

THE IMPACT OF SAVING AND CREDIT PROGRAM ON SOCIO-ECONOMIC CONDITION OF WOMEN IN MIDA WOREMO DISTRICT, NORTH SHOA ETHIOPIA: THE CASE OF ADDIS-ALEM SAVING AND CREDIT UNION

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TABLE OF CONTENTS

LIST OF TABLES	v
LIST OF CHARTS/FIGURES	vi
ACKNOWLEDGMENT	vii
LIST OF ABBRVIATIONS AND ACRONYMS	viii
ABSTRACT	ix
CHAPTER ONE:	1
INTRODUCTION.....	1
1.1. Statement of the Problem	3
1.2. Objective of the Study.....	4
1.2.1. General Objective	4
1.2.2. Specific objectives	4
1.3. Significance of the study	4
1.4. Research Questions.....	5
CHAPTER TWO:	6
REVIEW OF LITERATURE	6
2.1 Definition of Terms and Concepts.....	6
2.2. Significance of Saving and Credit Cooperatives	7
2.3. Historical Development of SACCOS	7
2.4. Models of Microfinance Interventions.....	10
2.4.1. Rotating Savings and Credit Associations (ROSCAS)	10
2.4.2. The Grameen Solidarity Group model	10
2.4.3 NGO Model	11
2.4.4. Peer pressure Model.....	11
2.4.5. Village banking Model.....	12
2.6. Microfinance Experience in Ethiopia.....	12
CHAPTER THREE:.....	16
METHODOLOGY	16
3.1. Description of the Study Area	16

3.2. Regional Overview Microfinance Institutions (MFIs) in the Context of the study	16
3.3. Universe of the Study.....	17
3.4. Sampling Design.....	17
3.5. Data Collection	18
3.6. Data Processing and Analysis.....	19
CHAPTER FOUR:	20
DATA ANALYSIS AND INTERPRETATION	20
4.1 Demographic Information of the Respondents	20
4.2. Status of Membership, Previous business ownership and income source of the respondents.....	21
4.3 Source of Start-up Capital of the Respondents	23
4.4. Personal saving of respondents.....	24
4.5 Improvements in client’s income, savings, employment Opportunities, housing conditions, and basic social services	25
4.6. Empowerment of the Respondents	30
4.7. Clients’ Perception on the Effectiveness of the Loan Obtained from SACCO	34
4.8. Clients’ Perception on SACCO Services	36
4.9. Children Education Status of the Clients.....	37
4.10. Access to credit other than SACCO and Loan usage of the respondents.....	38
4.11. Interest rate, Loan repayment period, procedure of obtaining loans and operational assistance from SACCO.....	40
4.12. Comparison of Respondents’ Life, income Before and after the Membership	42
4.13. Impact of credit on income and expenditure	43
CHAPTER FIVE:	46
CONCLUSION AND RECOMMENDATIONS	46
5.1 Conclusion.....	46
5.2 Recommendations.....	48
5.3. Suggestions for Further Studies	48
References	49
Annex I. Interview schedule for women saving and credit cooperative members in Mida Woremo District, North Shoa Ethiopia.....	53
Annex II. Interview Guide (Semi-structured).....	63

ANNEX III. Focus Group Discussion Schedule (For women cooperatives) members' Focus group Discussion	64
ANNEX IV. Observation Schedule	66

LIST OF TABLES

LIST OF TABLES	PAGES
Table 1	21
Table 2.....	22
Table 3.....	23
Table 4.....	23
Table 5.....	26
Table 6.....	28
Table 7.....	28
Table 8	29
Table 9.....	31
Table 10	33
Table 11.....	37
Table 12	38
Table 13	43
Table 14	44
Table 15	45

LIST OF CHARTS/FIGURES

LISTS	PAGES
Chart 1	24
Chart 2	34
Chart 3	35
Chart 4	35
Chart 5	36
Chart 6	39
Chart 7	39
Chart 8	40
Chart 9	41
Chart 10	41
Figure 1	42

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LIST OF ABBRVIATIONS AND ACRONYMS

ACSI	Amhara Credit and Saving Institution
ADLI	Agricultural Development Lead Industrialization
CSO	Civil Society Organization
DECSI	Dedebit Credit and Saving Institution
FCA	Federal Cooperative Agency
FGD	Focus Group Discussion
HCI	Human Capital Investment
IRDP	Integrated Rural Development Project
MFI	Micro Finance Institution
MfM	Menschen fuer Menschen
MoFED	Ministry of Finance and Economic Development
MoTI	Ministry of Trade and Industry
MSE	Micro and Small Enterprises
NGO	Non-Governmental Organization
ROSCAs	Rotating Savings and Credit Associations
SACCOs	Saving and Credit Cooperatives

ABSTRACT

The purpose of the study was to find out the impact of saving and credit program on socio-economic condition of rural women in Mida woremo district using Addis Alem Saving and Credit union as a case study. The study was based on three specific objectives that is, to assess the role of SACCOs in improving women's income and saving habit, to assess the impact of SACCOs on asset creation by women and to assess the impacts of SACCOs on raising women participation in household decision making. The study utilized a sample of 41 SACCO clients and 84 non-SACCO clients found in the district. They were selected random sampling method. Data were collected through semi-structured questionnaire. All sample participants and non-participants of SACCOs program were visited and interviewed. Focus group discussions were employed to capture information based on consensus and to verify the responses from the individual interview. The study was also used observation method which will enable the researcher and the enumerators to validate the household's responses. The data collected through survey were analyzed using both qualitative and quantitative data analysis techniques. Impact of the credit program was assessed by comparing the situation of change in income, and change in expenditure between clients and non-clients of the credit program in two time periods (before and after the credit was advanced). In order to assess the impact of credit on income, and total expenditure, a double-difference analysis between clients and non-clients for two time period (before the loan was advanced to the clients and after the loan was advanced to the clients) was performed. The findings of the study in general revealed that The double difference analysis presented above shows that advancing credit by SACCO to community members in Mida Woremu district brought an income impact of ETB **5783** per annum. The result was significant at $p < 0.001$. Similarly, the intervention has brought impact on the amount of total expenditure of the borrowers, which was estimated at ETB **7196**. Again the result was significant at $p < 0.001$.

CHAPTER ONE:

INRODUCTION

Like other Sub-Saharan African countries, the socio-economic condition of Ethiopia is characterized by low growth rate of income, saving, investment, inadequate social services, high population growth and high unemployment rate. High population growth also causes the natural resource degradation of the country. Poverty and food insecurity are the main challenges and fundamental issues of economic and social development in Ethiopia (Gebrehiwot, 2002). Although poverty has continued to be at the forefront of Ethiopian concerns, recent history shows great improvements. The incidence of poverty has declined from 45.5% in 1995/6 to 38.7% in 2004/5 and finally to 29.6% in 2010/11 (Ministry of Finance and Economic Development, 2012).

The country's economy is unable to create employment opportunities for the fast growing labor force (Tsehay and Mengistu, 2002), which is further worsened due to limited availability of financial resources (Wolday, 2003).

Women disproportionately suffer from different socioeconomic deprivations in developing countries in general and in Ethiopia in particular despite they contribute significantly to the economy due to several gender-related challenges existing in rural areas.

Ethiopia has implemented various projects and programs that aim at increasing food production and food self-sufficiency. For instance, at the beginning of the 1990s, a broad spectrum of reform has been introduced among which the Agricultural Development-Led Industrialization Strategy (ADLI) stood as the prime vehicle to address poverty and food security (Yohannes, 2002). However, in the context of achieving economic growth, actors of development have not been given the chance to get involved in the whole process of socioeconomic transformation for quite a long time. As a result, deteriorating economic conditions started to be observed in the country. But, nowadays, it becomes a conventional wisdom to argue that development is understood to be a multi-actor process, where government-owned institutions alone couldn't register economic growth. Therefore, if economic growth is to be achieved, NGOs, Civil Society Organization

(CSO) and private sectors should join hands (Elias, 2003; Fitsum, 2002; Helmsing, 2001 and Kirkpatrick, 2001).

In this regard, saving and credit cooperatives are integral part of the financial system by which communities are mobilized to engage in productive activities so as to generate income, create employment opportunities, stimulate the economy of a well-defined area and thereby improve their livelihood situation (Gebeyehu, 2002).

Providing financial services to the emerging segment of the population is an important development tool. It helps creating employment and increases the income and consumption of this segment and would, in the final analysis, reduce poverty and contribute to the implementations of the country's transformation and development plan (GTP). It has been observed that women relatively face more challenges in obtaining loans than their male counterpart. Due to lack of collateral, the poor found it difficult to obtain adequate amount of credit from formal sources and were charged high rates of interest by monopolistic informal moneylenders. (AEMFI, 2015)

Saving and Credit Cooperative societies (SACCO) are cooperative financial institutions owned and controlled by members. It is established for the purpose of encouraging saving, and by mobilizing pooled funds they provide loan service to its members at a reasonable rate of interest and other financial-related services to enable members improve economic and social conditions (Galor, 1995).

In Mida Woremo district, there are eight women Saving and Credit Cooperatives (SACCOs) which were established in 2006 with the assistance of Menschen fuer Menschen (MfM) Foundation, a non-political, non-religious & non-governmental organization (NGO), engaged in promoting rural development programs in the district. These women Saving and Credit Cooperatives were organized and up-graded into Union with the name called Addis Alem Saving and Credit Union.

The support of MfM includes provision of seed money, technical support, giving orientation and training to its members, providing office furniture, and arranging office from the woreda

administration and maintaining it to avail the required service. According to MfM Mida Woremo IRDP 2013 terminal report, MfM provided a total of ETB 5,876,000 as a start-up capital to 3,559 women organized in eight women SACCOs who are living in 17 kebeles of the district with a revolving fund modality apart from provision of technical support (MfM, 2013).

1.1. Statement of the Problem

Women are disadvantaged compared to men in terms of socio-economic status. In most cultures and economies, women are subordinate to men (Young, 1993). The power relations between women and men within the family, community, and in the society in several developing countries are generally hierarchical and (Rives & Yousefi, 1997), and their subordinate position hinders them to participate in different socioeconomic activities.

Ethiopian women did not equally benefit from the national development endeavors because their contributions to the economy had not been fully valued (Transitional Government of Ethiopia [TGE], 1993). Ethiopia remains a highly traditional and religious society in which women are kept in a subordinate position (Gemechu, 2007).

Women are also having burden and responsibilities in executing home and field activities. Cleaning house, buying goods for home consumption, carrying agricultural products to the market, and participation in various agricultural activities like weeding are some of their responsibilities. Despite their share of labor, their work is not valued by the society and the decision to control over income goes to the men. In rural areas, women live in oppressive culture that denies their right to participate in decision making process. Therefore, socioeconomic deprivation of women is characterized by their limited access to resources, services, and employment. As a result, a large number of women are economically dependent on men.

Women in Mida Woremo district previously are less educated due to inaccessibility of schools, early marriage, and negative perception of the community towards the importance of women education, heavy workload and overall low-level of living standards. The saving and credit cooperatives have targeted women who are marginalized in the society and own little or no asset, lack decision making power, have limited access to education and health facilities. Saving and

credit cooperatives were used as instruments to address the socioeconomic deprivation such as improving their economic and social capabilities, and contribute to the wellbeing of their families and communities. Microcredit programs are seen as the most important instruments to narrow-down the marginalization of women in various socioeconomic aspects such as providing them start-up funds for productive investment, help poor women to smooth consumption flows and send children to school.

Despite the fact that considerable research has been done on the impact of saving and Credit program on various outcome variables in relation to women in Ethiopia. More importantly, in the Amhara Region, where this study is to be conducted, studies are very little (Yigzaw, 2014). Alamirew (2006) reported that microfinance has positive impacts in reducing poverty, penned that considerable findings were drawn on market-oriented micro-financing. Yet the impacts of MFIs on women empowerments and socioeconomic aspects are overshadowed. There is still a need of more evidences on the impact of SACCOs on the socioeconomic status of women in Mida Woremo District where there is no any research effort to assess the impact of SACCOs. So, the researcher assessed the impacts of the MfM on empowerment and their socio-economic condition of rural women in Mida Woremo District.

1.2. Objective of the Study

1.2.1. General Objective

The general objective of the study is to assess the impact of saving and credit service on the socioeconomic status of the rural women in Mida Woremo District.

1.2.2. Specific objectives

- To assess the role of SACCOs in improving women's income and saving habit.
- To assess the impact of SACCOs on asset creation by women.
- To assess the impacts of SACCOs on raising women participation in household decision making

1.3. Significance of the study

This study investigates the impacts of Saving and Credit service on women's socioeconomic status in Mida Woremo District. Information about the impacts of Saving and Credit service on the socioeconomic status of women has important policy implication. In this regard, the study's

findings regarding the role of micro-credit in the economic and financial empowerment of rural women will have significant contribution to development practitioner & policy makers. Besides, this study helps as input for MfM Foundation to improve their services in other project areas using the fact from the study.

1.4. Research Questions

In undertaking this research the following research questions are raised

- How far and in what ways does the service of rural micro-credit based on the needs of the rural women
- What contribution does micro-credit facility play in developing women's savings habit?
- Does access to micro-credit facility has the role to economically empower rural women?
- What is the significance of SACCOs in involving women income generating activities?
- Does access to micro-credit has a role on raising women's participation in household decision?
- What are the main impacts (achievement & failures) as perceived by the rural women due to their participation in SACCOs.

CHAPTER TWO:

REVIEW OF LITERATURE

2.1 Definition of Terms and Concepts

For the purpose of conducting this research, the researcher defines the terms and concepts in the following way:

Microfinance is the provision of financial services to low income poor and very poor self-employed people (Otero, 1999). These financial services, according to Ledgerwood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services.

The terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha(1998) states that microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services such as savings and insurance. Therefore microcredit is a component of microfinance in that it involves the provision of credit to the poor, whilst microfinance add on non-credit financial services such as savings, insurance, pensions and payment services (Ferka, 2011).

Cooperatives: are societies who are eligible and who can be organized in saving and credit form of cooperative societies to achieve their common objectives under the federal cooperative society's proclamation. No 147/98.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly –owned and democratically controlled enterprise (Kejela, 2013).

A SACCO is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of promoting thrift, providing credit at a low interest rates and providing other financial services to its members (IJCRB, 2013).

Saving and credit cooperative societies are different from other micro finance enterprises. In SACCOS, the members should save first to get a credit but in micro finance the customers should take the credit and then they can save.

2.2. Significance of Saving and Credit Cooperatives

SACCOs are legally constituted cooperative institutions established, in most cases, under national cooperatives law to meet the basic financial service needs of primary low and middle income citizens who generally cannot obtain these services through the existing banking system (Galor, 1995). It is well recognized that SACCOs provide a means to learn the value of regular saving and wise use of credit. Some even consider them as a form of economic empowerment, where members collectively control and manage their own financial institution which provides saving, credit and financial management services (Galor, 1995)

As a result, SACCOs are appreciated for creating an opportunity for people to take responsibility for their own financial organization (SACCOL, 2013). SACCOs mobilize local resources and return them to members in the form of loans and hence the money stays and works within the members. SACCOL in its website listed a number of advantages of SACCOs and among these the notable ones are: better interest rate on both saving and loans, low overhead cost compared to banks, encouraging members to save with the objective of economic empowerment and educating members on prudent handling of money (Ibid, 2013).

In SACCO each members is not another customers to the cooperative, he/she is rather a member as well as an owner of the cooperative, who even gets a share of the profit in the form of dividends. Savings are mobilized locally from the members and are returned to them in the form of loans and this way the money stays and works within the members. SACCOs encourage and educate members to regularly save their money and aim at liberating members from dependence on money lenders and unfriendly banking terms.

2.3. Historical Development of SACCOS

The modern history of cooperatives started with the Rochdale Society of Equitable Pioneers, founded in 1844. This was an early consumer co-operative, and one of the first to pay a

patronage dividend, forming the basis for the modern cooperative movement. Although other co-operatives preceded them, the Rochdale Pioneers' co-operative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which cooperatives around the world operate to this day. The model the Rochdale Pioneers used is a focus of study within co-operative economics (Gatuguta et al., 2014).

