THE REVIEWS OF MICROFINANCE AND WOMEN EMPOWERMENT IN ETHIOPIA

Ismael Hussein Malela
Oda Bultum University, College of Business and Economics, Department of Accounting and finance. Chiro, west Hararge, Oromia, Ethiopia.

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ABSTRACT: *According to the findings of different authors microfinance is providing financial services to unemployed and low-income individuals or groups who would have no access to formal banking services. It has a positive impact on the living standard of the poor people in particular and alleviates poverty in their households in general. It is not only undermining poverty in the city but also empowering women through surviving and making their life prosperous with dignity and self-reliance by providing financial services. And also Ethiopian Microfinance is facing different challenges in empowering such as lack of collateral assets, lack of information, work burden, production failures, verbal abuse, lack of infrastructure, low institutional capacity and opportunities of women in microfinance are providing startup capital, women empowerment, poverty eradication, social and political empowerment, improved saving skills and the above challenges listed should be taken consideration by government and concerned body as well as a problem-solving study must be conducted.*

KEY WORDS: microfinance, empowering women, poverty eradication, collateral, and Ethiopia.

INTRODUCTION

Microfinance was first established in Ethiopia in the late 1980s, with a range of NGO and government micro-credit programs. However, these were not seen as well-organized or capable of operating on a continuous and sustainable basis (Wolday 2012). Major criticism included the heavily subsidized nature of many NGO programs, with low-interest rates for credit, high rates of default, and lack of saving products. In response, the Government introduced legislation regarding the licensing and supervision of banking businesses (Proclamation No. 84/1994) which allowed the establishment of private financial institutions, thus breaking the state monopoly in the banking sector (Gobezie, 2015). Shortly after, the first microfinance law was passed (Proclamation No. 40/1996) to protect small depositors, ensure stability, and promote the efficient performance of MFIs (Fite, 2013). Moreover, it brought all MFIs into the monetary and financial system, enabling deposit-taking while placing the National Bank of Ethiopia (NBE) in charge of regulation and supervision.

Efficient financial markets are essential for economic development. They allow economic growth through resource mobilization and investment, trade facilitation, risk diversification. Even poor people can benefit from efficient financial markets: with access to savings, credit, insurance, and other financial services, they become more resilient and better able to cope with the everyday crises they face; access to financial services also translates into better nutrition, improved health, increased gender equity, and higher children schooling rate (ADB, 2019).

Microfinance institutions are found among the institutions which provide different financial services for the poor who are out of the conventional banking system, particularly in developing countries. Microfinance Institutions (MFIs) provide financial services to poor clients who in most cases have no access to formal financial institutions. During the last three decades, microfinance has captured the interest of both academics and policymakers. This is, among other things, due to the success of the industry (Assefa et al., 2013).

Today, there are 31 MFIs registered with the National Bank of Ethiopia serving clients. The Ethiopian microfinance market is dominated by a few large MFIs, all of which are linked to regional state government ownership. The three largest institutions account for 65% of the market share in terms of borrowing clients, and 74% by loan provision. These are Amhara (ACSI), Dedebit (DECSI), and Oromia (OCSSCO) Credit and Savings Institutions (Ebisa et al., 2013).

According to the Federal Micro and Small Enterprise Development Agency (FeMESDA), a total of 70,455.00 new micro and small scale enterprises were established in 2020/2021 employing 806,322.00 people. The total employment has grown by 23.8 percent, compared to a year ago. The total amount of loan received from microfinance institutions was more than Birr 1.088 Billion under the review period, 9.5 percent higher than last fiscal year. This shows that the role of microfinance institutions is significant in many aspects. The loan given by MFIs for micro and small enterprises contributes to the acceleration of the development process of the country. Based on the proclamation on microfinance business, microfinance institutions can be engaged in accepting both voluntary and compulsory savings as well as demand and time deposits.

Ethiopia's development planning has always aimed at reducing poverty, and removing inequalities in the process of development recognizing that women lag due to several socio-economic, cultural, and political factors recognizing those and the like problems the current five-year Growth and Transformation Plan (GTP) gives due attention to women's welfare, female education and their access to resource and empowerment (MoFED, 2010).

