Effect of Microloans on the Livelihood of Beneficiaries: A Descriptive Study in Ethiopia

** Bekele Abraham Diro*
*** Suresh Vadde*

Abstract

Microcredit has been found to be a critical instrument in order to improve the livelihood of the poor. It is prominently used to improve the livelihood of the household borrowers where it is believed to be under exploited in research. Hence, it is indispensable to examine its real effectiveness and to have sufficient information on the economic and social impact indicators (human capital). For the purpose of assessing the impact of DECSI microcredit on the livelihood of borrower households, a sample of 278 respondents (that is, 123 clients who had at least 3 years of attachment to the organization and 155 eligible non-participants representing the characteristics of the existing sample borrowers) was considered for the present study. Data were collected by using a semi-structured questionnaire that was prepared and distributed for both clients and eligible non-clients and the oral interviews were conducted while the questionnaires were filled out by the respondents. The results of the study revealed that microloan participation had a positive significant average effect on households' average monthly income, consumption expenditure, savings, and housing improvements. However, the number of employment opportunities generated for the household members showed not much of a difference. Whereas, the average effect on children's education and medical care expenditure was positive due to the respondents' participation in the microcredit program.

Keywords: **microloan, livelihood, households, human capital**

JEL Classification: E2, O16, R2

Paper Submission Date : July 1, 2013 ; Paper sent back for Revision : August 2, 2013; Paper Acceptance Date : December 22, 2013

The whole purpose of the development issue is to fight against poverty, which is a critical problem in the world both in rural and urban areas. This can be minimized through different intervention programs where microcredit is one of the major interventions. According to Reddy (2000) (as cited in Ghalib), the microcredit program is highly successful that is evidenced by the high rate of repayment, awareness generated amongst the target group, and beneficial development impact created on the borrowers. However, some critics oppose that poverty cannot be eradicated with a small amount of money provided by the MFIs; rather, it implicates the poor in the long debt cycle (Ghalib, 2007).

Eventually, about 1000 to 2500 MFIs are serving 67.6 million borrowers around the world (Sengupta & Anbuchon, 2008). Hence, globally, the outreach of microcredit is showing the contributions made by the program to the poor (Ahmed, 2004). Microcredit has emerged as an antipoverty instrument in many developing nations, targeting the poor, especially women, with financial services to help them become self employed. Similarly, in Ethiopia, microfinance has been acting as a critical instrument in order to improve the livelihood of the poor people. The prevalence of poverty in Ethiopia is high because of lack of assets, employment opportunities, income, skills, education, nutrition, health, and so forth (Amha, 2000). As a result, it has necessitated the use of microcredit as an intervention mechanism.

Microcredit was started in 1980s by some NGO groups in Ethiopia as a relief and rehabilitation program. The establishment of formal microfinance in Ethiopia was due to the efforts made by the NGOs. When their participation grew in the wake of drought and famine in the past three decades, they provided credit and savings schemes to help the victims develop self employment opportunities and bring about stability in their lives .

* *Lecturer,* Department of Accounting, Banking & Finance, Aksum University, Ethiopia. E-mail: dbikila2020@gmail.com
** *Associate Professor,* Department of Accounting & Finance, College of Business & Economics, Mekelle University, Ethiopia. E-mail: sureshvadde1@gmail.com

Ethiopia's microfinance sector is relatively young as compared to this sector in other developing countries. Microfinance institutions were established in Ethiopia by the federal government proclamation no. 40/1996. There are 31 licensed microfinance institutions operating in the country, where most of them have evolved either from the credit component of the government's or NGOs' credit schemes. The microfinance institutions now play a major role in providing services to the poor in rural and urban areas. Therefore, it is important to measure the impact of microcredit program on the borrowers.

Measuring financial returns is relatively straightforward, whereas measuring social return, however, is complex. Practically, the specific impacts of microfinance are hard to hold down and harder still to measure. However, assessing social and economic impacts of microcredit are necessary to know the overall effectiveness of the program. Interests in the social and economic impact of microcredit lead to a number of impact studies. For instance, Pitt and Khandker (1998) found that the microcredit program has a significant impact on the well being of poor households. Unlike other financial institutions like banks, which are working solely for financial objectives, microfinance institutions work for the financial and social objectives. Hence, it is indispensable to assess the economic and social impact of microcredit on clients' livelihood.

