



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM IN BUSINESS ADMINISTRATION

THESIS ON

IMPACT ASSESSMENT OF SMALL CREDIT FINANCE TO POVERTY

ALLEVIATION IN THE URBAN SOCIETY OF ETHIOPIA

(THE CASE OF ADDIS CREDIT AND SAVING INSTITUTION IN ARADA SUBCITY)

BY: FISEHA ASEFA

February, 2024

ADDIS ABABA ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION IN BUSINESS ADMINISTRATION**

**February, 2024
ADDIS ABABA, ETHIOPIA**

**ST. MARY’S UNIVERSITY SCHOOL OF GRADUATE STUDIES
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List of Acronyms

ADCSI	Addis Credit and Saving Institution
ADLI	Agricultural Development Led Industrialization
AIMS	Assessing Impacts of Micro enterprise Services
ATT	Average treatment effect on treated
AVFS	African Village Financial Services
BRAC	Bangladesh Rural Advancement Committee
CSA	Central Statistics Agency
CGAP	Consultative Group to Assist the Poor
FGD	Focus Group Discussion
GDP	Gross Domestic Product
IDA	International Development Association
IGA	Income Generating Activities
MFI	Microfinance Institution
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organization
PRSP	Poverty Reduction Strategy Papers
PSM	Propensity score matching
SCI	Saving and Credit Institution
SDI	The Subsidy Dependence Index
SFPI	Specialized Financial and Promotional Institution
SME	Small and Medium Enterprises
SNNPRS	Southern Nations, Nationalities and Peoples Regional State
UNDP	United Nations Development Participant
WB	World Bank

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Acknowledgement

My sincere appreciation and gratitude is to my advisor Dr. Maru Shete (Assoc. Professor) for his all-rounded inspiration, productive criticism, and boundless commentary. His guidance and enrichment helped me a lot in completing this work and I have learned much. So I thank you.

I am also indebted for acknowledging all who supported the data-gathering process at ACSI. The major role was played by Temesgen Adane. Hence, I thank him.

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Abstract

The main purpose of this study was to assess the impact of small credit finance to poverty alleviation in the urban society of Arada Sub city. It explores the benefits gained from using micro-financing as a mechanism to reduce poverty. The study was conducted in Addis Credit and Saving Institutes specifically in Arada Branch. The data gathering was done by using questionnaire as primary source of data. In addition, interview and other secondary data sources were used. Mixed approach was used and the researcher employed cross-sectional survey design. Descriptive statistical analysis and Propensity Score Matching (PSM) analysis technique was used with respondents coming from clients to test the differences of benefit from the credit scheme who were compared with those in the waiting lists. Purposive Sampling was used to recruit 384 respondents for this study. The findings of the study revealed that customers are getting advantage from the institute for the business startup and growth or expansion. However, close support system in financial management and utilization of the money they borrowed has gaps. The empowerment and psycho-social development of female clients have problems in the borrowing decision, spending of the loan money, and usage of the profit. Findings from new clients indicated that group formation and lack of entrepreneurship implementation is demanding. High interest and unwillingness to accept group responsibility are problems. Therefore, it is important to give training and support systems should be provided in order to strengthen usage of the credit and saving institutes for economic beneficence and development or positive change. The induction and orientation should be from getting loan up to the returning the money borrowed.

Key words: Microfinance, poverty, impact, income, saving, health and education expenditure

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Irrespective of their level of development, poverty is a problem for all the countries. It can be observed in many forms. It may be a lack of income or resources, a lack of coping capacity, a lack of basic human capabilities, a lack of institutional defenses or in extreme cases a lack of all of these. In a wider sense, it may be a combination of economic, social and political deprivations. Poverty is a global issue, Despite changes in development paradigms in the last half of the 20th century, the promise to bring well being to all human beings remained unfulfilled. One of the major development problems facing the world today is growing phenomenon of poverty. It is estimated that over 1.3 billion people live on less than \$1.25 per day, and 1 billion people cannot meet basic requirements (World Bank, 2013). Furthermore, 415 million people (one in every two people) in Sub Saharan Africa survive on less than \$1.25 per day and 184 million people (16% of the African population) suffer from malnutrition (World Bank, 2013).

Similarly, poverty is the main challenge and fundamental issue of economic development in Ethiopia. According to Ethiopia Millennium Development Goals report 2012, the estimated drought-affected people requiring food aid were about 8 million. Explaining this kind of extreme deprivation in Ethiopia, an estimate by (MoFED, 2012) pointed out that 27.8% of Ethiopia's population was absolutely poor (unable to meet basic needs), of which 25.7% was urban and 30.4% rural. The major causes of low economic growth and high incidence of poverty in Ethiopia include lack of income, assets, employment opportunities, skills, education, health and infrastructure. According to the report (MoFED ,2012), Women and men, living in such kinds of deprivations, need a wide range of assets such as land, housing, livestock and savings, and capabilities in order to lead healthy lives; withstand shocks; and expand their horizon of choices. This can be done by increasing their well-being, security, and self-confidence as well as by mitigating the extreme physical and financial limitations, which constrain their capacity and exacerbate their vulnerability.

In order to improve the lives of the poor and mitigating the extreme conditions of deprivation in which the poor households live, the government of Ethiopia has over the years adopted economic reform measures to address the issue of poverty. These measures include creating an environment conducive to a free market economy, employment creation which includes the promotion of policies that will encourage domestic savings and private investment, increasing income earning opportunities and promotion of small-scale industries in the informal sector among others. According to Getaneh (2005), Microfinance is also one of the means that is aimed at increasing smallholder production and activities in the informal sector.

In financial institutions, small credit finance programs have been introduced as one of these actions to alleviate poverty, empower low-income people and reduce their vulnerability to risk and also emerging as a powerful instrument for poverty alleviation in the new economy. The goal of small credit finance institutions as development organizations is to service the financial needs of un-served or underserved markets as a means of meeting development. It includes reducing poverty, empowering women and other disadvantaged population groups to create employment. Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. Beyond the direct linkage with poverty reduction, it is an indirect link to address the issues of health, education and gender. Micro finance institutions cover not only consumption and production loans, but also include other credit needs such as housing and shelter improvements (Bamlaku, 2006). The transition of NGO activities in Ethiopia initially involved in the provision of relief and humanitarian support that then extended their services to the provision of credit to micro enterprises, rural and urban poor was another factor that contributed to the growth of micro finance in Ethiopia (Zigiju, 2008).

In its effort to struggle against urban and rural areas, the Ethiopian government accepted microcredit services as one of the major poverty alleviation policies and set a legal framework for establishment and operation of microcredit institutions to provide financial services to micro and small enterprises and poor rural and urban households. Currently, there are 31 licensed MCIs operating in Ethiopia (NBE, 2012/13) including Addis Credit and Savings Institution.

1.2 Statement of the problem

Despite the fact that Addis credit and saving intuition S.C have been providing financial services to the poor in a bid to reduce poverty in the target intervention areas, its impact on poverty has not yet been studied. The literature on the study of impact of Small credit finance services on poverty reduction provides mixed results.

Credit is a powerful instrument to fight poverty. The role of microcredit in reducing poverty is now well recognized all over the world. It is no longer the subject matter of microcredit practitioners alone. Currently it has increasingly become the agenda of governments, donors, development agencies, banks, consultants, and others stakeholders. With the advent of Grameen Bank and other such programs microcredit obtained a new identity, a new meaning and a place in development literature (Ledgerwood,1999).

Microcredit, according to Tesfaye (2003) is the main component of the microfinance services. It is a system of credit delivery and mobilizing savings specially designed to meet the requirement of the poor and allowing them to improve their living standard by providing credit support without collateral through augmenting their households income and savings facilities. It has evolved as an economic development approach intended to benefit the poor. However, microcredit may not include other services such as saving, insurance, payment services, etc.

According to World Bank report (2013), poverty is lack of access by the poor household to the assets like human capital (access to education), natural (access to land), physical (access to infrastructure), social-political (such as networks and political influence over resources), or financial (savings and access to credit) necessary for a higher standard of income or welfare. People who live in poverty live in a state of deprivation, a state in which their standard of living falls below some minimum acceptable standard (Zigiju, 2008). Poverty level can be classified in to absolute and relative poverty. The extent of absolute poverty can be defined in the number of people living below a specified minimum level of income which is one US dollar a day per person.

The major concern of the Ethiopian government in its PRSP is to give due emphasis to the country's all and basic industry-agriculture through its strategy called Agricultural Development Led Industrialization. In the document, microfinance is indicated among the specific means that is given greater emphasis and is expected to play essential role for reducing poverty in rural areas of the country where the bulk of its populace dwell (Bamelaku,2006. Urban assessment studies suggest that the income gap between the wealthy and the poor has been widening in urban centers. Certainly, some work has been going on in the country to improve the lives of the urban population, especially in the recent past. However, most of the country's urban centers including Addis Ababa are still facing various social and economic problems.

Addis Ababa as a capital city of Ethiopia plays a leading role in the national economy. Because of the diversification (Specialization), agglomeration of economic activities it has a comparative advantage and economies of scale to operate in varying degree and dimension in the country. The city GDP has reached Birr 20,367.75 million and per capital income Birr 6,857.8 in the year 2010 (BoFED, 2013). However, Addis Ababa is one of the least developed cities in Africa facing a major challenge of urban poverty and slum proliferation. (BoFED, 2013)

According to Addis Ababa City four-year population program and strategic plan document (2012), over 50 per cent of the population is living below the poverty line, unemployment rate in the city is 27.9 per cent and about 20 per cent of the population is engaged in informal sector activities. Concerning employment by gender in the informal sector, about 19.2 percent are women that are left in a disadvantaged situation. Hence, most of the households spent more than 50% of their income on food (Bihon, 2006). Although efforts have been made to promote small-scale enterprises in the city, due to large number of working age population in the city, labor absorption capacity of the economy is still limited.

The provision of microfinance services is one to reach out the poor through setting up micro finance institutions. As part of this initiation, the NBE issued the proclamation No 40/1996 aiming to provide for licensing and supervision of micro finance businesses (Wolday, 2000). Microfinance institutions have some impact based objectives that are frequently cited. These are to create employment and income generation opportunity, to increase saving and income, and to diversify source of income.

Generally, microfinance institutions are therefore recognized by the governments as one of the effective tools to fight against poverty by providing financial services to those who do not have access to use conventional banks and financial institutions. Hence, the study has been designed to assess the contribution of microfinance institutions on poverty alleviation, i.e. to examine if microfinance institutions become successful in attaining the positive impact in reducing poverty by providing the poor with Small or micro credit facility to start a small business and create employment opportunities.

There are also quite a number of research works that have been done on small credit finance to poverty alleviation in the urban society or on microfinance-poverty linkages in Ethiopia. However, more of the studies focus on rural areas of Ethiopia and produce hard-to-generalize statistics on a wider perspective. More importantly, in the Addis Ababa Specially in Arada Sub city, where this study was conducted, studies are scanty.

Therefore, this study was designed to fill this gap.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study was to assess the impact assessment of small credit finance to poverty alleviation in the urban society of Arada Sub city. It explores the benefits gained from using micro-financing as a mechanism to reduce poverty

1.3.2 Specific Objectives

Specific objectives of the study are to:

- Investigate the impact of small credit finance of products of ADCSI on poverty alleviation in terms of income, saving, loan and credit and employment opportunity,
- Examine the impact of ADCSI service regarding the psycho-social empowerment of clients in poverty reduction/alleviation.
- Identify the views of clients regarding the strengths and limitations of ADCI contribution on education and medical opportunity and on improving clients' nutritional statuses.

1.4. Research Questions

The study will attempt to answer the following key research questions:

- To what extent financial service of ADCSI improves economic status of the clients in terms of income, saving, loan and credit and employment opportunity?
- How did a financial service of ADCSI improve clients' empowerment in terms of empowering women's, microfinance program participation in decision making power, and business management skill?
- What were the strengths and limitations of ADCI on contribution of education and medical opportunity and on improving client's nutritional statuses?

1.5 Significance of the study

Findings of the study benefits financial institutions especially Addis Credit and Saving Institution to evaluate their contribution towards poverty alleviation. In addition, the findings of the study could be used by other researchers as a source of information on the contribution of MFIs in alleviating urban poverty. The study was useful for credit and saving institutes, customers, and policy makers for further intervention and support.

1.6 Scope and Limitation of the Study

In Ethiopia, numbers of small credit finance institutions were established since 1994. This study focuses only on AdCSI. The performance of small credit finance institutions was measured mainly by three variables: outreach, sustainability and impact. However, the scope of this study will be limited to the Impact Assessment of small credit finance to poverty alleviation in the urban society of Arada Sub-city). Basically impact study requires longer time, but the duration of many clients was quite enough to reveal changes before and after intervention. New clients who had less than one year experience would also been considered as a control group. On the other hand, the findings had their own limitations. It would be not easy to filter the differences of the impact between with and without microfinance services as the data collection was limited to beneficiaries. This will be also consequently disabled the comparative analysis of clients and non-clients. The gathering of data had problems in appropriately providing the accurate information.

1.7 Organization of the paper

This study would contain five chapters. The first chapter comprises the introduction which includes background of the research, statement of the problem, objectives, research questions,

significance and scope and limitation. The relevant literature in the field would be discussed in the second chapter. The third chapter presents research methodology. The fourth chapter was about findings, discussions and analysis. The fifth chapter presents the conclusions and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

This part of the proposal contains the review of related literature in order to show the issue and gaps under investigation.

2.1 Small Credit Finance or Microfinance

Small credit finance or Microfinance has long history and encompasses a diverse range of institutional formats ranging from individual money lenders through to more formal institutions, such as village banks, credit unions, financial cooperatives, state owned banks for SMEs (Small and Medium-sized Enterprises), social venture capital funds and specialized SME funds. Microfinance, according to Lidgerwood (1999) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet, (2001), cited in Bamlaku, (2006) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Small credit finance or Microfinance is the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that microfinance can play a role in the battle against poverty, it is also recognized that it is not always the appropriate method, and that it should never be seen as the only tool for ending poverty. In general, Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services.

