

Assessment of the Role of Microfinance on Poverty Reduction in North Shewa Zone Ethiopia

Amogne Mamaw

Lecturer, Debre Berhan University, Department of Accounting and Finance, Ethiopia

Abebaw Fisseha

Lecturer, Debre Berhan University, Department of Accounting and Finance, Ethiopia

Email: abebawfisseha@gmail.com

Girma Zeleke

Lecturer, Debre Berhan University, Department of Accounting and Finance, Ethiopia

Email: girma.zeleke23@gmail.com

Abstract: The challenge Ethiopia faces today is to achieve sustained economic growth for healthy national development and reduce poverty. Thus, microfinance programs have been considered as one of the main instruments in poverty reduction in recent development agenda. It is a means to support the marginalized active poor of the society. Studying the impact of microfinance intervention is important to assess its viability on poverty reduction. The main objective of this study is to find out whether the provision of microfinance services of ACSI MFI has brought about changes in alleviating poverty and improving the living standards of clients. Primary data were collected through close-ended and open-ended structured questionnaire from clients as well as using focus group discussions and interviews with the officials and employees of ACSI. Secondary data were gathered from different published and unpublished relevant materials. The study mainly applied analytical approaches such as frequencies, averages and percentages. The impact of delivering financial services to poor clients was analyzed based on some socio-economic and political indicators in different levels. The finding of the study indicated that ACSI's micro financing scheme has had a positive impact on improving the living standards of its clients in the study area. Therefore, strengthening the development of MFIs in Ethiopia is an appropriate and appreciated policy instrument to realize the objectives of the Poverty Reduction Strategy of Ethiopia.

Keywords: Impact, poverty, microfinance, poverty reduction

Introduction

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. Of the world's 6 billion people, 2.8 billion live on less than 2 US dollars a day and 1.2 billion on less than 1 US dollar a day (WDR, 2000/2001).

Ethiopia is one of the developing countries facing severe poverty. Ethiopia is located in the horn of

Africa with a total surface area of 1.016 million square kilometers (CSA, 1997). The population of Ethiopia is estimated to be 73 million with the average population growth rate of about 2.4 per cent (CIA, 2005). It is one of the poorest countries in the world. As estimated by the World Bank, the per capita income of Ethiopia is USD 110. It ranks 169 out of 175 countries in terms of the overall Human Development Index (UNDP, 2003). Lack of financial resources is one of the major

problems facing poor households. Formal financial institutions are inefficient and inaccessible in providing credit facilities to the poor (Assefa et al, 2005). Thus, developing an alternative mechanism for providing financial services to the poor households became critical. In realizing this, the Ethiopian government has created the legal and regulatory framework for the establishment of microfinance institutions. The main objective of almost all microfinance institutions in North Shewa Zone is to deliver financial services to the poor. Microfinance became one of the important tools of reaching the poor who had very limited access to the formal financial sector. The provision of financial services to the poor has increased through microfinance institutions in a short period of time in North Shewa Zone (Wolday, 2003). However, North Shewa Zone microfinance institutions are faced with many problems. Some of these are low outreach, limited funding alternatives, limited financial products, lack of research to understand client needs and weak internal control system (Wolday, 2001).

Literature Review

The majority of people in Ethiopia are living in rural areas where poverty is more widespread than in urban areas. About 45 per cent of the rural population is below the nationally defined poverty line, while it is 37 per cent for urban population. Poverty is also deeper and severer in rural areas than in urban areas. On average, the income of the rural poor is 12.1 per cent less than the poverty line, while it is 10.1 percent for the urban poor (Tassew, 2004).

The impact study carried out on Casa Campesina Cayambe (CCC) in Ecuador revealed that many members who received loans from CCC financial institution have improved milk products and raised income (Johnson and Rogaly, 1997). Robinson (2001) in her study concluded that households and enterprises could benefit from microfinance institutions when voluntary savings are locally mobilized. Micro-enterprises can self-finance in full or in part their working capital needs as well as help them save for investment needs. Saving accounts provide security, legal recognition of the

asset and returns, and improve household financial management. Moreover it creates an opportunity for women to become economically empowered. The evidence revealed that women have got the opportunity to hold their savings in their own name for the first time.

