DEBREBEREHAN UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

The Effect of Micro-finance on Poverty Reduction (In Case of Oromia Credit and Saving S.C. in Northern Shoa Zone)

A Thesis Submitted to the Department of Economics in partial Fulfillment of the Requirements for the Degree of Master of Science (MSc) in developmental economics

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I hereby certify that I have read and evaluated this Thesis entitled **"The Effect of Micro-finance on Poverty Reduction (In Case of Oromia Credit and Saving S.C. in Northern Shoa Zone)"**prepared under my guidance by NegassaWorku recommend that it be submitted as fulfilling the Thesis requirement.

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ABBREVIATIONS AND ACRONYMS

AEMFI	Association of Ethiopian Microfinance Institutions
EPRDF	Ethiopian People's Revolutionary Democratic Front
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
MFIs	Microfinance Institutions
OCSSCO	Oromia Credit and Saving S.Co
MDG	Millennium development Goal
UNICEF	United Nations Children's Fund

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ABSTRACT

Microfinance institutions are found among the institutions, which provide different financial service for the poor who are out of the conventional banking system particularly in developing countries. Thus, this study try to examine the impact of the microfinance program on socio-economic activities of the poor in oromia credit and saving share company at North shoa zone of Oromia regional state, Ethiopia. The researcher collects a data on 2000 clients using multi-stage sampling procedure. The methods of analysis used are both descriptive and inferential (logit model). From the results, we observed that program intervention leads to change in the life of the people than that would have happened without the intervention. The program increases the probability of improvement in economic status of the clients. The changes more likely occur with program participation than without program participation. The study indicates about 95% of sample clients reported that their live conditions have been improved because of program participation while only 20% of sample non-clients reported the trend that their living conditions have been improved because of good agricultural season and petty trade using their own income for the last two years. Moreover, the result indicates that more clients have enjoyed diet improvement than non-clients have. Clients have more chance of improving their diet in comparison to non-clients. Considering school-age children and actual enrollment, the result does not show significant difference between the two groups. Microfinance programimproves job opportunities through expandingnew business activities. The program also has brought and develops the habit of savings among its clients and expected to empower women clients over business activities of household. However, it is difficult to suggest the impact on women empowerment since the result does not show much difference between the two groups. Considering outreach and sustainability of the company in sample branch, the result indicates the trend that the numbers of clients and amount disbursed have been increased. About 100% of loan repayment within a given maturity date has been observed for the last four years. Loan issue on time, supervision, income, asset, having high attitude to cost of default and loan repayment time are the most factors that help loan repayment within a given period of time. Generally, the company has been directing its efforts towards poverty reduction and has showed success in terms of advice and supervision of clients in loan utilization.

Key words: Micro-finance; Poverty Reduction; Oromia Credit and Saving S.C.; Northern Shoa; Ethiopia

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Microfinance institutions are found among the institutions, which provide different financial service for the poor who are out of the conventional banking system particularly in developing countries. It provides financial services to poor clients who in most cases have no access to formal financial institutions. During the last three decades, microfinance has captured the interest of both academics and policy makers. This is, among other things, due to the success of the industry (Assefa et al., 2013).

Micro-finance institutions is expanding credit to rural and urban entrepreneurs, as well as, in achieving food for both rural and urban poor section of the people and thereby it has irreplaceable role to reduce poverty in developing countries. Moreover, it characterized by rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed Microfinance Institutions (MFIs), an emphasis on rural households, the promotion of both credit and savings products, a strong focus on sustainability and by the fact that the sector is Ethiopian owned and driven (Ebisa et al., 2013).

Everywhere around the world, it is common to observe some rich people and a lot of poor people who cannot fulfill the minimum requirements of basic needs for survival. Despite the score of modernizations and advancement that have been registered in the world, the percentage of people living below poverty line is still huge, especially in least developed countries like Ethiopia .Establishment of micro finance institutions (MFIs) that provides access to credit is regarded as means of tracking the financial constraint of the poor. Because one of the major problems that poor people in the rural and urban areas face is lack of capital and Outreaching poor clients requires innovative operating methods to manage risks and reduce transaction costs because poor people have no physical assets to offer as collateral for loans. Formal banking procedures often marginalize poor borrowers because of poor borrowers want financial services in tiny amount which are exposed to high risks through the eyes of the formal banking system(Todaro,2000) .

Moreover, Muluken and Mesfin (2014) revealed that, factors related to clients includes: problems related to the repayment, diversion of loan into non income generating activities, business condition of the borrowers; institutional factors such as shortage of human resource, lack of cost effective technologies, shortage of loan capital and some others are identified and political factors which are related to MFIs performance are also recognized as challenges affects the performance of microfinance institutions. Not only this but also one of the bottlenecks in improving the wellbeing of the poor people in developing and under developed poor countries is lack of access to credit from formal financial institutes that invariably requires collateral (Schreiner, 2002). Most, if not all, of the loan available to the poor in such developing countries is obtained either from family, friends or informal money lenders. When the poor resorts to get loans from informal credit providers such as money lenders, business men and pawn brokers, they are usually charged a very high interest rates and forced to handover whatever valuable items they may possess as collateral which in the case of failure to pay may not be collected back; and this may lead them to a worse than their pre-loan situation (Gosa, 2014).

Since, the government of Ethiopia opened commercial banking sector to private banks, and in 1996 micro finance institutions (MFIS) were created to serve populations with no access to financial services. Micro finance refers to financial services such as cash loans, deposit saving account, insurance premium made available in relating small amounts to poor population in the developing world and its basically relates to all financial intermediation on services such as saving ,credit fund transfer, insurance , pension and remittance among others by financial institution in both rural and urban areas to low income earners(Robinson,2001) and also its abilities both to reduced poverty and to develop the institution capacity of financial system through finding ways to cost effectively lend money to poor households(Morduh, 2009).

1.2. Statement of the Problem

Poverty remains a global problem of huge proportions, which needs a great attention to reduce it. It haunts the lives of billions of people around the world. According to the World Bank report in

2015, 10 percent of the world's population lived on less than US$1.90 a day, compared to 11 percent in 2013. In 2015, 736 million people lived on less than $1.90 a day, down from 1.85 billion in 1990. While poverty rates have declined in all regions, progress has been uneven: Two regions, East Asia and Pacific (47 million extreme poor) and Europe and Central Asia (7 million) have reduced extreme poverty to below 3 percent, achieving the 2030 target. More than half of the extreme poor live in Sub-Saharan Africa. In fact, the number of poor in the region increased by 9 million, with 413 million people living on less than US$1.90 a day in 2015, more than all the other regions combined. If the trend continues, by 2030, nearly 9 out of 10 extreme poor will be in Sub-Saharan Africa. The majority of the global poor live in rural areas are poorly educated, employed in the agricultural sector, and under 18 years of age.

Microfinance has been renowned, globally, as a feasible and sustainable tool for poverty reduction and economic development through improving income generating activities and employment creations. Despite well documented evidence of the positive impact of promoting access to finance to under-served segments of the community, many poor people in Africa still remain excluded from the mainstreaming financial systems (Arega, 2016).

In Ethiopia, the potential demand for financial services, particularly micro-credits is huge. However, the existing supply of financial services to the poor is very limited. As a strategic tool in alleviating the problem, though provision of microfinance services by government and non-government organizations were started in the past years, much emphasis was not given until the recent years. However, recently, the paradigm shift in reaching and mobilizing the poor is attaining greater attention both at the national and international levels. By virtue of these, besides strengthening the effort of both parties, the recent phenomenon is the establishment of formal micro-financing institutions which operate in the country.

Several studies indicate that microfinance has positive impacts in reducing poverty (Berhanu,1999;Daba, 2004; Holcome, 1995; Hossain, 1988 and Teferi, 2000). On the other hand, there are studies that indicate pessimistic kind of result on the impacts of microfinance program initiatives towards reducing poverty (Buckley, 1997; Montgomery, 1996; Rogaly, 1996). Specific to Ethiopian context, even though there is success in terms of outreach and size of clients weak management of information system, limited source of loanable fund, problem related with entrepreneurial quality of clients, limited technical and banking skills of staff, absence of separate unit in the NBE to address the problem and development of microfinance activities in Ethiopia, wrong perception of the community that loan disbursed by NGO and government are not collectable and limited research towards improving micro finance has been observed (Woldey 2000).

Therefore, the starting point of this is about whether the programmers of Oromia credit and saving s.c are making positive changes on clients. This is further explained as the research questions.

1.3. Research Questions

This study attempts to answer the following key research questions:

1. Are there significant improvements in the wellbeing of the poor clients of Oromia credit and saving Institution?

2. Is Oromia credit and saving s.c. microfinance institution at well performance to alleviate poverty?

3. Are disadvantaged poor grouped parts of society beneficiary from the credit shame of OCSSCOmicro financing Institution?

1.4. Objectives of the study

1.4.1. General objective

The general objective of the study is to assess whether the delivery of credit and saving service by OCSSCO has made a change socio-economic situations of its clients.

1.4.2. Specific objectives

The specific objectives of the research include:

- ✓ To investigate the impact of Oromia Credit and Saving S.CO microfinance institution on welfare of clients.

- ✓ To investigate the factors that influences the loan repayment performance of borrower financed by OCSSCO.
- ✓ To help MFI to improve the credit and saving scheme in order to meet clients' needs

1.5. Research Hypotheses

It is fact that credit has plausible contribution in increasing productive assets, income and facilities of employment. This is to mean that as the poor's access to lending increases, they have the chance to participate in income generating activates, and thereby improve their families' health, education and nitration. In addition, with availability of financial services, the poor can save from their earning, build fixed assets and income, and increase their production capacity. Hence, they can improve their social welfare. From this general assumptions, there are a number of hypotheses could be derived. These hypotheses are stated below:

1. Participation in microfinance program leads to improved income and food security.

It is obvious that this hypothesis emanates from the fact that surplus production from income generating activities enables households to feed themselves and their family members. In addition households are able to increase their saving rate so that they able to finance their livelihood especially during bad production period. Furthermore, as a result of increase in income, there is possibility of increase in food nutrition and asset accumulation. Variables to be used to test this hypothesis are mean expenditure on food and house durables. percent whose household income has increased over the last 12 months, percent of households having key household assets, percent of households whose diet has improved during the last 12 months, and percent of households who have experienced food shortages.

2. Participation in microfinance leads to increase in access to school and medical facilities.

This hypothesis originates from the fact that microfinance program increases income and thereby help the poor to send their children to school. It also widely believed that microfinance intervention help the clients to get access to medical facilities. Therefore, to test this hypothesis, percentage of clients reporting an improvement in access to education and medical facilities will be used.

3. Participation in micro finance programs leads to improvements in personal well-being and empowerment for women participants

This hypothesis claims that as clients become more financially self-sufficient and economically independent, their confidence decision making and bargaining power increase. They also increase their mobility and interaction at households and community level. Variables used to test this hypothesis are percentage of clients reporting as a member of associations or groups, and extent of women clients' involvement indecision to take and use loan.

4. Participation in microfinance programs leads to improvements in housing conditions.

This hypothesis is attempt to support that participation in microfinance will help the poor to accumulate capital and thereby invest either as permanent living or area or to generate income by renting it out. Regarding this, the percentage of clients who have made some form of improvements, expansion or repair will be used.

1.6. Significance of the Study

Many studies argue that the best way to do something about poverty is to let the people do their own thing. Nobody will have more motivation to change his situation than the sufferer himself. Therefore, targeting credit to the poor is one of the several instruments in poverty alleviation. MFI engaged in providing credit to the poor so that they employ themselves and generate income. For those institutions to be able to render efficient service on a permanent basis, they should be viable and sustainable. The program managers and practitioners at OCSSCOare expected to have up to date information.

Therefore, the first and most of Oromia Credit and Saving S.Co(OCSSCO) practitioners is beneficiary of this research findings followed by policy makers, academician and the public at large. Practitioners may use the results of this study either to improve the services of their institution or to the existing problems. Policy makers can use the findings to influence the policy changes as well as resource allocations. Academicians may use the findings to answer some academic questions and/ or as reference for further studies.

1.7. Scope and Limitation of the study

This study was limited to North Showa Zone, Oromia Region. The sole reasons are time, logistic and financial limitations. Besides, due to limited resources (human, material and financial) the study was further will be restricted to 200 respondents of which 100 are mature clients of the institution and 100 are fresh-clients from the sample branches.

