



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSING THE PRACTICES OF MICROCREDIT SERVICE:  
THE CASE OF EMMANUEL DEVELOPMENT  
ASSOCIATION, AKAKI KALITY SUBCITY**

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**JUNE, 2021**

**ADDIS ABABA, ETHIOPIA**

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OF EMMANUEL DEVELOPMENT ASSOCIATION, AKAKI KALITY  
SUBCITY

BY:

TEWODROS WONDU

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

JUNE, 2021

ADDIS ABABA

ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
FACULTY OF BUSINESS

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## Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Yirgalem Tadesse (PhD). All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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JUNE, 2021

## Endorsement

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

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Advisor

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Signature

June,2021

## ACKNOWLEDGEMENTS

First and foremost, I would like to express my gratitude to God for his abundant grace that I am able to be what I am today. I have no words to thank my advisor Yirgalem Tadele (PhD), not only for his advice but also for his patience and tolerance of my faults.

I would like to express my appreciation to the Emmanuel Development Association managements and employees for their willingness to help me do this research and also special thanks to my friends that support me by giving reference books and moral support. I also thank all respondents for their cooperation.

Special thanks for my Mom for her encouragement, she is my pillar of strength. Thanks Mom.

Almighty God, thank you! You make everything possible for me.

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## ACRONYMS

EDA Emmanuel Development Association

SACCO Saving and Credit Cooperatives

MCI Microcredit Institute

NGO Non-governmental Organizations

IGA Income Generating Activities

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Micro-credit evolved as a part of paradigm shift in development thinking. Western interests in international development followed the political independence of TW countries in the post-war period. To help improve the social and economic conditions of the former colonies, national and international agencies were created to transfer Western funds and materials (Harcourt 1997). Microcredit has gained attention from foreign aid funders, governments, scholars, and other development experts as a strategy capable of reaching women and individuals, engaging them in the development phase, and poverty eradication. The microcredit industry has undergone significant progress in addressing and challenging assumptions to financial services for individuals. Microcredit institutions (MCI) have also been around for decades, serving customers who had previously been overlooked by commercial banks. One of the earlier and long-lived microcredit organizations providing microcredit to rural poor with no collateral was the Irish Loan Financing processes, initiated in the early 1700s by the nationalist Jonathan Swift.

Ethiopia is one of Africa's lowest income and most populous countries. Its overall population had been 110 million in 2018; agriculture sector accounted for far more than 47.24 percent of GDP, 70 percent of exports, and 79 percent of total employment. The largest flows of funds trade are coffee, flowers and oilseeds.

Microcredit first was formed in Ethiopia in the early 1990s, with just a range of Non - governmental and government micro-credit programs. However, these aren't seen as well-organized or able to operate on a long term sustainable basis towards helping the livelihood of the poor (Wolday 2012).

Poor households are rejected access to institutional credit based on traditional banks' high collateral requirements and antiquated lending standards. A creative option to supplying financial services to the poor has been designed and done successfully in several developing countries. 2002 (World Bank).

The Emmanuel Development Association is a non-profit organization dedicated to the development of children, youth, and women. The majority of actions are done to ensure the vulnerable group's long-term financial stability. The creation of multipurpose cooperatives, self-help communities, and saving and credit cooperatives, all of which receive grant and revolving funds, is the organization's primary mechanism of Emmanuel Development Association ([www.EmmanuelDevelopmentAssociation.org](http://www.EmmanuelDevelopmentAssociation.org))

The company has presently established four credit and savings associations, each with 3500 active members and a total capital of 13,000,000.00 birr. The amount of loans distributed has increased in the last three years, and women have influenced leadership and membership (Emmanuel Development Association Annual Report 2019/20).

## **1.2. Statement of the Problem**

Emmanuel Improvement Affiliation underpins and advances Saving and Credit Co-operatives (SACCOs) to help helpless populations in assembly their fundamental needs and nourishment supplies on a long-term premise through the income created by income generating activities (EDA 2020 news magazine). As a result, the organization gave its recipients, especially women, seed cash to empower them to begin their possess businesses. These low-income families are empowered to take part in income-generating exercises (IGA) in arrange to extend self-sufficiency and efficiency. Whereas a few of the SACCO individuals who profited from advance have appeared enhancement on their business, able to fulfill their fundamental necessities, the other family units couldn't be fruitful with their works (CCFC yearly report 2019/20).

Because an MCI's financial performance does not account for changes in the clients' living standards, Clients who are in debt may repay the initial capital provided for them even if their business fails and they face severe hardship. As a result, it is difficult for development practitioners to be concerned with the practice and its influence on clients.

This thesis is about microcredit and its practice assessment to the improvement of livelihood specifically in EDA. Millions of poor people benefit greatly from microcredit. Numerous academics and non-governmental organizations (NGOs) have been working to bring microcredit within the reach of the poor, who are still underserved by the traditional financial system.

It was once thought that microcredit was not necessary for all people, but most groups can benefit from this concept. Significant practices made by microcredit have influence on the livelihood by increasing income-generating activities and empowering poor people to access development services.

The practices are addressed through assessing the client life changes through various measurement approaches in examining the standard of living of the client. As a result, this thesis assessed whether the practices of microcredit programs supported by Emmanuel Development Association are having a positive influence on clients or not, so that the organization can offer an alternative that will advantage the clients' lives.

### **1.3. Research Question**

The research is aimed at providing answer to various fundamental questions at the end of reviewing the various factors and variables that can determine assessing the practices of microcredit service: the case of Emmanuel development association.

Based on the above statement of the problem the paper address the following research question.

1. What are the practices in selecting the client for providing the Source of initial Capital (Seed Money)?
2. How is the adequacy of the initial capital for starting IGA, to run their business and gain an income?
3. To what extent does engaging in IGA contributes for sustaining in socioeconomic (household food security, child schooling, healthcare, housing) advantages.

### **1.4. Objective of the Study**

#### **1.4.1. General Objective of the study**

The general objective of the study is to assess the practices of microfinance service: the case of Emmanuel Development Association.

### **1.4.2. Specific Objectives of the study**

- To Explore the Practices of client selection procedure for providing initial capital for assessing the selection favored the targeted group (the poor).
- To assess adequacy of the seed money (Initial Capital) for starting IGA (Income Generating Activity) through their Income from the business they engaged.
- To identify the socioeconomic (food, child schooling, healthcare, housing) contribution the IGA made for changing their life standard compared to before accessing the initial capital.

### **1.5. Significance of the Study**

The researcher believes that the finding of the study has the following contribution.

#### **✓ Contribution to Others**

The researcher gain experience related with practices of the microcredit and prepares to further research activity. Further, the findings of the research provide multipurpose information to different users, including, donors, development practitioners, academicians and the public at large. At worst, it raises questions for further research and study.

#### **✓ Contribution to other Researchers**

The findings of the study have a great help in improving household livelihood and it also discovered the microcredit practices for encouraging other researchers to generate and add information to existing knowledge of microcredit contributions for improving household livelihoods.

### **1.6. Scope and Delimitation of the Study**

The study's scope are restricted to assessing the practices of microcredit service: The case of Emmanuel Development Association, Akaki Kaliti Subcity. In addition, the study is limited to investigating the practice of the microcredit on the general livelihood of people in the Akaki kaliti sub city in the case of EDA. This study, however, is restricted to SACCO members. It has not addressed the overall beneficiary of sponsorship.



When carrying out the research proposal, the researcher faced the following constraints; this paper addressed only the practices and the influence the microcredit have made on the livelihood of the households as a consequence of becoming engaged in IGA, and the impediments that limit households from being successful on it.

## **1.7. Organization of the Study**

The research report organized into five chapters. The first chapter deals with introduction. The introductory part contains the background of the study, statement of the problem, research question, significance of the study, objectives of the study, limitations of the study and organization of the study. The second chapter deals with the Literature review with Definition of Microfinance, Its role; Ethiopian Microfinance Experience, The third chapter contains the research methodology applied for gathering data in order to answer the research question for this study. In addition, includes: the research design, sample design, types of data, methods of data collection, methods of data analysis, ethical considerations. The fourth chapter deals with data presentation, interpretation and analysis of the study. The last chapter comprises three sections, which include summary of findings, conclusions, and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Definition of Microcredit**

A Microcredit practice and contribution has been defined in literature by many authors. The following authors have defined MCI in different ways.

Micro-credit is a powerful tool which contributes significantly for alleviating poverty and improving living standard for sustainable development of the rural area. A provision of small collateral-free loans to poor people in order to foster income generation and poverty reduction through enhancing self-employment (M. Jahangir Alam Chowdhury<sup>1</sup>).

Microcredit is called upon to provide financial services to the poor with low income. It is referred to the grant of financial services to help people save, invest, and generate their income. Microcredit does not deal solely with money making activities. Such programs also provide help in the form of essential living costs, medical or educational expenses (Hashemi 2002).

Micro credit is now being considered as one of the most important and an effective mechanism for poverty reduction. Micro-credit organizations are generally NGOs, and so are not motivated by the wish to make profit. They differ from charitable bodies because, rather than assuming that poverty is the result of personal failings on the part of the poor, micro-credit NGOs believe that poverty is created through social processes that deprive the poor of their rightful access to social resources, including credit.( Khandakar Elahi,2014).

Microcredit refers to a financial innovation of small loans & financial services that impoverished borrowers who are planning businesses or want to start businesses or simply unemployed or - financial services to improve their living standards. Those people are usually lack of collateral and vulnerable credit history that disqualify for formal bank loan. Thus, micro-credit has supported to create employment and empowerment of women, and so it can develop even whole society. The main purpose of microcredit is “to break the cycle of no income, no investment, &

no profit and is to make small income, small investment, & small profit by increasing capital from outside into the economic life of poor people” (Nazmul, 2014).

Based on the above literature reviews it is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Therefore it can be said that “Microcredit is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These basic financial services help people save, invest, and generate their income. It does not deal solely with money making activities. Such programs also provide help in the form of essential living costs, medical or educational expenses.