The Concept of Microfinance and Microcredit

The development of microfinance institutions in Ethiopia is a recent phenomenon. Since the proclamation, which provides for the establishment of microfinance institutions was issued in July 1996, various microfinance institutions have legally been registered and started delivering microfinance services (Amha, 2000). In particular, the licensing and supervision of microfinance institution proclamation of the government encouraged the spread of microfinance institutions (MFIs) in both rural and urban areas, as it authorized them among other things, to legally accept deposits from the general public (hence, diversify sources of funds), draw and accept drafts, and manage funds for the micro - financing business (Gobezie, 2004).

Interventions through the delivery of microfinance services in Ethiopia have been considered as one of the policy instruments of the government and NGOs to enable rural and urban poor increase output and productivity, induce technology adoption, improve inputs supply, increase income, reduce poverty, and attain food security (Meehan, 2000). The acquisition of working capital in these MFIs varies and the main sources are regional governments, donors, and commercial banks. Most microcredit services that were delivered through NGOs and government initiated projects in Ethiopia did not consider saving as one of the most important products both for the clients and institutions. This basically emanated from a notion that the poor have nothing to save. However, this notion has been disproved in Indonesia, Bangladesh, Bolivia, and in Ethiopia (Messele, 2002).

Microfinance loan policy is a procedure in which activities related to client screening, training, loan processing, supervision, loan repayment, and credit provision are undertaken. MFIs work in a slot market as they address the needs of those clients who are considered high-risk by bigger banks. High-risk groups or individuals are characterized as those with very few assets, requiring very small loans, require high degree of close follow-up, business appraisal and evaluation, as well as those engaged in activities whose income is fluctuating such as smallholder farmers or petty traders. Thus, the MFIs supply for a market with an operationally adequate demand level and where clients can be protected from the unfair conditions of the informal money lenders. Such MFIs, however, charge high administrative costs and have higher charges for risk coverage, which is in addition to the market interest rates, taking advantage of the niche market for microcredits (Amha, 2000).

Although the Government of Ethiopia has allowed private ownership of financial institutions, the financial sector is still dominated by large public financial institutions. Furthermore, within the microfinance sector, the major microfinance institutions (MFIs) are owned by regional governments/endowment companies. The public financial sector (excluding MFIs) has problems of excess reserves and a relatively large share of non-performing loans (20%). In recent years, the state and regional governments have made a major push to increase financial services for agriculture, micro and small enterprises, and low-income households.

Statement of the Problem

Worldwide, poor people are excluded from formal financial systems, which is highly problematic in less-developed countries (LDCs). However, it has only been within the last five decades that serious global efforts have been made to formalize financial services provisions to the poor. Thus, the process began passionately around the early to mid-1980s and has since gathered an impressive momentum. Consequently, the microcredit program has been celebrated for its potential to alleviate poverty in general and improve the livelihood of borrowers. However, the impact of this program has not yet been adequately investigated. Microloans are considered an effective way of livelihood improvement, though there are considerable debates about the effectiveness of it and the characteristics of the beneficiaries who are benefited (Chowdhury, Mosley, & Simaowitz, 2004). In addition, information on social impact indicators is insufficient and descriptive, which cannot be used as a basis for numerical reasoning of how microcredit programs transform livelihoods (Ghalib, 2009).

Many studies have been undertaken to analyze the financial performance of microfinance, but they provide an incomplete picture of program performance because methodologies that primarily focus on outputs (to measure performance) and those that aim at identifying outcomes (to assess impact) of the organizations' activities are different. Impact evaluation is understood as a systematic effort to identify the effects of activities on individuals, households, and institutions attributable to a policy or program. However, recent studies have shed doubts on microcredit's effectiveness, suggesting that the actuality of microcredit effectiveness may be less attractive than the promise. There are inconclusive findings on the effectiveness of the micro credit programs. For instance, borrowers have been burdened with multiple loans at excessive rates of interest, often having to borrow from more than one MFI to make their microcredit payments (Glazer, 2010). On the other hand, many authors consider microcredit to be an effective means of poverty alleviation (Chowdhury et al., 2004). Therefore, it is essential to further examine the real effectiveness of the microcredit program.