The Rochdale Society of Equitable Pioneers was a group of 28; around half were weavers in Rochdale, Lancashire, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one £1 per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British co-operative movement had grown to nearly 1,000 co-operatives (Ibid, 2014)

These consumer cooperatives, which emerged in Britain in the 1840s along the Rochdale system, are today the market leaders in Italy, Switzerland, Singapore and Japan. They are also very active in the Scandinavian countries and Atlantic Canada. In the UK, which has seen the fiercest competition among consumer chains, consumer cooperatives are fifth in market share and are pre-eminent in the small supermarket sector. Consumer co-operatives have a strong record of creating decent work for their employees, engaging in fair trade with producer cooperatives in developing countries, setting industry standards for honest labeling, and promoting healthy diet (The Asia foundation, 2010).

In African countries, the first experiences of savings and credit co-operatives were to a large degree the work of foreign missionaries (Mwelukilwa, 2001). Many of the first savings and

credit cooperatives emerged in the English-speaking countries, primarily in Ghana 1955, Uganda 1946 and in Nigeria dates back to 1951-1953. In Tanzania SACCOS emerged in 1954, Kenya in 1964, Liberia 1965 (Mbwana and Mwakujonga, 2013).

In Ethiopia, the history of cooperatives goes back to the imperial regime. The first proclamation on cooperatives was issued in 1961 (FCA, 2005). From the limited documents available, it is apparent that few cooperatives were functional in the 1960s and 1970s. These were mainly established by coffee and sesame producers. Also, savings and credit cooperatives (SACCOs) were organized by employees of Ethiopian Airlines, the Light and Electric Power Authority, the Commercial Bank, the Highway Authority and Telecommunications. One study indicates that there were about 149 cooperatives in 1974. They consisted of 94 multipurpose cooperatives, 19 SACCOs, 19 consumers' cooperatives and 17 handicrafts cooperatives (Lelisa, 2000).

During the military regime cooperatives was viewed as a key instrument to build a socialist economy pursued the cooperatives agenda more aggressively. Large number of cooperatives was observed during the centrally controlled economy which lasted from 1974 to 1991. The new cooperatives largely focused on savings and credit as well as the supply of government-subsidized consumer supplies and agricultural inputs. According to information from the Ministry of Agriculture (MoA), at the height of the regime there were about 10,524 primary cooperatives with membership of 4,529,259. The formation of cooperatives during this regime was conducted without respecting the principle of voluntary membership. All were organized on the socialist principle of collective farming and all members were required to contribute an equal amount and have an equal share. Moreover, all households under the designated Kebele were required to be members of cooperatives without which certain basic supplies would not have been accessed at affordable prices. The large majority of the cooperatives during this period were providing services to their members only (ILO, 2008).

The present government provided a legal framework which is both comprehensive in many respects (including its ability to accommodate cooperatives in various sectors/sub-sectors) and incorporates universally accepted principles of cooperatives including voluntary membership (Proclamation No. 147/1998 and 402/2004). As a result some improvements have been seen in cooperative societies in the country. Cooperative societies started to distribute inputs, provide

loan to their members, market produces of members in the domestic and foreign market, Unions (secondary cooperatives) were formed with the assistance of Cooperative Union Project (CUP) funded by VOCA/Ethiopia/USAID), dividend payments were made by the unions as well as primary cooperatives. The number of Primary and secondary cooperatives of different types with significant increase in number of member beneficiaries is achieved (Kifle, 2015).

2.4. Models of Microfinance Interventions

MFI's employ wide variety of implementation methods to reach their clients. These methods are called models of MFI. The Grameen Bank has identified different microfinance models of which Rotating Savings and Credit Association (ROSCAs), the Grameen solidarity group model and the Village Banking models are some of the models common in Ethiopia.

2.4.1. Rotating Savings and Credit Associations (ROSCAS)

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbors and friends, and the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go-rounds or Self-Help Groups (Yunus, 1999). In Ethiopia, Rotating Savings and Credit Associations (ROSCAS) are widespread both in urban and rural areas and are referred to as '*equb*'. Households participate in '*equbs*' regardless of their race, religion and their socioeconomic status. Particularly, '*equbs*' are important sources of finance for households who are potentially to be credit constrained.

2.4.2. The Grameen Solidarity Group model

This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ledgerwood, 1999). This model is well-matched with social structures in

rural Ethiopia. This is not only because the model builds upon existing social structures of mutual support and communal life, but also because it removes the main entry barriers for the very poor, such as lack of collateral, limited literacy, weak technical knowledge, and little prior money management experience (Getaneh, 2010). MfM project in the study area has adopted this Grameen Bank Solidarity approach, which is group lending approach, by organizing members in groups with 5-10 members and establishes group guarantee system for delivery of micro finance services.

2.4.3 NGO Model

NGO have emerged as a key player in the field of microcredit. They have played the role of intermediary in various dimensions. NGOs have been active in studying and participating in microcredit programs. This includes creating awareness of the importance of microcredit within the community as well as various national and international donor agencies. They have developed resources and tools for communities and microcredit organizations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practices of microcredit. This includes publications, workshops and seminars and training programs (Srinivas, 2015).

2.4.4. Peer pressure Model

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in microcredit programmes. Peers could be other members in a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure is put on the initial members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; banks etc. The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc. The Grameen model extensively uses peer pressure to ensure repayment among its borrower groups (Srinivas, 2015).

2.4.5. Village banking Model

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Hulme, 1999). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ferka, 2011). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Hulme (1999) the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

2.6. Microfinance Experience in Ethiopia

A key component of Ethiopia's development strategy is the establishment of sustainable microfinance institutions serving large numbers of poor people. While non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years, the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot, 2002). Hence, Microfinance has become a growing sector in Ethiopia.

The Ethiopian microfinance sector is characterized by its rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed MFIs, an

emphasis on rural households, the promotion of both credit and savings products, a strong focus on sustainability and by the fact that the sector is Ethiopian owned and driven. The industry has a strong focus on loans to the very poor, as indicated by the relatively small loans when compared to neighboring countries. Sector outreach is impressive and the financial performance of the sector is considered good, although the operational margins and profitability are low. MFIs have also mobilized a significant amount of savings, thereby improving financial as well as operational sustainability (MFT, 2011).

As of 2013, 33 microfinance institutions are registered with the National Bank of Ethiopia. These institutions serve 3.2 million borrowers with portfolio of Birr 12.9 Billion. The three largest micro finance institutions (namely, Amhara Credit and Saving Institution(ACSI), Dedebit Credit and Saving Institution(DECSI) and Oromia Credit and Saving Share Company (OCSSCO)) accounted for 33 percent , 20 percent and 16 percent of the total assets of all MFIs, respectively (AEMFI, 2015)

A study conducted on the Dedebit Credit and Saving Institution (DECSI); found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements in the years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also concluded that economic empowerment leads to social and political empowerment.

On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Ferka, 2011).

Tsehay and Mengistu (2002) reported more positive impact of microfinance on poor women in Ethiopia. They concluded that participation resulted in significant increase in household income. Women were said to be able to provide for the basic needs of their families; had control over resources; owned assets; able to cope up with risks; save more for future use; and increase empowerment, among other things.

In Amhara Regional state, practice strongly suggests that microfinance indeed has a potential to be one of the key instruments to fight poverty in its every aspect by positively affecting the house-hold economic portfolio. For the poor, it can expand opportunities for enhancing income, improve capabilities in terms of human capital, improve the coping mechanism against vulnerability in its various features, as well as empower the disadvantaged; and the impact can occur at enterprise, individual, household and even community level, much of which being a result of enterprise profitability. Yet, the available evidence suggests little progress in this regard (Getaneh, 2004). Similarly, though credit is generally expected to have a positive impact on household livelihoods, a study conducted in North Gonder, Ebinat district argued that credit affects households differently depending on wealth. Results show that credit failed to enable poor households to move out of poverty and food insecurity, whereas better-off and labour rich households used credit to improve their livelihoods. For poor households, rather than achieving long-term livelihood improvements, access to credit only means short-term consumption smoothing with a risk of being trapped into a cycle of indebtedness (Siyoum, A.D et al., 2012)

In connection with women's empowerment, Padma, and Getachew (2005) reported positive impacts of microfinance.

The other study was conducted on OMO and SIDAMA micro-finance institutions' women clients in Awassa town, Southern Nations and Nationalities Peoples' Regional State. According to this study, a majority of the clients are involved in the making and trading of food, and food-related products. The study also witnessed there is no diversification in their business activity. The reason for this is that the production of food and related items trade involves less risk compared to other activities. The study further found that 92% of them are not very much aware that the savings are more important than credit to build their future. The researchers' explanation

of this finding is that MFI's savings policy is only to cover the risk situation rather creating any element of thrift among the clients.

Nevertheless, the study argued that there is a good influence of micro credit on the urban women working groups in terms of income and self-employment generation. Furthermore, it also reflected in many cases in business improvements, decision making process and asset formation at low levels, and it is believed not sufficient (Padma &Getachew, 2004).

After more than ten years of hard work and two international excellence awards, Amhara Credit and Saving Institution (ACSI) is now the leading microfinance institution in Ethiopia. An impact study conducted by the Association of Ethiopian Microfinance Institutions (AEMFI) in 2007 estimated that the institution was responsible for substantial growth in agricultural gross domestic product (GDP) in the Amhara region. According to the study, by the eighth loan cycle clients are able to put poverty permanently behind them, but even by the fifth loan cycle they can significantly improve their living conditions (IFAD, 2007) In addition, other study on ACSI clients found that the percentage of those with assets grew from 67 per cent at the beginning of their relationship with ACSI to 84 per cent among the mature clients (IFAD, 2011).

To sum up, microfinance has been carried out to alleviate poverty by connecting the poor in to productive economic circuit. This objective was expected to be attained by creating jobs, increasing income, diversifying income sources, availing better access to health and education, empowerment, and protecting against risks, among others.

Practice however revealed that the outcome of microfinance have been both the anticipated positive changes and in some cases unexpected negative results. In conclusion governments and donors should know whether the poor gain more from small loans compared to other alternatives such as health care, education, agriculture, food aid, etc. most measures of the impact of microfinance institution fail to control for what would have happened in their absence. The net contribution or impact of microfinance to poverty reduction should be properly and more accurately measured.

CHAPTER THREE:

METHODOLOGY

3.1. Description of the Study Area

This study was conducted in Mida Woremo District of North Shoa zone in Amhara Regional State of Ethiopia. The woreda capital town, Meragna is located at a distance of 225 km from Addis Ababa and 180 km from Debrebirehan on the main road to Degollo town. The district is sub divided into 20 rural administrative structures and two sub-urban towns (Mida Woremo Woreda Annual report, 2006).

According to the present statistics of the woreda administration, there are about 93,729 inhabitants with male and female constituting of 50.2% and 49.8%, respectively. Among these, about 83,280 are living in the rural areas and about 10,450 are urban residents. The woreda is densely populated. The average family size is estimated to be 5 persons per household. There are around 18,745 households that make their livings mostly from agriculture. The land holding size is estimated at 1.5 hectares per household. Of the total population 95% are Orthodox Christians, the remaining 5% are Muslims.

The district has a total land area of 86,772 hectares (868 km²). It has 30% lowland, 63% midland and 7% highland. The altitude ranges from 1250 to 2600 masl. The average annual temperature ranges from 20°C to 28°C. The mean annual rainfall is 1200 mm. The land use system indicates 63% arable, 25% forest and bushy, 12% settlement & waste lands. Topography shows 29.5% plain land, 46.5% Mountain & hilly and 24% valley & gorges. There is excessive runoff during rainy season resulted from its topographic characteristics, which attributes to sever erosion. The dry season extends from October to May.

3.2. Regional Overview Microfinance Institutions (MFIs) in the Context of the study

Five MFIs currently operate in Amhara region, ACSI, Wisdom, Meket, Eshet and PEACE. They currently reach approximately 212,000 active clients, or about 10 percent of households with a demand for credit. ACSI is by far the largest MFI in the region, with an outreach of 196,000, or 92 percent of all clients. Smaller MFIs (MFIs with smaller total size of assets) reach only 8

percent of all clients. In addition to these MFI programs, several NGOs in Amhara are channeling loan funds to borrowers through service cooperatives, mostly for agricultural activities (Sida, 2003).

3.3. Universe of the Study

In Mida woremo woreda, Addis Alem saving and credit union comprises eight (8) Women saving and credit cooperatives made-up of 3,559 women in seventeen (17) kebeles of the district. Of this, the target population was two women saving and credit cooperatives of Meragna town and Behera villages with a total population of 701 members which was randomly selected from the union and other non-SACCO member households of the district.

3.4. Sampling Design

The households included in the study were selected at random in two stages. The first stage involved selecting households from villages earmarked by SACCOS Cooperative Union Limited as potential areas where the program might be introduced in the near future. These are SACCOS groups formed in the area but they have not been targeted by SACCOS activities yet. These act as areas from which a control group would be drawn. The second stage involved randomly sampling households from areas with SACCOS activities. To determine the sample size, the Solvin's formula of sampling technique was used.

Yemane (1967:886) provides a simplified formula to calculate sample size. This formula was used to calculate the sample sizes. A 95% confidence level and $p=0.5$ are assumed.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size,

N is the population size, and

E is the level of precision.

Based on this, the researcher considered half of the sample size due to time, finance and other related problems. This sample size in the view of the researcher was considered fairly adequate and representative. Specifically, the sample included 41 households of individuals participating¹ in SACCOS activities, 84 households of non-members from villages where

¹ Participation is defined in terms of current membership i.e. actively involved in SACCOS activities at the time of interviews.

SACCOs operates, and SACCOs does not currently have activities, a control group², such non-members to active SACCOs groups with SACCOs activities would act as a comparator. This sampling in part ensured that there is not much heterogeneity between the villages hence qualifying them for a better comparison group than if they are located very far away. The villages under each of the SACCOs groups under study were drawn through stratified random sampling. The stratification was based on the presence and absence of SACCOs program.

Some non-program villages were selected among neighboring program villages. Control villages and program villages were chosen from each of the SACCOs program areas inclusive of non-program villages. In selecting survey households, the universe of households in program villages was drawn from SACCOs member register book grouped according to eligibility status. The household said to be eligible had a landholding size of less than 0.25 hectares and had less than one cattle. This eligibility rule was set to simply identify the poverty status of the households. The households interviewed in the study were selected using Simple Random Sampling method.

3.5. Data Collection

The research team comprised the researcher and seven enumerators. The researcher trained the enumerators on a number of relevant aspects of the research prior to the interviews. This was meant to help the team on understanding the objectives of the research. A household survey was conducted using a semi-structured questionnaire which was pre-tested. The results of the pre-test assisted in the restructuring of the final questionnaire by paraphrasing or rephrasing questions that were unclear to both the respondents and interviewers, incorporating missing variables and omitting irrelevant questions.

Data were collected on socio-economic and demographic characteristics using the pre-tested semi-structured questionnaire. All sample participants and non-participants of SACCOs program were visited and interviewed. Primary data were also collected through key informant interviews using a checklist of issues. Focus group discussions were employed to capture information based on consensus and to verify the responses from the individual interview. Respondents were placed in groups of 8 – 10 and a checklist of issues was used to facilitate the

² Control group is a sample of households from control villages and includes those households whose household heads expressed their willingness to participate in SACCOs program if available (members of non-functional SACCOs groups in case of this study in Mida Woremo district).

discussion and notes were taken. The study was also used observation method which will enable the researcher and the enumerators to validate the household's responses.

Data collected included sources of household income, membership of SACCOs groups, access to infrastructure, land holding size and distance between a household's residence and SACCOs local office. Secondary data and other relevant information were collected from regional bulletins, reports, journals, and publications from Ministry of Agriculture, MoTI and records from Addis Alem SACCOs Cooperative Union Limited and others. The researcher was also used observation to find out physically how the microfinance activities have helped shape the livelihood of women with regards to the food they eat, growth in the petty trading and their role in the household decisions.