## **2.2 Theoretical Literature on Client Selection for Lending Initial Capital**

The theoretical literature review help to establish what theories already exist, the relationships between them, to what degree the existing theories have been investigated

### **2.2.1 Individual lending model**

These are the initial capitals given on individual basis: Individual lending is more flexible, but minimum initial capital sizes are given to always by larger members of its group. Within broad limits, initial capital sizes are negotiable, tailored to the borrower’s activity and the ability to pay. Loan amounts and maturities increase as the borrower demonstrates prompt repayment and acceptable loan use. It has been argued that group credit arrangements tend to deteriorate over time, while individual lending can go from strength to strength if good institutions are in place to provide incentives for repayment and it depends on individual ability to invest in viable businesses, and this is where MCIs are supposed to give entrepreneurial training. (OdongoKodongo, 2013)

### **2.2.2 Self-selection model**

Before the group lending contract is signed, those people who share a similar attitude towards risks and are familiar with each other’s credit level would form a group through peer selection. The high-risk borrowers are excluded because no one will want them in his or her group. “A

group has to be formed very carefully by the individuals to weeds out bad borrowers who could jeopardize the creditworthiness of the group as a whole” (Ray, 1998).

### **2.2.3 Joint liability model**

The mechanism of group lending generates group responsibilities, which means risks of the loan are shared by members of the group. Letting down other members of a group and the accompanying of social sanctions are a strong disincentive to default. Also, the other group members can repay even if one defaults, in order to secure the loan, thus reducing the risk of default.(Hameem Raees Chowdhury,2016).

### **2.2.4 Close relationships model**

Group members are familiar with one another, and it can lessen adverse selection problems aroused by information unevenness, as group members can monitor each other’s actions and apply social sanctions in advance if necessary.(Maia Yang T.D. Stanley 2012)

## **2.3 Role of Microcredit Institution**

### **2.3.1 Employment Creation**

Microcredit provides initial instrument or working capital, for those willing to capable and ready to engage in income earning employment. The approach emphasized the use of local available resource and skill to attain self-sufficient at low cost (Oromia Saving and Credit Association Union 2003).

### **2.3.2 Access to Financial Service**

Financial inclusion allows the poor to accumulate resources in order to minimize their vulnerability and shocks, such as illness, crop failure, dramatic price fluctuations, and income generation activities. It also improves their quality of life by providing them with better education, health care, and housing. Access to financial services can also improve the quality of life for clients' household members by allowing them to save for their children's education, including the provision of high education levels (Eoin Wren, 2005)

### **2.3.3 Women Employment**

Women face cultural barrier that often restricted them in to home, making it difficult for them to access financial service. Due to these women entrepreneurs have attracted special interest from microcredit institutions as they make up the poorest segment in the society. Women clients are also seen as beneficial to the institutions, because they are seen as credit worthy generally they demonstrated high repayment and saving rate (Dejene, 2001).

### **2.3.4 Saving Mobilization**

People living and working near the organization's outlet mobilize their savings. This enables the institution to satisfy demand for saving services, collect small savings from the poor, and raise the average account size, making it cost effective for the institution to mobilize from all levels of the public.

Generally, microcredit was a key strategy in building global financial system that meet need of most poor people (Simanawiz and Brody, 2004)

### **2.3.5 Financial Development**

targeted at financing the market towns development project planned to advance the credit schemes in rebuilding services in towns take into account markets and service center for agricultural inter land and to alleviate poverty problem in selected urbanized areas through advancing in IGA.

The actions being carried out are related to product marketing, credit giving, collaborative trading, and technical counseling in order to supplement the income of members of the social movement. In order to strengthen the social change in developing a social economic sectors credit and saving association, income-generating activities to alleviate poverty have been developed (Karmarker, 1999).

Earning and saving is not just another industry, nor is micro-enterprise development. saving and credit or income generation necessitate a holistic approach to human development, which leads to community development (Karmarker, 1999).

## 2.4 Empirical Related Literature Review

This part shows precisely how the problem of the study is related to the previous findings.

Therefore this part shows a review of previous studies related to:

- ✓ Practices in selecting the client for providing the Source of initial Capital (Seed Money)
- ✓ Adequacy of the initial capital for starting IGA, to run their business and gaining income
- ✓ Contribution of IGA for sustaining in socioeconomic (household food security, child schooling, healthcare, housing) advantages.

**Table 1:- Empirical Evidence on Client Selection for Initial Capital**

Study By	Coverage	Targets	Selection Criteria and Requirements
Zigiju Samuel Beyene(2008)	Microcredit Institutions in Urban Poverty Alleviation in Ethiopia	The initial capital service is given for different activities such as weaving and tailoring, metal and woodworks, food processing, hairdressing, production of construction materials, small trade activities, construction, leather works, urban agriculture, etc. so Basically unemployed and new business startups are the ultimate target clients of the institution.	The criterion that potential clients expected to meet is that they must belong to the Iddir. Iddir usually constitutes a large number of people joined together on voluntarily basis for different social purposes. AVFS provides loan to the groups formed out of this Iddirs by the members. Iddir generally plays a supervisory role towards their members and is responsible for taking care of smooth functioning of the whole system. In most cases Iddirs are established by the people with common goals, have established leadership, undertake specific activities, and are sustainable over the long-term. These features make it effective instrument in reaching and selecting clients and maintaining a smooth operational system. A person to

			<p>be selected as a member of the group should bring a valid Iddir membership card that can, of course, easily obtained from their respective Iddir without many ups and downs. The potential borrowers then required to submit a simple loan application format prepared by the institution. The format has to be filled by applicants with the assistance of the institution's loan officers and then signed by the client and the spouse in order to receive the loan. the other is Giving priority to women, as they are the most vulnerable groups to poverty, is also one of the major elements and the requirement to access the loan includes: letter of approval from Kebeles' which shows that they are residents in Addis Ababa, certification letter for cooperatives and CBOs from the Trade and Industry Bureau of Addis Ababa City Government, license and registration for joint ventures, the activity should be implemented in Addis Ababa City only, loan taken from the institution or similar institutions should be settled before hand, and preparation and submission of business plan/proposal. Moreover, comments and decisions by the Credit and Saving Committee at Kebele</p>
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			Administration level is one of the major requirements.
(Pretes, 2002)	Micro equity for average earners wishing to access money to improve income generating activities.	It gives access to services to average earners wishing to improve income generating activities. Financial services are availed to the needy or those that depend on their small scale businesses	The selection procedure for micro-credit facility is provided to the poor either as a group or an individual to help them start new businesses or to grow an existing one Micro-credit takes care of the under privileged in the society who have no likelihood of accessing financial services from the commercial banking sector.
(Hickson 1996)	Finance for the poor: Microcredit to micro financial services	Most programs fail, however, to maintain a focus on the poor. Targeting failure occurs when non-target groups are included and when appropriate target groups who deserve the credit service are excluded.	The majority of poverty-focused MC programs incorporate client selection criteria which attempt to limit participation of non-target groups. This method relies upon field workers to screen prospective members, usually applying objectively measurable eligibility criteria such as income level, asset values and housing conditions

The microcredit requires the clients to submit business plan/proposal in order to approve the credit for the clients. This is a bit complicated for poor people who are uneducated and mostly lack the required skill to prepare business proposal and obviously such practice discourages the poor from applying for the loan (Zigiju Samuel Beyene(2008)).



**Table 2:- Empirical Evidence on Adequacy of Initial capital for IGA and Income Gain**

Study By	Coverage	Targets	Adequacy of the Initial Capital
Alamgir Hossain <sup>1</sup> , Dhan Edwar Chandro Sarkar <sup>2</sup> , Md Nurul Islam <sup>3</sup>	Micro credit and its contribution to the improvement and poverty reduction for millions of the poorest people of Bangladesh.	Investigate micro credit on the poor people of the society with the main focus on target people of the study area. Researcher mainly concise this study through client's (the poor people, who borrowed loan from micro credit institutions).	The findings reported that due to adequacy of initial capital clients had increased incomes, which enable them to save and to buy a property. More than 50% of the respondents were part of the large families, and at the same time, a higher proportion of the people did not have any business experience before joining in Microcredit Institute (MCI) in Bangladesh. The results indicate that a maximum number of the respondent spend Tk. 1000-2000 for food item before joining MC program, but it increases to Tk. 2000-3000 after joining MCP. Similar increasing pattern found for non-food item and education. This implies that every respondent gear-up their spending power. So indirectly, MCIs were able to reach and benefit more people and enable them to improve their living standards in general.
Daba (2004)	Eastern Wollega Zone of Oromia	108 Clients and 108 no clients were considered.	As the initial capital is fair Clients have shown improvement in their

	Region	Logit model and descriptive statistics were used. Outreach and sustainability were used for the analysis.	incomes. The outreach has shown increment and the loan repayment performance has been 100% for several years. But adequate business advising and supervision are missing.
Md. Siraz Meah*Dhiman Barua **(2017)	Socio-economic status and poverty reduction for the poorest of poor people of Bangladesh	A financial innovation of small loans & financial services that impoverished borrowers who are planning businesses or want to start businesses or simply unemployed or financial services to improve their living standards. Those people are usually lack of collateral and vulnerable credit history that disqualify for formal bank loan. Thus, micro-credit has supported to create employment and empowerment of women, and so it can develop even whole society.	Grameen-type credit programmes generally provide small loans of about US\$ 100, primarily to poor rural women, who have little access to conventional banking facilities. The loans are given for the purpose of supporting income generating activities in the informal economy, often through self-employment. Rather than providing collateral, borrowers must make regular savings as a precondition for getting such loans. The Initial capital provided has an influence of creating and supporting employment issues.
Klosterport 4E, 4.sal, DK-8000 Århus C(January 2000)	Income-Generating Activities for the use of Danish NGOs and their partners in the South	Economic activity pursued with the aim of improving the living conditions of poor households.	Experiences indicate that poor communities' prime need is flexibility with regard to the loan's size and repayment schedule. They typically need small amounts, on short notice,

			and usually not according to any regular cycle. Repayment should be in small instalments with frequent intervals. Consequently, a successful credit scheme for poor individuals or micro-firms is based on adjusting the credit procedure so that the cost of lending matches the size of the loan.
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**Table 3:- Empirical Evidence on Socioeconomic Advantage of Engaging in IGA**