1.8. Organization of the study

The thesis is organized into five chapters. The first chapter comprises background of the study, statement of the problem, research questions, objectives of the study, research hypothesis, significance of the study, scope, and limitation of the study. The second chapter deals with literature review which comprises the conceptual frame work of the study. Chapter three describes the research methodologies applied in the study. Chapter four deal with the empirical analysis and findings of the study. Chapter five describes the conclusion and recommendation part of the study.

CHAPTER TWO

REVIEW OF LITERATURE

2.1. Theoretical Review

2.1.1. Definition of key concepts

Microfinance

Microfinance refers to provision of financial services: loans, savings, insurance, or transfer services to lowincome households."(Morduch, 1999b.Simeyo et al 2011) further describes microfinance as small loans, savings mobilization and training offered to the poor to enable them to create self-employment by starting their own businesses and thus generating income. Equally, (Webster and Fidler 1996) argue that basic business skill training should accompany the provision of micro-loans to improve the capacity of the poor to use funds. Microfinance gives financial services like loan facility, saving opportunities, transfer of money and insurance of health and business assets to the poor people which are ignored by commercial banks. Microfinance helps the poor for smooth working of their business and makes their own investments. According to James Roth, Micro-finance supports people especially women to move out of poverty as it rewards productive capital to the poor who have been omitted from the formal banking sector.

Sara (2011) confirms that micro-finance is a powerful tool of self-empowerment to the poor at the world level particularly women in developing countries. As far as gender equality is concerned, (D'espallier et al, 2012) have defined micro-finance as an effective tool that promotes women and the youth empowerment.

Microfinance is the form of provision of a broad range of financial services to low- income micro enterprises and households. It is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor (Michael, 2005). Microfinance is the supply of loans, savings, money transfers, insurance, and other financial services to low-income people. Microfinance institutions (MFIs) — which encompass a wide range of providers that vary in legal structure, mission, and methodology offer these financial services to clients who do not have access to mainstream banks or other formal financial service providers (Lafourcade et al., 2005).

Similarly, Parker et al. (2000) defines microfinance as provision of small loans (called "micro-credit") or savings services for people excluded from the formal banking system. Microfinance is a type of banking service which provides access to financial and non-financial services to low income or unemployed people. Microfinance is a powerful tool to self-empower the poor people especially women at world level and especially in developing countries (Noreen, 2011).

The definitions of microfinance given by different scholars contain some similar pointes. They describe microfinance as provision of a small amount of loan for the poor, specifically the rural poor living in developing country. Some microfinance institutions provide non-financial services for their clients. But in our case, most of the micro finances are known by the provision of a small amount of credit and saving services (Muluken and Mesfin, 2014).

Objectives of Microfinance:

Ledgerwood (1999) identifies the following objectives offered by MFIs in developing countries they include the following: (i) Eradication of extreme poverty and hunger; (ii) Achievement of universal primary education, (iii) promotion of gender equality and women empowerment, (iv) Reduction of child mortality; (v) Improvement in maternal health; vi) Creation of income production activities (employment creation) vii) Building assets vii) Stabilization of consumption iv) Protection against risks, viii) Encouragement of new businesses, ix) Come up with a strategy to build global financial systems that meet the needs of the poorest people. Referring to various case studies, they show how microfinance has played a role in eradicating poverty. It principally achieves the above objective through: a) Microcredit, b) Micro Savings, c) Micro-Insurance and d) Money Transfers for the poor.

Micro-credit:

It is a component of microfinance and is the extension of small loans to the poor including women and the youth in general who are too poor to qualify for loans in commercial banks, especially in developing countries. Micro-credit enables every poor person to engage in self-employment projects that generate income, thus allowing them to increase their standard of living and for their families. The impact of micro-credit is a subject of much controversy, its proponents state that it reduces poverty through job creation, increase in incomes etc. This is expected to lead to improved nutrition and improved educational levels of the borrowers as well as the borrowers' children. Some argue that microcredit empowers women and the weak financially. The available evidence indicates that in many cases microcredit has facilitated the creation and the growth of businesses by often generating self-employment.

Micro Finance Institutions (MFIs)

In October 2006, the Nobel Peace Prize was awarded to Muhammad Yunus and his Grameen Bank, and as a result, microfinance gained huge attention from all over the world. But in fact much experimentation and research had been carried out on MFIs being regarded as a tool for realizing the potential of the poor. Microfinance therefore has been giving a great deal of hope to those people who are dedicated to poverty reduction, while the practice of microfinance has expanded globally, debates around the topic have never stopped. Traditional banking sectors in developing countries tend to cater for the rich people, and therefore microfinance wants to say that "the poor are also creditworthy". Through innovative financial methods, microfinance allows poor people to access credit. The invention of microfinance is inspiring, especially in the context of efforts to end poverty internationally. Lasting peace cannot be achieved unless large population groups find their way in breaking out of poverty, micro-credit is one such means, the Norwegian Nobel Committee, Oslo, 2006).

2.1.2. The Emergence of MFIs

The formal financial institutions played little role in financing development efforts in the rural reas. Due to a number of reasons poor of the developing countries are kept out of the reach of ormal financial services. First, formal financial institutions are clustered in urban areas, concentrate on funding large enterprises. Second, they require collateral and credit rationing. Third, the rural poor can't fulfill banking requirement to get loans. It means that the processes and procedures of providing loan are bureaucratic and lengthy. Fourth, the volume of loan demanded by small farmers is not appealing to banks. Such loans are difficult to manage and their processing not financially feasible (Morduch, 2000)

Several studies reveal that there is no exception in Ethiopia. For instance, Dejene (2003) argues in his study on the economic importance of the informal institutions in Ethiopia that the poor are often marginalized in the formal credit markets. This can be explained partly in terms of: 1) a lack of collateral, which makes lending to the poor a risky venture; 2) transaction cost of lending to and borrowing by the poor is often high; and 3) utility loss from repayment is higher for the poor as compared to the rich.

So the poor don't have access to the formal financial sources. Lack of access to institutional credit is one of the crucial factors impeding peasant agricultural production in particular and rural development in general. On the other hand credit from informal source is inadequate and moreover the interest rate charged is exorbitantly exploitative. Fidler and Webster (1996) note that although informal credit markets operate widely in rural areas, moneylenders typically charge very high interest rates, inhibiting the rural poor from investing in productive income generating activities. Thus, failure of the formal financial institutions to fulfill the financial needs of the rural poor, on the one hand, and inadequacy and exploitative or costly nature of informal credit sources on the other, led to the establishment of specialized financial institutions known as MFIs with the purpose of extending micro-credit to the rural and urban poor.

2.1.3. Microfinance in Ethiopia

Formally in Ethiopia started in 1994-95. In Particular, the licensing and supervision of Institution proclamation of the government encouraged the Spread of Institutions (MFIs) in both rural and Urban areas as it authorized them among other things, to legally Accept deposits from the general public (hence diversify sources of funds), to draw and accept drafts, and to manage funds for the Micro financing business. Currently, there are 29 licensed MFIs reaching about 2.2 million active borrowers with an outstanding loan portfolio of approximately 4.6 billion birr. Considering the potential demand, particularly in rural areas, this satisfies only an insignificant proportion.

2.1.3 Poverty in Ethiopia

Ethiopia is one of the poorest countries in the world, with an annual per capita income of US$170. The United Nations Development Program's Human Development Report for 20072008 ranked Ethiopia as 169th out of 177 countries on the Human Development Index. The average life expectancy after birth is only 48 years. Infant and maternal mortality and child malnutrition rates are among the highest in the world. While access to education has increased in recent years, the overall adult literacy rate is low compared to the sub-Saharan African standards. Only about 30 per cent of the population has access to potable drinking water and about 80 per cent have no access to improved sanitation. About 47 per cent of children under the age of five are underweight and over 12 million people are currently chronically or transitorily food insecure. HIV/AIDS constitutes a major threat to sustained economic growth, with about 6 per cent of adults estimated to be HIV-positive. Combined with malaria, the pandemic poses a serious challenge to achieving the MDGs1.

Roughly 44 per cent of the population lives below the national poverty line. However, there are marked differences between rural and urban areas. Most rural households live on a daily per capita income of less than US$0.50. Generally, rural households have less access to most essential services. According to the latest Poverty Assessment, overall progress in reducing poverty since 1992 falls short of what is required to meet MDG1 by 2015 as a result of high variability in agricultural GDP and rapid population growth. Most rural households are finding it increasingly difficult to survive without recourse to seasonal or permanent urban migration in search of wage employment.

Despite massive strides in development efforts within Ethiopia, the outcome of these efforts is still not sufficient to meet the demands the country needs.[2] Ethiopia serves as a strong example of the effects of natural disasters on poor environments, as the Indian Ocean Dipole-induced Horn of Africa drought and floods disrupted the lives of 10.5 million Ethiopians.[2] Many problems arose such as malnutrition and outbreaks in multiple types of diseases.[2] Ethiopia was in a State of Emergency from October 2016 until August 2017.[2] According to the *UNICEF Annual Report 2017* on the status of Poverty in Ethiopia, "A total of 1.3 million people were internally displaced as a result of conflict and drought by the end of 2017."[2] Due to their current obstacles with natural disasters and widespread displacements of citizens, leaders in development are working especially hard to create lasting infrastructure and sustainable resources.[2] The biggest goal within development efforts is to provide a holistic childhood educational program to improve the quality of education in the country, as well as make great efforts to end the practice of child marriage.[2]

2.1.4. Microfinance Institutions and Poverty Reduction

The poor section of peoples has low income, which leads to low investment and which in turn leads to low productivity. Microfinance institutions, saving and credit cooperatives should be designed to responds to the failure of the commercial and development banks to meet the financial needs of poor and small producers.

Microfinance institutions directly affect household income by encouraging productivity. It also increases diversity of production and productivity, as well as, maximize the utilization of available resources and to exploit their comparative advantage within market places. Furthermore, it encourages the socio-economic development of the concerned society (AEMFI, 2000, Ahmed etal, 2011). It helps farmers to invest in large agriculture technology, such as high yielding seeds and mineral fertilizer that increase income. Thus, it is possible to argue that micro finance is the most strategies that should be employed to eradicate poverty. It is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities (Ebimobowei et al 2012: 41).

2.1.5. Micro-finance as an Anti-poverty Strategy

The recent definition of poverty by the World Bank extended the conceptual dimension beyond the conventionally held ideas of permanent income/consumption and social income (basic needs) to a more comprehensive notion of lack of income/assets, sense of voiceless-ness and vulnerability to external shocks. Thus the anti-poverty strategies not only need to create income earning opportunities, but also must ensure empowerment of the poor in the sphere of state/social institutions, and security against variety of shocks. Micro-finance is believed to be one important entry point to addressing many of them. But services are limited in some urban areas, neglecting the majority of the poor.

The alternative is the "informal" financial sector, mainly the individual moneylenders. In this case, borrowers are required to provide guarantors and the interest rate is extremely high, varying from 50% to 120% per annum (SIDA, 2001). Recent IFAD study estimated that the Arata interest can go as high as 400% in some instances. And this exploitative interest rate of the informal sector diminishes potential return to factors of production, and is a constraint to diversify economic activities of the rural sector.

The Federal Government of Ethiopia has taken several economic reform measures to address poverty in its every aspect. Thus, while trying to fulfill the basic needs of the population, it also embarks upon economic reform measures conducive for free market competition and employment creation which includes the promotion of policies that will encourage savings, private investment, increasing income earning opportunities and promotion of small-scale industries in the informal sector among others. The five-year development program document emphasizes, among others, credit as a means to increase smallholder production (EPRDF, 1992 EC: 62). Financial markets are considered by the Regional Government as a good entry point in achieving food security objectives as this will allow rural households in both food secure and insecure areas to explore their "comparative advantages" in the market place and to create possibilities for exchange between factor markets (AEMFI, 2000a:9). Thus, in addition to promoting provision of credit through government channels, the program encourages microfinance institutions to provide their services of credit provision and savings mobilization.

However, even if policies aimed at changing the regulatory environment were expected to pave the way for increased flows of resources to the rural and informal sectors, micro financial services are very inadequate still.