3.6. Data Processing and Analysis

The data collected through survey were analyzed using both qualitative and quantitative data analysis techniques. Quantitative data were coded, analyzed and tested through independent t-test and Double- Difference analysis using Statistical Package for Social Sciences (IBM SPSS – PC for windows, version 20.0). Impact of the credit program was assessed by comparing the situation of change in income, and change in expenditure between clients and non-clients of the credit program in two time periods (before and after the credit was advanced). In order to assess the impact of credit on income, and total expenditure, a double-difference analysis between clients and non-clients for two time period (before the loan was advanced to the clients and after the loan was advanced to the clients) was performed. The model used for this analysis can be explained as follows:

$$Y_i = (Y_{it_1} - Y_{it_0})_{\text{Clients}} - (Y_{it_1} - Y_{it_0})_{\text{non-Clients}}$$

Where,

Y_i represents outcome variables such as total income, and total expenditure t_0 represents outcome variable measured for both clients and non-clients before the intervention (credit)

t_1 represents outcome variable measured for clients and non-clients after the intervention (credit)

Further, information gathered from the interviews and observations were analyzed using meta analysis.

CHAPTER FOUR:

DATA ANALYSIS AND INTERPRETATION

The presentation and analysis of results are carried out in this chapter based on the data collected from both the clients and non-clients of SACCO in Mida Woremo Districts in the branches of SACCO in North Shoa Zone. The chapter presents the empirical findings of the study and followed by the interpretation and discussion about the findings.

4.1 Demographic Information of the Respondents

As per demographic characteristics of the respondents of SACCO, Table 1 shows that 98.4% of the respondents were female where as 1.6% were male. The lion's share of the respondents was women that testify the fact that most of the beneficiaries of microfinance are female because the researcher has selected the respondents randomly without any bias towards gender. There are good reasons to target women by SACCO, because gender discrimination is one of the major causes of poverty, slower economic growth, weaker governance and lower standards of living and women are poorer and more disadvantaged than men. However, women contribute decisively to the well being of their family comparatively much more than men (Alamirew B. 2006).

With respect to age, 65.4% of the respondents were in the age range of 30 to 40 years. 24% were in the age range of 18 to 30 years and the remaining 10.6% fell between 40 years and above. This reveals that members of SACCO were from all age group without any discrimination which shows indistinctive nature of cooperative. However, most of the respondents in the district were predominately in the productive age group. The middle age in the society is the economically active population who has the potential to engage in petty trade and other business activities. The respondents also classified in terms of their level of education since, it could affect the way in which they manage their daily lives and manage the household and business. From this survey, the majority (56%) of the respondents are illiterate. Next to these group, 18.2% had more than 9 years of education experience (grade 9 and above), 12% had junior education experience (5-8 grades). However, only 6.6% of the respondents had basic primary education (1-4 grades). The rest 5.8% can read and write. From this finding, it can be said that most of the respondents in the

district had a very low level of education. Education is crucial for economical, social, political, cultural, human and other aspects of development. This implies that more is expected to work on education of respondents, especially SACCO members in order to make their cooperative service more productive and to ensure its sustainability. Besides, capacity building of SACCO leaders is also of paramount importance to properly manage the cooperative members, finance and property in a more knowledgeable manner. With regard to their numbers of dependent family members, the analysis shows that 55.2 % of the respondents had less than two dependent female members in their family, which indicates that respondents were either unmarried, or had no children, 48 % had male dependent members. The researcher tried to find out how many family members each respondent have because a large family size usually has higher expenses than a smaller family.

Table: 1. Demographic characteristics of respondents

Variables	Measuring Group	Frequency	Percentage (%)
Gender	Male	1	1.6
	Female	124	98.4
	Total	125	100
Age (years)	18-30	36	24
	30 – 40	98	65.4
	>40	16	10.6
	Total	150	100
Educational Level (in years)	Illiterate	68	56.2
	Read & write	7	5.8
	Grade 1-4	8	6.6
	Grade 5-8	15	12.4
	Grade 9-12	22	18.2
	Total	100	100
No. of Family Members	Female independent	69	55.2
	Male independent	60	48
	Total independent	129	100

Data Source: Authors' Field Survey (2016)

4.2. Status of Membership, Previous business ownership and income source of the respondents

The study had aimed to address two different groups: those who are members to any group or cooperative; and those who are not members any groups or cooperatives. Apparently, 30.4% of the respondents were members, & 69.6% of the respondents were non-member beneficiaries of

SACCO. On the other hand, 7.2% of the interviewees were members of at least one group, other than SACCO, available in the district. This shows that SACCO is the major cooperative, to the poor people in the district. (Table 2).

Table 2. Respondents' Membership Status

Status	SACCO		Other Groups	
	Frequency	Percent	Frequency	Percent
Member	38	30.4	9	7.2
Non-member	87	69.6	116	92.8
Total	125	100.0	125	100.0

Data Source: Authors' Field Survey (2016)

The respondents of the institution were asked if they had their own sources of income or any business activities that helped them to generate income and create employment opportunity before joining the credit program. As shown in Table 3, only 30.9% of the respondents of SACCO had their own business and income sources previously from which they generate income and creating Employment opportunity before joining the credit program. However, the majority of the respondents (69.1%) had no previous business experiences. This may be a good indicator that SACCO is mainly targeting to the poor segment of the society in its credit service provision. It indicates that MFIs are contributing a lot in self-employment to start new small-scale businesses as well as in the expansion of old businesses.

Therefore, we can see that more than 69.1% of the respondents were part of the large families, and at the same time higher proportion of the people did not have any business experience before joining SACCO. So indirectly, MFIs were able to reach and benefit more people and enable them to improve their living standards in general.

Table: 3. Previous Business Ownership and Income Source of the Respondents

Respondents' Business Experience	Frequenc y	Percen t	Valid Percent
Have Business Experience Before Joining SACCO	29	23.2	30.9
No Business Experience Before Joining SACCO	65	52.0	69.1
Total	94	75.2	100.0

Data Source: Authors' Field Survey (2016)

4.3 Source of Start-up Capital of the Respondents

Table 4 shows the source of start-up capital (Source of initial capital) of the respondents. 57.6% of the respondents said that they had no start-up capital at all. 24% of the total respondents have taken their loan from SACCO. The rest of the respondents have either borrowed money from friends and relatives or have started business from their personal savings. It implies that large number of rural poor; especially women do not have access of credit from financial institutions like banks due to inability to meet collateral security requirement or even due to the absence of the financial institutions in such remote areas. So, SACCO is the major source of initial capital and is playing a significant role in helping the poor people to start their own business.

Table: 4. Source of Start-up Capital of Respondents

Source of Start-up Capital	Frequency	Percent
Individual money lenders	5	4.0
Relatives	7	5.6
Friends	10	8.0
SACCO	30	24.0
Others	1	.8
No start-up capital at all	72	57.6
Total	125	100.0

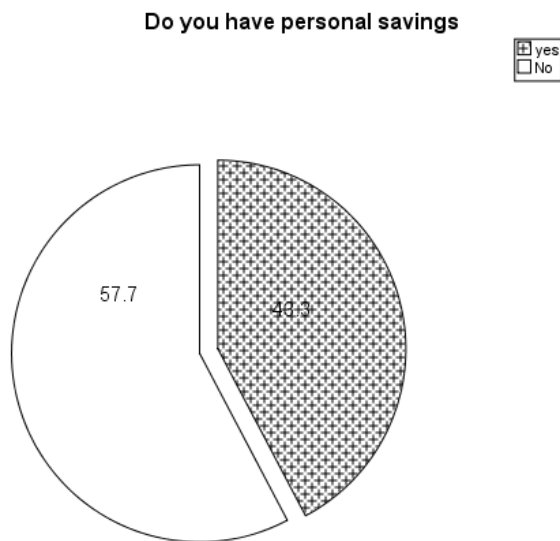
Data Source: Authors' Field Survey (2016)

4.4. Personal saving of respondents

The impact of the program has been manifested in education, health, nutrition, and in savings mobilization. One of the components of the program is a requirement to save on a regular basis. The respondents were asked if they had personal savings excluding the forced loan guarantee. Chart 1 below reflects that 42.3% of the clients responded to have personal savings while 57.7% said they had no savings. The study shows that all SACCO members had personal saving. This signifies that the presence of SACCO has motivated clients in the area to cultivate the savings habit.

The main reason given as to why people save is to enable them in case of severe crisis and to provide protection against risks, used to acquire another microfinance cycle and also to expand the existing economic activities. However some clients prefer to save in physical assets after the obligatory loan guarantee savings.

Chart: 1. Personal Savings of Respondents



Data Source: Authors' Field Survey (2016)

4.5 Improvements in client's income, savings, employment Opportunities, housing conditions, and basic social services

The major objective of microcredit is to create income among poor households and thereby improve living standards, empowerment and alleviate poverty. The increase or decrease in the level of income may have an implication on the life standard of the individuals. An increase in income, for instance, can pave the opportunity to open business, employment, entrepreneurship, access to health services, education, and house ownership. Social services such as education ensure that people gained skills and knowledge, while economic infrastructure such as water, transport, and electricity – together with health care – ensure that they used their skills and knowledge productively. According to Zigiju Samuel (2008), there is now growing evidence that social capital can have significant impact on development processes and outcome, in helping build human capital and contributing to household welfare.

In this regard, SACCO contributed to the formation of social capital because it encourage, work with, and approach borrower groups and individuals through different Community based institutions. Critical to the issue of microfinance services is also its employment creation among the poor society where many can use their “labor– commonly identified as the most important asset of the poor to generate income”.

It has been noted that in many countries of the world, microfinance programs, provides access to small amount of start-up capital for entrepreneurial projects which will then presumably help individual to create employment opportunities. Apart from serving people as shelter, a house is the most valuable asset people should have since when the house is improved, its value boosts and can be used for rental or enterprise purposes for generating income and thereby increases an individual and household's material wealth. In line with this, Zigiju Samuel found housing ownership as the most important productive asset of the poor that saves households against severe poverty. Respondents, both members and non-members were asked whether their incomes have increased before and after joining the program of SACCO. Income of members showed significant increment after they joined the program as they got the opportunity to be engaged in income generating business under the program and started earning income. On the other hand income of non-members remained almost the same after the program. This is clearly shown in Table 7.

Similarly, Table 5 clearly shows that there is a clear difference and improvement in the clients of SACCO after joining the program in relation with, savings, employment Opportunities, housing conditions, and basic social services. In addition, as it is shown in Table 5, because of the increased income of members after joining the program, improvement in the overall quality of living was observed as indicated by improved access to education, health care, housing, employment opportunities, clothing, and nutritional foods.

According to Focus Group Discussions, participants unanimously expressed that the service provided by SACCO had significantly changed their economic condition as most of them were engaged in income generating activities and started supporting their household expenditure. They stated that after joining the cooperatives, social relation among clients has improved since there is a chance for clients to make contact and exchange their experiences and share their problem during center meeting.

Table: 5. Improvements in client’s income, savings, employment Opportunities, housing conditions, and basic social services

After joining the loan/credit program:		Mean	Median	Mode	Std. Deviation	Min.	Max.	Remark
The income has increased	39	3.1538	3.0	3.00	0.87475	1.00	4.00	
The saving has increased	39	3.2051	3.0	3.00	0.80064	1.00	4.00	
Have better access to education	38	3.4211	3.0	3.00	0.50036	3.00	4.00	
Have better access to healthcare	39	3.3846	3.0	3.00	0.49286	3.00	4.00	
Have better housing conditions	38	3.3947	3.0	3.00	0.54720	2.00	4.00	

1= Increased, 2= Remained the same, 3=Decreased, 4= Doesn't know;

Data Source: Authors' Field Survey (2016)

After joining the loan/credit program:		Mean	Median	Mode	Std. Deviation	Min.	Max.	Remark
Employment opportunities and living standards in general have increased	39	3.4359	3.0	3.00	0.50236	3.00	4.00	
Affording to pay the medical expenses whenever you or your family members get sick	39	1.8974	2.0	2.00	0.30735	1.00	2.00	
Affording to pay the schooling expenses of your children	37	1.8649	2.0	2.00	0.34658	1.00	2.00	
Ability to buy clothing for self and for your children in General after the program	39	1.8974	2.0	2.00	0.30735	1.00	2.00	
Affording to pay for service expenses of electricity and water	39	1.9744	2.0	2.00	0.16013	1.00	2.00	
Affording to buy/ eat foods like meat, fish, butter...etc	39	1.8974	2.0	2.00	0.30735	1.00	2.00	

1= strongly Agree, 2= agree, 3=neutral, 4=disagree, strongly disagree; Data Source: Authors' Field Survey (2016)

Table: 6. Improvements in Respondents' living standards

Variables	Time	Percent
Affording to pay the medical expenses whenever you or your family members get sick	Before SACCO	10.3
	After SACCO	89.7
Affording to pay the schooling expenses of your children	Before SACCO	13.5
	After SACCO	86.5
Ability to buy clothing for self and for your children in General after the program	Before SACCO	10.3
	After SACCO	89.7
Affording to pay for service expenses of electricity and water	Before SACCO	2.6
	After SACCO	97.4
Affording to buy/ eat foods like meat, fish, butter...etc	Before SACCO	10.3
	After SACCO	89.7
Total		100

Data Source: Authors' Field Survey (2016)

Table 7: Comparison of Respondents' Income before and after SACCO among Members and Non-members

Membership	Statistics	Annual income in ETB	
		After SACCO	Before SACCO
Members	Mean	2570.7368	897.8838
	N	38	37
	Std. Deviation	2011.84626	719.24710
	Sum	97688.00	33221.70
	% of Total Sum	59.6%	34.3%
	% of Total N	36.9%	38.5%
Non - Members	Mean	1020.1846	1078.9322
	N	65	59
	Std. Deviation	1193.70569	4649.29147
	Sum	66312.00	63657.00
	% of Total Sum	40.4%	65.7%

	% of Total N	63.1%	61.5%
Total	Mean	1592.2330	1009.1531
	N	103	96
	Std. Deviation	1711.00412	3660.73276
	Sum	164000.00	96878.70
	% of Total Sum	100.0%	100.0%

Data Source: Authors' Field Survey (2016)

Table: 8. Improvement in Businesses of Clients

Business type	Time	N	Maximum	Mean	Std. Deviation
Farming/ Fattening	Before	80	35000.00	5498.2500	5661.46910
	After	84	50000.00	9444.6429	9535.27496
Selling Local beverage	Before	26	45000.00	5920.0000	10135.55484
	After	22	6800.00	1220.0000	1954.36508
Grain trade	Before	19	30000.00	2749.4737	6968.75365
	After	22	18000.00	4328.1818	5878.31741
Petty trade	Before	25	18000.00	2977.6000	4477.53399
	After	48	80000.00	11856.4583	21529.83911
Other	Before	36	41100.00	7903.4444	9368.36652
	After	50	120000.00	14878.8800	20316.52095
Total	Before	108	41100.00	7959.5741	7846.17475
	After	120	134400.00	19583.7000	20195.56532

Data Source: Authors' Field Survey (2016)

Similarly, in terms of their ability to afford different expenses like clothing, nutritional foods, and basic social services; compared to before, they indicated that they have gained more ability to afford after joining the credit program. As table 6 shows that 88% of the respondents of SACCO indicated that their income has increased. Consequently, the majority of the respondents reported that their overall quality of life is improved. This clearly shows that the

institution is successful in improving the socio-economic condition of the poor people, and plays a great role in order to attain the millennium development goals in relation with poverty eradication.

4.6. Empowerment of the Respondents

As past studies indicated, participation in microfinance program is expected to have positive impacts on empowerment of the individual who receive and use the microcredit services particularly female clients (Padma, and Getachew (2005)

The clients were asked whether participation in microfinance program (SACCO) has empowered them or not. The majority of the clients (90%) who answered to this question felt that their position in the family had been strengthened, had attained a real change in their lives and self-esteem when they compare themselves to that period before they joined microfinance. Many felt that they can look after their children and educate them, afford a nutritious diet to the household and are no longer dependents on others. Some clients said that with the income they get, have managed to buy a plot of land and build a house while others said that their voices are heard in the household, their contribution in terms of income, their involvement in the decision making process has increased.

On a business level, several clients have managed to set up their businesses and run them. As a consequence of this their leadership and business skills have been enhanced.

The focus group discussion findings indicated that women clients like their male counter parts, started participating in household decision makings like in household expenditure, educating children, taking care of family health, in family planning and in community development works in their villages.

