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# The Impact of Microfinance on Urban Poverty Reduction; A CASE STUDY of Addis Credit & Saving Institution S.c In Kirkos Sub City, WOREDA 4, Addis Ababa, Ethiopia.

*Project work submitted to the Indira Gandhi National Open University in partial fulfillment of the requirements for the award of the Degree – Master of Arts (Economics). I hereby declare that this work has been done by me and has not been submitted elsewhere.*

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# The Impact of Microfinance on Urban Poverty Reduction; A CASE STUDY of Addis Credit & Saving Institution S.c In Kirkos Sub City, WOREDA 4, Addis Ababa, Ethiopia

**M.A. Thesis**

**YONATAN BAYAFERS FELEKE**

**JUNE, 2012**

**INDERA GANDHI NATIONAL OPEN UNIVERSTY**

# Indira Gandhi National Open University SCHOOL OF GRADUATE STUDIES

# The Impact of Microfinance on Urban Poverty Reduction; A CASE STUDY of Addis Credit & Saving Institution S.c In Kirkos Sub City, WOREDA 4, Addis Ababa, Ethiopia

# A THESIS for the partial fulfillment of Master Degree OF ARTS in Economics

# prepared by:

# Yonatan Bayafers Feleke

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*ACRONYMS*

*AA Addis Ababa*

*ACSI Amhara Credit and Saving Institutions*

*AdCSI Addis Credit and Savings Institution*

*AIDB agricultural and industrial development bank*

*CBB construction and business bank*

*CBE Commercial Bank of Ethiopia*

*CSA Central Statistics Authority*

*DBE development bank of Ethiopia*

*DBE Development Bank of Ethiopia*

*DECSI Dedebit Credit and Saving Institution*

*DECSI Dedebit Credit and Saving Institution*

*GDP Gross Domestic Product*

*HSB housing and saving bank*

*HSB Housing and Saving Bank*

*IDA International Development Association*

*IGNOU Indera Gandhi National Open University*

*MEc Master In Economics*

*MFIs Microfinance Institutions*

*MlE Maximum Likelihood Estimates*

*MlM Maximum Likelihood Methods*

*NBE National Bank of Ethiopia*

*NEPAD New Partnership for Africa’s Development*

*NGOs Non-Government Organizations*

*NMFP National Micro Finance Policy*

*OLS Ordinary Least Squares*

*SAP Structural Adjustment Program*

*SPSS Statistical Program for Social Science*

*TGE Transitional Government of Ethiopia*

*USAID United States Agency for International Development*

*KEY WORDS: Microfinance, Loan products, saving products, Impact assessment, Outreach, Sustainability, Poverty.*

*Abstract*

*The prevalence of poverty has been a common phenomenon in Ethiopia. The prevailing operation of the conventional financial institutions in Ethiopia is inefficient in providing financial services to the poor. The challenge Ethiopia is facing today is to reduce poverty and achieve sustained economic growth for healthy national development. One of the economic policies of the country is Expansion of MFIs in the country. Currently, microfinancing is being practiced in the country as a tool to deliver financial services to the poor with the objective of attacking poverty.*

*AdCSI , one of the 27 licensed microfinance institutions in Ethiopia, was established in January 2000 in Addis Ababa for this purpose. The objective of this study, therefore, is to find out whether the delivery of financial services of the MFI has made changes on living standard of the clients. Primary data were collected through structured questionnaire from clients and non-clients using simple random sampling method. Secondary data were gathered from different MFIs’ reports and literatures. Both are quantitative and qualitative in nature. Descriptive analysis, dichotomous binary model and sensitivity analysis were applied in the study.*

*The impacts are analyzed based on two approaches. First, the impacts are observed in association mainly with income, which in turn have effects on nutritional status, access to education and medical facilities, employment generation, savings and empowerment, among others. The finding indicates that the AdCSI’s Microfinancing scheme has made positive contribution to the clients in relation with observed variables. The impacts are also evaluated based on MFI’s outreach and sustainability having the conceptual framework that if both outreach and sustainability have been enhanced then the program intervention is judged to have a positive impact as it has created the financial market to the poor. The finding also indicates that in spite of improvement in outreach and sustainability, a number of respondents are looking for the services.*

*CHAPTER ONE*

*1. INTRODUCTION*

*1.1. Background*

## *Overview of Micro financing & poverty*

*Ethiopia is one of the poorest and most heavily indebted countries of the world with the population of about 80 million. The agricultural sector, which accounts on the average for about 45 percent of GDP, is a source of livelihood for about 80 percent of the country’s population (MoFED 2005). It is a fairly large but landlocked country with a total area of about 1.1 million square kilometers. Its land mass consists of large plateaus in the interior and vast lowlands in the peripheries. Its highlands are home to the lion’s share of its population. A substantial portion of the highlands is so deforested and suffering from recurrent droughts, while a semi-arid climate characterizes the greater part of the lowlands. A combination of these facts together with a poorly developed agricultural production system, have exposed a substantial proportion of the population to cyclical drought and a perpetual state of food insecurity and deep rooted poverty.*

*This Working Paper initiates research into – and shares findings to date on – how to maximize the impact of microfinance as a sustainable tool for urban poverty alleviation in Addis Ababa. Worldwide, more than 1 billion people live on less than $1 a day, and 3 billion are estimated to live on $2 a day. (Grameen Foundation Newsletter, fall, 2002.) Furthermore, poverty has increased in the last generation. (Cooper, M. Blame the IMF Crowd. LA Times, 5/01.). To ameliorate this situation, the United Nations Millennium Goals aspire to cut poverty in half by 2015. However, societies lack blueprints to guide accomplishing this goal.*

*The success of microfinance – the provision of financial services to the ‘unbanked’ or poor – has been documented extensively in academic, policy, and development arenas. While the provision of financial services to the informal sector has existed since biblical times, microfinance as an industry experienced a renaissance in the 1970s with the emergence of more formal, urban efforts(www.gdrc.org/icm).*

*The history of microfinance can be traced back to the development literature on rural credit and agricultural modernization. However, as a branch of ‘rural finance’, microfinance is new and represents a break with tradition that began in the late 1970s. The term ‘microfinance’ is a much more recent addition to the contemporary vocabulary of poverty reduction and development. When Prof. Mohammad Yunus, founder of Grameen Bank in Bangladesh, experimented with small loans to villagers in the mid-1970s, the term microfinance’ did not exist. Moreover, the typical mainstream rural finance project of that time would support agricultural modernization and especially innovation through technology transfers. Microfinance providers viewed what they were doing as liberating the poor, enabling them to create their own income-generating businesses, free from the burden of debt that the typical urban credit program imposed on the urban poor.*

*It is first necessary to make explicit definitions of Micro finance & urban poverty on which this paper attempts to investigate the relationship. Micro finance refers to the delivery of financial services such as credit, saving, insurance etc. To clients who are with out access to the services of formal sector financial institutions on sustainable basis (Joan Parker, 2000). MFI’s are often defined in terms of the following characteristics: i, targeting the poor (especially women); ii, promoting small business; iii, building capacity of the poor; iv, extending small loans with out collaterals; v, combining credit with saving; & vi, charging market rate of interest.*

*Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Researchers argue that the Microfinance Institutions (MFIs) are useful as they*

*i) reduce poverty through increased income and standards of living;*

*ii) empower women;*

*iii) develop the business sector through growth potentials, and*

*iv) develop a parallel financial sector.*

*It is generally accepted that without permanent access to institutional microfinance, most urban poor households would continue to rely on meager self-finance or informal sources of microfinance, which limits their ability to actively participate and benefit from development opportunities.*

*The proponents of credit approach argue that people who live in developing countries might improve their living standards by becoming micro entrepreneurs and that financial institutions should support their initiatives with small loans. This is true because well established and sustainable micro and small enterprises in many societies contribute to the growth of national income, more employment opportunities, better standard of living and hence to the reduction of poverty. However, according to the International Finance Corporation, 60% to 69% of the populations in many African countries have no access to conventional financial institutions.*

*Due to the decline of the public sector, the role of Micro and Small Enterprise (MSEs) in promoting economic growth and development, offering increased employment and reducing income disparities has been widely recognized (Bagachwa 1994; Bendera 1997).*

*Poverty could be conceived as a situational syndrome consisting of deficiency in food consumption, high mortality & morbidity levels, poor sanitary & housing conditions, low educational levels & the existence of widespread marginal population in all aspects of life ( Hadgue Bariagaber,1995).*

*Poverty is commonly defined as ‘the inability to attain a minimal standard of living’ measured in terms of necessary basic needs and services. Furthermore, the concept of a ‘poverty line’ has internationally become accepted as an indicator of poverty which measures the monetary amount needed to purchase a basket of estimated minimum calorie intake and the social services needed to live a healthy life, below this estimated line an individual or household is considered poor (African Development Bank, 2002; Lipton, 1997). Poverty is therefore characterized by the inability of individuals and households to acquire sufficient resources to satisfy their basic needs. Furthermore, poverty is not static. Research shows that some people may be suffering from poverty from time to time, while others are permanently poor. Therefore, poverty within the present discussion is identified to indicate when the ‘net outcome’ of the process of change experienced by an individual or household is socio-economically negative or unchanged, also sometimes referred to as ‘vulnerability’ status. (UNDP, 2001, Glewwe and Hall 1998; Grooteart and Kanbur 1995). In view of the recognition that poverty was contextual, that it was not static, and that it was relative, micro-credit was introduced as a mechanism for the poor to pursue poverty reduction activities which were within their means and capacities (von Pischke, 1996). Micro-credit programs were meant to help the poor generate income and alleviate poverty sustainably (Chao-Beroff, 1999). It became an important development concept since the 1980s, especially after the many publications and reports on the positive experience of the Grameen Bank.*

*Sound practice in micro finance institutions is based on the ability to provide appropriate financial services to individuals & households that are otherwise excluded from the financial system ( Joan p 2000). According to this report, most micro finance clients are poor & many are extremely poor. Poverty remains a pervasive national problem that calls for urgent action. Poverty reduction has been identified as the overarching long term goal for most of the development interventions in Africa, and more recently crystallized in the Millennium Development Goals and the New Partnership for Africa’s Development (NEPAD). In Africa, more than 40% of its 750 million people live below the internationally recognized poverty line of $1 a day, and the evidence is even more worrying for sub-Saharan Africa. The number of poor people has grown relentlessly, causing Africa’s share of the world’s absolute poor to increase from 25% to 30% in the 1990s (UNDP, 2001 and 2002). However, Africa’s development challenges go deeper than low income, falling trade shares, low savings, and slow growth. They also include high inequality, uneven access to resources, social exclusion, and insecurity, especially amongst women. While some African countries are showing promising economic progress and are making notable strides in addressing major development constraints, such as Uganda, the majority of the continent is still under great stress to meet the human survival needs. More specific concern is raised due to rural-urban disparities in income distribution, access to education and health services, and prevalence of ethnic or cross-boundary conflict. In particular, the most outstanding factor is the gender disparity in access to resources, such as business places, credit, technology, markets and production information and skills development.*

*Poverty in Ethiopia is a multidimensional problem with large scope: there is no single actor & approach to its reduction. He argued that the solution to the problem should also be multidimensional. It may be necessary to introduce instruments that provide data on poverty level that help to search or target poor people. Recognizing this fact, the need to address poverty has been the focus of many development programs implemented by governments, non-government organization (NGOs), & private investors. Thus, most development programs were focused in improving agricultural productivity, infrastructure, health, education, communication & other services such as banks (wolday Amha (2000)).*

*Access to micro finance is a key risk management strategy for clients, & micro finance services reduce vulnerability & contribute to poverty alleviation. Wolday (2000) also argued that the delivery of financial services has been viewed as an anti-poverty tool of development programs in Ethiopia. Urban credit is also usually considered as an essential input to increase business activity, to boost food & income levels & there by to alleviate poverty by this it will absorb unemployed labour which is the result of migration from rural to urban area.*

*Ethiopian government undertakes major policy changes to support micro finance in rural & urban areas. Micro financing lending approach focuses on reducing poverty through credit & saving services, often provided together with complementary services such as skills training & teaching on literary, health, nutrition, family planning & the like ( Messele 2000 ).*

*Financial services accessible to the urban poor might have the potential to efficiently contribute to income generation,Food security & poverty alleviation. The goal of micro financing institutions as development organizations is not only to serve as financial services, as other financial intermediation, but also serve as social intermediation. These development objectives include poverty reduction through employment creation; encourage the development of new business & diversification of income generating activities. Since the objective of many micro financing institutions is poverty reduction, they often wish to focus on the poorest segments of the population (Ledger wood 1999 & Gertncede Ichrieder (1990)).*

* + 1. *Poverty in Ethiopia*

*The prevalence of poverty has been a common phenomenon in the Ethiopian society. Although the agricultural sector, which is the main stay of Ethiopian economy, is inadequate to feed the growing population. Even though, urbanization is one of the most powerful, irreversible forces in the world. It is estimated that 93 percent of the future urban population growth will occur in the cities of Asia and Africa, and to a lesser extent, Latin America and the Caribbean. We live in a new urban era with most of humanity now living in towns and cities. Global poverty is moving into cities, mostly in developing countries; in a process we call the Urbanization of poverty .The world’s slums are growing and growing as are the global urban populations. Indeed, this is one of the greatest challenges we face in the new millennium. The persistent problems of poverty and slums are in large part due to weak urban economies. Urban economic development is fundamental to UN-HABITAT’s mandate. Cities act as engines of national economic development. Strong urban economies are essential for poverty reduction and the provision of adequate housing, infrastructure, education, health, safety, and basic services (joan clos).*

*Poor economic performance, rapid rate of population growth, low technological base, periodic drought, & internal displacement have continued to exacerbate poverty in the country. The 1997 world development report of the world bank put Ethiopia ( at $ 100 per capital ) second from the last comparing it with 133 countries of the world. Based on the nutritionally determined a national poverty line of 2,200 calories per adult per day, nearly 47% of the rural population lives below the poverty line compared to 33% in the urban areas (RUFIP, 2001). This fact could indicate a lot of things regarding the quality of life of the Ethiopian people.*

*Johan son & Rogary (1997) provided a useful indication of poverty. They identified three sources of poverty: lack of income, vulnerability to income fluctuations & powerlessness (few choice & little control). These & multitude of other factors have resulted in slowdown in the economy growth of the country.*

*The consequence of such economic slowdown is deterioration of the living conditions of its people. Many people consider short falls in the reasonable minimum level of economic welfare as poverty. However, complete definition of poverty should consider basic social conditions such as health, education, & social security in addition to economic welfare (Berhanu,1999).*

*Like rural areas, messele (2002) identified that urban poverty is believed to be substantially caused by lack of marketable skill & literacy, unemployment, low level of asset accumulation, weak infrastructure facilities, poor access to essential service, etc. also migration make more sever the urban poverty.*

*To reverse the economic decline & poverty situation in the country, the government of Ethiopia has implemented structural adjustment program (SAP) in 1992. Berhanu (1999) argued that although the reform programs & policy changes resulted in economic recovery & growth in GPD, the achievement towards eradication of poverty was not satisfactory. He also recommended that with out ensuring adequate private sector activities, it is difficult to reduce the existing unemployment problem in the country especially in the urban area.*

*For the country, the combination of decentralization & poverty reduction strategies that have been started in builds capacity of local institutions, easy access of credit for urban unemployed people.*

*How does microfinance help people escape from poverty? The main microfinance mechanisms that can pave the way for escape from poverty are well known and relatively well understood, as follows: (i) Reductions in the costs of financial services improve income through lower costs of living, enabling poor households (a) to escape from the poverty trap associated with debt-financed consumption, and (b) to increase capacities to save and invest. (ii) The accumulation of savings creates an asset that poor households can use to maintain their livelihoods above what they can afford on current income, without the need to go into debt. (iii) Savings with a microfinance institution enable poor households to make investment plans. Microfinance providers have been particularly successful in transforming the capacity of poor people to convert their micro savings into usefully large loans, the availability of which opens doors for investment in self-employment or improved living standards. All three strategies lose in effectiveness if access to lower finance and transaction costs and a capacity for regular savings are one-off events or seriously interrupted.*

* + 1. *Micro financing in Ethiopia*

*Microfinance acts as an important safety net instrument and the microfinance movement seems to have reduced the influence of informal money lenders. Micro finance has also had wider social impacts, ranging from the empowerment of women to the improvement in self-esteem of the poor and unemployed. However, its overall poverty reduction effects remain doubtful in the absence of other complementary factors, such as entrepreneurial skills and the growth of overall demand in the economy. The program of formalizing land titles for urban slum-dwellers is a simplistic poverty reduction tool for whose significant and lasting poverty reduction effect there is little evidence.*

*The capacity of the conventional banking sector in Ethiopia has been too weak to serve the need of urban & rural community. Few wore as in the country have bank branches. Even if there are banks in these woredas, due to high collateral requirements, urban poor have limited access to the conventional banks. Making credit available, particularly to the urban poor, is thus considered essential to alleviate poverty & promote economic development. Since micro enterprises have very limited access to formal finance credit from banks, specialized financing schemes must be designed to facilitate credit access to the poor, enhancing their productivity & income generating capacity. Micro financing is being practiced all over the world as a tool to be deliver financial services to the poor with the broad objective of attacking poverty.*

*The National Bank of Ethiopia (NBE) supervise MFIs in Ethiopia. The Ethiopian government has laid down a regulatory framework for the establishment of MFIs by issuing proclamation NO.40/1996 that provides for the licensing & supervision of MFIs. Since the issuance of proclamation in July 1996.*

*1.1.4 Overview of Addis credit & saving institution (AdCSI)*

*In many developing nations the poor who are typically attached with poverty do not have accessibility to formal financial institutions. Generally in Ethiopia, due to high collateral requirements by formal banks the majority of poor people have been denied access to financial services to tackle this mainly the essential tools, credit & saving services.*

*Addis credit & saving institution s.c (AdCSI) is micro financial institution, which operates with in the boundaries of Addis Ababa city administration. It was established & registered at the national bank of Ethiopia on January,2000 per proclamations 40/88. It is owned by six share holders, namely, Addis Ababa city administration, Addis Ababa city women, youth & teacher’s associations karaalo Akababi Hulegeb peasant’s cooperative & one physical person.*

*The general objective of the company is to alleviate poverty & promote economic development through the provision of credit & saving services to as many active poor as possible.*

*The specific objectives of AdCSI include enhance the development of micro & small enterprise: that all entrepreneurial activities with scale of micro & small should be given access to financial services, give priority to women in the provision of financial services; enhance the culture of saving by target people & wider public, create long term self employment in income generating activities & assure financial & operational self sufficient of the institution. The strategy of AdCSI is to meet the above objectives include targeting resource poor people, mobilizing both compulsory & voluntary savings & delivering credit to the poor. The following are requirements*

