

ROLE OF MICRO FINANCE IN ALLEVIATING URBAN POVERTY IN ETHIOPIA

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ABSTRACT

This study analyses the role of microfinance institutions (MFI's) in the alleviation of poverty in Jimma town in South Western Ethiopia. It studies the impact of microfinance programs on income, employment, asset, expenditure, and gender empowerment. The results show that microfinance programs have reached the poorest section of the society, but without planned targeting mechanism. Improvement is observed in employment opportunities, asset holdings and expenditure patterns. However, improvement relating to housing and other assets of higher value tends to be limited. Women are found to have more access to microfinance services than men. In addition, women clients have increased their income by the amount men clients did; but there is still huge gap between monthly income of men and women clients.

Keywords-Microfinance, Urban Poverty, Gender Empowerment

INTRODUCTION

Background of the Study

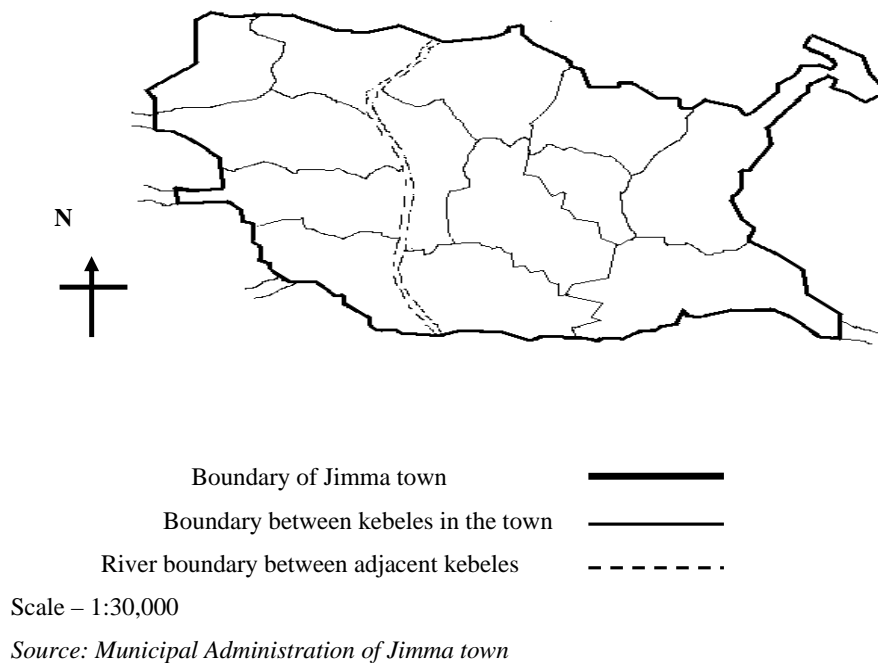
Poverty is one of the bottlenecks of development and at the same time alleviation of poverty is recently recognized as the primary objective that a development process shall pursue, especially in developing countries. More than one billion people live on less than a dollar a day in the world and such higher level is partly ascribed to increase of poverty in the last generation (Jack, 2006). The most important constraint that poor people face to come out of poverty is lack of access to credit to run their own businesses. The UN Millennium Development Goals aspire to reduce poverty by half by the year 2015. The MDGs document recognizes microfinance as a powerful instrument to alleviate poverty and empower the poor. The objective of microfinance, as the provision of financial services to poor people that have been excluded from the formal financial sector for so long, is poverty alleviation. Currently there are 3,000 microfinance institutions serving more than 100 million clients around the world, though the rate of population coverage ranges. (Nandazi, 2008).

Ethiopia is one of the poorest countries in the world, ranking 169 out of 177 countries and with per capita GDP of only USD 157 as of 2005 (UNDP, 2007). There is high urban population growth in the country as a result of rural-urban migration and natural growth of the urban population (Mebratu, 2008). However, such increasing population has not been well accommodated in the urban centers. As more and more people come to the urban scene and take their share from the insufficient opportunities available for the existing urban poor, availability of these opportunities minimizes. This increases the number of the urban poor at least by the amount of the new comers whose needs are not accommodated, in addition to deepening poverty of the existing urban poor. In order to use microfinance as an effective

tool of alleviating poverty the Ethiopian government has issued a regulation in 1996, and since then 29 microfinance institutions are legally operating in the country (Eriksen, 2008; Muluneh, 2008).