<b>Study By</b>	<b>Coverage</b>	<b>Targets</b>	<b>Socioeconomic Advantage</b>
Tsehaye & Mengistu (2002)	Addis Ababa (Meklit and Addis Credit and Saving) & Oromia (Oromia Credit & Savings S.C and Bussa Gonfa)	New borrowers as control group and frequent borrowers (more than one year) as treatment group. Only women samples were taken. Crosstabs and ANOVA were used	The activities women are engaged are small and traditional like petty trading, pottery and basket making, which are less risky and have low return. Despite these shortfalls, positive influence has been observed in socioeconomic empowerment of women in the study areas.
Kejela (2005)	Economic diversification at six districts (a total of 35 watersheds) in Central Tigray	Data were collected through focus group discussions, key informant interviews, case studies and observations. For data analysis.	While the rich constitute 13% of the total population in the area, the poor and destitute consist 41% and 20% respectively. The remaining is medium. Financial returns to

			labour and capital are positive for wheat, barley, horse bean production, goat and oxen fattening, irrigated onion and pepper production. Petty trade is of little importance for the household's income in the study area. Peer group collateral approach of credit service delivery needs to be replaced by another mechanism such as lending individual farm Enterprises.
Asmelash (2003)	Tigray	Descriptive Statistics, Chi-Square Test and ANOVA	The credit provided to the poor has brought a positive influence on the life of the clients as compared to those who do not get access to these microcredit services. it showed that micro finance has brought a positive influence on income, asset building, and access to schools and medical facilities in the study area

## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

#### **3.1. Design of the study**

Assessing the practices of microcredit service in EDA used research designs (observational in nature, record the information that is present in a population) with Mean, Median, Mode, standard deviation, Mean deviation and additional measurements are used due to the researcher's one-time contact with the respondents, as well as cost and time effectiveness. To collect and analyze such information, both qualitative and quantitative methods are used throughout the course of the study. The study design is essentially a statement of the object of the inquiry and the strategies for collecting evidence, analyzing evidence, and reporting findings, with the goal of addressing the objectives of the study using a quantitative research method.

The collected data are analyzed using frequency distribution table and descriptive statistics. Mean and standard deviation are used for the result of the survey and presented using tables therefore the researcher used descriptive design and explanatory which are presented with inferential statistics. The sample data is taken from a small number of people which are examined by the research question. Since the data collected have qualitative and quantitative nature, the study relies on both qualitative and quantitative method of data analyses.

##### **3.1.1 Target Population of the study**

Populations of the study are active members of SACCOS which are selected as a sample of the population being studied; simple random sampling technique is employed to select the sample. Equally purposive sampling technique is implemented for selecting respondents that are used as key informants, this is because of the assumption that they have the greater and detailed information about the issue in question.

##### **3.1.2 Sampling Size**

The sample population sizes, from whom the questionnaire data accessed were 107, which is a representative of the total population size. And hence this sample size is a desirable size that can

offer the desired level of precision. Accordingly, the names of the beneficiaries have been listed out and samples had drawn using the 'lottery' method of selection.

### 3.1.3 Sampling Technique

Stratified random sampling for the questioner and purposive sampling technique for the interview are applied to select and get the mandatory information from a sample that portrays the study population (as a sampling technique). With all households, who are members of SACCOS could be picked as a sample of the population being studied.

An equivalent purposive sampling technique is used to select respondents who served as key informants for the interview. This is due to the assumption that they have more extensive and detailed knowledge of the issue at hand and purposive sampling is implemented because it is a non-probability sampling and the researcher selected the officers.

As a result, based on the above-mentioned total population (190), the researcher selected 107 respondents as a sample to collect questionnaire data using the Kothari (2004) disproportionate stratified sampling method and the following formula.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N - 1) + Z^2 \cdot p \cdot q}$$

**Where:**

n = size of sample – to be determined

z= the value of the standard varies at 95 confidence level = 1.96

p= sample proportion=0.8, (expecting 80 percent of return rate from census distribution)

q= 1 – p=0.2, (expecting 20 percent invalid or reluctant respondents)

N = size of population =190

e= acceptable error (the precision) = 0.05

Thus

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N - 1) + Z^2 \cdot p \cdot q} = \frac{(1.96)^2 \cdot 0.8 \cdot 0.2 \cdot 180}{(0.05)^2(190 - 1) + (1.96)^2 \cdot 0.8 \cdot 0.2} = \frac{116.78464}{1.087156} = 107$$

In this study, the respondents of the survey are Active members of the credit and saving association who are supported to engage in income generating activities and also the officer in the organization, the area manager, woredas, cooperatives promotion office officers are respondents selected for the proper information.

### **3.2. Method of Data Collection and Procedure**

So as to get the reliable and valid findings, the data that used for this study are both primary and secondary data.

#### **3.2.1 Primary Data**

The primary data are collected from household survey, key informants, focus group discussion. The beneficiaries who are active members of SACCOs and supported to engage in IGA, the officer in the organization, the area manager, woredas, and cooperatives promotion office officers are contacted as primary sources of the data.

#### **3.2.2 Secondary Data**

Secondary data are collected from published and unpublished materials. For this, the researcher checked and used exhaustively all the possible, accessible and relevant resources to make the study as reliable as possible with reference evident of different articles, books and website information which are communicated as useful facts worldwide and supported by recent and more up to date information.

**Table 4 sample size and data collection techniques**

<b>S/n</b>	<b>Selected Population</b>	<b>Techniques of the Data Collection</b>	<b>Total sample</b>
1	5 Key Informants	Key Informants Interview	5
2	11 FGD Participants	Focus Group Discussion	11
3	190 Active Members	Questionnaire	107

	<b>Participants of the study</b>		<b>123</b>
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*(Source: Own Survey, 2021)*

### **3.3. Method of Data Analysis**

The data are collected, sorted, classified, coded then tabulated for ease of analysis. The data is summarized and categorized according to common themes. The collected data are analyzed using frequency distribution table and descriptive statistics. Mean and standard deviation are used for the result of the survey and presented using tables. While the data from the FGD, key informant interview and field observation are analyzed using qualitative techniques, the quantitative data collected from household survey, is coded and entered into a computer for analysis using the computer software called SPSS (Statistical Package for Social Science).

In order to answer and detect all of the research questions, information is gathered through a household survey, in-depth interviews and focus group discussions in accordance with the study's objectives.

A household survey is conducted with project beneficiaries who have received loans to start their own businesses. Semi-structured questionnaires are prepared to collect data from households. Because the researcher had one contact with each household, the survey design for the investigation is cross-sectional (a snapshot of the population).

In-depth interviews are conducted with key informants who are assumed to have more in-depth knowledge of the research topic. As a result, using in-depth interview check lists, in-depth interviews are conducted with MFI managers, EDA SLD (livelihood Development) officers, program coordinator, and EDA's Akaki- Kaliti area office manager who were responsible for activities



### **3.4 Ethical Consideration**

The data collected from the sources to maintain confidentiality, the respondents are informed that the information they provide are confidential and used only for academic purpose. The respondents are informed not to write their names on the questionnaire. The data that collected is kept confidential and the researcher tried its best to work on the paper with standard professional ethics.

# **CHAPTER FOUR**

## **RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter is concerned with the results and discussion of the gathered data through questionnaires, Focused Group Discussion and Interview on assessing the practice of microcredit service on the livelihood of people in akaki kality subcity: the case of Emmanuel Development Association. For research credibility, purpose the study needed to use 107 respondents through questionnaires including for pilot testing purpose and copies were distributed to sampled respondents. For key informant and Focused Group Discussion interviews were done. These questionnaires and interviews are analyzed using computer program i.e. SPSS version 20. Analysis of primary data was made based on this information-using table for simplicity purpose. Following this, the gathered data were edited; coded, classified, analyzed and carefully interpreted using percentage, mean and standard deviation to assess the relationship exist among different variables.

### **4.2 Characteristics of The Respondents**

An evaluation of selected socioeconomic and demographic characteristics of the sample household is very important to estimate the contribution of being a member of microcredit to increasing income, improving Healthcare, Better child schooling and assessment of food security in the households. This segment delves into the respondents' age, household size, educational level, gender, and household status, including whether they are the head or members of the household. The following two sub-sections go into these variables.

#### **4.2.1 Demographic Characteristics**

In comparison to an older population, the age of the household head determines whether the household profits from being young because it is presumed that a younger age group would voluntarily run and be bold enough to take initial capital and even travel about.

**Table 5: Demographic Representation of the Respondents**

<b>Intervening Variable Characteristics</b>	<b>Values</b>	<b>Frequency of Respondents</b>	<b>Percentage of the Respondents</b>
<b>Age Distribution of Respondents</b>	25-35	24	22.4
	35-47	62	57.9
	Above 47	21	19.6
	Total	107	100
	Average Age	46	
<b>Sex</b>	Female	98	91.58
	Male	9	8.41
	Total	107	100
<b>Household Size</b>	1-2	9	8.41
	3-5	79	73.81
	Above 5	19	17.75
	Total	107	100
	Average HH Size	5	
<b>Marital Status</b>	Single	0	0
	Married	40	37.38
	Divorced	30	28.03
	Widowed	37	34.57
	Total	107	100

(Source: Own Survey, 2021)

With respect to the age of the population the average age is 46 with a minimum of 29 and a maximum of 66. majority of them (57.9) are within the range 35-47. while 22.4 percent of the

respondents are in the age 25-35, about 19.6 percent of the population are within the age above 47 and that means among 107 respondents 21 of them are in the range 25-35. From the process of crediting majority of the borrowers are females this could represent they are more advantageous and could gain a considerable amount of initial capital (seed money) comparing with males. proceeding to the house hold size which is one of the core point for testing up how much number of peoples are living in one family based on the data we can view that majority of them have a house hold size of 3-5 which is to mean in percent 73.81 or 79 of the respondents are within this range. The lowest numbers of households are in the range from 1-2 and this complies about almost eight percent from the total population while the remaining has a value of above five members in the household which is 17.75 percent of the sampled population. As the number of the house hold members increase, the amount of income which is generated by the borrower have a great probability of being consumed by the members and this could urge a very high duty comparing with the one having a lower household members. In addition, it is indicated that households with more available labor are able to generate more income, if the members in the family have a capacity to generate income.