*A, Letter of approvals from Keble’s which proves that they are resident of Addis Ababa.*

*B, Certification letter for cooperatives & edirs.*

*C, License & registration of joint ventures & others business associations form concerned government institutions.*

*D, The activities should be implemented in A.A only.*

*E, The loners should respect & abide to the regulation & procedures of the institution.*

* 1. *Statement of the problem*

*1. What is the Role of Micro finance in poverty alleviation ?*

*2. Why micro finances are important in socio economic development?*

*3. What is the force that determines the function of micro finance?*

*The introduction of MFIs is seen as the best alternative source of financial services for low income earners in urban areas as a means to raise their income, hence reducing their poverty level. However evidence has shown that these MFIs have limited coverage, poor organizational structures and some are donor driven. These findings stimulated research to investigate if the coverage of MFIs is as stipulated in the National Micro Finance Policy (NMFP) that is, covering small business owners and the poor urban population.*

*The prevailing operation of the formal or conventional financial institutions in many low income countries such as Ethiopia is inefficient in providing sustainable credit facilities to the poor. Access to institutional credit, which contributes to the increase in investment, is very limited in Ethiopia. The majority of the poor access financial services through informal channels, money lenders, iqub, edir, friends, relatives, traders etc. Wolday Amha 2002.*

*Most micro credit services delivered through NGOs & government initiated projects in Ethiopia did not consider savings as one of most important product both to the client & institution. This was basically emanates from a nation that ‘’ the poor have nothing to save.’’ Poor individuals lack access to financial markets. Targeting credit to the poor is found to be one of the many instruments for poverty reduction. In the Ethiopian context, micro finance institutions have been established & operating with the ultimate goal of poverty reduction.*

*In spite of the success in terms of outreach & size of clients, weak management system, limited source of loan able funds, problems related with entrepreneurial quality of clients, limited technical & banking skills of staff, absence of a separate unit in the NBE to address the problems & development of micro finance activities in Ethiopia, wrong perception or impression of the government & NGOs are not collectable or could be deferred & very limited research towards improving the financial sector have been observed (Wolday Amha 2000).*

*ADCSI has been encountered with the following problems*

*i, Lack of loan able funds (Capital) to expand operational activities & reach more people; There are large credit demand to change in MSE, to address credit demand, there is a shortage of loan able fund.*

*ii, Problem of guarantee; Although ADCSI expand guarantee system for clients, some MSE operators & TVET graduates need large loan but unable to get proper guarantee as to the policy of the institution.*

*iii, Human Resource; High turn over of employees to other MFTs & banks is also becoming a big threat & they are mainly attracted by the much better salary scales & benefits provided by these institutions.*

*iv, Competition from banks*

*v, Poor image office with poor structures*

*Arrears on loans affect the lenders ability to generate internal resources & make the institution depends on external resource of funds. Failure to repay loan at all or partly or not paying on time causes serious problems on sustainability of the institutions.*

*Although group-credit scheme is considered as important, the impact of micro finance program in different countries (even in regions) are not the same with different socio-economic & socio-political settings (Mengistuy 1997). Since the micro finance institutions use loan able funds from various sources of finance, it can only sustain its operation if it remains financially sound & produces visible impact on poverty. The impact assessment of micro finance institution, therefore, becomes essential to evaluate whether the objective is successful or not. However, AdCSI has not undertaken an impact assessment research to indicate the impact of AdCSI micro financing scheme to know whether or not the intervention leads to change that is different from that would have happened with out the intervention. The study was invented to fill this gap. Thus, it is necessary to assess the impact of AdCSI on the indicators of poverty of its clients.*

* 1. *Objectives of the study*

*This study aims at finding out the extent to which Microfinance Institutions (MFIs) contribute to poverty reduction in Addis Ababa, and whether they meet the objectives of the policies that led to their establishment.*

*As explained above, targeting credit & saving services to the poor is one of the many instruments for poverty reduction. Based on this basic idea, MFIs including AdCSI have been applied in Ethiopia with the ultimate goal of poverty reduction. The objective of the assessment, therefore, is to find out whether the delivery of micro finance by AdCSI has made a difference in socio –economic situation of its clients. The specific objectives include:*

* *To assess the impact of AdCSI micro financing activities on poverty indicators of its clients.*
* *To evaluate loan repayment performance & identifying its determinants.*
* *To help MFI to improve the saving & credit programs in order to meet the need of the clients.*
* *To assess whether the customers reached by these schemes improved their general performance in terms of growth, women empowerment and generation of income.*
  1. *Significance of the study*

*Identifying the impact of micro finance on living standard of the poor enables the MFI to explore which types of services are required by clients. This information is essential for all micro finance institutions to be demand responsive rather than supply driven in their choice of products & lending methodology. Once the program is under way, understanding the needs of the clients enables program managers to determine what types of clients the program attracts & which of financial services are used by different clients. If the targeted groups are not responding, the MFI can evaluate its methodology & services to better meet the need of the population. Since there is no single applicable way to be successful in credit provision & saving mobilization, the study will also help the MFIs to meet the basic needs of their clients. In addition to identifying changes in livelihood of the participants, the impact study assesses the client satisfaction & this will assist the MFI to improve its program. The program impact with elements of client satisfaction information is useful to program managers who want to maintain program performance by maximizing its effectiveness. The findings high light the practicality & enables managers to quickly get information that is directly relevant to decisions they face about program policies & operations.*

*This study will be of benefit to MFIs, policy makers and the community at large. The study explores and recommends potential areas that MFIs need to put more efforts when delivering their services. On the other hand, policy makers will also benefit in the sense that, the findings provide informed suggestions on how policy can be improved. With improved and easy to implement policies, the community at large will be able to access and benefit from the services of MFIs.*

* 1. *Limitation of the study*

*The study was undertaken in one of the 11subcity branches of AdCSI woreda 4. Totally AdCSI have 11 micro finance, 10 micro banks & 116 sub branches in each woreda. Due to limited resources (Human & Material) the study was restricted to 324 respondents of which 162 are frequent clients & 162 are not clients from the sample branch. The limited number of clients was sampled from total clients of the company at the branch. The result from this study would be practical validity mainly to the study area & can serve as a basic ground for any further studies to be conducted in other areas.*

* 1. *Organization of the study*

*The thesis have five chapters Chapter one is concerned about the introduction part including Background, Problem statement, Objectives of the study, Significance of the study, Limitation of the study & Organization of the study. The second chapter of the paper deals with Literature reviews, which comprises the conceptual framework of the study area. Chapter three describes methodology used. Chapter four deals with the empirical analysis & findings of the study. Chapter five draws summary of findings, conclusion & recommendations.*

*CHAPTER TWO*

1. *REVIWE OF RELATED LITERATURE*

*2.1 The importance of Microfinancing on poverty reduction*

*The term ‘micro-credit’ was first coined in the 1970s to indicate the provision of loans to the poor to establish income-generating projects, while the term ‘microfinance’ has come to be used since the late 1990s to indicate the so-called second revolution in credit theory and policy that are customer-centered rather than product-centered (Elahi and Rahman 2006:477). But the terms ‘micro-credit’ and ‘microfinance’ tend to be used interchangeably to indicate the range of financial services offered specifically to poor, low-income households and micro-enterprises. Microfinance principally encompasses micro-credit, micro-savings, micro-insurance and money transfers for the poor. Microcredit, which is part of microfinance, is the practice of delivering small, collateral-free loans to usually unsalaried borrowers or members of cooperatives who otherwise cannot get access to credit. And while non-financial services such as education, vocational training and technical assistance might be crucial to improve the impact of microfinance services, they are not the focus of this review.*

*Even the vocal critic Thomas Dichter admits that microfinance can help the poor smooth consumption over periods of cyclical downturns or unexpected crises. This positive role of microfinance should not be dismissed altogether. If this consumption smoothing means parents can send their children to school, or buy essential medications, and maintain nutritional in-takes of their children then microfinance is likely to have positive long-term impacts on productivity. As noted by Partha Dasgupta (1995: 247), “At low levels of nutrition and health care, increase in current consumption improves future labour productivity: if nothing else, morbidity is reduced. For example, Pitt and Rozenweig (1985) observed from Indonesian data that an increase in the consumption of fish, fruit, or vegetables by 10 percent reduces the chances of illness there by 9, 3 and 6 percent respectively.”*

*Microfinance, thus, fulfils an important safety-net task, especially in countries where there is no state-sponsored social security system. In difficult times, the poor can first turn to family and neighbors. But in a situation of generalized poverty or economy-wide crisis, the poor will have to go to money lenders or to the employer for whom she or he works. If MFIs extend lending to the very poor in these cir­cumstances then they can help break the power and hold of such creditors who operate in the inter-locking credit and factor markets. Although high, the interest rates charged by the MFIs are lower than the rates charged by informal creditors (money lenders/employers/).*

*For quite a long time, formal financial institutions were not serving a useful purpose for the poor. In developing countries the poorer section of the community did not get access to formal financial sectors. They were simply kept out of the reach of the formal financial institutions for several reasons. First, formal financial sectors require collateral and credit rationing. Second, they prefer for high-income clients and large loans. Third, the processes and procedures of providing loan are bureaucratic and lengthy. Fourth, they are often urban based and give lending to those engaged in trade and industry. Fifth, they usually consider the demand for loan by the poor as unattractive and unprofitable (Khandker, 1998). There is no exception in Ethiopia as rightly pointed out in several studies (See; Mulat et al, 1998 and Wolday, 2000, 2001 and 2002).*

*On the other hand, informal financial sectors were not good either. They usually require high interest rates, which the poor cannot afford to pay. These situations have also found to restrict the access of the poor towards informal financial sectors. Morduch (1998) argued in his study conducted in Bangladesh that since moneylenders operate with little competition, they charge high interest rates. Generally, according to Hulme (2000), capital markets in developing countries do not work well so much so that they do not favour any development endeavour by the poor.*

*The year 1974 is a landmark in the history of microfinance development. It was by then that Professor Muhammad Yunus, a Bangladeshi economist introduced the idea of providing the poor with small loans. While he was on a field trip to an impoverished village with his students, he met a woman and interviewed her. She was making a living from the sale of stool (prepared from bamboo). From the interview he understood that the woman was making only a penny margin of profit for each stool. Then he reasoned that the woman would raise herself above subsistence level if she were given the loan with a more advantageous rate: then, he did it from his own pocket. In 1983 he formally established the Grameen Bank (meaning “village bank”). Today, in Bangladesh, Grameen has 1,175 branches, 12,500 staff and 2.4 million borrowers. The geographical coverage is 41, 000 villages, which means more than 60% of the total villages in the country (Visit http://www.globalenvision.org/library/4/537/).*

*Thus, the limitations of financial institutions in providing the poor with credit have become the driving forces behind the emergence of MFIs. Nowadays, microfinance institutions are burgeoning to provide the poor with financial as well as technical assistance.Today replications of the model are proliferating all over the world owing to its importance. While emphasizing the importance of microfinance, Kofi Anana, Secretary Generay of the United Nations once said, “Microcredit is a critical anti-poverty tool—a wise investment in human capital. When the poorest, especially women, receive credit they become economic actors with power. Power to improve not only their own lives but, in a widening circle of impact, the lives of their families, their communities, and their nations.” The accomplishment of MFIs is, therefore, a manifestation of a paradigm shift that defeated the old notion that the poor are not “creditworthy.”*

*2.2 Overview of Financial Sector & Credit Policies in Ethiopia*

*Modern banking in Ethiopia started in 1905 with the establishment of Abyssinia bank, which was based on a 50 year agreement with the Anglo Egyptian national bank. in 1908 a new development bank (called societe nationale de’ ethiope pour le development de l’agriculture et du commerce) and two other foreign banks (banque de l’indochine and the compagnie de l’afrique Orientale ) were also established. These banks were criticized for being wholly foreign owned.*

*After independence from Italy’s brief occupation, where the role of Britain was paramount owning to its strategic planning during the second world war, Barclays bank was established and it remained in business in Ethiopia between 1941 and 1943. Following this, in 1943, the Ethiopian government established the state bank of Ethiopia. The establishment of this bank by Ethiopia was a pain full process b/c Britain was against it. The bank of Ethiopia operated as both a commercial and a central bank until 1963 when it was split and remodeled in to today’s national bank of Ethiopia ( re established the central bank, as in 1976) and the commercial bank of Ethiopia (CBE) after this period , many other banks were established during emperor Haile Sellase I’s regime. Just before the 1974 revolution.*

*All privately owned financial institutions, including three commercial banks, thirteen insurance companies, and two non-bank financial intermediaries, were nationalized on 1 January 1975 under the Derg regime. The nationalized bank were reorganized in to one commercial bank (namely, the commercial bank of Ethiopia ), two specialized banks –the agricultural and industrial development bank (AIDB), and housing and saving bank (HSB), and one insurance company.*

*Following the regime change in 1991 and the labialization policy in 1992, these financial institutions were recognized to work in a market – oriented –policy framework. The CBE , EIC and NBE have retained their names and functions, whereas the AIDB was renamed as development bank of Ethiopia (DBE) , and HSB was renamed as construction and business bank (CBB).*

*Currently the major financial institutions operating in Ethiopia are banks, insurance companies and micro finance institutions. A number of commercial banks and insurance companies have also been established in the reform period. In 2008/09, the number of commercial banks operating in the country reached 13, of which ten were private commercial banks, and the remaining three were state owned.*

*In 2008/09, with the launching of new insurance companies, namely Ethio-life and Oromia insurance company, the number of insurance companies in the country expanded to 12. In terms of ownership, all insurance companies, except the Ethiopian insurance corporation (EIC), are privately owned.*

*Since the takeover of the present government in 1991, considerable attempt has been made to liberalize the financial sector. To this effect, Proclamation No. 84/94 was issued, which allows private domestic investors to participate in banking and insurance activities, which were previously monopolized by the government. However, the issuance of this proclamation alone did not totally solve the financial problem of the economically active poor people in rural and urban areas (Seifu 2002).*

*Another Proclamation, No. 40/96 was issued to solve the problem of the delivery of financial services to the poor. Following the issuance of this proclamation the microfinance industry of Ethiopia showed a remarkable growth in terms of outreach and sustainability. Furthermore, the National Bank of Ethiopia issued a new directive on May 2002 to improve the regulation limits on loan size (Br. 5000), repayment period (one year), and lending methodology (social collateral). The government also started micro-enterprise lending program after signing a development credit agreement (that is Market Town Development Project) with International Development Association (IDA) on March 30, 1990) which has been managed by Development Bank of Ethiopia. The objectives of the program were to finance very small businesses and household income generating activities, and to provide at least 50 percent of the loan to women entrepreneurs (implementation completion report, MTDP, 1999, cited in Asmelash, 2003).*

*The industry is non-competitive and provides uniform credit and saving products to all clients (Wolday, 2002). The development of these MFIs could be viewed from two angles: (i) as potential market growth for financial services and (ii) as a paradigm shift by the government and NGOs from mere relief assistance to mobilizing the community towards sustainable development (Fiona, 1999, cited in Wolday, 2000).*

*The proliferation of microfinance institutions could indicate the emphasis given to the strategy to fight against poverty in the country. Microfinance initiatives are policy instruments (prime components of the new development strategy). They can create an enabling environment for the poor to increase output and productivity by inducing technology Adoption, improving input supply, increasing income, reducing hunger and thereby reducing Poverty (Wolday, 2001).*

*Even though Microfinance in Ethiopia is in its infant stage. Based on data of 2006, the industry's Outstanding loan to GDP was 1.7 percent and its share to loan and advances of lending Banks and MFIs was 1.6 percent. Mobilize client savings by MFIs had reached 3.6 Percent of gross national savings.*

*As at the end of June 2007, twenty-seven Microfinance institutions operate in theCountry, obtaining license from National Bank of Ethiopia8. Most of the MFIs operate Both in the rural and urban areas mainly centering their head office in Addis Ababa. Dedebit Credit and Saving Institution (DECSI) and Amhara Credit and Saving Institutions (ACSI) take more than 65% share in serving clients served in the market. Similarly, in outstanding loan provision also these institutions take the lion share (62 percent) in the market.*

*2.3 Microfinancing on poverty reduction in Ethiopia*

*When one goes through the bulk of literature on the impact of microfinance, one can find quite different results, which are generally inconclusive. In some cases, microfinance is said*

*to have brought positive impacts on the life of the clients. A growing database of empirical*

*studies shows that microfinance has positive impacts to boost the ability of poor people to improve the conditions in which they live. Research works indicate that the poor have taken Advantage of increased earnings to improve consumption levels, send their children to school, and build assets.*

*In some other instances, microfinance is said to play insignificant role towards mitigating the problem of the poor. But looking at the positive impacts, several studies indicate that microfinance allows poor people to increase their incomes by starting new enterprises or expanding existing ones. The argument is that through diversified sources of income, the people could be able to shield themselves against external shocks. Savings and micro insurance services could also allow poor individuals to plan for future expenses, cope with stochastic crises and cover unanticipated expenses. Studies of microfinance programs and their clients indicate the following impacts on poverty and hunger. In Indonesia, 90% of BRI clients surveyed on the island of Lombok had moved above the poverty line, with income increases averaging 112 percent (Panjaitan-Drioadisuryo and Cloud, K, 1999). In Zimbabwe, extremely poor clients of Zambuko Trust, a local MFI, increased their consumption of highprotein foods at a time when food expenditures across the country as a whole were decreasing (Barnes, 2001). In Tanzania/Zanzibar, the income and assets values of borrowers are almost twice that of non-borrowers (REPOA, 2005). In India, in addition to increased economic wellbeing, SHARE clients have shown a striking shift from irregular, low-paid daily labour to more diversified sources of income, with a strong reliance on small businesses (Simanowitz and Walters, 2002). Studies of two separate microfinance institutions in Bangladesh documented a similar shift from informal labour to self-employment among MFI clients. As a result, overall wage rates in the villages served by the microfinance programs also increased ( Khandkher, 1998). Pitt and Khandker (1998) also indicated that microfinance has brought positive marginal impacts on consumption in Bangladesh. They showed that microfinance has become a promising strategy to shield the poor from vulnerability through consumption smoothing as well as building assets.*

*Using the assumption of perfect targeting, Khandker (1998) estimated that for every 100 taka lent to a woman and a man, household consumption increased by 18 taka and 11 taka respectively. He indicated that moderate poverty and ultra-poverty were reduced by 15% and 25% respectively for households in BRAC. The rate was even lower for old borrowers than new ones. This is to mean that number of loans was found to be important in impacting the life of clients positively. Strengthening this assertion, Montgomery et al (1996, cited in Zaman, 2001) pointed out that third time borrowers were found to get higher incomes and register growth in their enterprises. Mustafa et al (cited in Zaman, 2001) also found out that older borrowers were found to have greater asset values and household expenditures on average than new borrowers.*