In turn, poverty analysis through empowerment, which has remained a silent approach, flourishes attention. Neglecting the empowerment aspect of poverty analysis, non-monetary one face of the same coin, resulted from most of the rural development policies designed and implemented in many developing countries, handed down from one generation to the next, averse a concerted effort to engage individuals and communities towards eradicating poverty through active and prolific participation and the willingness to face up to the root causes of poverty.

This is often an outgrowth of historic and contemporary social divisions that cut the poor out of opportunities to share power, equal opportunities, and, in the end, hope. But, the empowerment approach requires changing beliefs and local institutions both formal and informal that retard development or restrict it from benefiting the poor.

Justification for the study

Microfinance institutions are important for poverty reduction and creating employment opportunities, especially in developing countries like Ethiopia. One of the key factors for the profitability and sustainability of MFIs is the presence of women to utilize microfinance institutions' services. Several socio-economic factors affect women's ability to utilize these services. Reviewing such factors and devising appropriate solutions are essential to sustainably expand the activities of MFIs.

This study tries to provide information for a better understanding of the constraints of women's to access microfinance institutions of Ethiopia and establishes a knowledge base that helps to make a sound decision by providing information for policymakers and identifies research gap, MFIs, other lending institutions, and stakeholders.

Objectives of the study

The general objective of this study is to review the role of microfinance and empowering women in Ethiopia and the Specific Objectives are:

1. To review and identify the microfinance institution and its needs in Ethiopia
2. To review Opportunities and challenges of poor women in Microfinance of Ethiopia
3. To review determinants of women participation in Microfinance in Ethiopia

The Theoretical Overview of Microfinance in Ethiopia

Microfinance is the supply of loans, savings, money transfers, insurance, and other financial services to low-income people. The concept of microfinance is not new in Ethiopia but, as an industry, it is a relatively new phenomenon.

Traditionally, people have saved with and taken small loans from informal channels for unexpected events from the so-called Iqub i.e. an association of people halving common objective mobilizing finance and distributing it to members through rotating and Idir i.e. funeral insurance established and operated by the volunteer community (Emana, 2019).

The GTP makes explicit reference to the role of MFIs. They are viewed as key to establishing an accessible, efficient and competitive financial system within the five-year GTP period, to increase Gross Domestic Saving from 6% of GDP % in 2010 to 15% by 2015 (MoFED 2010: 30). MFIs are also expected to play an important role in facilitating access to finance for Ethiopians, targeted to reach 67% by the end of the plan period from 20% in 2010 (MoFED 2010: 34). This is a significantly more ambitious target than the commitment by the National Bank of Ethiopia at the Maya Declaration, 2013.

The second core policy area is the support for MFIs in the Micro and Small Scale Enterprise Development Strategy (2010-2015) (GoFDRE 2011) which recognizes the importance of MFIs and their role in the development of SMEs. The strategy aims to address six major challenges that impede the growth of micro-enterprises, including skills development, technology transfer, market facilitation, access to finance, the reduction of entry barriers, and improving information (World Bank 2015a).To address these challenges the government has introduced one-stop-shop facilities at the woreda (district) level providing a broad range of support services to MSEs (WB 2015). As one EI explained, at these 'one-stop-shops' people can access an MSE (micro and small enterprise) officer and an MFI officer all in one place. The office also provides oversight of local enterprises.

In Ethiopia, through savings and credit programs were operated for some years by NGOs, microfinance operation in a regulated form is a relatively new phenomenon. The operation was for the first time undertaken by the market Town Program of the World Bank. This program was implemented jointly with the Development Bank of Ethiopia and the Bureaus of Trade and Industry in what was then called: Market Towns in phase one and then spread to all the major towns of the country. Most of the borrowers were women, (Tsehay and Mengistu 2012).