Jimma is the largest urban center in south western Ethiopia. The town for the most part came in to its present shape during the Italian Occupation. Jimma town covers a total area of 100.2 km². Its population is estimated to be 120,600 with growth rate of 4.11% per annum. Commerce is the main economic activity in the town. Previously the town was organized in to 21 kebeles but currently it is restructured in to 13 kebeles. Many people are living in overcrowded residential areas with bad sanitation situation and lack of basic services like safe drinking water and sewerage. Currently three microfinance institutions are operating in Jimma town. Harbu Microfinance Share Company was established in November 2005, while Eshet Microfinance Share Company and Oromia Credit and Saving Share Company (OCSSCo) were established in 2006. These institutions have the major objective of poverty alleviation through provision of productive credit to the poor.

Figure 1: Map of Jimma town



Statement of the Problem

Instead of being centers of growth and innovation, urban centers in Ethiopia are being centers of problems for development process. If our urban centers have to be effective centers of development, their problems need to be carefully investigated and handled. Though microfinance is relatively a new phenomenon in the Ethiopian context, different studies have been conducted in the area. One of the earlier studies by Wolday (2000) reviews the development of microfinance in Ethiopia and assesses the regulatory frameworks of the industry. In addition, the study analyzes the performance of microfinance institutions in Ethiopia in terms of financial sustainability and outreach of the microfinance institutions. Previous studies reviews performance of microfinance institutions in Ethiopia which focus on performance analysis in terms of financial sustainability and outreach, service delivery issues of microfinance in rural Ethiopia and the

nexus between commercial and social objectives of microfinance institutions in rural Ethiopia, reconciliation of financial sustainability with poverty alleviation and access to microfinance in rural Ethiopia. (Befekadu 2008, Alemayehu 2008, Getaneh 2008, Gemechu 2008.). Most of the above mentioned studies have impressive methodological consistency and utilize appropriate logic of analysis to answer their respective research questions. Nevertheless, much of their focuses have been on the microfinance institutions rather than the program targets. Even if the studies were to focus on the beneficiaries of the program they were not far from investigating whether poor people are being reached or not .The study by Asmelash (2003) deals with the impact of microfinance program on poor households but lacks exclusive focus on urban poverty which has peculiar characteristics distinguished from rural poverty. Another study by Mebratu (2008) which assesses the impact of microfinance program in poverty alleviation emphasizes the impact on the microfinance clients and exclusively focused on urban poverty. However, the study reports the current poverty status of the clients and gives no idea on the conditions of these clients before they started to use microfinance services. Consequently, it fails to give some account of the extent of change in the lives of households of the respondent clients. This paper therefore fills the gap of the above reviewed works in terms of the role of the microfinance programs on poor households who have been using microfinance services and by giving exclusive attention to urban poverty.

Objective

The general objective of the paper is to assess the extent and nature of microfinance services in alleviating urban poverty in Jimma town. The specific objectives are to analyze the role of MFI in increasing household income of the clients, to explore the effect on employment, to examine the role of microfinance programs in improving asset holding and expenditure patterns of client and to analyze whether microfinance programs have contributed to the empowerment of women.

Methodology

The study employs a before-after test to assess the role of microfinance and impact assessment methods like Rapid Appraisal, Participatory Learning and Action, and Case Studies. The paper uses both primary and secondary data sources.. The secondary data contributed in setting the context and conceptual framework. Primary data was collected using questionnaire, key informant interviews, and focus group discussions. The study population is composed of microfinance clients in the three microfinance institutions operating in the town. The three microfinance institutions in Jimma town are Harbu Microfinance Share Company, Eshet Microfinance Share Company, and Oromia Credit and Saving Share Company. Harbu Microfinance Share Company has 284 male and 1,422 female clients. Eshet Microfinance Share Company has 148 male and 833 female clients. Oromia Credit and Saving Share Company has 700 female clients and no male client. The figure for Oromia Credit and Saving Share Company concerns only the clients who use its microfinance services but exclude those who use its micro-banking services (according to the branch manager, for instance loan size above 5,000 birr). A sampling frame was prepared combining the lists of the clients in the three microfinance institutions having a total population size of 3,387 clients.. From the totality of 3,387 clients in the frame, a sample of 120 clients is randomly selected using random table (Kumar, 2005).