2.1.1 The History of Small credit finance or Microfinance

Small credit finance or Microfinance is relatively new term in the field of development. From the 1950s onwards, governments and international donors have been assisting subsidized credit for small holder farmers in developing countries with the aim to increase agricultural productivity. Development financial institutions such as agricultural development banks were established to

deliver subsidized credit to those farmers. In the 1960s and 1970s the supply led credit approach ended up with failure, despite the benefit of middle and upper class farmers in increasing agricultural productivity through intensive use of inputs. Main reasons for state failure of credit provision were rapid disbursement of funds with greater political emphasis, failure to collect loans stemming from lack of proper institutional arrangement and clients' attitude towards loan as grant money (Assefa et al, 2005). As Wolday (2000) describes, the 1980s demonstrated that „microfinance could provide large-scale outreach profitably, “ and in the 1990s,” microfinance began to develop as an industry“.

Along with the growth in microcredit institutions, attention changed from just the provision of credit (microcredit) to the poor , to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services . The importance of microfinance in the field of development was reinforced with the launch of the microcredit Summit in 1997. The Summit aimed to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self-employed and other financial and business services (Microcredit Summit, 2005). In view of grabbing more attention, recently, the UN had also declared 2005 as the International year of microcredit. (UN, 2005)

2.1.2 Small credit (Micro Credit)

Small credit refers to programs that are poverty focused and that provide financial and business services to very poor persons for generation of self-employment and income. Credit is a powerful instrument to fight poverty. The role of microcredit in reducing poverty is now well recognized all over the world. It is no longer the subject matter of microcredit practitioners alone. Currently it has increasingly become the agenda of governments, donors, development agencies, banks, consultants, and others stakeholders. With the advent of Grameen Bank and other such programs microcredit obtained a new identity, a new meaning and a place in development literature (Ledgerwood,1999).

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facilities. It has evolved as an economic development approach intended to benefit the poor. However, microcredit may not include other services such as saving, insurance, payment services, etc.

2.1.3 Microfinance and Small credit

In the literature, the terms micro credit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Lidgerwood (1999) states “micro credit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc.)”. Therefore micro credit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services.

2.2 Small Credit Finance and Poverty

Small credit finance is known as an effective tool for poverty alleviation. In poor countries like Ethiopia greater attention has been paid to poverty alleviation through microfinance, especially in the last decade. The successful use of the micro finance is considered as a victory for the disadvantaged segments. Considering the poverty alleviating impact of micro finance, currently many microfinance institutions are working throughout the developing world

Ethiopia, a country of more than 85 million is grappling with all sorts of problems that range from lack of food (to feed its expanding millions) to poor governance. Its people derive their livelihood mainly from traditional, subsistence agriculture and suffer from lack of access to the essentials for human existence. In terms of the recommended calorie intake, which is 2,200 per adult per day, Ethiopia is by far behind many least developed countries. Considering food baskets and non-food items, an estimate by MoFED (2012) shows that 27.8% of the population are below the poverty line. The problem is highly pronounced in rural areas more than it does in urban centers with coverage of 47 and 33 percent of the respective population. As far as Human Development Index is concerned (which is 0.435 as per the report of UNDP 2013), Ethiopia is positioned 173 out of 187 countries in the year 2012/13 (World Bank, 2013).

According to Grameen Trust (2003), Microfinance is still considered a relatively new strategy to combat poverty, but the model has been studied and copied enough that some preliminary conclusions can be drawn about its rightful role in international development. Proponents point to the fact that microcredit does a better job targeting the poor, and it offers a smart alternative to the top-down macroeconomic approaches that have characterized traditional development policy strategies

2.2.1 Poverty

The definition of poverty has become vague. Many authors define poverty in different ways by considering different criteria and indicators of poverty. Some researchers have defined the poor as that portion of the population that is unable to meet the basic nutritional needs. Others viewed poverty as a function of education and/or health using the measurement of life expectancy, child mortality, etc. Level of expenditure and consumption are other criteria used to identify the poor.

According to World Bank report (2013), poverty is lack of access by the poor household to the assets like human capital (access to education), natural (access to land), physical (access to infrastructure), social-political (such as networks and political influence over resources), or financial (savings and access to credit) necessary for a higher standard of income or welfare. People who live in poverty live in a state of deprivation, a state in which their standard of living falls below some minimum acceptable standard (Zigiju, 2008). Poverty level can be classified in to absolute and relative poverty. The extent of absolute poverty can be defined in the number of people living below a specified minimum level of income which is one US dollar a day per person.

According to Johnson and Rogaly (1997, cited in Zigiju, 2008) poverty is conceptualized in terms of lack of

(1) Income;

(2) vulnerability (i.e. defenselessness and security linked with assets, such as health and education, houses and domestic equipment, access to infrastructure... etc.; and risk to which they are exposed, including illness and death...etc.); and

(3) Powerlessness within household and community due to differences in caste, ethnicity, gender, age, and wealth. Poverty should be understood in broader context which includes empowerment, access to power, and the opportunity to participate in social and political activities.

Others scholars defines poverty as the deprivation of basic capabilities that provide a person with the freedom to choose the life s/he has reason to value. From this perspective, poverty is a condition with many interdependent and closely related dimensions which can be categorized as

1. lack of regular income and employment, productive assets (such as land and housing), access to social safety nets, and command over economic resources;

2. lack of access to services such as education, health care, information, credit, water supply and sanitation; and

3. Influence on decision-making that affects one's life. It generally seems accepted that poverty should be understood in a holistic way including economic, social, and political dimensions.

Poverty is lack of access by the poor households to the assets like human capital, natural, physical, social-political, or financial (savings and access to credit) necessary for a higher standard of income or welfare. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation (UN, 2010).

2.2.2 Urban poverty

Urban poverty is a multidimensional phenomenon. The urban poor live with many deprivations. Their daily challenges may include:

- Limited access to employment opportunities and income,
- Inadequate and insecure housing and services,
- Violent and unhealthy environments,
- Little or no social protection mechanisms, and
- Limited access to adequate health and education opportunities.

But urban poverty is not just a collection of characteristics; it is also a dynamic condition of vulnerability or susceptibility to risks. In identifying the characteristics of urban poverty from that of rural poverty. According to Moser (1998), describes urban poverty based on three specific characteristics of urban life: commoditization, environmental hazard, and social fragmentation. By commoditization she refers to the fact that urban households are for the most part obliged to pay for their food, shelter, transport and education than rural dwellers. Moreover, employment is frequently unavailable, insufficient or insecure while shelter is frequently illegal and insecure.

The urban poor are affected by environmental problems including lack of environmental services (i.e. sanitation, water, drainage, and solid waste management), poor quality housing, overcrowding, and settlement on marginal or degraded land. These factors increase health risk to the poor. In terms of social fragmentation the vulnerability of urban dwellers may also be high because community and inter-household mechanisms for social security are less likely to operate in urban areas (Moser, 1998). Asset Vulnerability Framework put forward by Moser contributes to the growing evidence that points to the limitations of income poverty measurement and its inability to capture other factors affecting the poor as well as their response to economic difficulty. Asset Vulnerability Framework put forward by Moser contributes to the growing evidence that points to the limitations of income poverty measurement and its inability to capture other factors affecting the poor as well as their response to economic difficulty. She summarizes these assets Vulnerability framework as follows: Labor- commonly identified as the most important asset of poor people. Human capital- health status, which determines people's capacity to work, and skills and education, which determine the return to their labor. Productive assets- for poor urban households the most important is often housing. Household relations- a mechanism for pooling income and sharing consumption Social capital- reciprocity within communities and between households based on trust deriving from social ties.

According to Moser (1998), poverty is characterized by not only a lack of assets and the poor's inability to accumulate an asset portfolio but also by inability to devise an appropriate coping or management strategy. The key issues in anti-poverty strategies are therefore to build up the asset base of the poor and to expand better their capabilities to manage their existing package or portfolio of assets. Under these understanding, a good conceptual base for Understanding and dealing with poverty, in this research, it is applied as a tool to determine what role saving and credit institution play in urban poverty alleviation.

2.2.3 Small credit finance and poverty alleviation

While emphasizing the importance of microfinance to confrontation poverty Kofi Annan, former Secretary General 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.”

The principal role of microfinance was to help the poor people to escape or alleviate poverty. It was presumed that participation in microfinance programs would help the poor people to derive both the material and social benefits at the individual, household and enterprise level. With credit poor people could smooth consumption and create or expand productive activities and thus accumulate capital and wealth to mitigate poverty. The particular emphasis was put on the stimulation of the small businesses in the informal sector, which was considered as one of the prerequisites for economic development. It was believed that investment in informal sector would increase employment leading to increase in income and consumption.

Whoever the intended beneficiaries were, According to Mosley and Hulme (1998), have shown that clients of microfinance institutions witnessed a positive impact on their lives since the start of participating in the program. Microfinance has helped to increase income and consumption on individual and household level. At enterprise level, it contributed to capital accumulation and creation of employment opportunities. Microfinance has also exhibited ability to achieve wider impacts on community level through labor markets when clients who took loans for their businesses employed new workers from within the poor group (Mosley and Hulme, 1998) and by increasing income and consequently consumption and expenditure, which stimulated the local economies.

However, not all the poor people were able to derive benefit from microfinance, as MFIs usually serve the poor who are just above or below poverty line rather than the very poor living significantly below the poverty line. The latter tendency could be an outcome of deliberate MFI targeting strategies to attract not so poor clients or could be caused by the design of the products that inadvertently excludes the very poor people by their virtue of being too poor. Micro loans

are given to a group of people who are made jointly liable for its repayment. Members of the community would-be unwilling to include the very poor people in the group of loan beneficiaries as they pose a high risk of default (Mosley, and Hulme, 1998). If one of the group members is unable to pay his/her installment it puts pressure on the whole group, as they have to cover the missing installment. It also undermines their possibilities to apply for another loan as group becomes eligible for a successive loan only if they exhibit good credit performance that is pay all the installments in time. Thus the poorest of the poor could be denied access to the microfinance further deepening income inequalities between the participants and non-participants.

In addition, it has already been mentioned that Small credit finance shows the capacity for wider economic impacts. Nevertheless, its ability to foster economic growth and development is highly debatable (Mosley, and Hulme, 1998). The economic development relies on the ability of people to accumulate capital, which means that within the microfinance framework the poor people should invest the received loan in income generating activities. The revenues from these activities should be used for further saving, which equals investment. "Ultimately the aim is to set in motion a virtuous circle of circular and cumulative causation on the micro level" (Gramene trust, 2003). However, micro loans often serves as income stabilizer, reducing the detrimental effects of shocks such as natural disasters and only small part is used for business opportunities; therefore, microfinance may ,,amount to no more than a redistribution of incomes among the relatively poor" (Bamlaku, 2006).

Nobody says that credit alone is cure for all. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living. Muhammad Yunus (Gramene Trust, 2003), advocates that credit is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be panacea, by over emphasizing that microcredit is not a panacea is in a sense overreacting and underestimating the role of credit as an instrument to combat poverty. Microfinance is itself a very powerful tool. But if it is combined with others, it is definitely more empowering.

2.2.4 Impact of Small credit finance or Microfinance on poverty

How Microfinance can reduce poverty may better be understood by understanding conceptually the mechanisms by which financial services can affect the lives of the poor. It is important to consider the fulfillment of basic needs (food, clothing, shelter, health, education and psychological well-being), the means to achieve welfare at present and in the future, social networks and empowerment and vulnerability to risk. 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.

Empirical evidence shows that, among the poor, those participating in microfinance programs that had access to financial services were able to improve their well-being-both at the individual and household level-much more than those who did not have access to financial services. For example, in Bangladesh, Bangladesh Rural Advancement Committee (BRAC) clients increased household expenditures by 28% and assets by 112%. The incomes of Grameen members were 43% higher than incomes in non-program villages; In Ghana, 80% of clients of Freedom from Hunger had secondary income sources, compared to 50% for non-clients (Bamelaku, 2006). In the year 2000, the United Nations drew up a list of Millennium Goals which aim to spur development and eradicate extreme poverty. In 2008, Murdoch and Haley were authorized to determine the impact that microfinance has on the realization of the seven Millennium Goals. In an extensive work, Murdoch and Haley concluded that „there is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to the first six of the seven Millennium Goals“ (Murdoch and Haley, 2008). According to their study clients who participate in microfinance programs have enjoyed increased household income, better nutrition and health, the opportunity to achieve higher education, a decrease in vulnerability to economic shock, greater empowerment, and in some cases, the ability to completely lift themselves and their families out of poverty.

Studies of microfinance programs and their clients indicate the following impacts on poverty and hunger. In Indonesia, 90% of 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 high protein 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 labor to more diversified sources of income, with a strong reliance on small businesses. Studies of two separate microfinance institutions in Bangladesh documented a similar shift from informal labor to self-employment among MFI clients. As a result, overall wage rates in the villages served by the microfinance programs also increased (Zaman, 2000).

It is well known that the majority of microfinance programs specifically target women clients and provide them with direct control over resources because access to microfinance services is believed to open up greater livelihood opportunities for women and thereby allow for their increased participation in the economy (Khandker S. 2003). As a result, many MFIs consciously design their programs to empower women, with the goal of increasing their voice in decisions (family, economic, social, political) that affect their lives.

2.2.5 Debates on Small Credit and Poverty Alleviation

There is an ongoing debate whether credit alone or credit plus is needed for poverty reduction. There are views that credit alone on its own is inadequate to fight poverty. The need for other services is also important in this respect. Such views, although, do not negate the role of credit; fail to appreciate the role of credit on its own merit.