Christopher Dunford (2000) cited in Rao and Bavaiah (2005) concluded that MFIs have an important role in integrating microfinance with overall operations especially with education and health. The credit and education components reinforce each other by addressing the informal as well as the economic obstacles to health and nutrition. The other study in Judith, et al. (1999) analyzed as loan growth is important to financial sustainability and a proxy for positive impact. It revealed that, on an average, loan size increased steadily although at a rate lower than the original village bank model projections.

Johnson and Rogaly (1997) studied the impact of microfinance intervention in Union Regional de Apoyo Campesino (URAC), an MFI in Mexico, and concluded that URAC's flexible savings facilities are appreciated by its members and used to support a wide range of livelihood needs including food purchases, emergency health care, and insurance for periods of unemployment. Thus, the services have demonstrated their usefulness and relevance to members and enabled them both to protect and improve their livelihoods.

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

Problem Statement

ACSI has shown a promising growth in its operation and outreach. However, it is still

providing financial services to a very limited number of clients. The North Shewa Zone MFIs should focus on the responsiveness of their financial products to the needs of their clients. This means that MFIs should know client's needs by conducting a market research or needs survey, and provide products that fulfill the needs of clients. These types of market assessments may help MFIs to collect information which makes them financially and operationally sustainable (Wolday, 2003). It also assists MFIs to build strong capacity to meet the fast growing demand of credit by the poor.

This study tries to examine how ACSI achieves its goal in a sustainable way to make a difference to the livelihood of the poor given the above challenges. Attempts are made to understand the client needs and assess the impact of microfinance intervention on poverty reduction at the household and enterprise levels.

One of the issues raised by researchers is that it has not been sufficiently or critically evaluated in relation to its impact (Meehan, 1999). Impact assessment can be used to improve services, increasing impact on poverty and microfinance institution efficiency to promote good client service and accountability and to provide accountability to donors and other external stakeholders (SEEP, 2001). If the intervention is intended to reduce poverty, it is important to know the degree to which poor people use existing services and on what terms they use. And then an intervening organization makes an informed decision on whether their work is likely to augment or displace existing poor financial services (Johnson and Rogaly, 1997). The results of a few case studies indicated that access to finance could reduce poverty. However, comprehensive impact assessment research has not yet been conducted to prove it.

Very limited researches towards improving the financial sector have been observed (Wolday, 2003). Even these limited researches are more concentrated on institutional sustainability rather than client impact or sustainability. Thus, studying the impact of microfinance intervention is important to fill this gap.

ACSI has not undertaken an impact assessment study to understand or evaluate whether or not its interventions lead to change by comparing the conditions without the intervention. This particular study attempted to assess the impact of microfinance intervention on poverty reduction by taking a case study of ACSI in Amhara Region; North Shewa Zone.

Objectives

The general objective of this study is to assess the impact of microfinance services on poverty reduction by increasing income, creating job opportunity and enhancing empowerment by taking a case study of ACSI in North Shewa Zone.

Methodology:

Data Sources:

The study was conducted in North Shewa Zone in five branches of ACSI. The study used both primary and secondary sources of data. The primary data was obtained from direct observation, structured and unstructured questionnaires, focus group discussions and interviewing the concerned parties such as Association of North Shewa Zone Microfinance Institution and management staff and employees of ACSI at the zonal office and at each branch.

Sample Design:

A case study design is used in the study. The sample frame of the study is the entire people found in the list of ACSI microfinance institution. Probability sampling technique or simple random sampling is used in the study.

To manage the research within the given time and limited budget, a total of 150 samples were selected using random sampling. From 150 samples, 75 were male and the remaining 75 were female.

Data Analysis:

The method of analysis used in the study is descriptive statistics. It includes the comparison of income, asset ownership, housing condition, nutrition, health, education, decision-making (empowerment), business growth and employment opportunities between active clients and incoming clients in both urban and rural areas. Percentages

and central tendency measurements were also used to analyze the data.

Presentation and Analysis

In the study of the impact of MFI on the poverty reduction, assessing the demographic characteristics of the clients should be an essential component of the study. This is because the demographic characteristics of the respondents such as their age, marital status, their educational level, health condition and wealth conditions may have direct and indirect relations with the way they use the loan or other financial services.