DISCUSSION AND FINDINGS

The Role in Improving Household Income of Clients

The impact of microfinance on the monthly income of clients is computed using the income of clients' households before and after they started to use microfinance services. As discussed below the computation takes four different scenarios.

Table 1: Mean income of the respondent clients under four considerations

	Y ₁	Y ₂	Y ₃	Y ₄
Mean monthly income before microfinance use	715.49 birr	697.78 birr	916.78 birr	895.88
Mean monthly income after microfinance use	1093.96 birr	1084.38 birr	1093.96 birr	1084.38
Mean difference	378.47	386.60	177.18	188.49

Y₁- gross nominal income

Y₂- nominal income, considering net increase/decrease in other income sources

Y₃- gross real income, considering inflation

Y₄- net real income, considering net increase/decrease in other sources and inflation

Source: survey, 2010

The mean gross total monthly income of clients' households before they started using microfinance services was 715.49 birr with a standard deviation of 541.36. After they joined the programs their mean total monthly income is 1093.96 birr with standard deviation of 795.57. As such there is an increase in their mean total monthly income by 378.47 birr or a 52.90% increase. The t-test result shows the mean monthly income of the client households has significantly increased after they joined the microfinance programs.

But this does not as such show the net contribution of the microfinance programs to the income of clients. So towards finding out the net contribution of the microfinance programs, a second scenario which considers the increase or decrease of amount of income in other sources that are not related to the microfinance services is necessitated. In this way the mean total monthly income of the client households before they started using microfinance services becomes 697.78 birr with standard deviation of 553.74. After they joined the programs their mean total monthly income turns to be 1084.38 birr with standard deviation of 791.20. The mean incomes differ by 386.60 birr or there is increase by 55.4%. The t-test result in this case shows, as a result of joining the microfinance programs, the mean income of the clients has significantly increased.

However, the above two scenarios share the same pitfall as they indicate only an increase in nominal income that do not consider the purchasing power of money. So taking inflation in to consideration, the total income of the clients was adjusted to current value. In this case the mean total income of the households of the clients before they joined the microfinance programs becomes 916.78 birr with standard deviation of 674.11; while their total mean monthly income after joining the programs remains 1093.96 birr with standard deviation of 795.57. As such there is an increase in real mean total monthly income of the clients by 177.18 birr. In other words, the real mean total monthly income of the clients has increased by 19.33%. And when these figures are subjected to a t-test for paired samples at 95% confidence interval, the result shows that the real mean total monthly income of the clients has significantly increased after they

joined the microfinance programs. Once again this is not as such conclusive about the net impact of microfinance on the real income of the clients.

Adjusting the income of client households to current value and considering the amount increase or decrease of income in other sources which are not related to microfinance services, it becomes feasible to discuss about the net impact of the microfinance programs on the real income of the client households. In such a way the mean adjusted monthly income of the clients before microfinance programs becomes 895.88 birr with standard deviation of 686.69. Their mean adjusted monthly income after they joined the microfinance programs is 1084.38 birr with standard deviation of 791.20. This indicates an increase in the mean real monthly income of the clients by 188.49 birr, or their real mean monthly income has increased by 21.04% as a result of using microfinance services. The t-test result shows that the real monthly income of the clients has significantly increased as a result of participation in the microfinance programs.

The Role in Employment Creation

The role of the microfinance programs in creating employment opportunities can be discussed at three levels. i.e. self-employment, family employment, and employment opportunity for people other than family members.

Table 2. Role of the microfinance programs on self- employment of respondent clients

Out of the total 120 respondents	Frequency	Percentage
Respondents who had permanent employment before microfinance use	33	27.5%
Respondents who have permanent employment after microfinance use	95	79.17%
Gross increase after microfinance use	62	51.67%
Amount of increase attributable to the microfinance programs	59	49.17%
Amount of increase not attributable to the microfinance programs	3	2.5%

Source: survey, 2010

Only 27.5% of the respondents had permanent employment before they joined the microfinance programs, and the rest 72.5% had no permanent employment. After joining the microfinance programs 79.17% of the respondents reported to be permanently employed, while 20.83% of them remain not to have permanent employment. This shows 51.67% of the respondents who were not permanently employed before they started using microfinance services have got permanent employment after the started to use microfinance services. Three respondents (2.5%) who did not have permanent employment before microfinance use, but currently permanently employed, got the employment opportunity in other institutions than the one created through the use of micro-credit. This indicates the microfinance programs have created self-employment opportunity for 49.17% of the respondents. During the focused group discussions participants who came to be self-employed in their micro-enterprises after they joined the programs revealed that the self-employment opportunity helped them to develop a sense of worth beyond material gains they are deriving from their micro-businesses.