On the one hand, Microcredit is said to have brought positive impacts on the life of the clients. A growing database of empirical studies shows that Microcredit has positive impacts to boost the ability of poor people to improve the conditions in which they live. It allows poor people to increase their income by starting new enterprises or expanding existing one. A recent study concluded by the Bangladesh Institute of Development Studies and the World Bank in Bangladesh provides a strong indication that Microcredit do help the poor in consumption smoothing as well as in asset building(Grameen Trust,2003). The study also suggests that

Microfinance programs promote investment in human capital like schooling. It raises awareness to reproductive health and increases both individual and household welfare. Grameen Bank, the pioneering institution in the field of poverty finance is now serving 2.6 million borrowers with 95% as women. All its clients at the time of their first loans were among the poorest. Given the access to credit, they have an enabling environment to strive for better life to cross poverty line and to continue to improve. The Grameen Generalized System (Grameen Bank II) provided them more options and flexibility. It is tailor-made and tension free. It takes care of many dimensions of poverty reduction (Grameen Trust, 2003).

Grameen has been widely researched and recognized for making a difference in the lives of its members. Grameen Trust (2003), studies show that the borrowers of Grameen Bank are steadily moving out of poverty. One such study shows that it is at the rate of 5% a year. According to another study based on a household survey in an area where Grameen has been operating for more than a decade, about 50% of the Grameen households have crossed the poverty line. Another 25% were about to cross it and the rest was struggling mainly because of health reasons.

Critics suggest that microcredit by itself is ineffective at targeting the poorest, and it may also be at odds with public welfare programs, so its role should be limited to the informal sector. Impact assessment studies have also challenged the conventional wisdom of the poverty impact of Micro credit. Micro credit is said to play insignificant role towards mitigating the problems of the poor. Recent studies on microfinance found out that MCIs have helped to create some positive changes, but that there was no clear and marked evidence of poverty reduction and stated that the expectations of what MC can do to help lift communities out of poverty is a bit too optimistic. Morris and Barnes (2005) provided an overall assessment of the impact of MC programs in Uganda. The researcher did not find that Micro credit programs help to alleviate poverty in program areas, though results from this study indicated positive impacts. Therefore, despite the many positive findings that are reported in some feasibility and impact studies, some studies report the impact of Microcredit programs is insignificant and also fail to find out the direct link between Microcredit and poverty reduction.

2.3. Small credit finance and empowerment of the poor people

The empowerment of the poor people is one of the promised outcomes of participation in the microfinance programs. The empowerment had to be exercised through participation in free markets and through ability to engage in income generating activities, which would increase the income of the poor people and thus would boost their self-reliance and self-confidence. (Bamlaku, 2006). Microfinance was also seen as a way to expand the entitlements of poor people. Mohammed Yenus went as far as to proclaiming microfinance as a human right.

It should be noted that microfinance shows the capacity to help the poor to escape or alleviate poverty by lifting the liquidity constraints and enabling to take up income generating activities, which could encourage the poor people to use the services of the microfinance institutions. The ability of microfinance to empower its beneficiaries by decreasing the income poverty and through possibility to expand ones agency and economic independence could further add to the incentives to join and stay. Yet, the institutional policies and vulnerability of the poor people limit the chances of the poor to participate and maintain the banking relationship and could erode the impact or reduce the benefits that this relationship brings.

2.3.1 Small credit finance and woman empowerment

In case of women empowerment, there was much trust that microfinance would help women to increase their bargaining power within the household and that the “the organization of women into groups that meet regularly will build solidarity among them and result in wider challenges to gender hierarchies”(Wolday, 2000). However, the literature often omits the role of the male dynamics in the household as well as the social and cultural constraints that women face (Stieglitz, 1998). If patriarchal system is embedded in society it is very unlikely that usage of microfinance scheme would greatly contribute to the empowerment of women. In these communities women exhibit little awareness or wish to challenge the gender inequality. The belief that male leadership of the household and community is natural is deeply implanted in the minds of the women making it hard to encourage them to challenge male dominance.

Therefore, even though microfinance mechanisms enable women to increase their income, they rarely encourage them to question and challenges of gender relations in the community. Also the assumption that if woman starts earning, her husband will inevitably start to value his wife has no solid ground especially being aware that husbands or other male members of the

family often use women as an intermediary to get a loan from microfinance institutions, as they are not eligible to get one themselves (Rahman, 1999). It does not imply, of course, that women cannot derive benefit from the loans as it is usually used for common purpose of the household, and contribute to increased economic independence of women but it is not likely that microfinance could bring more than a marginal improvement in women's life.

Women's priority is to invest their earnings in their children, followed by their spending on their household necessities. Therefore, lending to women and increasing their earnings bring more qualitative benefits to family welfare than the earnings of men. In addition, lending to women is perceived an effective way to assist the poor women in attaining their socio-economic empowerment in the larger society (Rahman, 1999).

Small credit finance institutions' focus on women noted that credit services bring about economic benefits such as higher business incomes and better empowerment, greater self-confidence, increased role in household decision-making and better social capital, women involved in microfinance feel less marginalized, have higher aspirations for their children's education and future, use more reliable sources of drinking water, and are more likely to use latrines and contraceptives. On the other hand, microfinance institutions prefer women to men not only because they have been marginalized in socio-economic relations, but also they tend to be excellent clients, which Rahman (1999) called 'the hidden transcript'. According to Rahman, Grameen Bank targeted at women strategically for recovering of loans because of women's positional vulnerability such as shyness, being passive and submissive in some societies as well as being more reliable and more disciplined. In addition, women in many programs have been proved for repaying their loans at higher rates than men (Murdoch and Haley, 2008). As it was stated in Rahman (1999) lending to women gives microfinance institutions an unwritten guarantee of getting back their money.

Majority of Small credit finance programs target women with the explicit goal of empowering them. However, their underlying premises are different. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged. Others believe that investing in women's capabilities empowers them to make a choice, which is valuable in it, and also contributes to greater economic growth and development. Another motivation is the evidence from literature that shows that an increase in woman's resources result in higher well-being of the family,

especially children. Finally, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers thereby contributing to their financial viability (Robinson, 2001). Another argument that explains in favor of priorities to women is their efficiency and sustainability. Women are believed to be better in their repayment records and cooperativeness. Women's repayment rates also excel that of men and their lower arrears and loan rates have an important effect on their efficiency and sustainability of the institutions. Women's equal access to financial resources is also a human rights issue. (Meron, 2007).

2.4 Small Credit Finance or Microfinance in Ethiopia

Since the takeover of the current 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, according to Seifu (2002) the issuance of this proclamation alone did not totally solve the financial problem of the economically active poor people in rural and urban areas.

The legal foundation for the microfinance industry was laid in the country with the issuance of Proclamation No.40/1996 on licensing and supervision of micro financing institutions in 1996. MFIs established in accordance with the proclamation can provide a loan amount of not more than five thousand birr on the basis of group guarantee and to borrowers who have joined a membership arrangement as well as lend on limited scale to non-members on the basis of physical or other collateral (National Bank of Ethiopia, 2012/13). 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 repayment period (one year), and lending methodology (social collateral).

Government institutions like commercial and development banks have also been providing credit to rural households for purchase of agricultural inputs and tools. More formal micro financing step, according to the 1999/2000 Annual Report on the Ethiopian Economy by Ethiopian Economics Association Vol. I., however, was taken in 1990 when an urban micro financing scheme was initiated at national level with credit agreement signed between Ethiopian government and International Development Association (IDA). The credit scheme was

implemented. since 1994 in 59 towns of Amhara, Tigray, Oromia and Southern Nation Nationalities and Peoples Regional State has dispersed, up to the end of 1997, a total of 17.3 million birr, 20 percent contributed by the Ethiopian government and 80 percent covered by International Development Association (IDA), among more than 34,000 beneficiaries of which 65 percent were women (Ethiopian Microfinance Institutions, 2002). The reported recovery rate for 1996/97 of the successful scheme that provided evidence for success of group based lending and specialized MFIs was 92 percent. Concerning loan distribution and repayment, Worku (2000) reported that loan sizes provided by Ethiopian MFIs are modest, averaging about 50 birr to 5,000 birr to each client to start using within 7 days and begin monthly repayments. According to Wolday (2002), all MFIs in Ethiopia deliver limited and the same types of loan products to clients copying from each other, and their methodologies and products are "supply-driven instead of being demand-driven." Haftu, (2004) states that MFIs in Ethiopia are trying to move towards considering and applying new approaches in group sizes and other procedures instead of following Grameen methodology.

According to the annual report of the national bank of Ethiopia (2012/13), the number of Microfinance Institutions (MFIs) operating in the country were 31. The overall performance of micro-finance institution during the review period was encouraging. Accordingly, their total capital and total asset increased by 20.8 and 33.0 percent and reached Birr 4.5 billion and Birr 17.7 billion, respectively. Deposit mobilization and credit provision activities of microfinance institution have also witnessed a remarkable increment. Compared to last 2011/12, deposit mobilization went up by 39.6 percent and reached Birr 7.6 billion. Their credit provision capabilities also rose by 37.6 percent indicating the expanded outreach of the microfinance institutions

2.5 Measuring the Performance of Small Credit Finance or MFIs

The tools to measure the social performance of microfinance institutions such as outreach in number of clients served and depths (clients' poverty level), financial structure, financial performance, efficiency and productivity, and portfolio quality (loan repayment) are found to be effective measurements in order to investigate the structure of institutions and their use for the community. (Lafourcade, 2005)

2.5.1 Efficiency and Productivity

Normally the effectiveness and productivity of microfinance institutions is measured by financial ratios. Institutions earning performance depend on the degree to which an organization's income covers its expenses. Efficiency can also measure by cost per borrower and a cost per meanwhile productivity is often measured in terms of a borrower per staff members (Lafourcade, 2005).

2.5.2 Portfolio Quality

The portfolio quality or loan repayment of microfinance's the most revealing financial performance. Loan collection is needed for the success of microfinance. The method of collecting loans is not always reliable. There will be the risks of loan delinquency and default (Consultative Group to Assist the Poor CGAP, 2003) (Morris and Barnes, 2005). Therefore, it is important the assessment of portfolio quality or loan repayment and its challenges to know the effectiveness and its viability

2.5.3 The Subsidy Dependence Index (SDI)

This measurement method helps to measure how much the institutions depend on subsidies funds. It's the ratio of subsidy received to revenue from loans. The institutions mostly financed by subsidies loan for sustainable purposes. The measurement index tells how much the lending interest rate should increase to remove subsidy and increase profitability for institutions. However, rising costs will lead to lower profitability.

2.5.4 Sustainability of the Microfinance Program

The benefit of sustainability of micro finances is for the people who need the financial support. The Microfinance program is a significant and growing industry, the institutions gives benefits to the society, many can survive and manage their home well, send their children to school; eat three times a day and can even save some amount of money for emergency cases. Many MFIs in Ethiopia can deliver financial services in a sustainable way. The number of borrowers and size of institution are used to measure sustainability of the institution (Murdoch, 2003, cited in Samuel, 2006). According to Wolday (2002), the success of microfinance activities in Ethiopia depends on good governance in improving the social performance. Most clients' income depends on agricultural products that affect the performance of the microfinance institution because of the fluctuations of product prices that are difficult to predict.

2.6 Experience of Africa countries in Micro finance

Small enterprises and most of the poor population in sub-Saharan Africa have very limited access to deposit and credit facilities and other financial services provided by formal financial institutions. For example, in Ghana and Tanzania, only about 5–6 percent of the populations have access to the banking sector. This lack of access to financial services from the formal financial system is quite striking, when one considers that in many African countries the poor represent the largest share of the population and that the informal sector is an important part of the economy. To meet unsatisfied demand for financial services, a variety of microfinance institutions (MFIs) has emerged over time in Africa. Some of these institutions concentrate only on providing credit, others are engaged in providing both deposit and credit facilities, and some are involved only in deposit collection. According to the study made in Nnamdi Azikiwe University (Anayo 2010), Nigeria it has become common that the emergence of MFIs was largely aggravated by the exclusion of the informal sector by the formal financial system/institutions in Nigeria and indeed other developing countries. For instance, out of the about 150 million Nigerians, about 65 percent of the active population who are mostly women are not served by the formal financial institutions.

2.7 Empirical Microfinance Impact Studies in Ethiopia

In Ethiopia, Microfinance has become a growing sector; this is partly because of the demand created by the absolute poverty in the country and encouraging policy atmosphere for the microfinance services as part of poverty reduction strategy. Therefore in order to address the problem there have been a growing number of microfinance impact studies being conducted by academic institutions, microfinance associations, and researchers. However, some of the studies to which the researcher had access to have been reviewed here.

Getaneh (2005) Amara Credit and Saving Institution, before and after the program analysis of impact on clients, ACSI has brought very little impact in poverty reduction and enterprise development. The outreach performance is also minimal. The poor marketing situation, lack of infrastructure (road network in particular) and lack of business skill by the borrowers have negatively affected the performance of ACSI The research conducted by Padma and Getachew (2005) on women clients of Omo and Sidama MCIs in Awassa town of SNNPRS shows that some clients

were able to send their children to private schools and build assets. However, lack of entrepreneurial skills and low returns in business and marketing were indicated as major obstacles.