Arguments that support microfinance say that microcredit has brought millions, especially women, out of poverty and it has promoted economic sustainability, thereby bringing a host of positive impacts on families that receive it (Glazer, 2010 ; Swope, 2010; Yunus, 2004). In general, since microloans are prominently used to improve the livelihood of borrowers, it was indispensable to examine the real effectiveness of the microcredit program, have sufficient information on the social impact indicators and objective reasoning of how microcredit programs transform livelihood, and examine the program performance and assess the impact of microcredit on the household borrowers where it is believed to be under exploited in research. Furthermore, it was also vital to employ appropriate methodology to see its effectiveness using descriptive analysis.

Objective of the Study

The general objective of the study is to describe the effects of DECSI's microloan program on the livelihood of borrowers in terms of economic and social factors in Aksum Town and its surroundings in Ethiopia.

Methodology

➔ **Data Type and Sources :** In order to address the objective of the study, we employed both qualitative and quantitative types of data from primary and secondary sources.

➔ **Data Collection Procedure :** The primary data were collected from respondents through questionnaires and oral interviews. A semi-structured questionnaire, with both open and closed ended questions, was designed and distributed to the sample respondents. Primary data were used to collect information on pre-treatment characteristics of the respondents for matching purposes and outcome variables to describe the impact of microcredit on the livelihood of borrower households. The data collection process using the questionnaire followed the following approaches: Firstly, the respondents were identified with respect to their participation in

the microcredit program as participants and non participants, where one and the same questionnaire was prepared and distributed for both. Next, the actual field survey was conducted to gather necessary data from respondents using enumerators.

➔ **Sampling Technique and Size :** We applied the systematic random sampling method to select the sampling unit by excluding those who had withdrawn and were not using the microcredit facilities since three years. In this study, only clients having a minimum of 3 years of attachment with DECSI microfinance were brought under the field survey for the treatment group and the eligible non-participants were also consulted to get the counter factual data about the pre-treatment characteristics. The study was undertaken for a period of 1 year, that is, from 2012 - 2013.

The study was undertaken on DECSI microcredit borrower households in Aksum Town and its surroundings where there are four microfinance branches such as Aksum Town Microfinance, Wukro Maray Microfinance, Adet Microfinance, and Daero Hafash Microfinance. However, all these MFIs operate in providing microfinance (MF) services for the society dwelling in the town and in Laelay Maychew Woreda based on the collateral that can be held as a pledge. They are also operating the microloan services for the poorest of the poor, including pension payment for the retirees. The respondents from Laelay Maychew Woreda and the Aksum Town Administration participated in the present study (refer to Table 1).

There are several approaches to determine the sample size. In this study, the simplified formula provided by Yamane (1967) was applied to determine the required sample size at a precision level of 8% ($e = 8\%$).

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

where,

n = sample size,
N = population,
e = level of precision.

Therefore, the sample size of clients and non clients was determined as follows, where the population (N) is 894 for clients.

$$n = \frac{1952}{1 + 1952\ (0.08)^2} = 144$$

The sample respondents were randomly selected using the lottery method. On the other hand, the sample respondents from the non-participant (control) group were selected and surveyed in two rounds from Laelay Maychew Woreda and Aksum Town based on the lists of non-clients of DECSI who were eligible and ready to take microcredit. The questionnaire was administered for the total number of eligible non-clients (N=163) taken from the two administrative areas in two consecutive rounds (refer to Table 2).