The second aspect concerning the role in employment opportunity creation is family employment. However, in this context employment is taken as permanent or non-permanent, full-time or part-time, and paid or unpaid. In addition, the

valid sample size lowers to 113 because 7 of the respondents took the credit for other uses than running a micro-business, which are not expected to directly create employment opportunity.

Table 3. Number of family and non-family employees working in the clients' micro-enterprises

	Number of family workers		Number of non-family workers	
	Total	Average	Total	Average
Before microfinance	30	0.27	5	0.04
After microfinance	95	0.84	40	0.35

Source: survey, 2010

Before the clients joined the microfinance programs there were a total of 30 family members working in the micro-businesses of the respondent clients. The mean number of family members working in the clients' micro-businesses prior to microfinance use was 0.27 with standard deviation of 0.551. In comparison, after the respondent clients joined the programs there were a total of 95 family members working in the micro-businesses of the client respondents. After microfinance use the mean number of family workers is 0.84 with standard deviation of 1.049. There is a mean difference of 0.575 and the total number of family workers has increased by 65 persons or a total percentage increase by 216.67% is observed. The t-test comparison figures also testify that the average number of family members working in the micro-businesses of the client respondents has significantly increased.

The third dimension in the discussion of role in employment concerns the employment opportunity created for people other than family members. Once again, for the same reason as in family employment, the sample size in this case too lowers to 113. Nevertheless, employment in this context is to be taken as permanent and paid job. During the time before the respondent clients joined the microfinance programs there were a total of 5 non-family employees in their micro-businesses. By then the mean number of non-family employees in the client micro-businesses is 0.04 with a standard deviation of 0.207. Currently the total number of non-family employees is 40. And the current average number is 0.35 with standard deviation of 0.680. The difference between the two means becomes 0.31 and the total number of non-family employees has increased by 35 persons or 700%. As per the t-test figures the average number of non-family employees has significantly increased after the respondent clients joined the microfinance programs. The results show that after the respondent clients joined the microfinance programs a total of 59 permanent self-employment opportunities; 65 permanent or non-permanent, full-time or part-time, and paid or unpaid family-employment opportunities; and 35 permanent and paid employment opportunities have been created.

Role of microfinance in Improving Asset Holdings of Clients

The role of microfinance programs in improving asset holdings of the clients is discussed in three sections. The first section concerns its role on saving of households of the respondent clients. The second section discusses the role on assets relating to income generating activities. The third section deals with assets which are not directly related to income generation. In the second and third sections the discussion is limited to physical assets. Only for the second section the sample size is lowered to 113 because 7 of the respondents took credit for purposes other than running income generating activities.

The role of microfinance in household savings

During the time before respondent clients joined the microfinance programs the mean monthly amount of saving by their households was 56.25 birr with standard deviation of 117.27. After the respondents joined the microfinance programs the mean monthly saving amount of their households is 125.66 birr with standard deviation of 194.14. The difference between these two means is 69.41 birr. The t-test result shows the mean monthly amount of saving of the respondents' households has significantly increased after the respondent clients joined the microfinance programs.

Table 4: comparison of saving before and after microfinance use at different amount levels

Amount of saving per month (in Eth. birr)	Frequency of households before microfinance use	Percentage of total before	Frequency of households after microfinance use	Percentage of total after
0	47	39.17%	1	0.83%
1-50	46	38.33%	50	41.67%
>50	27	22.50%	69	57.50%
Total	120	100%	120	100%

Source: survey, 2010

The households of 47 respondents (39.17%) had no saving before the respondents joined the microfinance program. The households of 46 respondents (38.33%) had a monthly saving amount of 50 birr or less before microfinance use, and households of 27 respondents (22.50%) had a monthly saving amount of more than 50 birr. In comparison, after the respondents joined the microfinance programs, only 1 respondent's (0.83%) household has no saving; whereas the households of 50 respondents (41.67%) have a monthly saving of 10-50 birr, and the households of 69 respondents (57.50%) have a monthly saving of more than 50 birr.