Impacts of ACSI on Income:

It is expected that participation in micro finance and credit service will lead to an increase in household income. Therefore, in order to evaluate the impact of ACSI's service on the households' income of its clients, sample respondents were asked to judge their household income in the past two years. Accordingly, as it can be seen in table 1, 72 (96%) of the mature client respondents replied that their income had increased in the past two years whereas 3 (4%) of the mature and 75 (100%) of the new client respondents reported that

they had experienced no change in their income in the last two years. There is the significant difference at the 99% of confidence level between the frequent and new clients in the trend of their income.

Respondents were also asked the reasons for the increase or decrease in the income of their household in the past two years. Accordingly, 70 out of 72 (97.22%) of the mature client respondents replied that their income had increased due to the fact that they were able to purchase inputs because of accessibility of credit facilities from ACSI and 2 (2.78%) of them replied that it was due to expansion of existing business. Thus, the main reason for the increase in the household income of respondents was the effect of microfinance intervention in the case of the mature clients whereas for the new clients there was no increase in income at all. The chi-square test result also supports the hypothesis that microfinance intervention improves income of its clients and thus, at 99% of level of confidence, there is a significant difference between the mature and new clients in terms of improvement in income.

Table 1: Trend of household income and reasons for increase in income

	Mature clients		New Clients		Total		X2
	No	%	No	%	No	%	
Trend of household income							(P = 9.21)
Increased	72	96	-	-	72	48	
Decreased	-	-	-	-	-	-	
Remained same	3	4	75	100	78	52	
Total	75	100	75	100	150	100	
Reason for increase in income							
Able to purchase inputs due to accessibility of credit	70	97.22	-	-	70	97.22	
Got jobs	-	-	-	-	-	-	
Expand existing business	2	2.78	-	-	2	2.78	
Good agricultural season	-	-	-	-	-	-	
Others	-	-	-	-	-	-	
Total	72	100	-	-	72	100	

Impacts of ACSI on Household Consumption

According to the literature, an increase in household consumption expenditure can be taken as an indicator of the impact of an MFI on the life

of its clients in the sense that households which have higher income spend higher expenditure to satisfy their needs than those which have lower income. The increase in consumption expenditure can be either to increase the amount that the

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

Accordingly, as shown in table 2, the study shows that before they took the loan, the approximate mean monthly consumption expenditure of mature and new client respondents was birr 485.90 and 239.40 respectively whereas after taking the loan the average approximate monthly consumption

expenditures of mature and new client respondents were found to be birr 746.2 and 315.30 respectively. This indicates that the approximate average monthly consumption expenditure of mature client respondents increased by birr 260.30 whereas that of the new client respondents increased by birr 75.90 only. This in turn indicates that there is a higher increase in average monthly consumption expenditure in mature client respondents (more than 3 times) than the new ones. Therefore, the result supports the argument that microfinance scheme improves the consumption expenditure of the households of its clients.

The chi-square test result of the data analysis also supports the argument and therefore, there is a significant difference between the mature and the new clients in terms of improvement in the number and type of meals after taking the loan.

Table 2: Impact on Consumption

Type of Clients	Time	Number	Mean	Standard deviation
Mature Clients	Before program participation	75	485.9	264.3
	After program participation	75	746.2	244.2
	Change due to loan in birr		260.3	19.9
New Clients	Before program participation	75	239.4	185.7
	After program participation	75	315.3	158.1
	Change due to loan in birr		75.9	27.6

Impact on Accumulation of Assets

The survey attempted to assess the impact of micro finance on the households' accumulation of assets. This is because ownership of durable assets is regarded as one of the most important indicators of improvement in the household welfare. For many households, the house they owned is the most valuable asset. When the house is improved, it appreciates in value, and thereby increases a household's material wealth. It provides shelter and contributes directly to the material well-being of the household and serves to create or enhance

a business premise. According to the survey, before they started to participate in the credit and saving program of ACSI, among the mature client respondents, 24 (32%) were having houses with iron sheet roof and 51 (68%) had thatched roof houses. Among the new client respondents 26 (34.67%) of them had houses with iron sheet roofs and 49 (65.33%) of them were having houses with thatched roof. 100 (66.67%) of the total respondents were having thatched roof houses while the remaining 50 (33.33%) of the respondents had houses with iron sheet roofs. This

implies that the majority of the respondents were having houses with thatched roofs before they took the loan from ACSI.

