International Journal of Academic Multidisciplinary Research (IJAMR)
ISSN: 2643-9670
Vol. 6 Issue 6, June - 2022, Pages: 1-64

The Effect of Microfinance Credit on Poverty Alleviation: Evidence from North Wollo Zone Credit and Saving Institution, Amhara Region

Tsehainew Sisay Asmamaw

Woldia University, Faculty of Business and Economics, Department of Management

Email: tsehainewsisay@gmail.com

***Abstract**: Poverty alleviation has become the dominant issue of governments at the national and international levels. Governments have been implemented different developmental and poverty alleviation programs to tackle the effect of poverty on poor people. Microfinance programs have been considered as an instrument in poverty alleviation. However, empirical studies have mixed and conflicting findings through the effectiveness of microfinance as a poverty reduction measure. At one extreme, the result of a previous study conducted by researchers who argue that microfinance participation enables the poor households to improve their household income and achieve the objective of poverty alleviation. On the opposite end, some researchers argue that microcredit has no significant effect on households' living standards poor households. So, the main objective of this study is by investigate empirically the effect of microfinance credit program on poverty alleviation referencing Angot worda Amhara Credit and Saving Institution branch office to fill empirical gap and contribute some information to the existing body of knowledge. Data from primary sources were collected through closed and opened ended interview questionnaires and interview then summarized, coded and tabulated, and analyzed using Statistical Package Of Social Science version 21. The interview questionnaire was distributed and collected from 369 active clients of Angot woreda Amhara Credit and Saving Institution branch office, which is located in North wollo zone, Amhara Region, Ethiopia. The multiple regression model was applied to determine the relative significance of each six variables (age, educational status, marital status, family size, Amount of loan, and duration of the loan) concerning poverty alleviation. The results were tested using F-test, and t-test at 5% level significance. The findings indicated that age, educational status, number of household members, Amount of loan taken by sample respondents have a positive statistically significant effect on the level of household income but the Marital status of respondents and duration of the loan taken by respondents to have a negative statistically significant effect on the level of household income. The study recommends that microfinance institutions as well as regulators, particularly the National Bank of Ethiopia, that design appropriate terms and Conditions, diversified collateral, adjust its interest rates downwards, and technical skill provisions to well-delivered low earner income.*

Keywords: *Poverty, Poverty alleviation, Microfinance, Effect, Credit*

WOLDIA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

The Effect of Microfinance Credit on Poverty Alleviation: The Case of the Amhara Credit and Saving Institution

A Thesis Submitted to Woldia University, Faculty of Business And Economics, Department Management in Partial Fulfillment of the Requirements for the Award of Degree in Master of Business Administration (MBA).

By: Tsehainew Sisay Asmamaw

ID No GSE 12093

Principal Advisor: Dr.Lawrence Jenifer

July 2021, Woldia, Ethiopia

DECLARATION

I am, Tsehainew Sisay, hereby declare that this thesis entitled "**The effect of microfinance credit on poverty alleviation: the case of Amhara credit and saving institution clients in Ethiopia**" has been carried out by me under the guidance and supervision of Dr.Lawrence Jenifer.

Thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

Researcher's Name	**Signature**	**Date**
Tsehainew sisay	---------------------	---------------------
Confirmed by advisor	**Signature**	**Date**
Dr. Lawrence Jenifer	----------------------	--------------------

APPROVAL FORM

WOLDIA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Master in Business Administration (MBA)

THE EFFECT OF MICROFINANCE CREDIT ON POVERTY ALLEVIATION: THE CASE OF AMHARA CREDIT AND SAVING INSTITUTION CLIENTS IN ETHIOPIA

By: TSEHAINEW SISAY

Approved by

Name of Advisor---Signature ---------------- Date ----------------

Name of Internal Examiner -----------------------------Signature ---------------- Date----------------

Name of External Examiner ----------------------------Signature ------------------Date----------------

Name of Head of Department---------------------------Signature-------------------Date---------------

ACKNOWLEDGEMENT

Many efforts have been put in to bring this thesis to its final. So, I would like to express my thanks to all those who have helped me during the study time. First of all, thanks to my God-Jesus Christ for helping me still alive, achieve this success, strength and go through all the difficult times.

My principal advisor Dr.Lawrence Jenifer thanks me for the help positive guides, support, instructions, and suitable corrections that he provided. I also acknowledge our parents, friends, and classmates who have supported me in any facility needed such as financially, morally, and ideally. Finally, I would like to thank Woldia University that provides free education for me, and the North wollo road and transport department for financial support.

TABLE OF CONTENTS

CONTENT--page-no

LIST OF FIGURES

FIGURES …… …… ………………………………………………………….. Page no

LIST OF TABLES

TABLES……………………………………………………………………………….. Page no.

Abbreviations

ACSI- Amhara Credit and Saving Institution

AEMFI- Association of Ethiopian Microfinance Institutions

AIMS- Assessment Impact of Microfinancing Services

CBE- Commercial Bank of Ethiopia

CSA -Central Statistical Agency

CLRM-Classical Linear Regression Model

DECSI- Dedebit Credit and Savings Institution

ETB -Ethiopian Birr

HDI -Human Development Index

INCOHH- Annual income of sample households

IMF-International Money and Fund

MIs-Microfinance Institutions

NBE- National Bank of Ethiopia

NGO-Nongovernmental Organization

ORDA - Organization for Rehabilitation and Development of Amhara

SDGs-Sustainable Development Goals

SPSS-Statistical Package Of Social Science

Executive Summary

In today's globalized world, poverty alleviation has become the dominant issue of governments at the national and international levels. Governments have been implemented different developmental and poverty alleviation programs to tackle the effect of poverty on poor people. Microfinance programs have been considered as an instrument in poverty alleviation. However, empirical studies have mixed and conflicting findings through the effectiveness of microfinance as a poverty reduction measure. At one extreme, the result of a previous study conducted by researchers who argue that microfinance participation enables the poor households to improve their household income and achieve the objective of poverty alleviation. On the opposite end, some researchers argue that microcredit has no significant effect on households' living standards poor households. So, the main objective of this study is by investigate empirically the effect of microfinance credit program on poverty alleviation referencing Angot worda Amhara Credit and Saving Institution branch office to fill empirical gap and contribute some information to the existing body of knowledge. Data from primary sources were collected through closed and opened ended interview questionnaires and interview then summarized, coded and tabulated, and analyzed using Statistical Package Of Social Science version 21.

The interview questionnaire was distributed and collected from 369 active clients of Angot woreda Amhara Credit and Saving Institution branch office, which is located in North wollo zone, Amhara Region, Ethiopia. The multiple regression model was applied to determine the relative significance of each six variables (age, educational status, marital status, family size, Amount of loan, and duration of the loan) concerning poverty alleviation. The results were tested using F-test, and t-test at 5% level significance. The findings indicated that age, educational status, number of household members, Amount of loan taken by sample respondents have a positive statistically significant effect on the level of household income but the Marital status of respondents and duration of the loan taken by respondents to have a negative statistically significant effect on the level of household income. The study recommends that microfinance institutions as well as regulators, particularly the National Bank of Ethiopia, that design appropriate terms and Conditions, diversified collateral, adjust its interest rates downwards, and technical skill provisions to well-delivered low earner income.

Keywords: *Poverty, Poverty alleviation, Microfinance, Effect, Credit*

CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Poverty is a major problem in most developing countries. It is the situation in which low-income people cannot meet the basic wants of life. This condition leads to many difficulties like decreased health services, high illiteracy rate, decreased quality of life, etc., these difficulties encourage human beings to commit dreadful crimes and occasionally suicide(Ajema, 2015).

According to World Poverty and Human Rights(2005), in the face of a high and growing global average income, billions of human beings are still fated to lifelong severe poverty, with all its employee harms of low life expectancy, social leaving out, ill health, illiteracy, addiction, and effective reliance. The annual death toll from poverty-related causes is around 18 million, or one-third of all human deaths, which adds up to around 270 million deaths since the end of the Cold War. That world poverty is ongoing harm we inflict seems completely unbelievable to most citizens of wealthy countries. We call it tragic that the basic human rights of so many remain unfulfilled, and are willing to acknowledge that we should do more to help. But it is unthinkable to us that we are actively responsible for this disaster(Pogge, 2005).

Wade (2002) Ethiopia, a country of more than 70 million is grappling with all sorts of problems that range from lack of food (to feed its expanding millions) to poor governance. Its people derive their livelihood mainly from traditional, subsistence agriculture and suffer from a lack of access to the essentials for a humane existence. As far as Human Development Index report, Ethiopia is positioned 170 out of 174 countries in the year 2000/1(World Bank, 2001).

Amha Wolday (2003) stated the major causes of the high prevalence of poverty in Ethiopia include lack of access to financial services, employment opportunities, income, skill, education, health, etc. Further noted that the provision of financial services is one of the important economic inputs in the effort to reduce poverty and empower economically marginalized segments of the society

The provision of financial services is one of the significant economic inputs in the effort to diminish poverty and empower economically marginalized segments of society. Microfinance institution programs have gained international acceptance and popularity since the 1980s in providing financial services to the poor(Ajema, 2015).

Microfinance arose in the 1980s as an answer to doubts and research findings of state delivery of subsidized credit to poor farmers. In the 1970s government agencies were the major method of providing productive credit to those with no earlier access to credit facilities people who had been forced to pay usurious interest rates or were subject to rent-seeking behavior. Governments and international donors assumed that the poor required cheap credit and saw this as a way of promoting agricultural manufacture by small landholders. In addition to providing subsidized agricultural credit, donors set up credit unions stimulated by the Raiffeisen model developed in Germany in 1864. The focus of these cooperative financial institutions was mostly on savings mobilization in rural areas in an effort to “teach poor farmers how to save”(Joann Ledgerwood, 1998).

Beginning in the mid-1980s, the subsidized, targeted credit model supported by many donors was the object of steady criticism; because most programs accumulated large lend losses and required frequent recapitalization to go on operating. It became more and more evident that market-based solutions were required. This led to a new come up that considered microfinance as a fundamental part of the overall financial system. Emphasis shifted from the rapid disbursement of subsidized loans to target populations toward the building up of local, sustainable institutions to serve the poor. At the same time, local NGOs began to look for a more long-term approach than the unsustainable income generation approaches to community development(Joann Ledgerwood, 1998).

Since the 1980s the field of microfinance has grown significantly. Donors aggressively support and encourage microfinance activities, focusing on MFIs that are committed to achieving substantial outreach and financial sustainability. Today the focus is on providing financial services only, whereas the 1970s and much of the 1980s were characterized by an integrated enclose of credit and training that required subsidies. Most recently, microfinance NGOs have begun transforming into formal financial institutions that recognize the need to give savings services to their clients and to access market funding sources, rather than rely on donor funds(Joann Ledgerwood, 1998).

Based on the growth of the microfinance industry at the national and global level, Ethiopia took the direction of building sustainable microfinance institutions to deliver financial services to the poor. Microfinance was primarily seen in Ethiopia in the late 1980s, offered mostly by NGO relief and development programs. The year 1996 saw the formalization of the industry with the government issued “Proclamation for licensing and supervision of microfinance institutions No 40/1996”. This Directorate formally brought MFIs under Ethiopia’s monetary and financial framework. It enabled all MFIs to accept deposits and stressed the need for sound commercial principles in the sector(Ajema, 2015)

The Amhara Credit & Saving Institution (ACSI) started operations in 1995 as a branch of a local NGO, the Organization for the Rehabilitation and Development of Amhara (ORDA), and has grown to become one of the largest microfinance institutions (MFIs) in Ethiopia. It had a gross outstanding loan portfolio of over US $44 million at the end of June 2005, and 394,374 active borrowers. The institution makes mainly agricultural loans using group-lending methodology through a regional system of 10 branches and 174 sub-branches. ACSI changed into a company limited by shares in 1997 and is effectively controlled, through direct and indirect ownership, by the Amhara National Regional State, one of Ethiopia's 9 federal states with a population of 18 million. ACSI's main source of loan funding has been client savings (June 2005: $21 million), with the balance coming from donors, loans from the state-owned CBE, and retained earnings. ACSI's primary mission is to improve the economic situation of low-income, productive poor people in the Amhara region primarily through increased access to lending and saving services. It will keep cost-effectiveness in service delivery and integrate its activities with government and NGOs working towards achieving food security and poverty alleviation in the region (Brislin & Dlamini, 2006)

The general objective of the institution is to alleviate poverty and promote economic development through the provision of credit and saving services. The specific objectives of ACSI include achieving household-level food security, increasing household income, and improving the overall economic and social conditions of rural households in the Amhara region(Amaha Wolday, 2000). The strategies of ACSI for achieving the above objectives include targeting resource-poor people, mobilizing both compulsory and voluntary savings, and delivering credit to the poor to improve the effect of microfinance on poverty alleviation. In line with this, the purpose of this research is to evaluate whether or not these objectives are achieved as is intended.

1.2. STATEMENT OF THE PROBLEM

Governments have been implemented different developmental and poverty alleviation programs to tackle the effect of poverty on poor people. Microfinance is one of the realistic development strategies and approaches that should be implemented and supported to achieve the bold ambition of reducing world poverty by half(Sananikone, 2002). Microcredit programs have been applied in several countries as an instrument of poverty reduction and hunger eradication. Microcredit is considered a tool for the goal of fighting poverty and improving welfare via increasing their income or consumption(Khandker & Koolwal, 2016).

Formal microfinance Institutions in Ethiopia has been started in 1994/5 as a potential tool to fill the gap between financial institutions and the need of people. ACSI, which is one of the largest microfinance institutions in Ethiopia, provides credit and savings service in Amhara regional state by targeting resource-poor people with ultimate objectives of it achieving household-level food security, increasing household income, and improving the overall economic and social conditions of households in the Amhara region (Brislin & Dlamini, 2006).

Microcredit programs have been applied in many countries as a tool of poverty reduction and hunger eradication. But empirical studies have mixed and conflicting findings through the effectiveness of microfinance as a poverty reduction measure. At one extreme, the result of a previous study conducted by researchers who argue that microfinance participation enables the poor households to improve their household income and achieve the objective of poverty alleviation (e.g. Dagnew,2017; Kaseva,2017 and Atuya,2014)

On the opposite end, some researchers argue that microcredit has no significant effect on households' living standards poor households (e.g. Hailai,2010, Takahashi,2010, and Gobezie,2004). So, there is a need for more evidence to find out the effect of microfinance interventions on poor participation.

In Ethiopia, the concept of microfinance needs further investigation and Particularly few assessment studies have been undertaken at the ACSI level which is not enough as compared to the outreach and size of the institution (ACSI).

In Angot Woreda, from the total population in the woreda 35.7%(M 7426 F 8324 T 15375) still live under critical food unsecured so these households supported by food security program(Angot woreda agriculture office). The ACSI program started in 2004 though the program has been in place for the last 16 years; however, to the best of the researcher's knowledge there were no effect evaluations has been undertaken on the performance of the program and its contribution to increasing household income of the poor in the woreda.

Thus, this study was initiated to fill this gap and contribute some information to the existing body of knowledge on the evaluation of the effect on poverty alleviation of ACSIs credit program based on selected clients in Angot Woreda of Amhara region.

1.3. OBJECTIVE OF THE STUDY

1.3.1. General Objective

The general objective of this study was to analyze the effect of microfinance credit on poverty alleviation at the household level.