2.1.6. Woman, Microfinance and Poverty

There is an argument that, due to a number of factors (including rapid population growth and population pressure on land, dislocation and separation of households due to war, famine, resettlement, etc), there is increasing tendency towards diversification and engagement of rural people in off-farm activities much of which is "compulsive" and survival-oriented (IFAD 2001:7). Within this process, women are considered to be the most active participants2. Rural women's increasing engagement in off-farm activities is one of the factors, which is likely to put a dynamic pressure on the traditional gender division of labor. Thus, since the 1980s, a number of projects have been initiated in rural Ethiopia (including micro-financing and saving and credit projects). Most of these schemes target women and are intended to expand income earning opportunities in traditional or new areas of women's off-farm activities to alleviate poverty and economically empower women. The impact of these programmes on rural women's lives is not known. Generally, empowerment as a development strategy approach for women involves two levels: intrinsic and extrinsic. The extrinsic level refers to gaining greater access and control over resources. On the other hand, the intrinsic level involves changes from within, such as the rise in self-confidence, consciousness and motivation. It recognizes women's triple roles and seeks to meet strategic gender needs through bottom-up participation on resources and development issues that concern the life of women.

Credit and saving programmes in particular are geared towards the promotion of off-farm activities by rural women. These programmesare implicitly or explicitly based on the assumption that rural women are conversant with non-farm income generating activities, have sufficient time and labor to expand traditional, or start new, income generating activities. As suggested above, one of the important issues relevant for gender-focused policy interventions is the question of how rural women manage to actively engage in off-farm activities on top of their demanding roles in agricultural production and domestic labour. Here lays the appropriate channel to identify the potentials and constraints that rural women face concerning gender focused rural intervention, especially those relating to saving and credit schemes. There are real practical problems in this regard.

A recent World Bank Study indicated that as employment and traditional livelihood strategies for men disappear, poor women in increasing numbers, have had to make their ways into the informal sector, primarily in low paying and often menial work, piece work, vending, petty trading, agricultural labour, collecting garbage, cleaning toilets, and factory employment. In almost every country in the study, both men and women reported women's greater ability to accommodate, bury their pride and do whatever job was available to earn the money to feed the family. This sometimes includes prostitution. (World Bank Group, p.50)

2.2. Empirical Literature

2.2.1. Contribution of MFIs for poverty reduction and factors affecting MFIs performance

Many studies were conducted on the issue related to microfinance institutions performance, challenges their impact on the economic and social condition of the rural poor. The study conducted by Ebisa et al. (2013), shows that the mean amount of loans extended by 30 microfinance institutions in the country is 2.2938, whereas the mean borrowing customers equal an amount of 8.2434. As it is indicated in this study the R square value is 0.913 implying that 91.3% of the variations in the amount of loans extended by 30 microfinance institutions in the country are explained by the number of borrowing clients. On the other hand, the Pearson correlation indicates strong positive linear relationships between number of borrowing clients and amount of loans extended. The total number of active borrowing clients of the microfinance institutions in Ethiopia reached over 2.4 million customers in 2011 whereas the total credit extended by all microfinance institutions amounted to Birr 6.9 billion. Of the total credit granted, the share of the three largest Microfinance institutions is Birr 5.1 billion.

Khandker (1999) argued whether participation in micro-credit programs does in fact reduce poverty in terms of consumption and help increase income and employment on a sustained basis could be measured directly. The benefits of program participation can also be measured indirectly, by measuring changes in socio-economic outcomes. This implies that the effects of micro-credit programs on participants can be measured in terms of consumption, nutrition, employment, net worth, schooling, contraceptive use and fertility. The study argued that changes in income and employment among program participants might affect the living standard of the poor. There are two important factors that determine the overall impact of the program. These are the growth potential of activities financed by the micro credit programs and the extent of credit market imperfections that are resolved with enhanced availability of credit.

Birhanu (2015) revealed that Microfinance has enabled the clients to generate income that could be spent on better facilities, which could improve the living standard of clients. Clients have got more chance of getting meals per day than non-clients. The result indicates that more clients have enjoyed diet improvement than nonclients. Clients have got more chance of improving their diet in comparison to non-clients. Considering schoolage children and actual enrollment, the result does not show significant difference between the two groups. The program has improved ability of clients to respond the demand for medical care. The study found difference in responsiveness of demand for medical care between the two groups. Microfinance program improves job opportunities. It creates and expands business activities.

Ebisa et al. (2013) revealed that lack of skilled personnel is the common problem in Ethiopian Microfinance Institutions. This situation is more exacerbated by high turnover of experienced personnel either for the need for better jobs or hate to work in rural areas with minimal facilities provided as compared to urban areas which offer better living conditions. There is also a problem of using modern core finance technologies for many of MFIs specially those microfinance institutions operating in remote rural areas having poor infrastructure development. As a result, there are problems of non-standardized reporting and performance monitoring system. On the other hand, MFIs face challenges of obtaining loans in the existing financial market, particularly from banks, which hampers strive for addressing various needs of clients According to Muhammad (2010), focus on the challenges and opportunities face microfinance sector in Pakistan, his study resulted that numerous challenges are ahead of microfinance sector like improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs).

Dahir (2015) in his study on the challenges facing microfinance institutions in poverty eradication in Mogadishu, he found that the major challenges that face microfinance institutions range from default risk inherited from borrowers and lack of understanding the concept of microfinance by the clients to inadequate donor funding where the microfinance institutions do not have enough adequate capital from donor to meet the needs of the microfinance beneficiaries in order to help those who need assistance of the microfinance. On the other hand, the challenges facing microfinance institutions include insufficient support from government. Other challenges include insufficient support from government, limited management capacity of microfinance institutions, less attraction on financial sustainability of MFIs and lack of adequate loan or equity capital to increase loan-able funds.

Elly (2015) also studied on the role of MFIs for poverty reduction and revealed that there is a positive contribution of microfinance institutions to the social development, in which there is better access to health, education and basic services and greater social respect. The contribution of education level and entrepreneurial skills has positive impact to poverty reduction. From the finding obtained it has been found that microfinance institutions has a positive impact to poverty reduction in which there is increase in income, better living conditions and better access to basic needs. Lastly study found that challenges facing entrepreneurs are short time for loan repayment, low amount offered by MFIs, expensive collaterals and high interest rates.

CHAPTER THREE:

METHODOLOGY

3.1. Description of the study area

The study was carried out in north shewa zone of the Oromia regional state of Ethiopia. Based on the 2007 Census conducted by the Central Statistical Agency of Ethiopia (CSA), this Zone has a total population of 1,431,305, of whom 717,552 are men and 713,753 women; with an area of 10,322.48 square kilometers, North Shewa has a population density of 138.66. While 146,758 or 10.25% are urban inhabitants, a further 9 individuals are pastoralists. A total of 314,089 households were counted in this Zone, which results in an average of 4.56 persons to a household, and 303,609 housing units. The largest ethnic group reported in North Shewa was Oromo (84.33%) and followed by Amhara(14.99%); all other ethnic groups made up 0.68% of the population. Oromiffawas spoken as a first language by 82.85% and 16.73% spoke Amharic; the remaining 0.42% spoke all other primary languages reported. The majority of the inhabitants professed Ethiopian Orthodox Christianity, with 92.43% of the population having reported they practiced that belief, while 5.34% of the populations were Muslim and 1.61% of the population professed Protestantism.

3.2. Data Type and Source

The researcher used primary and secondary data for two decades and also use econometric model to analysis depending on the availability of times series data as well as in view of its relevance to the country's, in this study, for the investigation of role of Oromia credit and saving share company to reduce poverty in northern shewa zone. Primary data would collected to attain the research objectives regarding the role of Oromia credit and saving share company service for the economic status of clients, its contribution on empowerment of client's as well as participants view of the strength and limitation of OCSSCO by using Survey/questioner, FGD, and Key informant interviews using checklists. In order to address the objective of outreach performance of Oromia credit and saving share company secondary data source is obtained from published and unpublished OCSSCO documents as well as Key informant interview with OCSSCO coordinators and project staffs besides other international sources like UNDP and World Bank is used to gather more information

3.3. Method of Data Collection

3.3.1. Sample Size

It is fact that the sample size highly matters the findings of the research. To avoid the sampleerror and come up with findings that represent the entire population under the study, taking representative sample is very plausible. Oromia credit and saving s.c institution has been providing credit and saving services for 2000 clients. The researcher is designed to take 20% of the total population.

3.3.2. Sampling Techniques

The researcher is interested to use multi-stage sampling procedure to select the sample. Because of proximity to the researcher, northern shewa zonewas purposely selected within the region. At the second stage all 22 branches of OCSSCO were stratified into three based on the number of customers i.e. Large (which have more 300 clients), Medium (about 200 clients), and small (which have less than 100 clients). From the four which have more than 300 clients, the largest three which has more duration in the program were used as study branches. Thereafter, two cluster respondent groups were identified from the total population of sample branches. The first cluster is frequent borrowers who are clients at least for the last two years. The second cluster is from clients who have stayed in the program not more than six months. Finally, simple random sampling techniques were employed in each cluster. The total sample size was 200. Based on length of participation, 100 was selected from clients which have two years and above in the program. The remaining 100 was selected from non- clients.

3.4. Methods of Data Analysis

3.4.1. Descriptive analysis

After collecting the data, both descriptive statistics and econometric tools were employed so as to investigate the impact of credit on improving the life of the clients. Various statistical tools were used to investigate the difference in welfare between the clients who have been stayed more than two years in the program and fresh clients. A summary of statistics and tabulation of field data was used to examine the impact of OCSSCO's intervention towards improving the welfare of the clients.

The cross tabulations could highlight differences in the mean values of the hypothesized impact variables between frequent borrowers and their counter parts.

3.4.2. Econometric Analysis

3.4.2.1. Impact Assessment at house Hold Level

In addition to descriptive statistics, Logit Model was used to investigate the factors for the increase in welfare indicators such as income. But to measure some psychological impacts, mean values were considered. In the model, the status of income was treated as a dichotomous dependent variable by taking 1 for increase and 0 otherwise. The functional relationship between the probability of improvement in income and explanatory variables is specified as:

Y = F (RES, LS, VIS, Ui) -- (1)

Where: Y = Average yearly income of household

RES = Respondents (clients and non-clients)

LS = Loan size

VIS = Voluntary individual savings

Ui = Error term

Since the dependent variable is dichotomous, Logit Model was used as suggested by several studies for its manageability, simplicity and appropriateness (Alderic and Nelson, 1984). While specifying the distribution of the model, the steps followed by Gujarati (1992) was considered as shown below:

$$pi = \frac{1}{1+e^{-zi}} \text{--} 2$$

$$Zi = \beta o + \beta 1X1i + \beta 2x2i + \text{------} + \beta nX2n \quad \text{-------------------} 3$$

$$Pi = \frac{1}{1+e^{-(\beta 0+\beta 1X1i+\beta 2X2i--- + \beta nXni}} \text{----------------------------} 4$$

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

e^{zi}= Irrational number to the power of Z_i

Z_i= A function of n explanatory variables

$\boldsymbol{\beta s}$= parameters.

Thus, the probability of improvement in income in relation with the explanatory variables is explained based on the sign of the coefficients. The parameters tell how the economic status of the frequent borrowers and control groups changes as explanatory variables change. The positive sign of the parameters show the trend that the changes of the variable are greater in frequent borrowers than control groups.

Therefore, using descriptive statistics and the Logit model, the analysis of the assessment was based on the following variables.

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

b) Program Participation: participation in microfinance program is expected to create or/and expand potential of activities financed by the program. It also reduces the extent of credit market imperfection that is resolved with enhanced availability of credit. Suing a participation dummy would allow the average returns to participation. Thus, the participants are expected to benefit from the program in terms of improvement in income.

c) Loan size: It is also expected to improve productive capacity of the intended activities, which 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 will be considered.

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 able to estimate the medical expenditures, Information on the number of members who were ill or injured in the household and taken for medical treatment was collected. Thus, a response to medical facilities is considered.

g) Nutritional Status: The immediate impact of microfinance is on income, which is expected to have impact on consumption expenditure of households' diet. Thus, consumption expenditure is used to evaluate the effect of the access to credit. The increase in consumption expenditure is expected to improve household diet and living conditions. The number of meals per day and responsiveness of access to nutrition was also being considered in the analysis.

h) Employment Generation: To evaluate the impact of OCSSCOmicro financing scheme on employment, the number of employed people and status of employment generation were 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.