*Generally the impact of microfinance is not a simplistic debate on whether it is transformative or ruinous; it is much more complex. Thus far literature reviews of empirical research on the impact of microfinance on the poor found controversial (and inconclusive) findings. Makina and Malobola (2004) classify such findings into a three-foldtypology:*

*1. Those studies that find beneficial socio-economic impacts, such as income stability and growth, reduced income inequality, reduced vulnerability, employment, nutrition and health improvements, school attendance, strengthened social networks, and women’s empowerment (e.g. Afrane 2002).*

*2. Those studies that allude to negative impacts, such as the exploitation of women, unchanged poverty levels, increased income inequality, increased workloads, high interest rates and loan repayment, creating dependencies, and creating barriers to sustainable local economic and social development (Buckley 1997)*

*3. Those studies that show mixed impacts. For example, benefits for the poor but not for the poorest (e.g. Hulme and Mosley 1996;); or helping the poor to better manage the money they have but not directly or sufficiently increasing income, empowering women, etc. (e.g. Husain et al. 2010; Mayoux 1999; Rahman 1998). Karnani (2007) argues that money spent on microfinances could be better used for other interventions, like supporting large labour-intensive industries for job creation. And there is literature that argues that a single intervention (like microfinance) is much less effective as an anti poverty resource than simultaneous efforts that combine microfinance, health, education, etc. (Lipton 1996).*

*2.3.1 Assessment levels*

*The impact of microfinance initiatives can be assessed from three different but interrelated Aspects . These are economic, socio-political/cultural and personal/psychological. It means that large MFIs reaching hundreds of thousands of clients may have three aims: 1) bringing changes in economic growth in a region or sector, 2) bringing a shift in the political aspect of a particular district, and 3) improving borrowers’ sense of self. These impacts could be evaluated from two perspectives. The first one is the financial system approach (the intermediary school) and the second one is the client-oriented impact analysis approach (the intended beneficiary school). The first one focuses on changes in the organization (MFI) and its operations. And as such, its proxy indicators are out reach and sustainability of the program (Goetz and Gupta, 1996). However, what clearly indicates ‘who benefits’ and ‘how’ is the intended beneficiary school, which is the focus of this study.*

*Studies suggest that many microfinance programs have attained the objective of reaching a large number of clients with small amounts of resources. Women are believed to be the main participants and beneficiaries of microfinance programs in many countries. Yet, many women lack enough power within households to use their loans to improve productivity and welfare (Goetz and Gupta, 1996). In this study, the impact of microfinance is assessed taking both households as a unit of analysis, but definitely both male and female-headed heads are considered.*

*2.3.1.1 Impact at Household level*

*The conceptual framework used by AIMS places the family/household at the center of its analysis. Because the client’s use of loans is firmly embedded in the family/household, especially among poorer families, searching for impacts requires a lens on the full range of family/household economic activities*

*1. At the family/household level, access to microfinance services should contribute to sustained net increases in family/household income, that reduce poverty and are sustained by asset accumulation and increases in labor productivity. Income invested in assets, into savings and education increases family/household economic security by making it possible to meet basic needs when the flow of income is interrupted.*

*2. At the business/enterprise level, impact is represented by investment in self-employment, a shift to higher income generating activities and purchase of productive assets.*

*3. At the individual level, change is measured by the poor women’s capacity to make decisions, to exercise control over resources, and make investments that improve household welfare and often translate into personal empowerment, especially in a woman's relationship with her spouse.*

*4. At the community level, access to microfinance services can result in increased social status and participation by women clients in the community. These relationships clarify paths of impact by which access to microfinance services can contribute to the goals of poverty alleviation and the empowerment of poor women.*

*1. Family/households improve their economic security and acquire the productive assets that sustain their movement out of poverty;*

*2. Enterprises gain viability, stability, and growth;*

*3. Individuals increase their control over resources and improve their well-being and status within the family; and*

*4. Communities develop economically through enterprise activity that provides goods and services, raises incomes, and creates jobs. Such local growth puts a brake on migration to urban areas, and the breakup of families which often results from this. Poor women become full actors in their communities.*

*2.3.1.2 Sustainability in Microfinance Institutions*

*In order for microfinance to be valuable as a tool for poverty alleviation, it must continue. Sustainability, or the potential to continue as a closed, self-generating system, if therefore important. It is considered in three facets. The Consultative Group to Assist the Poor (CGAP), the World Bank’s group dedicated to microfinance, estimated in 2003 that 1 billion people lack access to convenient, affordable, and appropriate financial services (Littlefield, E. Building Financial Services for the Poor. Finance for the Poor, Vol. 4, No. 2, 2003. Asian Development Bank. p. 3) As of 2004, the number of clients benefiting from microcredit services (institutions primarily providing loans and other debt products) was 80.9 million. (Microcredit Summit, State of the Industry Annual Report, 2002).*

*Approximately 65 million more people were served through cooperatives and credit unions as of 2003( Littlefield, E. p. 2). Accordingly, less than 10% of the existing market has been satisfied in the thirty years since microfinance’s renaissance began in the 1970s. The concept of sustainability is considered for individual MFIs. Although MFIs are considered to be development-oriented organizations, the microfinance industry is increasingly assuming characteristics of for-profit businesses, while maintaining a mission focus (Helms, B. Microcredit for enterprise development vs. microfinance as an industry: what is the difference? CGAP paper.). Organizational performance is important; for commercial banking institutions, financial results (the ‘bottom line’) are a key driver. However, given that the overwhelming majority of MFIs are charitable NGOs, profitability is an unpalatable term. Other terms substitute for profitability, including: Operational Self-Sufficiency (OSS), which measures whether the revenue generated in daily operations is sufficient to cover daily expenses; and Financial Self-Sufficiency (FSS), which measures whether revenues cover all costs, including financing and inflation (Definitions of Selected Financial Terms, Ratios, and Adjustments for Microfinance. (Seep Network,www.seepnetwork.org.).*

*Sustainability in this sense equates to the ability to continue to provide service. To do so requires capital which must come internally by generating profits or found externally. Typical institution behavior is to seek outside philanthropic funding. When no outside funding is available, a sustainable institution must be able to survive without assistance. A second aspect of sustainability is that of the industry as a whole. The microfinance sector must continue to provide services to more people; otherwise, microfinance will not make a meaningful dent in the demand for financial services and the poverty now confronting its potential clientele. ‘Massification’ is a word adopted from Spanish that the industry uses to denote rapid scaling-up. This word suggests that such growth has a sustained, increasing, and positive impact on poor people (See, e.g.,, de Sousa-Shields, M. Financing Microfinance Solutions to Poverty. IADB 4th Latin American Conference on Microenterprise.)*

*The advent of the United Nations’ Millennium Development Goals (MDGs), provides an additional opportunity for the microfinance industry to assert its necessity for continuation, which fosters more attention, theoretically more capital, and fuels the first point on sustainability, above. With donor agencies contributing an estimated $500 million to $1 billion a year in capital, it is insufficient source to accomplish the goal (Ivatury and Abrams, CGAP Focus Note: Investment in Microfinance. Working Paper # 6,www.socialentrprise.net).*

*The other indicator of performance of a micro finance institution is its financial sustainability. Different literatures noted that financial sustainability is one of the areas that we need to look at to assess the performance of micro finance institutions. Meyer (2002) noted that the poor needed to have access to financial service on long-term basis rather than just a one time financial support. Short-term loan would worsen the welfare of the poor (Navajas et al., 2000). Meyer (2002) also stated that the financial unsustainability in the MFI arises due to low repayment rate or un-materialization of funds promised by donors or governments. According to Meyer (2002), there are two kind of sustainability that we could observe in assessing MFIs performance: Operational self sustainability and financial self-sustainability.*

*Operational self-sustainability is when the operating income is sufficient enough to cover operational costs like salaries, supplies, loan losses, and other administrative costs. And financial self-sustainability (which he referred as high standard measure) is when MFIs can also cover the costs of funds and other forms of subsidies received when they are valued at market prices.*

*Meyer (2002:4) indicated, "Measuring financial sustainability requires that MFIs maintain good financial accounts and follow recognized accounting practices that provide full transparency for income, expenses, loan recovery, and potential losses." There also are some dispute on the link between financial sustainability and outreach to the poor. According to some (Christen et al. 1995; Otero and Rhyne 1994), cited in Meyer (2002), outreach and financial sustainability are complimentary this is because as the number of clients increase MFIs enjoys economies of scale and hence reduce costs which help them to financial sustainable. On the other hand, Hulme and Mosely (1996) argued that there is inverse relation ship between outreach and financial sustainability. Here the argument is higher outreach means higher transaction cost in order to get information about creditworthiness of clients and hence make MFI financially unsustainable.*

*Regarding indicator of financial sustainability, Khandker et, al. (1995) pointed out that loan repayment (measured by default rate) could be another indicator for financial sustainability of MFIs; because, low default rate would help to realize future lending.*

*The common goal of Grameen Bank-type MFIs is reduction of poverty through the provision of financial services to poor women. Therefore, it is vital for their management to monitor their success in reducing poverty among their clients. To do so, they need to understand the process of poverty reduction and which of their services are more effective in promoting this process.*

*Conventionally, information on impact has been supplied by independent, external consultants who have been commissioned to do the necessary research. Serious problems have been experienced with the conventional approach, however. As the external, professional studies are costly, MFI managements have felt that they should wait until enough time, say 5 years, had elapsed to ensure that meaningful impact could be found. This means that they have to wait 5 years to find out whether they are on the right track. Secondly, the external impact studies tend to be done by academic researchers who do not always address the main concerns of the MFI practitioners; and the external studies tend to take a long time to carry out.*

*Finally, when the reports are received by management, they are often outdated. It is not surprising, therefore, that not enough impact assessment is done, and that MFI managements do not have access to timely, cost-effective information on their progress in poverty-reduction. Consequently, there is a need for practitioner-led impact assessment.*

*Also sustainability of MFI is measured in terms of generating enough revenues (excluding subsidies) to cover the cost of all factors of production and loanable funds whereas outreach is a hybrid measure that assesses the extent to which an MFI has succeeded in reaching its target clientele and the degree to which the MFI has met the clientele's demand for financial services (Yaron, 1994). Alternatively, outreach is the provision of a wide array of quality financial services to a large number of poor people (Lariviere and Martin, 1999). It is measured in terms of the number of clients, loan size, percentage of loans to clientele below the poverty line, percentage of female clients, range of financial and non-financial services offered to the poor, the level of transaction costs levied on the poor and the extent of client satisfaction with respect to financial services. However, on top of the criteria of sustainability and outreach, one has to include developmental effects (income and empowerment) on the target group as core performance criteria.*

*2.3.2 Impact Indicators of Poverty*

*This study also identified that microfinance impact at household level leads to increased income, increased assets and increased welfare (in such aspects as food security, housing and health), mobilize savings among the poor for emergency purposes, reduce the dependence of the poor on usurious moneylenders, increase incomes of the poor by financing self-employment activities, promote the values of education and responsible parenthood amongst Addis credit and saving institution members, help establish other MFIs and give assistance to them through training.*

*Income, assets, welfare and consumption expenditure can be used as indicators of impact. The framework by Ledgerwood (1999) defines domains of impact indicators to measure impact at the household, enterprise, individual and community levels. At the household level, income, assets, consumption expenditure and basic services are indicators of impact assessment. At the enterprise level, five domains of development include the resource base, production process, management, markets and financial performance. At the individual level, three domains of well being include independent control of resources, leverage in households’ decision-making units and community participation. At the community level, four domains of development include net changes in employment and income, forward and backward linkages, social networks and civil participation. According to Chekol kidane (2002), the changes of these indicators that indicate the movements at different levels toward or away from greater economic security are believed to suggest the role of microfinance interventions in expanding options for poor women and men in relation to the broader development goals of poverty alleviation and economic growth. According to AIMS (2000), domains of household security include income, assets and expenditures.*

*2.3.3 Impact Assessment Framework*

*The impact of microfinance initiatives can be seen from three different but interrelated aspects. These are economic, socio-political/cultural and personal/psychological. It means that large MFIs reaching hundreds of thousands of clients may have three aims: 1) bringing*

*changes in economic growth in a region or sector, 2) bringing a shift in the political aspect of a particular district, and 3) improving borrowers’ sense of self. These impacts could be evaluated from two perspectives. The first one is the financial system approach (the intermediary school) and the second one is the client-oriented impact analysis approach (the intended beneficiary school). The first one focuses on changes in the organization (MFI) and its operations. And as such, its proxy indicators are out reach and sustainability of the program (Hulme, 2000).*

*However, what clearly indicates ‘who benefits’ and ‘how’ is the intended beneficiary school,*

*which is the focus of this study. Studies suggest that many microfinance programs have attained the objective of reaching a large number of clients with small amounts of resources. Women are believed to be the main participants and beneficiaries of microfinance programs in many countries. Yet, many women lack enough power within households to use their loans to improve productivity and welfare (Goetz and Gupta, 1996). In this study, the impact of microfinance is assessed taking both households as a unit of analysis, but definitely both male and female-headed heads are considered. The model given below specifies the linkages of variables involved in the study.*

*Figure 1.1 A simple framework from microfinance to poverty alleviation*

* Income smoothing
* Building Assets
* Saving
* Access to Education& healthServices
* Empowerment

Training,business planning & monitoring

Poverty

Reduction

Program

Lending

*This section will explore the conceptual issues surrounding microfinance and poverty. In the simplest terms, the idea is that micro-credit and microsavings allow the poor to invest their money in the future, increase their incomes and ‘lift themselves out of poverty’. This simple causal chain is represented in Figure 1.1.( Mayoux (1999)) We will be unpacking this chain in this review, and will be developing a more complex evidence-based understanding of how microfinance may (or may not) have positive impacts on the poor.*

*Figure 1.2 A simple framework from microfinance to poverty alleviation*

Increase income

Access to

microfinance

Invest in the future

Lift out of

poverty

Increase education,

health etc

***Source: -*** *Adapted from Hulme (2000)*

*The above model indicates that the independent variable is the program lending. The mediating variables indicate that there are modified behaviours and practices over a period of time. These behaviours are depicted under the idea that clients will engage in income generating activities that would help them smooth their, otherwise, meager incomes, accumulate assets, save more, send their children to schools, and have a say on matters that affect their and their families’ lives etc. Training, business planning & monitoring are other intervening variables. The tools provide data within an impact framework that traces changes at the level of the household, the individual, the business, and the community. The hypotheses upon which the tools have been developed, therefore, look to estimate the effect of microfinance services on each of these four levels.*

*2.4 Empirical Evidence*

*The macro poverty situation in the Philippines showed some improvement until 1997, declining overall to 31% of the population, from 40% in 1991, and declining in absolute numbers in the urban areas. It can be assumed that the 1998-99 economic crisis, and the country-wide El Nino drought of 1998, have increased poverty incidence. Hefty increases in consumer prices, particularly of food, and in unemployment, have probably pushed many ‘near-poor’ into the moderate poverty group. Weather related declines in road construction and crisis-related declines in construction and manufacturing have hit both rural and urban poor.*

*Inequality in the Philippines sharply increased during 1997-98. The ratio of income of the top quintile to that of the bottom quintile increased from 12.7 to 17.3, during the crisis years. In the Southern Tagalog area, where 6 of the 8 ASHI branches are operating, there is little statistical information on the direction of poverty incidence in the past three years. In 1997, 26% of all families lived below the poverty line – a total of 485,698 households.*

*We can assume that all three branches sampled in this impact assessment have been affected by the dual economic and weather crises mentioned above. Reports from ASHI field managers indicate that in the urban branch of Mantinlupa and in certain parts of Laguna East, where factory employment is common, a number of husbands of clients have become unemployed. Clients in such households have had difficulty repaying larger loans. In addition, the demand for craft goods like wood carving and paper mache, which are sources of income for many households in Laguna, has declined in the recession. In addition, Talim has been affected by particular circumstances. The Plans for the ‘Marilaque Growth Area’, which included an eco-tourism scheme for Talim, by joining it to mainland growth areas via the Ticulio-Navotas suspension bridge, have drawn speculative money into the island. Many families sold off their rights to hill land. In the event, the bridge has not been built and no tourism facilities have been developed on the island. However, the Talim fishing community is increasingly affected by pollution and a change in the brackish water ecology of Laguna de Bay, which has severely affected the number of fish in the lake. It seemed particularly depressed during the time of this assessment. This is a seasonal depression because of the recent rainy season; but it seems to be on top of a long term decline in fish stocks. Since most ASHI loans in Talim have gone into fishing equipment, this is a matter of concern. (National Statistical Coordination Board,**July, 1998.) In addition to the wealth indicators explored above, we have extracted findings from 14 good quality studies relating to the health, food security and education of clients and their families, as well as exploring the evidence for the empowerment of women, social cohesion, improved housing and job creation. the evidence from the four studies included in the review which are judged to be high quality is highlighted, and any differences between their findings and those from medium quality studies is noted.*

*Health :-The available evidence from both high and medium quality studies suggests that both micro-credit and**micro-savings have a generally positive impact on the health of poor people.**There is some evidence that micro-credit increases investment in health care in terms of health insurance and expenditure on health care itself (Dupas and Robinson**2008 Adjei and Arun 2009;; – note that only Dupas and Robinson’s is a high quality study, whilst only Adjei and Arun’s finding is**statistically significant). They also find that length of time within the programme does not affect health expenditure**(Adjei and Arun 2009). Micro-credit may also improve the health of the children of clients in terms of (a) protective behaviours – sleeping under a mosquito net and (b) nutritional status – for families in particularly stressed environments .*

*Food Security and Nuitration:-The evidence (including that from one high quality study) suggests that micro-credit and micro-savings have a positive impact on food security and nutrition, although this is not true across the board Data on the impact on food security and nutrition suggest that neither participation in a combined microsavings and micro-credit programme ,nor participation in a credit-only programme (Doocy et al. 2005), has any effect on meal quantity. Evidence from Tanzania and does suggest that participation in the Village Savings and Credit Association and the Red Cross credit programme respectively is associated with a significant positive increase in meal quality, with an increase in consumption of meat in both countries and fish in Zanzibar. Participation in the Zambuko Trust in Zimbabwe also had a positive impact on consumption of nutritious food (meat, chicken or fish, milk) in extremely poor client households compared to non-clients and those who had left the programme (Barnes et al. 2001b). There is a suggestion from the high quality RCT of micro savings in Kenya that increased food quality is due to increased food expenditures, which increased significantly for client women (Dupas and Robinson 2008).*