1.3.2. Specific Objectives

1. To analyze the effect of demographic variables on household income
2. To identify the effect of the amount of loan on household income
3. To identify the effect of duration of loan on household income

1.4. STUDY HYPOTHESES

- ✓ Ho1. There is no significant effect of the amount of loan on household income
- ✓ Ho2. There is no significant effect of duration of loan on household income
- ✓ Ho3. There is no significant effect of microfinance credit participants age on household income
- ✓ Ho4. There is no significant effect of microfinance credit participants educational level on household income
- ✓ Ho5. There is no significant effect of microfinance credit participants family size on household income
- ✓ Ho6.There is no significant effect of microfinance credit participants marital status on household income

1.5. SIGNIFICANCE OF THE STUDY

The findings of this study were to benefit different stakeholders such as the Government (Angot woreda administration, agriculture office food security department TVT office, etc, NGOs(like food security program), and MFIs(ACSI), Scholars, and Academicians, etc.

a)Government: Poverty reduction and its connected issues have been on high priority of the governments in Ethiopia over the years. In line with this poverty reduction force this research, if established that microcredit can reduce poverty, offer policymakers an opportunity to redesign policies that were used microcredit to reduce the occurrence of poverty.

b)NGOs and MFIs: The outcome was also to lead non-governmental organizations to prioritize support towards poverty reduction through microcredit. Microfinance institutions can also become more innovative in formulating their products that are in line with their goals and objectives and the overall goal of the society

Scholars and Academicians: Other researchers can also use it as a reference point in further research in the area of microfinance programs.

1.6. SCOPE OF THE STUDY

The Study was Limited to the effect of microfinance credit on poverty alleviation**:** the case of Amhara credit and saving institution,Ango Woreda ,North Wollo Zone Amhara Regional State Ethiopia. The researcher Used six independent Variables(age, educational status, Marital status, family size, Amount of loan, and duration of the loan*)* and One dependent Variable which is called poverty alleviation. Geographical this study is limited to Angot woreda which is one of the woreda in the Amhara region. The study is followed a descriptive and explanatory research design, used a primary and secondary source of data, population, and sample size determined to depend on ACSI's branch clients. The sample sizes are selected using a non-random sampling method. The researcher has used a mixed-method approach.

1.7. ORGANIZATION OF THE STUDY

The thesis was organized into five chapters. The general background, statement of the problem, and objective of the study are stated in the first chapter, and the important literature the related to issue/topic was discussed in the second chapter, in chapter three research design and methodology was presented, in chapter four research data analysis and presentation presented and finally, in chapter five research finding, summary and conclusion presented.

1.8. OPERATIONAL DEFINITION

In the study of the effect of microfinance credit on poverty alleviation, poverty alleviation is the dependent variable and needs to be explained. Due to the nature of poverty and its multidimensional effect on the lives of poor people researchers to measured poverty alleviation employed household income indicators.

Income: - microfinance institutions aim to eliminate income inequality among peoples. The capability to use financial services financial inclusion program is important to enhance household income and welfare through accumulating wealth investing in income-generating activity and ensuring against poverty. So, for this study, the average total household income is employed.

Age: It is a continuous variable and measured in years .It is usually believed that the increase in age will have business experience.

Education Level: It is a continuous variable measured in terms of years of schooling. This variable is expected to have a positive effect. More educated clients are expected to use the loan fund effectively compared to less educated ones.

Marital status: in economic terms and several studies have shown that marriage generally adds a potential earner to the household. One of the features is that it increases the productivity and the efficiency of the household through couples' specialization in specific skills and duties.

The number of Household Size(HH_SIZE): the household size of a respondent is measured in terms of the number of family members in the household. As we know, in rural areas situation household income, generative activities are labor-intensive activities. Accordingly, families with more household members tend to have more labor which in turn increases household income. On the other hand, family size also decreases household income because microfinance loans would be used for consumption. But for this study family size was expected to influence positively the household income.

Amount of loan: it measured in terms of amount of loan in ETB by taken households .If a loan amount is just enough for the intended purpose, it will have a positive independent variables impact on the productive capacity of the intended activities. But, for a large amount of loan size, which is more than the capacity of the project, it is expected to have a negative impact because the excess of the loan amount will have a burden.

Duration of loan: it measured in terms of duration of loan in year .If a loan term is just enough for the intended purpose, it is expected that this variable will have a positive sign on the productive capacity of the intended activities. But, for the long term of the loan, which is more than the capacity of the project, it is expected to have a negative impact because the excess of the loan term will have a burden.

CHAPTER TWO: LITERATURE REVIEW

INTRODUCTION

This chapter discussed summaries of recognized authorities and previous researches done on the related effects of microfinance on poverty alleviation. The first part discussed the theories related to microfinance and poverty, the second part discussed the empirical review from both the international and local perspectives, finally presented a conceptual framework.

2.1. THE NATURE AND SCOPE OF POVERTY

There is no clear consensus among development experts and policymakers on how to define, measure, and eradicate poverty(Meehan, 1999). Accordingly, there is no single, absolute and standardized definition of poverty rather than defining it in relative terms and different people view and define it in different ways. Traditionally poverty was understood primarily as material deprivation, as living with low income and low consumption characterized by poor nutrition and poor living conditions. This is commonly known as income poverty. It is associated with the low health and educational levels that are either the cause or the result of low income said to be human poverty. Many researchers define poverty based on income level instead of using its broader definition, which includes well-being as well. A classical definition of poverty sees it as the inability to attain a minimal standard of living measured in terms of basic consumption needs or the income required for satisfying them (Hopkins, 1991). Poverty is thus characterized by the failure of individuals, households, or entire communities to command sufficient resources to satisfy their basic needs. The inability to attain minimal standards of consumption to meet basic physiological criteria is often termed absolute poverty or deprivation. It is most directly expressed as not having enough to eat or simply malnutrition. In an absolute sense, the poor are materially deprived to the extent that their survival is at stake. In relative terms, they are also deprived of other social groups whose situation is less constraining. Altimir (1982) defined the concept of poverty as a situation of poor health facilities, low level of education, malnutrition, and lack of participation in the decision-making process.

There are different types of poverty such as income poverty, absolute poverty, relative poverty, and consistent poverty. Income poverty is a type of poverty that is a result of a lack of money or limited income. Absolute poverty is a type of poverty where people are starved, living without proper housing, clothing, or medical care- people who struggle to stay alive. Relative poverty is a type of poverty where people are considered to be living substantially less than the general standard of living in society. Consistent poverty is a type of poverty that is the combination of income poverty and deprivation (Momoh, 2005)

Generally, the broad and widely accepted definition of poverty is developed by the World Bank, which includes the economic, social, political, and environmental conditions of the people.

2.1.1. Measuring of poverty

Just like that of its definitions, it is not easy to measure poverty. Thus, the questions of how to measure overall poverty and how to compare achievements in the different dimensions. According to Irobi (2008) Microfinance Institutions and Poverty Reduction Evidence from Nigeria the different dimensions of poverty can be measured:

a. **Measuring material deprivation**: Under this, you have the income and consumption levels of the household. You measure this using the national poverty line, a critical cut-off in income or consumption below which an individual or a household is determined to be poor. The impact of MF in this regard can be judged from its contribution in helping households to move from a permanent' below poverty line' situation to a permanent 'above poverty line' situation (World Development Report 2000/2001). The depth of this programmer fashioned in reaching the poor located far from the poverty line can be seen as a viable indicator as well.

b. **Measuring vulnerability**: Poverty cannot be fully alleviated sustainably unless intermediaries are designed to tackle the multi-dimensional nature of poverty. The vulnerability being a dynamic concept has its measurement centered on the variability to income or consumption and on the availability of other dimensions of well being like physical assets, human capital, social capital, and prevalence of non-income risks like violence, natural disasters, and son on (World Development Report 2000/2001).

c. **Measuring empowerment**: Measuring empowerment may vary according to the context i.e. the social, cultural, and political context of a given society. Under this we have:

1. **Economic empowerment**, which can be measured in terms of a woman's ability to command sufficient resources, and, involves the level of economic dependency.
2. **Social empowerment** can be measured in terms of the ability of a woman to participate in decision-making at the household and community level.
3. **Political empowerment** can be measured in terms of a woman's capacity to participate in political affairs. As a member of a political group or cabinet she is exposed to be a political candidate, and similar activities are included here too. The impact of Mf on empowerment,

however, can be judged from its contribution to enabling women clients to have their sources of income as well as develop their physical and human capital. This will assist them to build their self-esteem and become decisive in the community

Thus, states in the world have been taking different measures to reduce poverty in their respective countries.

2.1.2. Determinants of Poverty in Ethiopia

The poor in Ethiopia is challenging by different determinants of poverty. This multifaceted phenomenon affects not only the ability to fulfill the basic needs of the people but also exposed them to vulnerability towards various pressures concerning the socio-cultural situation. These determinants may arise from at regional level like remoteness of the region, community-level like availability of infrastructure and services and at household and individual level the root causes may be explained in terms of demographic (gender of head, dependency ratio, age structure), economic (employment status, hours worked, property owned) and social (health and nutritional status education and shelter). In addition to vulnerability to climatic conditions, inefficient and ineffective traditional agricultural mechanisms, absences of the chance by which the poor can address their problems and enhance their active participation in decision making have hindered their attempt to move out of poverty. In general, in Ethiopia, the poverty situation revealed that it emanates from different factors such as the characteristics of the natural resources base and farming system of the poor, low education and poor health, high population growth, weak infrastructure, and weak institutional structure(Dagnew, 2017).

2.2. THE NATURE AND SCOPE OF MICROFINANCE

In a broader understanding, Ledgerwood conceived that micro-finance refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit; however, some MFIs also provide credit cards, payment services, money transfers, and insurance services. Besides, many micro-finance institutions undertake social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus, the concept of micro-finance often includes both financial and social intermediation(Joanna Ledgerwood, 1999).

Microfinance has undergone several transformations in terms of concept, service type, and approaches modes of provision. Although an evolving concept, microfinance has been recognized as a development approach intended to benefit low-income women and men(Joanna Ledgerwood, 1999). In using the term microfinance, there exists, however, some confusion. The point of confusion lies in the clients served and the types of services offered. Regarding the nature of clients, though different scholars stated microfinance programs from different perspectives, most of them tend to believe that the program has emerged to help the poorest sections of the society. Others, however, argue that since it is rather not easy in practice to consistently serve clients that are living below the poverty line, microfinancing is meant for those who are presumed to be able to repay loans (Meagher & Wilkinson, 2000)

By considering the types of services, microfinance is often defined as lending small amounts of money for short periods with frequent repayments. Such understanding equates the concept with microcredit, which is rather a part of microfinance service, and thus, microfinance is much more than simply credit(Conroy, 2002)

In some other cases, microfinance is conceived as the provision of credit and saving services only. This again limits the concept to micro-banking, or simply banking services. But micro-finance is not simply banking; rather it is a development tool (Joanna Ledgerwood, 1999).

A more useful and perhaps practical definition of micro-finance, for this thesis, is given by Meyer and Conroy (2002) which defines micro-finance as the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor, low-income households and micro-enterprises usually lacking access to formal financial institutions. About this, McGuire and Conroy (2002) indicated that low-income households do not generally have access to financial services but they have considerable effective demand for such services. Thus, micro-finance refers to the provision of financial services, usually in the form of small-sized financial transactions, to people who usually fall outside the reach of formal finance and who tend to be the poorest members of all societies.

MFIs provide credit according to the demands of the target market. This involves establishing appropriate loan amounts, loan terms, interest rates and so like:

a) **Loan Amounts**

To design a loan product to meet borrower needs, it is important to understand the cash patterns of borrowers. Cash inflows are the cash received by the business or household in the form of wages, sales revenues, loans, or gifts; cash outflows are the cash paid by the business or household to cover payments or purchases. Cash patterns are important insofar as they affect the debt capacity of borrowers. Lenders must ensure that borrowers have sufficient cash inflow to cover loan payments when they are due.

b) loan terms

The loan term is one of the most important variables in microfinance. It refers to the period during which the entire loan must be repaid. The loan term affects the repayment schedule, the revenue to the MFI, the financing costs for the client, and the ultimate suitability of the use of the loan. The closer an organization matches loan terms to its client's needs, the easier it is for the client to "carry" the loan, and the more likely it that payments will be made on time and in full.

c) Interest rates

The effective rate of interest is a concept useful for determining whether the conditions of a loan make it more or less expensive for the borrower than another loan and whether changes in pricing policies have any effect. Because of the different loan variables and different interpretations of effective rates, a standard method of calculating the effective rate on a loan (considering all variables) is necessary to determine the true cost of borrowing for clients and the potential revenue (yield) earned by the MFI(Joann Ledgerwood, 1998).

2.2.1. Microfinance Institutions In Ethiopia

The idea of microfinance is not new in Ethiopia but, as a formal and regulated financial industry, it is relatively a new phenomenon. Traditionally, people have saved some amount with predetermined time interval and taken small loans from informal channels for their urgent need of lump sum amount of money from the so-called Iqub i.e. an association of people having common objective and interest mobilizing finance and distribute it to members through rotating as per their agreement and Idir another form of informal financial association by communities i.e. mainly focused for a funeral case as an insurance for the one who is a victim; it is established and operated voluntarily by the community (Emana, 2009).

The emergence and development of modern microfinance institutions in Ethiopia is a recent phenomenon that happens with the notion of improving financial services for the excluded population through the expansion of microfinance institutions. Since formal financial institutions like a commercial bank, construction bank, and others were very limited in number as well in services and could not address the financial need of the poor households for the fact that they are not their ultimate target client, the role of microfinance institutions in delivering financial service to the poor increases by meeting their demand. Following the fall of the Derg regime in 1991, the current government of Ethiopia has undergone major restructuring and reform of its financial institution that helps to have a good pace of the developmental program. Private financial institutions owned by local investors especially commercial banks were allowed to establish themselves and operate in the country. The microfinance industry has shown remarkable growth since the early 1990s. As a result, to reach the poor households that are under-served by the formal banking system, the government tried to institutionalized and boost MFIs by formulating a legal and policy framework in 1996 through issuing proclamation no. 40/1996 that state licensing and supervision of micro-financing institution. The notion for this proclamation was to force the micro-financing institution, which caters to the credit need of the farmers and small scale income-generating activities, within the monetary and banking laws and at the same time to provide a legal regime that brings the activities of the institution within Ethiopia monetary and financing policy. In a country where a large number of the population barely lives on less than a dollar per day like Ethiopia, microfinance institution, particularly their microcredit service offers a unique opportunity to engage the poor in a productive activity to improve their lives and it has been recognized as one of the most grass root strategies for poverty alleviation and overall economic and social development of the country as a whole. It facilitates income-generating activity through providing a small amount of credit along with other financial and nonfinancial services like saving, insurance, and training for the vulnerable poor section of the people who can't access financial services from formal financial institutions. Intervention with Microfinance programs is not only helping the poor or redistribute income but also contribute to national social and economic growth (Imai, Arun, & Annim, 2010)

The Ethiopian microfinance institution sector has shown rapid growth, saving mobilization, an aggressive drive to achieve scale more importantly in breadth and depth of outreach that is a broad geographic coverage and a special emphasis for rural households for the last 2 decades. Because of the enormous potential demand for financial service, particularly microcredit in Ethiopia, the microfinance industry has undergone explosive growth and performance within a very short period and also this increment in number revealed that the emphasis the government given to the strategy to alleviate poverty and to bring economic development in the country is increased from time to time. The current increase in the number of microfinance institutions in the market gives a chance for the institution to have competition with each other and deliver a better product for the large poor.