The role of microfinance in improving access to physical assets relating to income generation

Assets relating to income generation are discussed in to four parts. The first part discusses working premises, emphasizing land and house the clients use to run their businesses. The second concerns equipments and furniture they use for business purpose. The third part deals with infrastructure facilities of clients used for business purpose. Specifically, these facilities to be discussed are electric power supply, piped water, toilet, and telephone line facilities. These mentioned three parts deal with assets accessed for the business activity for which the micro-credit was originally target for. The fourth part discusses working premises and equipments or furniture the clients owned for other income generating activities than the activity for which the microcredit was originally targeted for.

The role in working premises

Table 6: the role of microfinance on possession of working premises

Ownership in	Frequency	Percentage
Working land	9	7.96%
Only working land	2	1.77%
Working land and house	7	6.19%
Working house attributable to microfinance	2	1.77%
Working house partially attributable to microfinance	4	3.54%
Working house not attributable to microfinance	1	0.88%
Mere quality improvement (not ownership) attributable to microfinance use	4	3.54%

Source: survey, 2010

Out of 113 respondent clients, 100 (88.5%) of them witnessed no change in working premises in terms of both ownership structure and quality of land or house they use for their business activities. 9 respondents (7.96%) reported to have their own working premises after microfinance use. 7 respondents (6.19%) owned both land and house on which they run their business, and 2 respondents (1.77%) owned land for business purpose but have not yet built house. Out of 7 respondents who owned working house, 2 respondents used profit from micro-businesses started using the credit; 4 respondents used profit in combination with money from other sources which are not related with microfinance services; and 1 respondent financed ownership of working house from other sources that are not related to microfinance services. In other words, ownership of working house by 2 respondents is attributable to microfinance services; microfinance use has contribution in ownership of working houses by 4 respondents; and ownership of working house by 1 respondent is not attributable to microfinance use. However, out of these 9 respondents who witnessed ownership of working premises, only 4 respondents owned working premises of better quality than they used before microfinance use in terms of access to market.

The second change concerning working premises is mere quality improvement without ownership change. In this regard 4 respondents (3.54%) reported that they are working in a better quality rented houses than they used before in terms of access to market. All the respondents who rented working houses of better quality are paying rents using profit from their micro-enterprises. Working premise improvement taken as quality improvement or ownership, only 11.50% of the respondents were entitled to that improvement. The rest of the respondents (88.5%) witnessed change in neither quality nor ownership.

The role in equipment and furniture for micro-enterprises

Table 7: Contribution of microfinance in ownership of production equipment & furniture for the micro-business started through micro credit

Level of attribution	Respondents who purchased equipment or furniture	
	Frequency	Percentage
Purchases attributable to microfinance	66	90.41%
Purchases partially attributable to microfinance	6	8.22%
Purchases not attributable to microfinance	1	1.37%
Total	73	100%

Source: survey, 2010

73 respondents (64.6% of the total valid) purchased equipment or furniture for their business activities and 40 respondents (35.4% of the total valid) purchased no equipment or furniture for their businesses. Concerning the source of money for the purchase, out of the 73 respondents who owned equipment or furniture 58.9% used credit; 24.66% used profit that followed credit use; 6.85% combined credit and profit that followed credit use; 1.37% used other sources which are not related to microfinance services; 4.11% combined credit with other sources not related to microfinance services; and 4.11% combined profit that followed credit use with other sources not related to microfinance services. From the above figures, 90.41% of the equipment or furniture purchases are attributable to the microfinance programs; while the programs have stake in 8.22% of the equipment or furniture purchases and have no stake in 1.37% of the purchases.

The average amount of money spent for the ownership of these equipments or furniture (only for those who owned one) is 1,349.66 birr with standard deviation of 2464.88. The amount of money spent for equipment or furniture highly vary, as there are respondents who owned equipment or furniture worth as low as 10 birr and as high as 13,300 birr. During the focus group discussions some participants revealed that few microfinance clients who spent higher amount of money for the equipment or furniture purchase tend to use other sources of income not related to the microfinance services as complementary source. But most clients who do not have such alternative have been constrained to own relatively higher-cost equipments by shortage of money. According to focus group discussants that were faced with this situation; they could have been much more effective in their microenterprises, if they owned such equipments.