*Housing:-There is evidence that micro-credit and micro-savings have a positive impact on clients’ housing. Data on housing is limited, but all three studies included in this in-depth review suggest positive impacts of microcredit and micro-savings on housing. Village Savings and Loan Association participants in Zanzibar are more likely to own their own home and make investments in the quality of their home than control groups. In Rwanda, credit recipients were found to have made more improvements to their homes than non-credit clients**(Lacalle et al. 2008). The high quality study by Barnes and colleagues (2001a) also found that a greater proportion of**client households, compared to non-client households, became owners of the place in which they resided, and**that client households were more likely to have increased the number of rental units owned than non-client households.*

*Empowerment :-There is some evidence that micro-credit is empowering Women also there is some data from Uganda which suggest that micro-credit contributes to a women’s decision-making power; however, the author notes that this is a symptom of status within the household and control in their farming businesses as much as an impact of micro-credit (Wakoko 2004).*

*Job Creation:-There is little evidence that micro-credit has any impact on job creation – both studies are medium quality.**Only two studies reported impacts of micro-credit on job creation: no studies of micro-savings considered job**creation as an outcome. There is very little data within the review on the impact of**micro-credit or savings on job creation. Gubert and Roubaud (2005) found that in 2001, the impact of microcredit**on employment was positive and significant, but by 2004, while positive, it was not statistically significant. Data from Zimbabwe also showed that micro-credit had no impact on employment levels in businesses (Barnes et al.**2001b). In both cases, political unrest and economic crises may have played a role in these results.*

*Other Non-Wealth out come :-Evidence from one study found that micro-credit did not result in a significant increase in child labour, indeed it**reduced child participation in household chores. This was despite the finding within the same study that children of**credit clients are less likely to attend school (Shimamura and Lastarria-Cornhiel 2009).*

*A summary of the evidence of effectiveness:-The available evidence suggests that micro-credit has mixed impacts on the incomes of poor people. Microsavings alone appear to have no impact. Both microcredit and micro-savings have positive impacts on the levels of poor people’s savings, whilst they also both increase clients’ expenditure and their accumulation of assets. The available evidence suggests that both micro-credit and micro-savings have a generally positive impact on the health of poor people, and on their food security and nutrition, although the effect on the latter is not observed across the board. In contrast, the evidence on the impact of micro-credit and micro-savings on education is varied, with limited evidence for positive effects and considerable evidence that micro-credit may be doing harm, negatively impacting on the education of clients’ children. Having said this, micro-credit does not appear to increase child labour. There is some evidence that micro-credit is empowering women, but this is not consistent across the reviewed studies. Both micro-credit and micro-savings have a positive impact on clients’ housing. However, there is little evidence that micro-credit has any impact on job creation, and no studies measured social cohesion.*

*CHAPTER THREE*

*3. DATA AND METHODOLOGY*

*The study has employed both quantitative and qualitative tools of impact assessment in order to produce complete report. To identify the different dimensions of impact of microfinance intervention, impact survey questionnaire used as a quantitative tool with both the control and the experiment groups used with some modifications and adjustments to fit with the situations of the study area. The questionnaire included questions related to welfare indicators, such as source and level of income, ownership of key assets, living condition, diet, education, medical facilities and heath condition, business activities, savings and control of resources, and clients history with AdCSI, such as loan use, follow up and supervision and training, as well as some pertinent socioeconomic characteristics such as, housing conditions, and production level.*

*The study was conducted in Addis Ababa Kirkose Sub City, Woreda 4 . The survey was conducted on respective sample of respondents from the Woreda. Three stages sample design procedure were adopted for the survey. The first stage is the selection of sample branch of the AdCSI. The second stage is the selection of sample Woreda. The third is the selection of sample respondents from the selected Woreda.*

*Besides, focus group discussions were conducted with the clients of the program and employees of the institution in the Woreda in order to identify some potential problems of the institution and clients. The focus group discussions were held on urban households of the study area. Secondary data was also collected from the reports and brusher of AdCSI and other institutions and printed as well as published materials, in order to explain the current situation of the microfinance industry in Ethiopia and to explain the outreach and performance of AdCSI.*

*3.1 Methods of Data Collection*

*Sampling method****:*** Using simple random sampling method, woreda 4 were selected. The selection of respondents was based on frequent clients and non-clients of the program. *Two clusters of respondents were first identified from the total population of sample woreda.* *The first cluster was from frequent borrowers who are clients for at least two years. The* *second cluster was from non-clients who have not stayed in the program. The total sample* *size was 324. In terms of length of program participation, 162 were selected from frequent* *borrowers while the remaining 162 were from non-clients who make up the control group.* *Orientation was given to the enumerators who were selected based on their experience in* *conducting interview with the program clients and non-clients in order to show them how to go about conducting the subsequent interviews. In all the total numbers of focus groups are 324 out of this 162 are clients and the remaining 162 are non clients. Discussion was also held with the employees of the institution, in kirkose sub branch and woreda 4 , in order to identify some operational problems of the institution.*

*Simple random sampling design was adopted for the survey. The first stage is selecting the sample sub branch among 11 sub branch of AdCSI. The second stage was to choose woreda that were representative of the program’s overall client base while containing a large concentration of clients within the close proximity of each other. This sampling method improved the cost effectiveness of the survey, primary through the cost savings derived from limiting the area coverage needed in constructing the control and experiment sample frame. The third stage of the sampling approach consisted of the selection of the experiment groups (thereafter clients) and control groups (thereafter non clients) households. Both the frequent clients and non clients were selected from the updated lists provided by* kirkos *sub branches of AdCSI woreda 4. That is the roaster clients of the institution in the study area were used as a sampling frame for the study. Randomly selection of respondents was made from the lists of clients of the institution in the* Woreda*.*

*Participation categories:**in order to analyze the data, it was necessary to first determine which observations would be included in the treatment sample and which observations would included in the control sample. The approach was to differentiate between the experiment groups and control groups according to the participation status of the households with the program during the survey period. In addition, each study accorded special attention to the specific subgroups of the clients sample that were defined in terms of gender.*

*The treatment (experiment) sample****:*** *included all households who were classified as clients of the program.*

*Control sample:**included all households who were classified as non clients. (Those who had never received services from the program*

*Sample size: the question about the right sample size in a quantitative research is one that concerns researchers. Several statistical methods are available for estimating the appropriate sample size. The sample size generally depends on the total number of population, the level of confidence, and the maximum deviation from true population that can be tolerated in the study.*

*Questionnaire design and data collection procedures**the impact survey comprises different questions that are expected to test all of the hypotheses developed by the researcher and was translated in to* Amharic *(official language of the country). It was administered to a sample group of 162 clients from AdCSI in kirkose sub branch woreda 4 and 162 non clients. During the survey four 10 teachers’ enumerators were recruited. As a part of their training, these enumerators were involved in creating the listing used randomly to select the respondents after they received two days training. Subsequently, after a thorough review of each question in the questionnaire, the enumerators were placed in pair to conduct one simulated interview each. The simulated interviews were expected to improve the enumerators’ comprehension of the questionnaire and accuracy in entering and coding answers. The enumerators were also trained on how to conduct an interview and what to do if the respondent is distracted, loses interest, or runs out of time*.

*3.2 Methods of Data Analysis and hypotheses*

*A summary of statistics and tabulation of field data were used to examine the impact of AdCSI’s intervention on the welfare of the participants’ household. Qualitative analysis is also used to formally present arguments pertaining to the impact of microfinance on the beneficiaries’ welfare and to explain some operational issues of the study institution.*

*The analysis included comparison of income, asset, housing condition, nutrition and health and educational facilities, decision making pattern and participation of women clients in the community, business growth and business activities between the clients and non clients of urban program area.*

*3.3 Impact Assessement at Household Level*

*Therefore, descriptive analysis and the Logit model have been made and the analysis of the assessment is based on the following variables.*

*a) Income: One of the immediate impacts of having access to credit from ACSI microfinancing is on income. The household is usually expected to benefit from the credit in terms of improvement in income. Income may have impact on other economic conditions. The clients’ monthly income, which includes income from the loan and other sources side by side, was collected. b) Program Participation: participation in microfinance program is expected to create or/and expand potential of activities financed by the program. It also reduces the extent of credit market imperfection that is resolved with enhanced availability of credit. Suing a participation dummy would allow the average returns to participation. Thus, the participants are expected to benefit from the program in terms of improvement in income. c) Loan size: It is also expected to improve productive capacity of the intended activities, which intern have a positive impact on income.*

*d) Voluntary Individual Saving: There are two types of savings in the MFI’s scheme. The first one is a compulsory saving, which is normally enforced and starts simultaneously with the loan that is approved for an individual. On the other hand, voluntary savings is an individual savings, which depends on the willingness of the individual to save. Therefore, for this analysis, voluntary savings is considered. e) Educational Facilities: The second variable is access to educational facilities. Thus, enrollment of school-age children and the responsiveness of access to education are considered. f) Medical Facilities: Respondents can be asked to recall their monthly average medical expenditures. However, similar to education, they may not able to estimate the medical expenditures. Information on the number of members who were ill or injured in the household and taken for medical treatment was collected. Thus, a response to medical facilities is considered. g) Nutritional Status: The immediate impact of microfinance is on income, which is expected to have impact on consumption expenditure of households’ diet. Thus, consumption expenditure is used to evaluate the effect of the access to credit. The increase in consumption expenditure is expected to improve household diet and living conditions. The number of meals per day and responsiveness of access to nutrition are also considered in the analysis. h) Women Empowerment: This is to identify how women clients have been empowered by their participation in the program. Information that controls and decides over the business activities within the household was collected.*

*3.4 Outreach and Loan Repayment Performance*

*The outreach and sustainability of MFI approach is also another prominent tool to assess the impact of Microfinancing scheme on poverty alleviation. The assumption is that if outreach has been expanded and institution is sustainable, then the program is judged to have a positive impact as it has widened the financial market. This, in turn, based on the assumption that credit and saving services led to improve household security and economic status of the clients. Johnson and Rogaly (1997) argued that the repayment rate is the indicator most often used as a measure of the performance of credit scheme. The modeling of loan repayment performance incorporates both the borrower and lender characteristics.*

*The loan repayment model is based on the assumption that the decision of the clients whether to repay the loan in full or not depends on unobservable utility index which is explained by the independent variables. Since this utility index is unobservable, there should be some mechanism, which relates unobservable utility index to actual repaying loan in full or not. Therefore, defining a dummy variable, this takes the value 1 when it is observed that the borrower pays in full and 0 otherwise (Teferi, 2000). Note that the probability of repaying the loan in full or not must lie between 0 and 1 inclusive. This model is estimated using Maximum Likelihood Estimation (MLE). If we apply the Ordinary Least Square (OLS), we may face the possibility of estimated probabilities lying outside the 0-1 ranges. Since the dependent variable in the loan repayment performance equation is dichotomous, or dummy dependent variable, the Logit model is one of the models frequently used to deal with dichotomous variables. Such methodology was used by Mengistu Bediye (1997), Berhanu Lakew (1999) and Teferi Zewdu (2000). Since the loans provided to the beneficiaries are on a one year maturity period, the loan repayment rate is measured as the ratio of payments made to payments scheduled to be paid at a particular time. Accordingly, the loan repayment rate for each beneficiary is calculated as a ratio of total loan paid to total loan supposed to be paid at a particular time. The loan repayment performance of AdCSI is analyzed based on the following explanatory variables.*

*a) Income from Activities Financed by the Loan: This variable may have a mixed impact*

*on loan repayment. An increase in income from activities financed by the loan is expected to have a positive sign if the increase in income increases loan repayment capacity. On the other hand, it may have a negative impact if the success in income leads to decrease the need for further credit from the institution. b) Income from Other Activities: Availability of other sources of income is expected to have positive contribution for loan repayment performance. On the other hand, however, this income may produce carelessness on the part of beneficiaries in meeting credit obligations since they may not need credit in the future from the same source and in that case it is expected to have negative impact. c) Asset Value: Value of assets of the borrowers is expected to have a positive impact on loan repayment performance having the perception that the assets will be under liability in case of default. d) Loan Size: If a loan amount is just enough for the intended purpose, it will have a positive impact on the productive capacity of the intended activities. But, for large amount of loan size, which is more than the capacity of the project, it is expected to have a negative impact because the excess of loan amount will have a burden. e) Education Level: This variable is expected to have a positive impact. More educated clients are expected to use the loan fund effectively compared to less educated one. f) Clients‘ Attitude to Cost of Default: Cost of default includes claims against personal wealth, claims against guarantees, social sanctions such as loss of social status, loss of future access to credit and other economic benefits. For those who are at least one of these factors is very important, the variable will have a positive sign. But, for those beneficiaries who undermine these costs, it will have a negative impact. g) Age: It is usually believed that the increase in age will have business experience. Thus, it is expected to have a positive sign. h) Sex: Many microfinance specialists believe that women are better loan payers than male clients. On the other hand, however, some empirical studies shows the opposite result. i) The Use of Financial Records: If a borrower uses financial records, it will help to follow up his/her loan repayment position, which contributes for loan repayment. Thus, the use of financial records is expected to have a positive sign. j) Timeliness of Loan Disbursement: The timeliness of loan disbursement is important when loans are being used for seasonal activities. If loan is disbursed on time from the point of view of the borrower, then it is likely that the probability of utilizing the loan proceeds on time. Thus, it is expected to have a positive sign. On the other hand, however, if loan is issued late from the point of view of the borrower, the client could not be able to employ the fund he/she planned to do on time. In this case, the variable may have a negative sign. k) Loan Supervision: Supervision will make borrowers observe their credit obligation. As a result, borrowers are encouraged to settle their duty by improving loan repayment performance. Thus, it is expected to have a positive sign. l) Appropriateness of the Loan Repayment Time: It is expected that this variable will have a positive sign because the borrowers who find this repayment period suitable perform better. m) Loan Diversion: If loan is diverted to non-income generating purposes (such as consumption, clothing), it is likely that the sign of this variable will be negative since it reduces repayment capacity. If, however, the loan is diverted to income generating purposes, the variable is expected to have a mixed effect. Loan diversion has the character of fungibility, which refers to the interchangeability of the uses of loan to which credit can be put.*

*3.5 Description of the Study Area*

*The selection of the study area was aimed to evaluate the impact of microfinance intervention in urban program. It was conducted in kirkos sub city woreda 4 Addis Ababa, Ethiopia. According to the central statistics authority report of 2011/12, the Woreda has a total population about 42,000. The major economic activity of the sub city is trade and hotel services followed by civil servants and wood and metal works. AdCSI started its operation in kirkos sub city, in the same year of its establishment (in 2000 ) and currently has total number clients about 8,000 and woreda 4, currently have 912 total client .*

*During the year 2011/12 in Kirkos sub city woreda 4 disbursed a total loan of Br. 2,796,700 for 270 clients among this 125 is male clients and the remaining 147 are female clients which is higher than loan disbursement of year 2010/11 which was amounting Br. 2,491,251 for 374 clients among this 185 male clients , 186 female clients and the remaining 3 are cooperatives also which is higher than the loan disbursement of year 2009/10 which was amounting Br. 1,858,400 to 290 clients among this 129 is male and 161 female. While the total saving mobilized during year 2011 was Br.1,079,033.5 higher than the total savings mobilized during the year 2010/11 which was Br. 733,102.48 also which is higher than the total savings mobilized during the year 2009 which was Br. 260,170.81.*

*CHAPTER FOUR*

*4. EMPIRICAL ANALYSIS*

*4.1. Description of Sample Household Characteristics and Client’s Experience with the Program*

*It is clear that most of the microfinance institutions in Ethiopia deliver financial services, especially loan, to the poor using a group collateral and individual (but for individual it depends on the size of the loan) method. AdCSI is one of those institutions, which delivers financial services to the poor people in the urban areas of Addis using social (group) collateral method and individual method. The survey results of the respondents’ experiences with the institution are summarized here below in the model and tables. According to Johanson and Rogaly (1997) impact analysis requires control group which is a sample of people similar in every respect but who have not received a loan or those who have not been members of the program not for more than one year, to compare with sample clients that have received loan for more than a years. In practice it is difficult to find control group that are exactly similar to credit worthy borrowers. To mitigate these problems, the study uses non-clients as a control group because they were already identified as they do have similar characteristics with those of frequent borrowers i.e. they were identified as poor. Assessing impact at the participant level requires adjustments to control for differences in unobservable household characteristics. The impact of the program is assessed at household level based on average income, which in turn affects access to education, access to medical facilities, nutritional status, savings and women empowerment, among others, which are indicators of poverty. This is estimated by fitting regression that measures the differential impacts of program placement at the village level while controlling for observable characteristics of the household level.*

*The explanatory variables that affect the economic status of the respondents are expressed*

*both qualitatively and quantitatively. Where the dependent variable is dichotomous, many studies show that Logit models are appropriate because the Logit model is simpler in estimation than Probit model (Alderic and Nelson, 1984). An appropriate measure of the impact of the microfinance services on economic status of the clientele, which is reflected on income level, is treated as a dichotomous dependent variable (it takes 1 if income is improved and 0 otherwise). The functional relationship between the probability of improvement in income and explanatory variables is specified as:*

*Y = F (RES, LS, VIS, U1) ----------------------------------------------------------------------(1)*

*Where: Y = Average yearly income of household*

*RES = Respondents (clients and non-clients)*

*LS = Loan size*

*VIS = Voluntary individual savings*

*U1 = Error term*

*Therefore, following Gujarati (1992), the Logit distribution function is specified as:*

*Pi = 1/(1+e-zi)---------------------------------------------------------------------------------(2)*

*Zi = \_o + \_1X1i + \_2X2i + --- +\_nXni --------------------------------------------------------(3)*

*Pi = 1/[1+e- (\_o+\_1X1i+\_2X2i+---+\_nXni) ] ----------------------------------------------(4)*

*Where*

*Pi = Probability of improvement in income in relation with the explanatory variables*

*ezi = Irrational number to the power of zi*

*zi = A function of n explanatory variables*

*Thus, the probability of improvement in income in relation with the explanatory variables is explained based on the sign of the coefficients. The parameters tell how the economic status of the clients and non-clients changes as explanatory variables change. The positive sign of the parameters show the trend that the changes of the variable are greater in clients than nonclients. The total 324 respondents in the sample branch, 162 clients and 162 non-clients were interviewed for the study. Of the total sample clients of the program, 137 (84.56%) are male and 25 (15.43%) are female. From the total sample non-clients, 116(71.6%) are male and 46 (28.39 %) are female. From the total sample respondents, 252(77.77%) are male and 72(22.22%) are female. Also considering the marital statuses of the total sample respondents, 18(5.55%) are single, 279(86.11%) are married, 6(1.85%) are divorced and 21(6.48%) are widowed. Out of the total sample clients 143(88.27%) are married. Out of the total sample non-clients 136(83.95%) are married. This implies that majority of sample respondents are married (See table 4.1) & (see table 4.2) respectively.*