**Table 6: Representation of the Respondents in Various Measurements**

<b>Variable</b>	<b>Obs</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Age	107	45.2803	10.4220	29	66
Gender(Sex)	107	0.07547	0.26540	0	1
House Hold Size	107	4.04672	1.22384	1	5
Marriage	107	0.37383	0.48381	0	1

*(Source: Own Survey, 2021)*

From the above table it could be inferred that all 107 observations in my data set were used in the analysis. Higher age and members having high family size are less likely to show succeeding in their area of IGA comparing with households with younger age and low number of family members. Being in higher age has a certain drawback comparing with the younger one and having additional family duties is difficult and worse to gain income from IGA and also sustainably use it. Even if they have a considerable gain from the IGA they engaged in if the remaining house hold member is not working they have a duty of providing their income therefore, it's difficult for them if the family is not supportive and the IGA income is not well

enough to sustain their livelihood, even more than this the IGA should enable them for saving too.

### 4.3 Selection Practice of the clients with regard to providing the Initial Capital

Based on the interview made with the officer in the organization and Secondary data which is obtained from published materials:

“Majority of The selection has been based on who have sponsorship beneficiary not addressing all the poor’s in the Emmanuel development association program.” *(Interviewed on May, 2020).*

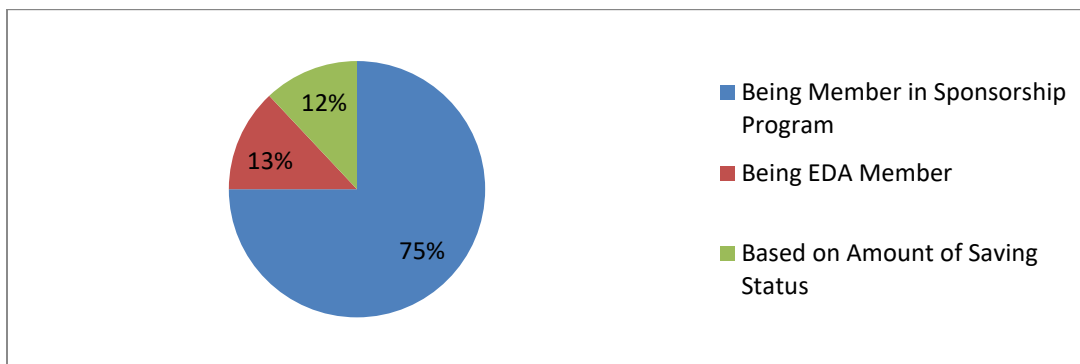
This study suggests that no one perfect method exists for all MCIs to use in conducting poverty assessments. There is still no single instrument that term “best practice. To make some recommendations for MCIs to consider in choosing their poverty assessment tool (or tools):

Non measurement approaches should not be used as stand-alone poverty assessment or poverty targeting tools. They can, however, serve as an important first step to identify, attract, and serve poorer populations.

A Review of Poverty Assessment Methods Rapid assessment method can be used as stand-alone instruments or with a follow-up tool. With proper testing for accuracy, these methods can provide good quality and affordable methods of defining poverty for a particular locale and allow them to select and provide the amount of loan fairly and serve every one easily.

The below table represents interview results of how is the selection procedure from interviewing the officers:

**Figure 1: Selection Practice representation**



Based on the above table majority of the selection is based on being member in sponsorship program. This is to mean that if the household have a sponsor they can be able to get the initial capital (seed money) it's because of that as they have a sponsor so that it can be used as a cornerstone for helping them and they will not pay serious burden to repay the seed money they took. by being an EDA member and based on the number of saving status it can be inferred from the above table that in percent 12 and 13 of them are selected based on this reason.

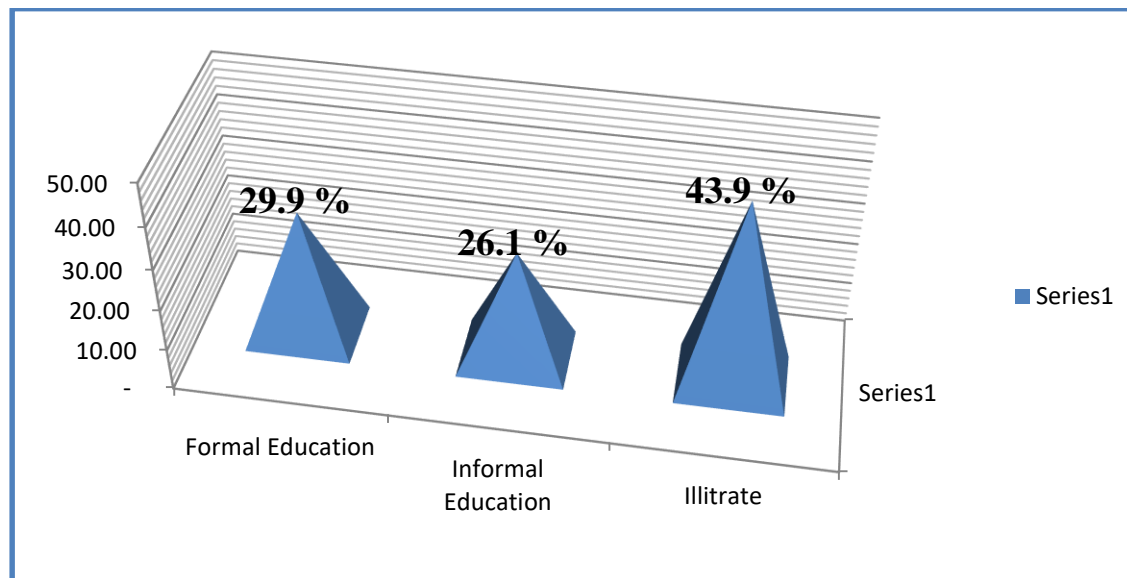
#### **4.4 Socio-Economic Characteristics**

The socioeconomic characteristic involves analyzing the educational, food security, education (involving child schooling), health attendance of the households. Additionally from the gathered data it's specified that how much their income generating activity they are working has helped them to gain a considerable income and also their perception of life standard is analyzed.

##### **4.4.1 Education**

Education should be included to each and every development agenda for the livelihood since it is key to any positive change and sustainable development of people. Education is used to create prosperity, happiness, and to assist in the acquisition and maintenance of long-term economic opportunities for businesses accordingly, 43.9 percent (47 of 107) of the respondents are illiterate, 29.9 percent (32 of 107) have received formal education, and the remaining 26.1 percent (28 of 107) have received informal education and therefore can read and write. The below survey indicates that majority of the respondents are illiterate this have an influence of Limited ability to obtain and understand essential information with regard to running their IGA effectively. People gain skill and expertise as their education level rises, making it easier for them to operate their businesses, produce enough money, and improve their household livelihood. The study population's earnings from income-generating activities are heavily influenced by the education level of the households. Those who received formal and elementary education were interested in milk cow farming, crop sale, and other agricultural activities as this IGA require a basic know how on how to run them. Basic training or formal education is needed to run this income generating activities. Based on the below diagram majority of them need assistance in education and require a well-designed training for running the IGA they indulge.

**Figure 2: Educational Status of the Respondents**



*(Source: Own Survey, 2021)*

**Table 7: Educational Representation of the Respondents in Measurements**

Variable	Obs	Mean	Standard deviation	Minimum	Maximum
Education(Literacy)	107	0.4392	0.4962	0	1
Age	107	45.280	10.422	29	66
Gender(Sex)	107	0.0754	0.2654	0	1
House Hold Size	107	4.0467	1.2238	1	5
Marriage	107	0.3738	0.4838	0	1

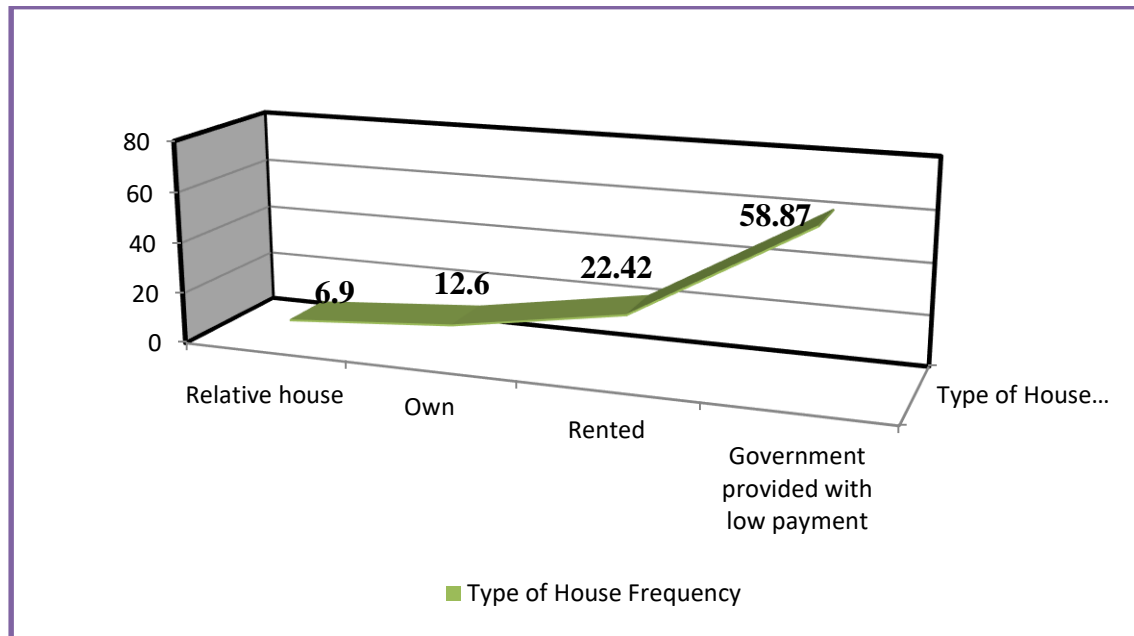
*(Source: Own Survey, 2021)*

Based on the above indication from the table the educational status of the respondents is too low these clients must be provided a well-organized training on how to run their IGA. Self-education in business is a great way to reduce overheads as a business owner, allowing owners to take on more responsibility within the business. It's important to bear in mind that IGA owners are required to complete certain courses or certifications related to their income generating activity. based on the data set provided majority of the respondents are illiterate and the remaining are educated this could represent the educated one have a better opportunity, thinking and way to run their IGA income and payback their loan or initial capital provided too.