The findings of the interview with the project staff revealed that women in the district had limited access to control over resources. They were economically dependent on their husbands. They lived in oppressive culture that denies their right to participate in decision making process. After they have joined SACCO, they were empowered economically and attained better social status. They already started exercising their rights. It was expressed that clients participated in household and community decision making practices

Generally, access to microfinance resources tends to improve client's bargaining position within and outside the household. As it is clearly portrayed in table 9 and 10, there is a difference in the clients of the institution after joining the program in relation with empowerment.

Table: 9. Decision making power and empowerment of the clients

Decision making power	Status	Frequenc y	Percent	Valid Percent
In family Health care and Education	Increased	101	80.8	90.2
	Decreased	4	3.2	3.6
	No Change	7	5.6	6.3
	NA	13	10.4	-
	Total	125	100.0	-
In family planning	Increased	99	79.2	91.7
	No Change	9	7.2	8.3
	NA	17	13.6	17
	Total	125	100.0	125
In Education	Increased	96	76.8	91.4
	No Change	9	7.2	8.6
	NA	20	16.0	
	Total	125	100.0	
Women empowerment in family saving	Increased	67	53.6	68.4
	Decreased	1	0.8	1.0
	No Change	30	24.0	30.6
	NA	27	21.6	
	Total	125	100.0	
	Increased	63	50.4	65.6
	Decreased	2	1.6	2.1

Women empowerment in family loaning	No Change	31	24.8	32.3
	NA	29	23.2	
	Total	125	100.0	
Women empowerment in family income generation	Increased	79	63.2	71.2
	Decreased	4	3.2	3.6
	No Change	28	22.4	25.2
	NA	14	11.2	
	Total	125	100.0	
	Increased	95	76.0	85.6
Women empowerment in family property & financial management	Decreased	2	1.6	1.8
	No Change	14	11.2	12.6
	NA	14	11.2	
	Total	125	100.0	
	Increased	101	80.8	91.8
Women empowerment in participation in women affair	Decreased	2	1.6	1.8
	No Change	7	5.6	6.4
	NA	15	12.0	
	Total	125	100.0	
	Increased	98	78.4	90.7
Women empowerment in participation in youth affair	Decreased	1	0.8	0.9
	No Change	9	7.2	8.3
	NA	17	13.6	
	Total	125	100.0	

Women empowerment in participation in, children affair	Increased	97	77.6	92.4
	No Change	8	6.4	7.6
	NA	20	16.0	
	Total	125	100.0	

Data Source: Authors' Field Survey (2016)

Table: 10. Issues decided by wife/husbands before/after SACCO

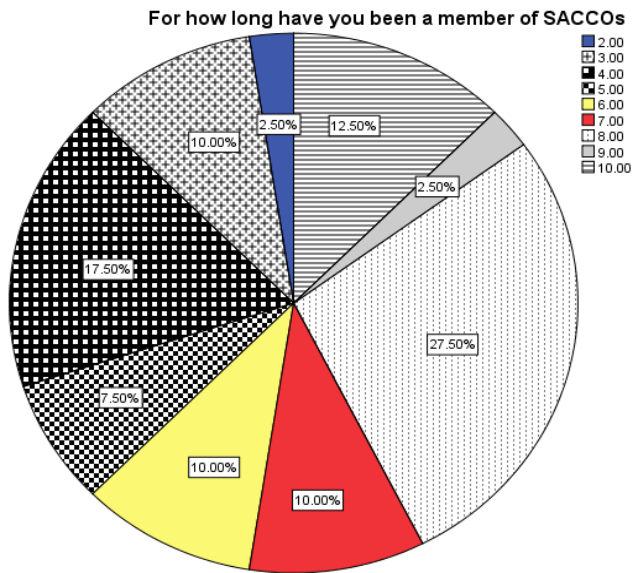
Issues decided by	Before SACCO				After SACCO			
	No.(%) of issues	Frequency	Percent	Valid Percent	No.(%) of issues	Frequency	Percent	Valid Percent
Husband only (in no.)	1.00	11	8.8	23.9	1.00	15	12.0	53.6
	2.00	18	14.4	39.1	2.00	5	4.0	17.9
	3.00	9	7.2	19.6	3.00	1	.8	3.6
	4.00	1	0.8	2.2	4.00	1	.8	3.6
	6.00	7	5.6	15.2	6.00	6	4.8	21.4
	NA	79	63.2		NA	97	77.6	
	Total	125	100.0		Total	125	100.0	
Wife only (in no.)	1.00	17	13.6	41.5	1.00	7	5.6	14.3
	2.00	2	1.6	4.9				
	3.00	2	1.6	4.9	3.00	1	.8	2.0
	5.00	1	.8	2.4				
	6.00	19	15.2	46.3	6.00	40	32.0	81.6
	NA	84	67.2		76	60.8		
	Total	125	100.0		125	100.0		
Wife and Husband (in no.)	1.00	1	0.8	1.2				
	2.00	2	1.6	2.4	2.00	2	1.6	2.8
	3.00	15	12.0	18.3	3.00	2	1.6	2.8
	4.00	13	10.4	15.9	4.00	6	4.8	8.5
	5.00	15	12.0	18.3	5.00	17	13.6	23.9
	6.00	36	28.8	43.9	6.00	44	35.2	62.0
	NA	43	34.4		NA	54	43.2	
	Total	125	100.0		Total	125	100.0	

Data Source: Authors' Field Survey (2016)

4.7. Clients' Perception on the Effectiveness of the Loan Obtained from SACCO

Respondents were asked for how many years they had been members in the SACCO. The majority, 27.5% of the respondents said that they had been members for 8 years. 12.5% of them replied that they are members for 10 years.(chart 2)

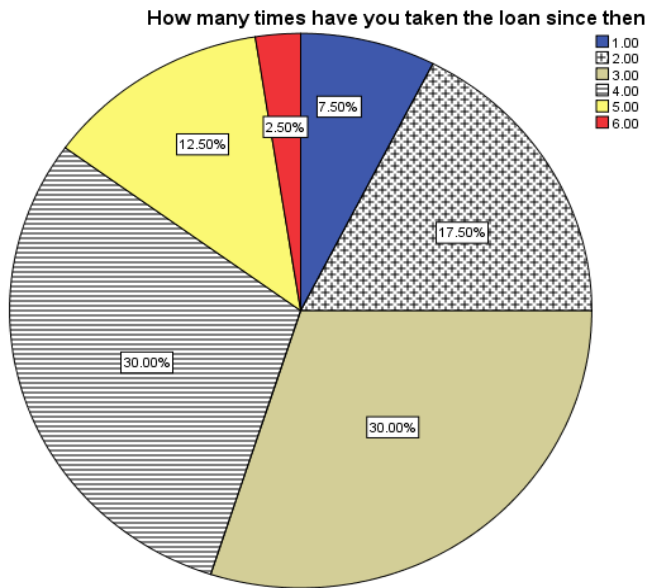
Chart 2.SACCO membership in years



Data Source: Authors' Field Survey (2016)

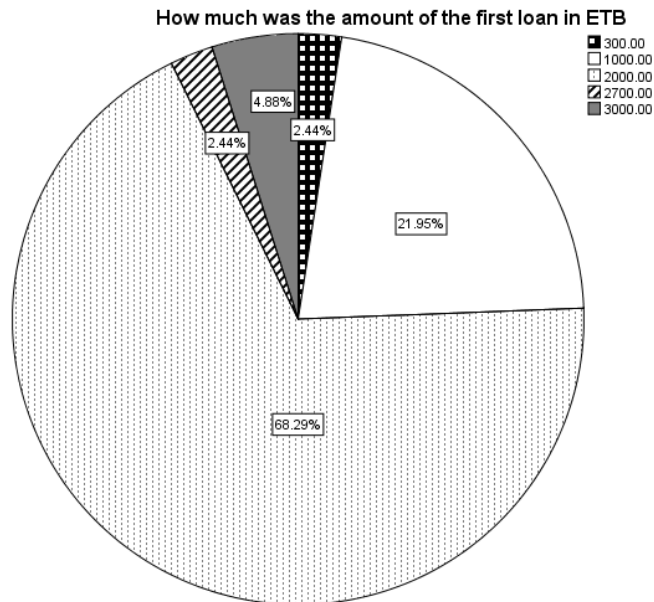
On the other hand, 17.5% of the total respondents had taken loan twice.75% of the respondents had taken loan at least three times. (Chart 3)

Chart 3. Loan round



Data Source: Authors' Field Survey (2016)

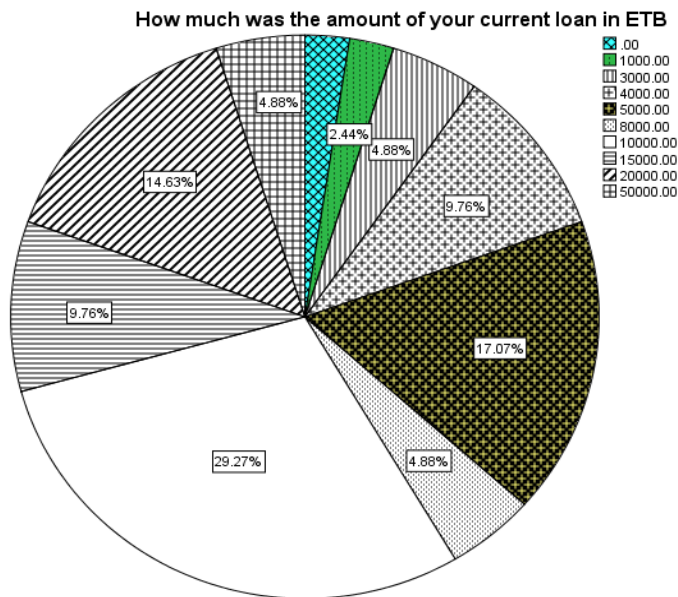
Chart 4. Amount of first loan in ETB



Data Source: Authors' Field Survey (2016)

More than Sixty eight percent of the respondents replied that they had taken a 2000.00 ETB loan. Twenty percent of them said that they had 1000.00ETB loan. (Chart 4)

Chart 5. Amount of Clients' Current Loan in ETB



Data Source: Authors' Field Survey (2016)

The majority of them (29.27%) said that they had a current loan of 10000.00 Birr. Another 17% of them had 5000.00 Birr current loan. (Chart 5). This shows that as the financial capacity of SACCOs increases, the amount of loan to be provided to beneficiaries will also increase.

4.8. Clients' Perception on SACCO Services

A separate questionnaire was designed to capture the perception of clients on the credit program. Table 11 shows whether clients are satisfied with financial services of SACCO or not. About 87.3% of the clients reported that they received enough amount of loan to meet their demand, according to their request. About 90 % of clients received the loan as soon as they apply for it. Concerning training about loan utilization, almost all clients (98 %) received training or orientation before they received the loan. However, 13% of the clients complained about the amount of loan provided by SACCO that means the loan were not enough to fulfill their purpose. In general, most of the clients are satisfied with financial service delivery of SACCO. On the other hand, focus group discussion participants mentioned that the loans of saving and credit cooperative were better and cheaper than borrowing from private sources with extremely high interest rate. In spite of the benefits of the credit provision in improving the income of their household, they complained that the size of the loan the institutions have allowed for initial loan

is too small. This situation limited their capacities so they are forced to engage in activities that asked them little effort and provided them with quick return over that would enable them pay their debt timely. The other issue they raised during the discussion was the duration of repayment set by the cooperative is short. It is only two years. They suggested that prolonging the duration of repayment will minimize the burden of clients.

Table: 11. Clients perception on SACCO Services

Variables	Measuring	Frequency	Percentage
Received the amount of money requested	Yes	131	87.3
	No	19	12.7
	Total	150	100
Received enough amount of money for the purpose	Yes	130	87
	No	20	13
	Total	150	100
Received the loan in time as soon as requested	Yes	135	90
	No	15	10
	Total	150	100

Data Source: Authors' Field Survey (2016)

4.9. Children Education Status of the Clients

A separate question was asked to the respondents regarding number of children that don't go to school and the number is 8 children that don't go to school and the reason that was given was not lack of school fees but the children simply refused to school probably they have no motivation. The survey shows that in three households there are six children (two children per head) who do not go to school and in another two households, there are two children (one child per head) which do not go to school. In general, a question was asked whether the clients are able to educate their children or not after the program and all the clients answered that they had the capability to send their children to school because of their facilitation by SACCO and all the clients were asked to comment their views whether SACCO has helped them regarding the overall lives of them and their family, all of them were full of praises of the role of SACCO in their lives and their answer was only Yes, this implies that SACCO enables them to alleviate poverty in many angles.

4.10. Access to credit other than SACCO and Loan usage of the respondents

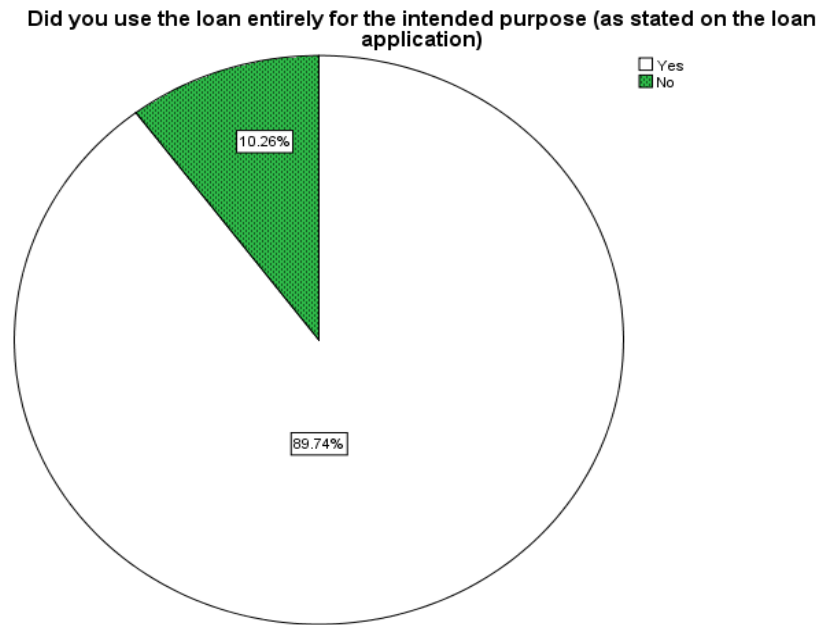
In general, credit increases the income of clients, when it is used in income generating activities. These activities enable clients to generate net income to support their families and pay their loans. In Chart 6 majority of the clients, 89.74% reported that they used the loan for the intended purposes. Saving and credit programs in particular are geared towards the promotion of off-farm activities by rural women. The program is are implicitly or explicitly based on the assumption that rural women are conversant with non-farm income generating activities, have sufficient time and labor to expand traditional, or start new, income generating activities. In our case, mostly the loan was invested in income generating activities. From the survey (Chart 7), most of it was invested in small business activities followed by fattening. Relatively small portion of the loan is used for services and other activities, Regarding access to credit before the program, Table 12 reveals that almost all, more than 69.6%, respondents have no access to finance other than SACCO, that means other banks. Smaller numbers of respondents (30.4%) have financial access other than SACCO. This implies that microfinance institutions are the main source of finance to the poor people in order to carry out their activities to generate income in different activities.