3.4.2.2. Out Reach and Loan Repayment Performance

The outreach and sustainability of MFI approach is also another prominent tool to assess the impact of micro financing scheme on poverty alleviation. The assumption is that if outreach has been expanded and institution is sustainable, then the program is judged to have a positive impact as it has widened the financial market. This, in turn, based on the assumption that credit and saving services led to improve household security and economic status of the clients. Johnson and Rogaly (1997) argued that the repayment rate is the indicator most often used as a measure of the performance of credit scheme. The modeling of loan repayment performance incorporates both the borrower and lender characteristics. The repayment amount of 100 % is considered as full repayment and below it is taken as not fully paid within the specified loan repayment time. Thus, loan repayment performance takes the value 1 if borrowers repaid the loan in full and 0 otherwise.

Therefore, the Logit model is specified determine factors that affecting the loan repayment performance of WMFI based on the following functional relationship.

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

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

Where: LRP = Loan repayment performance

AYIL = Average Yearly Income from loanable activities

AIOA = Average yearly income from other activities

VA =Value of assets

LS = Loan size

ED = Education level

Illiterate = 1

Grade 1 – 6 = 2

Grade 7 – 8 = 3

Grade 9 – 12 = 4

Above grade 12 = 5

ACD = Attitude to cost of default

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

AG = Age

LDR = Loan diversion rate

LDR = 1 if a borrower diverts and 0 otherwise

SX = Sex

SX = 1 if male and 0 otherwise

UFR = Use of financial records

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

TLLD = Timeliness of loan disbursement

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

LSV = Loan supervision

LSV = 1 if it was sufficient and 0 Otherwise

ALRT = Appropriateness of loan repayment time

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

ND = Number of dependents

U1 =Error term

Therefore, the loan repayment performance of OCSSCOis analyzed based on the following explanatory variables.

a).Income from Activities Financed by the Loan: This variable may have a mixed impact on loan repayment. An increase in income from activities financed by the loan is expected to have a positive sign if the increase in income increases loan repayment capacity. On the other hand, it may have a negative impact if the success in income leads to decrease the need for further credit from the institution.

b) Income from Other Activities: Availability of other sources of income is expected to have positive contribution for loan repayment performance. On the other hand, however, this income may produce carelessness on the part of beneficiaries in meeting credit obligations since they may not need credit in the future from the same source and in that case it is expected to have negative impact.

c) Asset Value: Value of assets of the borrowers is expected to have a positive impact on loan repayment performance having the perception that the assets will be under liability in case of default.

d) Loan Size: If a loan amount is just enough for the intended purpose, it will have a positive impact on the productive capacity of the intended activities. But, for large amount of loan size, which is more than the capacity of the project, it is expected to have a negative impact because the excess of loan amount will have a burden.

e) Education Level: This variable is expected to have a positive impact. More educated clients are expected to use the loan fund effectively compared to less educated one.

f) Clients' Attitude to Cost of Default: Cost of default includes claims against personal wealth, claims against guarantees, social sanctions such as loss of social status, loss of future access to credit and other economic benefits. For those who are at least one of these factors is very important, the variable will have a positive sign. But, for those beneficiaries who undermine these costs, it will have a negative impact.

g) Age: It is usually believed that the increase in age will have business experience. Thus, it is expected to have a positive sign.

h) Sex: Many microfinance specialists believe that women are better loan payers than male clients. On the other hand, however, some empirical studies shows the opposite result.

i). The Use of Financial Records: If a borrower uses financial records, it will help to follow up his/her loan repayment position, which contributes for loan repayment. Thus, the use of financial records is expected to have a positive sign.

j) Timeliness of Loan Disbursement: If loan is disbursed on time from the point of view of the borrower, then it is likely that the probability of utilizing the loan proceeds on time. Thus, it is expected to have a positive sign. On the other hand, however, if loan is issued late from the point of view of the borrower, the client could not be able to employ the fund he/she planned to do on time.

k) Loan Supervision: Supervision will make borrowers observe their credit obligation. As a result, borrowers are encouraged to settle their duty by improving loan repayment performance. Thus, it is expected to have a positive sign.

l) Appropriateness of the Loan Repayment Time: It is expected that this variable will have a positive sign because the borrowers who find this repayment period suitable perform better.

m) Loan Diversion: If loan is diverted to non-income generating purposes (such as consumption, clothing), it is likely that the sign of this variable will be negative since it reduces repayment capacity. If, however, the loan is diverted to income generating purposes, the variable is expected to have a mixed effect. Loan diversion has the character of fungibility, which refers to the interchangeability of the uses of loan to which credit can be put. It may invalidate the targetof the institution

3.4.3. Estimation procedures and Variables description

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

Table 3.1 List and description of independent variables in the model

VARIABLES	DESCRIPTION
	average annual income
	1= improved
Y	0= not improved
	respondents
	1= clients(frequent borrowers
Res	o= new-clients
Ls	Loan size
VIS	Voluntary individual saving

CHAPTER FOUR

RESULTS AND DISCUSSIONS

3.1. Descriptive Results

3.1.1. Characteristics of Respondents

From total 200 hundred respondents in the sample branch, 100 clients and 100 fresh clients were interviewed for the study. Out of the clients sample of the program, 84 (84%) are male and 16 (16%) are female. Out of the fresh clients 77 (77%) are male and 23(23%) are female. Out of the total respondents of sample 161(80.5%) are male and 39 (19.5%) female (See Table 1).

Table 1: Characteristics of Respondents by Type of Respondents

	Sex		
types of respondent	Male	female	total
Client	84	16	100
Non client	77	23	100
Total	161	39	200

Considering the marital statuses of the sample respondents, 15(7.5%) are single, 165(82.5%) are married, 6(3%) are divorced, and 14(7%) are widowed. Out of the total client respondents 89(89%) are married and out of total fresh client respondents 76(76%) are married (see Table 2).

Table 2: Characteristics of Respondents on Marital status

	Types of respondents		
Marital status	Client	Non client	total
married	89	76	
single	5	10	
divorced	1	5	
widowed	5	9	
total			

With regards to age group, out of total sample respondents the age of 88(44%) lie in the range of 31 – 40 and 63 (31.5%) are in the range of 21- 30. From this it is easy to understand that the age of the most respondents lie in the range of age 21-40 (See Table 3).

Table 3: Characteristics of Respondents on age Group

	Sex				
	cleint		fresh client		
types of respondent	Male	female	male	Female	total
15 – 20	4	2	3	1	10
21 – 30	26	8	20	9	63
31 – 40	35	5	38	10	88
41 – 50	11	1	9	2	23
51- 60	7	0	5	1	13
Above 60	1	0	2	0	3

Interims of educational back ground, from the total sample respondents 98(49%) can't read and write. 75(37.5%) are in the range of grade 1-6 and 27(13.5%) are in the range grade 7-12. From the total sample clients 47(47%) are illiterate, 38(38%) are in the range of grade 1-6 and 15(15%) are in the range of grade 7-12. On the other hand, from the total sample of fresh clients 51(51%) are illiterate, 37(37%) are in the range of grade 1-6, 7(7%) are grade 7& 8 and 5 are in the range of 9-12(See Table 4).

Table 4: Characteristics of Respondents by Education level

	Sex				
	client		fresh client		
Level of education	Male	female	male	Female	total
Illiterate	39	8	38	13	98
Grade 1-6	33	5	30	7	75
Grade 7-8	7	2	4	3	16
Grade 9-12	5	1	5	0	11

Out of the total sample respondents, the number of household size ranges from 1 to 12. The average household size of clients and fresh clients are 6.2 and 3.1 respectively (see Table 5).

Table 5: Characteristics of Respondents by Household size

Household size	Types of respondents		total
	Client	Fresh client	
1	3	5	8
2	5	11	16
3	9	21	30
4	8	9	17
5	17	13	30
6	19	11	30
7	14	7	21
8	6	9	15
9	7	5	12
10	8	7	15
11	3	2	5
12	1	0	1

The following table shows the number of household dependents. The number of household dependents ranges from 0 to 7. The average household dependents for clients and fresh clients are about 4and 5 respectively (See Table 6).

Table 6: Characteristics of Respondents by household dependency

Household size	Types of respondents	total	
	Client	Fresh client	
0	11	21	32
1	17	17	34
2	13	18	31
3	22	20	42
4	15	11	26
5	14	9	23
6	7	3	10
7	1	1	2

It is also observed that microfinance; Iqqub, Eddir, relatives, friends and individual money lenders are source of finance for sample respondents. From table 7, it is observed that Iqqub and Eddir are the most dominant sources of finances next to micro finance to the poor. This implies that rural poor has the lack of access to formal credit market. Out of the sample clients only 5(5%) are reported Iddir and Eqqub are sources of finance while 49(49%) are for non- clients (See Table 7).

Table 7: Source of Finance Respondents

Source of finance	Types of respondents		total
	client	Fresh client	
OCSSCO	100	0	100
IQUB	5	49	54
Individual money lender	0	14	14
Relatives/friends	0	11	11
Conventional bank	0	0	0

3.1.2. Impacts of the Program at the Household Level

As the objective of the study is to assess the impact of Oromia credit and saving s.co in the sample cities, the impact of the intervention is observed in association mainly with income, household diet, access to education, responsiveness for medical care, employment opportunities, savings and women empowerment. The findings of the study are stated as follows.

3.1.2.1. Effects on Income

One of the immediate impacts of having access to credit from the micro financing program is on income. This induced income may have impact on other outcomes such as household consumption, access to education and medical facilities, etc. Since most of the respondents do not keep records on their business activities, the income figures may not be accurate but the estimate yearly income of the respondents serves for the study. Since the respondents' yearly income may or may not be only from the loanable activities, income from the loanable and non-loanable activities of each respondent was collected. From the total sample clients, 49(49%) reported that their yearly income is in the range of 2001-3000 Birr while from the total sample non-clients only 15(15%) reported yearly income in the range of 2001-3000 which shows difference in the level of income between the two groups. It is also observed that 19 (19%) of clients and 10 (10%) of non-clients reported average yearly income of between 3001-4000 Birr (see Table 8).

Table 8: Average Yearly income of the respondent

Income level(in birr)	Types of respondents		Total %
	Client %	Fresh client%	
BELOW 1000	6(6%)	47(47%)	53(53%)
1001-2000	17(17%)	25(25%)	42(42%)
2001-3000	49(49%)	15(15%)	64(64%)
3001-4000	19(19)	10(10%)	29(29%)
4001-5000	6(6%)	2(2%)	8(8)
ABOVE 5000	3(3%)	1(1%)	4(4%)

Table 8 also shows the positive contribution of the microfinancing scheme in income generating. If we compare the number of each group whose average yearly income is below 2000 Birr and above of Birr 2000, it is evident that only 23 (23%) of clients earned average yearly income of below Birr 2000 but 77(77%) of clients earned above Birr 2000. On the other hand, 72(72%) of non-clients reported average yearly income of less than Birr 2000, while only 28(28%) of non-client reported average yearly income of above Birr 2000. This implies the percentage of clients (77%) whose level of income above Birr 2000 is much greater than the percentage of non-clients (28%) whose level of income above Birr 2000.

Participation in microfinance service has an expectation that leads to increase household income, among others. Thus, the core impact study includes a question about relative changes in their household income status. Based on this question, the responsiveness of the two groups was collected. Out of total clients, 49 (49%) reported the trend that their overall level of income has been increased significantly since their participation in the program while from the total sample non-clients only 7(7%) reported significant increase overall level of income for the last two years. 48(48%) of the clients and 13(13%) of the non-clients reported the trend that their overall level of income has been increased. The percentages whose level of income has at least increased over the last two years are about 97% for clients and 20% for non-clients. The improvement in overall level of income is much more pronounced in clients than non-clients (see Table 9).

Table 9: Participation trend in microfinance

trend	Types of respondents		Total %
	Client %	Fresh client%	
Increased significantly	49(49%)	7(7%)	(56%)
increased	48(48%)	13(13%)	61%)
Remained the same	3(3%)	66(66%)	69%
decreased	0(0%)	9(9%)	9%
Decreased significantly	0(0%)	5(5%)	5%

From the respondents of sample clients who reported the increase in their level of income, 97(97%) reported that access to working capital from microfinance credit services helps them to buy inputs, able to purchase business assets, expand existing business for agricultural activities and petty trade. On the other hand, from the sample of non-clients who reported the increment in their level of income, 20 (20%) of them reported that the causes for their income improvement are good agricultural season and petty trade from their own working capital.

Out of the sample clients who reported that the trend remained the same, crops failure, illness or death of the family were reported as main problems for their business activities. However, lack of credit, crop failure, unemployment, illness or deaths of the family were reported as the major reasons for the decrement of their level of income of non-clients. Out of total non-clients, 53(53%) identified that lack of access to credit was the most significant reason for the problems in their business activities.