#### 4.4.2 Responders Resident Types

It is beneficial to consider the influence of the respondents' residence on the household's livelihood expenses. According to the below map, approximately 63 of 107 (58.87%) of respondents live in government-provided low-cost housing. This payment varies between 120 to 190 Ethiopian Birr per month, which is too low in contrast to those who live in rented houses, which account for 24 of 107 (22.42%) of respondents, with monthly rents ranging between 1800 and 2500 Ethiopian Birr. The remaining 12.6 percent and 6.9 percent live in their own or relative's homes respectively, without paying a house fee (figure 3). This means that certain families living in government-provided low-cost housing, as well as those who own and live with relatives, are relieved of the responsibility of paying rent. This can assist them in developing large, diversified businesses.

**Figure 3: Responders Resident Types in Frequency**



*(Source: Own Survey, 2021)*

The economic influence of housing had been debatable in the past. However, recent global experiences showed that housing has significant impact on economy. It creates jobs for them since they don't have stress for paying the fee and it stimulates income generating activities for the poor. As the EDA members of microcredit service are very poor people, having a house is a



great initiation for fully indulging in IGA, Majority of the members are living in Government Provided with low payment this will enable them to work on their way of gaining income and invest in any area they would desire.as around 22 percent of the responders live in rented one they have a much responsibility for paying up and they are not free like the other responders who have house. Having a house or being free from rental one enabled them to focus on their IGA duties without burden and pay back their initial capital easily.

#### 4.4.3 House-Hold Food Security Contribution

Individual income generation activities aim to alleviate poverty, unemployment, and a lack of economic opportunities by enhancing one's ability to generate income and secure a livelihood. In this part of the study the socio-economic contributions of IGAs with regard to households' food security, child schooling, and health care contribution of IGAs is discussed. Food insecurity is one of the major problems that people in third-world countries face as a result of lower income levels. The typical way of life in these economies is to live hand to mouth. As a result, it requires some solutions that will help people increase their income and improve their quality of life.

According to table 8, when respondents asked about the sources of household food expenditures, 62.61 percent of respondents said they covered it with IGA profits, while the remaining 37.38 percent said they used both IGA profits and contributions from family members. As a result, almost all of the population, in addition to their household income (for those who have spouses and family contributors), uses the profits from IGAs to fund their household food intake.

**Table 8: Trend of Source of Meal Expense of the Respondents**

<b>Sources of Meal Expenses</b>			
	<b>Value</b>	<b>Frequency of respondents</b>	<b>Percent of Respondents</b>
<b>Meal Expense</b>	From IGA revenue	67	62.61
	From IGA revenue and Family Members contribution	40	37.38
	Total	107	100

*(Source: Own Survey, 2021)*

According to the results of focus group discussions and key informant interviews, the households were once secure in their feeding and were experiencing chronic food shortages. However, after they were engaged in business through the loan they received from MCI, they generated fair income in comparison to their previous earnings, and they are now able to feed their children without relying on other forms of assistance from NGOs, as they did before the microcredit program.

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 are 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. Having access to microcredit has also influence on household nutritional status. This indicator is simply to capture the direction of a change in type and quality of household diet.

#### **4.4.4 Healthcare Service Utilization**

To see if clients' access to health care has increased as a result of their involvement in microcredit, respondents were asked how many times they visit health clinics to get medicine. As shown in table 9, the majority of respondents (78.5 percent of 107) visited health stations between one and two months before starting their IGA, while about 92.5 percent visited health centers between six and twelve months after being interested in IGA. According to key informants, this is due to an improvement in the household's willingness to spend more money in nutrition and sanitation as a result of the IGA benefit and health awareness training, as well as business skill trainings offered by the program as one component of IGAP, as neatness is one aspect that attracts potential customers.

**Table 9 shows the percentage of households who visit the health station.**

<b>Values</b>	<b>Before becoming a member in EDA</b>		<b>After becoming a member in EDA</b>	
	<b>Frequency</b>	<b>Percent</b>	<b>Frequency</b>	<b>Percent</b>
<b>Every months</b>	40	37.38	0	0

<b>Every two months</b>	44	41.12	3	2.80
<b>every 6 Months</b>	11	10.28	63	58.87
<b>once in a year</b>	12	11.21	36	33.64
<b>after one</b>	0	0	5	4.67
<b>Total</b>	107	100	107	100

(Source: Own Survey, 2021)

**Table 10: percentage of health status of households before and after taking Initial Capital**

<b>Values</b>	<b>Health Status Before Starting IGA</b>		<b>Health Status After Starting IGA</b>	
	<b>Frequency of Respondents</b>	<b>Percent of Respondents</b>	<b>Frequency of Respondents</b>	<b>Percent of Respondents</b>
<b>No Health Problem</b>	0	0	47	43.92
<b>Some Times Affected</b>	49	45.79	56	52.33
<b>Frequently affected</b>	58	54.20	4	3.73
<b>Total</b>	107	100	107	100

(Source: Own Survey, 2021)

As shown in Table 10, the percentages of respondents who were consistently affected by health problems prior to participating in IGA decreased from 54.20 percent to 3.73 percent, and there were no individuals who were not previously affected by health problems. However, after participating in the IGA, approximately 43.9% of the households were free of disease for the previous six months.

According to one of the attendees at the FDG held at the woreda 4 EDA office,

“My family of six was living in a slum funded by the government. My children were suffering from personal hygiene issues as a result of the residence's poor sanitation. I used to take them to the nearest government health clinics on a regular basis, despite the fact that I couldn't afford to do so. The cost was also incurred due to my husband's low pay as a security guard. My family's health and sanitation has significantly improved thanks to EDA after I provided the way in an income-generating program by offering grants and trainings, and no one in my family has been sick in the last year.”

The findings of the focus group discussion also show that as household income rises, they are able to cover the costs of sanitation, hygiene, and health care for their family members. Furthermore, the benefit allows the participants to cover their household food expenses. The findings of the primary informant interview are also close. (*This event takes place on April 15, 2021.*)

#### **4.4.5 Child Schooling Contribution**

One of the consequences of taking initial capital and starting a small IGA, according to the literature, is the availability of opportunities for school participation, which is most often calculated by the number of household children enrolled in school, class attendances, and the presence of non-dropouts, the provision of educational materials, school uniforms, donations, and fees. Before and after the microcredit scheme, questions were posed to assess the status of the children's school enrollment in the family.

According to the survey results, approximately 33% of households said they had several children who were unable to enroll in school and had not completed their education prior to their participation in the IGA program due to a variety of factors, including a lack of funds and other minor issues as represented.

In contrast, after expanding and diversifying their businesses, the households are able to send all of their children to school. But, in some of the target households (10.28%), there are a few

children who are unwilling to pursue their education due to embarrassment in returning to school after several years of absence, and some of them are in company (Table 11)

“There has been a significant increase in the ability of families to send their children to school by covering all schooling expenses. Except for supported children, all families are now able to afford costs such as school uniforms, instructional supplies, enrollment fees, and school donations. Furthermore, some households used to have a small number of children who completed high school and thus missed out on technical and vocational education. As a result of the households' participation in this program and the resulting generation of sufficient income, these individuals are now able to pay school fees for their children to attend private and government higher and technical colleges.” *(Interviewed on May 1, 2020)*

As shown in the tables below, 89.7 percent of respondents' children are enrolled in school after participating in microcredit, compared to 65 percent before participating in microcredit (Table 11). Furthermore, it was discovered during the focus group discussions that some of the study populations are paying school fees to educate their children who have failed grade 10 national exams in private and government colleges, as well as technical and vocational schools.

**Table 11: Percentages of children school enrollment before and after Taking Loan**

Values	Before IGA		After IGA	
	Frequency of Respondents	Percent of Respondents	Frequency of Respondents	Percent of Respondents
<b>Enrolled Children</b>	70	65.42	96	89.71
<b>Not Enrolled Children</b>	37	34.57	11	10.28
<b>Total</b>	107	100	107	100

*(Source: Own Survey, 2021)*

In this regard, the KI interview revealed that:

“There has been a significant increase in the ability of families to send their children to school by covering all schooling expenses. Except for supported children, all families are now able to afford costs such as school uniforms, instructional supplies, enrollment fees, and certain school donations. Furthermore, some of the households had a small number of children who finished secondary school and thus missed out on technical and vocational education. As a result of their participation in this program and the resulting generation of sufficient income, these families are now able to pay school fees for their children to attend private and government higher and technical schools.

We can conclude from this that there has been a major improvement in terms of children's access to school registration, class participation, and academic achievement. There is a shift in each household's children's schooling pattern after they enter the IGA program.

#### **4.5 IGA the Client Engaged In**

As a significant number of households (around 27%) are involved in “Enjera” and bread bakery, 16% of respondents are involved in conventional drinks production and sales, as shown in table 8. This could be explained primarily by the low initial cost of capital (easy entry) for starting a business (see table 12), the less presence of consumer demand and the need for primarily local skills. The following market practices in which households (14.01 percent, 8.41 percent, and 8.41 percent of 107 respondents) engaged are vegetable sales, milk cow rearing, and crop sales. Pottery, sewing, and conventional garment, baltena production and sales are among the IGA styles with a limited number of individual participants. Only three people (2.80 percent) in each group are interested in participating in these types of businesses. It is well understood that these market practices necessitate additional expertise. As a result, these IGAs require the person to invest additional capital in learning the skills required to run the IGA (Table 12).

**Table 12:- Households Income Generating Activity (Business Type) they are working in Percentage**

<b>Income Generating Activity Type</b>	<b>Frequency of Respondents</b>	<b>Percent of Respondents</b>
“Enjera” <sup>1</sup> and Bread Bakery	29	27.10 %
Milk Cow Rearing	9	8.41 %
Small Shop	6	5.60 %
Poultry Vegetable Sales	15	14.01 %
Chicken Rearing	5	4.67 %
Tea & Coffee	5	4.67 %
Crop Selling	9	8.41 %
Sewing	3	2.80 %
Pottery	3	2.80 %
“Baletena” <sup>2</sup>	3	2.80 %
Traditional Garment Production and Sales	3	2.80 %
Traditional Drink Production and Sales	17	15.88 %
<b>Total</b>	<b>107</b>	<b>100 %</b>

(Source: Own Survey, 2021)

#### **4.5.4 Initial Working Capital of the Respondents**

**Table 13: Representation of Initial Working Capital in Frequency and Percent**

<b>Values</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>2000 - 4500</b>	56	47.3	47.3

**Enjera:** is soft bread made locally and it is widely used at daily bases as staple food

**Balitena:** is a business activity that focuses in production of spices related products, most often made at home bases.