According to (Meron.2007), 373 clients questioner survey in Addis Ababa in Specialized Financial and Promotional Institution (SFPI), were asked their level of income before and after they joined MFI, the purposes for which they use the loans, the level of savings in comparison to the times before joining MFI and their decision making powers on the loan secured. This shows that after joining MFI, 5.4 percent of the respondents have acquired less than Birr 100 while 18.8 percent have between Birr 101-200. The percentage of respondents that have between Birr 201 and 300, Birr 301 and 400, and Birr 401 and 500 has respectively been 32.4 percent, 8.6 percent and 10.2 percent. While 6.2 percent has more than Birr 500, 18.5 percent are not aware of how much they have. Before joining MFI, 7 percent of the respondents had acquired less than Birr 100 while 24.4 percent had between Birr 101-200. The percentage of respondents that had between Birr 201 and 300, Birr 301 and 400 respectively was 29.2 percent and 6.7 percent and 8 percent had between Birr 401 to 500. While 6.2 percent had more than Birr 500, 18.5 percent are not aware of how much they had before joining the MFI. This concludes that although small income increases have been recorded for some clients after joining the MFI, it is not possible to generalize that incomes increase with the delivery of microfinance. Income levels may or may not improve after the participation in the MFI owing to various circumstances. There were even cases where clients find it hard to tell whether their incomes have increased or decreased after their involvement in MFI. The research conducted by Zigiju (2008), on the role of microcredit institution in urban poverty alleviation in Ethiopia case of AdCSI and AVFS: He concludes that AdCSI is addressing the non-poor while AVFS (Africa Village Financial Services) is addressing the poor. Improvement for AdCSI participants is remarkable. The income has increased for almost all of them and that led to improvement in the overall quality of living. On the other hand, AVFS was not able to effectively improve the life of the poor.

On the other hand, the finding by Asmelash (2003) from the study conducted in Tigray region reveals that the credit provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to these microcredit services. He showed that microcredit has brought a positive impact on income, asset building and access to schools and medical facilities in the study area.

2.8 Conceptual 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 outreach and sustainability of the program (Goetz and Gupta, 1996; Hulme, 2000, Ledgerwood, 1999 and Yaron, 1997). 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 is considered. The model given below specifies the linkages of variables involved in the study.

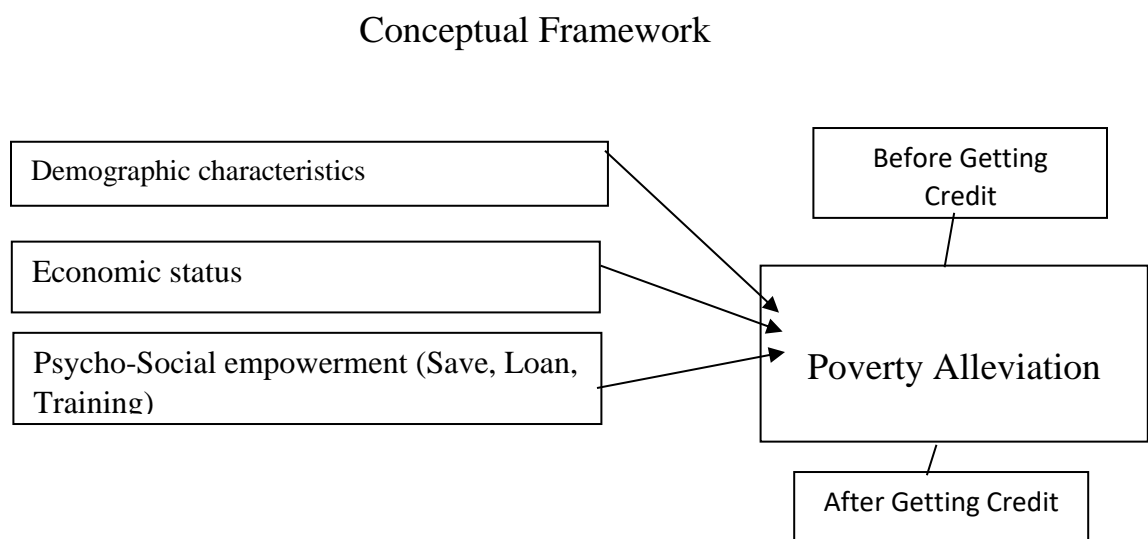


Figure 1 Conceptual Framework of the study based on literature and study design

CHAPTER THREE

3. RESEARCH METHODOLOGY

The purpose of this chapter was to provide an overview of the research methodology. It includes the research approach and design, the data source and data collection method, definition and measurement of variables, population and sampling, and methods of data analysis, in meeting the objectives of the research.

3.1 Research Approach

The two main types of research approaches used in social sciences were: quantitative and qualitative research approaches. Quantitative research approach refers to the systematic empirical investigation of phenomena and quantitative properties and their relationships. That is to say, it emphasizes on collection of numerical data, which is a deductive approach (Bryman & Bell, 2003). Qualitative research approach refers to all non-numeric data that could not be quantified (Saunders et al, 2009). It can range from a short list of responses to open-ended questions in questionnaire and data such as transcripts of in-depth interviews or entire policy documents (Saunders et al, 2009). Based on the above approach the researcher used a combination of both qualitative as well as quantitative research approach (concurrent triangulation). The researcher believes that using these two (mixed) methods simultaneously enabled him to tackle the research problem under the study.

3.2. Research Design

In pursuit of the research questions of this study, the researcher employed cross-sectional survey design. This study is designed to gather data from respondents at a given period of time. The data obtained from questionnaire and interviews were triangulated with data from key informants from ACSI recorded data.

3.3. Description of the study Area

Addis Ababa, the capital of Ethiopia was founded in 1886. It is the largest town in the country, located almost at geographical center of the national territory. It covers an area size of 51948.85 hectare. Addis Ababa has a history of more than 125 years. Based on the 2007 Census

conducted by the Ethiopian National Population Authority, the population of Addis Ababa is 3,384,569 million, 662,728 households were counted living in 628,984 housing units, which results in an average of 5.3 persons to a household. Addis Ababa lies at an altitude of 7,546 feet (2,300 meters) and is a grassland biome, located at 9°1'48"N 38°44'24"E. As of the report of UN –habitat, 2007, the average annual population growth rate of the city in 2004 was 2.92 % and the city attracts 90,000 to 120,000 new residents every year. According to 2002 study by the Association of Ethiopian Microfinance Institutions report the informal sectors in Addis Ababa employs about 51 % of the economically active labor force .Unemployment is a big problem in the city (34.7%) and it is even worse than the other urban areas of the country which is 22% (UN-habitat, 2007) and over all the poverty level in Addis Ababa is still one of the major problems and it seems to have been increasing in the last years. The city is currently divided in to eleven sub city administrations namely, Arada, Addis Ketema, Lideta, Kirkos, Yeka, Bole, Akaki kaliti, Nifas Silk Lafto, Kolfe Keranyo,Gulele and Lemi kura sub cities.

Arada sub city is one of the central sub city of Addis Ababa and is located 90 01' 12'' (471000m) and 90 03(476000 m) North latitude, and 380 44' 9.6'' (997000 m) and 380 46'58'' (100,100 m) East longitude. Addis Ababa has a total area of 540 Km² (54,000 Ha) (Tilaye Nugussie and Mesfin Tilaye, 1998) of which 11.56 Km² (1156 Ha) area is defined by Arada sub city (AAAMPSC, 2004).

The altitude of Arada sub city ranges between 2300m and 2,500m.a.s.l (EMA, 1982). The lowest and the highest annual average temperature of Addis Ababa, Arada Sub city, are about 100 c and 250 c (Tilaye Nugussie and Mesfin Tilaye, 1998). The climate is divided in to three distinct seasons. The period of heavy rains (Kiremt) occurs between June and September, The dry period (Bega) is between October and January, and the small rains (Belg) occurs between March and May (MAA, 2002).

3.4. Type and Source of data

Primary and secondary methods of data collection were employed in the research. Primary sources of data were collected through structured questionnaires and interviews. In order to enhance confidence in the ensuing findings and to increase the credibility and validity of the results, the researcher used the method of triangulation. Quantitative as well as qualitative methods were also employed. Secondary data sources such as annual and monthly reports,

brochures, publications and records of AdCSI, Association of Ethiopian Microfinance Institutions, Ministry of Finance and Economic Development and National Bank of Ethiopia were also used besides the primary sources.

3.5. Methods of Data Collection or Instrument

My current study is basically different from other similar studies as I was applying the following my own way of data collection methods.

3.5.1. Questionnaire

Basically, the questionnaire employed was a semi-structured one in such a manner that it brought out maximum information about the contribution of ACSI on the lives of the users. The questionnaires contained both open-ended and close-ended questions. The closed ended questions required that the researcher seeks further clarification from other sources in order to be able to use such information adequately.

3.6. Sampling Design

This study was conducted in Addis Ababa, Arada Sub city branch. Arada Sub city branch were selected in that this sub city encompasses wide area of micro and small business activities compared to other sub cities. In addition, the researcher has had access to collect data regarding cost and time consideration since the branch office is easily accessible. The research work also limited itself to a single institution due to time and financial constraints. In this regard, Addis Credit and Saving Institution (AdCSI) Arada Sub city was selected purposively. The sub branch was also chosen because of its wide area coverage with clients from eight woredas in the sub city. The woredas selected were relatively at similar distance from the main branch. Founding of the study on such a wide client base is believed to provide opportunities to obtain different sets of ideas, opinion and views that enrich the undertaking.

Purposive sampling method was used to select interviewees, which was considered more appropriate for qualitative analysis. A qualitative method was usually employed for deeply rooted studies that attempt to interpret social reality. Accordingly, this research employed qualitative method with the view of assessing the areas and extent of resulting from the contribution of Small credit finance and also identifying the challenges and problems faced by the clients in the undertaking. In this regard interview methods were used for the purpose. A

typical interview should account for a small sample size which is eight interviewees from the selected woredas. A selection was made from among the clients from the selected woredas.

With the objective of obtaining accurate quantitative information, a questionnaire will developed for a total of **Y** respondents for primary information. The questionnaire was translated from English into Amharic for the purpose of clarity and when we come to quantitative research method, **Y** clients from the total of **N** clients were selected through simple random sampling procedure. Based on this the researcher adopted a mathematical formula for the purpose of determining the sample size.

3.6.1 Sample Size Determination

Sampling Procedure and Sample Size Determining the appropriate sample size was important in research undertaking. Thus, sample size depends on the total number of population, the level of confidence and the maximum deviation from true population that could be tolerated in the study. The study were used two groups of samples namely, experimental or treatment group and control group. Control group were used to avoid the problem of intervening variables (variables that were affecting the output of the research other than independent variables).The researcher applied a simplified formula provided by Cochran. Cochran’s formula was considered especially appropriate in situations with **large populations**. A sample of any given size provides more information about a smaller population than a larger one, so there’s a ‘correction’ through which the number given by Cochran’s formula could be reduced if the whole population is relatively small.

The Cochran formula is:

$$n = \frac{Z^2 pq}{e^2}$$

Where:

- e is the desired level of precision (i.e. the margin of error),
- p is the (estimated) proportion of the population which has the attribute in question,
- q is 1 – p.
- The z-value is found in a Z table.

So p = 0.5. Now let’s say we want 95% confidence, and at least 5 percent—plus or minus—precision. A 95 % confidence level gives us Z values of 1.96, per the normal tables, so we get

$$((1.96)^2 (0.5) (0.5)) / (0.05)^2 = 385.$$

So a random sample of 385 households in our target population should be enough to give us the confidence levels we need.

3.7. Data Analysis

Descriptive statistics like mean, variance, standard deviations, frequency distributions, and percentages would be used to assess the socio economic situations of the sample respondents. From the statistical tools, Chi-Square test are used for dummy variables to investigate the difference between the treatment and control groups.

Qualitative data were analyzed by the use of thematic content analysis and the results would be presented in a text form and SPSS (Statistical Package for the Social Sciences) software version 23 was used to analyze quantitative data and to interpret the collected data. Correlation analysis would be used to show the relationship between dependent and independent variables.

Propensity Score Matching (PSM) analysis technique was used with respondents coming from clients who already benefited from the credit scheme who were compared with those in the waiting lists.

Definition of Economic Status, Psycho-Social Variables

a) Income: One of the immediate impacts of having access to credit from ADCSI micro financing would be on income. The household is usually expected to benefit from the credit in terms of, among others, improvement in income. Income might had impact on other economic conditions. The clients' monthly income, which includes income from the loan and other sources side by side, were collected.

b) Program Participation: participation in microfinance program would be expected to create or/and expand potential of activities financed by the program. It also reduces the extent of credit market imperfection that was resolved with enhanced availability of credit. Suing a participation dummy would allow the average returns to participation. Thus, the participants were 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 in turn 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 were taken into consideration.

e) Educational Facilities: The second variable is access to educational facilities. Thus, enrolment of school-age children and the responsiveness of access to education will be considered.

f) Medical Facilities: Respondents were asked to recall their monthly average medical expenditures. However, similar to education, they may not be 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 was considered.

g) Nutritional Status: The immediate impact of microfinance was 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 was also being considered in the analysis.

h) Employment Generation: To evaluate the impact of ADCSI micro-financing scheme on employment, the number of employed people and status of employment generation was considered.

i) 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.

3.8. Research Validity

Validity refers to the extent of accuracy of the results of the study. Validity of the results could either be internal or external. Internal validity represents the analysis of the accuracy of the results obtained. External validity is the analysis of the findings with regards to whether they could be generalized (Ghauri & Grønhaug, 2005). To check the reliability of the questionnaire

the researcher used reliability test by using Cronbach Alpha to check the consistency of the questions with the topic of the study this differentiated my study from other studies.

3.9. Research Reliability

Reliability refers to the stability of the measure used to study the relationships between Variables (Ghauri & Grönhaug, 2005). The questions in the questionnaire were designed taking into consideration the issues related to the problem and goals of the study and theories on the subject. It is therefore believed that the responses and results from this Study will be reliable and the reliability of the questionnaire is conducted by using a pilot test. The researcher tested the questionnaire to see if it obtains the result that is required for the Study. During pilot testing 97 employees were selected and based on the result of the Questionnaires the items were redesigned and finalized and also distributed to other employees which did not participate in the pilot study.

3.10. Ethical Consideration

The study was conducted by considering ethical responsibility. This included the necessary providing information to the respondents the purpose of the study and the use of the information as well. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. The following ethical considerations are at the base of this research.

A) Fairness.

B) Openness of intent.

C) Disclosure of methods.