*Table 4.1 Sample Respondents by Sex*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Type of***  ***Respondent*** | ***Sex*** | | ***Total*** |
| ***Male*** | ***Female*** |
| *Clients* | *137* | *25* | *162* |
| *Non-clients* | *116* | *46* | *162* |
| *Total* | *252* | *72* | *324* |

*Table 4.2 Sample Respondents by Marital Status*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Marital status*** | ***Type of respondents*** | | ***Total*** |
| ***Clients*** | ***Non-clients*** |
| *Single* | *9* | *9* | *18* |
| *Married* | *143* | *136* | *279* |
| *Divorced* | *4* | *2* | *6* |
| *Widowed* | *6* | *15* | *21* |

*Out of the total respondents, the ages of 123 (37.96%) are in the range of 21-30, 134 (41.35%) are in the range of 31-40. This implies that the ages of most respondents lie in the range of age between 21 and 40. Also From the total sample respondents, 156 (48.14%) are illiterate, 127 (39.19%) are in the range of grade 1-6 and 40 (12.34%) are in the range of grade 7-12. From the total sample clients, 72(44.44%) are illiterate, 71 (43.82%) are in the range of grade 1-6, 10(6.17%) are grade 7and 8 and only 9 (5.55%) are in the range of grade 9-12. This implies that most of the sample respondents are illiterate. Out of the total sample non-clients 84 (51.85%) are illiterate, 57(35.18%) are in the range of grade 1-6, 12 (7.4%) are grade 7and 8 and 9 (5.55%) are in the range of grade 9-12. (See table 4.3) & (see table 4.4) respectively.*

*Table 4.3 Sample Respondents by Age*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Age*** | ***Type of respondents*** | | | | ***Total*** |
| ***Clients*** | | ***Non-clients*** | |
|  | ***Male*** | ***Female*** | ***Male*** | ***Female*** |  |
| *15-20* | *7* | *2* | *4* | *2* | *15* |
| *21-30* | *47* | *15* | *39* | *22* | *123* |
| *31-40* | *41* | *7* | *43* | *12* | *103* |
| *41-50* | *24* | *1* | *18* | *4\_1* | *47* |
| *51-60* | *15* | *1* | *9* | *3* | *28* |
| *Above 60* | *2* | *1* | *2* | *3* | *8* |

*Table 4.4 Sample Respondents by Level of Education*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | ***Education***  ***level*** | ***Type of respondents*** | | | | ***Total*** | | ***Clients*** | | ***Non-clients*** | | |  | ***Male*** | ***Female*** | ***Male*** | ***Female*** |  | | *Illiterate* | *62* | *10* | *57* | *27* | *156* | | *Grade 1-6* | *57* | *12* | *47* | *10* | *127* | | *Grade 7-8* | *8* | *3* | *6* | *6* | *23* | | *Grade9-12* | *9* | *0* | *6* | *3* | *18* | |  |  |  |  |  |

*Out of the total sample respondents, the number of household size ranges from 1 to 10. The*

*Average household sizes of clients and non-clients are 5.4 and 3.8 respectively. Also the number of household dependents ranges from 0 to 7. The average numbers of household dependents of clients and non-clients are about 3 and 2 respectively (see table 4.5) &(see table 4.6) respectively.*

*Table 4.5 Household Size of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Household size*** | ***Type of respondents*** | | ***Total*** |
| ***Clients*** | *Non-clients* |
| *1* | *8* | *12* | *20* |
| *2* | *9* | *34* | *43* |
| *3* | *13* | *35* | *48* |
| *4* | *15* | *19* | *51* |
| *5* | *30* | *19* | *49* |
| *6* | *28* | *17* | *45* |
| *7* | *24* | *11* | *35* |
| *8* | *15* | *4* | *19* |
| *9* | *10* | *2* | *12* |
| *10* | *2* | *0* | *2* |

*Table 4.6 Household Dependents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Number of***  ***dependents*** | ***Type of respondents*** | | ***Total*** |
| ***Clients*** | ***Non-clients*** |
| *0* | *0* | *20* | *48* |
| *1* | *1* | *27* | *28* |
| *2* | *2* | *22* | *30* |
| *3* | *3* | *30* | *30* |
| *4* | *4* | *24* | *13* |
| *5* | *5* | *24* | *6* |
| *6* | *6* | *14* | *6* |
| *7* | *7* | *2* | *0* |

*It is also observed that microfinance, Iddir, Iqqub, relatives, friends and individual money lenders are sources of finance for the sample respondents. Since there is no conventional bank branch in the sample woreda, no one has reported conventional bank as his source of finance. From table 4.7, it is observed that Iddir and Iqqub are most dominant Sources of finance next to microfince to the poor. Out of the total sample clients only 4 (2.46%) reported Iddir and Iqqub are sources of finance while 77(47.53%) for non-clients (see table 4.7).*

*Table 4.7 Sources of Finance of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Sources*** | ***Type of respondents*** | | ***Total*** |
| ***Clients*** | ***Non-clients*** |
| *Microfinance(ACSI)* | *162* | *0* | *162* |
| *Iddir / Iqqub* | *4* | *77* | *81* |
| *IndividualMoneylender* | *0* | *14* | *14* |
| *Relatives / friends* | *0* | *9* | *9* |
| *Conventional bank* | *0* | *0* | *0* |

*4.2 The Impact of Microfinance*

*4.2.1 The Impact of Microfinance in Wealth Creation*

*Microfinance is expected to improve the long-term economic and social security of its clients’ household through wealth creation. Thus, participation in microfinance program may have a positive impact on the economic welfare of clients’ households. The impact may be apparent at the level of household income or certain types of expenditures. Also, improvement in the household welfare may be evident in the diversification of income sources and in the trend of income, in the food security, in the strategies for coping with difficulties, in the education of children and access to health facilities, in the food consumption patterns, and in the ownership of specific key assets. When considering a number of these impact variables, special attention is given to determine if participation in AdCSI’s woreda 4 Microfinancing scheme has a positive impact on the potential welfare variables of the frequent clients’ households.*

*4.2.1.1. The Effect of Microfinance in Income*

*Household income is a critical indicator of household welfare. Households with higher income levels have more choices, can better meet their basic needs, and enjoy broader opportunities. Thus, one of the objectives of AdCSI’s microfinance intervention is to reverse the age-old circle of “low income, low saving, low investment, low income” into an expanding system of “high income, high saving, high investment, high income in the intervention areas, through the provision of credit, technical advice and skill training in the intervention areas.*

*Hence, the impact of microfinance on the income of the beneficiaries may be evident in the mean annual income, in the trend of income, and in the income sources of the respondents. The survey collected information on the household annual income, availability of other income sources and trend of income during the last 12 months. Since the respondents’ yearly income may or may not be only from the loanable activities, income from the loanable and non-loanable activities of each respondent was collected. From the total sample clients, 86(53.08%) reported that their yearly income is in the range of 1001-2000 Birr while from the total sample non-clients only 41(25.3%) reported yearly income in the range of 1001-2000 which shows difference in the level of income between the two groups. It is also observed that 29 (17.9%) of clients and 7 (4.32) of non-clients reported average yearly income of between 2001-3000 Birr The survey results in these cases are summarized in table 4.8.*

*Table 4.8 Average Yearly Income of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Income level***  ***( (in Birr)*** | ***Type of respondents*** | | ***Total***  ***(%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Below 500* | *15 (9.25)* | *41 (25.30)* | *56(34.56)* |
| *500-1000* | *29 (17.90)* | *73 (45.06)* | *102(62.96)* |
| *1001-2000* | *86 (53.08)* | *40 (24.69)* | *126(77.77)* |
| *2001-3000* | *28 (17.28)* | *8 (4.93)* | *36(22.22)* |
| *3001-4000* | *3 (1.85)* | *0 (0)* | *3 (1.85)* |
| *Above4000* | *1 (0.61)* | *0 (0)* | *1 (0.61)* |

*Table 4.8 also shows the positive contribution of the Microfinancing scheme in income generating. If we compare the number of each group whose average yearly income is below*

*1000 Birr and above of Birr 1000, it is evident that only 44 (27.16%) of clients earned average yearly income of below Birr 1000 but 119(73.45%) of clients earned above Birr 1000. On the other hand, 114(70.37%) of non-clients reported average yearly income of less than Birr 1000, while only 48(29.62%) of non-client reported average yearly income of above Birr 1000. This implies the percentage of clients (73.45%) whose level of income above Birr 1000 is much greater than the percentage of non-clients (29.62 %) whose level of income above Birr 1000. Participation in microfinance service has an expectation that leads to increase household income, among others. Thus, the core impact study includes a question about relative changes in their household income status. Based on this question, the responsiveness of the two groups was collected. Out of total clients, 81 (50%) reported the trend that their overall level of income has been increased significantly since their participation in the program while from the total sample non-clients only 6(3.7%) reported significant increase overall level of income for the last two years. 74(45.67%) of the clients and 27(16.66%) of the non-clients reported the trend that their overall level of income has been increased. The percentages whose level of income has at least increased over the last two years are about 95.37% for clients and 20.37% for non-clients. The improvement in overall level of income is much more pronounced in clients than non-clients (see table 4.9).*

*Table 4.9 The Trend of Household Income*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Trend*** | ***Type of respondents*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Increased significantly* | *81 (50.00)* | *6 (3.70)* | *87 (26.85)* |
| *Increased* | *74 (45.67)* | *27 (16.66)* | *101 (31.17)* |
| *Remained the same* | *7 (4.32)* | *96 (59.25)* | *103 (31.79)* |
| *Decreased* | *0 (0)* | *14 (8.64)* | *14 (4.32)* |
| *Decreased significantly* | *0 (0)* | *19 (11.72)* | *19 (5.86)* |

*From the respondents of sample clients who reported the increase in their level of income,*

*155 (95.67%) reported that access to working capital from microfinance credit services helps them to buy inputs, able to purchase business assets, expand existing business and petty trade. On the other hand, from the sample of non-clients who reported the increment in their level of income, 25 (15.43%) of them reported that the causes for their income stability in the market and improvement in petty trade from their own working capital. Out of the sample clients who reported that the trend remained the same, lack of demand , inaccessibility the center of the market and illness or death of the family were reported as main problems for their business activities. However, lack of credit, business failure, illness or deaths of the family were reported as the major reasons for the decrement of their level of income of non-clients. Out of total non clients, 93(57.4%) identified that lack of access to credit was the most significant reason for the problems in their business activities. Therefore, the responsiveness achieved in relating with income from program participants shows a clear indication that microfinance credit has enabled the clients to generate disposable income that could be spent on better facilities which could improve the living standard of the households concerned.*

*4.2.1.2. Impact on Diet*

*The condition of diet is an important factor in the well-being of the household members. Likewise, food is an important component of household diet. Thus, the assumption of this variable is that the participants of the microfinance scheme will have a better household diet condition and food security in bad years as compared to the household diet condition of the control groups. Hence, for the purpose of this study, the condition of household diet and the dependence on food aid as well as the amount of monthly food aid are used as variable indicators of this hypothesis. Accordingly, respondents were asked whether their household diet was improved or not during the last 12 months and whether they receive food aid or grant from NGO’s or governmental bodies.*

*During the survey, only 7(4.32%) of clients and 56(34.56%)of non-clients reported that they do have only breakfast and formal evening meal. Only 4(2.46%) of clients have only lunch and evening meal. 143(88.27%) of clients and 84(51.85%) of non-clients reported that they could get meals three times a day. The general trend in household diet condition is better for the frequent clients than for the control groups . The findings show that program participants have got more chance of getting meals three times a day than those who have not participated in the program data have shown an improvement in their household diet during the last 12 months, indicating that AdCSI Microfinancing scheme has a positive impact on the improvement of household diet condition of its clients. In this regard the results of the survey are summarized in following Tables (see table 4.10).*

*Table 4.10 Type of Meals of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Types*** | ***Type of respondents*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Breakfast & evening meal* | *8 (4.93)* | *55 (33.95)* | *63(19.44)* |
| *Lunch & evening meal* | *4 (2.46)* | *23 (14.19)* | *27 (8.33)* |
| *Breakfast, lunch & evening meal* | *143 (88.27)* | *84 (51.85)* | *227(70.06)* |
| *Breakfast, between breakfast*  *and midday, midday, between*  *midday & evening meal, and*  *evening meal* | *7 (4.32)* | *0 (0)* | *7 (2.16)* |

*Information on the trends of household diet and responsiveness of consumption*

*expenditure were also collected. Concerning consumption expenditure, it is assumed that the improvement in consumption expenditure leads to better household diet and living condition. This concept tells us whether the status of household diet has been improved or not for the last two years. It is obvious that microfinance intervention is expected to support program participants in ensuring food security, which is the prime concern of all poor households. The findings of this study in relation to this variable indicated that 138 (85.18%) of sample clients and 75(46.29%) of sample non-clients reported the trend that their household diet and consumption expenditure have been improved over the last twelve months. Only 24(14.81%) of clients and 87(53.7%) of non-clients reported that their type and quality of diet as well as their consumption expenditure have not been improved over the last twelve months.*

*This result indicates that more clients have enjoyed diet improvement than non-clients.*

*Program participants have more chance of improving their diet in comparison to nonparticipants. Ability to produce and buy more cereals and staples are the major reasons for the improvement of their nutritional status (see table 4.11).*

*Table 4.11 Trends of Household Diet and Consumption Expenditure*

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***Type of respondents*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Improved* | *138 (85.18)* | *75 (46.29)* | *213 (65.74)* |
| *Non-improved* | *24 (14.81)* | *87 (53.7)* | *111 (34.25)* |

*4.2.1.3 The Impact on Access to Education*

*Since children and other school age dependents of the poor households have marginal access to educational facilities; credit provision for income generating activities is expected to improve this situation (Berhanu, 1999). Therefore, the hypothesis of this section is that in addition to the improvement in income, housing and ownership of key household assets, microfinance is also expected to improve the possibility of additional expenditures in education of beneficiaries’ household members. The findings below are based on the annual household expenditure on education and the average number of school age children currently attending school. In this case, the survey results are summarized in Table 4.12 below. A simple measure of participation in education is the enrollment rate, defined as the percentage of children with in the normal age range for attending a particular level of schooling who are actually enrolled. The findings on school age children enrollment in the frequent clients relatively higher rate of schooling than in the new clients. However, the*

*survey result regarding trend of school age children enrollment during the last 12 months reveal that frequent clients household have reported better improvement on school age children enrollment during the last 12 months, whereas the percentage of non client relatively lower.* *From the reported 423 potential school-age children of clients, 275(65.01%) are actually**enrolled and attending their school this year. On the other hand, from the reported 236**potential school-age children of non-clients, 153(64.83%) are actually enrolled and attending**their school. This suggests that enrollment of school-age children who are currently attending**school of the two groups does not show difference. The major reasons for not taking schoolage**children to school include needed them for help in business activities and unable to cover**educational expenditures based on this test result it is possible to say that AdCSI Microfinancing scheme has a positive impact on improving school enrollment of its clients’ household. On the other hand, the impact on educational expenses of its beneficiaries is not significant. However, the increase in educational expenditure is not the basic criteria to evaluate the impact of microfinance on access to education because the increase in educational expenses may be associated with the increase in the price of educational materials or the level of education. Moreover, the reduction in school spending by frequent clients probably implied enrollment in lower quality, less expensive schools. The most important indicators for the impact of microfinance on access to education are the number of school age children currently attending school and the trend of school enrollment, i.e., whether school enrollment is improved currently than the previous years. Since the mean number of school attendance is higher for the frequent borrowers, and higher percent of frequent borrowers have reported an increase in children enrollment during the last 12 months, we can say that AdCSI Microfinancing intervention has generated a positive impact towards access to education for its clients’ household. (see table 4.12).*

*Table 4.12 Enrollment of School-age Children*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Number of school age***  ***children*** | ***Enrollment*** | | | |  |
| ***Potential*** | | ***Actual*** | |
|  | ***Clients*** | ***Non-clients*** | ***Clients*** | ***Non-clients*** |
| *1* | *10* | *23* | *2* | *15* |
| *2* | *30* | *34* | *27* | *27* |
| *3* | *68* | *81* | *51* | *48* |
| *4* | *150* | *42* | *90* | *27* |
| *5* | *68* | *37* | *52* | *33* |
| *6* | *45* | *18* | *30* | *3* |
| *7* | *52* | *0* | *23* | *0* |
| *Total* | *423* | *235* | *275(65.01)%* | *153(64.83%)* |

*4.2.1.4 The Impact on Access to Medical Facilities*

*Table 4.13 summarizes the results of the survey regarding the mean annual medical expenses, the sources of medical expenses, and the ability to pay for medical expenses of the sample respondents. During the survey, 152 (93.82%) of sample clients and only 32(19.75%) of sample non-clients reported the trend that their responsiveness toward access to medical facilities has been improved for the last two years. However, only 10 (6.17%) of sample clients and 129(79.62%) of sample non-clients reported the trend that their ability to get access to medical facilities has not been improved over the last two years. This result clearly shows that program participants have improved their ability to respond to the demand for medical care. The study finds difference in responsiveness of demand for medical care between the two groups. clients have reported that they have shown an improvement in their ability to pay for medical expenses during the current year compared to last year’s. This shows that higher percentages of the frequent borrowers have reported an improvement in their ability to pay for medical expenses than the control groups. Indicating that the mean annual medical expenses of the frequent borrowers is higher than the mean annual medical expenses of the control groups. Respondents have indicated that their main income source for medical expenses is business profit. we can conclude that program participants have been benefited from the Microfinancing Scheme. Table 4.14 Also shows that out of 121 (74.69%) client households who reported whose members were ill or injured during the last twelve months, 114 (94.21%) clients have taken their members who were ill or injured for medical treatment. Only 7 (4.32%) clients reported the inability to take their members who were ill or injured for medical care. On the other hand, out of 100 (61.72%) non-client households who reported whose their members were ill or injured, only 56(56%) non-clients have taken their members who were ill or injured for medical care during the last twelve months. But 45 (45%) non-clients reported the inability to take their members who were ill or injured members for treatment. If we compare the results, about 93% of clients and 55% of non-clients have taken their members for medical treatment, which shows difference between the two groups. (see table 4.13 and table 4.14 respectively).*

*Table 4.13 Medical Responsiveness of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Response*** | ***Type of respondents*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Improved* | *152(93.82)* | *32(19.75)* | *184(56.79)* |
| *Not-improved* | *10( 6.48)* | *129(79.62)* | *140(43.05)* |