Analysis and Results

For the purpose of assessing the effects of DECSI microcredit on the livelihood condition of borrowers, a sample of 307 respondents (144 participants or clients having at least 3 years of attachment to the organization and 163 eligible non-participants) were asked to participate in the study from Laelay Maychew Woreda and Aksum Town administration, Ethiopia. A semi-structured questionnaire was prepared and distributed by the enumerators to be filled out by both the participants and the eligible non-participants. Finally, 278 (123 clients having at least 3 years of attachment to the organization and 155 eligible non- participants) questionnaires were found to be usable (90.6% rate of return), and they were subjected to analysis. In addition, some clients were interviewed by us when the questionnaires were filled out.

Table 1. The Type and Number of Clients at DECSI Aksum Town and its Surroundings

No.	Clients	No. of clients	Remark
1	Withdrawn	514	
2	Savers	323	
3	Public servants or (those employed in private sector)	410	
4	< 3 years of attachment	957	
5	Clients having > 3years of attachment	1952	*N**
	Total	**4,156**	

*N** = Number of population

Table 2. Number of Eligible Non-Participants Residing in Laelay Maychew Woreda and Aksum Town

No.	Area	No. of eligible non-clients in rounds			Remark
		First	Second	Total	
1	Laelay Maychew Woreda	41	44	87	
2	Aksum Town	36	42	87	
	Total	**77**	**86**	**163**	***N****

*N** = Number of population

The variables that were used as the pre-treatment characteristics for participants and the eligible non-participants are clearly described in the Table 3. As displayed in the Table 3, out of the total 278, respondents, a majority, that is, 174 (62.59%) respondents were female household heads. In this study, female household heads comprised of almost equal proportion, that is, 75 (60.98%) and 99 (63.87%) respondents in the participants group and the eligible non-participants group, respectively. This is because MFIs primarily target women. This practice is based on the common belief that women invest the loans in productive activities or in improving family welfare more often than men, who are assumed to consume rather than invest the loan funds.

Considering the age of the household heads, a majority of them (183 ; 65.83%), were found to be in the middle age category (36-55 years) as compared to the given young and old age categories. Majority of the respondents (161 ; 57.91%) had 0-2 number of dependent household members, which is relatively lower. In the same way, most of the borrowers (72 ; 58.54%) and non-borrowers (89 ; 57.42%) also had 0-2 number of dependents.

With regards to the marital status of the household heads, a total of 31 (25.20%) participant respondents stated that they were married. Unlikely, 112 (72.26%) household heads in the eligible non - participants group were categorized as married, which is significantly higher than their participant counterparts. Here, we would like to add that participation in microcredit schemes enhances the status of women borrowers in their households. The Table also shows that majority of the respondents, that is, 194 (69.78%) respondents had formal education, where most of them had acquired elementary school education and a few of the respondents had attained secondary school education. Two hundred and fifteen (77.34%) respondents' family size was found to comprise of 2-5 members. Besides, the majority of the respondents (187 ; 67.27%) did not get access to other sources of credit.

➔ **Description of Outcomes :** Here, the outcome indicator variables (outcomes of interest) are monthly income of household expressed in terms of Birr, households' monthly consumption expenditure in Birr, employment generated for the household members, households' monthly savings in Birr, housing improvement made by the households in terms of Ethiopian Birr, and investment in human capital made by the households (expenditure on children's education and medical care (health) in terms of Birr). Furthermore, these variables are presented in categorical classification for participants (borrowers) and eligible non - participants (non - borrowers).

As shown in the Table 4, the majority (187 ; 67.26%) of the sample respondents included in this study were found to be in the income category of Birr 500-1500 per month. From the non - participants, who were referred to