D) Respect or the integrity of the individuals e) Informed Willingness on the part of the subjects to participate voluntarily in the research.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. Response Rate and Introduction

From the sample of 385, correctly filled questionnaires which fit the analysis were 378. This means the response rate is 98.18%. This was workable for analyzing the data collected from respondents.

In the analysis descriptive statistics was rigorously used parallel with findings from the interview. Logit Model was used in binary variables for its manageability, simplicity and appropriateness (Alderic and Nelson, 1984) in the impact assessment.

4.2. Socio-demographic Characteristics of Respondents

This part of the study of the analysis presents about socio-demographic characteristics of respondents. It includes gender, age, educational status, marital status, monthly income, family size, work experience, and length or experience of working in the business.

Table4.1 Socio-demographic characteristics of respondents

SR	Variable	Sub-category	f	%
1	Gender of the Participants	Male	198	52.4
		Female	180	47.6
		Total	378	100.0
2	Age of the Respondent	Below 20 years old	57	15.1
		20-30 years old	161	42.6
		31-40 years old	125	33.1
		41-50 years old	35	9.3
		Total	378	100.0
3	Educational Status of Respondents	Diploma or Below	119	31.5
		B.A. or First Degree	124	32.8
		M.A. or Second Degree and Above	135	35.7

		Total	378	100.0
4	Marital Status of Respondents	Married	134	35.4
		Single	127	33.6
		Divorced	117	31.0
		Total	378	100.0
5	Monthly Income of Respondents	Below 5,000 Birr	95	25.1
		5,000-10,000 Birr	150	39.7
		Above 10,000 Birr	133	35.2
		Total	378	100.0
6	Family Size of Respondents	3 or less	76	20.1
		3 to 5 members	227	60.1
		Above 5 family members	75	19.8
		Total	378	100.0
7	Work Experience of Respondents	Below 3 years	56	14.8
		3-5 years	133	35.2
		5-7 years	131	34.6
		Above 7 years	58	15.3
		Total	378	100.0
8	Length or Experience of Working in the Business	Below 3 years	75	19.8
		3-5 years	133	35.2
		5-7 years	122	32.3
		Above 7 years	48	12.7
		Total	378	100.0

Source: Own Survey Result, 2023

From the sample selected, 52.4% (198) of the respondents were male and the rest 47.6% (180) were female. The proportion of gender is relatively fit and it is based on the population distribution of customers in ADCSI.

In the age range of respondents of the study, 15.1% (57) of them were below the age of 20 years old, most of them i.e. 42.6% (161) of them were from 20 to 30 years old, 33.1% (125) from 31 to 40 years old, and 9.3% (35) from 41 to 50 years old. It is observable that 75.7% which is vast

majority indicates that the respondents were in the adolescence and early adulthood stages. These people were in their productivity stages.

So far as the educational status of respondents was concerned, 68.5% (259) of the respondents had first degree and above. This shows that the most graduated students were being engaged in business through using credit and saving institutions were source of business startup to get initial capital. In the marital status 35.4% (134) of the respondents are married, the remaining 33.6% (127) were single, and 31% (117) are divorced.

In view of monthly income of respondents, 25.1% (95) earn below 5,000 Birr, 39.7% (150) of them get 5,000 to 10,000 Birr, and 35.2% (133) get above 10,000 Birr. From this we could infer that most of the respondents, 74.9% (283) get monthly income above 5,000 Birr.

In view of family size of respondents, majority of the respondents, i.e. 60.1% (227) had three to five members, 20.1% (76) three or less, and 19.8% (75) above had five members in a family. 69.8% (264) of the respondents had from three to seven years of experiences. On the other hand, 14.8% (56) of them have experiences below three years, and remaining 15.3% (58) had above 7 years of experiences.

In view of their engagement in the current business, 55% (208) of the respondents had experiences of five years and below. 32.2% (122) had five to seven years of experience, and only 12.7% (48) had experiences greater seven years.

4.3. Impact of CSI on Living Standard and Expenditure of Households

In this part of the analysis, the impact and influence of saving and credit institution on the living standard and expenditure of households were presented. Most respondents indicated that the SCI had contribution for the improvement of living standards. They also indicated that they were able to properly over their expenditure of household. However, the credit and practices in returning and interest rates were still source of threat due to the reason that they become in difficulty of fully covering the expected. Still the feeling of burden is a challenge.

Table4.2 Average monthly total expenditure of household before the loan

Expenditure before loan	f	%
Below 3,000 Birr	56	14.8
3,000-5,000 Birr	117	31.0

5,000-10,000 Birr	147	38.9
Above 10,000 Birr	58	15.4
Total	378	100.0

Source: Own Survey Result, 2023

As it was indicated in the above table, 45.8% (173) of the respondents indicated as their average total monthly expenditure before the loan was below 5,000 Birr. 38.9% (147) of them expend from 5,000 to 10,000 Birr. Only, 15.4% (58) stated as they expend above 10,000 Birr. From this we could infer that the amount of money that they were able to allot for household consumption is very scanty as compared to the costly nature of goods and services and the inflation in the macro economy. Interview respondents also showed as “What we pay is what we can and what we have”. “If we do not have then we cannot expend”.

Table 4.3 Bearer (source) of expenditure in your household before the loan

Source	f	%
Yourself	123	32.5
Spouse	101	26.7
Other family member	26	6.9
You and other family members	103	27.2
Relatives	25	6.6
Total	378	100.0

Source: Own Survey Result, 2023

In view of the source of money for covering expenditure before the loan, 59.2% (224) of the respondents indicated that they earn money with spouse for expenditure. 27.2% (103) indicated as the respondent with family member was the main source. Only as few, 6.9% (26) and 6.6% (25) had indicated as other family member and relatives were the main source of income to cover the expenditure before they get loan.

61.1% (231) of the respondents indicated as the household eat meals twice in a day before joining Small Credit Finance. This shows that there were problems in feeding themselves and the family due to poverty. 22.8% (86) eat once a day. But 16.1% of the respondents eat meals three times and more than three times before the loan.

Table 4. 4 Average monthly expenditure on health and child education after the loan

Expenditure	What is the average monthly health expenditure of your family after the loan?		What is the average monthly child education expenditure after the loan?	
	f	%	f	%
Below two thousand Birr	172	45.5	83	22.0
Two to four thousand Birr	137	36.2	211	55.8
Four to six thousand Birr	34	9.0	42	11.1
More than six thousand Birr	35	9.3	42	11.1
Total	378	100.0	378	100.0

Source: Own Survey Result, 2023

45.5% (172) of the respondents spend below two thousand birr per month for health care. On the other hand, 36.2% of the respondents had average monthly expenditure of two to four thousand birr for their health related expenses. The remaining 18.3% (69) expend above four thousand birr for treatment, diagnosis, and buying medicine in covering the health expenses.

Very many of the respondents, 77.8% (294) of the respondents expend up to four thousand birr for their children's education after the loan. This shows that the loan was helping them to cover education tuition fee. In addition, 22.2% (84) of the respondents had indicated that they expend average of more than four thousand for child education. In general, respondents indicated that the loan that they get from ADCSI was helping them to cover health and education expenditure.

4.4. Impact of CSI on Household Asset and Living Condition

In this section, the impact of CSI on clients' household asset and living condition was presented. Respondents had indicated that the loan service helps them to buy household assets, furniture, and other properties to enrich the home facilities. They also indicated as their living conditioned was improved due to the loan. In the meantime, there were problems in unnecessary expenditure of the money they borrowed making them to be liable for interest based repayment due to irrelevant payments.

82.5% (312) of the respondents were not living in their house. Only 17.5% (66) live in their house. The status and type of house were very varied indicating their economic condition. The loan that they get was

also to get out of such poverty related complications. For example, 91% of the respondents pay from five to ten thousand birr per month for house rent.

96.3% (364) of the respondents indicated that they made improvement to their properties or build rooms for to let or premises to set a business. Only 3.7% (14) failed to do that. This shows that the customers in ADCSI are trying to invest for meaningful use of the money. 52.6% (199) of the respondents indicated as they get the money from the saving in ADSCI (MFI). 41.5% (157) get the money from credit, and 5.8% (22) had said that they get the money from selling out household assets and receiving from relatives. 55% (208) of the respondents had had fixed property before being engaged in Small Credit Finance, and the rest 45% (170) did not have fixed assets before the engagement in to the small credit finance in ADCSI. Almost all of the participants verbalized that they had had fixed and movable asset after being engaged in Small Credit Finance. This is best indicator that the credit which they get helped them to get significant improvement in owning properties and assets.

4.5. Information on Credit and Saving Practices

In this part of the analysis, the issues are about information on credit and saving practices. The points were mainly on how the respondents were engaged in loan related experiences.

All the respondents received loan from Loan from Small Credit Finance. In the type of loan, 28.6% (108) of the respondents get GG Loan, 42.6% (161) get special loan, and 28.8% (109) get Consumption loan. In the meantime, 42.3% (160) of the respondents had stated as they faced difficulty of repaying loan, but more than half, i.e. 57.7% (218) of them indicated as they do not face any difficulty.

Pie Chart

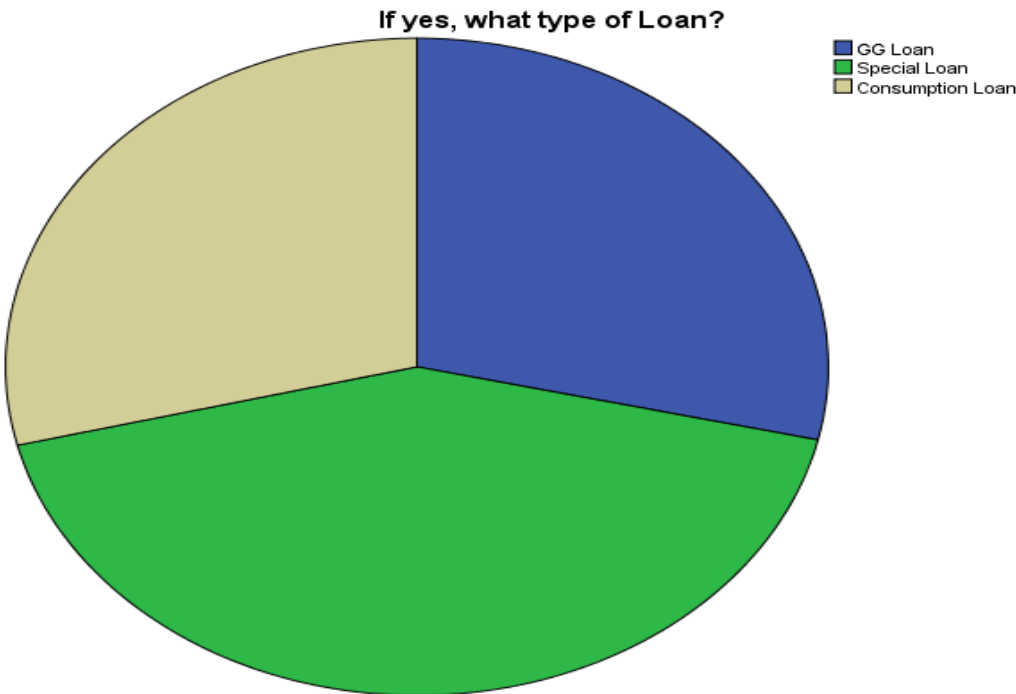


Chart 1 The pie chart shows the share of type of loan that customers are engaged in

The pie chart shows the share of type of loan that customers were engaged in. Most of the respondents indicated that they did not as such suffer from difficulties or problems in getting the loan due to preliminary awareness about ADCSI.

4.6. Female Empowerment and Psycho-Social development

The analysis in this part contains issues on female empowerment and psychosocial development. The concepts include on decision making practices in getting loan and processes in expenditures in different context.

All female respondents had savings in ADCSI or small credit finance. 63.5% (240) of them were in the voluntary saving, 18% (68) are in compulsory type, and 18.5% (70) rated as both. 92.1% (348) of the respondents stated that they had other savings before joining the Small Credit Finance, but 7.9% (30) did not have any. This shows that majority of the respondents had exposure to the small credit finance systems. From those who have had prior experiences, 49.7% were having Equib, 18.5% Women's saving, and the remaining 31.8% were experiencing Association's saving, and saving and Credit cooperatives.

In the source of money for saving, 44.2% (167) of the respondents indicated as they get from business profit financed by the loan, 33.9% (128) from other sources of income, and 22% (83) get it from employment salary as additional means.

In the rationale or purpose of saving, 33.9% b(128) save for loan repayment, 11.9% (45) for consumption at times that need arises, 24.1% (91) save to earn interest, 20.1% (76) to buy household assets, and 10.1% (38) save to make improvement to the house from the benefit out of saving practices. More than the specific reasons and triggering factors for saving, respondents believe that the money they save would be used anytime there was need for it. It was also found out that the saving practices were preliminary conditions to get loan. In the saving and credit practices of customers, household factors, economic/work related reasons and the habit of saving for tomorrow were being exercised. There is attitude that saving was crucial for improvement, change and poverty reduction.

4.7. New Clients of Small Credit Finance

The attraction and retention issues towards new clients of small credit finance. The customers who newly joined the institution had their own expectations and commitments that they were expected to pursue. For attraction of new customers and retention of the already existing ones, it is vital to know their reasons and purposes.

4.7.1. Decisions on Loan Related Issues

In pursuit of the decision making towards joining credit and saving institute, respondents were asked who initiated the borrowing decision. It was also notable that the source of spending decision was also important for administering or managing the money.