*Table 4.14 Ability of Respondents in case of Demand for Health Care*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Trends*** | ***Type of respondents*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients***  ***(%)*** |
| *Number of households whose members*  *were ill or injured during the last twelve*  *months.* | *121(74.69)* | *100(62)* | *221(68.34)* |
| *Number of households who have taken their member (who were ill or injured) for medical treatment during the last twelve months.* | *114(94.21)* | *56(55)* | *170(74.6* |
| *Number of household who have not taken their member (who were ill or injured) for medical treatment during the last twelve months.* | *7(4.32)* | *45(45)* | *52(24.66* |

*Similar to the case for educational expense, the insignificant difference in the mean value of*

*the medical expense between the frequent borrowers and the control groups, as reported above, is not the basic variable indicator to evaluate the impact of microfinance on the clients access to medical facilities, because this may be associated with the decrease in the incidences of illness or because of free access to public medical facilities, rather than the insignificant improvement in the income level of the clients households. The most important indicator to evaluate impact of microfinance on access to medical facilities is the ability of the respondents to pay for medical expenses. Meaning evaluating whether the ability to pay for medical expenses of the frequent clients is improved or not after the program intervention as compared to the control groups. an improvement in their ability to pay for medical expenses, which is higher than the medical expenses of the control groups, who have shown an improvement in their ability to pay for medical expense, it is possible to conclude that AdCSI Microfinancing intervention has a positive impact on the improvements of access to medical facilities, despite the fact that the difference in the mean annual medical expenses between the frequent clients and control groups is insignificant.*

*4.2.1.5 Effects on Savings*

*Out of the total sample respondents, the larger portions of clients have saving account in comparison with non-clients for the last two years. The voluntary savings are in the form of*

*saving under AdCSI , Iqqub, Iddir and Mahaber. From table 4.15(i), it is observed that 140 (86.41%) of clients have voluntary saving account under the AdCSI Microfinancing scheme. However, no one has reported as he/she has voluntary saving account under the AdCSI microfinancing scheme. But it is observed that some of non-clients who have not been taken under sample respondents have saving account under AdCSI microfinancing scheme in the sample branch (see table 4.15 (i)).*

*Table 4.15(i) Type of Voluntary Savings of Respondents*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Type*** | ***Type of respondents*** | | ***Total*** |
| ***Clients******Clients*** | ***Non-clients*** |
| *Savings under ACSI* | *140* | *0* | *140* |
| *Iqqub* | *18* | *30* | *48* |
| *Iddir* | *16* | *98* | *116* |
| *Mahaber* | *0* | *6* | *6* |

*Therefore, from the above tables we can observe that the sample respondents have saving accounts. The reasons for their saving include loan repayment, to earn profit, to withdraw in case of urgent needs, to spend on education and medical care expenses and to improve household food security. The result shows that program participants have developed saving habits. The difference of savings between the two groups suggests that the program has brought and develops the habit of savings among the clients.*

*Compulsory saving is normally enforced and starts simultaneously with the loan that is approved for individuals who are program participants. Compulsory saving includes compulsory individual saving, compulsory group saving and compulsory center saving. These types of savings are used as collateral. Compulsory individual saving is 0.25% of the loan monthly until the loan is settle. And compulsory center saving ranges from Birr 5 - 10 - 20per month and 0.5% of the loan . Compulsory group saving is a saving of 0.25 % of the loan size.*

*On the other hand, voluntary saving is an individual saving that depends on the willingness of the individual including clients and non- clients to save and withdraw at any time when the need arises. Since establishment of AdCSI kirkose sub city woreda 4 branch, the annual savings progression is summarized as follows (see table 4.15 (ii)).*

*Table 4.15(ii)Saving Mobilization in kirkos subcity woreda 4 Branch of AdCSI (Birr)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ***Type of savings*** | | | | ***Total*** |
| ***Compulsory*** | | ***Voluntary*** | |
| ***Year*** | ***Compulsory***  ***Individual***  ***saving*** | ***Compulsory***  ***group***  ***saving*** | ***Compulsory***  ***center***  ***saving*** | ***Voluntary***  ***individual***  ***saving*** | ***Total*** |
| *2008/09* | *20,915.58* | *6,334.45* | *69,090* | *81,607.16* | *177,947.19* |
| *2009/10* | *33,089.93* | *8,443.75* | *76,535* | *142,102.53* | *260,171.21* |
| *2010/11* | *39,802.58* | *11,837.44* | *125,465* | *555,997.46* | *733,102.48* |
| *2011/12* | *38,964.48* | *12,060.97* | *138,635* | *889,373.05* | *1,079,033.5* |
|  |  |  |  |  |  |

*Source: kirkose sub city wored 4 branch.2012*

*4.2.1.6 The Impact on Empowerment of Women Clients*

*Understanding the psychological and interpersonal impacts of microcredit on individual borrowers remains an intriguing and multifaceted subject of study. In recent years, much attention has gone to describing how microfinance might lead to increased empowerment of the borrower. In many cases, the focus is on women borrowers and changes in their status within the household and the community. The ability to plan and work for a better future, the individual-level changes that might come with microfinance are many and varied. In this study, participation in a microfinance program is hypothesized to have positive impacts on empowerment of the individuals who receive and use the microfinance services, particularly female clients. This increased empowerment may take the forms of improved decision-making role of women clients in their community and household, as well as building of social and human capital due to their access to information and knowledge through social intermediations offered by the MFI’s. Accordingly, the survey results in this regard are summarized in Tables 4.16. During the survey, 32(19.75%) of clients and 35(21.60%) of non-clients reported that there is a practice of only husband making decisions in household. This indicates men domination in making decisions. On the other hand, 128(79.01%) of clients and 117(72.22%) of non-clients reported that both husband and wife make decision on their business activities. two of the clients and 10 of the non-clients reported that only wife is the decision maker in the household. Therefore, it is difficult to suggest the impact of credit and saving Microfinancing scheme on women empowerment since the result does not show much difference between the two groups.*

*Table 4.16 Trends of Empowerment*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Decision maker*** | ***Type of respondent*** | | ***Total (%)*** |
| ***Clients (%)*** | ***Non-clients (%)*** |
| *Husband only* | *32(19.75)* | *35(21.60)* | *67(20.67)* |
| *Husband and wife* | *128(79.01)* | *117(72.22)* | *245(75.61)* |
| *Wife only* | *2(1.23)* | *10( 6.17)* | *12( 3.7)* |
|  |  |  |  |

*4.2.1.7**Estimates of the Logit Model*

*Assessing impact at the participant level requires adjustments to control for differences between frequent borrowers who are taken as clients and those who are looking for credit who are taken as non-clients. The impact of the program is assessed based on the variables indicated above. The variables used in regression are respondents who are clients and non-clients, amount of loan, and voluntary individual savings. The dependent variable is variable which takes a value of 1 or 0 depending on whether the respondents income improved or not. The Logit model specifies the functional relationship between the probabilities of respondents being improved in program participants and indicated various quantitative and qualitative explanatory variables of each group. Thus, the impact is analyzed based on the following results of the model through the coefficients of each variable. The list and description of the variables are given in table 4.17. Estimates of the Logit model of respondents are also described in table 4.18.*

*Table 4.17 List and Description of Variables of Impact at Household Level*

|  |  |
| --- | --- |
| ***Variables*** | ***Description*** |
| *Y* | *Average yearly per capita income*  *1 = improved*  *0 = not improved* |
| *RES* | *Respondents* |
|  | *1=clients (frequent borrowers)*  *0= non-clients* |
| *LS* | *Loan size* |
| *VIS* | *Voluntary individual savings* |

*As discussed using descriptive analysis else were above, the econometric estimate also shows different probability of changes between clients and non-clients. Estimate of the Logit model of the total respondents is also described in table 4.18 as follows.*

*Table 4.18 Estimates of the Logit Model of the Total Respondents*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Variables* | ***Coefficient*** | ***Coefficient/standar***  ***ed error (t-value)*** |  |  |
| ***Constant*** | *-1.6094* | *-6.2332* |
| ***RES*** | *4.0147* | *3.0925* |
| ***VIS*** | *0.0031* | *1.1923* |
| |  | | --- | | ***LS*** | | *0.0009* | *0.6428* |

*Pearson Goodness of fit \_2 =228.998*

***DF = 208***

*\_* ***= 0.000***

*From the above table, it is observed that the probability of the improvement of income shows direct relationship with the explanatory variables. All the coefficients show the expected sign. However, the extent to which these variables relate with the dependent variable is different. The extent of the relationship is explained as follows.*

*Average yearly per capita income (Y) is positively related with program participant implying that the probability of the improvement in income increases with the increase in program participation. The coefficient shows the expected sign, which is statistically significant at 1% significant level. It implies that the program participants (frequent borrowers) show higher improvement of income than non-clients. The income status of respondents also shows positive relationship with individual voluntary savings. The coefficient shows the expected sign, which is also statistically significant at 1% significant level. The probability of the improvement in income increases with the increase in individual voluntary saving. It can be said that the program introduces the saving habits to the poor. The probability of the improvement in income also shows direct relationship with borrowing. The improvement in income increases with the increase in loan size.*

*4.3 Outreach and Sustainability of the Sample Branch*

*The Outreach and sustainability of Microfinancing approach is also another prominent tool to assess the impact of Microfinancing scheme on poverty reduction. It is assumed to have a positive contribution to the economic status of program participants. Information in relating the company’s outreach and the performance of loan repayment from the Sample branch was collected. The sample clients under examination are 162 which amount to about 17.76% of the total client population of the year 2011.The result shows the trend that the number of clients and amount disbursed have been increased since 2008.The repayment rate is high for the year 2008/09, 2009/10, 2010/11 and 2011/12. The loan repayment rate for the year 2012 was not matured when the study conducted. However, because of the Varity lone period arrears have been observed for those year but almost all disbursed amount is collected in different year for this reason the next table will show you that amount disbursed in a year and amount collected in the same year before the maturity date but some clients keep the money until the maturity date (See table 4.19).*

*Table 4.19 Sample Branch’s Outreach and Repayment Rate*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Year* | *Number of*  *Clients* | *Amount Disbursed*  *(Birr)* | *Amount Collected*  *(Birr)* | *Repayment Rate (%)* |
| *1997/98* | *221* | *1,426,400* | *389,732.44* | *27.32* |
| *1997/98* | *290* | *1,858,400* | *1,223,348.94* | *65.82* |
| *1999/00* | *374* | *2,491,251* | *1,532,359.64* | *61.50* |
| *2000/01* | *270* | *2,796,700* | *2,012,821.39* | *71.97* |
|  |  |  |  |  |

*Source: AdCSI woreda4 , 2012.*

*Since the loans provided to the borrowers are at different repayment date it depends on the business ability to generate income but the maximum repayment date for small scale and for buying car is 34 months maturity period. To buy and renewal of houses in a maximum of 60monthes maturity. For short term loan 10 months maturity. For consumption loan 24 months maturity. For tax purpose 18 months a maximum maturity but it must due at once.*

*4.3.1 Determinants of Loan Repayment Performance*

*Thus, loan repayment performance takes the value 1 if borrowers repaid the loan in full and 0 otherwise. Therefore, the Logit model is specified to be used to determine factors that affecting the loan repayment performance based on the following functional relationship.*

*LRP = F (AYIL, AYIOL, VA, LS, ED, ACD, AG, SX, UFR, TLD,*

*LSV, ALRT, LDR, U1) ------------------------------------------------(1)*

*Where: LRP = Loan repayment performance*

*AYIL = Average yearly income from loanable activities*

*AYIOL = Average yearly income other than loanable activities*

*VA =Value of assets*

*LS = Loan size*

*ED = Education level*

*Illiterate = 1*

*Grade 1 – 6 = 2*

*Grade 7 – 8 = 3*

*Grade 9 – 12 = 4*

*Above grade 12 = 5*

*ACD = Attitude to cost of default*

*ACD = 1 if the borrowers feels high cost of default and 0 Otherwise*

*AG = Age*

*LDR = Loan diversion rate*

*LDR = 1 if a borrower diverts and 0 otherwise*

*SX = Sex*

*SX = 1 if male and 0 otherwise*

*UFR = Use of financial records*

*UFR = 1 if a borrower uses financial records and 0 otherwise*

*TLLD = Timeliness of loan disbursement*

*TLLD = 1 if the disbursement was on time and 0 Otherwise*

*LSV = Loan supervision*

*LSV = 1 if it was sufficient and 0 Otherwise*

*ALRT = Appropriateness of loan repayment time*

*ALRT = 1 if it was on appropriate period and 0 Otherwise*

*ND = Number of dependents*

*U1 =Error term*

*The loan repayment performance is measured as the ratio of repayments made to Repayments scheduled at a particular time. The total repayment performance and repayment performance of each client are computed. Except for 2008/9 the result shows a good repayment rate. Since the descriptive analysis shows a good repayment performance, it is not possible to produce regression using Logit model to identify factors that determine loan repayment performance. Thus, it is necessary to identify factors that help to repay the loan within a given period of time. The major factors are identified and explained using descriptive analysis as follows. Timeliness of loan disbursement (TLD) has positive contribution to loan repayment performance. From the descriptive analysis, the result also shows that majority of sample clients who reported appropriate time of loan issue showed almost one hundred percent of loan repayment within a given period of time(at the end of the maturity date). This indicates that loan is issued on time from the point of view of the borrower. It is likely that the borrower is able to employ the fund for the intended business activities; and then the borrower can repay the loan on time.*

*Use of financial records (UFR) was expected to show positive impact on loan repayment performance. However, the descriptive result shows that 74% of sample clients who don’t have financial records have diverted the loan but they have repaid almost hundered percent of their loan in full during the maturity date. This implies that use of financial records has no impact on loan repayment performance. Even though the borrowers have no financial records for loanable business activities, they use the loan properly for income generating activities based on their past experience of knowing about the business. Loan supervision (LSV) has also a positive relationship with loan repayment performance. About ninety nine percent of sample clients who reported sufficient loan supervision have paid one hundred percent of their loan within a given period of time. This implies that loan supervision has a positive contribution to loan utilization and loan repayment. Average yearly income from loanable activities (AYIL) and average yearly income from other than loanable activities (AYIOL) have also direct relationship with loan repayment performance. Education level (ED) was expected to have positive relation with loan repayment performance. It implies that higher educated borrowers are expected to show a higher loan repayment rate than relatively less educated borrowers. However, from the result of the study, whether the borrowers are educated or not, all borrowers have repaid their loan in full within a given period of time. Thus, it can be concluded that level of education has no impact on loan repayment performance.*

*Value of assets (VA) has direct relationship with loan repayment performance. 113 (69.4%) of sample clients believed the claims against personal wealth in case of default. This implies the perception that the assets will be under liability in case of default. Thus, we can conclude that borrower’s asset has positive impact on loan repayment performance.*

*Attitude to cost of default (ACD) is positively related with loan repayment. Because of the believe of the claims against personal wealth (about 69%), social sanctions (about 45%), penalty (about 48%), and loss of future access to credit (about 48%), 161 of sample clients reported the trend that they do have believe in high cost of default. This also implies that having attitude of high cost of default from the borrowers side helps the company to collect*

*the loan issued within maturity date, which also helps the company to be sustainable.*

*Appropriateness of loan repayment time (ALRT) has also direct relationship with loan repayment performance. 153 (94.4%) of sample clients reported the appropriate time of loan repayment. This implies that loan collection from the borrowers during their production time and good market for their business has greater positive impact on loan repayment performance.*

*Since loan has a character of fungibles, loan diversion rate (LDR) was expected to have mixed impacts on loan repayment performance. It is expected to show positive impact if the loan is diverted to more income generating business activities. On the other hand, it is expected to have negative impact if a borrower diverts the loan to non-income generating activities. From the study, it is observed that 60 (37.04) of sample clients reported the trend that they have used some of the loan for non-intended purposes, which include diversion of loan to more income generating business purposes (about 59%) and to non-income generating activities (about 41%) such as household consumption, service expenditures, etc. However, the study describes that all borrowers (diverters and non-diverters) have repaid their loan on time. Therefore, it is difficult to say loan diverters have negative impact on loan repayment performance.*

*Loan size (LS) was expected to have inverse relation with loan repayment performance based on the assumption that the higher the loan sizes the greater loan diversion to non-income generating activities. However, 108 (about 67%) of sample clients reported insufficiency of loan size. Therefore, it can be said that balanced loan size with the intended program of the borrowers has positive impact on loan utilization and loan repayment performance. Age of clients (AG) was expected to have a positive impact on loan repayment performance. The expected positive sign was based on the assumption that adults use loan properly than others. But, the study shows that all borrowers whose age ranges between 15 and 70 inclusive reported full loan repayments within scheduled time. Thus, it implies that age consideration has no impact on loan repayment performance.*

*Considering Sex of clients (SX), it was believed that women pay their loan more than men within maturity date. However, the study describes that out of the total sample clients 137 (84.26%) male and 25 (15.74%) female, all of them reported full repayment of their loan within a given period of time. This also implies that gender consideration has no impact on loan repayment. This also suggests the trend that whether a borrower is husband or wife they are guaranteed to each other in loan utilization. Both of them have also equal accountability to repay the loan.*

*4.4 Major Benefits of Clients from the Program*

*This assessment also sought to determine if AdCSI program which provides microcredit with business management trainings, has an impact on the enterprise for which they had secured their loans. In particular the study concentrated on stability and growth of enterprises through business expansion and employment. Accordingly this study assumes that, in addition to the improvement in household welfare and the empowerment of women clients, microfinance is also expected to have a positive impact on the growth and stability of businesses of its clients. Mainly, the perceptions of clients regarding the benefits they received from the program were collected on house improvements, household diet, access to education, access to medical care and savings habit. 96 (59.25%) of the clients reported the trend that they improved their type of house with its furniture. 100% of them put the reason for the improvement as it was profit earned from the loan. 138 (85.18%) of clients reported the improvements of their household diet. They benefited from the program. 104(64.19%) and 114(70.37%) of clients also reported that they able to get access to education for their children and access to medical care when the needs raised. It is also observed that 140(86.41%) of sample clients have voluntary saving accounts. They have gained the habit of saving which helps them in case of loan repayment, to earn profit, urgent needs, education expenditure, medical expenditure, to improve household furniture, etc. The clients also reported that they have been benefited from the program such as advises in planning, production and trading (see table 4.20).*