Therefore, the responsiveness achieved in relating with income from program participants shows a clear indication that microfinance credit has enabled the clients to generate disposable income that could be spent on better facilities which could improve the living standard of the households concerned.

3.1.2.2. Effects on Household Diet

Having access to microfinance credit has also impact on household nutritional status. This indicator is simply to capture the direction of a change in type and quality of household diet. Since the rural poor may not have records on their daily, monthly or yearly expenditure, type of meals or quality of meals, information on their average yearly expenditure on consumption, type of meals and their responsiveness in nutritional status and trends of consumption expenditure were collected. According to AIMS (2000), the two promising indicators proposed for food security at household level are numbers of eating meals per day and number of different types of food consumed. Based on this framework, the results of the collected data are represented in table 10.

From the total respondents, only 3(3%) of clients and 27(27%) of non-clients reported that they do have only breakfast and formal evening meal. Only 4(4%) of clients and 15(15%) of non-clients have only lunch and evening meal. 89(89%) of clients and 56(56%) of non-clients reported that they could get meals three times a day. The findings show that program participants have got more chance of getting meals three times a day than those who have not participated in the program (see Table 10)

Table 10:Types of meal respondents

Meal types	Types of respondents		Total %
	Client %	Fresh client%	
Breakfast and evening meal	3(3%)	27(27%)	30(15%)
Lunch and evening meal	4(4%)	15(15%)	19(9.5%)
Breakfast, lunch and evening	89(89%)	56(56%)	145(72.5%)
Breakfast, between breakfast and midday, midday, between midday & evening meal, and evening meal	4(4%)	2(2%)	6(3%)

According to TeferiZewdu (2000), the immediate impact of microfinance program is on income and this induced income is expected to have an impact on another outcome like increase in consumption expenditure that leads to better household diet and living condition.

Thus, the average yearly consumption expenditure of each respondent was collected. This is also used to compare the consumption expenditure of clients and non-clients on household nutrition. However, the respondents could not estimate the expenses and it was not reasonable. As a result, consumption expenditure is dropped from the analysis. Instead, the trend of consumption expenditure is used (see Table11).

Table 11:Consumption expenditure(in birr)

Consumption expenditure(in birr)	Types of respondents		Total %
	Client %	Fresh client%	
Increased	78(78%)	47(47%)	125(62.5%)
Non increased	22(22%)	53(53%)	75(37.5%)

Information on the trends of household diet and responsiveness of consumption expenditure were also collected. Concerning consumption expenditure, it is assumed that the improvement in consumption expenditure leads to better household diet and living condition. This concept tells us whether the status of household diet has been improved or not for the last two years. It is obvious that microfinance intervention is expected to support program participants in ensuring food security, which is the prime concern of all poor households.

The findings of this study in relation to this variable indicated that 78 (78%) of sample clients and 47(47%) of sample non-clients reported the trend that their household diet and consumption expenditure have been improved over the last twelve months. Only 22(22%) of clients and 53(53%) of non-clients reported that their type and quality of diet as well as their consumption expenditure have not been improved over the last twelve months.

This result indicates that more clients have enjoyed diet improvement than non-clients. Program participants have more chance of improving their diet in comparison to nonparticipants. Ability to produce and buy more cereals and staples are the major reasons for the improvement of their nutritional status (see Table 12).

Table 12: Trends of house Expenditure and Consumption Expenditure

Trend	Types of respondents		Total %
	Client %	Fresh client%	
Improved	78(78%)	47(47%)	125(62.5%)
Not improved	22(22%)	53(53%)	75(37.5%)

3.1.2.3. Effects on Educational Facilities

The other variable that is considered in the study is access to educational facilities.

Information was collected on potential school-age children, children currently attending school and average yearly educational expenditure. Enrolment of school-age children is also considered to assess the impact of credit scheme in improving access to educational facilities.

From the reported 271 potential school-age children of clients, 210(77.49%) are actually enrolled and attending their school this year. On the other hand, from the reported 210 potential school-age children of non-clients, 167(72.93%) are actually enrolled and attending their school. This suggests that enrolment of school-age children who are currently attending school of the two groups show difference and indicates that micro finance has positive impact on the number of school enrolment children (see table 13).

Table 13: number of school age children

number of school age children	Enrollment			
	Potential		actual	
	clients	non clients	clients	non clients
1	5	12	1	4
2	18	21	9	15
3	43	34	37	29
4	103	47	96	41
5	41	33	36	29
6	32	29	26	24
7	29	34	24	25
total	271	210	229	167

3.1.2.4. Effects on Access to Medical Facilities

Respondents were asked to recall their monthly average medical expenditures and responsiveness to medical facilities. However, medical expenditures are based on the number of members of households who are ill or injured. Since a number of members of households who are ill or injured within a given year might be different, the responsiveness of respondents in financing to get medical facilities in case of demand for medical care is considered in the study.

The result shows that 91 (91%) of sample clients and only 43(43%) of sample non clients reported the trend that their responsiveness toward access to medical facilities has been improved for the last two years. However, only 9 (9%) of sample clients and 57 (57%) of sample non-clients reported the trend that their ability to get access to medical facilities has not been improved over the last two years. This result clearly shows that program participants have improved their ability to respond to the demand for medical care. The study finds difference in responsiveness of demand for medical care between the two groups. Therefore, we can conclude that program participants have been benefited from the micro financing scheme (see table 4.14 and table 15).

Table 14: Health status of Households

Response	Types of respondents		Total %
	Client %	Fresh client%	
Improved	91(91%)	43(43%)	134(67%)
Not improved	9(9%)	57(57%)	66(33%)

Table 15 shows that out of 67 (67%) client households who reported whose members were ill or injured during the last twelve months, 59 (88.1%) clients have taken their members who were ill or injured for medical treatment. Only 8 (11.9%) clients reported the inability to take their members who were ill or injured for medical care. On the other hand, out of 54 (54%) non-client households who reported whose their members were ill or injured, only 42 (77.77%) non-clients have taken their members who were ill or injured for medical care during the last twelve months. But 12 (22.22%) non-clients reported the inability to take their members who were ill or injured members for treatment. If we compare the results, about 88.1% of clients and 77.77% of non-clients have taken their members for medical treatment, which shows difference between the two groups.

Table 15: Ability of respondents in case of demand for health care

Trend	Types of respondents		Total %
	Client %	Fresh client%	
Number of households whose members ill or injured in the last twelve months	67(67%)	54(54%)	121(60.5%)
Number of households who have taken their members (who were ill or injured) for medical treatment during the last twelve months	59(88.1%)	42(77.77%)	103(83.47%)
Number of households who have not taken their members (who were ill or injured) for medical treatment during the last twelve months	8(11.9%)	12(22.22%)	20(16.53%)

4.1.2.5 Effects on Employment

The immediate positive impact of micro financing scheme is on employment generation. Type of business activities and trends of employment opportunities were collected. The two basic types of business activities are farming and petty trade. Others include livestock production, local food and drink preparation. Since the respondents are rural poor, agriculture is the basic type of business activities for most of the respondents. However, the number of sample respondents who have been engaged in petty trade, retail trade and livestock fattening is much greater in clients than non-clients. Out of total sample respondents, 83(83%) of clients and only 17 (17 %) of non-clients reported the trend that their employment opportunities have been improved for the last twelve months. On the other hand, only 47(47%) of clients and 53(53%) of non-clients showed no improvement in job opportunities. This suggests that micro financing services to the rural poor have positive effects on employment generation (See table 16).

Table 16: Trends of Employment Generation

Trends	Types of respondents		Total %
	Client %	Fresh client%	
Improved	83(83%)	47(47%)	130(65%)
Not improved	17(17%)	53(535)	70(35%)

3.1.2.5. . Effects on Savings

There are two types of savings: compulsory and voluntary. Compulsory saving is normally enforced and starts simultaneously with the loan that is approved for individuals who are program participants. Compulsory saving includes compulsory individual saving, compulsory group saving and compulsory center saving. These types of savings are used as collateral. Compulsory individual saving ranges from Birr 3 to 6 and compulsory center saving ranges from Birr 2 to 4 per month. Compulsory group saving is a saving of 10% from the loan size.

On the other hand, voluntary saving is an individual saving that depends on the willingness of the individual including clients and non- clients to save and withdraw at any time when the need arises. Since 2006/7 the annual saving of the selected sites are summarized as follows (See table 17).

Table 17: Saving mobilization in sample branches of OCSSCO in (Birr)

Year	types of saving				total %
	compulsary			voluntary	
	compulsory individual saving	compulsory group saving	compulsory center saving	voluntary individual saving	
2014/15	3983	56210	3149	9854	73196
2015/16	15169	20317	9216	19046	63748
2016/17	10889	31730	6455	21302	70376
2017/18	18347	73635	10105	34190	136277
2018/19	30302	97208	18809	84036	230355

Out of the total sample respondents, the larger portions of clients have saving account in comparison with non-clients for the last two years. The voluntary savings are in the form of saving under OCSSCO MFI, Iqqub,Iddir and Mahaber. From table18, it is observed that 89 (89%) of clients have voluntary saving account under the OCSSCOmicrofinancing scheme. However, no one has reported as he/she has voluntary saving account under the OCSSCOmicrofinancing scheme. But it is observed that some of non-clients who have not been taken under sample respondents have saving account under OCSSCOmicrofinancing scheme in the sample branches (see table 18).

Table 18:Types of Voluntary savings of Respondents

Trends	Types of respondents		Total %
	Client %	Fresh client%	
Saving Under Ocssco	89	0	89
Iqub	7	35	42
Edir	4	29	33
Mahaber	0	3	3

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

3.1.2.6. Effects on Women Empowerment

This is to identify on how women clients have been empowered by their participation in the program. Participation in microfinance program services expected to lead control over resources on the part of women clients. Information who control and decides over the business activities within the household was collected. Out of total sample respondents, 13(13%) of clients and 17(17%) of non-clients reported that there is a practice of only husband making decisions in household. This indicates men domination in making decisions.

On the other hand, 79(79%) of clients and 81(81%) of non-clients reported that both husband and wife make decision on their business activities. eight of the clients and two of the non-clients reported that only wife is the decision maker in the household. Therefore, the result shows program participation has positive contribution on women empowerment. (See table 19).

Table 19: Participation in microfinance program by household head

Trends	Types of respondents		Total %
	Client %	Fresh client%	
Husband only	13(13%)	17(17%)	30(15%)
Husband and wife	79(79%	81(81%)	160(80%)
Wife only	8(8%)	2(2%)	10(5%)

4.1.4.1.Major Benefits of Clients from the Program

Mainly, the perceptions of clients regarding the benefits they received from the program were collected on house improvements, household diet, access to education, access to medical care, job opportunities and savings habit. 63 (63%) of the clients reported the trend that they improved their type of house with its furniture. 100% of them put the reason for the improvement as it was profit earned from the loan. 78 (78%) of clients reported the improvements of their household diet. They benefited from the program. 69(69%) and 59(59%) of clients also reported that they able to get access to education for their children and access to medical care when the needs raised. 83 (83%) of clients reported the trend of improvement of job opportunities for their household. It is also observed that 89(89%) of sample clients have voluntary saving accounts. They have gained the habit of saving which helps them in case of loan repayment, to earn profit, urgent needs, education expenditure, medical expenditure, to improve household furniture, etc. The clients also reported that they have been benefited from the program such as advises in planning, production and trading (see table 20).

Table 20: Major Benefits of Clients

Benefits	**number of clients**
improvement in types of house	63(63%)
Improvement in house hold diet	78(78%)
Able to get access to education	54(54%)
Able to get access to medical car	59(59%)
Improvement in job opportunity	83(83%)
Improvement in saving habit	89(89%)

4.1.4.2.Client Satisfaction/Dissatisfaction

Satisfaction/dissatisfaction of clients about the program was collected using open questions.