Table 4.5 Responses on decision making roles

SR	Question	Options	F	%
1	Who decides to borrow from the MFI?	Mostly husband	42	11.1
		Husband and you equally	168	44.4
		Mostly you	126	33.3
		Only you	42	11.1
		Total	378	100.0
2	Who decides to spend the loan	Mostly husband	81	21.43
		Husband and you equally	213	56.35

	money?	Mostly you	44	11.64
		Only you	40	10.58
		Total	378	100.0
3	Who decides on the use of profits from the loan based enterprise?	Mostly Husband	43	11.38
		Husband and you equally	210	55.6
		Mostly you	84	22.2
		Only you	39	10.32
		Total	378	100.0

Source: Own Survey Result, 2023

It was unveiled that most of the decisions to borrow were made by both the husband and wife. 44.4% (168) of female respondents indicated as they and the husband decide to borrow. In fact, 33.3% (126) of the respondents decide by themselves. It was later triangulated that most of the respondents who chose as mostly they decide are single and/or divorced. Only 11.1% (42) of the respondents indicated as mostly the husband decides.

In the spending decision of the money they borrowed, 55.35% (213) of the respondents indicated that the husband and wife make decision equality. 21.43% (81) of the respondents indicated that the husband decided on how to spend the money. 11.64% (44) of the respondents indicated as mostly they decide and only 10.58 (40) indicated as they decide alone. In the money usage, even though both spouses participate equally in decision, it is also found that the husband had still tendency of dominating the practice.

In the decision of use of profits from the loan based enterprise, 55.6% (210) had shown that both the husband and wife participate. However, 22.2% (84) stated as mostly by female and 11.38% (43) as mostly by husband. Only 10.32% (39) stated as they decide alone.

In checking of the efficacy towards monetary handling, 91.8% (347) of the respondents agreed that they feel capable of handling money and making business decision. However, 8.2% (31) disagreed.

Table 4.6 Responses on deposit, and transaction practices

SR	Question	Options	f	%
1	Who puts loan enterprise income in the saving accounts?	Yourself	264	69.8
		Partner	114	30.2
		Total	378	100.0
2	Who buys inputs for the loan based enterprise?	Yourself	117	30.95
		Partner	261	69.05
		Total	378	100.0
3	Who sales products from the loan based enterprise?	Yourself	259	68.5
		Partner	119	31.5
		Total	378	100.0
4	Who does the financial accounting and keeps record for the loan-based enterprise?	Yourself	254	67.6
		Partner	124	32.8
		Total	378	100.0

Source: Own Survey Result, 2023

From the total of respondents, 69.8% (264) indicated as they put loan enterprise income in the saving accounts. However, 30.2% (114) said that the partner does so. 69.05% (261) stated that the partner buys inputs for the loan based enterprise, and the remaining 30.95% (117) indicated as they do. For selling products from loan based enterprise, 68.5% (259) indicated as the female participant; whereas, 31.5% (119) said the partner. In the work of financial accounting and keeps record for the loan-based enterprise, 67.6% (254) indicated as they do by themselves, and 32.8% (124) have shown as the partner does the financial statements preparation and accountancy activities.

All the respondents of the study have shown that ADCSI has helped to had loan experience led to a feeling of being more capable of handling money and making economic decision. 70.4% (266) of the respondents indicated as they had high self-confidence in the beneficence from credit and saving and 29.6% (112) stated as they are moderately confident. Majority of the respondents indicated were they feeling more confident about you after participating Small Credit Finance program. They feel confident to go to market, bank, health centre, and children's school.

From the new customers, 89.9% (340) of the respondents had got training. On the other hand, 10.1% (38) of the participants did not take training about savings, credit, and trainings on economic development and poverty reduction.

Table 4.7 Source of Money for Saving and Credit

What is your source of money for saving?			
	Observed N	Expected N	Residual
From business profit financed by the loan	167	126.0	41.0
From other sources of income	128	126.0	2.0
Income from employment salary	83	126.0	-43.0
Total	378		
Chi-square	28.048		
df	2		
Asymp. Sig.	.000		

Source: Own Survey Result, 2023

As indicated in Table 4.7., there was statistically significant association between the sources of money, and saving of clients ($M=2.44$; $SD=1.94$). Most of the respondents, i.e. 44.2% (167) get the source of money for saving from business profit financed by the loan, 33.9% (128) from other sources other sources of income, and the remaining 22% (83) get income from employment salary.

4.8. Propensity Scores Estimation

This part presents the entire process of inferring the impact of microfinance on poverty reduction. It explains the estimation of propensity scores, matching methods, balancing test and sensitivity analysis. It also explains the treatment effect of the credit on poverty alleviation across the participant clients.

Logistic regression model was used to estimate propensity score matching for treatment and control client households. As, indicated earlier, the dependent variable is binary that indicate households' partaking choice in the microfinance services.

Results show that the estimated model appears to perform well for the intended matching exercise. The R^2 value is 0.64. A fairly average R^2 value shows that program households have optimal distinct characteristics overall and as such finding a good match between customers and

other clients becomes easier. There was no systematic differences in the distribution of covariates between both groups. There probability of a client’s participating in microfinance tends to increase with sex being female is in the higher level compared to male. The maximum likelihood estimates of the logistic regression model show that sex, educational level, dependency ratio, and income of clients are important factors influencing access to participation in microfinance in the study area.

Table 4.8 Logit results of client’s program participation

Participation	Coefficients	Std. Err.	z	p-value
Age	-.015**	.010	-1.734	.042
Sex	.944**	.017	54.698	.013
Marital status	-.014***	.010	-2.982	.006
Education level	-.005**	.012	-1.361	.017
Family size	-.006**	.015	-.398	.038
Dependency ratio	-.005***	.010	-.414	.006
Saving of Client	-.012***	.010	-.458	.004
Income of Client	.892***	.16468	1.237	.002
Constant	.314***	0.078	4.165	.000

Source: Study Survey 2023

LR $\chi^2(8) = 114.04$ Prob > $\chi^2 = 0.0000$

Pseudo $R^2 = 0.89$ Log likelihood = -94.5613

Key: ***, ** and * level of significance at 1%, 5%, and 10%, respectively.

It was significant to emphasize that the variables with weak predictive ability included in the logit regression were still helpful to minimize bias in estimating casual effect in propensity score matching, since the ultimate goal was to not to predict selection.

Looking into the estimated coefficients (Table 4.8), the results indicate that participation in microfinance was significantly influenced by two explanatory variables. Gender and income of clients were found to have strong and positive relationships with client's participation in the microfinance. The level of significance was at 1% for marital status, dependency ratio, saving of client, income of client, 5% for age, sex, education level, family size. By contrast age, marital status and saving of client had a strong and negative effect on household participation.

Table 4.9 Matching Methods to Measure Impact of Microfinance in poverty

SR	Dependent Variable	Estimation Type	ATT	Std.Err	z-value	p-value
1	<i>Income of Clients</i>	Inverse-probability weights	594.25	218.75	6.34	0.000***
		Nearest Neighborhood	573.85	215.33	5.00	0.000***
		Propensity-score matching	565.493	217.41	4.73	0.000***
2	<i>Savings of Clients</i>	Inverse-probability weights	265.1	46.721	4.76	0.000***
		Nearest Neighborhood	253.93	46.352	4.53	0.000***
		Propensity-score matching	254.88	47.013	4.50	0.000***
3	<i>Expenditure on Health</i>	Inverse-probability weights	92.109	7.509	9.72	0.001***
		Nearest Neighborhood	94.37	8.968	8.59	0.000***
		Propensity-score matching	89.40	9.705	7.38	0.000***
4	<i>Expenditure on Children education</i>	Inverse-probability weights	281.335	42.411	10.75	0.001***
		Nearest Neighborhood	247.99	65.133	5.59	0.000***
		Propensity-score matching	288.55	25.306	9.87	0.001***

Source: Study Survey 2023

Key: ***, **, * significant at 1%, 5% and 10% probability level respectively

Estimation of impact of factor influencing treatment effect (ATT) on income of the client

As it was indicated in table 4.9., the three matching estimators, were employed for all out come variables as robustness checks. The three estimators, i.e. the inverse probability weights, the nearest neighbor and the propensity-score matching algorithms, result indicate that microfinance had a significant impact on the income of clients. Treatment groups had got more monthly income as compared to non-treatment groups. In this regard, the difference between treatment and non-treatment groups in total monthly income was significant at 1% significant level.

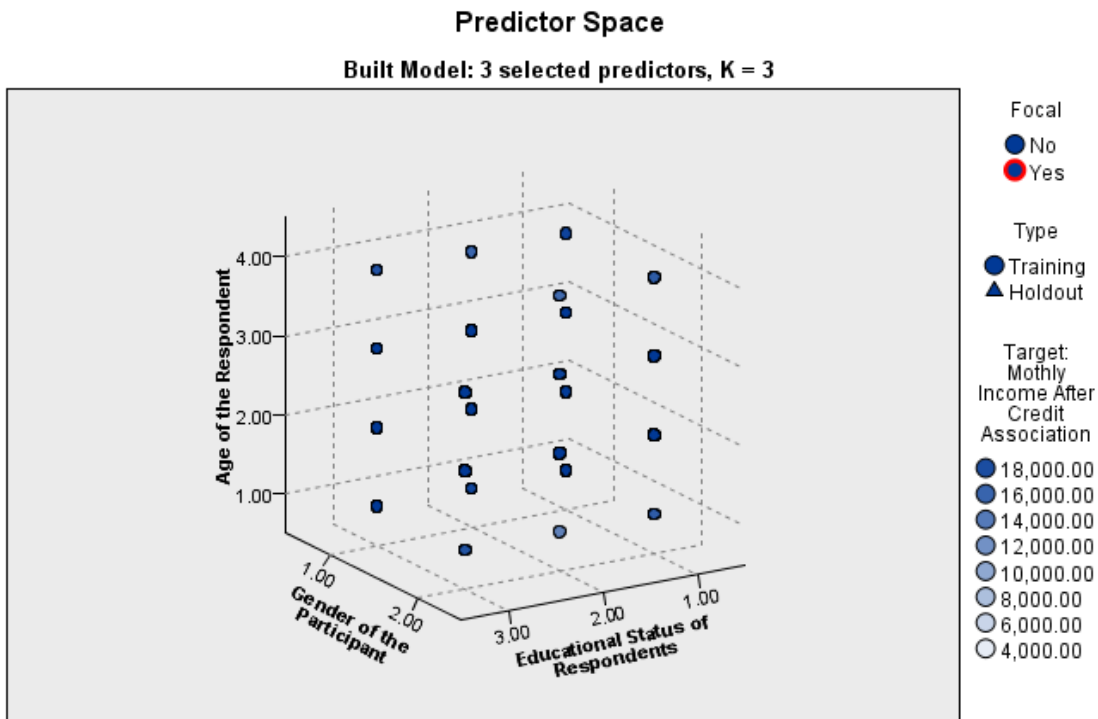
ATT results of these algorithms show that participation in the microfinance program increased income of the household by Ethiopian Birr 594.25, Birr 573.85, and Birr 565.493 for inverse probability weights, nearest neighborhood and propensity-score matching, respectively. As it was indicated, the average income estimated using the inverse-probability weights matching algorithm was higher than that of the other two matching algorithms. Comparing the results across the different matching methods indicate that the estimated microfinance impact is robust.

The ATT output of the three algorithms showed that participants' saving status was significant at 1% significant level. Results unveil that participation in the Addis Credit and Saving program increased the amount of saving of the non-participant by birr 265.1, birr 253.93, and birr 254.88 based on the ATT results of Inverse-probability weights, Nearest Neighborhood and Propensity-score matching algorithms respectively. This means that the amount of saving of treatment client was higher with these figures compared to control clients. This indicates the robustness of the PSM method and this was the reason why the researcher choices this method.

The extent to which this bias was reduced depends crucially on the richness and quality of the control variables on which the propensity score was computed and the matching performed. To be more precise, the bias is eliminated only if the exposure to treatment could be considered to be purely random among individuals who have the same value of the propensity score. The propensity score matching (PSM) model were employed to estimate income improvement effects of access to MFIs and loans used for productive business purposes (Shadure, et al. 2009).

Respondents had higher expenditure for children’s education. Results showed that participation in the program increased expenditure on education of the household 55.8% expend from two to four thousand birr. From these results, results of propensity score matching is higher indicating its conservativeness compared to other two.

Graph 1 Predictor Space of Saving and Credit



Select points to use as focal records

This chart is a lower-dimensional projection of the predictor space, which contains a total of 8 predictors.

In the gender of respondents 1 represents male and 2 represents female. In the age dimension, 1 refers to 20 and below years old; 2 = 21 to 30 years old; 3 = 31 to 40 years old; 4 = 41 and above. In the educational status, 1 indicates diploma and below; 2 = first degree; and 3 = second degree and above.

The predictor space shows that females were in high stake of using the credit and saving compared to males. There was positive relationship between educational statuses and saving/credit benefiting where in 72% of the respondents are above the average.

Weiss and Montgomery (2005) indicated that microfinance was one of the financial plans intended to help the poor as either borrowers or savers. Customers in Addis Credit and Saving Association in Arada branch were saving and getting credit for the purpose of improving their life to get out of poverty. 93% of the respondents indicated as they have got significant change when the compare income before and after the membership in the microfinance.

CHAPTER FIVE

5. SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Summary

It was retrievable that the main purpose of this study was to assess the impact of small credit finance to poverty alleviation in the urban society of Arada Sub city. It explores the benefits gained from using micro-financing as a mechanism to reduce poverty. The study was designed to locate/trace the key problem areas that seek intervention and improvement. Ultimately the study unveiled the following findings.

- ✓ The study showed that the saving and credit services provided by ADCSI are mainly targeted on those with low income and women who constitute.
- ✓ Most of the participants had stated that services from ADCSI enhanced the life condition of low income people.
- ✓ Almost half of the participants, 45.5% (172) spend below two thousand birr per month for health care. The expenditure for their health is being covered by the loan they get.
- ✓ 77.8% (294) of the respondents expend up to four thousand birr for their children's education after the loan. This shows that the loan was helping them to cover education tuition fee. Participants stated that the loan that they get from ADCSI was helping them to cover health and education expenditure.
- ✓ Those who were not having assets now own after the loan. Respondents now they had fixed and movable asset due to the engagement in Small Credit Finance. This means the credit they got was helping them to improve in property acquisition.
- ✓ In the decision of use of profits from the loan based enterprise, 55.6% (210) have shown that both the husband and wife participate.
- ✓ 91.8% (347) of the respondents were efficacious that they feel capable of handling money and making business decision.
- ✓ Customer respondents indicated that ADCSI had substantial effect in contributing to poverty reduction through giving saving and credit services.
- ✓ Most customers were working on micro and small enterprises after being part of Addis Credit and Saving Institute.
- ✓ Disliking of group meeting, lack of entrepreneurship skills, and fear of taking group responsibility are challenges in the decision to become client of the saving and credit institutes.