*Table 4.20 Major Benefits of Clients*

|  |  |
| --- | --- |
| ***Benefits*** | ***Number of clients (%)*** |
| *Improvement in type of house* | *96 (59.25)* |
| *Improvement in household diet* | *138 (85.18)* |
| *Able to get access to education* | *84 (51.85)* |
| *Able to get access to medical care* | *114(70.37)* |
| *Improvement in job opportunity* | *126 (77.77)* |
| *Improvement in saving habit* | *125 (77.16)* |

*4.5 Client Satisfaction/Dissatisfaction*

*Satisfaction/dissatisfaction of clients about the program was collected using open questions. Table 4.21 summarizes the responsiveness of clients regarding their satisfaction and dissatisfaction with the program. Majority of the clients appreciated appropriate time of loan disbursement, appropriate time of loan repayment, appropriate interest rate, sufficient advice and supervision.*

*From table 4.21, it is observed that most of the clients (about 97%) appreciated appropriate time of loan disbursement. About 94% of the sample clients reported that the timeliness of loan repayment is appropriate. However, 12(7.4%) of the sample clients reported that timeliness of loan repayment was not appropriate. The inappropriate loan repayment time may lead the borrowers not to repay the loan within a given period of time. Few respondents suggested that the program has not considered loan repayment time while failure of business and marketing.*

*About 86% of sample clients reported that the interest rate on loan was appropriate but the remaining clients (14 %) argued that it was high. Arguing high interest rate may discourage clients from continuing with the program. 108(67.5%) of sample clients responded sufficient loan size but Only 54(33.3%) of sample clients complained the sufficiency of loan size. 120(about 74%) of clients argued sufficient loan length but majority of the sample clients, Only 42(25.92%), reported that loan length is not sufficient. About 99% of sample clients reported the trend that advising and supervision of staff members were appreciated. This indicates that the borrowers may not divert the loan to non income generating activities. This helps borrowers to earn profit and helps the company to make sustainable. Clients’ attitudes to continue with the program were also collected .In this regard, 144(about 88.88%) of sample clients gave their opinion to continue in the program.*

*However, 18(about11.11%) reported not to continue with the program. Insufficient loan size, high interest rate, delay of loan issue, shortage of loan length, conflict among members, obtaining enough capital and decided to close the business were reported as the major reasons for the opinion of few clients not to continue with the program (see table 4.21).*

*Table 4.21 Clients’ Responses with the Program*

|  |  |  |
| --- | --- | --- |
| ***Activities*** | ***Responses*** | |
| ***Yes (%)*** | ***No (%)*** |
| *Appropriate time of loan disbursement* | *158 (97.53)* | *4( 2.46)* |
| *Appropriate time of loan repayment* | *153 (94.44)* | *12( 7.4)* |
| *Appropriate interest rate* | *140 (86.41)* | *22(13.58)* |
| *Sufficient loan size* | *108(67.5)* | *54 (33.33)* |
| *Appropriate loan length* | *120(74 )* | *42 (25.92)* |
| *Sufficient advice and supervision* | *160 (98.76)* | *2( 1.23)* |
| |  | | --- | |  |   *Attitude to continue with the program* | *144 (88.88)* | *18(11.11)* |

*4.6 Client Recommendations*

*Based on their observations, sample clients have also provided their recommendations.*

*Looking at the responses of sample clients, the major recommendations forwarded are that*

*which calls for increasing loan size and extending loan length. 23(14.19%)and 15(9.25%)of sample clients supported interest rate reduction and center size reduction respectively. (see table 4.22 ).*

*Table 4.22 Client Recommendations*

|  |  |
| --- | --- |
| ***Activities*** | ***Number of clients (%)*** |
| *Increasing loan size* | *108 (66.66)* |
| *Extension of repayment period* | *120 (74.07)* |
| *Interest rate reduction* | *23 (14.19)* |
| *Center size reduction* | *15 (9.25)* |
|  |  |

*4.7 Major problems of AdCSI and its Program*

*AdCSI is currently operational only in 11 branch offices established at sub city level and service delivery posts established in every 116 woreda and 10 micro bank branches. This indicates that the AdCSI is not capable to hold the very large portion of poor people in Addis Ababa . AdCSI, like other MFIs in Ethiopia, faces the challenges of expanding its operation in order to assure financial services to large number of the poor. It has been encountered with the following major problems.*

*i, Lack of loanable funds (Capital): to expand operational activities & reach more people there are large credit demand to change in MSE, to address credit demand, there is a shortage of loan able fund.*

*ii, Problem of guarantee: Although AdCSI expand guarantee system for clients, some MSE operators & TVET graduates need large loan but unable to get proper guarantee as to the policy of the institution.*

*iii, Human Resource: High turn over of employees to other MFTs & banks is also becoming a big threat & they are mainly attracted by the much better salary scales & benefits provided by these institutions.*

*iv, Competition from banks: There is very strong competition faced with conventional banks in mobilization of saving and increasing withdrawal. People trust formal banks more and commercial bank of Ethiopia in particular.*

*v, Poor image: office with poor structures*

*vi, competitors: NGOs, women’s fund and other who give loan without interest.*

*Vii, market demand know how: No direct marketing study is made by AdCSI. How ever, MSE agency tried to study the potential sector with which AdCSI try to run the operation.*

*CHAPTER FIVE*

*5. SUMMARY, CONCLUSION AND RECOMMANDATION*

*5.1 Summery of Findings*

*This paper reports on a survey of 324 respondents of AdCSI’s Microfinancing program include clients who are frequent borrowers from the program and non clients who are looking for the credit from the program residing in kirkos sub city. To select the sample respondents from the two groups stratified and systematic simple random sampling methods have been used. The purpose of the survey is to assess the impact of AdCSI’s Microfinancing scheme and to provide preliminary indicators of the nature and magnitude of benefits resulting from participation in the program. A cross section of two groups of respondents: clients and a control group of a non clients, those, were compared in the survey analysis. To evaluate the impact of AdCSI’s Microfinancing intervention, a number of hypotheses about the possible impacts on the clients’ households’ welfare, the empowerment of women clients, and the stability and growth of business activities were tested. Impact assessment at household level used two groups for comparison of the changes using non-clients as control group. The analysis of the assessment at the household level is based on the following variables: income, household diet, access to education and medical care, savings and women empowerment.*

*Use of financial records (UFR) was expected to show positive impact on loan repayment performance. However, the descriptive result shows that 74% of sample clients who don’t have financial records have diverted the loan but they have repaid almost hundered percent of their loan in full during the maturity date. This implies that use of financial records has no impact on loan repayment performance. Even though the borrowers have no financial records for loanable business activities, they use the loan properly for income generating activities based on their past experience of knowing about the business. Loan supervision (LSV) has also a positive relationship with loan repayment performance. About ninety nine percent of sample clients who reported sufficient loan supervision have paid one hundred percent of their loan within a given period of time. This implies that loan supervision has a positive contribution to loan utilization and loan repayment.*

*Attitude to cost of default (ACD) is positively related with loan repayment. Because of the believe of the claims against personal wealth (about 69%), social sanctions (about 45%), penalty (about 48%), and loss of future access to credit (about 48%), 161 of sample clients reported the trend that they do have believe in high cost of default. This also implies that having attitude of high cost of default from the borrowers side helps the company to collect*

*the loan issued within maturity date, which also helps the company to be sustainable.*

*Appropriateness of loan repayment time (ALRT) has also direct relationship with loan repayment performance. 153 (94.4%) of sample clients reported the appropriate time of loan repayment. This implies that loan collection from the borrowers during their production time and good market for their business has greater positive impact on loan repayment performance. About 99% of sample clients reported the trend that advising and supervision of staff members were appreciated. This indicates that the borrowers may not divert the loan to non income generating activities.*

*5.2 Conclusion*

*The program increases the probability of improvement in economic status of the clients. The study indicates majority of sample clients reported that their live conditions have been improved because of program participation while only few sample non-clients reported the trend that their living conditions have been improved because of good petty trade using their own income for the last two years. Microfinance has enabled the clients to generate income that could be spent on better facilities, which could improve the living standard of clients. Clients have got more chance of getting meals per day than non-clients. The result indicates that more clients have enjoyed diet improvement than non-clients. Clients have got more chance of improving their diet in comparison to non-clients. Considering school-age children and actual enrollment, the result does not show difference between the two groups. The program has improved ability of clients to respond the demand for medical care. The study found difference in responsiveness of demand for medical care between the two groups. The program has brought and develops the habit of savings among its clients. Microfinance program was expected to empower women clients over business activities of household. However, it is difficult to suggest the impact on women empowerment since the result does not show much difference between the two groups. Considering outreach and sustainability of the company in sample branch, the result indicates the trend that the numbers of clients and amount disbursed have been increased. Loan issue on time, supervision, income, asset, having high attitude to cost of default and loan repayment time are the most factors that help loan repayment within a given period of time.*

*The group-based credit delivery system has also created opportunity for clients to come together, discuss their problems and exchange ideas about their roles. The program makes the clients to understand each other’s need and problems very closely. It is also observed that voluntary individual savings have been increasing overtime. This also implies the contribution of the program in training and giving advice in improving saving habits among the program participants. The company has been directing its efforts towards poverty reduction and has showed success in terms of advice and supervision of clients in loan utilization. Level of education was expected to have positive relationship with loan repayment performance indicating that more educated client has better loan repayment performance than**illiterate i.e. the higher educated borrowers the higher the probability of repaying loan in full within maturity date. However, all clients whether they are educated or not have paid their loan in full. It is also observed that most of the clients who do not use financial records have paid their loan on time. Therefore, considering level of education as lending strategy may not be a fair and absolute decision since most of the clients are illiterate while they are the target group.*

*5.3 Recommendation*

*The assessment’s findings and conclusions have implications for the MFI programs in Ethiopia. Hence, as a way of closing this study, we return to answer some of the original questions posed in the introduction and recommended some idea and issues related to AdCSI growth and to facilitate the growth of the country by providing loan service and by mobilizing financial resources to the poor minimizing the large portion of poor people in Addis Ababa .**The program participants have been benefited in improving their basic needs including improving in type of house, diet and savings. As stated in the study, the services of the program are found to be encouraging with the needs of the poor. It is expected to have positive contribution to clients in relation to income, nutrition, access to education and medical care, savings and resource empowerment. Therefore, strengthening the existing company in the other cites in Ethiopia would be appropriate economic policy. Registered clients, number of staffs, number of offices, amount disbursed, savings mobilized and sustainability are considered as some of performance indicators of the program.*

*The company should be accompanying packages to give training the poor on their business activities including the importance of credit, loan utilization, market situation and savings mobilization. These help the clients in proper use of loan for their intended purposes which could reduce diversion of loan for non-income generating activities and help the company in repayment performance which makes the company sustainable. Size of loan has no impact on loan repayment performance. Loan disbursement time shows positive impact on loan repayment performance. Since the loan is time and purpose sensitive, it contributed to the performance. Therefore, the company should provide the loan on time and has to ignore loan issue if late loan application is applied. In addition to this AdCSI promote its contribution to the economy by different mechanism and it should organize those poor individuals by door to door searching mechanism give entrepreneurial skill to all and then by organizing enable them to prepare their business plane and pave the way to get access of loan from micro financing institutions. In all company should work hard to reach large number of urban poor people through:*

*(i) Regulatory environment: The positive outcomes of AdCSI’s in improving income; enrollment of school age children and access to health facilities, to have access to key household assets, as well as in housing improvements imply that Microfinancing is important in reducing poverty and in enhancing social welfare in Ethiopia. Therefore, all the necessary support should be provided to the industry from the government and other funding organizations in order to improve their performance and outreach as well as to improve the magnitude and type of impacts towards poverty alleviation. And more conducive working environment should be created in order to improve the magnitude of the current impact results. Moreover, policy makers and experts in the government sector should understand the role of microfinance intervention in poverty alleviation and they should formulate well functioning and realistic legal system in order to enhance the contribution of the industry towards poverty alleviation. Furthermore, though currently the government has permitted the microfinance institutions to use other lending methodologies than the group collateral system, this legal provision is not a sufficient condition for the microfinance institutions to use the alternative lending methods. For instance, to implement asset based collateral system microfinance institutions should also get equal legal provision with the conventional banks to sell or possess the collaterals of loan defaulters with out court order. This legal provision could help MFI to provide larger loan size in order to meet the demand of its clients as well as*

*to decrease its transaction cost, as a result they can improve the profitability and business stability of their clients, and they can also attain their main objective, which is poverty reduction.*

*(ii) Household welfare: For the households in the sample, loan activities are the most important sources of income within the household economic portfolio, and they depend on revenues of those activities to meet their daily expenses and to implement their long-term economic strategies. Microfinance, by enhancing the income that households receive from their income generating activities, has an important positive impact on the general welfare of the households. The results provide clear indication whether microfinance is an appropriate vehicle for achieving specific welfare goals such as better nutrition and improved housing. Among the beneficiaries, there is some evidence that microfinance improves access to health services and education enrollment as well as ownership of key household assets and housing improvements. In the long run, microfinance is associated with higher incomes, and higher incomes can be expected to lead to improvements in all of these variables. In all AdCSI should design microfinance products and services which are expected to ensure food security, welfare as well as to reduce income variability of its clients during economic shocks.*

*(iii) Mobilizing savings from the public having clear and accountable ownership structure and governance and make adjustments with current inflation*

*(iv) Appropriate institutional organization and excellent management*

*(v) Interest rate that enables profitability and*

*(vi) Looking for donor agents.*

*(vii)The company has to work hard to promote savings habit in the society. Savings can be mobilized through offering attractive returns take small deposits, doorstep services, offer discipline, etc. In such away that company can reach large numbers of poor people who are looking for credit.*

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**APPENDIX 1 SURVEY QUESTIONARIE**

**SURVEY QUESTIONARIE**

**INDERA GANDH NATIONAL OPEN UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**Questionnaire for the survey on “The impact of Micro financing on Urban Poverty**

**Reduction: The case of Addis Credit & Saving Institution (AdCSI) in Kirkos sub- city Woreda 4, Addis Ababa, Ethiopia”. For the partial fulfillment of Master in Economics**

NAME OF INTERVIEWER: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ SIGNATURE:-\_\_\_\_\_\_\_\_\_\_\_\_

TYPE OF RESPONDENT: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_KEBELE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **PERSONAL & HOUSEHOLD DATA**

1.1 Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Age: \_\_\_\_\_\_Sex: M \_\_\_\_\_ F \_\_\_\_\_\_

1.2 Marital Status: Single \_\_\_\_\_Married \_\_\_\_\_\_Divorced \_\_\_\_\_\_Widowed \_\_\_\_\_

1.3 Household size: M \_\_\_\_\_\_ F \_\_\_\_\_\_\_ Total \_\_\_\_\_Household head: M \_\_\_F\_\_\_\_

*No. Name Relation to HH Sex Age Current main Education*

Occupation level

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

**1.4 What is the total number of dependents who are school-age children, disabled**

**or/and old enough? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**2. INCOME AND ASSET INFORMATION**

**2.1 What is the average monthly income of your business for the last two**

**years? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**2.2 For the last two years, what has been the trend in the level of your overall**

**Income?**

a) Increased significantly \_\_\_\_\_\_\_b) Increased \_\_\_\_\_\_\_c) Remained the same\_\_\_\_\_\_

d) Decreased \_\_\_\_\_\_\_\_\_\_\_\_\_\_e) Decreased significantly \_\_\_\_\_\_\_\_\_\_\_

2.3 Why did your income increased (if increased)?

a) Able to buy inputs \_\_\_\_\_\_

b) Able to purchase of business assets\_\_\_\_\_\_\_\_\_\_

c) Working capital from credit \_\_\_\_\_

d) Expand existing business \_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Got jobs \_\_\_\_\_\_\_\_\_

f) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.4Why did your income stayed the same or decreased (if stayed same or

decreased)?

a) Lack of credit \_\_\_\_\_\_\_b) business failure \_\_\_\_\_\_\_\_\_\_c) Family member lost

employment \_\_\_\_\_\_\_\_d) Illness or death in the family \_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_

2.5 Do you have asset ? Yes \_\_\_\_\_\_\_ No \_\_\_\_\_\_\_

If yes, list their type, number and average price per unit as follows:

Type No. Price per unit Type No. Price per unit

a) house \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ f) furniture \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_

b) car \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ g) television \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_

c) motorcycle \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ h) teprecorder\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_

d) Machine \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ I) coach \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_

e) bed \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ j) cupboard \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_

k) Others \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

2.6 Does the number of your asset for the last two years is increased?\_\_\_\_\_\_\_

Stayed same? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Decreased? \_\_\_\_\_\_\_\_\_

i) If increased, why?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If stayed same or decreased, why?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.7 Do you have business now? Yes \_\_\_\_\_ No \_\_

If yes, list their type and average estimated values as follows:

Type No. Estimated value (in Birr)

a) \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

f) Others (specify)\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

2.8 Did you make expansion or improvement of your business? Yes \_\_no \_\_\_

i) If yes, why?

a) Access of credit \_\_\_\_\_\_\_

b) Sold the assets \_\_\_\_\_\_\_\_\_

c) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If no, why?

a) Lack of access to credit \_\_\_\_\_\_\_

b) Lack of place \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) Low level of income \_\_\_\_\_\_\_\_\_\_

d) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.9 Do you own place? Yes \_\_\_\_\_ No \_\_\_\_\_\_

If yes,

i) Is it sufficient for your activities? Yes \_\_\_\_ No \_\_\_\_

iii) If your own land was rented, why?

a) Unable to work \_\_\_\_\_\_\_\_\_

b) Lack of working capital \_\_\_\_\_\_\_\_\_

c) Excess land \_\_\_\_\_\_\_\_\_\_\_\_

d) Unable to purchase business assets \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.10 What type of house do you have for the last two years?

a) Roof with iron sheet \_\_\_\_\_b) Roof with grass \_\_\_\_\_\_c) Others (specify)

\_\_\_\_\_\_\_\_

2.11 Did you make improvement of your type of house (from plastic roof to iron sheet

roof) for the last two years? Yes \_\_\_\_\_\_ no \_\_\_\_\_\_\_\_\_

i) If yes, why? a) Access to credit \_\_\_\_\_\_b) Improved income \_\_\_\_\_\_\_\_\_\_\_

c) Gift or aids \_\_\_\_\_\_\_\_d) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If no, why?

a)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.12 What is the estimated market value of your house? Amount in Birr \_\_\_\_\_\_\_\_\_\_

2.13 What are the types, numbers and estimated value of your purchases assets for the

last twelve months?

Type No Total value in Birr

Chair \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Table \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Radio \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Tape-recorder \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Others \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.14 Has your purchasing power to buy these items improved over the last two years?

i) If yes, why?

a) Increase in income from loanable activities \_\_\_\_\_\_\_\_\_

b) Increase in income from non-loanable activities \_\_\_\_\_\_\_

c) Gifts or aids \_\_\_\_\_\_\_\_\_\_\_

d) Others \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If no, why?

a) Lack of credit \_\_\_\_\_\_\_\_\_\_\_\_b) Lack of working capital \_\_\_\_\_\_\_\_

b) business failure \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_d) Others \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.15 What are the major sources of your income for the last twelve months?