Table 12. Access to bank loans before the program

Respondents' Answer	Frequency	Percent
Yes	38	30.4
No	87	69.6
Total	125	100.0

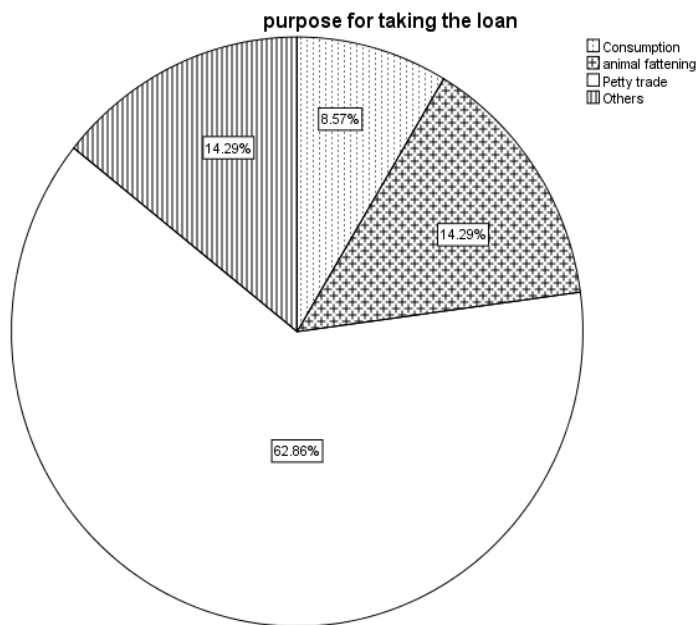
Data Source: Authors' Field Survey (2016)

Chart: 6. Clients loan usage



Data Source: Authors' Field Survey (2016)

Chart 7. Purpose for taking loan

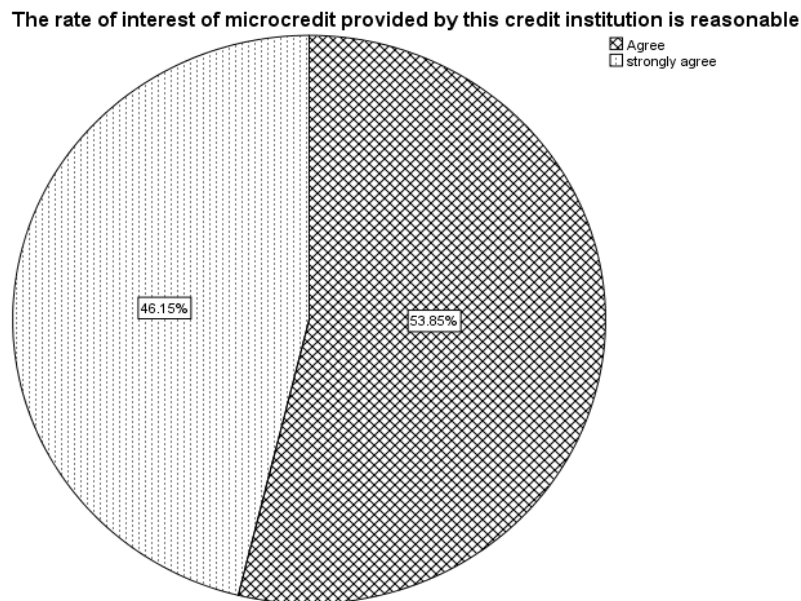


Data Source: Authors' Field Survey (2016)

4.11. Interest rate, Loan repayment period, procedure of obtaining loans and operational assistance from SACCO

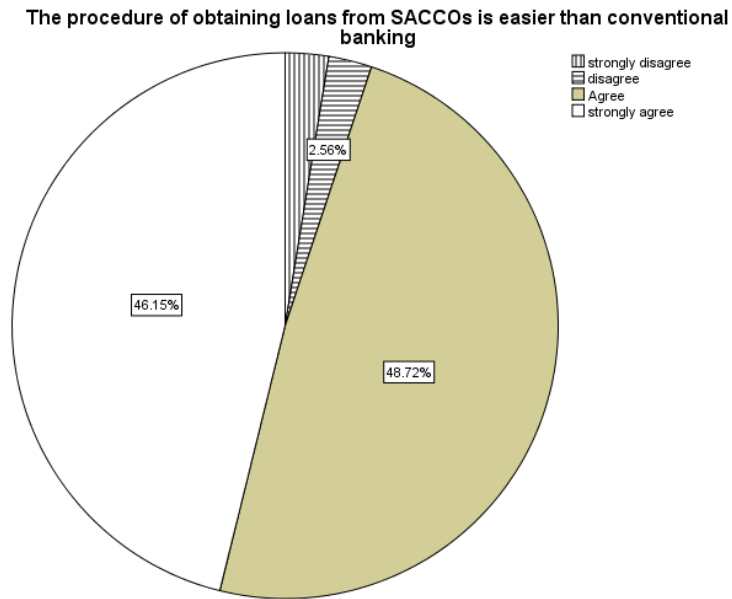
Interviewees' information about procedure of loan taking, operational assistance, loan period and reasonability of interest rate of SACCO had been probed. Almost none of the clients reported that the interest rate on lending is unsatisfactory. Most of the respondents agreed that the lending interest rate of SACCO is reasonable and acceptable. Regarding the loan period about 75 % of the clients have accepted the loan period as satisfactory. On the other hand, about 25 % of the respondents reported that the loan period is too short. This group suggested that prolonging the duration of repayment will minimize the burden of clients. Concerning the procedure of obtaining loans from SACCO is easier or not than conventional banking, mass of the clients (94.87%) reported that the loan taking procedures from SACCO is easier than conventional banking. Regarding operational assistance, almost all clients agreed that they received the necessary assistance from SACCO to run their business. This shows

Chart 8. Interest rate



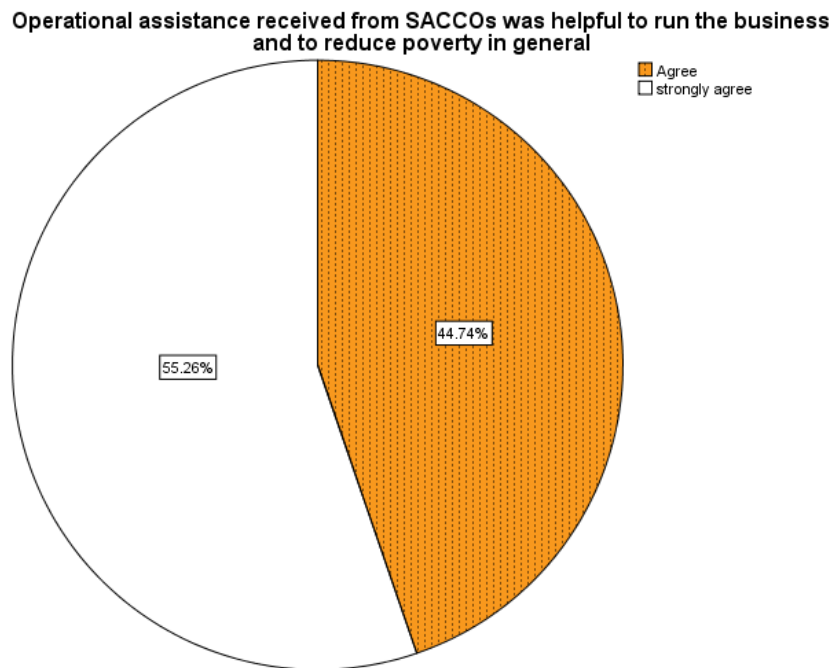
Data Source: Authors' Field Survey (2016)

Chart 9. Procedure of loan provision



Data Source: Authors' Field Survey (2016)

Chart 10. Operational assistance from SACCO



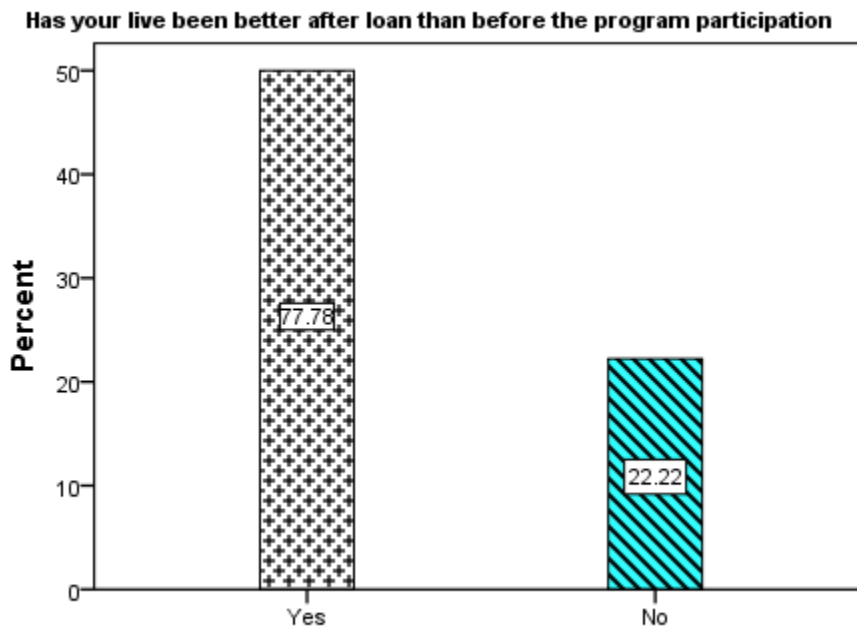
Data Source: Authors' Field Survey (2016)

4.12. Comparison of Respondents' Life, income Before and after the Membership

Respondents were asked about their overall opinion on their life as after joining the membership as compared to before. Obviously, the majority, 77.78%, of the participants said that their life had been better after they had been a member to SACCO while the other 22.22 % responded that their life was the same. Factors considered in this regard were; improvement in business, acquisitions of assets, increase in income, general health status of clients and their family, educational status of clients children and clients involvement in household decision making.

The researcher observation showed that the contribution of saving and credit cooperative services in rural areas was significant to reduce the vulnerability of the poor and thereby break the vicious circle of poverty. Clients were able to liberate themselves from deep-rooted informal financial arrangements that they used to meet their financial needs before their involvement in cooperative. They developed local knowledge and share their experience among themselves. Rural women clients expressed themselves freely and made decision in their day to day activities.

Figure 1. Comparison of respondents lifebefore and after the membership



Data Source: Authors' Field Survey (2016)

4.13. Impact of credit on income and expenditure

As discussed in the methodology section, double-difference analyses were conducted for two groups of the community (clients and non-clients) for three outcome variables such as gross income, and total expenditure. The outcome variables were measured in two time periods. (before and after the intervention) for both clients and non-clients. The data were subjected to a double-difference analysis to examine the impact of the intervention on the outcome variables. The result of the analysis which is presented in Table 13 revealed that, those clients who borrowed from SACCO exhibited to have significantly higher amount of income, total expenditure and expenditure in human capital.

Table 13: Double-Difference Analysis to Estimate Impact of SACOO on Gross Income and Expenditure

Outcome variables	Clients	Non-clients	Double-difference
Mean gross total income (ETB) after intervention	11933	3981	7705 ^{***} Std. Error=1574; t=4.4
Mean gross total income (ETB) before intervention	3341	1332	1922 ^{***} Std. Error=575; t=3.3
Mean difference	8592 ^{***}	2650 ^{***}	5783^{***} (Net Impact)
Std. error (t)	1541 (5.9)	564 (4.7)	1725 (t=4.4)
Mean total expenditure after intervention	15685	8496	7189 ^{***} Std. Error=1545; t=4.7
Mean total expenditure before intervention	174	183	-9 Std. Error=8.5; t=-1.01
Mean difference	15510 ^{***}	8314	7196^{***} (Net Impact)
Std. error (t)	1548 (10.02)	760(10.9) ^{***}	1725 (4.2)

^{***} Significant at p<0.001

Data Source: Authors' Field Survey (2016)

The double difference analysis presented above shows that advancing credit by SACCO to community members in Mida Woremu district brought an income impact of ETB 5783 per annum. The result was significant at $p < 0.001$. Similarly, the intervention has brought impact on the amount of total expenditure of the borrowers, which was estimated at ETB 7196. Again the result was significant at $p < 0.001$.

Further, as it can be observed from Table 14 that the improvement in income had been better in higher income categories (ETB 2001– 10000) of clients of SACCO when compared with the non-clients. In the same line, in the highest income category, the income improvements had been greater for clients than non-clients. As a whole, the magnitude of income improvements had been massive among clients as compared to non-clients.

Table 14. Comparison of Income Change between Clients and Non-Clients of SACCO for different income group

Income Improvement Category in ETB	Statistics	Clients	Non- clients	Total
<500	N	2	37	39
	%	5.3%	55.2%	37.1%
501– 1000	N	1	4	5
	%	2.6%	6.0%	4.8%
1001– 2000	N	1	5	6
	%	2.6%	7.5%	5.7%
2001– 10000	N	26	17	43
	%	68.4%	25.4%	41.0%
>10001	N	8	4	12
	%	21.1%	6.0%	11.4%
Total	N	38	67	105
	%	100.0%	100.0%	100.0%

Data Source: Authors' Field Survey (2016)

In the same token, improvement in annual expenditure was compared for clients and non-clients of SACCO for different expenditure category. The comparison revealed that in higher expenditure category (ETB 5001– 10000), there had been substantial difference between clients and non-clients of SACCO, with 8.1% and 25.4%, respectively. In the same line, in the highest expenditure category (>ETB10001), the change in annual expenditure had been greater for clients than non-clients with 91.9% and 69.8%, respectively. In general, the magnitude of change in expenditure had been enormous among clients as compared to non-clients.

Table 15. Net Expenditure Improvement for Members/Non-members of SACCO

Expenditure Category (in ETB)	Statistics	Clients	Non- clients	Total
< 2000	N	0	2	2
	%	0.0%	3.2%	2.0%
2001– 5000	N	0	1	1
	%	0.0%	1.6%	1.0%
5001– 10000	N	3	16	19
	%	8.1%	25.4%	19.0%
> 10001	N	34	44	78
	%	91.9%	69.8%	78.0%
Total	N	37	63	100
	%	100.0%	100.0%	100.0%

Data source: Author's field survey (2016)

CHAPTER FIVE:

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Based on the major findings of this study, the following conclusions could be drawn. Recurrent dearth of poverty has remained to be a major challenge to developing countries. It is a problem for all the countries irrespective of their level of development and can be observed in many forms. It has both income and non – income dimensions. It may be a lack of income or resources, a lack of coping capacity, a lack of basic human capabilities, a lack of institutional defenses or in extreme cases a lack of all of these. In a wider sense, it may be a combination of economic, social and political deprivations. To address this problem different strategies have been implemented by developing countries depending on their existing situations. Recently microfinance has been given due weight as one of the means to fight against poverty. Microfinance Programs extend small loans to poor people aiming at enhancing self – employment projects that generate income to improve the socio-economic conditions of the poor and alleviate poverty.

Ethiopia has also adopted microfinance programs as a tool for poverty reduction. Thus, the aim of this thesis is to explore the impact of microfinance intervention on living standards, empowerment and the circumstances under which microfinance can help the poor out of their poverty situation in Amhara region by taking SACCO as a case. The thesis has emphasized and has been more focused on the impact of the intervention from different angles like improvement of income, empowerment and change in expenditure.

The first question asked in this study was: what impact does microfinance programs have on the household income? The findings of the study revealed that, on average, SACCO had improved the incomes of clients and improved expenditure patter of borrowers. It is these incomes that can help them to solve some problems of poverty like isolation, physical weaknesses and they can afford a good diet, can deal with vulnerability as they can save and now able to deal with crises, has the capacity to send their children to school and to pay for their health which is critical for their continued well-being and as a consequence break the poverty trap.

The second question raised in this study was: Can microfinance program savings reduce vulnerability and risks of the clients? The findings reported that clients had increased incomes which enable them to save and to buy property. The savings enables clients to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property can be sold also to deal with the crises; savings can be used to acquire another microfinance cycle and also to start and expand the existing economic activities of the clients.

The above result leads to the third question of the paper: Can microfinance promote empowerment of the clients? The majority of the clients felt that their position in the family had been strengthened, set up businesses and run them, could occupy a leadership position at local levels and had attained a real change in their lives and self-esteem when they compare themselves to that period before the program. Many felt that they can look after their children, educate them, afford a nutritious diet to the household and are no longer dependents on others.

Finally, the fourth question of the study was: under what conditions can microfinance help the poor out of poverty? Microfinance hinges on a number of other conditions if it is to play a meaningful role. Microfinance is just only one factor and requires the support of other factors. These include entrepreneurial skills in business management, elementary book-keeping, and efficient functioning of markets since they play an important role in the economy and development in different angles. There is need for access to markets for their local products and other infrastructure like roads to transport the merchandise and institutions for example to deal with legal matters to promote sustainable development and a successful microfinance. The network of financial institutions in an economy should be taken in to account, which mobilizes and allocates resources, co ordinate savings and investment which are key for long term growth and transformation.

To sum up, MFIs operation in Ethiopia has brought about positive changes in the standard of living of people who access their services. Although some of the clients have not benefited, most SACCO clients in the study area have benefited positively. Besides, Most of the respondents agreed that the lending interest rate of SACCO is reasonable and acceptable. Despite the achievements of SACCO clients, some of them complained that the process of application for loans starts with small amount and after repayment the client can apply for next higher amount. This process was observed to be a limiting factor for those customers who

needed a large amount right from the beginning. This is true because it takes an unnecessarily long time for those seeking a large loan to obtain enough funds to meet their needs.

