by the women in the rural communities.

Table 4. 11: Ability to Repay Loan

Did you pay back your loan on time?

Response	Frequency	Percent
Yes	43	86
No	7	14
Total	50	100.0

4.12 Number of Times Loans have been Received from MFI's

Most of the applicants forming 46 percent have received once from the MFI"s. Those that had received loans for two and three times were 24 and 20 percent, respectively. Only 10 percent had received loans for four times and more. This has therefore revealed that few women are able to take financial assistance apart from their first loans and follows in that order. This clearly indicate that most first time borrowers default and therefore not able to access thecredit subsequently. On the other hand beneficiaries may graduate frompoverty as they progress on the ladder. Table 4.12 shows the number of times loan applicants had received financial assistance from MFI's.

Table 4. 12: Number of Times Loans have been Received from MFI's

How many times did you have accesses to loan from MFIs?

Response	**Frequency**	**Percent**
Once	23	46
Two times	12	24
Three times	10	20
Four or more times	5	10
Total	**50**	**100**

4.14 Improvement in Business after Joining MFI

Most of the respondents forming 76 percent attested to the fact that microfinance has contributed positively to their businesses after joining the MFI. About 8 percent however did not see any improvement in their businesses after joining the MFI. Also 16 percent did know it has had agood positive impact in their business. Significant proportion saw increase in their turnover, stock and assets. For instance some who initially operated from tables built kiosk and those who were in wooden kiosk also moved to metal container. Some were able to employ extra hands to assist in the day-to-day business activities. Contrary to the arrangement before joining the MFI, where husbands cultivate the land and share among their wives, those women who were into farming could now cultivate their own farms without recourse to their husbands. All these contributed to the improvement in their income and their ability to meet livelihood related needs.

Table 4.13: Improvement in Business after Joining MFI

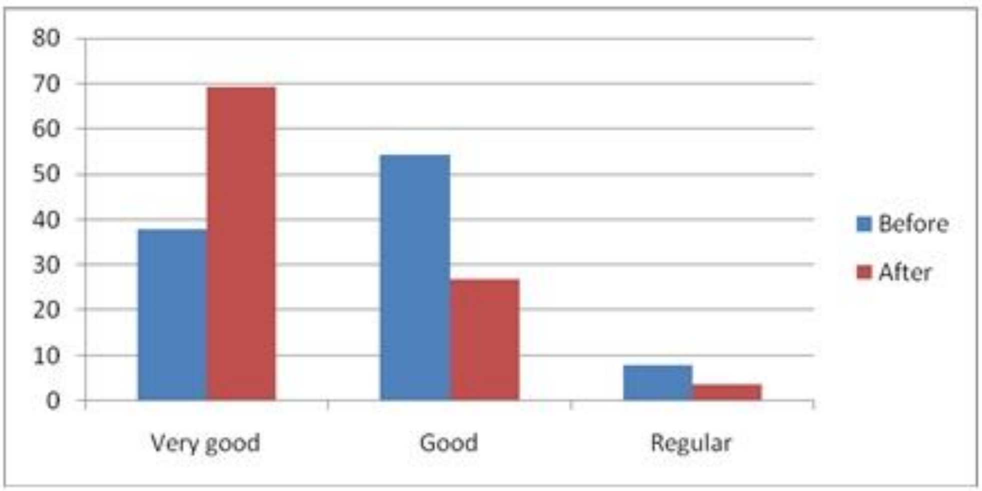
How is improvement in Business after joining MFI?		
Status	**Frequency**	**Percent**
Very good	38	76
Good	8	16
No change	4	8
Total	50	100

4.16 The General Health Status of Family before and after Joining MFI

The health status of families was categorized into three stages. The data collection showed that 37.8 percent of the respondents had very good status before joining MFI. About 54.2 and 8.0 percent responded to good and regular health status, respectively before joining MFI. However, after joining the MFI, 69.3 percent had very good health status whiles 26.9 had good health status. Only 3.7 percent responded to their health status been regular after joining the MFI.

This clearly indicate that there was an upwards adjustment in the health status of families after joining MFI's. This was derived from the ability of families to meet their basic health needs and hence improvement in their general livelihood. Figure 4.4 shows the general health status of families before and after joining MFI’s. The health status of somebody could be said to be the state of one’s physical mental and psychological wellbeing. Very good health status may be measured on household access to health care, for example the presences of good food, better and decent accommodation, good hospitals/clinics and effective preventive health education.