<b>4501-6000</b>	32	34.4	82.2
<b>6001-9000</b>	11	8.8	92.5
<b>9001-15,000</b>	8	8.8	100
<b>Total</b>	107	100	

(Source: Own Survey, 2021)

Mean = 4939.4907

Standard Deviation=2445.5383

The least sum of the beginning capital was 2000 birr whereas the most extreme sum was 15,000 birr. 3500 ETB is the normal introductory capital disseminated by the organization. Be that as it may more than half of the recipients have a starting capital of between 2000-4500 birr which isn't worth saying to launch IGA within the current time; where as 34.4% of the recipients were set up with cash ranges from 4501 to 6000 Birr. The most elevated beginning capital which is recorded for milk cow rearing business ranges in between 9001 to 15000 birr. So, trade like pottery, tea and coffee, shop, "balitina" and crop selling business have low initial capital.

One of the deciding factors to begin business operation and select the desired IGA is the adequate initial capital requirement and the types of business. In the above (Table 13) we can recognize that "Enjera" bakery, vegetable sale, chicken rearing, tea and coffee selling, pottery production and selling, traditional drinks production and selling are the business tasks that require low starting capital to start.

As shown in table 14, due to the reduced initial funding required, 25 and 22 percent (percent) of the population were involved in the production and sale of "Enjera" bakery and traditional drinks, accordingly. This can be attributed to the low initial cost of capital (ease of entry) and the need for primarily local skill.



The sector that needs an initial capital of 9,001 to 15,000 ETB is milk cow rearing. As a result, just 8.56 percent of the population (107) engages in this activity. The primary informant and focus group results show that purchasing milk cows for this amount of money is impossible. Despite this, the organization had bought a small cow (calf) from a milk cow rearing company with the required initial capital and distributed them to the beneficiaries.

These persons have between two and three milking cows. The use and adaptation in using the market location the local ability with low initial investment requirement is found to be one of the major factors in selecting the IGA to be engaged, which in turn indirectly affects the performance of the individuals engaged in the business, according to the review of the below table.

**Table 14; Allocation of Initial Capital across Different Type of IGA**

Business Engaged In	Starting Capital for Required for the business					
		2000-4500	4501-6000	6001-9000	9001-15,000	Total
Shop	Count	0	0	6	0	6
	%	0	0	100	0	100%
Milk Cow Rearing	Count	0	0	0	8	8
	%	0	0	0	100	100%
Chicken Rearing & Poultry	Count	2	1	0	0	3
	%	66.6%	33.3%	0	0	100%
“Enjera” Bakery	Count	13	12	0	0	25
	%	52%	48%	0	0	100%
Vegetable Selling	Count	10	5	0	0	15
	%	66.6%	33.3%	0	0	100%
Crop Selling	Count	3	6	4	0	13
	%	23.07%	46.1%	30.76%	0	100%
Tea & Coffee	Count	4	0	0	0	4
	%	100%	0	0	0	100%
Sewing	Count	3	0	0	0	3

	<b>%</b>	100%	0	0	0	100%
<b>Pottery</b>	<b>Count</b>	3	0	0	0	3
	<b>%</b>	100%	0	0	0	100%
<b>Traditional Drink Production and Selling</b>	<b>Count</b>	15	7	0	0	22
	<b>%</b>	68.1%	31.8%	0	0	100%
<b>Baletina</b>	<b>Count</b>	2	1	0	0	3
	<b>%</b>	66.6%	33.3%	0	0	100%
<b>Traditional garment production and selling</b>	<b>Count</b>	1	0	1	0	2
	<b>%</b>	50%	0	50%	0	100%
<b>Total</b>	<b>Count</b>	<b>56</b>	<b>32</b>	<b>11</b>	<b>8</b>	<b>107</b>
	<b>%</b>	<b>50.92</b>	<b>30.24</b>	<b>10.7</b>	<b>8.56</b>	<b>100%</b>

(Source: Own Survey, 2021)

#### 4.6 Accessibility of the Initial Capital

The availability of initial capital is a significant factor that either helps or hinders the performance of income-generating activities. Before and after their participation in an income-generating program, respondents were asked about their access to microcredit and microfinance institutions. As shown in table 15, nearly 75 percent of the study populations did not have membership in a microcredit prior to participating in IGAP. Just 27% of those polled had a savings account with the financial institution. This demonstrates that prior to the IGAP, more than half of the sample populations did not have access to seed money to conduct IGA.

As the results of the focus group discussion and key informant interview suggest, this is due to a variety of factors. First and foremost, these households belong to the poorest and most disadvantaged parts of grassroots communities. As a result, as there is no organized and best selection criteria the conditions for obtaining the initial capital is difficult, which these poor households are unable to obtain. As a result, no one can provide them.

**Table 15: Representation of Access to Initial Capital before and after they join the Microcredit Program**

Values	Before engaging in Microcredit		After engaging in Microcredit	
	Frequency	Percent	Count (N=107)	Percent (%=100)
<b>Initial Capital Is Accessible</b>	27	25.23	107	100%
<b>Initial Capital is not Accessible</b>	80	74.76	0	0%
<b>Total</b>	107	100	107	100%

*(Source: Own Survey, 2021)*

The second reason many of the participants do not have access to initial capital is that they are unaware of where credit institutions are located, and even though they are aware of the credit potential, they are unable to take the chance of borrowing money that they would not be able to repay.

Third, in addition to a low level of literacy, a lack of knowledge about facilities, and the presence of a limited number of credit and saving institutions at the time, the existence of a small number of credit and saving institutions was listed as a cause.

As seen in the table above, 100% of respondents are currently members of Microcredit institutions. The study shows that the entire population is a member of saving credit cooperatives (SACCOs), as contrasted to what has been found out before they were not a member. This is because the primary condition for receiving initial capital from the microcredit being in sponsorship beneficiary and membership in a savings and credit institution in order to encourage beneficiaries to save more.

However, the findings of the focus group discussion and key informant interview show that, regardless of whether or not the research population belongs to SACCOs, all of the saving credit institutions to which they belong have low starting capital at the first round credit, which is 2000

ETB. It's also worth looking into the beneficiaries' sources of capital at this stage. According to the survey results, credit institutions account for 76.4 percent of IGA initial capital, followed by NGO grants, which account for 23.6 percent of initial capital and can also be accessed via SACCO membership (figure 4).

This demonstrates that there is no capital inflow from their own and family members to begin income-generating activities. Typically, it is credit obtained from microcredit institutions, implying that the household head and members have insufficient or no savings and contributions.

When comparing the data from percentages of households with their sources of finance and percentages of households with access for SACCOs before and after IGAP, it can be inferred that making households become members of financial institutions has a significant influence on their savings levels and their ability to access initial capital that allows them to operate their IGA.

**Figure 4: Source of percentage of income for the Household**



*(Source: Own Survey, 2021)*

Based on the findings above, it can be concluded that almost all populations selected have access to initial capital, regardless of the amount of credit they are given (see table 15). The findings of the primary informant interviews are also identical. According to the findings of the group discussion, the development in saving habits had also enabled them to access a larger sum, up to ETB 45,000, than they had previously. This had prompted some to engaged in income-generating activities to extend their operations. Furthermore, the focus group discussion showed that they are inspired to save because of the benefits they receive from credit unions as a result of

their savings. Participants in focus groups and main informant interviews indicated that there are potential individuals who want to obtain a significant amount of initial capital but are unable to do so due to a variety of obstacles. The first reason is weak SACCO leadership; SACCO leaders make credit distribution personal by favoring the individual with whom they have a closer relationship. The second explanation is SACCO's inability to provide vast amounts of Initial Capital due to its limited financial resources.

#### **4.7 Household living change**

IGA are an effective way sustain and improve the living conditions of low-income people in rural and urban areas. Small-scale community-based economic programs have a track record of improving the lives of grassroots communities by providing funds and loans. Contributing to the improvement of households' livelihoods by income-generating activities is critical because it will boost their quality of life.

##### **4.7.1 Economic Advantage of Income Generation For the House Hold**

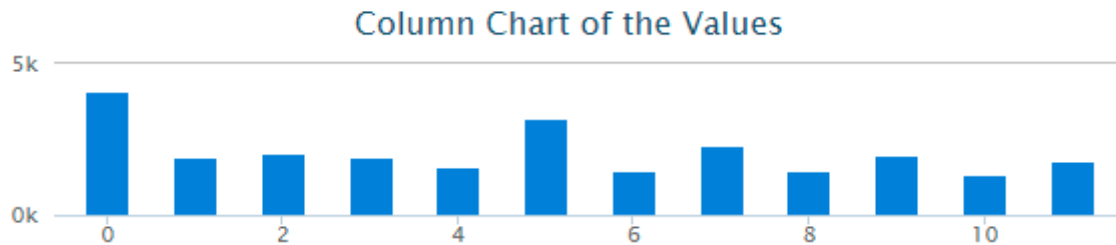
The primary goal of participating in income-generating activities is for individuals to earn more money. As the majority of the research found as households income rises, and so does consumption, saving, and the ability of the households to pay expenditures related to basic necessities and schooling, With respected to the questions approximately gaining level increase of income producing exercises, the FGD and key witnesses concurred that milk cow rearing, “enjera” and bread bakery, crop selling and vegetable offering are the sorts of IGAs that appeared higher level of income created from. As we will see from the figure underneath the 4100 and 1321.1 are the most elevated and the most reduced normal net per capital wage recorded for milk cow rearing and traditional drinks generation and sales. According to Table 16 and figure 5, which depicts the mean income of each income-generating activity, milk cow rearing, crop selling, pottery, shop, “balitena”, “enjera” and bread bakery, chicken and poultry, traditional garment production and selling, vegetable selling, sewing, tea and coffee selling, and traditional drinks production and selling are some of the sectors in which the beneficiaries make the most profit.