Microfinance services were introduced after the demise of the Derg regime following the policy of economic liberalization. Microfinance is taken as a shift from government and NGOs subsidized credit programs to financial services run by specialized financial institutions. With this shift, some NGOs and government microcredit programs were transformed into microfinance institutions (Degefe, 2019).

Saving and credit services through cooperatives in Ethiopia took in the 1950s (Welday, 2014). The first saving and credit cooperative (SACCO) in Ethiopia was established by the employees of Ethiopian Airlines in 1956 (Bezabih, 2012). The emergence and development of modern microfinance institutions in Ethiopia is a recent phenomenon that happens because a formal financial system like the commercial banking system was very limited and could not address the financial need of poor households for the fact that they are not their ultimate target client.

By the end of 2012/13, as per the annual report of the National Bank of Ethiopia (NBE), 31 MFIs have been registered with the national bank of Ethiopia and operate under the auspices of proclamation no. 40/1996 in the country (rural and urban areas) and accordingly their total capital and total asset reached Birr 4.5 billion and Birr 17.7 billion respectively. Deposit mobilization and credit offering activity also revealed a remarkable

The Ethiopian microfinance market is dominated by a few large players, all of which are closely linked to regional government ownership. The three largest institutions account for 65% of the market share in terms of borrowers, and 74% by gross loan portfolio. These are Amhara (ACSI), Dedebit (DECSI), and Oromia (OCSSCO) Credit and Savings Institutions. In contrast to many other African countries, MFIs in Ethiopia reach relatively large numbers of clients, with ACSI reaching over 650,000 borrowers. Most institutions have over 20,000 clients. The average loan per borrower for the 11 Ethiopian MFIs reporting to the Mix Market as of June 2010 stood at 140 USD, below half of the country's GDP per capital (MF transparency, 2011).

MF Transparency launched the Transparent Pricing Initiative in 2011, in partnership with the association of Ethiopian Microfinance Institutions (AEMFI). This provided standardized pricing data from 17 MFIs, representing an estimated 95% of micro-credit borrowers. As mentioned above, five MFIs dominate the market in Ethiopia:

Amhara Credit and Savings Institution (portfolio US$ 103.2 million, 694,993 active clients with loans), Oromia Credit and Savings S.C (portfolio US$ 69.6 million, 503,000 active clients with loans), Dedebit Credit and Savings Institution (portfolio US$ 96.3 million, 397,000 active clients with Loans), Omo Microfinance (portfolio US$ 31.4 million, 327,888 active clients with loans) and Addis Credit and Saving Institution (portfolio US$ 30.8 million, 165,464 active clients with loans.

Microfinance provides a small but significant and expanding role in Ethiopia's developing finance sector. According to the National Bank of Ethiopia (NBE 2015a), the number of banks operating in the country reached 19 in December 2014, of which 16 are privately owned. The banks operated 2,502 branches, equating to a branch/population ratio of 1:35,957. Some 35% of all bank branches are located in Addis Ababa. The total capital in the banking system increased by 21% between 2013 and 2014, reaching Birr 30.2 billion2. 17 insurance companies were operating in Ethiopia, of which 16 were privately owned. Of the 359 insurance company branches, 53% were located in Addis Ababa. The total capital of the insurance industry was Birr 30.2 billion.

There were 32 microfinance institutions (MFIs) operating in the country, all of which are deposit-taking. These MFIs mobilized a total saving deposit of around Birr 13.0 billion. The five largest MFIs are regional institutions supported by the government (Amhara, Dedebit, Oromia, Omo, and Addis Credit and Savings Institutes) which accounted for 93.6% of the savings and 90% of the credit of the MFI sector. A wide variety of organizations provide micro-savings and micro-credit services and these are categorized into three sub-sectors:

a. Informal providers (e.g: money lenders, friends/relatives, Iddir, Iqqub (Ekub), and Meskel Aksiyon);

b. Community savings groups (VESAs [previously VSLAs] and Savings Groups); Semi-formal Savings and Credit Cooperative Societies (SACCOs);

c. Formal Microfinance Institutions (MFIs) such as Formal banks

Problems MFI identified in the Ethiopian context

According to Robinson (2009), food-deficit borrowers without opportunities to use credit or to market their output may have no choice but to eat their loans. This can, in turn, lead to humiliation and the diminishing of an already low level of self-confidence. Lenders to the extremely poor also face difficulty because low repayment rates caused by borrowers who cannot repay prevent the development of sustainable financial institutions.