2.3. THEORETICAL LINK BETWEEN MICROFINANCE AND POVERTY ALLEVIATION

As ANJULO and HAWASSA (2014) evidence, Poverty reduction was institutionalized in 1944, with the establishment of the World Bank at the birth of the Bretton Woods system2. With the IMF assigned the tasks of stabilizing the world‘s economy and promoting free trade post-WWII, the problem of poverty was delegated to the World Bank. Since the World Bank‘s earliest day attempts to reduce poverty have centered around large global organizations, the attempt to reduce poverty seemed hopeless(Robinson, 2001). If such grand global organizations and state governments could not solve‖ the poverty problem, then what was to be done? Microfinance emerged at the beginning of a shift in development thinking. This shift mirrored the change in economic thought at the time. Microfinance, as a part of a much larger effort to end poverty, will provide microfinance services, specifically credit for self-employment and savings capabilities, and shall focus on the world‘s poorest people. Microfinance is an important tool for sustainable social and economic progress and a key strategy in ending poverty. Microfinance credit service is considered to be an essential input to increase productivity. It is believed that credit boosts income levels, increases employment at the household level, and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints and undertake some investments(Okurut, Banga, & Mukungu, 2004). Furthermore, credit helps poor people to smooth out their consumption patterns during the lean periods of the year. By so doing, credit maintains the productive capacity of poor rural households.

The poor section of peoples has low income, which leads to low investment and which in turn leads to low productivity. Microfinance institutions, saving and credit cooperatives should be designed to respond to the failure of the commercial and development banks to meet the financial needs of poor and small producers (Adebayo, 2009)

Microfinance institutions directly affect household income by encouraging productivity. It also increases the diversity of production and productivity, as well as, maximizes the utilization of available resources, and exploits their comparative advantage within marketplaces. Furthermore, it encourages the socio-economic development of the concerned society ((Durrani, Usman, Malik, & Shafiq, 2011). It helps farmers to invest in large agriculture technology, such as high-yielding seeds and mineral fertilizer that increase income.

Thus, it is possible to argue that microfinance is the most strategies that should be employed to eradicate poverty. It is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income-generating activities(Ebimobowei, Sophia, & Wisdom, 2012).

There are different types of poverty such as income poverty, absolute poverty, and relative poverty, and consistent poverty(Ebimobowei et al., 2012). Income poverty is a type of poverty that is a result of lack of money or limited income while absolute poverty is a type of poverty where people are starved, living without proper housing, clothing, or medical care- people who struggle to stay alive. Relative poverty is a type of poverty where people are considered to be living substantially less than the general standard of living in society.

Consistent poverty is a type of poverty that is the combination of income poverty and deprivation (Ibok & Mboho, 2009). Consequently, microfinance has proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes and reduce their vulnerability to economic stress(Ebimobowei et al., 2012).

2.4. EMPIRICAL RELATED STUDIES

Several studies have been conducted both internationally and within the country on microfinance on poverty alleviation. Some researchers found a positive relationship others negative relationship and some mixed findings. Some of these empirical studies discussed below an international perspective and a local perspective.

2.4.1. International Related Evidence

Microfinance institutions are considered to be a strategic tool for poverty reduction in developing countries. However, knowledge about the achievements of such initiatives remains only partial and contested.

Nudamatiya, Giroh and Shehu (2010**)** in Adamawa state, Nigeria. For the study, data were collected through a questionnaire from 88 beneficiaries selected from four microfinance institutions. Data were analyzed using descriptive and inferential statistics. The overall result of the study showed that microfinance has a positive impact on the income of beneficiaries. For more achievement of the objectives of the microfinance institution, policy should address issues of inadequate access and high-interest rates together with capacity building in the beneficiaries. It is also recommended that policy should focus on issues of growth and development, which are noted to be critical to the successful use of microfinance as a poverty reduction tool.

Imai et al. (2010) carried out a study on Microfinance and Household Poverty Reduction: New Evidence from India and He finding access to MFIs, a significant positive effect of MFI productive loans on multidimensional welfare indicator has been confirmed. The significance of "treatment effects" coefficients has been verified by both To bit and Propensity Score Matching (PSM) models. Also, we found that loans for productive purposes were more important for poverty reduction in rural than in urban areas. However, in urban areas, simple access to MFIs has larger average poverty-reducing effects than access to loans from MFIs for productive purposes. This leads to exploring service delivery opportunities that provide an additional avenue to monitor the usage of loans to enhance the outreach.

Takahashi, Higashikata, and Tsukada (2010) carried out a study on the short-term poverty impact of small-scale, collateral-free microcredit in Indonesia: He finding shows a matching estimator approach the impact of microcredit on various household outcomes is generally statistically insignificant, except for sales of nonfarm enterprises for the nonpoor and schooling expenditures for the poor. this implies that the microcredit scheme understudy might not have an immediate impact on poverty alleviation.

Obeng (2011) carried out a study on the Impact of Microcredit on poverty reduction in rural areas A case study of Jaman North District, Ghana. He used the questionnaire for data collection from program beneficiaries and microfinance institutions and analyzed the data using tables, percentages, and diagrams. The objectives of the study were to assess whether microfinance has engendered positive or negative outcomes in reducing poverty. The findings from the study were that people, especially vulnerable and marginalized were getting access to credit which impacted positively on the poverty levels of the beneficiaries

Atuya (2014) carried out a study on the effect of microfinance credit on poverty alleviation at the household level in Nakuru county. The study used a questionnaire to collect data which was then summarized, coded and tabulated, and analyzed using SPSS version 21. A multivariate regression model was applied to determine the relative importance of each of the variables. the study found that access to microfinance credit significantly increases household income and provides avenues for people to save.

Bui (2014) carried out a study on microfinance and poverty alleviation: does credit access Contribute to reducing household poverty in Vietnam? He found that household credit has a significant and positive relationship with household per capita expenditure and per capita non-food expenditure. Moreover, household credit has a greater influence on poor households, in comparison with better-off households. The relationship between household borrowing and per capita food expenditure, however, turns negative. These findings confirm that providing microfinance to the poor is an effective policy tool to reduce poverty.

Chughtai, Zaheer, and Taj (2015) carried out a study on Effectiveness Of Micro Financing For Poverty Alleviation: A Case Study Of Tameer Microfinance Ban. He used to analyze the collected data multiple linear regression and paired t-test were applied. Results show that microfinance has a strong positive impact on children's education and enterprise financial performance. However, there is mixed evidence found on food security, household expenditures, and household assets. No impact has been observed on the housing and income smoothening of an enterprise.

Kaseva (2017) carried out a study on the Effect of Microfinance on Poverty Reduction in Tanzania: A Case Study of Descriptive statistics, as well as the ordinary least square method, was then used to analyze the data. The findings reveal that an individual's income increases as a result of access to a loan.

2.4.2. Related Evidence In Ethiopia

Several studies have been conducted to examine whether microfinance can help the poor. There is no consensus on results and some of them contradict each other. In some cases, microfinance is said to have brought positive effects on the life of the program clients, whereas, in some other instances, microfinance is found to play an insignificant role in mitigating the problem of the poor.

Asmelash (2003) carried out a study on the impact of microfinance in Ethiopia: The case of DECSI in Ganta-Afeshum Woreda of Eastern Tigray. He pointed out that DECSI"s micro-financing scheme appears to have a positive impact on the clients overall household income, sources of household income, acquisition of key household assets, housing improvement, access to education, and access to health facilities

Gobezie (2004)carried out a study on the can impact of poverty and food insecurity be improved upon? He finding show women are not enjoying the full benefit out of the service though it primarily targets them. microfinance is not the only instrument for improving the poverty situation of the poor in areas like that of the Amhara region. for it to be effective, the marketing situation, the infrastructure, particularly the road network, the skill and risk aversion behavior, particularly that of women, and integration of the whole service with other sectors requires immediate attention.

Hailai (2010) carried out a study on the Can Microfinance help to Reduce Poverty? Regarding Tigrai, Ethiopia. The researcher using econometrics models (like the propensity score matching (PSM) model, the treatment-effects model, OLS, and a version of the Heckman sample selection model) on the impact of DECSI in Tigray regional state confirmed that the impact of microfinance on survey households‟ poverty indicators is insignificant.

Gebru and Paul (2011) carried out a study on the role of microfinance in alleviating urban poverty in Ethiopia The finding shows 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 are encouraging, though mostly in the form of self-employment and family employment. Microfinance programs have improved the savings of the respondents' households by letting them access saving services and increasing household income out of which they can use to save. After joining microfinance programs, the mean monthly expenditure of the respondents has significantly increased in food, clothing, housing furniture, health, education, and service items. Women respondents have increased their income by the amount men respondents increased their line.

Daba (2013) carried out a study on the impact of microfinance on poverty reduction: a case study of wasasa micro-financing institution in east showa zone of Oromia regional state, Ethiopia. The study found out that program intervention leads to change that is different from what would have happened without the intervention. the study indicates about 95% of sample clients reported that their living conditions have been improved because of program participation while only 20% of sample non-clients reported the trend that their living conditions have been improved because of the good agricultural season and petty trade using their income for the last two years. microfinance has enabled the clients to generate income that could be spent on better facilities, which could improve the living standard of clients. the result indicates that more clients have enjoyed diet improvement than non-clients.

Diro and Regasa (2014) carried out a study on the Impact of microcredit on the livelihood of borrowers: evidence from Mekelle City, Ethiopia. The results indicated that the DECSI microcredit participation has a positive significant average effect on households' average monthly income, consumption expenditure, savings, and housing improvements. However, the number of employment generated to and out of household members showed no difference. Whereas, the average effect on children's education and medical care expenditure is positively changed in the study area and sample**.**

Chirkos (2014) carried out a study on the impact of microfinance on living standards, empowerment, and poverty alleviation of the poor people in Ethiopia, A case study in ACSI. The results that have been analyzed with microfinance permit the following conclusions: almost all the clients reported an increase in their incomes which has improved their standard of living, have sent their children to school; have been able to pay for their medical bills and can feed their families, can cope with future crises using their savings, have been empowered economically and their positions in the family as well as in the society.

Ajema (2015) carried out a study on The Impact of Microfinance on Poverty Reduction: The case of Selected Clients of Oromia Credit and Savings Share Company (OCSSCO) in Gindeberet Woreda, Western Shoa Zone of Oromia Region, Ethiopia. The findings indicated that the OCSSCO credit program has made a positive effect on households' income, nutritional status, medical facilities, and employment creations. However, the finding didn't show the effect of OCSSCO on households' access to education and women empowerment.

Dagnew (2017)carried out a study on Microfinance and poverty alleviation a study of Amhara credit and saving institution Ethiopia .the researcher examined the impact of microfinance on several socioeconomic outcomes particularly a case of ACSI in the Amhara region towards alleviating poverty. The result found that there is a difference in the life of participant households before and after participation in ACSI and also compared with the nonparticipant households. Overall, it is quite possible that as a microfinance institution ACSI has provided an important contribution, especially in providing credit to the poor at large and undertake extensive mobilization of savings, to the sustainable development of the country. Households improve their way of life in several dimensions like possession of household durable and nondurable assets, increase in income, a pattern of expenditure, children's education, household amenities, empowerment, and other aspects.

Bocher, Alemu, and Kelbore (2017) carried out a study on Does access to credit improves household welfare? the result from the kernel distribution shows households with access to credit have more consumption expenditure than those without access to credit. The ordinary least square regression shows that access to credit increases total consumption by 12 percent without considering self-selection bias. Participation in non-farm activity increases the demand for credit by 17 percent. Landholding, household size, and participation in saving associations increase the probability of getting credit by 5, 11, and 20 percent, respectively. Access to credit appears to have a positive impact on food security in both actual and counterfactual cases for the current credit receivers.

Mengstie (2020) carried out a study on the Impact of Micro Finance through Amhara Credit and Saving Institution on Women's Economic Empowerment. His finding shows Amhara credit and saving institution has a significant impact on women’s economic empowerment as measured by the increased participation of women in resource controlling, improved household income, asset possession levels, and saving.

2.5. CONCEPTUAL FRAMEWORK

To examine the effect of microfinance credit on poverty alleviation, the following conceptual framework has been formulated. This study identified two variables. These are the independent variable(microfinance credit) and dependent variable (poverty alleviation).

It is formulated based on the literature reviewed from different theories and empirical studies.

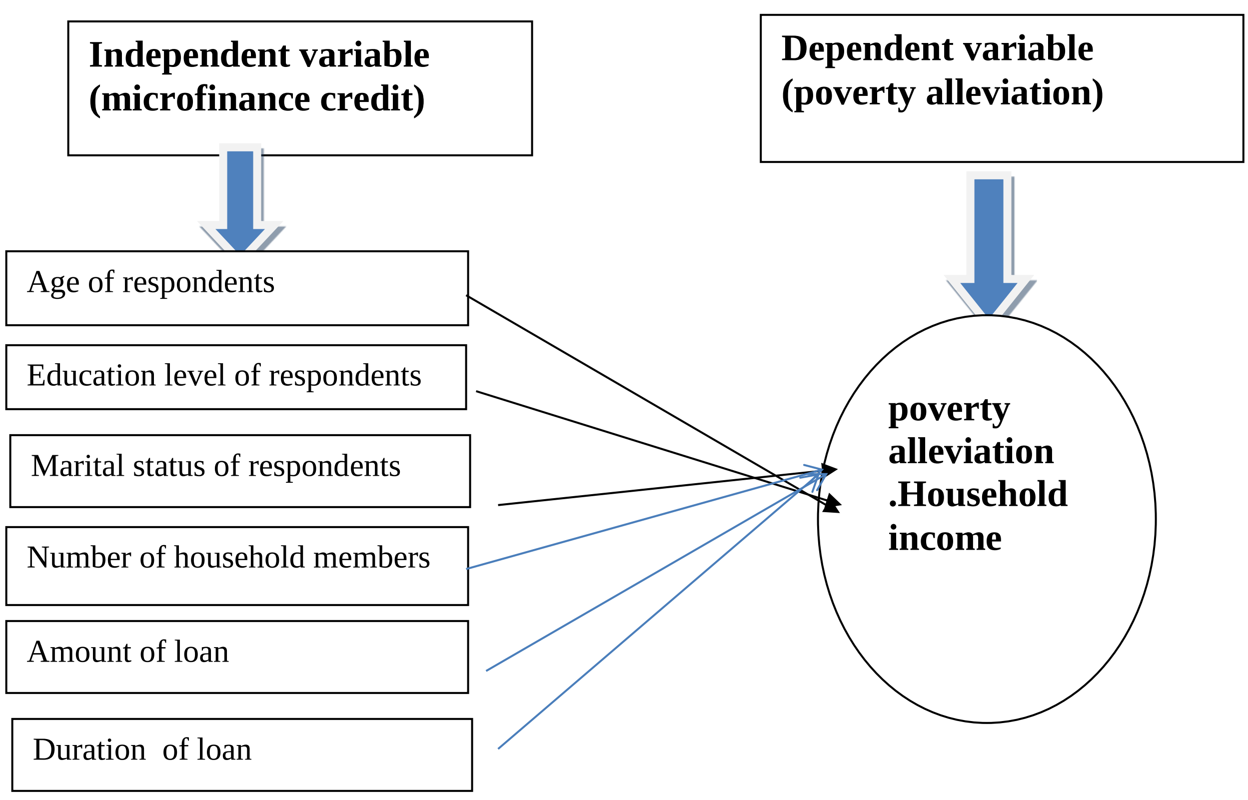


Figure 2.1 conceptual framework

Source: Researcher 2021 own construction based on different literature review

CHAPTER THREE: RESEARCH METHODOLOGY

INTRODUCTION

This chapter discussed the research methodology in the study including location and description of the study areas, data types and data sources, methods of sampling, methods of data collection, and analysis.