Table 21 summarizes the responsiveness of clients regarding their satisfaction and dissatisfaction with the program. Majority of the clients appreciated appropriate time of loan disbursement, appropriate time of loan repayment, appropriate interest rate, sufficient advice and supervision. However, a few complained the existing interest rate. Majority of the clients complained the loan size and the loan term of one year. From table 4.24, it is observed that most of the clients (about 92%) appreciated appropriate time of loan disbursement. About 94% of the sample clients reported that the timeliness of loan repayment is appropriate. However, 8(7.4%) of the sample clients reported that timeliness of loan repayment was not appropriate. The inappropriate loan repayment time may lead the borrowers not to repay the loan within a given period of time. Few respondents suggested that the program has not considered loan repayment time while failure of crops and marketing. About 86% of sample clients reported that the interest rate on loan was appropriate but the remaining clients (14 %) argued that it was high. Arguing high interest rate may discourage clients from continuing with the program. Only 36(36%) of sample clients responded sufficient loan size but 64(64%) of sample clients complained the sufficiency of loan size. Only 28(28%) of clients argued sufficient loan length of one year but majority of the sample clients, 72(72%), reported that loan length of maximum one year is not sufficient. About 99% of sample clients reported the trend that advising and supervision of staff members were appreciated. This indicates that the borrowers may not divert the loan to non-income generating activities. This helps borrowers to earn profit and helps the company to make sustainable. Clients' attitudes to continue with the program were also collected .In this regard, 96(96%) of sample clients gave their opinion to continue in the program. However, 4(4%) reported not to continue with the program. Insufficient loan size, high interest rate, delay of loan issue, shortage of loan length, conflict among members, obtaining enough capital and decided to close the business were reported as the major reasons for the opinion of few clients not to continue with the program (see table 21).

Table 21: Clients Responses with the program

	response	
Activities	yes %	no%
appropriate time of loan disbursement	92(92%)	8(8%)
appropriate time of loan repayment	94(94%)	6(6%)
appropriate interest rate	86(86%)	14(14%)
sufficient loan size	29(29%)	71(71%)
appropriate loan length	36(36%)	64(64%)
sufficient advice and supervision	99(99%)	1(1%)
attitude to continue with the program	96(96%)	4(4%)

4.2. Empirical Results

4.2.1. Assessment at household level

Assessing impact at the participant level requires adjustments to control for differences between frequent borrowers who are taken as clients and those who are looking for credit that are taken as non-clients. The variables used in regression are respondents who are clients and non-clients, amount of loan, and voluntary individual savings. The basic analysis was done to know which of the explanatory variables appears to have strong association with the dependent variable. For each of the independent variable a test of association was carried out using the Pearson chi-square at 5% level of significance. High value of Pearson chi-square for a given independent variables indicates that there are strong association between independent variables and dependent variable keeping constant the effects of the other variables.

The dependent variable is variable which takes a value of 1 or 0 depending on whether the respondents' income improved or not.

Logit(p_i) =β0 + β1xi1+ β2xi2+ β3xi3 --- + βnxin where i= 1,2….n

Where β0,β1….βn /$- are parameters to be estimated using the maximum likelihood method in the logistic regression by defining the likelihood function. Xi1, Xi2, Xi3 are respondents (clients and non-clients), loan size, and Voluntary individual savings. n refers to number of observation which is equal to n= 200. Pi =Probability of improvement in income relation to explanatory variables

The logit transformation is defined as the logged odds

$$odds = \frac{pi}{1-pi}$$

And therefore the logit (natural of the odds) of the unknown binomial probabilities are modeled as a linear function of the xi

$$logit\ pi = \ln\left(\frac{pi}{1-pi}\right) = \beta 0 + \sum_{j=1}^{n} \beta jxij$$

The logit model assumes that under stimulus index Logit (pi) is a random variable, which estimates the probability of improvement of income of households in relation with explanatory variables.

Chance of improvement= pi= $\left(\frac{\mathbf{1}}{\mathbf{1+e^{-logit(pi)}}}\right) = \frac{\mathbf{e^{logit(pi)}}}{\mathbf{1+ e^{logit(pi)}}}$

The above formulas have been used to calculate the probability of the respondents being improved in participating in the program.

Variables in the equation

Variable entered in step 1: Respondents, Variable entered in step 2: Loan size, variable entered in step 3: Voluntary individual saving. These variables are listed and described as the following in the table 22.

Table 22: List and Description of Variables of Impact at Household Level

Variables	description
	Average yearly per capita income
	1= improved
Y	0= Not Improved
	Respondents
	1= clients(frequent borrowers)
RES	0= Non Clients
LS	Loan size
VIS	Voluntary Individual saving

Variables Descriptions

Y Average Yearly per capita income

1= Improved

0= Not Improved

RES Respondents

1= Clients (frequent borrowers)

0= Non-Clients

LS Loan Size

VIS Voluntary Individual Saving

Table 23:Test of model Coefficients

	chi square	**Df**	**Sig**
Step	45.326	3	.000
Block	45.326	3	.000
Model	45.326	3	.000

Table 23 shows the chi-square goodness-of-fit test tests the null hypothesis and determines that the step is justified. Here the step is defined from the constant-onlyĜĜ model to the all independents model. When as here the step was to add a variable or variables, the inclusion is justified if the significance of the step is less than .05.

Had the step been to drop variables from the equation, then the exclusion would have been justified if the significance of the change was large (ex., over .10). Therefore, the likelihood ratio chi-square of 45.326 with a p-value of .000 shows that outcome model as a whole fits significantly.

Table 24: Model Estimation results

Variable	**B**	**S.E**	**Wald**	**Df**	**Sig**	**EX(B)**
Respondents	-3.571	0.95	13.145	1	0	0.028
Voluntary saving	0.519	0.397	1.712	1	0.002	1.681
loan size	2.41	0.685	9.776	1	0.002	8.509
Constant	-7.543	3.295	5.422	1	0.02	0.001

Table 24 Presents the most important and applicable results for this study. The Wald statistic shown in the table and the corresponding significance level together, test the significance of each of the covariate and dummy independents in the model. The ratio of the logistic coefficient B to its standard error S.E., squared, equals the Wald statistic. If the Wald statistic is significant (Sig. less than .05) then the model has a significant parameter.

Mathematically, $W={}^{-}\beta\,[\frac{{}^{-}\beta}{S.E\ ({}^{-}\beta)}]$

It is given in the column "Wald" and it has a chi-square distribution with one degree of freedom.

From the table 4.25, it is possible to drive the best fit of data which is given by

Logit(pi)= $\ln(\frac{pi}{1-pi)})$ = -7.543 + (-3.571)xi1 + 2.141xi2 + 5.19xi3

From the table 24 and the best fit data, it is observed that the probability of the improvement of income shows direct relationship with the explanatory variables. All the coefficients show the expected sign. However, the extent to which these variables relate with the dependent variable is different. The extent of the relationship is explained as follows.

Average yearly per capita income (Y) is positively related with program participant implying that the probability of the improvement in income increases with the increase in program participation. The coefficient shows the expected sign, which is statistically significant at 5% significant level. It implies that the program participants (frequent borrowers) show higher improvement of income than non-clients.

The income status of respondents also shows positive relationship with individual voluntary savings. The coefficient shows the expected sign, which is also statistically significant at 5% significant level. The probability of the improvement in income increases with the increase in individual voluntary saving. It can be said that the program introduces the saving habits to the poor. The probability of the improvement in income also shows direct relationship with borrowing. The improvement in income increases with the increase in loan size.

4.2.2. Testing Variables Affecting Loan Repayment Performance

Johson and Rogaly (1997) argued that the repayment rate is the indicator most often used as measure of the performance of credit scheme. The modelling of loan repayment performance incorporates both the borrower and lender characteristics.

Therefore, the logit model is specified determine factors that affecting the loan repayment performance of OCSSCO based on the following functional relationship.

LRP = F(AYIL,AIOA,VA,LS,ED,ACD,AG,SX,URF,TLD,LSF,ALRT,LDR,U1)

The dependent variable is variable which takes a value of 1 or 0 depending on whether the respondents' income improved or not.

Logit(pi) = β0+β1xi1+β2xi2+β3xi3+---+βnxin   i= 1,2,3,----,n

Where β0, β1 ---β3 are parameters to be estimated using the maximum likelihood method in the logistic regression by defining the likelihood function. Xi1, Xi2, Xi3,-----,Xin are Income from activities financed by the loan, Loan supervision, Income from other activities, Asset value, Clients' attitude to cost of default, Loan Size, Educational Level, Age, Sex, The use of financial records, Time of loan disbursement, Appropriateness of Loan repayment time, and Loan diversion respectively . n refers to number of observation which is equal to n= 200.

Table 25: Estimate for the logistic regression model

item	B	S.E	Wald	Df	Sig	Exp(B)
Incomefrom activities finance by loan	-4.581	0.958	14.416	1	0	0.382
income from other activities	2.143	0.784	10.677	1	0.029	1.596
educational level	0.919	0.594	1.613	1	0.195	2.384
Sex	0.871	0.603	4.134	1	0.284	4.451
Age of the respondents	0.451	0.191	1.541	1	0.295	3.121
loan size of the respondents	0.877	0.812	4.172	1	0.015	6.921
asset value	-3.341	1.031	10.561	1	0.001	0.039
clients attitude to cost of defaults	2.031	0.694	9.131	1	0.048	1.491
the use of financial records	0.814	0.593	0.989	1	0.175	2.051
time of loan dispursment	0.719	0.549	1.531	1	0.176	2.348
loan supervision	2.31	0.912	11.047	1	0.0195	0.0341
loan repayment time	0.781	0.491	1.991	1	0.489	0.294
loan diversion	1.778	0.721	6.071	1	0.014	5.91
Constant	-7.435	4.329	4.522	1	0.031	0.001

$$\text{Logit(pi)} = \text{Ln}\left(\frac{Pi}{1-Pi}\right)$$

$$= -7.435 + (-4.581)xi1+2.31xi2+2.143xi3+(-3.341)xi4+2.031xi5$$

The logistic regression analysis showed that all coefficient of simultaneously are statistically different from zero and the test of significance helped in explaining variables that affect loan repayment. The parameter estimates for the model were evaluated at 5% level of significance. Logistic model for the table 4.23 showed that the effect of the five independent variables namely Income from activities financed by loan, Loan supervision, Income from other activities, asset value and Clients' attitude to costs of default which is significant 5% level of confidence.

The findings of this study are in line with justifications given above as they show the negative signs and significance level of income earned from activities financed by the loan. It indicates that the probability of loan repayment rate increases with increasing income generated from activities financed by the loan. It confirms results obtained from descriptive analysis.

The findings indicate that another source affecting the loan repayment rate is loan supervision. The loan supervision variable has a positive impact on loan repayment rate performance. The positive sign and significance of the loan supervision variables in the study imply that loan supervision is a second major factor according to magnitude of coefficient that will promote loan repayment performance which will result in sustainability of institution and poverty reduction.

The significant result for income generated from other activities in this study shows that this is the third important factor encouraging loan repayment rate. It indicates that the probability of loan repayment performance increases with increasing income from other activities other than activities financed by a loan.

The fourth variable that positively affects the loan repayment performance is asset value. This indicates that the probability of loan repayment performance increases with increasing the asset value of participants. This finding match with results observed from descriptive analysis. It strengthens that the asset will be under liability in case of default.

Clients' attitude to cost of default is another fifth factor that encourages loan repayment performance. The significant result of the study indicates that clients' attitude to cost of default has positive impact on the loan repayment performance.

In contrary to the above mentioned independent variables, Educational level, Sex, Age of the respondents, Loan diversion, The use of financial records, Loan size, Time of loan disbursement, and loan repayment time have no significant association with improved loan prepayment performance. Findings obtained from descriptive analysis also confirm the same.

CHAPTER FIVE:

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

This study is mainly aimed at examining the financial intervention of the program by focusing on the situation of stated variables of clients and non-clients at household level. It tries to examine the impact of the program on socio- economic activities of the poor using non-clients as control group, which is used in comparison of the changes of the living standard of the two groups.

The study found out that program intervention leads to change that is different from that would have happened without the intervention. The program increases the probability of improvement in economic status of the clients. The changes more likely occur with program participation than without program participation. The study indicates about 95% of sample clients reported that their live conditions have been improved because of program participation while only 20% of sample non-clients reported the trend that their living conditions have been improved because of good agricultural season and petty trade using their own income for the last two years.

Microfinance has enabled the clients to generate income that could be spent on better facilities, which could improve the living standard of clients. Clients have got more chance of getting meals per day than non-clients. The result indicates that more clients have enjoyed diet improvement than non-clients. Clients have got more chance of improving their diet in comparison to non-clients. Considering school-age children and actual enrollment, the result does not show significant difference between the two groups. The program has improved ability of clients to respond the demand for medical care. The study found difference in responsiveness of demand for medical care between the two groups. Microfinance program improves job opportunities. It creates and expands business activities.