5.2 Recommendations

As it has been revealed in the result of this research, SACCO program in Mida Woremo district has brought about dramatic improvement in the socio-economic conditions of clients by involving them in different income generating activities. Hence, the researcher recommended that such program should be promoted and intensified in other areas in order to bring substantial change in the life of rural poor. However the following gaps were also observed by the researcher and should be given due emphasis to ensure the sustainability of SACCO service.

- The institution should consider the possibility of increasing the grace period and reducing the frequency of repayment so as to provide for clients with long term loans turn to businesses
- The poor state of the infrastructure, especially rural roads, was pointed out as the main reason why MFIs fail to operate in rural areas. In addition to improvement of infrastructure the Government in collaboration with MFIs, should introduce trade exhibitions to their micro and small businesses in order to expand the MSEs' market coverage.
- The institutions should restructure their training contents to include improving their clients' business skills. They should organize regular business training for their clients and qualified training institutions should conduct this
- Technical support and supervisory follow-up should be strengthened from the government side so as to make the cooperatives more productive and successful sustainably.

5.3. Suggestions for Further Studies

Further studies should be done to find out how best SACCO's scheme could meet the needs of workers in the informal sector in Ethiopia. In addition, similar studies can be replicated in different markets in the Region, other than Mida Woremu district.

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Annex I. Interview schedule for women saving and credit cooperative members in Mida Woremo District, North Shoa Ethiopia

I. Interview schedule to be used with women saving and credit cooperatives members.

This Questionnaire is prepared only for academic purpose for the fulfillment of Masters of Art in Rural Development (Indira Gandhi National Open University, School of Continuing Education) I am interviewing Women SACCO's members, non-SACCO members, and the project staffs of MfM foundation here in Mida Woremo Woreda, in order to find out the impact of SACCOs on improving the Socio-economic condition of women, their families and communities of the district. So, you are kindly requested to give genuine answers. Your answers are completely confidential. Your name and household members will not be written on this document unless you are willing. I would greatly appreciate your help in responding this survey. If you are willing, we can proceed to the interview.

General Information

A. PERSONAL DATA

1.1. Question code _____

1.2. Address: District _____ Village _____
Cooperative _____

1.3. Age _____

1.4. Sex: 1) Male _____ 2) Female _____

Are you literate? 1) Yes 2) No

If you are literate, what is your level of education (in years of schooling) _____

1.5. Education (in years of schooling) _____

1) Illiterate _____ 2) Read & write _____ 3) Grade 1-4

4) Grade 5-8 5) Grade 9-12 _____

1.6. Are you the head of the household? 1) Yes 2) No

1.7. Do you have personal savings? 1) Yes 2) No

1.8. Marital status: 1) Single/never married 2) Married 3) Widowed 3) Divorced/separated
4) other (specify) -----

1.9. Did you have any business that provides you with income before joining this credit program?
1) Yes 2) No

1.10. How many family members do you have? 1) Male-----2) Female----- Total-----

1.11. How many persons in your household are actively generating income currently?

1) Male----- 2) Female ----- 3) Total ----- Nobody

Membership

1.12. Are you member of the following groups?

(Please tick as appropriate)

	Group type	Yes	No
1	Club		
2	Trust		
3	SACCOs Cooperative/group		
4	Other (Specify)		

1.13. If you are a member of SACCOs group, what factor influenced you to join the group?

(Please tick more than one as appropriate)

Access to credits	Yes (=1)	No (=2)
Save money		
High price of fertilizers		
Lack of working capital/cash		
Awareness of SACCOs activities		
Lack of market access		
SACCOs entrepreneurship activities		
Proximity of SACCOs activities		
Nearness to local government office		
Other (Specify)		

2. Income and Asset information (Capital)

2.1. What was your source of income before joining WSACCOs?

1) Individual money lenders 2) Relatives 3) Friends 4) Own finance

2.2. What was your occupation before and after involvement in WSACCOs?

Occupation	Amount Earned/year before joining WSACCOs		Amount Earned/year after joining WSACCOs	
	ET Birr	Cents	ET Birr	Cents
Grain trade				
Farming/ Fattening				
Selling Local beverage				
Petty trade				

Other				
Total				

2.3. What was your monthly income just before receiving credit in ETB _____

What was your monthly income just after receiving credit from the cooperative in ETB?

2.4. Why saving and credit is beneficial to you?

1) Increased household income 2) Increased household expenditure

3) Increased access to education 4) Increased access to health care

5) Made business improvement 6) Secured employment 7) Other (Specify)

2.5. Did you get additional income from your business activities? Yes ____ No ____

2.6. If yes how did you spend your additional income?

1) To supplement the household expenses 2) to expand business 3) to send children to school

4) To cover healthcare expenses

5) Others (Please specify) _____

2.7. What do you think about your individual compulsory savings pattern since you have joined the cooperatives? 1) improved 2) Some improvement 3) No change 4) Declined

2.8. What do you think about your group compulsory savings pattern since you have joined the cooperatives? 1) improved 2) Some improvement 3) No change 4) Declined

2.9. Which of the following were the most important benefits that you obtained from cooperative, in order of achievement?

1) Improved income 2) Improved basic needs 3) Improved participation in family and community affairs
4) Improved ability to send children to school

2.10. What are the factors that helped you to become more productive in your business?

1) Minimizing expenses 2) Maximizing investment 3) Improving business development education
4) Other

2.11. What were your household assets before and after joining cooperative?

Household assets	Before joining WSACCOS	After joining WSACCOs
	Make a tick	Make a tick
Grass roof Shelter		
Corrugated Iron Sheet roof		
Kitchen and toilet		
Wooden bed and mattress		
Dining chairs and tables		
Radio and Tape recorder		
Mobile		
TV		
Total		

3. Expenditure

3.1. What was your expenditure pattern after you have joined the cooperative?

1) Improved 2) Some improvement 3) No change

Before _____ Birr/year After _____ Birr/year

3.2. What is your food consumption pattern before your membership in the cooperative?

1) Once a day 2) Twice a day 3) Three times a day 4) Four times a day

3.3. What is your food consumption pattern after your membership in the cooperative after involvement in cooperatives?

1) Once a day 2) Twice a day 3) Three times a day 4) Four times a day

3.4. Food items/Nutrition expenditure

1) Increased 2) Decreased 3) No change

Before _____ Birr/year After _____ Birr/year

3.6. Clothing items 1) increased 2) Decreased 3) No change Before _____ Birr/year

After _____ Birr/year

3.7. Health care expenditure 1) Increased 2) Decreased 3) No change Before _____

Birr/year After _____ Birr/year

3.8. Family education expenditure 1) Increased 2) Decreased 3) No change

Before _____ Birr/year After _____ Birr/year

4. Access to Education

4.1. Do you think that access to education to yourself has been increasing compare to before involvement to cooperative? 1) Yes 2) No

4.2. If “Yes” what was the reason? 1) Income improvement 2) Improved support of students
3) Better awareness about importance of education 4) Other/ specify

4.3. Do you think that access to education to your children has been increasing compare to before involvement to cooperative? 1) Yes 2) No

4.4. If “Yes” what was the reason? 1) Income improvement 2) Improved support of students
3) Better awareness about importance of education 4) Other/ specify

4.5. Do you think that access to education to your dependents (other than your children) has been increasing compare to before involvement to cooperative? 1)Yes 2) No

4.6. If “Yes” what was the reason? 1) Income improvement 2) Improved support of students
3) Better awareness about importance of education 4) other/ specify

5. Access to health care

5.1. What do you think about access to health care after you joined the cooperative?

1) Improved 2) Declined 3) No change

5.2. Why cooperative plays significant role in improving health care of members and their families?

1) Improved income leads to improved healthcare 2) Increased healthcare related knowledge and skills 3) Provided opportunity to share experiences among members on health care 4) Better consumption decreased incidence of sickness 5) others

6. Employment creation

6.1. Do you think that self-employment opportunity has been increased after the involvement in the cooperative? 1)Yes 2) No

6.2. Have you been using unpaid family labor? 1)Yes 2) No

6.3. If yes how many man-days? _____

6.6. Have you been using hired labor in business activities? 1)Yes 2) No

6.7 If yes how many man-days? _____

7. Saving and loan disbursement

7.1. Do you think your saving culture improved? Yes _____ No _____

7.2. What are the main purposes of savings? 1) Increasing investment 2) Increasing working capital 3) Increasing social security during emergency 4) Smoothing consumption 5) Others

7.3. Do you think that loan disbursement is seasonal? Yes _____ No _____

8. Training and experience

8.1 Before and after joining WSACCOs, have you received trainings?

Types of Trainings	Before involvement		After involvement	
	Yes	No	Yes	No
Business skill Development				
Culture of saving & credit utilization				
Knowledge in family planning, HIV/AIDS & STI prevention & control				
Bookkeeping & Financial management				
Basic Literacy				

9. Empowerment and decision- making process

9.1. What is your decision making power in family health care?, and education

1) Improved 2) Decreased 3) No change

9.2. What is your decision making power in family planning?

1) Improved 2) Decreased 3) No change

9.3. What is your decision making in education?

1) Improved 2) Decreased 3) No change

9.4. Women empowerment in family saving 1) Improved 2) Decreased 3) No change

9.5. Women empowerment in family loaning 1) Improved 2) Decreased 3) No change

9.6. Women empowerment in family income generation 1) Improved 2) Decreased

3) No change

9.7. Women empowerment in family property & financial management. 1) Improved

- 2) Decreased 3) No change

9.8. Women empowerment in participation in women affair

- A) Improved B) Decreased C) No change

9.9. Women empowerment in participation in youth affair

- A) Improved B) Decreased C) No change

9.10. Women empowerment in participation in, children affair

- A) Improved B) Decreased C) No change

9.11. Trends of respondents ‘decision making in family affairs.

	Before joining WSACCOS		After joining WSACCOS	
	No. of issues decided	Percentage	No. of issues decided	Percentage
Husband only				
Wife only				
Husband and Wife				

9.6. After joining the loan/credit program:

I. The income has increased

- strongly disagree disagree Agree strongly agree
How much per year _____

II. The saving has increased

- Strongly disagree disagree Agree strongly agree
How much per year _____

III. Have better access to education

- Strongly disagree disagree Agree strongly agree
Why, explain _____

IV. Have better access to healthcare

- Strongly disagree disagree Agree strongly agree
Why, explain _____

V. Have better housing conditions

- Strongly disagree disagree Agree strongly agree
If you agree, explain what kind of improvements and changes you have done or achieved in your housing and related facilities _____

VI. Employment opportunities and living standards in general have increased

- Strongly disagree disagree Agree strongly agree

If you agree, explain _____

9.7. 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?

- 1) Better before joining the credit program
- 2) Better after joining the credit program

why _____

9.8. 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?

- 1) Better before joining the credit program
- 2) Better after joining the credit program

why _____

9.9. How do you explain your ability to buy clothing for self and for your children in General after the program?

- 1) Better before joining the credit program
- 2) Better after joining the credit program

Why _____

9.10. How do you explain the differences (in terms of before and after joining the credit/loan program) in affording to pay for service expenses of electricity and water?

- 1) Better before joining the credit program
- 2) Better after joining the credit program

why _____

9.11. How do you explain the differences (in terms of before and after joining the credit/loan program) in affording to buy/ eat foods like meat, fish, butter...etc?

- 1) Better before joining the credit program
- 2) Better after joining the credit program

Why _____

9.12. Did you get the amount you requested for your business?

- 1) Yes 2) No

9.13. Was the amount of your loan size enough for the intended purpose? 1) Yes 2) No

9.14. Have you been trained about loan utilization by SACCOs? 1) Yes 2) No

9.15. Was the repayment period appropriate from your point of view? 1) Yes 2) No

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

9.16. Was the loan issued timely? 1) Yes 2) No

9.17. Have you had any training or consultancies from SACCOs for your business activities?

- 1) Yes 2) No. If yes, what type of training or advice did you get? -----

9.18. Do you believe that supervision whether it is from SACCOs staff or kebele administration has advantage on loan utilization and repayment? Yes No

- 9.19. Overall, has your live been better after loan than before the program participation?
 1) Yes 2) No
- 9.20. Are you happy (satisfied) with the services rendered by SACCOs? 1) Yes 2) No,
 Why? -----
- 9.21. Where did you get credit before becoming a member of SACCO?
 1) Friends and relatives
 2) Local money lenders
 3) Banks
 4)Others.....
- 9.22. Did you have access to bank loans before the program? 1) Yes 2)No
 Why-----
- 9.23. For how long have you been a member of SACCOs? _____
- 9.24. How many times have you taken the loan since then? _____
- 9.25. What was the amount of the firs loan _____ Birr
- 9.26. What was the amount of your current loan _____ Birr
- 9.27. For what purpose have you taken the loan (Multiple response allowed)?
 1) Consumption
 2) Fertilizer and seeds
 3) Animal fattening
 4) Petty trade
 5) Others (specify).....
- 9.28 . Did you use the loan entirely for the intended purpose (as stated on the loan application)?
 1) Yes 2) No. If no, how did you spend the remaining amount?.....
- 9.29. Did you have any business and your own income source before joining this credit program?
 1) Yes 2) No
- 9.30. What is the source of your initial capital (Multiple response allowed)?
 1) Personal Savings
 2) Friends and relatives
 3) Loan from SACCOs
 4) Others-----
- 9.31. The rate of interest of microcredit provided by this credit institution is reasonable
 1) Strongly disagree 2) disagree 3) agree 4) strongly agree
- 9.32. The procedure of obtaining loans from SACCOs is easier than conventional banking
 1) Strongly disagree 2) disagree 3) agree 4) strongly agree
- 9.33. Operational assistance received from SACCOs was helpful to run the business and to
 reduce poverty in general
 1) Strongly disagree 2)disagree 3) agree 4) strongly agree
- 9.34. What is your overall opinion about the program?

10. What were the major problems you had so far with saving and credit cooperatives?

- 1) Shortage of loan able capital to expand the business 2) Lack of leadership skills
3) Lack of business knowledge and skills 4) Other (Specify)

11. Suggestion

11.1. What do you think the major role of women saving and credit cooperatives? _____

Thank You

Annex II. Interview Guide (Semi-structured)

Interview for the project coordinating staffs IGNOU Graduate school of Rural Development

A) Background Information

1. Name of the organization _____
2. Type of organization _____
3. Location: City _____ Sub-city _____ District _____

B) General Information

- 1) Why saving and credit cooperative s are important for poor rural women? Please explain _____
2. What are your suggestions regarding the role of saving and credit cooperative services in improving economic, social, employment creation of members?
3. What is your opinion in terms of saving and credit cooperative services in improving income, expenditure, shelter household assets, food access, employment creation, access to education & healthcare opportunities? _____
4. What is women empowerment in your opinion? Please explain.
5. Could you please list down business and other skills trainings provided to members to make them productive and self supportive? _____
6. What do you think the major roles of saving and credit cooperatives in poverty reduction?

7. In your opinion what are the different contributions of women saving and credit cooperative to improve economic social and political assets at household level? _____
8. What are the effects of empowerment interventions of the women saving and credit cooperative in the district _____
9. What are your general suggestions regarding the major role of women saving & credit cooperative in property reduction?
10. What were the challenges of women saving & credit cooperatives in the district and possible solutions, please explain _____

Thank You

ANNEX III. Focus Group Discussion Schedule (For women cooperatives) members' Focus group Discussion
IGNOU Graduate School of Rural Development

Direction: For each of the following questions you are requested to discuss in a group and provide precise and true statements. It is your right to request or discontinue from participating in the discussion. You should be rest assured that all your responses will be kept confidential and used only for the purpose of this study.