The role in infrastructure facilities for micro-enterprises

Role of microfinance in access to infrastructure facilities for the business activities is discussed below in terms of owned electric power supply line and telephone line,

Table 8: Respondents' possession of owned electric power supply line for the micro-business

	Frequency	Percentage
Before microfinance use	55	48.67%
After microfinance use	73	64.60%
Total amount of increase	18	15.93%
Amount of increase attributable to the microfinance programs	15	13.27%
Amount of increase partially attributable to the microfinance programs	2	1.77%
Amount of increase not attributable to the microfinance programs	1	0.89%
Respondents who had before but not after	-	-

Source: survey, 2010

Before joining the microfinance programs 48.67% of the respondents had their own electric power supply line and 51.33% of the respondents did not. After the respondent clients joined the programs 64.6% of them have their own electric power supply line for their business and 35.4% of them do not have their own service line. This implies 15.93% of the respondents came to have their own electric power supply line after they joined the microfinance programs. Concerning the source of money they used to get their own electric power supply line 7 respondents (6.2% of the total valid) said credit; 8 respondents (7.08% of the total valid) said profit that followed credit use; 1 respondent (0.89% of the total valid) said other sources not related to microfinance services; and 2 respondents (1.77% of the total valid) combined credit and other sources not related to microfinance services. These figures show that owned electric power supply line acquired by 13.27% of the respondents is attributable to the microfinance programs, while the programs have contributed for the service accessed by 1.77% of the respondents and have no contribution for the service acquired by 0.89% of the respondents after microfinance use.

Table 9: Respondents' possession of telephone line for the micro-business

	Frequency	Percentage
Before microfinance use	46	40.71
After microfinance use	76	67.26%
Total amount of increase	31	27.43%
Amount of increase attributable to the microfinance programs	26	23.01%
Amount of increase partially attributable to the microfinance programs	-	-
Amount of increase not attributable to the microfinance programs	5	4.42%
Respondents who had before but not after	1	0.89%

Source: survey, 2010

Before joining the microfinance programs 40.71% of the respondents had their own telephone line to for business purpose and 59.29% of them did not have this service facility. After joining microfinance programs 67.26% of the respondents reported to have their own telephone line for their business and 32.74% of them do not have this facility.

27.43% of the respondents who did not have their own telephone line for their business before joining microfinance programs have accessed this facility after joining the programs and 0.89% of the respondents who used to have the service before came not to have the facility after joining the program. When the respondents who owned the telephone line after microfinance use were asked the source of money to get the service 11 respondents (9.73% of the total) said credit, 15 respondents (13.28% of the total) said profit that followed credit use, and 5 respondents (4.42% of the total) said other sources which are not related to microfinance services. The telephone line acquired after microfinance use by 23.01% of the total respondents is attributable to the microfinance programs. If we assume the 0.89% of the respondents of the total, who used to have telephone line before joining the microfinance programs but do not have it after, lost the facility because of joining the program (say he/she became much indebted not to afford); therefore, the net impact of the microfinance programs on the ownership of telephone line for business purpose becomes the facility owned by 22.12% of the total respondents.

Impact on Expenditure

To assess the role of the microfinance programs on expenditure pattern of the clients' households, their expenditure before and after microfinance programs is classified in to different expenditure items and all these items are calculated in monthly time period.

Table 10: t-test results of mean monthly expenditure of households of respondent clients on different expenditure items

Expenditure item	Monthly expenditure before microfinance use (in Eth. Birr)		Monthly expenditure after microfinance use (in Eth. birr)		Mean difference	Statistically significant difference?
	Mean	Std. deviation	Mean	Std. deviation		
Food	370.59	225.10	515.51	313.60	144.92	Yes
Clothing	31.77	25.90	36.95	22.22	5.19	Yes
Residence house	31.79	55.07	33.09	59.67	1.30	No
Housing furniture	38.22	43.68	59.96	74.31	21.73	Yes
Health	4.95	5.38	6.11	6.32	1.16	Yes
Education	41.43	78.59	57.74	98.96	16.31	Yes
Services	29.41	20.91	42.12	42.61	12.71	Yes

Source: survey, 2010

The mean monthly food expenditure of the respondents before microfinance use was 370.59 birr with standard deviation of 225.10. In comparison, their mean monthly food expenditure after microfinance use is 515.51 birr with standard deviation of 313.60. The mean difference becomes 144.92; and the t-test indicates the monthly food expenditure of the clients' households has significantly increased after the clients joined the microfinance programs, at 95% confidence interval.