The program has brought and develops the habit of savings among its clients. It extends the choices of people who are looking for saving services. Microfinance program was expected to empower women clients over business activities of household. However, it is difficult to suggest the impact on women empowerment since the result does not show much difference between the two groups.

Considering outreach and sustainability of the company in sample branch, the result indicates the trend that the numbers of clients and amount disbursed have been increased. About 100% of loan repayment within a given maturity date has been observed for the last four years.

Loan issue on time, supervision, income, asset, having high attitude to cost of default and loan repayment time are the most factors that help loan repayment within a given period of time. This implies the fact that the intervention is judged to have a positive impact as it has created financial market to the poor and the company itself to be sustainable. The outreach and sustainability of the company have been enhanced. The interventions showed beneficial impacts to the clients. It has improved the financial markets by reducing the extent of credit market imperfection that is resolved with enhanced availability of credit and savings habit.

The institutional impact extends the choices of people looking for credit and saving services. The group-based credit delivery system has also created opportunity for clients to come together, discuss their problems and exchange ideas about their roles. It gives the program participants a chance to make contact and to learn from experiences of each other. The program makes the clients to understand each other's need and problems very closely. The company is engaged in not only providing credit but also in mobilizing saving from any interested individuals. It is also observed that voluntary individual savings have been increasing overtime. About 89% of sample clients have voluntary saving accounts. This also implies the contribution of the program in training and giving advice in improving saving habits among the program participants. The company has been directing its efforts towards poverty reduction and has showed success in terms of advice and supervision of clients in loan utilization.

5.2. Recommendations

It is clear that OCSSCO is contributing to improve the living standard of the poor. The result indicates the trend that the program improves their live conditions implying microfinance is becoming a tool for poverty reduction. It implies that program participants have been benefited in improving their basic needs including improving in type of house, employment generation and savings. As stated in the study, the services of the program are found to be encouraging with the needs of the poor. It is expected to have positive contribution to clients in relation to income, nutrition, access to education and medical care, employment generation, savings and resource empowerment. Therefore, the following comments are forwarded depending on the outcome of the survey and various comments given by respondents under study:

- Registered clients, number of staff, number of offices, amount disbursed, savings mobilized and sustainability are considered as some of performance indicators of the program. In spite of the improvement in these issues, a number of respondents who are non-clients are still looking for the program services. It indicates that the OCSSCO is at its infant stage to meet the needs of the poor. Shortage of loanable fund is considered as one of the obstacles to reach large number of people. Therefore, the company has to work hard to reach large number of poor people over the long term through: (i) mobilizing savings from the public having clear and accountable ownership structure and governance and make adjustments with inflation (ii) appropriate institutional organization and excellent management (iii) interest rate that enables profitability (iv) leverage equity to access capital market with regional government, NGOs, and individuals and (v) looking for donor agents.

- Savings have been mobilized from clients and non-clients. However, saving mobilized from non-clients is too weak or unsatisfactory. Therefore, the company has to work hard to promote savings habit. Savings can be mobilized through offering attractive returns take small deposits, doorstep services, offer discipline, etc. In such a way that company can reach large numbers of poor people who are looking for credit.
- Considering lending methodology, the center size criteria needs 5 to 10 group's members. Since the rural poor are sparsely settled over the region, it is difficult to form a center on their self-initiation. Members may not trust on each other. Therefore, the company has to look for this issue and reduce center size based on the distribution of the rural poor in the region.
- Since large amount of loan goes to agricultural activities, which are based on weather conditions, the company has to look for the diversification of business activities.
- Households relying on agriculture are likely to reduce the effects of seasonality of agriculture by diversifying in to rural non-farm activities that can be undertaken at home without high transactions costs.
- Level of education was expected to have positive relationship with loan repayment performance indicating that more educated client has better loan repayment performance than illiterate i.e. the higher educated borrowers the higher the probability of repaying loan in full within maturity date. However, all clients whether they are educated or not have paid their loan in full. It is also observed that most of the clients who do not use financial records have paid their loan on time. Therefore, considering level of education as lending strategy may not be a fair and absolute decision since most of the clients are illiterate while they are the target group. The company should be accompanying packages to give training the poor on their business activities including the importance of credit, loan utilization, market situation and savings mobilization. These help the clients in proper use of loan for their intended purposes which could reduce diversion of loan for non-income generating activities and help the company in repayment performance which makes the company sustainable.
- Size of loan has no impact on loan repayment performance. It was expected that the higher the loan sizes the lower the probability of loan repaid. However, the descriptive analysis indicates that though different size of loan to different clients, all have paid their loan in full in time.
- Loan disbursement time shows positive impact on loan repayment performance. Since the loan is time and purpose sensitive, it contributed to the performance. Therefore, the company should provide the loan on time and has to ignore loan issue if late loan application is applied. Since most of the business activities of clients are time sensitive, loan issue at needed time reduces diversion of loan from intended purposes and helps the borrowers to use the loan properly for their intended purposes.
- It is observed that some of the sample clients diverted their loan to non-intended non income generating activities. Therefore, adequate advising and supervision are required for the clients. Credit to the poor without collateral must follow community participatory to follow up each other in loan utilization. Understanding client use of financial services is important

in market expansion and product development. Avoid failure to understand the local culture, practices, systems, processes and client perspectives are key to understanding the nature of risk, responses to shocks and reduce vulnerability.

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APPENDIX 1 SURVEY QUESTIONARIE
Debrebirhan university
School of business and economics
Questionnaire for the survey on "*THE IMPACT OF MICROFINANCE ON POVERTY REDUCTION:* The case of OCSSCO Microfinancing Institution S.Co. in North Showa Zoneof Oromia National Regional State, Ethiopia".

NAME OF INTERVIEWER: ______________ SIGNATURE:_____________
TYPE OF RESPONDENT: ________________KEBELE: _________________

1. PERSONAL & HOUSEHOLD DATA

1.1 Name: ____________________________ Age: ______Sex: M _____ F ______
1.2 Marital Status: Single _____Married ______Divorced ______Widowed _____
1.3 Household size: M ______ F _______ Total _____Household head: M ___F____
No. Name Relation to HH Sex Age Current main Occupation Education level
1. ___________ ____________ _____ _____ ____________ _________
2. ____________ ____________ _____ ______ ____________ ________
3. _______________ ____________ ____ ______ ____________ ________
4. __________________ ____________ ____ ______ _____________ _______
5. ___________________ ____________ ____ ______ _____________ _______
6. ___________________ ____________ ____ ______ _____________ _______
7. ___________________ ____________ ____ ______ _____________ _______
8. ____________________ ____________ ____ ______ _____________ _______
1.4 What is the total number of dependents who are school-age children, disabled or/and old enough? ________________

2. INCOME AND ASSET INFORMATION

2.1 What is the average monthly income of your business for the last two years?
____
2.2 For the last two years, what has been the trend in the level of your overall income?
a) Increased significantly _______b) Increased _______c) Remained the same ______________
d) Decreased ______________e) Decreased significantly ___________
2.3 Why did your income increased (if increased)?
a) Able to buy inputs ______ b) Able to purchase of business assets __________
c) Working capital from credit _____d) Expand existing business ______________
e) Got jobs _________ f) Good agricultural season ________
g) Others (specify) _________________
2.4. Why did your income stayed the same or decreased (if stayed same or decreased)?
a) Lack of credit _______b) Crop failure __________c) Family member lost employment ________d) Illness or death in the family ______ e) others (specify) ___________
2.5 Do you have livestock? Yes _______ No _______
If yes, list their type, number and average price per unit as follows:

Type	No.	Price per unit	Type	No.	Price per unit
a) Oxen	_______	____________	f) Sheep	______	__________
b) Cows	_______	____________	g) Mule	______	__________
c) Calves	_______	____________	h) Horses	______	__________
d) Bulls	_______	____________	I) Donkey	______	__________

e) Goats _______ ____________ j) poultry ______ __________
k) Others ______ _____________
2.6 Does the number of your livestock for the last two years is increased? _______ stayed same? _________________ Decreased? _________
i) If increased, why?
a) ____
b) ____
c) ____
ii) If stayed same or decreased, why?
a) ____
b) ____
c) ____
2.7 Do you have plants now? Yes _____ No __
If yes, list their type, number and average estimated values as follows:
Type No. Estimated value (in Birr)
a) Coffee ________ ______________
b) Banana ________ ______________
c) Enset ________ ______________
d) Chat _________ ______________
e) Gesho __________ ______________
f) Others (specify) ______ _____________
2.8 Did you make expansion or improvement of your crop production? Yes __no ___
i) If yes, why?
a) Access of credit _______
b) Sold the assets _________
c) Others (specify) _______________________________________
ii) If no, why?
a) Lack of access to credit _______
b) Lack of land ________________
c) Low level of income __________
d) Others (specify) _______________________________________
2.9 Do you own land? Yes _____ No ______
If yes,
i) Is it sufficient for your activities? Yes ____ No ____
ii) Land (ha):
a) Your own cultivated land per hectare__________
b) Your own grazing land________________
c) Uncultivated land ____________
d) Rented land __________
iii) If your own land was under cultivated or rented, why?
a) Unable to work _________
b) Lack of working capital _________
c) Excess land ____________
d) Unable to buy inputs (oxen, fertilizers, herbicides, etc) _______
e) Unable to purchase business assets _______________________
f) Others (specify) ______________________________________

iv) Have you shortage of farm oxen to plough your land for the last twelve months? Yes ________No ____________

If yes, what options do you have to plough your farmland?

a) Hiered ________b)Dabo ___________c)Relatives ________

d) Exchange ________e) others (specify) ______________________

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

a) Roof with iron sheet _____b) Roof with grass ______c) Others (specify) ________

2.11 Did you make improvement of your type of house (from grass roof to iron sheet roof) for the last two years? Yes ______ no _________

i) If yes, why? a) Access to credit ______b) Improved income ___________

c) Gift or aids ________d) Others (specify) _________________________

ii) If no, why?

a)____________________________________

b) ____________________________________

c) ____________________________________

d)____________________________________

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

2.13 What are the types, numbers and estimated value of your purchases assets for the last twelve months?

Type No Total value in Birr

Chair _________ _________________

Table _________ _________________

Radio __________ _________________

Tape-recorder ______ _________________

Others _______ _________________

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

i) If yes, why?

a) Increase in income from loanable activities _________

b) Increase in income from non-loanable activities _______

c) Gifts or aids ___________

d) Others _________________

ii) If no, why?

a) Lack of credit ____________b) Lack of working capital ________

c) Crop failure _________________d) Others ____________________

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

a) Receiving loan (specify sources) __________b) Selling livestock __________

c) Selling crops ______________ d) Selling household furniture ____________

e) Selling fire-wood _____________f) Selling straw and cow dung ___________

g) Others (specify) _____________________

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

a) Purchase of improved seeds ________

b) Purchase of fertilizers _____________

c) Purchase of herbicides _____________

d) Consumption ____________________

e) Others (specify) ____

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

Items Total amount (in Birr)
Crops ___________________
Livestocks ___________________
Selling firewood, straw & cow dung ___________________
2.18 What were your average annual expenses to buy inputs for production for the last twelve months?
Type's Total amount (in birr)
Inputs _________________________
Feeds for livestock's _________________________
Others (specify) _________________________
3. **NUTRITION AND CONSUMPTION EXPENDITURE INFORMATION**
3.1 Types of meals did you have for the last twelve months:
a) Breakfast _______
b) Between breakfast and middy meal _______
c) Middy meal __________
d) Between middy meal and evening meal ______
e) Evening meal _________
3.2 Does the number of types of your meals for the last two years improved _______stayed same __________increased ________________
3.3 What is the approximate monthly consumption expenditure of your household for the last twelve months? Amount in birr ____________
3.4 Who was the bearer of the expenditure?
a) Yourself _____
b) Other family member ________
c) Yourself and other family members' _______
d) Donors ________
e) Others (specify) _________
3.5 Is there an increase in consumption expenditure or household diet of your household for the last twelve months? Yes ________ no ______________
i) If yes, why?
a) _____________________________
b) _____________________________
c) _____________________________
ii) If no, why?
a) _____________________________
b) _____________________________
c) _____________________________
3.6 If your household diet is improved, what have been the major improvements?
a) Able to buy more cereals and staples such as teff, maize, etc.___________
b) Able to buy vegetables and fruits__________
c) Able to buy dairy products such as milk, meats, etc.________
d) Able to eat three meals a day _________________
e) Others (specify)_________________
3.7 If your household diet has not been improved for the last twelve months, what are your major reasons?