5.2. Conclusion

In this study, customers were part of the investigation. The research was done through stratification of customer based on their year of exposure as a customer. Newly joined customers were part of the control group. The study was done by comparing changes in income and expenditure before and after joining ADCSI.

All the respondents received loan from Loan from Small Credit Finance. A great deal of the respondents have stated as they faced difficulty of repaying loan.

There was relatively equal participation the decision of getting loan, administrating the money, and imbursement too. Though the number seems few, there was problem in efficacy of feelingof capable of handling money and making business decision.

Most female respondents put loan enterprise income in the saving accounts as compared to their partner. The partners were mostly engaged in the buying of inputs for the loan based enterprise.

ADCSI had helped customers feel more capable of handling money and making economic decision. But this did not work for all. Hence exceptionalities should be treated in certain service provision package of capacity building.

Majority of the respondents indicated were they feel more confident about yourself after participating Small Credit Finance program. They feel confident to go to market, bank, health centre, and children's school.

The propensity score matching indicated that there were heterogeneous impacts of credit and saving in improving health service, feeding, home facilities and children education. There was income increase among customers who were considered as treatment groups. Hence, we conclude that there was income improvement due to membership in credit and saving showing that there was positive impact for low-income customers.

Female customers were highly engaged in the decisions of putting loan enterprise income in the saving accounts; sales products from the loan based enterprise, and the financial accounting and keeps record for the loan-based enterprise

5.3. Recommendations

As per the key findings of this study, the following recommendations were put forward. ADCSI should be give loans to persons who were afraid of collective decision. ADCSI should offer credit specifically to the poor who had feasible business plans to start up their own businesses upon which lessening them from poverty would in turn benefit the country at macroeconomic level.

There were unwise expenditures on temporary usage than sustainable investment. This would not help the customers to be self-sufficient. Capacity building of these people would make them to bring behavioral change in the economical usage of resources and investing on income generating practices. So there should be follow up from the authorities in ADCSI in this regard for helping individuals to be wise.

To Institute

The institute should work on building the efficacy of capability of handling money they borrowed and making business decision. This could be realized through trainings and close follow up from the experts.

In the policy of borrowing and other documents, there should be a guideline that could trace the background and progress of customers. This can serve baseline for further intervention.

To Customers

Customers should invest the money they get through credit in more productive tasks that for simply daily consumption. They should get clear information on the how to carry on business through working with credit and saving institutes.

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APPENDIX

Appendix I: Questionnaire English Version

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES



St. Mary's University ቅድስት ማርያም የኢክርስቲያን
Committed to Excellence

MBA in General Management

Dear Participant;

My name is Fiseha Asefa. I am working on my thesis for the partial fulfilment MBA in Business Administration. The purpose of this questionnaire is to collect data for the thesis about the *“Impact Assessment of Small Credit Finance to Poverty Alleviation in the Urban Society of Ethiopia; The Case of Addis Credit and Saving Intuition in Arada Sub-city”*. All the responses will be used for academic consumption only. I assure you that your responses will be kept confidential.

- ✓ No need of writing name or any identity indicator
- ✓ Put a “✓” on the space of your choice

Part I: General Information

- i. **Gender** Male Female
- ii. **Age** _____
- iii. **Educational Status**
- a. Diploma and Below b. B.A. Degree c. M.A. d. PhD
- iv. **Marital Status** Married Single Divorced

- v. **Monthly Income** _____
- vi. **Family Size** _____
- vii. **Work experience** _____
- viii. **How long have you worked in this business** _____

Part II. Living Standard and Expenditure of Households

2.1. What is the average monthly total expenditure of your household before the loan? Give estimate in Birr _____

2.2. Who is the bearer (source) of expenditure in your household Tick before the loan?

- Yourself
- Spouse
- Other family member's
- You and other family member's
- Relative's
- Others (Please specify)_____

2.3. How many times does your household eat meals in a day before joining Small Credit Finance?

- 1. Once
- 2. Twice
- 3. Three times
- 4. More than three times

2.4. What is the average monthly health expenditure of your family after the loan? Give estimate in Br_____

2.5. What is the average monthly child education expenditure after the loan? Give estimate in Br_____

Section III. Information about the household asset and living condition

3.1. Are you living in your house? 1. Yes 2. No

3.2. If rented, how much do you pay per month (Birr)_____

3.3. Have you made improvement to your properties or build rooms for to let or premises to set a business? 1. Yes 2. No

3.4. If yes, where did you get the money from?

1. Credit from MFI 2. Saving at MFI

3. I sold out household asset 4. I received from relatives living abroad

3.5. Did you have fixed property before being engaged in Small Credit Finance?

1. Yes 2. No 3. No Answer

If "Yes" state the asset _____

3.6. Do you have fixed and movable asset after being engaged in Small Credit Finance?

1. Yes 2. No

If "Yes" A. state the fixed asset _____

B. state the movable asset _____

Part IV. Information on Credit

4.1 Do you receive Loan from Small Credit Finance? 1. Yes 2. No

4.2 If yes, what type of Loan? 1. GG loan 2. Special loan 3. Consumption Loan

4.3 Date of joining the program _____

4.4 What are you going to use the loan for (purpose) _____

4.5 Have you faced any difficulty of repaying loan? 1. Yes 2. No

4.6 If your answer is yes for question 4.5 what coping strategies have you used?

4.7 Number of loans you as a client have taken _____

4.8 Amount of first loan (Br) _____

4.9 Amount of current loan (Br) _____

4.10 Cumulative value of loans taken (Br) _____

Part V. Information on Saving

5.1 Do you have savings in Small Credit Finance? 1. Yes 2. No

5.2 If yes, what type of saving?

1. Compulsory 2. Voluntary 3. Both 4. Others (Please specify)

5.3 Did you have other savings before joining Small Credit Finance? 1. Yes 2. No

5.4 If yes specify the amount (in Birr) by type of saving:

1. Eqqub _____ 2. women's _____ 3. Association's _____
4. Saving and credit cooperatives _____ 5. other _____.

5.5 What is your current total amount of savings? Specify amount of saving (in Birr): _____

5.6 What is your source of money for saving? (Multiple responses)

1. From business profit financed by the loan
2. From other sources of income
3. Borrowed from relatives
4. Borrowed from friends
5. Borrowed at cost
6. Income from employment
7. Others (Please specify) _____

5.7 For what purpose do you save? (Multiple response)

1. For loan repayment
2. For safety of cash
3. For consumption
4. To earn interest
5. Bought household assets

- 6. Made improvement to the house
- 7. To withdraw during emergency
- 8. Have not used savings
- 9. Others (Please specify) _____

Part VI. Empowerment and Psycho-Social development (Female clients only)

- 6.1 Who decides to borrow from the MFI? 1. Husband only 2. Mostly husband
 3. Husband and You equally 4. Mostly you 5. Only you
 6. Others (Please specify) _____

- 6.2 Who decides to spend the loan money? 1. Husband only 2. Mostly husband
 3. Husband and You equally 4. Mostly you
 5. Only you 6. Others (Please specify)_____

- 6.3 Who decides on the use of profits from the loan based enterprise?
 1. Husband only 2. Mostly husband 3. Husband and You equally
 4. Mostly you 5. Only you 6. Others (Please specify) _____

- 6.4 Do you feel capable of handling money and making business decision?
 1. Yes 2. No

Qn	Item	Yourself	Partner	Children
----	------	----------	---------	----------

- 6.5 Who puts loan enterprise income in the saving accounts?
- 6.6 Who buys inputs for the loan based enterprise?
- 6.7 Who sales products from the loan based enterprise?
- 6.8 Who does the financial accounting and keeps record for the loan-based enterprise?
- 6.9 Has loan experience led to a feeling of being more capable of handling money and making economic decision? 1. Yes 2. No
- 6.10 How are you confident about yourself?

1. Highly confident 2. Moderately confident

3. Not confident 4. Does not know

6.11 Do you feel more confident about yourself after participating Small Credit Finance program? 1. 2. No

6.12 Are you confident enough to go to the following places to get services on your own? Yes No

1. Market
2. Bank
3. Health centre
4. School
5. Women's association
6. Police
7. Court
8. Kebele or Woreda administration
9. Information about Small Credit Finance

6.13 Have you got any training from Small Credit Finance? 1. Yes 2. No

Describe the contents of training _____

Part VII: Questionnaire for Only New Clients of Small Credit Finance

7. What are the reasons for not to be a client of Small Credit Finance till now?

SR	Item	Yes	No
7.1	No need for credit		
7.2	Unable to form a group		
7.3	Unable to meet compulsory saving requirement		
7.4	Taking group responsibility unacceptable		
7.5	Group requires members to pledge personal assets as collateral		
7.6	I dislike group meeting		
7.7	Small Credit Finance loan is too small to meet my credit needs		
7.8	Lack of entrepreneurship		

- 7.9 No information about the credit provision
- 7.10 I have a need to get loan, but I cannot get the opportunity
- 7.11 Easier to get loans from other sources
- 7.12 Due to high interest rate
- 7.13 Disagreement with families
- 7.14 Other reasons please specify _____

Part VIII. Information about Small Credit Finance

8.1 What are the attractive features of Small Credit Finance saving facilities?

- 1. The interest rate is good
- 2. Offers a safe way of holding savings
- 3. Convenient to make deposit
- 4. Convenient to withdrawal since it is nearby
- 5. Other (Please specify) _____

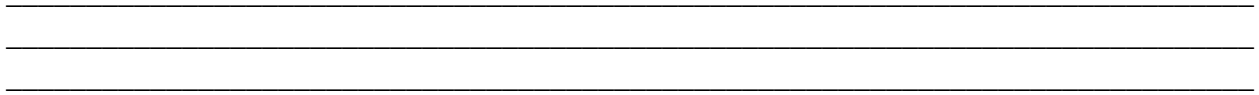
8.2 What do you think about the interest rate of Small Credit Finance paid on saving?

- 1. Less than the market rate
- 2. Greater than the market rate
- 3. Have no information about the interest rate
- 4. Does not know
- 5. No response

8.3 List three things you like about Small Credit Finance activities?

8.4 List three things you are not comfortable with in relation to Small Credit Finance activities

8.5 Give your comments about Small Credit Finance



Appendix II: Questionnaire – Amharic Version

ቅድስት ማርያም ዩኒቨርሲቲ

የድህረ ምረቃ ት/ቤት



St. Mary's University ቅድስት ማርያም ዩኒቨርሲቲ
Committed to Excellence

ኤም ቢ ኤ በጠቅላላ ስራ አመራር

ውድ የጥናቱ ተሳታፊ;

ስሜ ፍስሃ አሰፋ ይባላል። በጠቅላላ ስራ አመራር ሁለተኛ ዲግሪ (ኤም ቢ ኤ) በመስራት ላይ እገኛለሁ። የዚህ መጠይቅ ዋና አላማ “*Impact Assessment of Small Credit Finance to Poverty Alleviation in the Urban Society of Ethiopia: The Case of Addis Credit and Saving Intuition in Arada Sub-city*” በሚል ርዕስ ለሚሰራው የመመረቂያ ጥናትና ምርምር መረጃ መሰብሰብ ነው። የሚሰጡ ምላሾች ለትምህርቱና ጥናቱ ፍጆታ ብቻ የሚውሉ ሲሆን የምላሾች ሚስጥራዊነት እደተጠበቀ ነው።

- ✓ ስም መፃፍ አያስፈልግም።
- ✓ በምርጫ ላይ ምላሽ ላይ ይህን “✓” ምልክት ያስቀምጡ።

ክፍል 1: የመላሽ ጠቅላላ መረጃ

- ix. **ፆታ** ወንድ ሴት
- x. **እድሜ** _____
- xi. **የትምህርት ደረጃ**
 - ሀ. ዲፕሎማ ወይም በታች ለ. የመጀመሪያ ዲግሪ
 - ሐ. ሁለተኛ ዲግሪ መ. ፒ.ኤች.ዲ
- xii. **የትዳር ሁኔታ:** ሀ. ያገባ ለ. ያላገባ ሐ. በፍች የተለያየ
- xiii. **የወር ገቢ** _____
- xiv. **የቤተሰብ አባት ብዛት** _____
- xv. **የስራ ልምድ** _____
- xvi. **በዚህ ቢዝነስ ስንት አመት ሰሩ?** _____

ክፍል 2: የኑሮ ደረጃ እና የቤተሰብ ወጭ

2.1. ከብድር በፊት የቤተሰቡ ወርሀዊ አማካኝ ጠቅላላ ወጭ ስንት ነበር? በብር ይግለጹልኝ _____

2.2. ከብድር በፊት የቤተሰቡን ወጭ ለመሸፈን የገንዘብ ምንጭ ማን ነበር? ቲክ
 እርስዎ _____
 የትዳር አጋርዎ _____
 ሌላ የቤተሰብ አባል _____
 እርስዎና ሌላ የቤተሰብ አባል _____
 ዘመዶች _____
 ሌላ ካለ ይግለጹ _____

2.3. አነስተኛ የብድር ፋይናንስ ከመግባትዎ በፊት ቤተሰቡ በቀን ስንት ጊዜ ይመገብ ነበር?