1. In your opinion what is your suggestion regarding the contribution of Saving and credit cooperatives in reducing poverty?_____
2. Do you think that saving and credit has contribution for your economic improvement?_____
3. What is your opinion regarding saving and credit cooperative contribution in social development of members?
4. Have you benefited from employment creation aspect of saving and credit cooperative? Please explain.
5. Since you have joined cooperative, had there been any improvement in terms of income, expenditure, shelter, household assets, food access, education, & healthcare opportunities? Please explain _____
6. What is women empowerment in your opinion? Please explain briefly
7. Do you participate in decision –making at household level in such as children’s education, healthcare, family planning, income and expenditure issues?_____ -
8. Do you participate in decision-making at community level in such as cooperative affairs, village meetings, community development works, & collective action in fighting HTP?_____
9. What do you have benefited from the cooperatives? Please indicate in priority
 - A) Introduced income_____
 - B) Improved basic needs (Food, Shelter, and Cloth)
 - C) Improve participation in community development and exposure to social activities
 - D) Improve sending children to school

10. What are the major roles of saving and credit cooperative in poverty reduction?_____

11. In your opinion, what are the different contributions of women saving and credit cooperative to improve economic, social, & political assets at household level?

12. What are the effects of empowerment interventions of the women saving and credit cooperative in the district?_____

Thank you

ANNEX IV. Observation Schedule

The researcher produced questions for making and recording on relevant data on some real-life situations and events that contributes to the achievement of the study objective.

IGNOU Graduate School of Rural Development

1. Background Information

1.1. District _____

1.2. Village _____

1.3. Cooperative _____

2. Respondents situation

2.1. Occupation _____

3. Housing /Shelter condition

3.1. Grass roof: Yes _____ No _____

3.2. Corrugated iron sheet roof: Yes _____ No _____

3.3. Kitchen & toilet: Yes _____ No _____

3.4. Wooden bed and mattress: Yes _____ No _____

3.5. Dining chair & table: Yes _____ No _____

3.6. Radio & Radio cassette: Yes _____ No _____

3.7. Mobile Yes _____ No _____

3.8. TV: Yes _____ No _____

4. Social Situation

4.1. Social interaction / movement: Improved _____ No change _____ Decreased _____

4.2. Networking with similar cooperative: Increased _____; No change _____; Decreased _____

4.3. Decision making power in family affairs: Increased _____; No change _____; Decreased _____

4.4. Involvement in community development: Increased _____; No change _____; Decreased _____

Thank You

**Impact of Saving and Credit service on the Socio-economic status of Women
in Mida Woremo District, North Shoa, Ethiopia: The Case of Addis Alem
Saving and Credit Union**

Project Proposal Submitted to the Department of Rural Development

By:

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Addis Ababa, Ethiopia

TABLE OF CONTENTS

LIST OF ABBRIVATIONS AND ACRONYMS	iii
CHAPTER ONE:	1
1. INTRODUCTION	1
1.1. Statement of the Problem	3
1.2. Objective of the Study.....	4
1.2.1. General Objective	4
1.2.2. Specific objectives	4
1.3. Significance of the study	4
1.4. Research Questions	5
CHAPTER TWO:	6
REVIEW OF LITERATURE	6
2.1 Definition of Terms and Concepts	6
2.2. Significance of Saving and Credit Cooperatives	7
2.3. Historical Development of SACCOS	8
2.4. Models of Microfinance Interventions	10
2.4.1. Rotating Savings and Credit Associations (ROSCAS)	10
2.4.2. The Grameen Solidarity Group model	10
2.4.3 NGO Model	11
2.4.4. Peer pressure Model	11
2.4.5. Village banking Model.....	12
2.6. Microfinance Experience in Ethiopia.....	12
CHAPTER THREE:.....	16
METHODOLOGY	16
3.1. Description of the Study Area	16
3.2. Regional Overview Microfinance Institutions (MFIs) in the Context of the study	16
3.3. Universe of the Study.....	17
3.4. Sampling Design.....	17
3.5. Data Collection	18
3.6. Data Processing and Analysis.....	19
3.7. Chapterization.....	20
3.8. Work Plan.....	21

References22

LIST OF ABBRVIATIONS AND ACRONYMS

ACSI	Amhara Credit and Saving Institution
ADLI	Agricultural Development Lead Industrialization
CSO	Civil Society Organization
DECSI	Dedebit Credit and Saving Institution
FCA	Federal Cooperative Agency
FGD	Focus Group Discussion
IRDP	Integrated Rural Development Project
MFI	Micro Finance Institution
MfM	Menschen fuer Menschen
MoFED	Ministry of Finance and Economic Development
MoTI	Ministry of Trade and Industry
NGO	Non Governmental Organization
ROSCAs	Rotating Savings and Credit Associations
SACCOs	Saving and Credit Cooperatives

CHAPTER ONE:

1. INTRODUCTION

Like other Sub-Saharan African countries, the socio-economic condition of Ethiopia is characterized by low growth rate of income, saving, investment, inadequate social services, high population growth and high unemployment rate. High population growth also causes the natural resource degradation of the country. Poverty and food insecurity are the main challenges and fundamental issues of economic and social development in Ethiopia (Gebrehiwot, 2002). Although poverty has continued to be at the forefront of Ethiopian concerns, recent history shows great improvements. The incidence of poverty has declined from 45.5% in 1995/6 to 38.7% in 2004/5 and finally to 29.6% in 2010/11 (Ministry of Finance and Economic Development, 2012).

The country's economy is unable to create employment opportunities for the fast growing labor force (Tsehay and Mengistu, 2002), which is further worsened due to limited availability of financial resources (Wolday, 2003).

Women disproportionately suffer from different socioeconomic deprivations in developing countries in general and in Ethiopia in particular despite they contribute significantly to the economy due to several gender-related challenges existing in rural areas.

Ethiopia has implemented various projects and programs that aim at increasing food production and food self-sufficiency. For instance, at the beginning of the 1990s, a broad spectrum of reform has been introduced among which the Agricultural Development-Led Industrialization Strategy (ADLI) stood as the prime vehicle to address poverty and food security (Yohannes, 2002). However, in the context of achieving economic growth, actors of development have not been given the chance to get involved in the whole process of socioeconomic transformation for quite a long time. As a result, deteriorating economic conditions started to be observed in the country. But, nowadays, it becomes a conventional wisdom to argue that development is understood to be a multi-actor process, where government-owned institutions alone couldn't register economic growth. Therefore, if economic growth is to be achieved, NGOs, Civil Society Organization

(CSO) and private sectors should join hands (Elias, 2003; Fitsum, 2002; Helmsing, 2001 and Kirkpatrick, 2001).

In this regard, saving and credit cooperatives are integral part of the financial system by which communities are mobilized to engage in productive activities so as to generate income, create employment opportunities, stimulate the economy of a well-defined area and thereby improve their livelihood situation (Gebeyehu, 2002).

Providing financial services to the emerging segment of the population is an important development tool. It helps creating employment and increases the income and consumption of this segment and would, in the final analysis, reduce poverty and contribute to the implementations of the country's transformation and development plan (GTP). It has been observed that women relatively face more challenges in obtaining loans than their male counterpart. Due to lack of collateral, the poor found it difficult to obtain adequate amount of credit from formal sources and were charged high rates of interest by monopolistic informal moneylenders. (AEMFI, 2015)

Saving and Credit Cooperative societies (SACCO) are cooperative financial institutions owned and controlled by members. It is established for the purpose of encouraging saving, and by mobilizing pooled funds they provide loan service to its members at a reasonable rate of interest and other financial-related services to enable members improve economic and social conditions (Galor, 1995).

In Mida Woremo district, there are eight women Saving and Credit Cooperatives (SACCOs) which were established in 2006 with the assistance of Menschen fuer Menschen (MfM) Foundation, a non-political, non-religious & non-governmental organization (NGO), engaged in promoting rural development programs in the district. These women Saving and Credit Cooperatives were organized and up-graded into Union with the name called Addis Alem Saving and Credit Union.

The support of MfM includes provision of seed money, technical support, giving orientation and training to its members, providing office furniture, and arranging office from the woreda administration and maintaining it to avail the required service. According to MfM Mida Woremo

IRDP 2013 terminal report, MfM provided a total of ETB 5,876,000 as a start-up capital to 3,559 women organized in eight women SACCOs who are living in 17 kebeles of the district with a revolving fund modality apart from provision of technical support (MfM, 2013).

1.1. Statement of the Problem

Women are disadvantaged compared to men in terms of socio-economic status. In most cultures and economies, women are subordinate to men (Young, 1993). The power relations between women and men within the family, community, and in the society in several developing countries are generally hierarchical and (Rives & Yousefi, 1997), and their subordinate position hinders them to participate in different socioeconomic activities.

Ethiopian women did not equally benefit from the national development endeavors because their contributions to the economy had not been fully valued (Transitional Government of Ethiopia [TGE], 1993). Ethiopia remains a highly traditional and religious society in which women are kept in a subordinate position (Gemechu, 2007).

Women are also having burden and responsibilities in executing home and field activities. Cleaning house, buying goods for home consumption, carrying agricultural products to the market, and participation in various agricultural activities like weeding are some of their responsibilities. Despite their share of labor, their work is not valued by the society and the decision to control over income goes to the men. In rural areas, women live in oppressive culture that denies their right to participate in decision making process. Therefore, socioeconomic deprivation of women is characterized by their limited access to resources, services, and employment. As a result, a large number of women are economically dependent on men.

Women in Mida Woremo district previously are less educated due to inaccessibility of schools, early marriage, and negative perception of the community towards the importance of women education, heavy workload and overall low-level of living standards. The saving and credit cooperatives have targeted women who are marginalized in the society and own little or no asset, lack decision making power, have limited access to education and health facilities. Saving and credit cooperatives were used as instruments to address the socioeconomic deprivation such as improving their economic and social capabilities, and contribute to the wellbeing of their

families and communities. Microcredit programs are seen as the most important instruments to narrow-down the marginalization of women in various socioeconomic aspects such as providing them start-up funds for productive investment, help poor women to smooth consumption flows and send children to school.

Despite the fact that considerable research has been done on the impact of saving and Credit program on various outcome variables in relation to women in Ethiopia. More importantly, in the Amhara Region, where this study is to be conducted, studies are very little (Yigzaw, 2014). Alamirew (2006) reported that microfinance has positive impacts in reducing poverty, penned that considerable findings were drawn on market-oriented micro-financing. Yet the impacts of MFIs on women empowerments and socioeconomic aspects are overshadowed. There is still a need of more evidences on the impact of SACCOs on the socioeconomic status of women in Mida Woremo District where there is no any research effort to assess the impact of SACCOs. So, the researcher assessed the impacts of the MfM on empowerment and their socio-economic condition of rural women in Mida Woremo District.

1.2. Objective of the Study

1.2.1. General Objective

The general objective of the study is to assess the impact of saving and credit service on the socioeconomic status of the rural women in Mida Woremo District.

1.2.2. Specific objectives

- To assess the role of SACCOs in improving women's income and saving habit.
- To assess the impact of SACCOs on asset creation by women.
- To assess the impacts of SACCOs on raising women participation in household decision making

1.3. Significance of the study

This study investigates the impacts of Saving and Credit service on women's socioeconomic status in Mida Woremo District. Information about the impacts of Saving and Credit service on the socioeconomic status of women has important policy implication. In this regard, the study's findings regarding the role of micro-credit in the economic and financial empowerment of rural women will have significant contribution to development practitioner & policy makers. Besides,

this study helps as input for MfM Foundation to improve their services in other project areas using the fact from the study.

1.4. Research Questions

In undertaking this research the following research questions are raised

- How far and in what ways does the service of rural micro-credit based on the needs of the rural women
- What contribution does micro-credit facility play in developing women's savings habit?
- Does access to micro-credit facility has the role to economically empower rural women?
- What is the significance of SACCOs in involving women income generating activities?
- Does access to micro-credit has a role on raising women's participation in household decision?
- What are the main impacts (achievement & failures) as perceived by the rural women due to their participation in SACCOs.

CHAPTER TWO:

REVIEW OF LITERATURE

2.1 Definition of Terms and Concepts

For the purpose of conducting this research, the researcher defines the terms and concepts in the following way:

Microfinance is the provision of financial services to low income poor and very poor self-employed people (Otero, 1999). These financial services, according to Ledgerwood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services.

The terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha(1998) states that microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services such as savings and insurance. Therefore microcredit is a component of microfinance in that it involves the provision of credit to the poor, whilst microfinance add on non-credit financial services such as savings, insurance, pensions and payment services (Ferka, 2011).

Cooperatives: are societies who are eligible and who can be organized in saving and credit form of cooperative societies to achieve their common objectives under the federal cooperative society's proclamation. No 147/98.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly –owned and democratically controlled enterprise (Kejela, 2013).

A SACCO is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of promoting thrift, providing credit at a low interest rates and providing other financial services to its members (IJCRB, 2013).

Saving and credit cooperative societies are different from other micro finance enterprises. In SACCOS, the members should save first to get a credit but in micro finance the customers should take the credit and then they can save.

2.2. Significance of Saving and Credit Cooperatives

SACCOs are legally constituted cooperative institutions established, in most cases, under national cooperatives law to meet the basic financial service needs of primary low and middle income citizens who generally cannot obtain these services through the existing banking system (Galor, 1995). It is well recognized that SACCOs provide a means to learn the value of regular saving and wise use of credit. Some even consider them as a form of economic empowerment, where members collectively control and manage their own financial institution which provides saving, credit and financial management services (Galor, 1995)

As a result, SACCOs are appreciated for creating an opportunity for people to take responsibility for their own financial organization (SACCOL, 2013). SACCOs mobilize local resources and return them to members in the form of loans and hence the money stays and works within the members. SACCOL in its website listed a number of advantages of SACCOs and among these the notable ones are: better interest rate on both saving and loans, low overhead cost compared to banks, encouraging members to save with the objective of economic empowerment and educating members on prudent handling of money (Ibid, 2013).

In SACCO each members is not another customers to the cooperative, he/she is rather a member as well as an owner of the cooperative, who even gets a share of the profit in the form of dividends. Savings are mobilized locally from the members and are returned to them in the form of loans and this way the money stays and works within the members. SACCOs encourage and educate members to regularly save their money and aim at liberating members from dependence on money lenders and unfriendly banking terms.

2.3. Historical Development of SACCOS

The modern history of cooperatives started with the Rochdale Society of Equitable Pioneers, founded in 1844. This was an early consumer co-operative, and one of the first to pay a patronage dividend, forming the basis for the modern cooperative movement. Although other co-operatives preceded them, the Rochdale Pioneers' co-operative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which cooperatives around the world operate to this day. The model the Rochdale Pioneers used is a focus of study within co-operative economics (Gatuguta et al., 2014).

The Rochdale Society of Equitable Pioneers was a group of 28; around half were weavers in Rochdale, Lancashire, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one £1 per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British co-operative movement had grown to nearly 1,000 co-operatives (Ibid, 2014)

These consumer cooperatives, which emerged in Britain in the 1840s along the Rochdale system, are today the market leaders in Italy, Switzerland, Singapore and Japan. They are also very active in the Scandinavian countries and Atlantic Canada. In the UK, which has seen the fiercest competition among consumer chains, consumer cooperatives are fifth in market share and are pre-eminent in the small supermarket sector. Consumer co-operatives have a strong record of creating decent work for their employees, engaging in fair trade with producer cooperatives in developing countries, setting industry standards for honest labeling, and promoting healthy diet (The Asia foundation, 2010).

In African countries, the first experiences of savings and credit co-operatives were to a large degree the work of foreign missionaries (Mwelukilwa, 2001). Many of the first savings and credit cooperatives emerged in the English-speaking countries, primarily in Ghana 1955, Uganda 1946 and in Nigeria dates back to 1951-1953. In Tanzania SACCOS emerged in 1954, Kenya in 1964, Liberia 1965 (Mbwana and Mwakujonga, 2013).

In Ethiopia, the history of cooperatives goes back to the imperial regime. The first proclamation on cooperatives was issued in 1961 (FCA, 2005). From the limited documents available, it is apparent that few cooperatives were functional in the 1960s and 1970s. These were mainly established by coffee and sesame producers. Also, savings and credit cooperatives (SACCOs) were organized by employees of Ethiopian Airlines, the Light and Electric Power Authority, the Commercial Bank, the Highway Authority and Telecommunications. One study indicates that there were about 149 cooperatives in 1974. They consisted of 94 multipurpose cooperatives, 19 SACCOs, 19 consumers' cooperatives and 17 handicrafts cooperatives (Lelisa, 2000).