However, it is believed that participation in MFI programme will bring about a change in the type of houses of clients due to an increase in income of the households. Therefore, respondents were asked about whether there was an improvement in the type of houses they owned after they took the loan. Accordingly, as it is shown in Table 3 below, 60 (80%) of the mature client respondents replied that they have improved their houses after their participation in the programme while the rest 15(20%) of them said that they had not improved their houses. However, none of the new client respondents improved their houses after their participation in the programme. Thus, the majority of the mature client respondents improved their houses after they started to participate in ACSI's programme.

But the above description by itself does not show the impact of ACSI on the improvement of the houses of respondents; rather, the reason for improvement clearly indicates its impact. This is because households may improve their houses using non-MFI sources of money such as from remittance. Accordingly, when they were asked the reasons for the improvement in the type of houses, among those mature client respondents who improved their houses, 50 (83.33%) of them said that the main source of income for improving their house is access to credit from the microfinance intervention, 1 (1.67%) ascribed it to gifts/aid, 7 (11.67%) mentioned improvement in income from non-microfinance activities and the remaining 2 (3.33%) referred to other sources. Thus, the main reason for improvement in the houses of the mature client respondents is access to credit facility from ACSI. Therefore, from this argument, it is possible to conclude that ACSI's micro financing intervention has a positive impact on the housing improvement of the households of its clients.

The other indicator of improvement in household welfare for the rural society is ownership of livestock. This is because the major source of

livelihood of the rural society is agriculture. Thus, the major source of livelihood of the sample respondents before they started to participate in the credit scheme of ACSI was also agriculture. Therefore, respondents were asked if they had an increase in the number of livestock after their participation in MFI programme. Accordingly, 64 (85.33%) of the mature and 75 (100%) of the new client respondents answered that the number of livestock had increased after programme participation whereas only 11(14.67%) of the mature client respondents reported that they did not experience an increase in the number of livestock after their participation in the programme. The reason for the increase in the number of livestock after programme participation is the fact that the respondents purchased livestock by the loan they obtained. For the mature clients, purchase of additional livestock by the income obtained through MFI activities is also another factor for the increase in the number of livestock of the respondents. The fact that the number of new client respondents whose livestock number had increased is greater than that of the mature client respondents does not show the negative effects of ACSI on livestock ownership of its clients. For those mature clients who responded that the trend of their livestock number remained constant, the prime reason is they encountered the problem of death of their animals in the process of their operation. In the case of the new clients the research has been conducted only a few months after they took the loan. Thus, there is no scope to experience such unfortunate events. Generally, the majority of the total respondents, 139 (92.67%), answered that there has been an increase in the number of their livestock after programme participation.

Furthermore, it indicates that the reason for the improvement in purchasing power to buy assets was also because of the intervention of micro finance institution for the mature clients whereas for the new client respondents, it is because of other factors. Thus, from this it is possible to conclude that ACSI had a positive impact on the improvement of the purchasing power of assets of its clients.

Table 3: Impact on Asset Accumulation

	Mature clients	New clients		Total			X2
Trend of improvement in house type	No	%	No	%	No	%	
Improved	60	80	-	-	60	40	
Not improved	15	20	75	100	90	60	
Total	75	100	75	100	150	100	(P = 6.63)
Reason for improvement in house type							
Access to credit	50	83.33	-	-	50	83.33	
Gifts or aid	1	1.67	-	-	1	1.67	
Improved income from non-MFI activities	7	11.67	-	-	7	11.67	
Others	2	3.33	-	-	2	3.33	
Total	60	100	-	-	60	100	
Trend of number of livestock							
Increased	64	85.33	75	100	139	92.67	
Remained the same	11	14.67	-	-	11	7.33	21.587
Decreased	-	-	-	-	-	-	(P = 9.21)
Total	75		100	75	100	150	100

The Impact on Access to Education

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

The survey result regarding trend of enrollment of school age children during the last two years revealed that mature client households have

reported better improvement on school age children enrollment during the period, whereas the percentage of new client households who have shown an increase is relatively lower than the mature clients. The result shows that 68 (90.67%) of the mature client respondents and only 48 (64%) of the new client respondents reported the trend that the number of their family members attending school increased for the last two years. However, 27 (36%) of new clients and 7 (9.33%) of mature clients reported the trend that the number of their family members attending school has remained the same over the last two years.