This problem is also cited as a critical problem in Ethiopia (Tesfaye, 2013; Asmelash, 2019; Bamlaku, 2014; Hailai, 2011 Kassa, 2018). For example, Tesfaye (2013) underlined that a significant number of clients consumed the loan they have taken or spent it in non-productive activities. 64.7% of the rural clients and 11.7% of the urban clients used the loan for non-productive purposes.

In Ethiopia, since the launching of the microfinance institutions, some studies were conducted on microfinance concerning the impact and effectiveness, success in expanding the opportunities of MFI, and role of MFI in empowering women. For instance, studies conducted by Getaneh Gobezie (2017) on Amhara Credit &Saving Institution (ACSI); Ebisa Deribie, Getachew Nigussie, and Fikadu Mitiku (2013), found that microfinance is a good strategy to mitigate poverty and it creates an opportunity for the marginalized segment of the population in accessing to finance. On the other hand, Meron Hailesellassie (2017) conducted research in Addis Ababa on the role of Microfinance in empowering women which show that, although women benefited in economic empowerment from MFI interventions, women`s workload increased as a result of MFI, spent income for family purpose and also it does not make a significant change for women in political empowerment.

Getneh Gobazie and Jemal Abafita (2020) also added that cultural and environmental barriers, lack of marketable skill, and workload are among the challenges of women in microfinance services.

Women Empowerment Opportunity of poor women in the Microfinance Institution

According to the UN (2011) women empowerment is a process by which women gain the ability to generate choices, exercise bargaining power, develop a sense of self-worth. It is also a belief in one‟s ability to secure preferred changes, enrichment of resources, and capabilities of women (Bennet,2012). Empowerment is also defined as a process through which women can transform their self-perception and gender roles (Levin, 2012). Generally, empowerment involves transformation at three broad levels: within the household, within the community, and at a broader institutional level (Cheston and Kuhn.2002).

Women Economic Empowerment by providing startup capital

Women's empowerment is an underlying goal of microfinance institutions, aiming to set the idle of human assets and potential of every poor person to undertake responsibility and to reclaim his/ her human dignity (ILO, 2017). And also microfinance attempt to modify the financial and social structure of society, whereby the poor, particularly women, can create job through self-employment (Begun, et al 2020). Access to financial services can add essential contributions to the economic productivity and social well-being of poor women and their households, but it does not routinely empower women, in education and politics.

In Ethiopia, research done by Getaneh Gobazie, 2017 in Amhara Region; Jemal Abafita, 2020 in Oromia; Meron Haileselassie, 2019& Abebe Tiruneh, 2016 in Addis Ababa found that microfinance empowered women in providing startup capital which intern helped them for self-employment.

Empowerment in Income and consumption

Research conducted by the Consultative Group to Assist the Poor (CGAP) (2013) in Indonesia, found that micro-credit borrowers increased their incomes by 12.9 percent compared to 3.0 percent by the incomes of non-clients. As per Mayoux, (2009) clients of microfinance were not only able to increase their earnings, but also to diversify their income. Kabeer(2015) in her contribution added that clients of MFI showed improvement in income and expenditure.

Moreover, as per Cornwall and Edward (2010), unless the social environment within which women's everyday lives are bounded is taken into consideration, intervention such as providing micro-credit loans to women may simply sustain women in their existing circumstances. Yogendrarajah and Semasinghe (2013 p.22) concluded that "microfinance raised household consumption, especially when lent to women".

Similarly, according to research by Asian Development Bank (ADB, 2017) microfinance has a positive impact on the living standard of poor people and their livelihood. It has not only helped the poor people to come over the poverty line but has also helped them to empower themselves.