a) ________________________________
b) ________________________________
c) ________________________________
d) ________________________________
3.8 Have you faced shortage of food for the last twelve months? Yes _____no ______
If yes, for which month(s)? __________________________
4. **ACCESS TO EDUCATION INFORMATION**
4.1 If you have children and other school-age family dependents, how many of them are currently attending school? _____________________
4.2 What is your average educational expenditure per year? Amount in birr ___________
4.3 Does the number of your family attending school for the last two years is increased ________________ stayed same ________________ decreased _________________
i) If increased, why?
a) Income improvement ____________
b) Building school_________________
c) Others ________________________
ii) If decreased, why?
a) Low level of income _____________
b) Too far school __________________
c) No need of attending school _______________
d) Others (specify) ________________________
4.4 If there are school-age children, not attending school, why?
a) Needed for help in the business activities ________
b) Needed for help in non- business activities __________
c) Too far school _____________
d) Insufficient money _________
e) Disabled ___________
f) Lady child _________
g) No need of school ________
h) Has attained enough (specify his/her grade) _________
5. **ACCESS TO MEDICAL FACILITIES INFORMATION**
5.1 Could you respond yourself financing to get medical facilities to your family for the last two years? Yes ______No _______
If yes, who could the bearer of the expenditure?
a) yourself _______b) Relatives ______c) Donors ______Others ________
5.2 What is the average annual household medical expenditure for the last twelve months?
Amount in birr ____________________
5.3 In the last twelve months, was any ill or injured member of the household not taken for medical attention or treatment because the household lacked the money to pay for it?
Yes _______No ___________
5.4 Do you think that your access to medical facilities or your responsiveness has been improved for the last two years? Yes _______No _________
If yes, what are the main reasons?
a) Access of money from the loan able activities _________
b) Better local treatment __________
c) Borrowed from other sources ___________

d) Sold the assets from the loan activities __________
e) Others (specify) ______________________________________

6. EMPLOYMENT AND BUSINESS ACTIVITIES
6.1 What are the major type of activities you engaged for the last two years?
a) Agricultural activities ________
b) Animal husbandry __________
c) Food production ___________
d) Local drink preparation __________
e) Retail trade ______________
f) Wood or metal work _____________
g) Others (specify) _______________
6.2 Do you think that your employment opportunities have been improved for the last two years?
Yes ________No _______
6.3 Have you improved number for your business activities? Yes ____No ____
6.4 Do you think that your income has been improved because of improvement in job opportunities, which is financed from the loan? Yes ______No __________
6.5 Have you used hired labor in your business activities? Yes ______No _________
6.5.1 If yes, a) How many _______b) is it seasonal or permanent? ___________
c) For which activities? ___________________________
6.5.2 If no, why?
a) _____________________________
b) _____________________________
c) _____________________________
6.6 For the business, which gives you the greatest earnings, who in your household decides?
a) Husband only ____b) Mostly husband ____c) Husband and wife equally ___
d) Mostly wife ______ e) only you (for single) _________
7. SAVINGS INFORMATION
7.1 Do you have a personal saving account since two years (alone or jointly with spouse)?
Yes ____No ______
If yes, a) what type of savings?
i) Compulsory _____
ii) Voluntary ________
iii) Saving and credit association ________
iv) Iqqub ______
v) Iddir ______
vi) Others __________________________________
b) Specify the average monthly saving amount in Birr:
Compulsory _______ Voluntary ___________
c) For what purpose did you save?
i) Loan repayment ______
ii) To earn profit _______
iii) To withdraw incase of urgent needs _________
iv) Others (specify) __________________________
d) Have your personal cash savings increased? ___ Decreased? ____ Same? ___
e) What have been your major uses of savings during the last twelve months?

i) Re-invested _______ ii) Household expenditure _______
iii) Ceremonies (weeding, holidays,) ___ IV) Urgent needs __________
V) Bought basic items ____ VI) Made improvement to the house _____
vii) Buy animal's __________ viii) Have not used savings yet __________
Ix Others (specify) ______________________________
f) Rank the first three main reasons of using your savings?
1st _________________________________
2nd __________________________________
3rd ___________________________________

8. LOANS FROM ANY FINANCIAL INTITUTIONS EXCEPT MFI (WMFI)

8.1 Did you have access to credit from other formal or informal financial institutions for the last two years? Yes _________No __________
8.1.1 If yes,
i) where it from: a) Banks ______b) Relatives / friends _________ c) Individual money lender _________d) Idir ______ e) others (specify) ________________
ii) Why did you borrow?
a) Greater security __________
b) Easier to get ____________
c) Seems more friendly ______________
d) Cheapest ______________
e) Others (specify) _____________________________________
iii) For what purposes did you find the loan?
a) Food consumption _________
b) Clothing ____________
c) Business activities _____________
d) Purchase agricultural inputs _______________
e) Medical or health services ________________
f) Others (specify) ______________________
iv)Amount in birr _______________Interest rate __________
v) Did you get the amount you requested for your business?
Yes _____ No _____
vi)If repayments are in arrears, what are the major causes of the problem?
a) Loan activity was not profitable ___________
b) Profitable but used some of the loan for household expenditures __________
c) Profitable but the output was sold in credit and did not get paid back _______
d) Used for non-intended purposes __________
e) Loss of assets __________
f) Crop failures ______________
g) Profitable but theft/damage _________
h) Others (specify) ____________
vii) Did you use production credit for consumption purpose? Yes _______No ______
viii) Loan size:
a) Enough for the intended purpose? Yes ______No ________
b) Not enough for the intended purpose? Yes ____No ________
c) More than the capacity? Yes ______No ___
ix) Is there any of your property under liability?

If yes, a) what? ____
b) Under what agreement? __________________________
8.1.2. If you do not have any access to credit, what was the main reason(s):
a) Lack of near institution ______
b) High interest rate _____________
c) Collateral requirement _________
d) No information of loan _________
e) Others (specify) _______________________________________
8.2 Is there any member of your family in other credit group or received loan from any one of financial institutions or moneylenders? Yes _________no ________________

9. Loan from WMFI (only for clients)

9.1 What was the amount of loan received from and repaid to OCSSCO after the program participation (in Birr)?

Loans Applied date Date of received Amount of received Amount repaid
(MM/YY) (MM/YY) within due date
Loan 1 _______________ _______________ _______________ _____________
Loan 2 _______________ _______________ _______________ _____________
Loan 3 _______________ _______________ _______________ _____________
Loan 4 _______________ _______________ _______________ _____________
Loan 5 _______________ _______________ _______________ _____________

9.2 Did you get the amount you requested for your business? Yes _____ No ________
9.3Was the amount of your loan size:
a) Enough for the intended purpose? Yes ______No ________
b) Not enough for the intended purpose? Yes ____No ________
c) More than the capacity? Yes ______No ___
9.4 Have you been trained about loan utilization? Yes ____ No ___
If yes, has it been satisfactory? Yes _____No ________
9.5 If repayments are in arrears, what are the major causes of the problem?
a) Loan activity was not profitable ____________
b) Profitable but used some of the loan for household expenditures ___________
c) Profitable but the output was sold in credit and did not get paid back _______
d) Used for non-intended purposes ___________
e) Loss of assets ___________
f) Crop failures _______________
g) Profitable but theft/damage _________
h) Others (specify) _____________
9.6 Main intended purposes:
Item Amount in Birr
1. _____________________________________ _________________________
2. _____________________________________ _________________________
3. _____________________________________ _________________________
4. _____________________________________ _________________________
5. _____________________________________ _________________________
9.7Actual use of loan on purpose specified in the loan agreement
Item Amount in Birr
1. _____________________________________ _________________________

2. ____________________________________ ________________________
3. ____________________________________ ________________________
4. ____________________________________ ________________________
5. ____________________________________ ________________________
9.8 Actual use of loan on non-intended purpose specified in the loan agreement
Item Amount in Birr
1. ____________________________________ ________________________
2. ____________________________________ ________________________
3. ____________________________________ ________________________
4. ____________________________________ ________________________
5. ____________________________________ ________________________
9.9 Did you use production credit for consumption purpose? Yes _______No _____
9.10 If you spent some or all of the loan on non intended purpose:
i) Specify your reasons:
a) Excess loan _________b) To create additional source of income ________
c) Because of personal problem _________d) others (specify) ___________________
ii) Was it on income generating? Yes _____No _______
iii) Was it on non-income generating? Yes ____No ______
9.11 Was the repayment period appropriate for your point of view? Yes ____No ____
If no, specify the reason and recommend an appropriate period:
i) Reasons a) ____
b) ____
c) ____
ii) Recommended appropriate period ______________________________________
9.12 Do you believe that loan should be repaid? Yes _______No _______
9.13 Do you believe that cost of default is high? Yes _______No _______
If the cost of default is high, to which cost of default do you give more emphasis?
a) The claims against personal wealth _________
b) The claims against guarantees ______________
c) Social sanctions _________________________
d) Loss of future access to credit ______________
e) Others (specify) _________________________
9.14 What do you think about the timeliness of loan issue? i.e was loan issue timely? Yes ____ No _______
a) If no, has it negative impact on your business? Yes ____ No ____
b) If no, what was the impact of it? ______________________________________
9.15 Do you keep financial records for your business? Yes ________No _________
If yes, does it help you in your loan repayment? Yes ________No _________
9.16 What do you think the transaction costs of the program in relative to formal banks?
Fair _____________ Same _________ High ____________
9.17 What do you think the distance from institutional credit in relative to formal banks?
Less _____________Same __________High _______

10. SUPERVISION AND ADVISING (ONLY FOR CLIENTS)

10.1 Have you had any training or consultancies from WMFI for your business activities?
Yes _________No ____________
If yes, what type of training or advice did you get?

Management ________ b) Marketing ___________c) Production _____________Loan utilization _________e) Book-keeping ______f) Others (specify) ________
10.2 Was any supervision on loan utilization and loan repayment? Yes ____No ____
If yes, a) Satisfactory ___________b) Not satisfactory __________
If not satisfactory, do you believe that it has contribution for your loan default?
Yes ___No___
10.3 Do you believe that supervision whether it is from OCSSCO staff or kebele administration has advantage on loan utilization and repayment? Yes ____No __
10.4 How many times you have been visited per one loan duration of time?

11. OTHER INFORMATIONS (ONLY FOR CLIENTS)

11.1 How many members does your group have? ___________
11.2 Did you know all of your group members before joining it? Yes ____No ______
11.3 Do you feel that you might be sued in case of failure to repay the loan? Yes ____No
11.4 Do you monitor whether a member of your group uses the loan for the intended purposes or not? Yes _________No ___________
If yes, what actions do you take in case of diversion or not to use the loan for the intended activities? ____
11.5 Please list the major products produced from your business activities financed by the loan:
a) ____
b) ____
c) ____
d) ____
11.6 How was the demand for your products? High ____Average ____Low _______
11.7 What was the price of your products? Increases __Decreases ___No change ____
11.8 Did you use purchase inputs for your business?
a) Before loan? Yes ______No ______
b) After loan? Yes _______No ______
c) Has it been improved after loan? Yes _______No _______
11.9 Overall, has your live been better after loan than before the program participation?
Yes ______No ___________
11.10 What is your overall opinion about the program?
____
11.11 Please suggest if any means of more appropriateness for the program____
11.12 During your participation period, what have been the major constraints in operating your business?
a) Insufficient fund _______
b) Insufficient or lack of land
c) Lack of business knowledge _____________
d) Lack of market for output ________________
e) Lack of knowledge of using the loan ___________
f) Loss or damage _____________________
g) Weather conditions _______________
h) Lack of capital _______________
i) Others (specify) _____________________________

11.13 From your answer above rank the three most constraints:
1st ____
2nd ____
3rd ____
11.14 What issues have been raised during meetings?
a) ____
b) ____
c) ____
d) ____
e) ____
11.15 Do you think that you will continue in the program? Yes _____No ______
If yes, why?
a _________________________
b _________________________
c _________________________
If no, why?
a) Too small loan amount __________ b) Too short loan length _________
c) Inappropriate time of loan repayment ____d) Conflicts with members _______
e) Obtaining enough capital __________ f) Unable to repay the loan ________
g) Decide to close the business __________ h) Others (specify) ___________