A number of factors can play a role for the increase in the number of children attending school. Thus, in order to see if the MFI intervention has played a role, sample respondents were asked about the reasons for the increase in the number of children attending school during the last two years. Among the mature client respondents, 64 (94.11%) replied that the main reason for the improvement of school age children was income improvement, 3 (4.41%) ascribed it to the increase in the awareness of households towards education and the remaining and 1 (1.47%) mentioned other factors. Among the new client respondents 44

(91.67%) replied that the factor for the increase in the number of children attending school is access to new school building, 3 (6.25%) said it was due to increase in the awareness of households towards education and the rest 1 (2.08%) referred to other factors. This implies that the factor for the increase in the number of children attending school is improvement in income due to access to

credit for the mature client respondents whereas for all of the new client respondents the reason is non-microfinance factors. Therefore, one can conclude that ACSI has played a great role in the school enrolment of children of its clients thereby contributing to the success of the millennium development goals of the country in the education sector.

Table 4: Impact on Education

	Mature clients		New clients		Total		X2
Trend of school enrollment	No	%	No	%	No	%	
Increased	68	90.67	48	64	116		77.33 23.485 (P = 9.21)
Remained the same	7	9.33	27	36	34	22.67	
Decreased	-	-	-	-	-	-	
Total	75	100	75	100	80	100	
Reason for increment of school enrollment							
Income improvement	64	94.11	-	-	64	55.17	24.429 (P = 11.34)
Access to new school building	-	-	44	91.67	44	37.93	
Increase in awareness of household towards education ³	4.42	3	6.25	6	5.17		
Others	1	1.47	1	2.09	2	1.72	
Total	68	100	48	100	116	100	

Impact on Access to Medical Facilities:

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

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

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

In order to see if ACSI has any role for the improvement in access of clients to medical facilities, respondents were also asked the reason for the improvement in access to medical facilities and 38 (95%) of the mature client respondents whose access to medical facilities had improved replied that it was due to the access to money from the microfinance activities. On the other hand, 2 (5%) of the mature clients replied that it was due to better local treatment and 6 (100%) of the new

client respondents said that it was due to the borrowing of money from other sources.

Therefore, it is possible to conclude that ACSI has a positive impact on the improvement of access to medical facilities of its clients.

Table 5: Impact on Availing Medical Facilities

	Mature clients		New clients		Total		X2
	No	%	No	%	No	%	
Trend of access to medical facility							
Improved	40	100	6	15	46	57.5	59.3
Not improved	-	-	34	85	34	42.5	P=6.63
Total	40	100	40	100	80	100	
Reason for improvement in access to medical facility							
Access to money from the micro finance activities	38	95	-	-	38	82.6	46.00
Better local treatment	2	5	-	-	2	4.4	(P = 13.28)
Sold household assets	-	-	-	-	-	-	10
Borrowed from other sources	-	-	6	100	6	13	
Others	-	-	-	-	-	-	
	40	100	6	100	46	100	
Total	0	0	6	0	46	0	

The Impact on Savings

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

Thus, respondents were asked whether they used to save money in any formal or informal saving institution and the type of saving. Accordingly,

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

As it is shown in Table 6, the average monthly saving amount of mature client respondents is birr 71.35 while that of the new clients is birr 98.25. Thus, there is no big difference between the mature and the new client respondents in terms of saving. This is because clients are required to start saving since the time of taking a loan. Besides, respondents were also asked the source of money for saving and the purpose of saving. Accordingly, all the respondents replied that their source of money for saving was business/farm profit financed by the loan and the purpose of saving was multi-purpose, i.e. they saved the money for earning interest, for repaying their loan, for expanding their business as well as to make it safe from the danger of theft or damage.

Table 6: Monthly Saving Amounts of Clients

Type of Clients	Number	Minimum	Maximum	Average	Standard deviation
Mature clients	75	50	90	71.35	9.46
New clients	75	75	125	98.25	4.46

Source: Computed from the survey

Conclusion

Micro finance institutions have been established in Ethiopia after the issuance of proclamation No 40/1996. Twenty-two micro finance institutions have been legally registered by the National Bank of Ethiopia (NBE) and started delivering services. Based on the findings of the study made on the intervention of micro finance in the study area are summarized as follows. In the study area, most of the sample respondents from the mature clients were found to register an increasing trend in their income for the last two years in comparison with new clients (control group), that is, 137 (92.5%) of sample respondents of mature clients while there was no change in the case of the of new clients. Improvement of their ability to purchase agricultural or business inputs due to accessibility of credit facility was found to be the main factor for the increasing trends of income for mature clients. In other words, the main factor for the decrease in the trend of the income of new clients was their inability to obtain inputs due to lack of credit facilities.