- | | | | |
|-----------|--------------------------|----------------|--------------------------|
| 1. አንድ ጊዜ | <input type="checkbox"/> | 2. ሁለት ጊዜ | <input type="checkbox"/> |
| 3. ሦስት ጊዜ | <input type="checkbox"/> | 4. ከሦስት ጊዜ በላይ | <input type="checkbox"/> |

2.4. ከብድር በኋላ የቤተሰብዎ የጤና ወርሃዊ አማካኝ ወጭ ምን ያህል ነው? በብር ይግለጹልኝ _____

2.5. ከብድር በኋላ የልጅዎ ወርሀዊ የትምህርት ወጭ ምን ያህል ነው? በብር ይግለጹልኝ _____

ክፍል 3: የቤተሰብ ንብረትና አኗኗር ሁኔታ መረጃ

3.1. የራስዎ ቤት ገዝተው/ሰርተው ነው የሚኖሩት? 1. አዎ 2. አይ

3.2. ተከራይተው ከሆነ፣ በወር ምን ያህል ብር ይከፍላሉ? _____

3.3. በስራዎ ንብረት በማፍራት እና ቤት በመገንባት/በማደስ መሻሻል አሳይተዋል?

- | | | | |
|-------|--------------------------|-------|--------------------------|
| 1. አዎ | <input type="checkbox"/> | 2. አይ | <input type="checkbox"/> |
|-------|--------------------------|-------|--------------------------|

3.4. መልስዎ “አዎ” ከሆነ የገንዘብ ምንጭዎ ከየት ነው?

- | | | | |
|--------------------------|--------------------------|-----------------------|--------------------------|
| 1. ከጥቃቅን ገንዘብ ተቋማት በመበደር | <input type="checkbox"/> | ጥቃቅን ገንዘብ ተቋማት በመቆጠብ | <input type="checkbox"/> |
| 3. የቤት እቃ በመሸጥ | <input type="checkbox"/> | 4. ወጭ ከሚኖሩ ዘመዶች በማግኘት | <input type="checkbox"/> |

3.5. አነስተኛ የብድር ፋይናንስ ከመግባትዎ በፊት የቋሚ ንብረት ነበረዎ?

- | | | | | | |
|-------|--------------------------|-------|--------------------------|-------------|--------------------------|
| 1. አዎ | <input type="checkbox"/> | 2. አይ | <input type="checkbox"/> | 3. መልስ የለኝም | <input type="checkbox"/> |
|-------|--------------------------|-------|--------------------------|-------------|--------------------------|

“አዎ” ካሉ የንብረቱን አይነት ይግለጹ _____

3.6. አነስተኛ የብድር ፋይናንስ ከገቡ በኋላ የቋሚና ተንቀሳቃሽ ንብረት አፍርተዋል?

- | | | | |
|-------|--------------------------|-------|--------------------------|
| 1. አዎ | <input type="checkbox"/> | 2. አይ | <input type="checkbox"/> |
|-------|--------------------------|-------|--------------------------|

“አዎ” ካሉ ሀ) የቋሚ ንብረቱን አይነት ይግለጹ _____

ለ. የተንቀሳቃሽ ንብረቱን አይነት ይግለጹ _____

ክፍል 4: ስለ ብድር መረጃ የሚጠይቅ

4.1 ከአነስተኛ የብድር ፋይናንስ ተቋም ብድር አግኝተዋል?

1. አዎ 2. አይ

4.2 “አዎ” ካሉ ምን አይነት ብድር? 1. ለስራ ማስጀመሪያ 2. ልዩ ብድር

3. የፍጆታ ብድር

4.3 የብድር ፋይናንስ ተቋም መርሀ-ግብር የተቀላቀሉበት ጊዜ _____

4.4 የተበደሩት በአላማ ለመጠቀም ምን ያደርጋሉ? _____

4.5 ብድር ለመመለስ ተቸግረው ያውቃሉ?

1. አዎ 2. አይ

4.6 ለ4.5. መልስዎ “አዎ” ከሆነ በምን ዘዴ ተቋቋሙት?

4.7 ከተቋማት ስንት ጊዜ ብድር ተበድረው ያውቃሉ? _____

4.8 ከዚህ ቀደም (መጀመሪያ) ስንት ብር ተበደሩ? _____

4.9 አሁን የተበደሩት መጠን ስንት ብር ነው? _____

4.10 ጠቅላላ የተበደሩት የብር መጠን _____

ክፍል 5: ስለ ቁጠባ የተጠየቁ መረጃዎች

5.1 በአነስተኛ የብድር ፋይናንስ ተቋም ቁጠባ ይቆጥባሉ? 1. አዎ 2. አይ

5.2 “አዎ” ካሉ ምን አይነት ቁጠባ?

1. አስገዳጅ 2. በፈቃደኝነት

3. ሁለቱም 4. ሌላ ካለ _____

5.3 በአነስተኛ የብድር ፋይናንስ ተቋም ቁጠባ ከመግባተዎ በፊት ሌላ የቁጠባ ነበረዎት?

1. አዎ 2. አይ

5.4 “አዎ” ካሉ አይነቱን እና መጠኑን በብር ቢገልጹ:

- 1. እቁብ _____ 2. የሴቶች ቁጠባ _____ 3. የማህበራት ቁጠባ _____
- 4. የብድርና ቁጠባ ህብረት ስራ _____ 5. ሌላ _____.

5.5 በአሁኑ ወቅት ያለዎት የቁጠባ መጠን ምን ያህል ነው? በብር ይግለጹ: _____

5.6 ለቁጠባ የገንዘብ ምንጭዎ ምንድን ነው? (ከአንድ በላይ መምረጥ ይቻላል)

- 1. በብድር ከማንቀሳቀሰው ስራ ከሚገኝ ትርፍ
- 2. ከሌሎች የገቢ ምንጮች
- 3. ከዘመዶች በመበደር
- 4. ከጓደኞች በመበደር
- 5. በአራጣ በመበደር
- 6. በቅጥር ደሞዝ ከማገኘው
- 7. ሌላ ካለ ይጥቀሱ _____

5.7 ለምን አላማ ይቆጥባሉ? (ከአንድ በላይ መምረጥ ይቻላል)

- 1. ብድርን ለመክፈል
- 2. የካሽ ደህንነቴን (እንዳልሰረቅ) ለማረጋገጥ
- 3. ለእለት እለት ፍጆታ
- 4. ወለድ ለማግኘት
- 5. የቤት እቃ ለመግዛት
- 6. ቤት ለማሻሻል እና ለማደስ
- 7. በአስቸኳይ ጊዜ (በአደጋ ጊዜ) ለማውጣት
- 8. ምንም አልቆጥብም
- 9. ሌላ የቁጠባ ምክንያት ካለ ይጥቀሱ _____

ክፍል 6: ለማበረታቻ እና ማህበራዊ ስነ-ለቦና መበልፀግ (ለሴቶች)

6.1 ከጥቃቅን የብድር ፋይናንስ ተቋም የመበደር ውሳኔን የወሰነው ማን ነው?

- 1. ባል 2. በብዛት ባል 3. ባልና ሚስት እኩል
- 4. በአብዛኛው ሚስት 5. ሚስት ብቻ 6. ሌላ _____

6.2 የተበደሩትን ገንዘብ የማውጣት ውሳኔን ማን ይወስናል? 1. ባል 2. በብዛት ባል

- 3. ባልና ሚስት እኩል 4. በአብዛኛው ሚስት
- 5. ሚስት ብቻ 6. ሌላ _____

6.3 በብድር ስራ የተገኘውን ትርፍ የመጠቀም ውሳኔን ማን ይወስናል? 1. ባል

2. በብዛት ባል

3. ባልና ሚስት እኩል

4. በአብዛኛው ሚስት

5. ሚስት ብቻ

6. ሌላ _____

6.4 ገንዘቡን የመያዝና የስራ ውሳኔ የመወሰን አቅም አለኝ ብለው ያስባሉ?

1. አዎ

2. አይ

ተ.ቁ

ጥያቄ/ሀሳብ

እስዎ

ባልደረባ

ልጆች

6.5 የብድር ድርጅትን ገቢ ወደ ቁጠባ ሂሳብ የሚያስገባው ማን ነው?

6.6 በብድር የተቋቋመውን ድርጅት ግብዓቶች የሚገዛው ማን ነው?

6.7 በብድር የተቋቋመውን ድርጅት ምርቶች የሚሸጠው ማን ነው?

6.8 በብድር የተቋቋመውን ድርጅት ሂሳብ መዝገብ የሚይዘው/የመመዘግበው ማን ነው?

6.9 የብድር ልምድዎ ገንዘብን በሚገባ የመያዝ አቅምና የመጣኔ ሀብት አቅም አሳድጎልኛል ብለው ያስባሉ? ::

1. አዎ

2. አይ

6.10 በራስ የመተማመን ሁኔታዎ ምን ይመስላል?

1. ከፍተኛ በራስ መተማመን

2. መካከለኛ መተማመን

3. ምንም መተማመን የለኝም

4. አላውቅም

6.11 አነስተኛ ብድር ፋይናንስ ከተቀላቀሉ በኋላ በራስ የመተማመን ሁኔታዎ እንደጨመረ ይሰማዎታል

1.አዎ

2. አይ

6.12 በግልዎ የሚከተሉት ቦታዎች የመሄድ በራስ መተማመን አለዎት?

አዎ

አይ

1. ገበያ

2. ባንክ

3. ጤና ኬላ

4. ትምህርት ቤት

5. ማህበራት

6. የፖሊስ ተቋማት

7. ፍርድ ቤት

8. ቀበሌ ወይም ወረዳ አስተዳደር

9. የአነስተኛ ብድር ፋይናንስ መረጃ ማዕከል

6.13 ስለ አነስተኛ ብድር ፋይናንስ ስልጠና ወስደው ያውቃሉ

1. አዎ

2. አይ

አዎ ከሆነ የስልጠናውን ይዘቶች 9፩ _____

ክፍል 7: ለአዲስ የአነስተኛ ብድር ፋይናንስ አባላት

7. እስካሁን የአነስተኛ ብድር ፋይናንስ ደንበኛ አንዳይሆኑ ያደረግዎት?

- | ተ.ቁ | ጥያቄ/ሀሳብ | አዎ | አይ |
|------|--|----|----|
| 7.1 | ብድር ስላላስፈለገዎ | | |
| 7.2 | ለብድር ቡድን መፍጥር ባለመቻል | | |
| 7.3 | አስገዳጅ የብድር ፍላጎት እንዲኖር የሚያድርግ ሁኔታ ስላልነበረ | | |
| 7.4 | የቡድን ሀላፊነት መውሰድ ተቀባይነት ስሌለው | | |
| 7.5 | የቡድን አባላት የግል ንብረትን ማስያዣ እንዳያደርጉ ስለምሰጋ | | |
| 7.6 | ስብሰባ ስለምጠላ | | |
| 7.7 | የአነስተኛ ብድር ፋይናንስ የሚሰጡት ብድር ፍላጎቴን ለማሟላት ዝቅተኛ ስለሆነ | | |
| 7.8 | የስራ ፈጠራ ግንዛቤ ዝቅተኛነት | | |
| 7.9 | ስለብድር መረጃ ስላልነበረኝ | | |
| 7.10 | የብድር ፍላጎት ቢኖረኝም እድሉን ስላላገኘሁ | | |
| 7.11 | ብድሩን ከሌሎች ምንጮች በቀላሉ ማግኘት ስለ ሚቻል | | |
| 7.12 | በከፍተኛ ወለድ ምክንያት | | |
| 7.13 | ከቤተሰብ ጋር ባለመስማማት | | |
| 7.14 | ሌላ ካለ _____ | | |

ክፍል 8: ስለ አነስተኛ ብድር ፋይናንስ

8.1 የአነስተኛ ብድር ፋይናንስ የቁጠባ ፋሲሊቲዎች ጥሩ ገፅታዎች ምንድን ናቸው?

1. የወለድ ምጣኔው ጥሬ ነው
2. ቁጠባን ደህንነቱ በተጠበቀ ሁኔታ ይሰጣል
3. ምቹ የማስገቢያ ሁኔታ መኖሩ
4. ቅርብና ምቹ ወጭ ማድረጊያ ሁኔታ
5. ሌላ ካለ _____

8.2 የአነስተኛ ብድር ፋይናንስ የቁጠባ የወለድ ምጣኔን እንዴት ያዩታል?

1. ካለው ገበያ ምጣኔ በታች ነው

- 2. ካለው ገበያ ምጣኔ በላይ ነው
- 3. የወለድ ምጣኔ መረጃ የለኝም
- 4. አላውቅም
- 5. መልስ የለኝም

8.3 አነስተኛ የብድር ፋይናንስ ውስጥ የምትወዷቸውን ቢያንስ ሶስት ነገሮችን ጥቀሱ?

8.4 አነስተኛ የብድር ፋይናንስ ውስጥ የማትወዷቸውን ቢያንስ ሶስት ነገሮችን ጥቀሱ?

8.5 ስለ አነስተኛ የብድር ፋይናንስ ጠቅላላ አስተያየትዎን ይስጡን

እናመሰግናለን!

Appendix III: Interview Guide Questions (Unstructured)

1. When did you join the credit association?
2. What benefits did you get?
3. Do you think that it has significant change your life?

Appendix IV Declaration

Declaration

I Fiseha Asefa declare that this thesis conducted under the title Impact Assessment Of Small Credit Finance To Poverty Alleviation In The Urban Society Of Ethiopia (The Case Of Addis Credit And Saving Institution In Arada Sub city) is my original work, prepared under the guidance of Dr. Maru Shete (Assoc Professor). All the sources of materials used for thesis have been full acknowledged. I further confirm that the study has not been submitted in part or in full to any other higher learning institutions for the purpose of earning a degree.

Fiseha Asefa

St. Mary's University, Addis Ababa

February , 2024

Appendix V Endorsement

Endorsement

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as university advisor.

Dr. Maru Shete (Assoc. Professor)

St. Mary's University, Addis Ababa

February , 2024