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a) Receiving loan (specify sources) \_\_\_\_\_\_\_\_\_\_b) Selling assets

\_\_\_\_\_\_\_\_\_\_

c) Selling products \_\_\_\_\_\_\_\_\_\_\_\_\_\_ d)Selling household furniture \_\_\_\_\_\_\_\_\_\_\_\_

e) Selling frutes \_\_\_\_\_\_\_\_\_\_\_\_\_f) salary \_\_\_\_\_\_\_\_\_\_\_

g) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.16 What are social obligations that forced you to sell your produce?

a) Purchase of improved machine \_\_\_\_\_\_\_\_

b) Purchase of equipment \_\_\_\_\_\_\_\_\_\_\_\_\_

c) Purchase of inputs \_\_\_\_\_\_\_\_\_\_\_\_\_

d) Consumption \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.17 What are the items and total estimated value of your sale for the last twelve

months?

Items Total amount ( in birr)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.18 What were your average annual expenses to buy inputs for production for the last

twelve months?

Types Total amount (in birr)

Inputs \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Salary to employ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. **NUTRITION AND CONSUMPTION EXPENDITURE INFORMATION**

**3.1 Types of meals did you have for the last twelve months:**

a) Breakfast \_\_\_\_\_\_\_

b) Between breakfast and middy meal \_\_\_\_\_\_\_

c) Middy meal \_\_\_\_\_\_\_\_\_\_

d) Between middy meal and evening meal \_\_\_\_\_\_

e) Evening meal \_\_\_\_\_\_\_\_\_

3.2 Does the number of types of your meals for the last two years improved

\_\_\_\_\_\_\_stayed same \_\_\_\_\_\_\_\_\_\_increased \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**3.3 What is the approximate monthly consumption expenditure of your household**

**for the last twelve months? Amount in birr \_\_\_\_\_\_\_\_\_\_\_\_**

3.4 Who was the bearer of the expenditure?

a) Yourself \_\_\_\_\_

b) Other family member \_\_\_\_\_\_\_\_

c) Yourself and other family members \_\_\_\_\_\_\_

d) Donors \_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_

3.5 Is there an increase in consumption expenditure or household diet of your household for the last twelve months? yes \_\_\_\_\_\_\_\_ no \_\_\_\_\_\_\_\_\_\_\_\_\_

i)If yes, why?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If no, why?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.6 If your household diet is improved, what have been the major improvements?

a) Able to buy more cereals and staples such as teff, maize, etc.\_\_\_\_\_\_\_\_\_\_\_

b) Able to buy vegetables and fruits\_\_\_\_\_\_\_\_\_\_

c) Able to buy dairy products such as milk, meats, etc.\_\_\_\_\_\_\_\_

d) Able to eat three meals a day \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Others (specify)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.7 If your household diet has not been improved for the last twelve months, what are

your major reasons?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.8 Have you faced shortage of food for the last twelve months? yes \_\_\_\_\_no \_\_\_\_\_\_

If yes, for which month(s)? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. **ACCESS TO EDUCATION INFORMATION**

4.1 If you have children and other school-age family dependents, how many of them

are currently attending school?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4.2 What is your average educational expenditure per year? Amount in birr

\_\_\_\_\_\_\_\_\_\_\_

4.3 Does the number of your family attending school for the last two years is incrased

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stayed same \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ decreased \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

i) If increased, why?

a) Income improvement \_\_\_\_\_\_\_\_\_\_\_\_

b) Building school\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) Others \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) If decreased, why?

a) Low level of income \_\_\_\_\_\_\_\_\_\_\_\_\_

b) Too far school \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) No need of attending school \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4.4 If there are school-age children, not attending school, why?

a) Needed for help in the business activities \_\_\_\_\_\_\_\_

b) Needed for help in non- business activities \_\_\_\_\_\_\_\_\_\_

c) Too far school \_\_\_\_\_\_\_\_\_\_\_\_\_

d) Insufficient money \_\_\_\_\_\_\_\_\_

e) Disabled \_\_\_\_\_\_\_\_\_\_\_

f) Lady child \_\_\_\_\_\_\_\_\_

g) No need of school \_\_\_\_\_\_\_\_

h) Has attained enough (specify his/her grade) \_\_\_\_\_\_\_\_\_

5. **ACCESS TO MEDICAL FACILITIES INFORMATION**

5.1 Could you respond your self financing to get medical facilities to your family for the

last two years? Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_

If yes, who could the bearer of the expenditure?

a) Yourself \_\_\_\_\_\_\_b) Relatives \_\_\_\_\_\_c) Donors \_\_\_\_\_\_Others \_\_\_\_\_\_\_\_

5.2 What is the average annual household medical expenditure for the last twelve months? Amount in birr \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5.3 In the last twelve months, was any ill or injured member of the household not taken

for medical attention or treatment because the household lacked the money to pay for

it?Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_\_

5.*4 Do you think that your access to medical facilities or your responsiveness has been*

*improved for the last two years? Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_*

*If yes, what are the main reasons*?

a) Access of money from the loan able activities \_\_\_\_\_\_\_\_\_

b) Better local treatment \_\_\_\_\_\_\_\_\_\_

c) Borrowed from other sources \_\_\_\_\_\_\_\_\_\_\_

d) Sold the assets from the loan activities \_\_\_\_\_\_\_\_\_\_

e) Others (specify)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**6. EMPLOYMENT AND BUSINESS ACT**IVITIES

6.1 What are the major type of activities you engaged for the last two years?

a) Wood or metal work \_\_\_\_\_\_\_\_

b) employee \_\_\_\_\_\_\_\_\_\_

c) coble stone production \_\_\_\_\_\_\_\_\_\_\_

d) Local drink preparation \_\_\_\_\_\_\_\_\_\_

e) Retail trade \_\_\_\_\_\_\_\_\_\_\_\_\_\_

f) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6**.2 Do you think that your employment opportunities have been improved for the**

**last two years? Yes \_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_**

6.3 Have you improved number for your business activities? Yes \_\_\_\_No \_\_\_\_

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**6.4 Do you think that your income has been improved because of improvement**

**in job opportunities, which is financed from the loan? Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_**

6.5 Have you used hired labor in your business activities? Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_

6.5.1 If yes, a) How many \_\_\_\_\_\_\_b) Is it seasonal or permanent? \_\_\_\_\_\_\_\_\_\_\_

c) For which activities? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6.5.2 If no, why?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6.6 For the business, which gives you the greatest earnings, who in your household

decides?

a) Husband only \_\_\_\_b) Mostly husband \_\_\_\_c) Husband and wife equally \_\_\_

d) Mostly wife \_\_\_\_\_\_ e) only you (for single) \_\_\_\_\_\_\_\_\_

**7. SAVINGS INFORMATION**

7.1 Do you have a personal saving account since two years (alone or jointly with

spouse)? Yes \_\_\_\_No \_\_\_\_\_\_

If yes, a) What type of savings?

i) Compulsory \_\_\_\_\_

ii) Voluntary \_\_\_\_\_\_\_\_

iii) Saving and credit association \_\_\_\_\_\_\_\_

iv) Iqqub \_\_\_\_\_\_

v) Iddir \_\_\_\_\_\_

vi) Others \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) Specify the average monthly saving amount in Birr:

Compulsory \_\_\_\_\_\_\_ Voluntary \_\_\_\_\_\_\_\_\_\_\_

c) For what purpose did you save?

i) Loan repayment \_\_\_\_\_\_

ii) To earn profit \_\_\_\_\_\_\_

iii) To withdraw incase of urgent needs \_\_\_\_\_\_\_\_\_

iv)Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) Have your personal cash savings Increased? \_\_\_Decreased? \_\_\_\_Same? \_\_\_

e) What have been your major uses of savings during the last twelve months?

i)Re-invested \_\_\_\_\_\_\_ ii) Household expenditure \_\_\_\_\_\_\_

iii) Ceremonies (weeding, holidays,) \_\_\_ iv) Urgent needs \_\_\_\_\_\_\_\_\_\_

v)Bought basic items \_\_\_\_ vi)Made improvement to the house \_\_\_\_\_

vii) Buy animals \_\_\_\_\_\_\_\_\_\_ viii) Have not used savings yet \_\_\_\_\_\_\_\_\_\_

ixOthers (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

f) Rank the first three main reasons of using your savings?

1st \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2nd \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3rd \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**8. LOANS FROM ANY FINANCIAL INTITUTIONS EXCEPT MFI (ACSI)**

**8.1 Did you have access to credit from other formal or informal financial**

**institutions for the last two years? Yes \_\_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_**

8.1.1 If yes,

i) Was it from: a) Banks \_\_\_\_\_\_b) Relatives / friends \_\_\_\_\_\_\_\_\_ c) Individual

money lender \_\_\_\_\_\_\_\_\_d) Iddir \_\_\_\_\_\_ e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) Why did you borrow?

a) Greater security \_\_\_\_\_\_\_\_\_\_

b) Easier to get \_\_\_\_\_\_\_\_\_\_\_\_

c) Seems more friendly \_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) Cheapest \_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

iii) For what purposes did you find the loan?

a) Food consumption \_\_\_\_\_\_\_\_\_

b) Clothing \_\_\_\_\_\_\_\_\_\_\_\_

c) Business activities \_\_\_\_\_\_\_\_\_\_\_\_\_

d) Purchase equpments \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Medical or health services \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

f) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

iv) Amount in birr \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Interest rate \_\_\_\_\_\_\_\_\_\_

v) Did you get the amount you requested for your business?

Yes \_\_\_\_\_ No \_\_\_\_\_

vi) If repayments are in arrears, what are the major causes of the problem?

a) Loan activity was not profitable \_\_\_\_\_\_\_\_\_\_\_

b) Profitable but used some of the loan for household expenditures

\_\_\_\_\_\_\_\_\_\_

c) Profitable but the output was sold in credit and did not get paid back

\_\_\_\_\_\_\_

d) Used for non-intended purposes \_\_\_\_\_\_\_\_\_\_

e) Loss of assets \_\_\_\_\_\_\_\_\_\_

f) business failures \_\_\_\_\_\_\_\_\_\_\_\_\_\_

g) Profitable but theft/damage \_\_\_\_\_\_\_\_\_

h) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_

vii) Did you use production credit for consumption purpose? Yes \_\_\_\_\_\_\_No

\_\_\_\_\_\_

viii) Loan size:

a) Enough for the intended purpose? Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_\_

b) Not enough for the intended purpose? Yes \_\_\_\_No \_\_\_\_\_\_\_\_

c) More than the capacity? Yes \_\_\_\_\_\_No \_\_\_

ix) Is there any of your property under liability?

If yes, a) What? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) Under what agreement? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8.1.2. If you do not have any access to credit, what was the main reason(s):

a) Lack of near institution \_\_\_\_\_\_

b) High interest rate \_\_\_\_\_\_\_\_\_\_\_\_

c) Collateral requirement \_\_\_\_\_\_\_\_\_

d) No information of loan \_\_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8.2 Is there any member of your family in other credit group or received loan from any

one of financial institutions or moneylenders? Yes \_\_\_\_\_\_\_\_\_no \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**9. Loan From ACSI (only for clients)**

**9.1 What was the amount of loan received from and repaid to ACSI after the**

**program participation ( in Birr)?**

Loans Applied date Date of received Amount of received Amount repaid

(MM/YY) (MM/YY) within due date

Loan 1 \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_

Loan 2 \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_

Loan 3 \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_

Loan 4 \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_

Loan 5 \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_

9.2 Did you get the amount you requested for your business? Yes \_\_\_\_\_ No

\_\_\_\_\_\_\_\_

9.3Was the amount of your loan size:

a) Enough for the intended purpose? Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_\_

b) Not enough for the intended purpose? Yes \_\_\_\_No \_\_\_\_\_\_\_\_

c) More than the capacity? Yes \_\_\_\_\_\_No \_\_\_

9.4 Have you been trained about loan utilization? Yes \_\_\_\_ No \_\_\_

If yes, has it been satisfactory? Yes \_\_\_\_\_No \_\_\_\_\_\_\_\_

9.5 If repayments are in arrears, what are the major causes of the problem :

a) Loan activity was not profitable \_\_\_\_\_\_\_\_\_\_\_

b) Profitable but used some of the loan for household expenditures \_\_\_\_\_\_\_\_\_\_

c) Profitable but the product was sold in credit and did not get paid back \_\_\_\_\_\_\_

d) Used for non-intended purposes \_\_\_\_\_\_\_\_\_\_

e) Loss of assets \_\_\_\_\_\_\_\_\_\_

f) business failures \_\_\_\_\_\_\_\_\_\_\_\_\_\_

g) Profitable but theft/damage \_\_\_\_\_\_\_\_\_

h) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_

9.6 Main intended purposes:

Item Amount in Birr

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.7Actual use of loan on purpose specified in the loan agreement

Item Amount in Birr

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.8 Actual use of loan on non-intended purpose specified in the loan agreement

Item Amount in Birr

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.9 Did you use production credit for consumption purpose? Yes \_\_\_\_\_\_\_No \_\_\_\_\_

9.10 If you spent some or all of the loan on non intended purpose:

i) Specify your reasons:

a) Excess loan \_\_\_\_\_\_\_\_\_b) To create additional source of income \_\_\_\_\_\_\_\_

c) Because of personal problem \_\_\_\_\_\_\_\_\_d) others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) Was it on income generating? Yes \_\_\_\_\_No \_\_\_\_\_\_\_

iii) Was it on non-income generating? Yes \_\_\_\_No \_\_\_\_\_\_

9.11 Was the repayment period appropriate for your point of view? Yes \_\_\_\_No \_\_\_\_

If no, specify the reason and recommend an appropriate period:

i) Reasons a)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ii) Recommended appropriate period \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.12 Do you believe that loan should be repaid? Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_\_

9.13 Do you believe that cost of default is high? Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_\_

If the cost of default is high, to which cost of default do you give more emphasis?

a) The claims against personal wealth \_\_\_\_\_\_\_\_\_

b) The claims against guarantees \_\_\_\_\_\_\_\_\_\_\_\_\_

c) Social sanctions \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) Loss of future access to credit \_\_\_\_\_\_\_\_\_\_\_\_\_

e) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.14 What do you think about the timeliness of loan issue?

i.e was loan issue timely? Yes \_\_\_\_ No \_\_\_\_\_\_\_

a) If no, has it negative impact on your business? Yes \_\_\_\_ No \_\_\_\_

b) If no, what was the impact of

it?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9.15 Do you keep financial records for your business? Yes \_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_

If yes, does it help you in your loan repayment? Yes \_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_

9.16 What do you think the transaction costs of the program in relative to formal

banks?

Fair \_\_\_\_\_\_\_\_\_\_\_\_\_ Same \_\_\_\_\_\_\_\_\_ High \_\_\_\_\_\_\_\_\_\_\_\_

9.17 What do you think the distance from institutional credit in relative to formal

banks?

Less \_\_\_\_\_\_\_\_\_\_\_\_\_Same \_\_\_\_\_\_\_\_\_\_High \_\_\_\_\_\_\_

**10.SUPERVISION AND ADVISING (ONLY FOR CLIENTS)**

10.1 Have you had any training or consultancies from ACSI for your business

activities? Yes \_\_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_\_\_

If yes, what type of training or advice did you get?

Management \_\_\_\_\_\_\_\_ b) Marketing \_\_\_\_\_\_\_\_\_\_\_c) Production

\_\_\_\_\_\_\_\_\_\_\_\_\_Loan utilization \_\_\_\_\_\_\_\_\_e) Book-keeping \_\_\_\_\_\_f) Others

(specify) \_\_\_\_\_\_\_\_

10.2 Was any supervision on loan utilization and loan repayment? Yes \_\_\_\_No \_\_\_\_

If yes, a) Satisfactory \_\_\_\_\_\_\_\_\_\_\_b) Not satisfactory \_\_\_\_\_\_\_\_\_\_

If not satisfactory, do you believe that it has contribution for your loan default?

Yes \_\_\_No\_\_\_

10.3 Do you believe that supervision whether it is from ACSI staff or kebele

administration has advantage on loan utilization and repayment? Yes \_\_\_\_No \_\_

10.4 How many times you have been visited per one loan duration of time?

**11. OTHER INFORMATIONS (ONLY FOR CLIENTS)**

11.1 How many members does your group have? \_\_\_\_\_\_\_\_\_\_\_

11.2 Did you know all of your group members before joining it? Yes \_\_\_\_No \_\_\_\_\_\_

11.3 Do you feel that you might be sued in case of failure to repay the loan? Yes \_No

\_

11.4 Do you monitor whether a member of your group uses the loan for the intended

purposes or not? Yes \_\_\_\_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_\_

If yes, what actions do you take in case of diversion or not to use the loan for the

intended activities? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.5 Please list the major products produced from your business activities financed bythe loan:

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.6 How was the demand for your products? High \_\_\_\_Average \_\_\_\_Low \_\_\_\_\_\_\_

11.7 What was the price of your products? Increases \_\_Decreases \_\_\_No change \_\_\_\_

11.8 Did you use purchase material for your business?

a) Before loan? Yes \_\_\_\_\_\_No \_\_\_\_\_\_

b) After loan? Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_

c) Has it been improved after loan? Yes \_\_\_\_\_\_\_No \_\_\_\_\_\_\_

11.9 Overall, has your live been better after loan than before the program

participation?

Yes \_\_\_\_\_\_No \_\_\_\_\_\_\_\_\_\_\_

11.10 What is your overall opinion about the program?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.11 Please suggest if any means of more appropriateness for the

program\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.12 During your participation period, what have been the major constraints in

operating your business?

a) Insufficient fund \_\_\_\_\_\_\_

b) Insufficient or lack of places -------------------

c) Lack of business knowledge \_\_\_\_\_\_\_\_\_\_\_\_\_

d) Lack of market for output \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e) Lack of knowledge of using the loan \_\_\_\_\_\_\_\_\_\_\_

f) Loss or damage \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

g) Lack of good environment \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

h) Lack of capital \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

i) Others (specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.13 From your answer above, rank the three most constraints :

1st \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2nd \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3rd \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.14 What issues have been raised during meetings?

a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11.15 Do you think that you will continue in the program? Yes \_\_\_\_\_No \_\_\_\_\_\_

If yes, why?

a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If no, why? a) Too small loan amount \_\_\_\_\_\_\_\_\_\_ b) Too short loan length \_\_\_\_\_\_\_\_\_