Table 3. Demographic Profile of the Respondents

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Gender of HH Head	Female	75	60.98	99	63.87	174	62.59
	Male	48	39.02	56	36.13	104	37.41
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Age of HH	20-35	43	34.96	47	30.32	90	32.37
head in years	36-55	77	62.60	106	68.39	183	65.83
	>55	3	2.44	2	1.29	5	1.80
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Education of	Non-formal	37	30.08	47	30.32	84	30.22
HH head	Formal	86	69.92	108	69.68	194	69.78
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Family size	2-5	94	76.42	121	78.06	215	77.34
	6-9	29	23.58	34	21.94	63	22.66
	Total	**123**	**100**	**155**	**100**	**278**	**100**
No. of dependents	0-2	72	58.54	89	57.42	161	57.91
in the HH	3-5	31	41.46	66	42.58	117	42.09
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Spouse of HH head	Married	31	25.20	112	72.26	143	51.44
	Single	92	74.80	43	27.74	135	48.56
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Access to other	Yes	43	34.96	48	30.97	91	32.73
credit sources	No	80	65.04	107	69.03	187	67.27
	Total	**123**	**100**	**155**	**100**	**278**	**100**

* HH - household head

Note: Young = 20-35 years; Middle age = 36-55years, and Old age >55 years

Table 4. Monthly Income of the Households

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Income/month	500-1500	60	48.78	127	81.93	187	67.26
(in Birr)	1501-2500	51	41.46	19	12.26	70	25.18
	2501-3500	6	4.88	9	5.81	15	5.39
	>3500	6	4.88	0	0	6	2.17
	Total	**123**	**100**	**155**	**100**	**278**	**100**

for counterfactual observation had the participants not participated in the microcredit program, the majority (127 ; 81.93%) of the non-participant respondents were found to fall in the lowest range of income (Birr 500-1500 PM), whereas none of the non-participant respondents were found to be in the highest range of income (> Birr 3500). Likewise, the majority of the participant respondents (60 ; 48.78%) were found to be in the lowest-income category, while a few of them (12 ; 9.76%) were found to fall in the middle and high income range (> Birr 2501 - > Birr 3500) .

Table 5. Households' Monthly Consumption Expenditure

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Expenditure	100-700	28	22.76	82	52.90	110	39.57
/month (in Birr)	701-1300	84	68.29	59	38.06	143	51.44
	1301-1900	8	6.51	9	5.81	17	6.12
	>1900	3	2.44	5	3.23	8	2.87
	Total	**123**	**100**	**155**	**100**	**278**	**100**

Table 6. Employment Generated for the Household Members

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Employment	0	45	36.59	112	72.26	157	56.47
generation (in #)	1-2	67	54.47	41	26.45	108	38.85
	>2	11	8.94	2	1.29	13	4.68
	Total	**123**	**100**	**155**	**100**	**278**	**100**

Table 7. Monthly Savings of the Households

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Savings /month	0-150	83	67.48	134	86.45.	217	78.08
(in Birr)	151-500	31	25.20	17	10.97	48	17.26
	501-1000	6	4.88	3	1.94	9	3.23
	>1000	3	2.44	1	0.64	4	1.43
	Total	**123**	**100**	**155**	**100**	**278**	**100**

As described in the Table 5, most of the sample respondents (143; 51.44%) included in the study were found to have a monthly expenditure of Birr 701-1300. Here, majority of non- participants (82; 52.90%) were found to fall in the lowest expenditure range (Birr 100-700), whereas most of the participant respondents (84 ; 68.29%) were found to fall in the second expenditure category (Birr 701-1300). The smallest proportion of the participant (3 ; 2.44%) and non-participant (5 ; 3.23%) respondents were found in the highest expenditure category.

It can be inferred from the Table 6 that for most of the sample respondents (157 ; 56.47%), after joining the microcredit program, employment was generated for 0-2 household members. From the sample of eligible non-participants, the majority of the respondents (112 ;72.26%) revealed that no (0) employment opportunities were generated for their household members. But for most of the respondents (67 ; 54.47%) from the side of the participants, employment was generated for 1-2 household members. For only 13 (4.68%) respondents, employment was generated for more than two household members.