Before microfinance use the average monthly clothing expenditure of the respondents' households was 31.77 birr with standard deviation of 25.90. On the other hand, the mean monthly clothing expenditure after they started using

microfinance is 36.95 birr with standard deviation of 22.22. The mean difference is 5.19; and the t-test result shows the monthly clothing expenditure of the households has significantly increased after the clients started to use the microfinance services, at 95% confidence interval.

The mean monthly expenditure of the respondents' households for residence house in the time before they started to use microfinance services was 31.79 birr with standard deviation of 55.07. In contrast, their mean monthly expenditure for residence house after microfinance use is 33.09 birr with standard deviation of 59.67. The mean difference in monthly expenditure for residence house is 1.30; and at 95% confidence interval, the t-test shows there is no statistically significant difference in the monthly expenditure for residence house of the clients' households in the time before and after they joined the microfinance programs.

The average monthly expenditure of the respondents' households on housing furniture before microfinance use was 38.22 birr with standard deviation of 43.68. After they started using microfinance services their mean monthly expenditure on housing furniture is 59.96 birr with standard deviation of 74.31. The mean difference becomes 21.73; and the t-test result confirms, at 95% confidence interval, the monthly expenditure of the clients' households on housing furniture has significantly increased after the clients joined the microfinance programs.

The mean monthly expenditure of the respondents' households for health before microfinance use was 4.95 birr with standard deviation of 5.38. On the other hand, their mean monthly expenditure for health after microfinance use is 6.11 birr with standard deviation of 6.32. The mean difference is 1.16; and the t-test result, at 95% confidence interval, confirms the monthly expenditure of the clients' households for health has significantly increased after the clients joined the microfinance programs. One precaution in this case is that some clients' households used to have free medical services in the time before joining the microfinance programs but currently not so.

The mean monthly expenditure of the respondents' households for education before the clients joined the microfinance programs was 41.43 birr with standard deviation of 78.59; whereas after the clients joined the microfinance programs their mean monthly expenditure on education is 57.74 birr with standard deviation of 98.96. As such the mean difference is 16.31; and the t-test indicates the monthly expenditure of the clients' households for education has significantly increased after the clients joined the microfinance programs, at 95% confidence interval.

The other expenditure item is service expenditure which includes the expenditures for services delivered by governmental, non-governmental or private bodies. The mean monthly expenditure of the respondents' households for services before microfinance use was 29.41 birr with standard deviation of 20.90. In comparison, the mean monthly expenditure of the clients' households for services after microfinance use is 42.12 birr with standard deviation of 42.61. The mean difference becomes 12.71; and the t-test result indicates the monthly expenditure of the clients' households for services has significantly increased after the clients joined the microfinance programs, at 95% confidence interval.

The role of microfinance on women's status

The role in improving status of women respondent clients is seen in terms of their access to material resources, as measured by impact on income of women clients; change in their decision making positions on issues that concern them

in their household; the impact on difficulty of their burden; and their perception concerning their status change in the household and community relations. In addition, whether women micro-entrepreneurs are getting support in their efforts or not is discussed to see if women are left alone to improve their own conditions or not.

Access to material resources

Table 11: Comparison of women and men respondents’ monthly income before and after microfinance use

Gender of clients	Income per month before microfinance use (in Eth. Birr)		Income per month after microfinance use (in Eth. birr)		Mean difference	Statistically significant difference?
	Mean	Std. deviation	Mean	Std. deviation		
Women	376.61	341.14	667.70	639.22	291.10	Yes
Men	703.76	846.17	997.40	866.65	293.64	Yes

Source: survey, 2010

The mean monthly income of the women respondent clients before they joined microfinance programs was 376.61 birr with standard deviation of 341.14. In comparison the mean monthly income of the women respondent clients after they joined the microfinance programs is 667.70 birr with standard deviation of 639.22. These figures reflect the mean real monthly income taking inflation in to consideration. In addition, the figures are adjusted for net increase and decrease in the amount of income from other sources which are not related to microfinance services, to determine the net impact of the programs. Therefore, the difference between the real mean monthly income of women respondent clients before and after joining microfinance programs becomes 291.10 birr. In other words the real monthly income of the women respondent clients has increased by 77.29% after they joined the microfinance programs.