3.1. DESCRIPTION OF THE STUDY AREA

Angot woreda one of 11 rural woreda of North wollo administrative zone, Amhara regional state. The capital city of the woreda is Ahuntegegn located at a distance of about 581 k.ms from the national city, Addis Ababa; 301 k.ms from the regional city Bahir Dar and about 60 k.ms from the leading North wollo administrative zone town Woldia. The woreda is organized into 13 kebeles with an estimated area of 399656.04 square kilometers (Angot woreda administration plan commission department 2021).

This woreda is divided into three agro-ecological zones. These are wenadega 4%,dega 85% and wurch 11%.This woreda has an altitude ranging between 1100 and 3700 meters above sea level, and much cooler. The cultivated area covers 77.56% while, 12.44% is pasture, 0.04% forest, 4.7% shrubland, and 5.3% degraded land of the woreda (Angot woreda administration plan commission department 2021).

The 2007 CSA reported a total population for this woreda is 43264, of whom 21700 were men and 21564 were women. About 90 % of the total population of the woreda engages in agricultural activities. Others include those who participate in trading, civil servants, and unemployed people. Angot woreda ACSI microfinance was a particular study area that was first established in 2004 in the woreda (ACSI, 2021).

3.2. RESEARCH DESIGN AND APPROACH

The research design of this study was descriptive and explanatory research because to describe the whole characteristics of respondents and to test the effect of independent variables on a dependent variable. For this reason, the researcher has used a mixed Approach, i.e combination of quantitative and qualitative methods for the evaluation of the effect of microfinance credit on poverty alleviation. Qualitative methods allow researchers to explore behaviors, perspectives, feelings, and experiences in-depth, quality, and complexity of a situation through a holistic framework. A qualitative method is also used to show the direction of change and individuals‟ perceptions. In contrast, quantitative research was a formal systematic approach that incorporates numerical data to obtain information about the world. For this particular research Quantitative research, the way generates numerical data to ensure high levels of reliability of gathered data on the target groups.

3.3. TARGET POPULATION

The population of this study was the list of Amahara credit and saving institutions (ACSI) active clients,sub-branch office head, and woreda food security department head in Angot woreda. The study had an active client samples group. Active clients were purposively selected from the list of ACSI active clients who those are staying in the program for more than two years. Accordingly, Angot woreda ACSI branch office there are 4814 active clients and were taking from 13 kebele as a target population for the study.

3.4. SAMPLE SIZE AND SAMPLING TECHNIQUES

multistages sample design procedure was adopted for the survey. The first stage was the selection of sample kebeles. The second stage was the selection of sample respondents from the selected kebeles. From 13 kebeles the researcher's selected four kebeles, Namely, Ahuntegegn, kebro meda, Woinbahr, and Babasat based on cluster sampling methods.. The researcher used the formula of Yamane, 1967 to select the sample out of the total population.

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

Where:

n = sample size

N= total number of population

e = level of precision

By applying the above formula, the sample size was calculated as follows gave the total population of the study was 4818.

$$n = \frac{4814}{1 + 4814(0.05)^2}$$

$$n = 369$$

Based on the above formula, 369 sample households would be selected four kebeles and the sample size was determined by using the proportionate sampling technique, betaken a sample size of 45, 168, 69, and 87 from Ahuntegegn,K/meda,W/bahr, and Babasat kebele respectively. The 369 sample households would be selected from four kebeles by using the purposive sampling technique.

Table 2.1. Distribution of the sample households

	Household size			Sample size		
	Active clients			Active clients		
Name of Kebele	M	F	T	M	F	T
ahuntegegn	83	52	135	28	17	45
k/meda	313	194	507	104	64	168
w/bahr	129	80	209	42	27	69
Babasat	161	100	261	54	33	87
Total	686	426	1112	228	141	369

Source: 2021 Angot woreda ACSI branch office

3.5. SOURCES OF DATA AND DATA COLLECTION TECHNIQUES

This part of the study outlines data sources and data gathering tools to be well-designed for the study. The study had to employed both primary and secondary sources. As to the primary source, data would be collecting from different sources, such as; active clients, and sub-branch officials of ACSI. In support of the primary source, secondary data related to institutional issues would be collected from secondary sources including books, unpublished yearly or quarterly reports, journal of articles, CSA reports, and other relevant official reports. The study would be used both qualitative and quantitative data collection tools. Most of the data would be collected through a survey structured interview questionnaire containing both close and open-ended questions. A checklist for qualitative data would be used to collect information from clients and interview with the ACSI branch head and food security department head support and make the resulting accurately and concrete manner. Moreover, direct observation would be made in the branch. This method helped the researcher to observe the real effect of ACSI intervention on poor clients. The questionnaire would first be prepared in the English language then it would be translated into" *Amharic*" to facilitate the data collecting process. To collect the primary data, four enumerators would be recruited and trained. Based on this, the primary data would be collected.

3.6. METHODS OF DATA ANALYSIS

3.6.1. Methods of Data Analysis

The researcher would be used Descriptive and inferential statistics. The research would be used descriptive statistics that include frequencies, mean scores, standard deviations. The obtained data from the questionnaire would be entered into the SPSS version 21. During data analysis from inferential statistics, correlation and multiple regression analysis were used to examine the relationship and effect between variables. In general, descriptive statistics would be used to present the results for the level of behaviors in the variables, the regression analysis would be used to presented and predict the effect of the study variables.

Finally, the study would be formulated a model specification to get the effect of independent variables on the dependent variable.

INCOHH = 0 + 1Age +2Edn +3Mari + 4Numbhmm + 5Amauloan +Duraloan+Ui

- ✓ INCOHH= Average annual income of sample households in terms of ETB
- ✓ Age= Age of sample respondents
- ✓ Edn= Education level of sample respondents
- ✓ Mari= Marital status of sample respondents
- ✓ Numbhmm= number of household members
- ✓ Amauloan = Amount of loan taken by sample respondents
- ✓ Duraloan = Duration of loan taken by sample respondents
- ✓ Ui= disturbance term

Thus, the probability of improvement in income with the explanatory variables is explained based on the sign of the coefficients. The parameters tell how the economic status of the clients changes as explanatory variables change.

3.7. Validity and Reliability Test

Validity:to ensure the validness of the research instrument of this study, the instrument was evaluated by the previous researchers were consulted. In addition, the content of the instrument was evaluated by peers.

Reliability: is the measure of the degree to which the research instruments yield consistent results. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability. According to Hair, Page, and Brunsveld (2019) the minimum acceptable level of the Cronbach alpha is more than 0.70. Table 4.6 shows the Cronbach's alpha coefficient of all independent and dependent variables.

Table 2.2 Reliability test

Variables	Scale reliability coefficient	Number of items in the scale
Age of respondents	0.925	4
educational status of respondents	0.945	4
Marital status of respondents	0.893	4
number of household members	0.889	4
Amount of loan	0.983	5
Duration of loan	0.801	2
Household income(Dependent variable)	0.937	7
Cumulative average	0.91	30

Source: **SSPSS (Version 21) output**

Cronbach's Alpha was employed to examine the internal reliability of the 30 items and used to measure the 6 independent variables and dependent variables. According to Table 2.2, the results revealed that the internal reliability of each construct has ranged from 0.801 to 0.983. The Cronbach's alpha coefficient of all variables are more than 0.7, this represents a high consistency and reliability among statements in the questionnaire

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

INTRODUCTION

This chapter aims to examine ACSI's credit effect on poverty alleviation at the household level. The chapter presents the analysis and findings of data under research methodology. This analysis has been done concerning MF credit's effect on poverty alleviation. For study findings and discussion, descriptive and inferential statistics have been used. A detailed analysis of the result obtained is the following.

4.1. DESCRIPTIVE ANALYSIS

4.1.1. Response Rate

The response rate is the rate at which the questionnaire received by the respondents were completed and returned The. researcher were Distributed 369 Questionnaires and collected 369 Questionnaires.

4.1.2. Demographic Profile Of The Respondents

Demographic data allows the researcher for demonstrating respondents who to survey; that signifies a hint about the population since; they are a part of the target population for the study. Analyzing respondent's demographic characteristics like age, sex, marital status, educational background and status of member of households' give insights to the researcher how the institution performs. It is used as a supplement for cross-tabulating with other survey results for having a meaningful result for interpretation during analysis.

4.1.2.1. Gender of respondents

Recognizing gender issues on the way of strategizing development programs means focusing on sections of the society vulnerable to poverty. Several theories dictated that women are vulnerable to poverty and excluded from formal financial service for a different range of reasons such as the cultural norms of the society; then microfinance institutions recognize the position of women with men as an actor in the society(Joanna Ledgerwood, 1999).

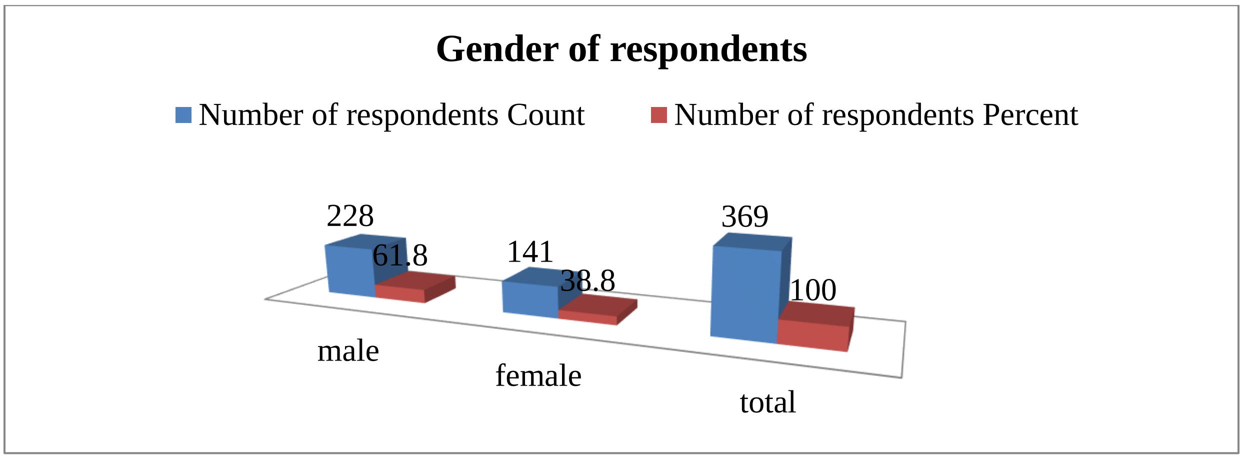


Figure 4.1 gender of respondents

Source; Survey Data, 2021

In this study as the figure shows sample respondents the proportion of women is 38.2 % of the total samples. so, the researcher can suggest that program clients are dominantly male then ACSI performs next well in outreach females.

4.1.2.2 Age of respondents

Age is one of the requirements for eligibility to borrowing money from the institution. The institution has the rule that says “Potential clients need to be between 18 to 65 years of age and economically active” (ACSI, 2009).

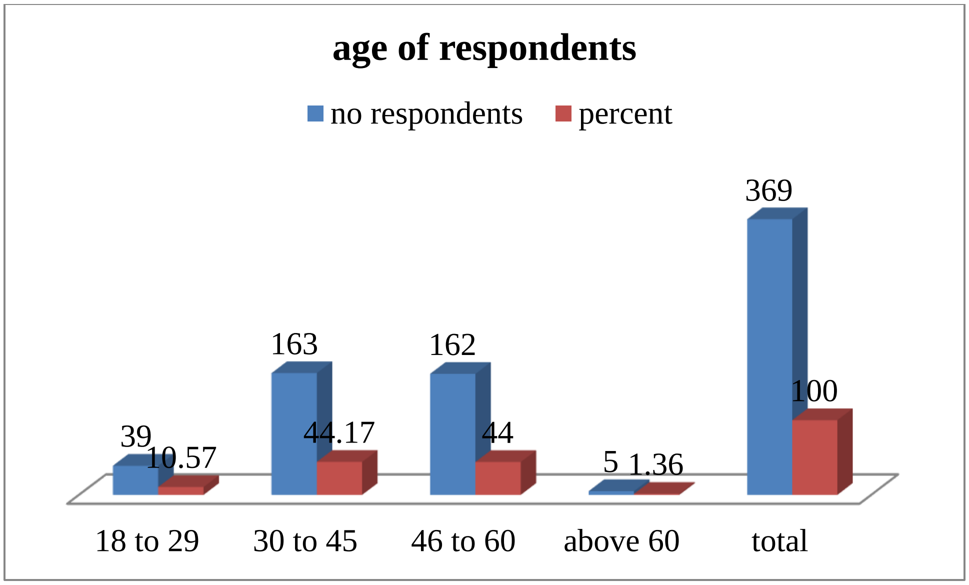


Figure 4.2 Age of respondents

Source; Survey Data, 2021

The researcher can observe from the above figure shows that 44.17 % of the clients' age ranges from 30-45 years and 44 % were from 45-60 years. This indicates that more clients of the institution were in the productive age group and economically active.

4.1.2.3. Marital status of respondents

Several works of literature compiled that the likelihood of generating income, managing the house, make business investment decisions, and enhancing the living standard are high for working spouses together in contrast to borrowers who are alone because of unmarried, divorced, or widowed reasons. On the other hand, the default rate is high for singles or divorced than married clients(Dagnew, 2017).

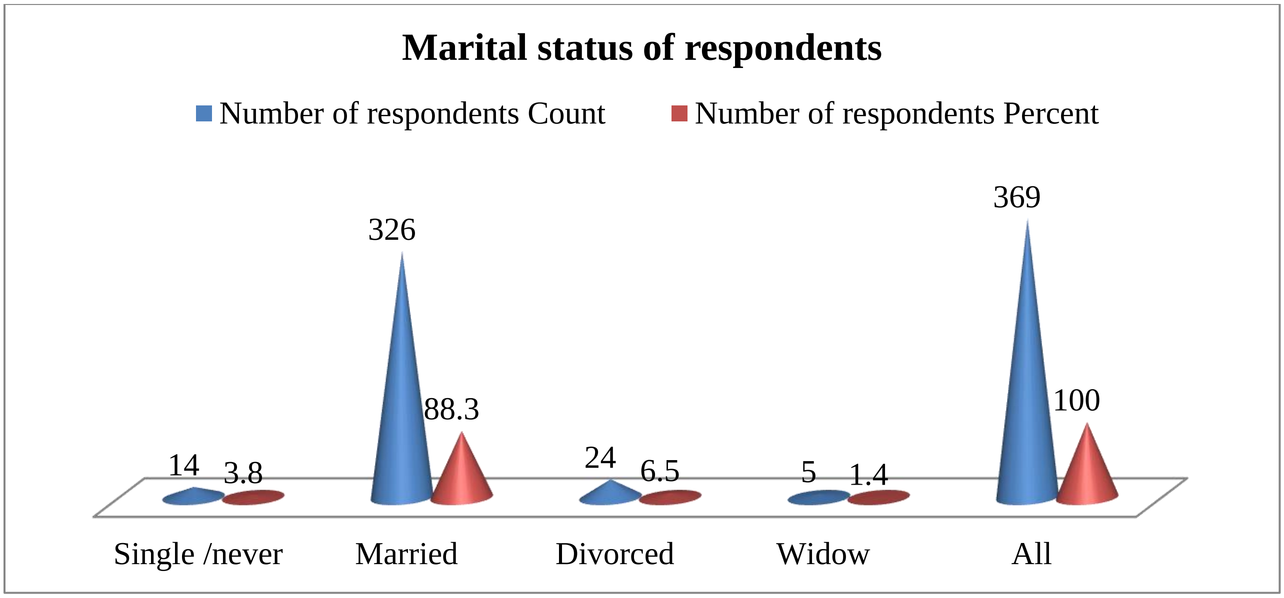


Figure 4.3 Marital status of respondents

Source; Survey Data, 2021

In this regard, the marital status of the sample respondents was presented in the figure. The table shows that among the sample households 88.3 % of the participant and followed by single, divorced, and widowed respondents respectively. but, linear regression has been used and the result shows that there is a negative significance difference between participant households in terms of their marital status.