**Table 16: Average Households income by business types**

Business Type	Average Income by Business Types
Milk Cow Rearing	4100
“enjera” and Bread Bakery	1920
Shop	2050
Chicken Rearing & Poultry	1894
Vegetable Selling	1620
Crop Selling	3180
Tea & Coffee	1450
Pottery	2300
Sewing	1500
Balitena	1957.3
Traditional Drink Production and Selling	1321.1
Traditional Garment Production & Selling	1800

(Source: Own Survey, 2021)

**Figure 5: Representation in Chart of The House Hold income**



(Source: Own Survey, 2021)

As shown in the figure below, people who are members of Microcredit institutions and participate in IGAs have a higher monthly household income than those who did not participate in IGAs. Regardless of the form of business conducted, an average household's monthly income increased by 70.6 percent as compared to their income prior to participating in IGAs. From the various types of business operations, milk cow rearing had the highest average increase of 4100 ETB, followed by crop sales at 3180 ETB. Traditional beverages production and sales saw the

smallest rise in real monthly household income. This is primarily explained by the nature of the market, which includes limited cash inflows and outflows.

**Table 17: Household income before and after engaging in income-generating activities**

Characteristics	Previous Net Income Per Month	Current Net Income Per Month
<b>N</b>	107	107
<b>Mean</b>	1720	2091.03
<b>Median</b>	1586	1907
<b>Minimum</b>	790	913
<b>Maximum</b>	3221	4620

(Source: Own Survey, 2021)

The table above also indicates the average monthly household income for people who took out a loan for income-generating activities before and after the recession. The average monthly household income increased by nearly 70% from 1720ETB (before taking a loan for IGA) to 2091ETB (after taking a loan for IGA). The average annual household income is 2091.03 birr, which is increasing year after year.

**Table 18: Test of current and previous monthly income using paired sampling**

	Paired Differences				
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	
				Lower	Upper
Pair 1					
Current Income Gain Per Month – Previous Monthly Income	2091.085088	798.461	230.34	1639.321	1711.953

(Source: Own Survey, 2021)

It can be inferred from the above paired t test result of average monthly income of households before and after accessing initial capital that there is a statistically significant difference between the mean monthly income of households before and after accessing loan, at 95 percent confidence interval. Similarly, the mean monthly income of households that took out initial capital and engaged in income-generating activities showed a 70.6 percent difference. This result, when combined with the net monthly income of the households described in table 17, shows that the income earned by business owners has steadily increased over time. As a result, having access to initial capital has a positive impact on each household's income.

According to the cases, a large number of families have seen significant rises in their income as compared to their condition prior to joining a Microcredit organization. Furthermore, income provided by IGAs after taking out initial capital appeared to account for a significant portion of total household income.

One participant in a particular village demonstrated this during a focus group discussion:

“Previously, my family's basic needs were met by a small pension paid to our bread provider and product suppliers who gave me credit for the product I was selling. This was because they gave me the product on credit, which I had to pay after I sold the items; they gave me low-quality and small-quantity products, which were not in high demand by my customers. As a result, my household's livelihood was either subsistence or hand to mouth. Nonetheless, now that I've been given a golden opportunity for IGA by initial capital provision, I'm collecting products with the best quality and the required amount with my own money. Following this, the market grew, earnings improved, and the company is now capable of meeting basic needs. In addition, I have renovated my home and constructed two rental houses, which provide additional sources of income.”

[Discussion Held on April 2021]

The study discovered that the participants in the focus group discussion had already been in a similar situation. The earnings of the program's beneficiaries have risen, as shown by the findings of the focus group discussion and the survey results.

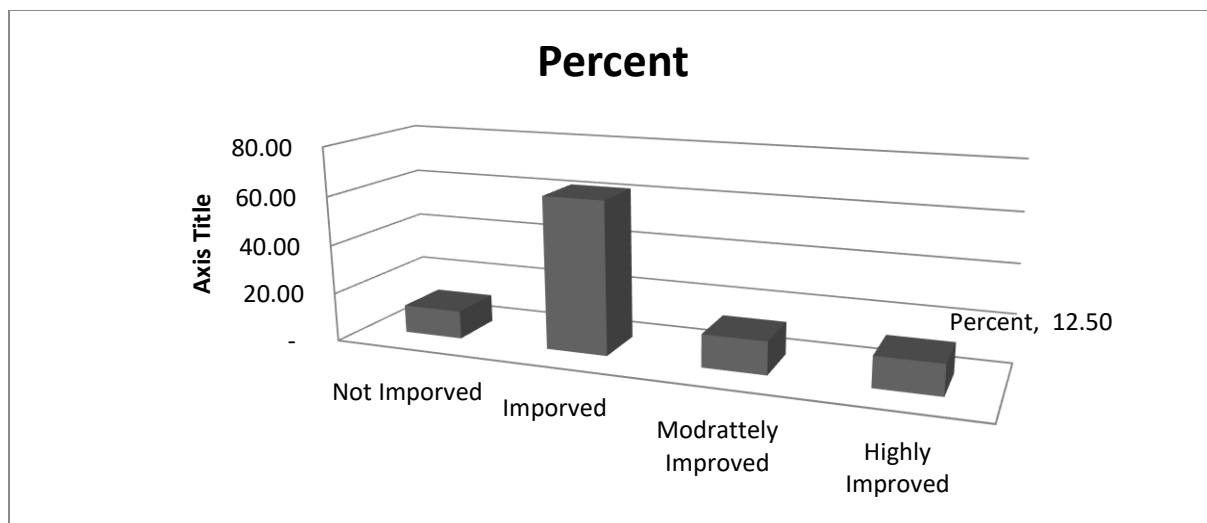
The yearly mean income of households increased by 70%, as seen in the tables above. As a result, considering disparities in earning levels due to various opportunities discussed in the previous section, it is possible to conclude that almost all business activity owners benefit.



#### 4.8 Perception on Current Household Living

In terms of the participants' perceptions of the improvement in their living conditions, more than 89 percent of the households' living standards have improved since they first took advantage of this opportunity (Figure 4.6). The remaining 11% stated that their life status has remained unchanged as a result of various factors. These are, though there are other indirect factors, the high numbers of household size together with unmatched lower profit level and low educational background and constraints of marketing skills to undertake the business takes the lion share.

**Figure 6: percent of households' perceptions of their actual standard of living relative to the previous year**



*(Source: Own Survey, 2021)*

In addition to meeting basic needs, the income generated by the businesses is used to purchase various household items such as televisions, beds, bed sheets, tables, and shelves; to make their market place more comfortable for business; to install their own indoor water tap; and to buy houses for three households. Some of them restored their homes and designed houses for rent. Many who live in rental housing have the financial means to pay the condominium tax.

The observation outcome backs up the findings of the respondents' questionnaires, focus groups, and KI interviews. Based on the results, it can be argued that income-raising programs have a real and optimistic effect on earnings and poverty levels.

Furthermore, as Minde (1988) and UDEC (2002) discovered, these activities are essential in contributing to food security and raising household income through product sales in addition to

creating jobs. Although the revenue produced by these operations is minimal, it is critical in purchasing clothing for children, paying school fees, and providing health care.

# **CHAPTER FIVE**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

From the analysis and interpretation made in the previous chapter the following summary, conclusions, and recommendations are drawn up.

### **5.1. Summary of the Major Findings**

Based on the analysis made in the previous chapter, the following major findings are summarized.

#### **5.1.1 Finding On selection for Providing Initial Capital**

- ✓ From the process of providing initial capital majority of the clients are females with age range 35-47 and Majority of the house hold members are 3-5.
- ✓ The selection for Providing Initial Capital is based on who have sponsorship beneficiary not addressing all the poor's in the Emmanuel development association program.

#### **5.1.2 Finding on contribution of IGA for sustaining in socioeconomic advantages.**

- ✓ Those who received formal and elementary education were interested in milk cow farming, crop sale, and other agricultural activities as this IGA require a basic know how on how to run them.
- ✓ Regarding the responders residence type big number of the respondents are living in government-provided low-cost housing, as well as those who own and live with relatives are relieved of the responsibility of paying rent.
- ✓ Findings on house-hold Food Security Contribution indicates that respondents household food expenditures around 62.61 percent of respondents said they covered it with IGA profits, Furthermore, the benefit allows the participants to cover their household food expenses.
- ✓ The findings of the focus group discussion also show that as household income rises, they are able to cover the costs of sanitation, hygiene, and health care for their family members.

- ✓ Percentages of respondents who were consistently affected by health problems prior to participating in IGA decreased from 54.20 percent to 3.73 percent, and there were no individuals who were not previously affected by health problems.
- ✓ 89.7 percent of respondents' children are enrolled in school after participating in microcredit, compared to 65 percent before participating in microcredit. Furthermore, it was discovered during the focus group discussions that some of the study populations are paying school fees to educate their children who have failed grade 10 national exams in private and government colleges, as well as technical and vocational schools.

### **5.1.3 Finding on adequacy of the initial capital for starting IGA and gain an income?**

- ✓ As a significant number of households (around 27%) are involved in “Enjera” and bread bakery, 16% of respondents are involved in conventional drinks production and sales. This could be explained primarily by the low initial cost of capital (easy entry) for starting a business, the less presence of consumer demand and the need for primarily local skills.
- ✓ Pottery, sewing, and conventional garment, baltena production and sales are among the IGA styles with a limited number of individual participants. Only three people (2.80 percent) in each group are interested in participating in these types of businesses. It is well understood that these market practices necessitate additional expertise. As a result, these IGAs require the person to invest additional capital in learning the skills required to run the IGA.
- ✓ One of the deciding factors to begin business operation and select the desired IGA is the adequate initial capital requirement and the types of business. It can be inferred that “Enjera” bakery, vegetable sale, chicken rearing, tea and coffee selling, pottery production and selling, traditional drinks production and selling are the business tasks that require low starting capital to start.
- ✓ The sector that needs an initial capital of 9,001 to 15,000 ETB is milk cow rearing. As a result, just 8.56 percent of the population (from 107) engages in this activity.
- ✓ The study shows that the entire population is a member of saving credit cooperatives (SACCOs), as contrasted to what has been found out before they were not a member. This is because the primary condition for receiving initial capital from the microcredit is

being in sponsorship beneficiary and membership in a savings and credit institution in order to encourage beneficiaries to save more.