Figure 4.4: The General health status of Family before and after joining MFI



4.17 The Educational Status of Wards of Respondents before and after Joining MFI.+

Respondents attested to the fact that there has been significant improvement in their ability to give best education to their wards. About 44 percent admitted to have very good educational status for their wards before joining MFI. Those that had good and regular educational status for their wards were 36 and 20 percent respectively. After joining the MFI however, those that had very good educational status for their wards increased from 44 percent to 56 percent whilst good and regular educational status formed 30 and 14 respectively.Good educational status could be measured on households‟ ability to pay school fees, buy school uniform, buy exercise books, and attend schools with good facilities, Effective teachers and good nutrition for children. Table 4.14 shows the educational status of wards of the respondents before and after joining MFI’s.

Table 4. 14: Educational Status of Wards of Respondents before and after Joining MFI

	Before		After	
Response	Frequency	Percent	Frequency	Percent
Very Good	22	44	28	56
Good	18	36	15	30
Regular	10	20	7	14
Total	50	100	50	100

4. 18 How beneficiaries have used the money accessed from the MMFI

The majority of the respondents who were thirty nine percent reported that the money they got from the MFI was used to cater for the school fees of their dependents and the remainder was injected in their retail business/income generating activities. Another twenty seven percent of the respondents explained that when one had a progressive enterprise, she acquired a loan to diversify the products and expand the enterprise. This meant that they were able to get a variety of goods to satisfy their customers. There were some respondent that were 13 percent how had been involved in Micro finance activities for long and had been able to purchase house hold items like furniture , beds , plates ,cups and cutleries, as well as cloth for house hold members. Other respondents who were 7 percents after successful implementation of their project, had been able to purchase and also built a house were they reside as well as put aside some money in open up account specially with lending agency. It was established from the beneficiaries that they utilized the loan to pay for school fees, invest in their business and or expand the business. This was in line with the findings of other researchers who found out that the women at the forefront of the micro-credit movement, use small loans to jumpstart a long chain of economic activity from this small beginning (Menon 2005:1).

4.3.2. How the beneficiaries have used the money accessed from the MFIs Figure

Use of money by the beneficiaries

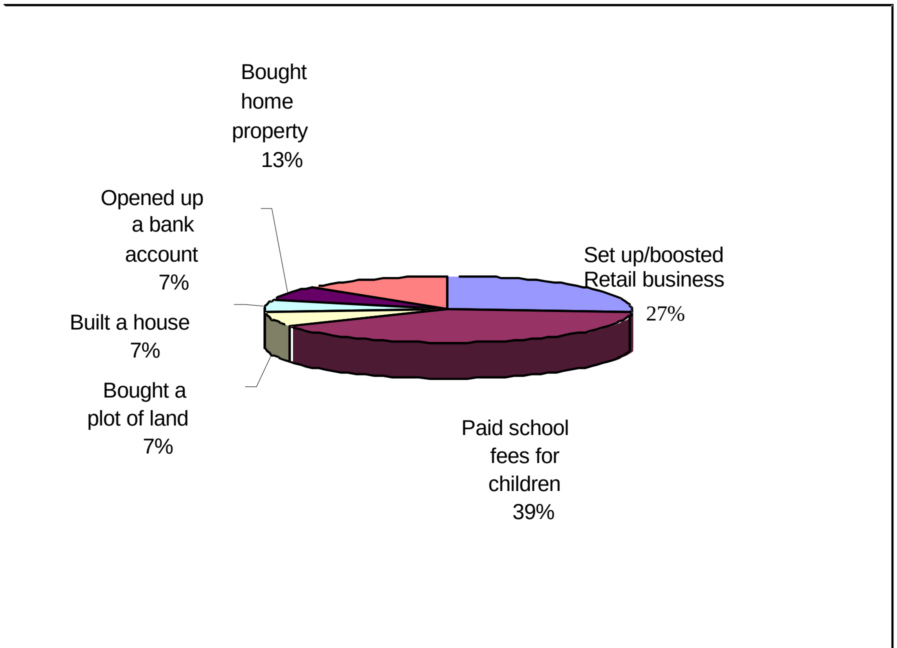


Figure 4.5 use of money

4.19 The role Micro credit to enable women to participate in community activities

Table 4.15did you participating in community based activities after and before joining MFI?

Response	Before		After	
	Frequency	Percent	Frequency	Percent
Yes	28	56	35	70
No	22	44	15	30
Total	50	100	50	100

Most of the respondents (70 percent) are tested to the fact that micro credit has contributed positively to their participation in community based activities like equb, edir, environmental rehabilitation. While 30 percent of the respondent did not participate community based activities after joining MMFI.