4.1.2.4. Educational Status of Respondents

Several works of literature well documented that, there is a notable contribution of educational background for the socio-economic change of households. The educational background of clients improves their ability to manage their assets and household finance. Moreover, they can easily understand how they properly utilize the loan they took; engage themselves in income-generating activities, and how they manage their way of life to escape from poverty. On the other hand, less educated people are more vulnerable to poverty.

Table 4.1 Educational Status Of Respondents

Educational status	Number of respondents	
	Count	Percent
No education/illiterate	228	61.8
Primary school completed	132	35.9

secondary school completed	9	2.4
Vocational completed	0	0
All	369	100

Source; Survey Data, 2021

Accordingly, the educational status of the respondents in this study showed that in the table 61.8 % of participants are illiterate can't read and write followed by 35.9 % and 2.4 % of the respondents are primary school and secondary school completed. The result also indicates that ACSI performs well concerning the less educated poor.

4.1.2.5. Number of a family member

This question sought to determine the number of household dependents since the income levels depend on the size of the dependents. The majority of the respondents at 71.5 % had between 4-6 dependents, 19 % had up to 3 dependents, 9.5 % had 7-9 dependents. The details are shown in figure 4.2 below

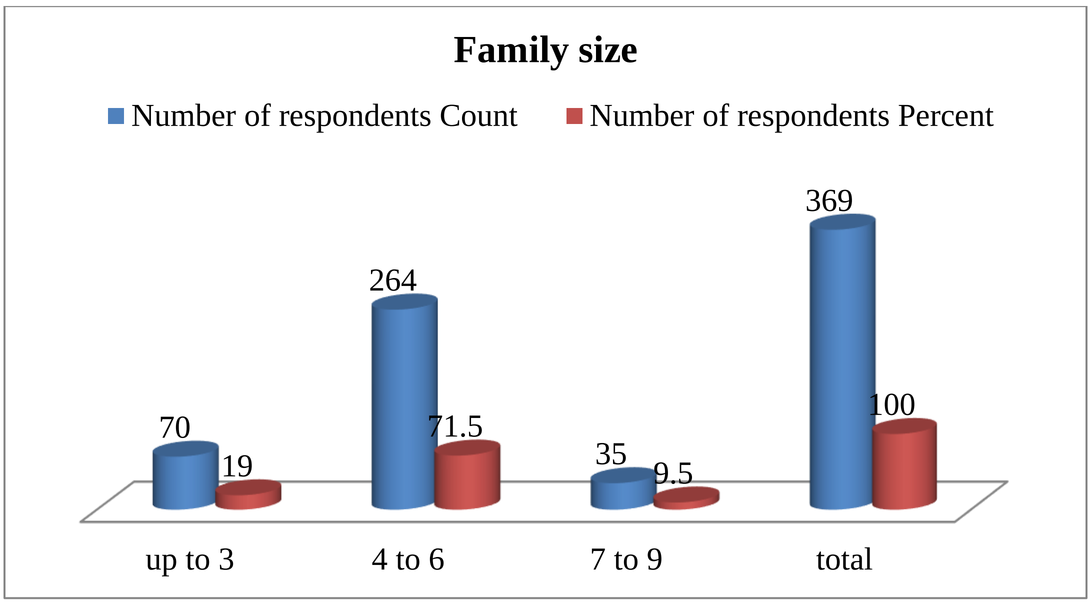


Figure 4.2 Number of a family member

Source; Survey Data, 2021

4.1.3. RESPONDENTS ECONOMIC ACTIVITY

As shown in the table -- below, the majority of the respondents were farmers at 91.6%, 1.9% were in trading, 6.5 % in mixed economic activities.

Table 4.2 Respondents economic activity

Economic activity	Number of respondents	
	Count	Percent
farmers	138	91.6
trading	7	1.9
mixed	24	6.5
All	369	100

Source; Survey Data, 2021

4.1.4. Effects Of Microfinance Credit On Household Income

one of the intentions of microfinance client participation is to increase their family income by getting a loan from the institution for running their business. Credit services from MFIs enable the household to diversify the number of income sources, build assets, and increasing the standard of living.

Table 4.3 Average annual income level (in ETB)

Average annual income (in ETB)	Number of respondents before clients of ACSI		Number of respondents after clients of ACSI		Percentage change
	Count	Percent	Count	Percent	
up to 15000	71	19.2412	30	8.13	-11.11
15001-25000	138	37.3984	47	12.74	-24.66
25001-40000	105	28.4553	99	26.83	-1.62
40001-60000	48	13.0081	138	37.4	24.39
60001-80000	5	1.35501	41	11.11	9.75
80001-100000	1	0.271	12	3.25	2.98
above 100000	1	0.271	2	0.54	0.27
total	369	100	369	100	0
Mean Income(in ETB	27431.92		41721.64		
Standard Deviation	24676.33		19680.68		

Source; Survey Data, 2021

The result of the study presented in the table 4.3 shows that the number of households 15001-25000, up to 15000.00 and 25001-40000 ETB income levels are decreased by 24.66 %, 11.11 %, and 1.62 % respectively. Households with income level 40001-60000 ETB, 60001-80000, 80001-100000, and above 100000 ETB are increased by 24.39 %,9.75%, 2.98%, and 0.27% and the mean of household income shows that significant difference. It means a majority of the participant households' income level increases after they get credit services from ACSI.

4.1.5. Respondents Amount Of Loan Level Range

To design a loan product to meet borrower needs, it is important to understand the cash patterns of borrowers. Loans should be gave based on the cash patterns of borrowers and designed as much as possible to enable the client to repay the loan without undue hardship. This helps the MFI avoid potential losses and encourages clients both to manage their funds prudently and to build up an asset base(Joann Ledgerwood, 1998).

Table 4.4 Respondents amount of loan

	Number of respondents	
amount of loan	Count	Percent
up to 10000	21	5.7
10001-15000	113	30.6
15001-25000	186	50.4
25001-40000	49	13.3
above 40000	0	0
Total	369	100

Source; Survey Data, 2021

The result of the study presented in a table 4.4 shows that the number of households amount of loan, up to 10000, 10001-15000,15001-25000, and 25001-40000 ETB are 5.7%,30.6 %, 50.4 %, and 13.3 % respectively.it means a majority of the participant households' amount of loan is between 10001-15000 and 15001-25000.

4.1.6. Respondents Duration Of Loan Range

The loan term is one of the most important variables in microfinance. It refers to the time during which the entire loan must be repaid. The loan term affects the repayment schedule, the revenue to the MFI, the financing costs for the client, and the ultimate suitability of the use of the loan. The closer an organization matches loan terms to its client's needs, the easier it is for the client to "carry" the loan, and the more likely it that payments will be made on time and in full(Joann Ledgerwood, 1998).

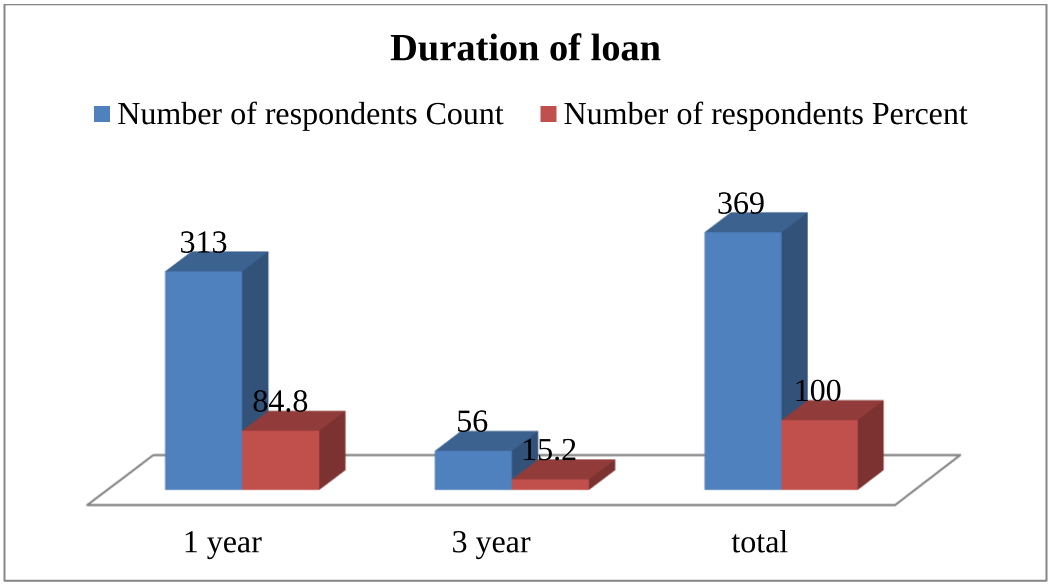


Figure 4.5 Duration of loan

Source; Survey Data, 2021

The result of the study presented in the figure shows that the number of households duration of the loan is 1 year 84.8% and 3 years 15.2%. it means a majority of the participant households' duration of the loan is 1 year.

4.2. ECONOMETRIC RESULTS OF CLR MODEL

This section of the study presents the results and discussions of the regression (econometrics) analysis. So far, the study has established a framework of literature and data analysis. The data sets were checked for certain tests; heteroscedasticity, normality, multicollinearity, and model specification tests have been made to fit the Classical Linear Regression Model (CLRM) assumptions and to undertake reliable estimations.

4.2.1. Model Fitness And Regressions (CLRM Assumption Test)

The objective of the model is to predict the strength and direction of association among the dependent and independent variables. Thus, to maintain the validity and robustness of the regression result of the research in the classical linear regression model (CLRM), it is better to satisfy the basic assumption CLRM. Accordingly, the diagnostic tests were undertaken to ensure that the assumptions of a classical linear regression model. So, the diagnosis taste included normality, Multicollinearity, and heteroscedasticity.

a) **Tests for Normality:** results of normality assumption were tested by this study. The assumption says that disturbances are normally distributed. There are numerical and visual outputs standard ways of testing the normality of the residuals from a regression. These are skewness and kurtosis (i.e z-value between + or – 1.96), Shapiro-Wilk's test(i.e. sig value of less than .05), and Histogram, normal P-P plot. For this study, the shape of the distribution has been sketched and inspected using histogram and this variable residual appears to be reasonably normally distributed.

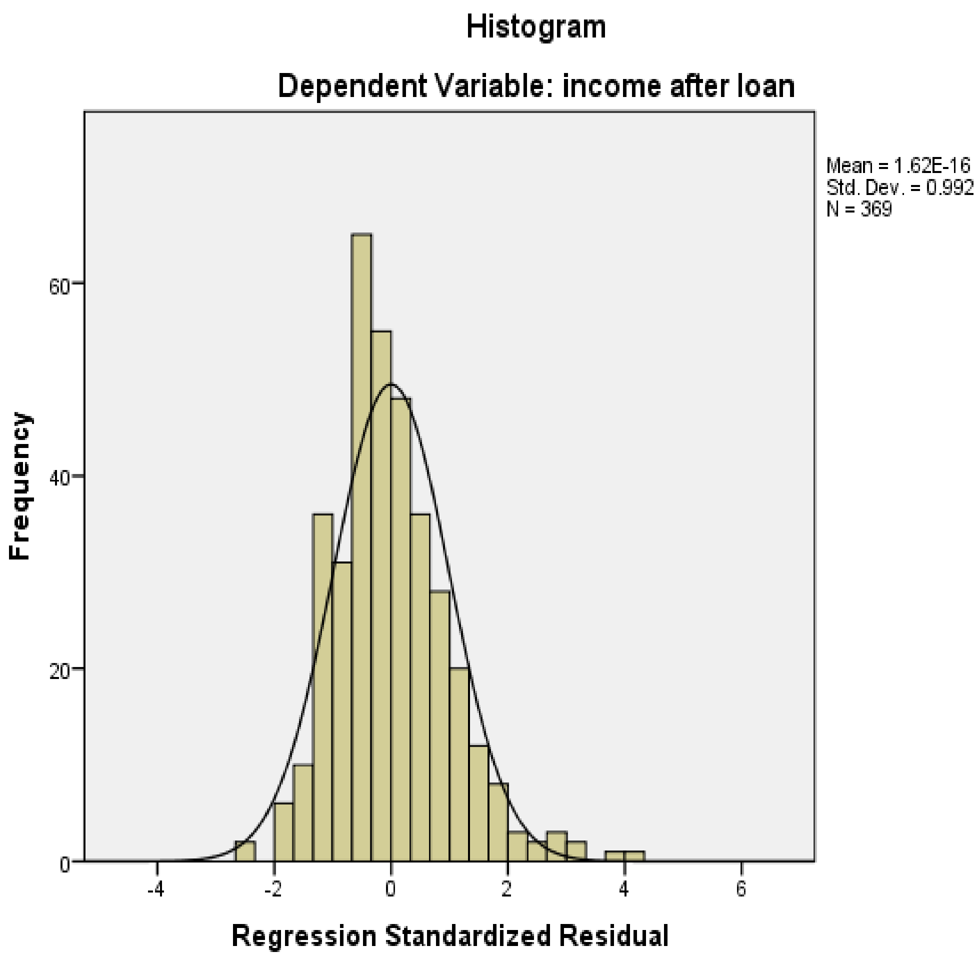


Figure 4.6 Normality Tests

Source: SPSS(Version 21) output

b) **Test for Multicollinearity:** Multicollinearity test using the values of the variance inflation factor (VIF) table 4. Shows that the independent variables as the result of the variance inflation factor value for all variables are below two. Therefore it supports there is no Multicollinearity problem.

Table 4.5 Collinearity Statistics

Independent variable	Collinearity Statistics	
	Tolerance	VIF
Age of respondents	0.819	1.222
educational status of respondents	0.882	1.133
Marital status of respondents	0.971	1.03
number of household members	0.827	1.209
Amount of loan taken by sample respondents	0.844	1.185
Duration of loan taken	0.965	1.036

Source: SPSS result based on primary data, 2021

c) **Test for Heteroscedasticity:** Similarly, the presence of heteroscedasticity problem was tested using a scatterplot. As we can see in the output of a plot the residuals have a random pattern, which signifies that there is no sign of heteroscedasticity. It is also called Homoscedasticity.

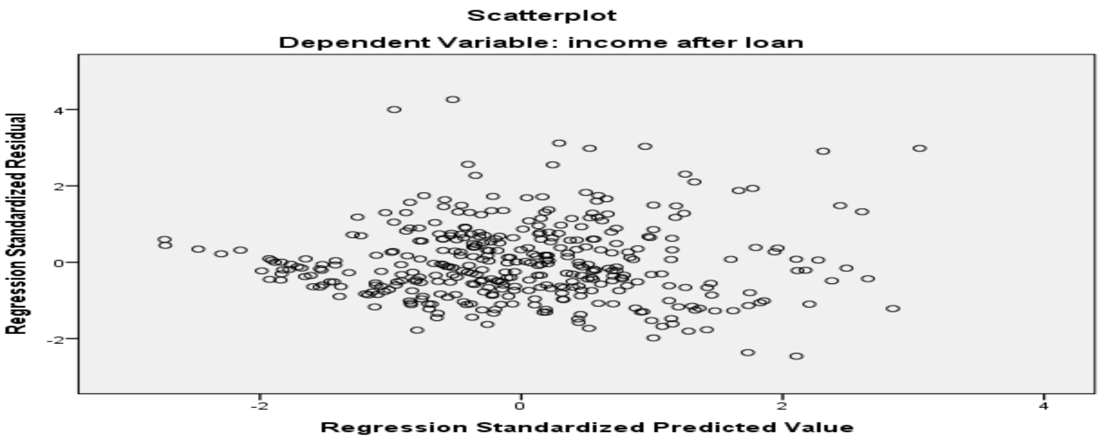


Figure 4.7 Heteroscedasticity Test

Source: SPSS(Version 21) output

4.2.2. Correlation Analysis

Correlation is a way to index the degree to which two or more variables are associated with or related to each other. The values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that the two variables are perfectly related in a positive linear sense; while a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense. A correlation coefficient of 0, on the other hand, indicates that there is no linear relationship between two variables. The correlation matrix in table 4.7 predicts the likely relationship among variables in the study.