As depicted in the Table 7, for a majority of the sample respondents (217 ; 78.08%), their household savings were quite meager, which amounted to Birr 0-150 per month. In the same way, 83(67.48%) and 134 (86.45%) respondents (0-150 Birr) from the participants and eligible non - participants categories respectively reported a meager savings of Birr 0-150 per month. Negligible number of respondents (out of the total respondents)

Table 8. Housing Improvements made by the Households in the Previous Year

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Housing	0-3000	79	64.23	139	89.68	218	78.42
improvements	3001-6000	29	23.58	10	6.45	39	14.02
(in Birr)	6001-10000	13	10.57	4	2.58	17	6.12
	>10000	2	1.62	2	1.29	4	1.44
	Total	**123**	**100**	**155**	**100**	**278**	**100**

Table 9. Expenditure on Human Capital (Education and Health)

Variable	Categories	Microcredit				Total	
		Participants		Non participants			
		No.	Percent	No.	Percent	No.	Percent
Cost of education/	0-300	59	47.97	108	69.68	167	60.07
Semester (in Birr)	301-600	57	46.34	44	28.39	101	36.33
	>600	7	5.69	3	1.93	10	3.60
	Total	**123**	**100**	**155**	**100**	**278**	**100**
Cost of health/	0-1000	116	94.31	153	98.71	269	96.76
Annum (in Birr)	>1000	7	5.69	2	1.29	9	3.24
	Total	**123**	**100**	**155**	**100**	**278**	**100**

(4 ; 1.43%) were found to be in the household savings category of >Birr 1000.

As presented in the Table 8, the majority of the respondents (218 ; 78.42%) were found to have expended a sum of Birr 0-3000 in the previous year for carrying out housing improvements, wherein a higher proportion of the respondents (139 ; 89.68%) was represented by the eligible non - participants as compared to the participants of the microcredit program. However, the participants of the microcredit program were found to expend more sums of money for carrying out household improvements (like repairs, painting, and so forth) than their non-participant counterparts. This implies that the borrowers of microcredit were spending a significant amount of money for their advancement than the non borrowers.

The Table 9 demonstrates the investment on human capital, particularly household expenditure on children's education per semester and medical care (health) per annum expressed in terms of Birr. Most of the respondents (167 ; 60.07%) responded that they were able to expend the first and the lowest category of money on their children's education, that is, Birr 0-300 per semester. This is also true for participant (59; 47.97%) and eligible non-participant households (108 ; 69.68%) respectively. There was a significant difference between the first and second expenditure categories on children's education (Birr 0-300 and Birr 301-600) for participant and non-participant, that is, 57 (46.34%) and 44 (28.39%) respondents respectively. This gives an insight into the extent of differences with respect to cost of children's education that could be afforded by the participant and non-participant household respondents due to their affiliation with the microcredit program.

Considering the households' annual expenditure on medical care (health), the Table 9 shows that almost all the respondents (269 ; 96.76%) said that they spent between Birr 0-1000 on medical expenses of their families. In the same manner, almost all the respondents (116 ; 94.31% and 153 ; 98.71%) for participant and non-participant households were found to be spending between Birr 0-1000 on medical expenses annually.

Conclusion

Despite the fact that some drawbacks are present in this paper from the unobservability of potentially essential determinants of participation in the microloan program, it is amply clear that participation in the microcredit program had a highly significant average effect on households' monthly income, though they were found in the lowest category of income (Birr 500 - 1500 per month). The results for households' average monthly consumption expenditure were fairly higher. The average effect of households' average monthly savings improved moderately. Due to their participation in the microloan program, the respondents were able to expend a fair amount of money on improving their housing conditions. This is because some of participants availed the loan facility explicitly for the purpose of carrying out repairs and so forth in their houses. On the other hand, investment in human capital development, particularly expenditure on children's education also improved moderately due to the respondents' participation in the microloan program.

In general, even if the ultimate objective of the DECSI microloan program is to reduce poverty by improving the socioeconomic situation of the low income and the poorest of the poor people based on voluntary participation, even though some of the effects are short-lived, the livelihood status of the people who availed the loan facility (who participated in the microloan program) improved in the study area. In addition, it is to be noted that the microloan facility alone may not provide the remedy for the high incidence of poor livelihood status.