CHAPTER 5
CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

The study was aimed at establishing the role played by microfinance in the improvementlivelihood of rural women the community The findings reveal that there is a big role played by in the improvement livelihoodof rural women in a community. This is because the access and utilization of microfinance services by the women has given them the opportunity to getaccess to capital to start small enterprises, expand the existing enterprises and as a result increase their incomes.

This increased incomes in turn have led to the women contributing financially to the household up keep and purchases, women politically getting involved in leadership positions, and locally getting the confidence to participate in community meetings and decision making at all levels. The access to and utilization of the micro-credit facilities has had a share of challenges for the women but the benefits outweigh them for the study to conclude that microfinance has had invaluable impact and lessons for the women in a community. The experience obtained by women through their participation in the microfinance institutions has enabled them to suggest to the government to get involved in controlling the interest rates on the loans and also for the beneficiaries to utilize the loan for its intended purposes. The microfinanceinstitutions have thereby been urged to be more flexible, reduce interest rates, increase the size of the loan and continuously train, supervise and monitor the progress of the projects of the customers.

The study has conclusively confirmed that microfinance plays a very big role in in the improvement livelihood of rural women in a community. The benefits that accrue to the women have been explicitly discussed and it is important to note that the study will provide one of the very first resource books for loan officers, policy makers and development workers in the field of microfinance in Mesqanworeda administration.

5.2. Recommendations

- These recommendations from the research findings are geared towards making policies at institution level to enable the provision of better services to the clientele. This is because the MFIs have been in existence in the area for more than 4 years and people have benefited from their services, therefore, it is important to address the needs of the clients so as to harmonize operations for more impact in the community in particular and the country in general.
- The respondents recommend that the MFIs could reduce the interest rates, increase on the amount given as loans to the clients and assess repayment capabilities before loan provision. The MFIs are urged to establish loan products like the school fees and asset loans and they should not ask for group security where groups are just formed for loan purposes.
- Further requests are made to the MFIs to continuously supervise, monitor and follow up their clients adequately and closely to avoid diversion of funds, to network and collaborate with other MFIs in the area, to improve on customer care and not to rely on groups only but also consider individuals on merit as well. The MFIs should also collaborate with and facilitate the local government technical and extension workers to monitor and supervise their clients in the areas where they operate. This is because the government workers are skilled and always in the field to promote government program in the villages.

- The local government is urged to get involved in determining the interest rate, centralize the interest rates such that the rate is uniform for the MFIs and also monitor the services of the MFIs. The respondents also recommend that the local government could protect the borrowers from the MFIs and also provide community sensitization and training guidelines for the access and utilization of MFI services.

- The respondents recommended that MFI clients in other MFIs should be trained thoroughly before undertaking credit facilities for an enterprise, use money for intended purposes only and avoid money misuse and diversion of funds. The clients are also urged not to move from one MFI to another but rather study the operation of the MFI before accessing its services and also support each other with skills, supervision and monitoring as a group. The clients are further encouraged to get more investment opportunities instead of only one, have an enterprise before borrowing the money and not to use credit to start investments but rather to expand or diversify investments.

- The factors that lead to people joining more than one MFI and the possibilities of providing asset loans rather than cash loans for some beneficiaries.

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Appendix

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDENTS

QUESTIONARIES FOR MICRO FINANCE CLEINTS

I am studying master's degree program at St. Mar's university school of graduate students. I have design the following questioners to study the role of Meklit Micro Finance on rural women livelihood.

I would be highly appreciated if you fill this 4 page questionnaires. It will take approximately 20-25 minutes and your response was highly confidential.

A. DEMOGRAFIC INFORMATION

1. Respondent name ---------------------------------------

2. Sex (1) male (2) female

3. Age (1) 16-20 (2) 21-25 (3) 26-30 (4) 31-35 (5) 36 and above

4. Marital status (1) single (2) married (3) separated /divorced (4) other

5. Educational status (1) illiterate (2) 1-4 (3) 5-8 (4) 9-12 (5) diploma and above

6. How did you know about Meklit micro finance institution (1) friends (2) customers (3) advertisement (4) other?

7. Which of this product attract to join MMFI? (1) Saving (2) credit (3) insurance (4) payment services

B. CREIDT ACUQUESTIION HISTORY

8. Have you often received credit from the above mentioned MFI? (1) Yes (2) no

9. If you yes how long have you been a member of MMFI? (1) 1 month- 1 year (2) 1-2 year (3) 2-3 year (4) more than 3 years

10. If you say no did you apply loan again? (1) Yes (2) no

11. How long did it take for you to receive first loan from MMFI? (1) 1 month – 3 month (2) 4- 6 month (3) 7- 10 month (4) more than 10 month.