Table 4.6 Correlation Analysis

		Household income			
Household income	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	369			
age grouped	Pearson Correlation	.240**	1		
	Sig. (2-tailed)	.000			
	N	369	369		
marginal status	Pearson Correlation	-.219**	.107*	1	
	Sig. (2-tailed)	.000	.039		
	N	369	369	369	
educational status	Pearson Correlation	.329**	-.106*	-.091	1
	Sig. (2-tailed)	.000	.043	.080	
	N	369	369	369	369

family size grouped	Pearson Correlation	.336**	.252**	-.093	.060	1		
	Sig. (2-tailed)	.000	.000	.073	.253			
	N	369	369	369	369	369		
Amount of loan	Pearson Correlation	.591**	.141**	-.138**	.303**	.189**	1	
	Sig. (2-tailed)	.000	.007	.008	.000	.000		
	N	369	369	369	369	369	369	
duration of loan	Pearson Correlation	-.273**	-.168**	.019	-.067	-.082	-.167**	1
	Sig. (2-tailed)	.000	.001	.722	.200	.117	.001	
	N	369	369	369	369	369	369	369

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS(Version 21) output

The correlation matrix in Table 15 produced statistical evidence that age, educational status, family size, and, Amount of loan is significantly and positively linear relationship with Income after loan grouped at 1% significant level with a correlation coefficient of 0.24,0.329,0.336,0.591 and 0.591 respectively, While marginal status and duration of loan have negative significant correlation with household income.

According to the Pearson correlation matrix results in the above table, explanatory variables were significantly correlated with household income and the highest correlation occurred between household income and the amount of loan. Even though the correlation analysis shows the direction and degree of associations between variables, it does not allow the researcher to make cause and effect inferences regarding the relationship between the identified variables.

4.2.3. Discussion of the Regression Results

One indicator of the poverty dimension is an effect on the pattern of income of households. The level of income of the household is affected by different factors, linear regression has been done to examine the effect of microfinance credit on the income status of the households. The independent variable employed for this model is Age, educational status, marital status, number of family members, amount of loan, and duration of loan taken. Annual average household income in terms of ETB is considered a dependent variable. Using the above variables the estimation of coefficient for the effect of microfinance credit on household income is calculated by multiple linear regression models:

INCOHH = 0 + 1Age +2Edn +3Mari + 4Numbhmm + 5Amauloan +Duraloan+Ui

- ✓ INCOHH= Annual income of sample households in terms of ETB
- ✓ Age= Age of sample respondents
- ✓ Edn= Education level of sample respondents
- ✓ Mari= Marital status of sample respondents
- ✓ Numbhmm= number of household members
- ✓ Amauloan = Amount of loan taken by sample respondents
- ✓ Duraloan = Duration of loan taken by sample respondents
- ✓ Ui= disturbance term

Table 4.7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	0.496	0.487	14,092.10

a. Predictors: (Constant), duration of loan , marginal status, no of family size , edlevel, loan size, age

b. Dependent Variable: income after loan

Source: SPSS(Version 21) output

F and P-value - the F-value is the Mean Square Model (11774745790.312) divided by the Mean Square Residual (198587328.276), yielding F=59.293. The p-value is compared to alpha level (typically 0.05) and, if smaller, we can conclude "Yes, the independent variables reliably predict the dependent variable". The researcher could say that the group of variables(independent variables can be used to reliably predict poverty alleviation (the dependent variable). If the p-value were greater than 0.05, the researcher would say that the group of independent variables does not show a statistically significant relationship with the dependent variable, or that the group of independent variables does not reliably predict the dependent variable.

Table 4.8 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70648474742	6	1.1775E+10	59.293	.000[b]
	Residual	71888612836	362	198587328		

	Total	71888612835.806	368			

a. Dependent Variable: income after loan

b. Predictors: (Constant), duration of loan , marginal status, no of family size , edlevel, loan size, age

Source: SPSS(Version 21) output

R-squared – R-Squared is the proportion of variance in the dependent variable (INCOHH) which can be predicted from the independent variables. This value indicates that 49.6 % of the variance in INCOHH can be predicted from the independent variables.

Adjusted R-squared –is used to see how well a study model is likely to fit the population data. In this study Adjusted R-squared 48.7% is an indication that the model is a moderat fit.

Table 4.9 Coefficient of the model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1186.432	6272.394		0.189	0.85
age	207.428	84.611	0.101	2.452	0.015
marginal status	-5570.16	1895.998	-0.111	-2.938	0.004
edlevel	5380.199	1450.133	0.147	3.71	0.000
no of family size	2325.888	551.963	0.173	4.214	0.000
loan size	1.434	0.116	0.501	12.319	0.000
duration of loan	-3793.14	1040.45	-0.138	-3.646	0.000

a. Dependent Variable: income after loan

a. Predictors: (Constant), Age, Educational level, Marital status, number of household members, Amount of loan, duration of the loan

b. Dependent Variable: annual household income of participant households

Source: SPSS(Version 21) output

i. **Constant** represents 1186.432 EBT, also referred to as the predicted value of INCOHH when all other variables are zero.
ii. **Coefficients.** – These are the values for the regression equation for predicting the dependent variable from the independent variable.

The Regression Model

INCOHH = 1186.432 + 207.428 Age + 5380.199 Edn -5570.158 Mari + 2325.888 Numbhmm + 1.434Amauloan -3793.144 Duraloan of loan

4.2.4. Interpretation The Findings(Testing of Research Hypothesis)

As the above section presents a brief discussion of the regression results, this section of the study gives a detailed hypothesis testing and discussion of results. Hypothesis testing was conducted based on the relationship between a dependent variable and independent variables by utilizing the regression results obtained from the model.

The null hypothesis to be tested that the explanatory variables used in the model have no significant effect on household income. If the p-value of any independent variable is less than at 5% significance, such variable is said to have a significant influence on tax compliance, and if otherwise, it has no significant influence. The result from multiple regression in the above table 16 indicated that Age of respondents, educational status of respondents, number of household members, and Amount of loan taken by sample respondents have a positive statistically significant effect on the level of household income ($p<0.05$) but Marital status of respondents and Duration of loan taken respondents to have a negative statistically significant effect on the level of household income ($p<0.05$).

a) **Education status of household head:** Education had shown a positive effect on INCOHH with a significance level of 5% because(p-value = 0.015). On average, if the respondent gets educated, the amount of INCOHH raise by 5380.199 ETB when all other variables are zero. The result implies that there is a difference between literate and illiterate peoples in average annual income-generating used microfinance credit. Therefore, the null hypothesis is rejected.

b) **Marital status of sample respondents**: marital status had shown a negative effect on INCOHH with statistical significance at 5% level because (p-value = 0.004). On average, if respondents, the amount of INCOHH decreases by 5570.158 ETB when all other variables are zero. This means that there is no positive significant relationship between marital status and household income. The result implies that most of the clients were used microfinance credit for extravagance activities, not business generating activities. Therefore, the null hypothesis is rejected.

c) **A number of household members**: it had shown a positive effect on INCOHH with a significance level of 5% because (p-value = 0.026). On average, if respondents' household numbers increase, the amount of INCOHH raise by 2325.888 ETB. The result implies that in the research area number of household members were used as the labor of business activities. Therefore, the null hypothesis is rejected.

d) **Amount of loans taken by sample respondents**: it had shown a positive effect on the level of household income with a significance level at 5% because (p-value = 0.000). The result indicated that providing an appropriate amount of loan to the poor enables the improvement of the income level of the household. Therefore, the null hypothesis is rejected.

e) **Duration of loan taken by sample respondents**: it had shown a negative effect on INCOHH with statistical significance at a level of 5% level because (p-value = 0.000). On average, if respondents, the amount of INCOHH decreases by 3793.14ETB when all other variables are zero. This means that there is no positive significant relationship between the duration of the loan and household income. The result indicated that the loan term is appropriately not matched to clients' business cycle to the poor enables the improvement of the income level of the household. Therefore, the null hypothesis is rejected

The result of this study is also consistent with the result of a previous study conducted by researchers who argue that microfinance participation enables poor households to improve their household income Dagnew (2017), (Ajema, 2015); Atuya (2014).

4.2.5. Summary of Analysis

The effect of explanatory variables on household income is summarized as indicated in the following table.

Table 4.10 Summary of Analysis

Explanatory Variables	**Expected effect**	**Actual Results**	**HO hypothesis**
Age of respondents	no effect	Positive and significant	rejected
educational status of respondents	no effect	Positive and significant	rejected
Marital status of respondents	no effect	Negative and significant	rejected
number of household members	no effect	Positive and significant	rejected
Amount of loan	no effect	Positive and significant	rejected
Duration of loan	no effect	Negative and significant	rejected

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

INTRODUCTION

The study was conducted to examine the effect of microfinance credit on poverty alleviation, a case of Amhara Credit and Saving Institution in Amhara region, Ethiopia. Particularly, the effect of ACSI on the income level of the participant households. The purpose of this chapter is to review the whole study and conclude the major findings of the study and forward suggestions, recommendations, and future research directions.

5.1. SUMMARY AND MAJOR FINDINGS OF THE STUDY

Poverty is a multidimensional continual problem . Poverty alleviation has become the dominant issue of governments at the national and international levels. Governments have been implemented different developmental and poverty alleviation programs to tackle the effect of poverty on poor people. Policy recommendations and previous studies noted that micro financing is one of the poverty alleviation strategies that have a remarkable contribution to sustainable socio-economic development through alleviating poverty.

ACSI is one of the largest and active microfinance institutions in a financial inclusion program and operates in the Amhara region, Ethiopia, and has a great role in alleviating poverty. Accordingly, the study analyzed to examine the effect of ACSI on poverty alleviation in the region as well as in the economy of the country.

Regarding the methodology, this study used a mixed-method approach and descriptive and explanatory research design to address the objectives and test the hypothesis.

The study utilized both primary and secondary data collected from sample respondents, documents, financial reports, manuals, proclamations, and others. The data collected were analyzed using descriptive statistics and econometric regression. The result of the survey and data obtained from the secondary source was used in examining the effect of ACSI on the poverty alleviation program of the region. As a result, some of the important outcomes of the analysis from this study are presented under this subsection as follows:

The analysis for this particular objective was focused on the effect of the microfinance credit through ACSI on the income of the household. Income can be used as a measure of the status of the living standard of the household. Household-level income can be influenced by several factors from the internal or external environment.

Accordingly, the analysis shows that there is a significant change in the number of households which brought income level improvement for the household after they participate in ACSI for instance the participant households earn 15001-25000 ETB is decreased by 24.66 % from their before status and who earn 40001-60000 ETB is increased by 24.39%. This improvement in terms of income at a household level, a significant change in the number of income earners in participant households compared to the before the status of participant households. As a result, the household members get an opportunity to undertake an income-generating activity and enhance the income level more. Concerning the effect of the program on the income level, the regression result shows that age of respondents, educational status of respondents, number of household members, and Amount of loan taken by sample respondents have positive significant effects to improve the income level of household participants ($P<.05$).

5.2. CONCLUSION AND RECOMMENDATIONS

As a result, developing countries, with the majority of their people lives below the poverty line, used the micro-financing intervention program as a strategy to address the poverty alleviation objective and bring economic development for the country. In this regard, there are several developmental programs actively operated in Ethiopia and micro-financing is the one dominantly implemented throughout the whole country.

The objective of this paper was to analyze the effect of a microfinance credit on poverty alleviation by using a level of household income in Ethiopia. The study was found a statistically significant effect of microfinance credit on household income.

Although the results of this study show that there is a positive effect of microfinance credit on poverty alleviation, certain issues limit microfinance in poverty alleviation. The following issues are suggested as a measure for further effectiveness of the microfinance program in the country.

- ❖ primary, the researcher recommends that microfinance institutions always advance delivery and their outreach to additional deserving low-income earners in Ethiopia special in a rural area, the study shows that there are no alternative microfinance institutions without ACSI. Due to this ACSI does not give proper and timely service still their active clients.

- ❖ The study also recommends for microfinance institutions as well as regulators, particularly the NBE, should also design appropriate products reflecting an understanding of the reality of the market they are operating in.
  - ✓ Design Appropriate Terms, and Conditions**,** to be well-served by the credit delivery, important demands of the poor need to be met.
  - ✓ The size of loans should be increased to meet the borrowers' requirements. A microfinance institution should also adjust its interest rates downwards to encourage and increased borrowing.
  - ✓ Diversifying the lending methodology away from the current group methodology into others like possibly to individual lending may help, for the group lending on the one hand tends to ignore the very poor.
- ❖ Microfinance institutions should be proved for Borrowers' technical skill provisions for better business skills and loan utilization for more profitable business activities.
- ❖ Finally, recommend that only establishing microfinance institutions itself is not effective for the poverty alleviation program without the appropriate regulatory framework and the motivation, commitment of the officials within the institution and well training, awareness, innovative and forward-looking clients.

5.3. FUTURE RESEARCH DIRECTION

The poverty alleviation program with micro-financing is a researchable area, since it is a continual problem of the world much research also remains to be done. The result discussed in this study provides a guide to future research. As a result:

- ➢ This study focused on using cross-sectional data, but to have a deep insight into ACSI’s effect on the lives of the poor clients, future research can be used time-series data. The study covered only one zone in the Amhara region out of 11 zones. So, future research can extend the area to have reach data to see ACSI’s effect on poverty alleviation programs.
- ➢ To see the effect of different factors future research can be used different econometric models rather than multiple linear regression.

- The study included different objective those touch in one way or the other the poverty alleviation performance of the institution. Future research can integrate different social and economical indicators to examine the poverty alleviation performance of the institution.

REFERENCES

Adebayo, A. (2009). Theoretical perspectives on poverty reduction: Challenges for policy in Nigeria. *International Journal of Economics and Development Issues, 8*(1&2), 34-43.

Ajema, G. (2015). *The Impact of Microfinance on Poverty Reduction: The case of Selected Clients of Oromia Credit and Savings Share Company (OCSSCO) in Gindeberet Woreda, Western Shoa Zone of Oromia Region, Ethiopia.*

Altimir, O. (1982). *The extent of poverty in Latin America*: The World Bank.

ANJULO, D. D., & HAWASSA, E. (2014). THE ROLE OF MICROFINANCE INSTITUTIONS IN ACCESSING CREDIT AND POVERTY REDUCTION IN RURAL ETHIOPIA: IN THE CASE OF OMO MICRO FINANCE INSTITUTION IN DAMOT GALE WOREDA. *WOLAITA ZONE*.

Asmelash, H. (2003). The impact of microfinance in Ethiopia: The case of DECSI in Ganta-Afeshum Woreda of Eastern Tigray. *Unpublished MA thesis, Addis Ababa University, Ethiopia*.

Atuya, G. N. (2014). *Effect of microfinance credit on poverty alleviation at household level in Nakuru county.* University of Nairobi.