Recommendations

MFIs are contributing hugely for the upliftment of the poor households in various ways by providing both financial (mostly credit and savings) as well as non-financial services that result in employment creation and income generating activities. However, both the institution and the clients face many constraints in achieving this objective. However, only considering the client side factors of savings and in line with the findings of the present study, the following recommendations are forwarded for the concerned bodies :

➔ The savings behavior of the study area, that is, DECSI, Axum Town and its surroundings was mainly determined by economic factors (average monthly income, occupation, and home ownership) and sociodemographic factors (gender and number of dependents). Furthermore, household savings behavior was also determined by experience, that is, the length of time that the household head stays within the institution.

➔ With regards to the gender of the household heads, females have more chance of being savers than male household heads, this is heartening and appreciable as females face social and economic biases and are considered less competent than men. However, the present study has shown that the female household heads were more responsible for their families than their male counterparts.

➔ As income is also the most important factor for the poor households to enjoy savings from the institution, DECSI should strongly involve itself in organizing and providing both financial (credit and savings) and non-financial services (make groups and provide trainings with regards to commercial activities) that would generate employment and entrepreneurial opportunities for households for more income generating activities and that households can work part time, hourly, weekly, and full time so that the household income can improve, which has a direct positive effect on savings and raises the overall quality of life of the beneficiaries.

➔ With regards to experience, it is correlated significantly and positively with household savings, that is, the longer the household head stays with the institution, the more likelihood that the household head will be saving for the family.

➔ In sum, to attract household savings, the institutions are advised to provide *"save and get a chance to win a prize"* incentive that has been recently adopted in formal financial institutions (Commercial Bank of Ethiopia). Hence, regular savers feel that they have had an incentive to save because their savings will make them eligible for

a chance in the prize drawings as a reward and new savers are drawn in because they want to participate in the drawings and the parities.

References

Amha, W. (2000). Review of microfinance development in Ethiopia: Regulatory framework and performance. Occasional paper No.2. Retrieved from http://www.microfinancegateway.org/p/site/m/template.rc/1.9.24726/

Chowdhury, M., Mosley, P., & Simaowitz, A. (2004). Introduction. *Journal of International Development, Special Issue: The Social Impact of Microfinance, 16* (3), 291-300. DOI: 10.1002/jid.1087

Ghalib, A. K. (2007). *Measuring the impact of microfinance intervention: A conceptual framework of social impact assessment*. The Singapore Economic Review Conference. August 2-4, 2007 Singapore, Retrieved from https://editorialexpress.com/cgibin/conference/download.cgi?db_name=SERC2007&paper_id 155

Glazer, S. (2010). Evaluating microfinance. *CQ Global Researcher, 4* (4), 81-96, 98.

Gobezie, G. (2004). *Microfinance development: Can impact on poverty and food insecurity be improved upon?* Paper presented at the International Conference on Microfinance Development in Ethiopia, January 21-23 2004, Awassa, Ethiopia.

Meehan, F. (2000). Poverty alleviation and institutional context. Relief Society of Tigray. *Microfinance Development Review of AEMFI, 1*(1), 21-27. Retrieved from: http://zunia.org/sites/default/files/media/node-files/se/149353_session1.pdf

Messele, S. (2002). *Historical background, status and perspectives of microfinance institutions in Ethiopia* (Master of microfinance, Thesis). Director of Rural Microfinance Program in Agricultural, Environmental and Development Economics Department, OHIO State University, Italy.

Pitt, M. M., & Khandker, S. R. (1998). The impact of group-based credit programs on poor households in Bangladesh: Does the gender of the participants matter? *The Journal of Political Economy, 106* (5) 958-996.

Sengupta, R., & Aubuchon, C. P. (2008). The microfinance revolution: An overview. *Federal Reserve Bank of St. Louis Review, 90* (1), 9-30.

Swope, T. (2010). Microfinance and poverty alleviation. *Rollins Undergraduate Research Journal, 2* (1), Article 9. Retrieved from http://scholarship.rollins.edu/cgi/viewcontent.cgi?article=1006&context=rurj

Yunus, M. (2004). *Banker to the poor: Micro-lending and the battle against world poverty*. New York: PublicAffairs.