12. What was the purpose of the loan? (1) To start business (2) to pay child school fees (3) to expand the existing business (4) to serve as housekeeping money (5) other specify---------------------------------

13. Which of these basic requirements did you have satisfied before the loan was given to you?

(1) Physical collateral (2) social collateral (3) saving (4) guarantors (5) other specify -------------

14. How much did you apply the first credit application? (1) 500-2000 (2)2001-3500 (3)35001-5000 (4) more than 5000

15 how much were you granted in your first credit from the MFI? (1) 500-2000 (2)2001-3500 (3)35001-5000 (4) more than 5000

16. Were you able to repay the loan on schedule? (1) Yes (2) no

17. If you say no what was the reason for your failure to repay the loan on time? -------------------

18. What was the effect of to failure to repay the loan on time? --

19. If you yes did it automatically leads to another loan from the MMFI? (1) Yes (2) no

20. How much did you apply the second loan application? (1) 500-2000 (2)2001-3500 (3)35001-5000 (4) more than 5000

21. How much did you guarantee the second loan application? ? (1) 500-2000 (2)2001-3500 (3)35001-5000 (4) more than 5000

22. How many time did you received credit from MFI? (1) Once (2) twice (3) three (4) more than three

C. SAVING HISTORY

23. Do you have voluntary to save in MFI? (1) Yes (2) no

24. If you yes what type of saving do you have? (1) Ordinary saving (2) fixed saving (3) daily based saving (4) combination of the three mentioned above (5) other specify-----------------------------------

25. How often did you deposit in to your account? (1) Daily (2) weekly (3) monthly (4) yearly

26. Do you earn interest form saving? (1) Yes (2) no

27. if yes is it a motivational factor to deposit your money in bank? (1) Yes (2) no

28. If you no what other factor motivate you to save? ____

D. LIVELIHOOD IMPROVEMENT

29. Have you made improvement to your property? (1) Yes (2) no

30. If you yes what was improvement to your property?

(1) Construct new house (2) buying new domestic animals (3) maintenance of the existing house (4) sending children to school (5) able to pay medical cost (6) other specify ____

31. Has there been improvement in the performance of in your business since you join the MFI? (1) Yes (2) no

32. if you yes what is the range of your profit per week now? __________________

33. What was the range of your profit before joining in to the micro finance?________________

34. How did you assess your weekly and monthly income? (1) Has increased (2) remain the same (3) has decreased

35. Were you able to send your children to school before joining MMFI? (1) Yes (2) no

36. If you yes what was the source of fund? ______________________

37. If you no what was the situation after joining MMFI? __________________________

38. How was the general health status your family before joining to MMFI? (1) Very good (2) good (3) regular (4) bad

39. How was the general health status of your family after joining MMFI? (1) Very good (2) good (3) regular (4) bad

40. Where you consulted in house hold decision making before joining MFI? (1) Yes (2) no

41. If you no what was the reason in non- involvement of in house hold decision making? ---

42. If you yes stat the reason ____________________________________

43. Where you consulted in house hold decision making after joining MFI? (1) Yes (2) no

44. For what purpose did you used the money accessed from the MFI? (1) bought home property (2) open up bank account (3) built house (4) bought a pilot of land (5) paid school fee for children (6) boost retail business

44. Where you participated in community based activity before joining MFI? (1) Yes (2) no

45. If you no why you are not able to participate in community based activity?

46. Where you participated in community based activity after joining MFI? (1) Yes (2) no

THANK YOU

QUESTIONARIES FOR BANK OFFICIALS

I am studying master's degree program at St. Mar's university school of graduate students. I have design the following questioners to study the role of Meklit Micro Finance on rural women livelihood.

I would be highly appreciated if you fill this 4 page questionnaires. It will take approximately 20-25 minutes and your response was highly confidential.

1. Status of the respondent-----------------------------------

2. How many products do you have? ---------------------------

3. How do you determine micro- credit amount? (1) Turn over (2) cash flow (3) applicant past records (4) all of the above

4. What are the max/ min loan amount for the first Borrowers? --------------------------------

5. What are the max/ min loan amount for the subsequent Borrowers? -------------------------------

6. Are you satisfied your micro- credit recovery rate? (1) Yes (2) no

7. What are the major constraints to expanding access of micro credit to women? ------------------- ---

8. Do you do loan monitoring? (1) Yes (2) no

If yes how often (1) daily (2) weekly (3) monthly (4) yearly

If no why? ---

9. What are the effects of micro finance on your women clients? --------------------------------------

THANK YOU