Bocher, T. F., Alemu, B. A., & Kelbore, Z. G. (2017). Does access to credit improve household welfare? Evidence from Ethiopia using endogenous regime switching regression. *African Journal of Economic and Management Studies*.

Brislin, N., & Dlamini, P. (2006). Amhara credit and savings institutions: Ethiopia. *USAID AMAP Fianacial Services Knowledge Generation—State Owned Retail Banks*.

Bui, L. T. V. (2014). *Microfinance and Poverty Alleviation: Does Credit Access Contribute to Reduce Household Poverty in Vietnam?* , Georgetown University.

Chirkos, A. Y. (2014). The impact of microfinance on living standards, empowerment and poverty alleviation of the poor people in Ethiopia, A case study in ACSI. *Research Journal of Finance and Accounting, 5*(13), 43-66.

Chughtai, M. W., Zaheer, M. F., & Taj, S. (2015). Effectiveness Of Micro Financing For Poverty Alleviation: A Case Study Of Tameer Microfinance Bank. *Research Journal of Economics & Business Studies, 4*(05), 1-9.

Conroy, J. D. (2002). *Microfinance in Malaysia: A Time to Rebuild*: Foundation for Development Cooperation.

Daba, B. (2013). *THE IMPACT OF MICRO FINANCE ON POVERTY REDUCTION: ACASE STUDY OF WASASA MICRO-FINANCING INSTITUTION IN EAST SHOWA ZONE OF OROMIA REGIONAL STATE, ETHIOPIA.* St. Mary's University.

Dagnew, D. K. (2017). Microfinance and poverty alleviation a study of Amhara credit and saving institution Ethiopia.

Diro, B. A., & Regasa, D. G. (2014). Impact of micro credit on the livelihood of borrowers: evidence from Mekelle City, Ethiopia. *J Res Econ Int Financ, 3*(1), 25-32.

Durrani, M. K. K., Usman, A., Malik, M. I., & Shafiq, A. (2011). Role of micro finance in reducing poverty: A look at social and economic factors. *International Journal of Business and Social Science, 2*(21).

Ebimobowei, A., Sophia, J. M., & Wisdom, S. (2012). An analysis of microfinance and poverty reduction in Bayelsa State of Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review, 33*(842), 1-20.

Emana, B. (2009). *Cooperatives: a path to economic and social empowerment in Ethiopia*: ILO Dar es Salaam.
Gebru, B., & Paul, I. (2011). Role of microfinance in alleviating urban poverty in Ethiopia. *Journal of Sustainable Development in Africa, 13*(6), 165-180.
Gobezie, G. (2004). *Microfinance Development: Can Impact on Poverty and Food In-Security be Improved Upon?* Paper presented at the International Conference on Microfinance Development in Ethiopia.
Hailai, A. (2010). *Can Microfinance help to Reduce Poverty? With Reference to Tigrai, Ethiopia.* Mekelle University.
Hair, J. F., Page, M., & Brunsveld, N. (2019). *Essentials of business research methods*: Routledge.
Hopkins, M. (1991). Human development revisited: A new UNDP report. *World Development, 19*(10), 1469-1473.
Ibok, E., & Mboho, S. (2009). Women organisations and poverty alliviation in rural communities in nigeria: a study of akwa ibom state. *International Journal of Labour and Organisational Psychology, 3*(1), 198-208.
Imai, K. S., Arun, T., & Annim, S. K. (2010). Microfinance and household poverty reduction: New evidence from India. *World Development, 38*(12), 1760-1774.
Irobi, N. C. (2008). *Microfinance and poverty alleviation: A case of obazu progressive women association, Mbieri Imo State-Nigeria.* Sveriges lantbruksuniversitet.
Kaseva, J. M. (2017). Effect of microfinance on poverty reduction in Tanzania: A case study of the African microfinance limited. *Tanzania Economic Review, 4*(1-2).
Khandker, S. R., & Koolwal, G. B. (2016). How has microcredit supported agriculture? Evidence using panel data from Bangladesh. *Agricultural Economics, 47*(2), 157-168.
Ledgerwood, J. (1998). *Microfinance handbook: An institutional and financial perspective*: The World Bank.
Ledgerwood, J. (1999). Sustainable banking with the poor microfinance handbook.
Meagher, P., & Wilkinson, B. (2000). Towards a market-friendly environment for microfinance-legal and regulatory reform in Zambia. *Small Enterprise Development, 11*(4), 30-41.
Meehan, F. (1999). *Microfinance in Rural Development: The Impact of Credit Provision by the Dedebit Savings and Credit Institution on Economic Activity and Household Income in Tigray M. Sc.* Thesis: Ethiopia.
Mengstie, B. (2020). Ethiopian Women Economic Empowerment Through Microfinance. *Indian Journal of Finance and Banking, 4*(2), 51-57.
Momoh, J. (2005). The role of microfinance in rural poverty reduction in developing countries. *Retrieved on, 2*(9), 2010.
Obeng, C. K. (2011). *The impact of micro-credit on poverty reduction in rural areas: a case study of Jaman North District, Ghana.*
Okurut, F. N., Banga, M., & Mukungu, A. (2004). *Microfinance and poverty reduction in Uganda: Achievements and challenges*: Economic Policy Research Centre.
Pogge, T. (2005). World poverty and human rights. *Ethics & international affairs, 19*(1), 1-7.
Robinson, M. S. (2001). *The microfinance revolution: Sustainable finance for the poor*: The World Bank.
Sananikone, O. (2002). Microfinance and the millennium development goals: The World Bank.
Takahashi, K., Higashikata, T., & Tsukada, K. (2010). The short-term poverty impact of small-scale, collateral-free microcredit in Indonesia: A matching estimator approach. *The Developing Economies, 48*(1), 128-155.
Wade, R. (2002). Globalisation, poverty and income distribution: does the liberal argument hold?
Wolday, A. (2000). Review of Microfinance Industry in Ethiopia: Regulatory Framework and Performance. Association of Ethiopian Microfinance Institutions (AEMFI). *Occasion paper, 2*.

Wolday, A. (2003). *Microfinance in Ethiopia: performance, challenges and role in poverty reduction*: Association of Ethiopian Microfinance Institutions.

Appendices I – Microfinance Clients survey instrument (English version)

WOLDIA UNIVERSITY

MANAGEMENET DEPARTEMEN

MBA PROGRAM

ACSI's Credit program Survey Questionnaire

Dear Respondent:

This project is entitled "The Effect of Microfinance credit on Poverty Alleviation: The case of Selected Clients of Amhara saving and credit Institution(ACSI) in Angot Woreda, north wollo Zone of Amhara Region"

This study is conducted in partial fulfillment of the requirements for a master's Degree in Business Administration (MBA) by Tsehainew sisay Asmamaw.

This questionnaire has been designed to find out the effect of ACSI credit program on clients' poverty Alleviation. The information you provided in this interview questionnaire will be very useful and confidential. Your cooperation and commitment in answering this questionnaire are kindly appreciated. Thank you.

If you have any question, you can contact the researcher by the following addresses:

Mobile:-0910055355/0975824242

Email: tsehainewsisay@gmail.com

Name of interviewer code no _________________woreda --------------kebele------velliege-------

Date of the interview _________________

1. Personal Information of the Respondent

Please make an "x'' mark in the box provided in front of the Question

1.1. Sex: Male ( ) Female ( )

1.2. Age--------------------------------------

3. Marital Status

a) Single ( )
b) married ( )

c) divorced ( )

d) Widowed/er ( )

4. Educational Background

a) No Formal Education/illiterate ( )

b) elementary education ( )

c) Secondary ( )

d) vocational completed ( )

e) Others ,please specify ....

5. Do you have any dependents? A. Yes ( ) B. No ( ) ,

If yes, How many dependants do you have? --------------

7. What do you do for a living?

a) Agriculture ( )

b) Trading

c) mixed (Agriculture and trading)

d) Others, please specify...

8. How many k.m far from ACSI branch Office----------or take hours in foot --------------

2. Respondent Information about source of income and asset

2.1 What was your average annually household income before uptake of ACSI credit (ETB)? -------------

2.2. What is your average annually household income last two years after uptake of ACSI credit (ETB)-

2.3. For the last two years, what has been the trend in the level of your overall income?

a) Increased significantly

b) Increased

c) Remained the same

d) Decreased

e) Decreased significantly

2.4. Why did your income increased (if increased)?

a) Working capital from credit

b) Expand existing business

c) Good agricultural season

d) Others (specify)--

2.5.Did you make improvement of your type of house (from grass roof to iron sheet roof) for the last two years? Yes ( ) no ( )

2.6.Specify the average annually saving amount in ETB:

- ✓ Compulsory ________
- ✓ Voluntary ____

2.7. Do you have livestock?

- ✓ Yes ( )
- ✓ No ( )

2.8. If your answer for Q.2.7 is yes, list their type and numbers of animals.

S/No	Animal Type	No of Animals Before Joining MF Program/Before two years	No of Animals After Joining MF Program/After two years
1	Oxen		
2	Cows		
3	Calves		
4	Sheep		
5	Goat		
6	Horses		
7	Mule		
8	Donkey		
9	Chickens		
Others(specify)			

2.8.What type of house did you have

	beforenot used loan	afte used loan
iron sheet		
rass sheet		
both		

3. Respondent information for loan and repayment

3.1 Did you have access to credit from ACSI last two years? A. Yes ( ) B. No ( )

3.2. If you yes Q.2.1 for how long have you been a member of ACSI? --------------------------------------

3.3. What purposes did you find the loan?

a) Consumption

b) Agriculture
c) Animal fattening
d) Petty trade
e) Others (specify) ______________________

3.4. How many amount of loan you get averagely last two years in ETB? ---------------

3.5. Did you think that the Loan :

a) Enough for the intended purpose
b) Not enough for the intended purpose
c) More than the capacity

3.6 How long your loan duration?------------------------

3.7. How did you get loan duration?

a) too long for the repayment loan
b) long for the repayment loan
c) medium for the repayment loan
d) short for the repayment loan
e) too short for the repayment loan

3.8. how to did you seen, your appropriateness of loan repayment period of time ?

a) More appropriateness
b) Appropriateness
c) Less appropriateness
d) Not appropriateness

3.9. What is the interest rate of the loan? _____________Percent

3.10. What is your opinion about the interest rate?

a) Very high
b) High
c) Fair
d) Low
e) Very low

3.11. Do you have problems paying your loans? Yes ( ) No ( )

3.12. If your response is yes above, what are the major causes of the problem?

a) Loan activity was not profitable
b) Profitable but used some of the loan for household expenditures
c) Used for non-intended purposes

d) Loss of assets
e) Crop failures
f) Profitable but theft/damage
g) Others (specify)

3.13. During your participation period, what have been the major constraints in operating your business?

a) Insufficient fund
b) Insufficient or lack of land
c) Lack of business knowledge
d) Lack of market for output
e) Lack of knowledge of using the loan
f) Loss or damage
g) Weather conditions
h) others (specify)--

3.14. Do you get supervision and follow up for your effectiveness by MFI officers? Yes ( ) no ( )

3.16. What is your overall opinion about the ACSI credit program?-------------------------------------

4. Interview Questions for Branch Manager of ACSI Angot worda

1. How do you identify the poor to be the program beneficiaries of your institutions?
2. Do you think that the loan size and term are sufficient for your client to run their projects?
3. Is there any controlling mechanism for clients whether they use their loan for the intended purpose?
4. How to describe institution to used the poor for credit program?
5. Institution has enough access of loan?
6. What are the main challenges (problems) for the institution?

5.Interview Questions for food security department head Angot worda

1. Do you think that poor house hold simply access of credit to their full financial gap for from ACSI woreda branch ? what are main challenges
2. what are the major Operational problems of poor household in the woreda to improving income usig ACSI credit.
3. What is your overall opinion about the credit scheme of ACSI? ____________________

Appendices II – Microfinance Clients survey instrument (Amharic version)

[illegible]

[illegible] 1

[illegible] (✓) [illegible]

1. [illegible]

1.1. [illegible] ------------- [illegible] ------ [illegible] -------

1.2. [illegible] ( ) [illegible] ( )

1.3. [illegible] ---------------

1.4.□□□□□ □□□□ 1.□□□□□□□( ) 2.□□□□□/□( ) 3. □□ □□□□□( ) 4. □□□ □□□□□□ □□□□□ ( )

1.5. □□□□□□□□□□□ □. □□□□□ □□□□□□ □□□□□ ( ) □. □□□□□□□ □□□□ □□□□□□ ( ) □.□□□□□ □□□□ ( ) □. □□□□□□ □□ □□□□□□ ( ) □. □□ □□ □□□□□------------

1.6 □□□□□□ □□□□ □□□□□ ? □□ ( ) □□□□ ( )

□□□□□ □□ □□□□ □□ □□ □□□□□□ □□□□ □□□□ ? ---------------------

a. □□ □□□□□□□ □□ □□□□ □□□□ □□ ? □. □□□□□ ( ) □. □□□□□□ □□□□ □. □□□□□ □.□□ □□ □□□□□ ....

1.8. □□□□□□ □□□□ □□□□□ □□□□ □□□□ □□------□□□□ □□□□□ □□□□ □□□□ □□□□□□----

2.□□ □□□□□ □□□□ □□ □□□□ □□□□

2.1. □□□□□□ □□□□ □□□□□ □□□□□□ □□□□ □□□□□□ □□□□□ □□□□ □□ □□□□ □□ □□□□?-------------

2.2.□□□□□□ □□□□ □□□□□ □□□□ □□□□ □□□□□ □□□□ □□□□□ □□□□□ □□□□□ □□□□ □□□□ □□ □□□□ □□ □□?-------------

2.3. □□□□□□ □□□□ □□□□□ □□□□□□ □□□□□□ □□□□ □□□□ □□□□□□□

□. □□□□ □□□□□□ □□□□ □□□□□

□.□□□□□□ □□□□□

□. □□□□□□ □□

□. □□□□□

□.□□□□□□ □□□□□

2.4 □□□□□□□□ □□□□□□ □□□□□ □□□□□□ □□ □□□□ ?

□. □□□□□□/□□□□□□□ □□□□ □□□□□ □□□□□

□. □□□□□□□ □□ □□□□□ □□ □□□□□□□

□. □□ □□□□□ □□□□□ □□□□□

□. □□ □□ □□□□□---------------------------

2.5 □□□□□□ □□□□ □□□□□ □□□□ □□□□□ □□□□□□ □□□□□□?-------------------------------------

2.6. □□□□□ □□□□□ □□□□□ □□□□ □□□□ □□□□□□□

□. □□□□□□□ _______ □. □□□□□□□□ ____

2.7. □□□□ □□□□□□□ □□□□□ ? □□ ( ) □□□□ ( )

2.8. □□□□□.2.7 □□□□□ □□ □□□□ □□□□□□ □□□□□ □□ □□□□□□□□□ □□□□ □□□□□ □□

□. □	□□□□□□□ □□□□□	□□□□□□ □□□□ □□□□□□ □□□□□ □□□□□□ □□□□ □□□□□□□ □□□□	□□□□□□ □□□□ □□□□□□ □□□□□ □□□□ □□□□ □□□□□□□ □□□□
1	□□		
2	□□		
3	□□		
4	□□		
5	□□□		
6	□□□		
7	□□□		
8	□□□		
9	□□		
10	□□□ □□ □□□□		

2.9. □□□□□□ □□□□ □□□□□ □□□□□□□

	□□□□□ □□□□ □□□□	□□□□□ □□□□ □□□□
□□		
□□□□		
□□□□		

3.□□□□□□□□ □□□□□□□ □□□□□ □□□□□□ □□□□

3.1. □□□□□□ □□□□□ □□□□□□ □□□□□ □□□□? □. □□ ( ) □.□□ ( )

3.2.□□□□□□ □□□□□ □□□□□ □□□□ □□□□ □□□□ □□□□□?-----------------

3.3.. □□□□□□□ □□□□ □□□□ □□□□ □□□□□□□?