On the other hand, the mean real monthly income of men respondent clients before joining the microfinance programs was 703.76 birr with standard deviation of 846.17. The mean real monthly income of men respondent clients after they joined the microfinance programs is 997.40 birr with standard deviation of 866.65. Inflation and net impact considerations are also taken for the figures in this case. Therefore, the difference between the real mean monthly income of men respondent clients before and after they joined the microfinance programs becomes 293.64 birr. In other words the mean real monthly income of men respondent clients has increased by 41.72 % after they joined the microfinance programs.

For both groups of clients the t-tests confirm the difference to be statistically significant. From the above figures it can be derived that, the mean monthly individual income of women clients has increased by 77.29% and the mean monthly individual income of men respondent clients has increased by 41.72%. Despite this huge gap in percentage increase between the two groups; in terms of amount increase as measured in Birr, women respondents have increased their individual income nearly as much as men respondent clients. Before microfinance use, on average women respondents used to earn 53.51% of the average monthly income of men respondents. After microfinance use, however, women respondents earn on average 66.94% of the average monthly income of men respondents. This implies the gap between

monthly income of women and men respondents is narrowing, but the income of women respondents is still lagging behind income of men respondents.

Decision making status on their own affairs

To show the impact in decision making status of women respondents on their own affairs three issues are taken which clearly concern the women respondents. The first issue is the decision over investment of credit. The second issue in discussion is management of the microenterprise. The third issue concerns decision over expenditure of additional income generated from the microenterprise.

The women micro-entrepreneurs were asked who decided the type of business activity to invest the microcredit they received. 50 respondents (49.50% of the women micro-entrepreneurs) reported to decide it by themselves; 5 respondents (4.95%) said the decision was their husbands'; and 46 respondents (45.54%) reported to decide together with their family members including their husbands. From these figures, 49.50% of the women micro-entrepreneurs were fully controlling decisions on investment of credit. 45.54% of the women micro-entrepreneurs were involved in the decision on investment of credit or had partial control in deciding over investment of credit. On the other hand, 4.95% of the women respondent clients who accessed microcredit for the purpose of running business activity were not involved or had no control over the decision over investment of credit.

When the women micro-entrepreneurs were asked who manages the business activity they run using the microcredit, 78 respondents (77.23%) said they manage the business by themselves; 3 respondents (2.97%) reported the manager to be their husband; and 20 respondents (19.80%) reported they manage the business together with other family members including their husband. This implies 77.23% of the women micro-entrepreneurs have full control in decisions related to running their businesses; 19.80% of the women micro-entrepreneurs have partial control in decisions related to running their business; and 2.97% of the women who took microcredit for the purpose of running business have no control in decisions related to the business.

Concerning the use of additional income from the micro-business in the form of profit, 21 respondents (20.79%) reported to use the additional income for expanding their business; 54 respondents (53.47%) use it for household consumption; 25 respondents (24.75%) use it for both business expansion and household consumption; and 1 respondent (0.99%) uses it to expand her business, to pay her tuition fee and subsidize her parents with whom she lives.

When the women micro-entrepreneurs were asked who decides what to do with the additional income, 49 respondents (48.52%) reported to make the decision by themselves; 7 respondents (6.93%) said the decision maker is their husband; 45 respondents (44.55%) make the decision in consultation with their family members including their husband. So, 48.52% of them have full control in the use of additional income; 44.55% of them have partial control; and 6.93% of them have no control. The above results on the level of control of women regarding their microenterprise show that women are more excluded in decisions relating to credit investment and the use of additional income and least excluded in management of their microenterprises. In other words women are more excluded in decisions relating to the use of financial resources than acquiring financial resources.

CONCLUSIONS

The microfinance programs have increased the income of households of the respondent clients. i.e. in terms of both nominal and real income. The employment opportunities created following microfinance use of clients is encouraging, though mostly in the form of self-employment and family-employment. Microfinance programs have improved savings of the respondents' households through letting access to saving services and increasing household income out of which they can use to save. After joining microfinance programs, mean monthly expenditure of the respondents has significantly increased in food, clothing, housing furniture, health, education, and service items. Women respondents have increased their individual income by the amount men respondents increased their individual income.

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