During the military regime cooperatives was viewed as a key instrument to build a socialist economy pursued the cooperatives agenda more aggressively. Large number of cooperatives was observed during the centrally controlled economy which lasted from 1974 to 1991. The new cooperatives largely focused on savings and credit as well as the supply of government-subsidized consumer supplies and agricultural inputs. According to information from the Ministry of Agriculture (MoA), at the height of the regime there were about 10,524 primary cooperatives with membership of 4,529,259. The formation of cooperatives during this regime was conducted without respecting the principle of voluntary membership. All were organized on the socialist principle of collective farming and all members were required to contribute an equal amount and have an equal share. Moreover, all households under the designated Kebele were required to be members of cooperatives without which certain basic supplies would not have been accessed at affordable prices. The large majority of the cooperatives during this period were providing services to their members only (ILO, 2008).

The present government provided a legal framework which is both comprehensive in many respects (including its ability to accommodate cooperatives in various sectors/sub-sectors) and incorporates universally accepted principles of cooperatives including voluntary membership (Proclamation No. 147/1998 and 402/2004). As a result some improvements have been seen in

cooperative societies in the country. Cooperative societies started to distribute inputs, provide loan to their members, market produces of members in the domestic and foreign market, Unions (secondary cooperatives) were formed with the assistance of Cooperative Union Project (CUP) funded by VOCA/Ethiopia/USAID), dividend payments were made by the unions as well as primary cooperatives. The number of Primary and secondary cooperatives of different types with significant increase in number of member beneficiaries is achieved (Kifle, 2015).

2.4. Models of Microfinance Interventions

MFIs employ wide variety of implementation methods to reach their clients. These methods are called models of MFI. The Grameen Bank has identified different microfinance models of which Rotating Savings and Credit Association (ROSCAs), the Grameen solidarity group model and the Village Banking models are some of the models common in Ethiopia.

2.4.1. Rotating Savings and Credit Associations (ROSCAS)

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbors and friends, and the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go-rounds or Self-Help Groups (Yunus, 1999). In Ethiopia, Rotating Savings and Credit Associations (ROSCAS) are widespread both in urban and rural areas and are referred to as '*equb*'. Households participate in '*equbs*' regardless of their race, religion and their socioeconomic status. Particularly, '*equbs*' are important sources of finance for households who are potentially to be credit constrained.

2.4.2. The Grameen Solidarity Group model

This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ledgerwood, 1999). This model is well-matched with social structures in

rural Ethiopia. This is not only because the model builds upon existing social structures of mutual support and communal life, but also because it removes the main entry barriers for the very poor, such as lack of collateral, limited literacy, weak technical knowledge, and little prior money management experience (Getanhe, 2010). MfM project in the study area has adopted this Grameen Bank Solidarity approach, which is group lending approach, by organizing members in groups with 5-10 members and establishes group guarantee system for delivery of micro finance services.

2.4.3 NGO Model

NGO have emerged as a key player in the field of microcredit. They has played the role of intermediary in various in various dimensions. NGOs have been active in studying and participating in microcredit programs. This includes creating awareness of the importance of microcredit within the community as well as various national and international donor agencies. They have developed resources and tools for communities and microcredit organizations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practices of microcredit. This includes publications, workshops and seminars and training programs (Srinivas, 2015).

2.4.4. Peer pressure Model

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in microcredit programmes. Peers could be other members in a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure is put on the initial members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; banks etc. The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc. The Grameen model extensively uses peer pressure to ensure repayment among its borrower groups (Srinivas, 2015).

2.4.5. Village banking Model

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Hulme, 1999). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ferka, 2011). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Hulme (1999) the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

2.6. Microfinance Experience in Ethiopia

A key component of Ethiopia's development strategy is the establishment of sustainable microfinance institutions serving large numbers of poor people. While non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years, the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot, 2002). Hence, Microfinance has become a growing sector in Ethiopia.

The Ethiopian microfinance sector is characterized by its rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed MFIs, an emphasis on rural households, the promotion of both credit and savings products, a strong focus

on sustainability and by the fact that the sector is Ethiopian owned and driven. The industry has a strong focus on loans to the very poor, as indicated by the relatively small loans when compared to neighboring countries. Sector outreach is impressive and the financial performance of the sector is considered good, although the operational margins and profitability are low. MFIs have also mobilized a significant amount of savings, thereby improving financial as well as operational sustainability (MFT, 2011).

As of 2013, 33 microfinance institutions are registered with the National Bank of Ethiopia. These institutions serve 3.2 million borrowers with portfolio of Birr 12.9 Billion. The three largest micro finance institutions (namely, Amhara Credit and Saving Institution(ACSI), Dedebit Credit and Saving Institution(DECSI) and Oromia Credit and Saving Share Company (OCSSCO) accounted for 33 percent , 20 percent and 16 percent of the total assets of all MFIs, respectively (AEMFI, 2015)

A study conducted on the Dedebit Credit and Saving Institution (DECSI); found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements in the years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also concluded that economic empowerment leads to social and political empowerment.

On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Ferka, 2011).

Tsehay and Mengistu(2002) reported more positive impact of microfinance on poor women in Ethiopia. They concluded that participation resulted in significant increase in household income. Women were said to be able to provide for the basic needs of their families; had control over resources; owned assets; able to cope up with risks; save more for future use; and increase empowerment, among other things.

In Amhara Regional state, practice strongly suggests that microfinance indeed has a potential to be one of the key instruments to fight poverty in its every aspect by positively affecting the house-hold economic portfolio. For the poor, it can expand opportunities for enhancing income, improve capabilities in terms of human capital, improve the coping mechanism against vulnerability in its various features, as well as empower the disadvantaged; and the impact can occur at enterprise, individual, household and even community level, much of which being a result of enterprise profitability. Yet, the available evidence suggests little progress in this regard (Getaneh, 2004). Similarly, though credit is generally expected to have a positive impact on household livelihoods, a study conducted in North Gonder, Ebinat district argued that credit affects households differently depending on wealth. Results show that credit failed to enable poor households to move out of poverty and food insecurity, whereas better-off and labour rich households used credit to improve their livelihoods. For poor households, rather than achieving long-term livelihood improvements, access to credit only means short-term consumption smoothing with a risk of being trapped into a cycle of indebtedness (Siyoum, A.D et al., 2012)

In connection with women's empowerment, Padma, and Getachew (2005) reported positive impacts of microfinance.

The other study was conducted on OMO and SIDAMA micro-finance institutions' women clients in Awassa town, Southern Nations and Nationalities Peoples' Regional State. According to this study, a majority of the clients are involved in the making and trading of food, and food-related products. The study also witnessed there is no diversification in their business activity. The reason for this is that the production of food and related items trade involves less risk compared to other activities. The study further found that 92% of them are not very much aware that the savings are more important than credit to build their future. The researchers' explanation

of this finding is that MFI's savings policy is only to cover the risk situation rather creating any element of thrift among the clients.

Nevertheless, the study argued that there is a good influence of micro credit on the urban women working groups in terms of income and self-employment generation. Furthermore, it also reflected in many cases in business improvements, decision making process and asset formation at low levels, and it is believed not sufficient (Padma &Getachew, 2004).

After more than ten years of hard work and two international excellence awards, Amhara Credit and Saving Institution (ACSI) is now the leading microfinance institution in Ethiopia. An impact study conducted by the Association of Ethiopian Microfinance Institutions (AEMFI) in 2007 estimated that the institution was responsible for substantial growth in agricultural gross domestic product (GDP) in the Amhara region. According to the study, by the eighth loan cycle clients are able to put poverty permanently behind them, but even by the fifth loan cycle they can significantly improve their living conditions (IFAD, 2007) In addition, other study on ACSI clients found that the percentage of those with assets grew from 67 per cent at the beginning of their relationship with ACSI to 84 per cent among the mature clients (IFAD, 2011).

To sum up, microfinance has been carried out to alleviate poverty by connecting the poor in to productive economic circuit. This objective was expected to be attained by creating jobs, increasing income, diversifying income sources, availing better access to health and education, empowerment, and protecting against risks, among others.

Practice however revealed that the outcome of microfinance have been both the anticipated positive changes and in some cases unexpected negative results. In conclusion governments and donors should know whether the poor gain more from small loans compared to other alternatives such as health care, education, agriculture, food aid, etc. most measures of the impact of microfinance institution fail to control for what would have happened in their absence. The net contribution or impact of microfinance to poverty reduction should be properly and more accurately measured.

CHAPTER THREE:

METHODOLOGY

3.1. Description of the Study Area

This study will be conducted in Mida Woremo District of North Shoa zone in Amhara Regional State of Ethiopia. The woreda capital town, Meragna is located at a distance of 225 km from Addis Ababa and 180 km from Debrebirehan on the main road to Degollo town. The district is sub divided into 20 rural administrative structures and two sub-urban towns (Mida Woremo Woreda Annual report, 2006).

According to the present statistics of the woreda administration, there are about 93,729 inhabitants with male and female constituting of 50.2% and 49.8%, respectively. Among these, about 83,280 are living in the rural areas and about 10,450 are urban residents. The woreda is densely populated. The average family size is estimated to be 5 persons per household. There are around 18,745 households that make their livings mostly from agriculture. The land holding size is estimated at 1.5 hectares per household. Of the total population 95% are Orthodox Christians, the remaining 5% are Muslims.

The district has a total land area of 86,772 hectares (868 km²). It has 30% lowland, 63% midland and 7% highland. The altitude ranges from 1250 to 2600 masl. The average annual temperature ranges from 20°C to 28°C. The mean annual rainfall is 1200 mm. The land use system indicates 63% arable, 25% forest and bushy, 12% settlement & waste lands. Topography shows 29.5% plain land, 46.5% Mountain & hilly and 24% valley & gorges. There is excessive runoff during rainy season resulted from its topographic characteristics, which attributes to sever erosion. The dry season extends from October to May.

3.2. Regional Overview Microfinance Institutions (MFIs) in the Context of the study

Five MFIs currently operate in Amhara region, ACSI, Wisdom, Meket, Eshet and PEACE. They currently reach approximately 212,000 active clients, or about 10 percent of households with a demand for credit. ACSI is by far the largest MFI in the region, with an outreach of 196,000, or

92 percent of all clients. Smaller MFIs (in total size of assets) reach only 8 percent of all clients. In addition to these MFI programs, several NGOs in Amhara are channeling loan funds to borrowers through service cooperatives, mostly for agricultural activities (Sida, 2003).

3.3. Universe of the Study

In Mida woremo woreda, Addis Alem saving and credit union comprises eight (8) Women saving and credit cooperatives made-up of 3,559 women in seventeen (17) kebeles of the district. Of this, the target population will be two women saving and credit cooperatives of Meragna town and Behera villages with a total population of 701 members which will be randomly selected from the union and other non-SACCO member households of the district.

3.4. Sampling Design

The households included in the study will be selected at random in two stages. The first stage will involve selecting households from villages earmarked by SACCOs Cooperative Union Limited as potential areas where the program might be introduced in the near future. These are SACCOs groups formed in the area but they have not been targeted by SACCOs activities yet. These will act as areas from which a control group will be drawn. The second stage will involve randomly sampling households from areas with SACCOs activities. To determine the sample size, the Solvin's formula of sampling technique will be used.

Yemane (1967:886) provides a simplified formula to calculate sample size. This formula is used to calculate the sample sizes. A 95% confidence level and $p=.5$ are assumed.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size,

N is the population size, and

E is the level of precision.

Based on this, the researcher will take half of the sample size due to time, finance and other related problems. This sample size in the view of the researcher is fairly adequate and representative. Specifically, the sample will include 41 households of individuals participating³ in SACCOs activities, 84 households of non-members but from villages where

³ Participation is defined in terms of current membership i.e. actively involved in SACCOs activities at the time of interviews.

SACCOs operates, and areas where SACCOs does not currently have activities, a control group⁴, such non-members to active SACCOs groups with SACCOs activities will act as a comparator. This sampling will in part ensure that there is not much heterogeneity between the villages hence qualifying them for a better comparison group than if they are located very far away. The villages under each of the SACCOs groups under study will be drawn through stratified random sampling. The stratification will be based on the presence and absence of SACCOs program.

Some non-program villages will be selected among neighboring program villages. Control villages and program villages will be chosen from each of the SACCOs program areas inclusive of non-program villages. In selecting survey households, the universe of households in program villages will be drawn from SACCOs member register book grouped according to eligibility status. The household said to be eligible had a landholding size of less than 0.25 hectares and had less than one cattle. This eligibility rule is set to simply identify the poverty status of the households. The households to be interviewed in the study will be selected into the study using Simple Random Sampling method.

3.5. Data Collection

The research team will comprise the researcher and seven enumerators. The researcher will train the enumerators on a number of relevant aspects of the research prior to the interviews. This is meant to help the team on understanding the objectives of the research. A household survey will be conducted using a semi-structured questionnaire which will be pre-tested. The results of the pre-test will help in the restructuring of the final questionnaire by paraphrasing or rephrasing questions that are unclear to both the respondents and interviewers, incorporating missing variables and omitting irrelevant questions.

Data will be collected on socio-economic and demographic characteristics using the pre-tested semi-structured questionnaire. All sample participants and non-participants of SACCOs program will be visited and interviewed. Primary data will also be collected through key informant

⁴ Control group is a sample of households from control villages and includes those households whose household heads expressed their willingness to participate in SACCOs program if available (members of non-functional SACCOs groups in case of this study in Mida Woremo district).

interviews using a checklist of issues. Focus group discussions will be employed to capture information based on consensus and to verify the responses from the individual interview. Respondents will be placed in groups of 8 – 10 and a checklist of issues will be used to facilitate the discussion and notes will be taken. The study will also make use of observation method which will enable the researcher and the enumerators to validate the household's responses.

Data to be collected includes sources of household income, membership of SACCOs groups, access to infrastructure, land holding size and distance between a household's residence and SACCOs local office. Secondary data and other relevant information will be collected from regional bulletins, reports, journals, and publications from Ministry of Agriculture, MoTI and records from Addis Alem SACCOs Cooperative Union Limited and others. The researcher will also use observation to find out physically how the microfinance activities have helped shape the livelihood of women with regards to the food they eat, growth in the petty trading and their role in the household decisions.

3.6. Data Processing and Analysis

The data will be collected through survey and will be analyzed using both qualitative and quantitative data analysis techniques. Quantitative data will be coded, analyzed and tested through independent t-test and Double- Difference analysis using Statistical Package for Social Sciences (IBM SPSS – PC for windows, version 20.0). Impact of the credit program will be assessed by comparing the situation of change in income, and change in expenditure between clients and non-clients of the credit program in two time periods (before and after the credit was advanced). In order to assess the impact of credit on income, and total expenditure, a double-difference analysis between clients and non-clients for two time period (before the loan advance to the clients and after the loan advance to the clients) will be performed. The model used for this analysis can be explained as follows:

$$Y_i = (Y_{it1} - Y_{it0})_{Clients} - (Y_{it1} - Y_{it0})_{non-Clients}$$

Where,

Y_i represents outcome variables such as total income, and total expenditure t_0 represents outcome variable measured for both clients and non-clients before the intervention (credit)

t_1 represents outcome variable measured for clients and non-clients after the intervention (credit)

Further, information to be gathered from the interviews and observations will be analyzed using meta analysis.

3.7. Chapterization

The First Chapter shall be an introduction to saving and credit cooperative. In this chapter, statement of the problem, objective of the study, significance of the study and the research questions will be described.

The second chapter shall deal with theoretical framework of definition of terms and concepts, significance of saving and credit cooperatives, historical development of SACCOs, Models of microfinance interventions and microfinance experience in Ethiopia will be discussed.

The third chapter shall deal with the description of the study area, regional overview in the context of the study, universe of the study, sampling design, data collection, and data processing and analysis.

The fourth chapter will deal with the major findings and discussions of the study. Finally, the fifth chapter will focus on conclusions and recommendations of the study.

3.8. Work Plan

The study will be conducted between January and February, 2015.

Table 1. Tentative Schedule for the study

Activity	Dec. 2015	Jan. 2016	Feb. 2016	March 2016	April 2016	May 2016
Developing Data	X					
Training for Data collection		X				
Pre- testing of the questionnaire		X				
Data Collection	X	X	X	X		
Data Analysis & Interpretation				X	X	
Thesis writing & development	X	X	X	X	X	
Thesis Submission						X

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