- ✓ □. □□□□□□ □□□□□□□ □□□□□□ (□□□□ □ □□□□)
- ✓ □.□□□□□ □□
- ✓ □.□□□□ □□ ( )
- ✓ □.□□ □□ □□□□□ --

3.4 □□□□□□ □□□□□ □□□□ □□□□□ □□□□□□ □□□□□ □□□□□ □□□□ □□ □□□□ □□ □□? -------------------------

3.5 □□□□□□ □□□□□□ □□□□ □□□□□□ □□□□□□ (□□□□□□□)

- ✓ □. □□□□ □□□□ □□
- ✓ □.□□ □□
- ✓ □.□□ □□□□□□

3.6. □□□□□□ □□□□□□ □□□□ □□□□□□ □□□□ □□□□ □□□□ □□□□ □□□□ ?------------

2.7.□□□□□□ □□□□□□ □□□□ □□□□□□ □□□□□□ □□ □□□□□□□

□. □□□□ □□□□ □□ □□

□.□□□□ □□ □□

□. □□□□ □□ □□

□.□□□□ □□□□ □□ □□□□□ □□□□ □□□□□□ □□□□□ ----------------------------------

2.8. □□□□□□ □□□□□ □□□□□ □□□□ □□□□□ □□□□□

- ✓ □. □□□□ □□ □□□□ □□
- ✓ □. □□ □□□□ □□
- ✓ □. □□ □□□□ □□□□□□
- ✓ □. □□□□ □□ □□□□□□ □□□□□ □□□□ □□□□□□ □□□□□-------------------------

2.9 □□□□□ □□□□ □□ □□□□ □□? _____________ □□□□□

2.8. □□□□□□ □□□□ □□ □□□□ □□□□□ □□□□□□□

□. □□□□ □□□□□

□.□□□□

□. □□□□

□. □□□□

□. □□□ □□□□

2.9. □□□ □□□□□ □□□ □□□□□ □□□□? □□ ( ) □□□

2.10 □□□□ □□ □□□ □□□□ 2.9 □□□ □□□□□ □□□□□□□ □□□ □□□□□ □□ □□□?

□.□□□□ □□□□□□ □□□□ □□□□□□

□) □□□ □□□□ □□□□ □□□□□□□ □□□ □□□□□ □□□□ □□□□□

□) □□□□□ □□□ □□ □□□ □□ □□□□

□) □□□□ □□□□

□) □□□□ □□□ □□□□

□) □□□□□ / □□□ □□□□□

□) □□□ □□ □□□□----------

9.11.□□□□ □□□□ □□□□□ □□□ □□□□□□□ □□□□□ □□□ □□□□ □□ □□□?

□) □□□□□□□ □□□□ □□□□

□) □□ □□□□ □□□ □□□□ □□□□

□) □□□□ □□ □□□□ □□□□

□) □□□□□□□/□□□□□ □□□ □□□□ □□□□

□) □□□□ □□□□□ □□□□ □□□□

□) □□□□□ □□□

□) □□□□ □□□ □□□□

□) □□□ (□□□□) --------------------------------

9.12. □□□□□□ □□□ □□□□ □□□□ □□□□□ □□□□□□ □□□ □□□□□ □□□ □□□□□ □□□ □□□□□□□□? □□ □□□

3.13. □□□□ □□□□ □□□□□ □□□□ □□□□□ □□ □□ □□□□□□ □□□□?---

4.□□□□□ □□□ □□□□ □□□□□ □□ □□□□□ □□□ □□□□ □□□□□

1. [illegible] ?[illegible]

2. [illegible]?

3. [illegible]?[illegible]

4. [illegible]?

5. [illegible]. [illegible] ?

6. [illegible] ([illegible]) [illegible]?

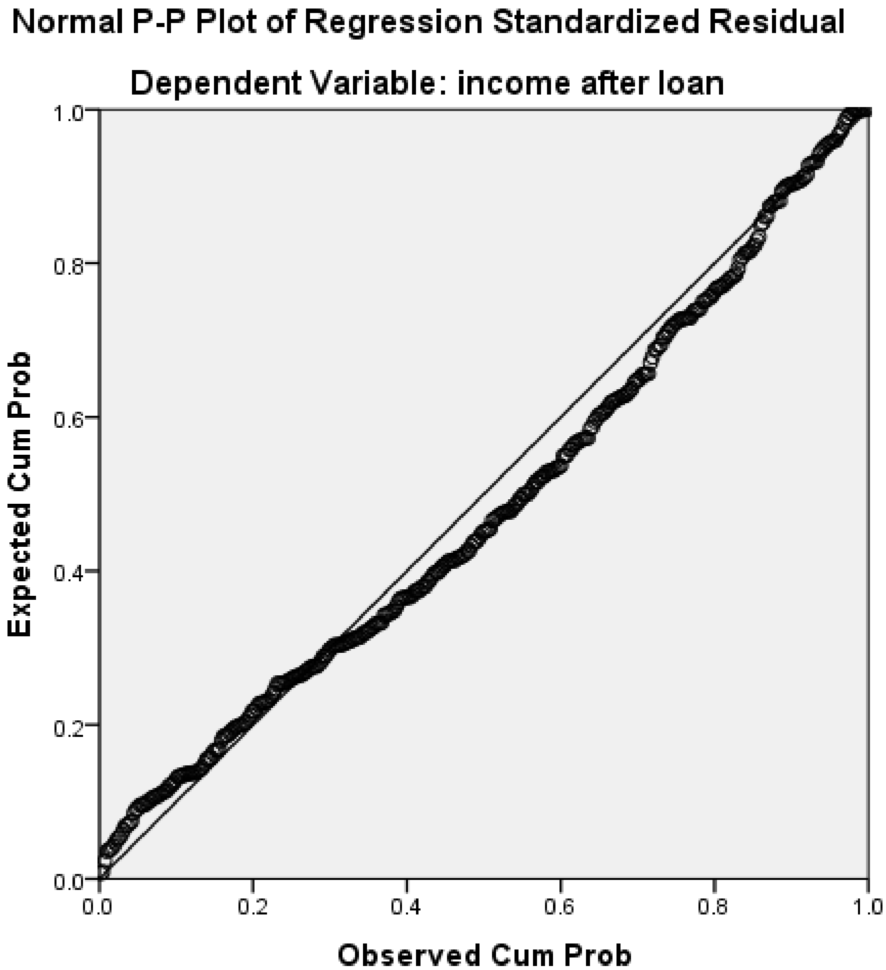
5. [illegible]

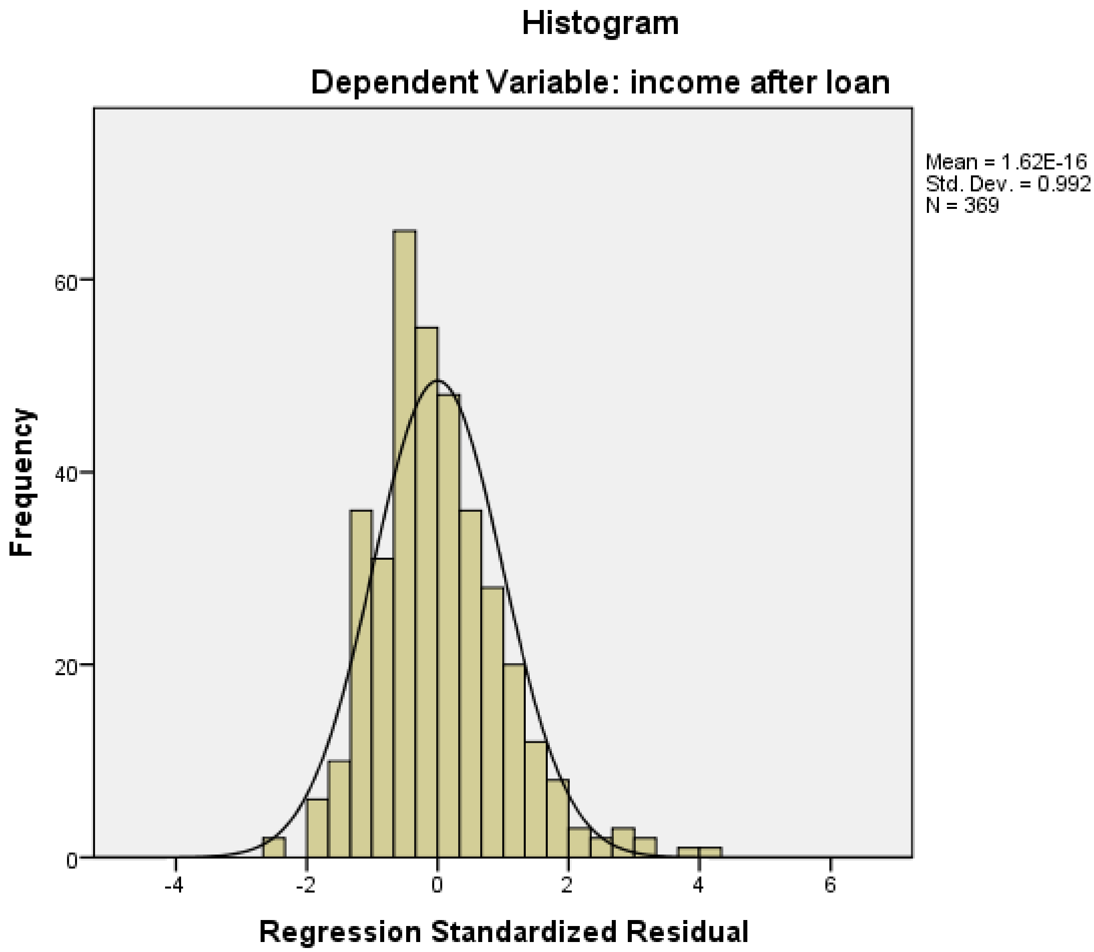
1. [illegible] [illegible]/[illegible] [illegible]? [illegible]

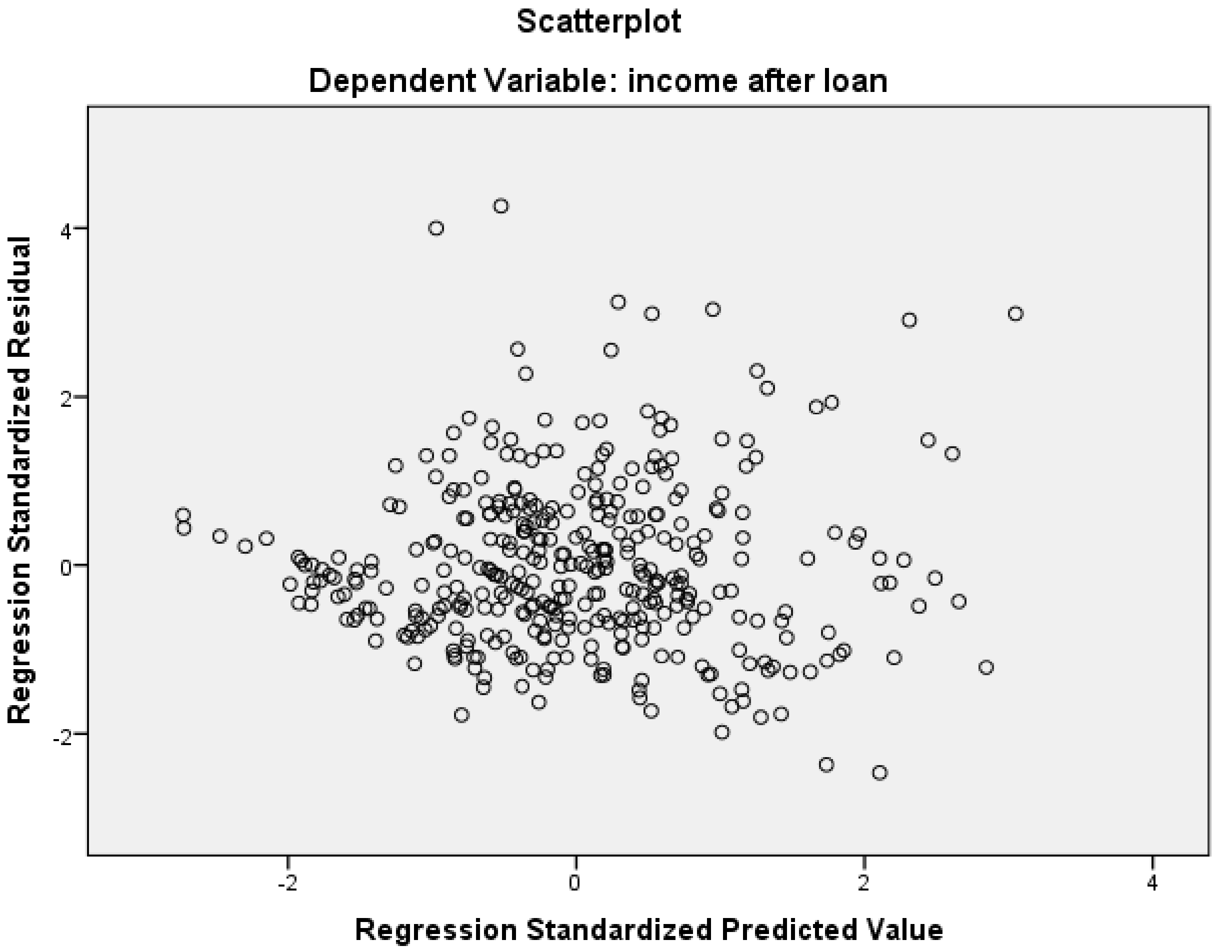
2. [illegible]?

3. [illegible]?

Appendices III - Results of SPSS Software Analysis


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: income after loan
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Histogram
Dependent Variable: income after loan
Mean = 1.62E-16
Std. Dev. = 0.992
N = 369
Frequency
0
20
40
60
-4
-2
0
2
4
6
Regression Standardized Residual



Descriptive Statistics

	Mean	Std. Deviation	N
income after loan	41,721.4607	19,680.67688	369
age	43.31	9.596	369
marginal status	2.05	.393	369
edlevel	1.41	.539	369
no of family size	4.87	1.463	369
loan size	20,260.1626	6,872.48460	369
duration of loan	1.30	.719	369

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	.496	.487	14,092.10163

a. Predictors: (Constant), duration of loan , marginal status, no of family size , edlevel, loan size, age

b. Dependent Variable: income after loan

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70648474741.874	6	11774745790.312	59.293	.000[b]
	Residual	71888612835.806	362	198587328.276		
	Total	142537087577.680	368			

a. Dependent Variable: income after loan

b. Predictors: (Constant), duration of loan , marginal status, no of family size , edlevel, loan size, age

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1186.432	6272.394		.189	.850	-11148.474	13521.338		
	age	207.428	84.611	.101	2.452	.015	41.037	373.819	.819	1.222
	marginal status	-5570.158	1895.998	-.111	-2.938	.004	-9298.712	-1841.603	.971	1.030
	edlevel	5380.199	1450.133	.147	3.710	.000	2528.455	8231.942	.882	1.133
	no of family size	2325.888	551.963	.173	4.214	.000	1240.431	3411.345	.827	1.209
	loan size	1.434	.116	.501	12.319	.000	1.205	1.662	.844	1.185
	duration of loan	-3793.144	1040.450	-.138	-3.646	.000	-5839.229	-1747.058	.965	1.036

a. Dependent Variable: income after loan