- ✓ The findings of the focus group discussion and key informant interview show that, regardless of whether or not the research population belongs to SACCOs, all of the saving credit institutions to which they belong have low starting capital at the first round credit, which is 2000 ETB.
- ✓ Average household's monthly income increased by 70.6 percent as compared to their income prior to participating in IGAs.

## **5.2. Conclusion**

By considering the summary of findings, the researcher made the following conclusions

- ✓ Regarding the selection practice of gaining the initial capital or seed money no one perfect method exists for all MCIs to use in conducting poverty assessments for providing the seed money.
- ✓ Majority of the house hold members are 3-5 therefore, the amount of income which is generated from IGA by the client have a great probability of being consumed by the members and this could urge a very high duty comparing with the one having a lower household members.
- ✓ There are potential individuals who want to obtain a significant amount of initial capital but are unable to do so due to weak SACCO leadership; SACCO leaders make credit distribution personal by favoring the individual with whom they have a closer relationship and SACCO's inability to provide vast amounts of Initial Capital due to its limited financial resources.
- ✓ Majority of the households' living standards have moderate improvement since they first took advantage of this opportunity but the remaining stated that their life status has remained unchanged as a result of high numbers of household size together with unmatched lower profit level and inadequate initial capital, low educational background and constraints of marketing skills to undertake the business takes the lion share.

- ✓ After the households engaged in IGA through the initial capital they received from MCI, they generated fair income in comparison to their previous earnings, and they are now able to feed their children, better health status and they are able to send their children.
- ✓ The availability and provision of adequate initial capital is a significant factor that either helps or hinders the performance of income-generating activities. As a result, having access to adequate initial capital has influence on selecting the IGA type they need to engage and each household's income.

### **5.3. Recommendation**

By considering all the results, the researcher forwards the following recommendation for best of the Microcredit Practice.

- ✓ For better selection practices of Initial Capital the first and principal use of poverty assessment should be made to enable poverty-focused microcredit practitioners to better target, screen, and select clients who are poor or very poor.
- ✓ After collecting financial and nonfinancial data of the clients (poor people in EDA), MCIs are required to screen and assess their ability and willingness to use the money as agreed.
- ✓ Staff training is a key point to ensure the high quality and to provide better service. It should emphasize client's service, soft skills, technical competencies, and ethical behaviour. data handling, dealing with clients for providing the Initial Capital.
- ✓ Existing livelihood and coping techniques should be endorsed where possible and relevant, in order The MCI should assist clients in gaining access to large amounts of seed money, especially for types of IGAs (like milk cow rearing, crop sales, "Baletena" and Shop) that require a significant number of initial capital relative to others. To create long-term opportunities.
- ✓ Client Desire type of IGA and need for technical skill should be studied and requirements should be formulated in accordance with the capacity of the EDA microcredit program and trainings.
- ✓ Lastly, the current market and economy must be analyzed and proper initial capital should be provided with devised client trainings on how to indulge and run IGA

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## Appendices

### Annex 1

## Saint Mary University SCHOOL OF GRADUATE STUDIES FACULTY OF BUSINESS

My name is Tewodros Wonda. I am an MBA student at Saint Mary University. I'm currently working on a study paper as part of my Master of Business Administration requirements. The aim of this survey is to collect data for a research paper on the impact of microfinance services in the case of Emmanuel Development Association. As a result, I respectfully request that you respond honestly. I want to reassure you that the information you provide will be used only for academic purposes and will be kept private.

### 1. General Information of the Borrowers

#### 1.1 Sex

- Male     Female

#### 1.2 How old are you?

- 20-27     28-38     39-48     Above 48

#### 1.3 Marital status

- Single/never married  
 Married  
 Widowed  
 Divorced/separated

#### 1.4 Household size:

- Less than 2  
 2-5 member

- More than 5

1.5 Educational Status

- None
- Adult Basic Education
- Diploma, Degree, above
- Primary
- Secondary
- Post-Secondary

1.6 Select your Resident Type?

- Relative
- Own
- Rented
- Government Provided with Low Payment

**2. Details on the loan information**

2.1 Involvement in a microfinance program

- Below Six Month
- Above Two Years
- Greater Than 5 years

2.2 The year and month in which the first loan was taken out\_\_\_\_\_

2.3 If you answered yes to question 2.1, list the sources of the loan, the sum lent, and the reason for borrowing.

Source of the loan	Sum Lent	Reason of borrowing
_____	_____	_____
_____	_____	_____
_____	_____	_____

2.4 If you haven't paid back the loan, explain why you haven't.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2.5 How many times have you borrowed money from a credit union or a savings and loan cooperative?

Year of borrowing	loan size in birr	Amount repaid
First round _____	_____	_____
Second round _____	_____	_____
Third round _____	_____	_____
Fourth round _____	_____	_____

2.6 How do you save up your money?

- Personal Saving Through Bank
- Personal Saving through Traditional way

2.7 What kind of guarantee did you provide to the savings and credit cooperatives in exchange for a loan?

- Group responsibility
- Individuals that are salaried which have a guarantee.
- Guarantee of individual asset like home, car etc.
- Other (Specify) \_\_\_\_\_

2.8 What was the Purpose of Receiving the loan from the savings and credit cooperative?

Planned purpose	amount
_____	_____
_____	_____
_____	_____

---

2.9 How Did you use the entire sum you borrowed for?

For intended Purpose

For Unintended Purpose

2.10 If you answered for unintended purpose for the previous query, describe the other reason you spent the money.

---

### **3. Income, Asset and Expenditure**

3.1 What is your primary source of money, and what do you do for a living?

---

3.2 Before Joining the Credit Program?

I have another business

I don't have another business

3.3 State other income sources \_\_\_\_\_

Amount of mean weekly income \_\_\_\_\_

3.4 How many persons in your household are actively generating some income currently?

Male-----  Female -----  Total -----  Nobody

3.6 In what Type of Business are you in? after start doing income generating activity.

---

3.7 How much money did you need to get your business off the ground?

---

3.8 Where do you get your start-up funds?

- Own saving
- Family members/ Relatives
- NGOs grant/Subsides
- Borrowed from loan institutions
- Other specify\_\_\_\_\_

3.9 What is your status of accommodation?

- Owned house
- Rented
- Sharing
- Other -----

3.10 Specify the Range of money if you are making a payment for Housing-----

3.11 Have your savings in the last years?

- Increased
- Decreased
- Remained the Same

3.12 Have your income in the last 12 years?

- Increased
- Decreased
- Remained the Same

3.13 Has your role in terms of income contribution in the household after joining microfinance program increased?

- It has increased
- Remained the same
- It has decreased

3.14 Joining the credits introduced/improved your business activities?

- Business is Improved
- Business retained the same
- Business is not Improved

3.15 After joining the loan/credit program:

I. did the income has increased

- Increased
- Decreased
- retained the same

Why, explain \_\_\_\_\_

II. Did the saving has increased

- Increased
- Decreased
- Retained the Same

Why, explain \_\_\_\_\_

#### 4. Health, Nutrition intake and Education

4.1 How has your family's nutritional intake changed over the last two years?

- Improved     stayed the same     Worsen

4.2 How has it been changed if it has been improved?

- Increased food intake (increasing quality)
- Consumption of variety of food (vegetable, ligament, pasta etc.)
- Consumption of animal's product (meat, milk, egg, etc.)
- Other \_\_\_\_\_

4.3 If household diet intake increased, what caused the increase and what was an example of the increase?

\_\_\_\_\_

4.4 If your household diet has not been improved for the last twelve months, what are your major reasons?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

4.5 From where did you get the food security contribution (Meal Expense)?

- a) IGA (Income Generating Activity)
- b) Family Member Contribution
- c) Both IGA Revenue and Family Members

4.6. After joining the loan/credit program do you think there is Better access to healthcare?

Why, explain \_\_\_\_\_

4.7 What do the family members do if they have health issues?

- going to Private health institutions
- going to Public health institution
- Traditional Healers
- Other (specify) \_\_\_\_\_

4.8 What is the key reason why your family members do not visit a health facility?

- Failure to pay for medical care due to a shortage of funds
- Introducing traditional healers and herbal remedies to a modern health care facility
- Expensive medical treatment
- Others (specify) \_\_\_\_\_

4.9 Percentage of Household Status before and After Taking Loan?

- No Health Problem
- Sometimes Affected
- Frequently Affected

4.10 What was the source of money for medical care if your family members went to a health facility?

- Business profit
- Saving
- Borrowing from relatives/ friends
- Others (specify) \_\_\_\_\_

4.11 How do you explain the differences (in terms of before and after joining the credit/loan program) in affording to pay the medical expenses whenever you or your family members get sick?



- Better before joining the Credit Program
- Better after joining the Credit Program

4.12 How often do you visit Health Station?

- Every Month
- Every two Month
- Every six Month
- Once in a year
- After One year

4.13 Children School Enrollment Before IGA

- Increased
- Decreased

4.14 How do you explain the differences (in terms of before and after joining the credit/loan program) in affording to pay the schooling expenses of your children?

- Better before joining the credit program
- Better after joining the Credit Program

4.15 After Joining the Loan/Credit Program there is better Access to Education

- There is Better Access to Education
- No Better Access to Education

4.16 How Your Education Helped you to add value on your Business ?

- For managing My Business Perfectly
- It fairly Helped me to manage My Business
- It didn't Helped Me at all

4.17 In my Perception Actual Standard of living relative to the previous year

- Improved
- Not Improved

Moderately Improved

Highly Improved

## Annex 2

### Interview guide

Interview guide with Emmanuel Development Association Staffs and focus group discussions

#### I. General questions

Organization-----

Position occupied-----

Years of experience in the institution-----

1. What is the Microfinance use For the Borrowers?
2. Why aren't clients showing significant change or moving to bigger business?
3. How is the Client View of alter and improvement as a result of indulging in the Microfinance?
4. What is the Change Appeared after taking the loan?
5. Do you have criteria to compare the livelihood conditions of the beneficiaries through time, if any please discuss?
6. What is the saving condition of the Households? And how is the attitude of the beneficiaries towards saving?
7. What is the Past and present trend in income, children educational conditions, business management?
8. Do the beneficiaries believe that there is change in their life?
9. How much is accessibility of the credit and saving after and before they join the micro finance program
10. From where major income is obtained NGO grant or Credit Union?