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

Regarding the housing situation, the survey result indicated that 32 (80%) of the mature clients made improvements and repairs to their housing property during the last two years while no improvement was observed in case of new clients. The survey result also indicated that the employment opportunities of mature clients were more improved than the new clients during the last two years.

The study also indicated the positive impact of micro finance on the improvement of medical facilities of program participants. The findings of this study showed that mature clients have shown improvement of the medical facilities of their households than new clients. While 75 (100%) of the mature clients reported improvements in availing medical facilities, only 26 (15%) of the new clients have shown improvement of access to medical facilities during the last years. Accordingly, the main factor for the improvement of their medical facilities was access to money from loan-able activities for 68 (95%) of the mature clients.

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

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

Most of the respondents have appreciated the appropriate time of loan disbursement and appropriate time of repayment. Center meeting created a chance for clients to make contact and to exchange their experiences and share their

problem. But in group-based approach, clients claimed that some clients intentionally failed to repay their debts so that it became the financial burden on the other group members. Others also claimed that the loan was not sufficient to run their projects and even the interest rate on the loan was high.

The study indicates that most of the mature clients agreed that the intervention of the micro financing scheme in the area improved the living standard of their households. Absence of adequate trained manpower to follow up and supervise the activities of each individual, lack of sufficient financial resources, absence of sufficient infrastructure especially in the rural areas and illness or death of its clients to recover the loans were some of the main problems identified from the discussions made with the official and staff of ACSI.

ACSI has attained the target of improving the living condition of its clients in relation to income, employment opportunities, consumption status, and education and health facilities. However, since there is no great difference between the mature and the new clients, it is difficult to conclude that it is the effect of ACSI. Much more must be done in relation to improving the status of women in the decision-making process.

The influence of amount of loan that an MFI provides for its clients on the effectiveness of its clients cannot be ignored. This is because the business activities that clients engage after taking the loan vary in both type and size, requiring different amounts of money. Thus, the smaller the size of the loan, the less will be the chance to engage in profitable activities that require high initial capital. The study reveals that there were no diversification of business activities and almost all of the loans were disbursed for agricultural activities. However, there are different agricultural activities that require high start-up capital. Many of the respondents in the study suggested that the loan that is given to the clients was not sufficient to run their businesses. This limited their capacity to engage in activities that require high initial capital even within the agricultural sector. As a result, they were simply engaged on activities that gave them immediate return and would enable

them to repay their credit. Therefore, ACSI ought to make an effort to revise regularly the size of loan for its clients in relation to the business size and type of activities by taking the current market price of inputs into consideration.

Moreover, respondents also indicated that the interest rate of the loan is not fair, especially, when they compare the interest rate on saving (6%) with the lending interest rate (13%). They suggested that especially for new entrepreneurs the high interest rate leads to bankruptcy and further poverty and discourages others to take the loan from the institution. Thus, although it is understood that there is high administration cost in MFIs, it has not to be forgotten that they are not-for-profit organizations so that ACSI should look at the way for minimizing the loan interest rate and attracting clients to use saving accounts.

Recommendations

Since ACSI is a share company, it should promote for NGOs, private investors, unions of associations and government's development organizations to purchase a share so that it would have additional source of funds to reach out to the remote and the poorest segment of society. It is also important to solicit donations although it should not depend on it. ACSI should establish a strong and strategic alliance with other stakeholders, and in cooperation with other potential actors, should think how borrowers can be effective in their activities. In this regard the institution should collaborate with others to provide different skill-based trainings, business oriented information and counseling services. Last but not least, devising a proper system of gathering the opinion of clients is an important tool of information for the sake of identifying gaps and improving the services. However, it is pointed out that there is a certain gap in this respect. Therefore, the institution should give due attention for opinions of clients and take in to account their recommendations.

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