Improvement in Skill of Saving

According to Collins, Morduch, Rutherford & Ruthven (2009) women clients in microfinance save more when it is compared with non-clients. When women participated in an income-generating activity like that of coffee production, their skill saving was enhanced (ILO, 2017). As per Basu, Blavy& Yulek (2014) In the process of mobilizing Savings either in group or individuals in MFIs, clients' skills of saving was enhanced for it helps poor women to have safety against loans taken, to access more to credit services, and also to generate income.

On the other hand, in Ethiopia, Esayas Bekela (2009) and WoldayAmha (2010) added that in microfinance women save not only money but also use all resources properly if they misuse loans, which will lead them further to debt. Getaneh Gobezie (2017), Mesfin Bekalu, and Eggermont (2012) also added that after participating in MFI women learn and began saving both in the MFI and other banks. Moreover, Meron Haileselassie (2017) found that the study indicated that the income and saving levels of the majority of the clients have increased after the delivery of microfinance.

Reduced Violence at household and community

As per Ghalib (2019) effects of microfinance go beyond influencing the lives of individuals alone, but also impact entire households, communities, and the society at large. Research by Cheston and Kuhn (2012 p.32) found that 40.9 percent of microfinance clients that had experienced domestic violence before joining microfinance ceased it because of their economic empowerment through microfinance. Supplementary to the above as per Zaman (2011) microfinance is also meant to escape from an abusive relationship and greater capacity to resist wife-beating and alcoholism. Kabeer (2015) also adds that improvement in wife and husband relation, reduced abuse within the household as a women opportunity in MFI.

Kabeer (2015) quoted the view of an one SEDP client who was valued by her husband as follows: He gives me more value since the loan. I know, because now he hands all his earnings to me. If I had not gone to the meeting, not taken a loan, not learned the work, I would not get the value I have, I would have to continue to ask my husband for every take I needed before, my husband used to beat me when I asked him for money, now, even if he does‟t earn enough every day, I can work, we don‟t have to suffer.

Poverty Eradication

According to Ghalib (2012) microfinance services targets raising an individual‟s income, creating employment opportunity, and enhancing family‟s expenditure to eradicate poverty. Ledgerwood (2009) added, MFIs increase the income of the clients and reduce the circle of poverty when it considers the availability of other non-financial services. either provided by the Government or NGOs. For example, the availability of education and health services greatly influences the capacity of micro-entrepreneurs to increase the client‟s enterprise activities. Likewise, Begum et al (2014) also conclude that microfinance provides money to a neglected sector of the population. Thus, increased income can leads to better health, especially if it is linked to other social programs. Pervin (2012) using repeated household surveys carried out in rural Bangladesh, finds out that, poverty reduction among the borrowers due to microfinance is 1.6 percentage points per year. Moreover, microfinance programs have overflow effects on the non-borrowers and their poverty level goes down by 0.3 percentage points a year.

In addition to this, in Ethiopia, some researchers argued that microfinance plays a great role in mitigating poverty; for instance, according to Lakew Behailu (2008) micro-financing programs contribute to poverty reduction. He found that after the credit program was employed in the Tigray region; opportunities for the beneficiaries have been created in which he identified positive effects on income and saving of the clients. In addition, he stated that the medical, education, and nutrition access of the clients had been improved. Daba Moti (2013) also found that the MFI intervention has enabled the clients to generate income which improves the living standard of clients. And he concluded that strengthening the MFIs operation is an appropriate socioeconomic policy in the country. Finally, as per Khandker and Zaman (2019), microfinance is no cure for all, does not provides all skills, and also does not eliminates all poverty in any country.

Opportunities women gain as a result of Microfinance Intervention

According to (Abdulahi, 2014) the social and economic opportunities they gain while they are participating in specialized Financial and Promotional Institutions at an individual level, family level, and community level. Thus, some of them argue that SFPI microfinance helped them in various ways. For instance, detaching them from local money lenders, enhancing their skill of saving, and improving in time usage. And also few of the interviewees proudly speak that, microfinance helped them in income increment, expanding enterprise, self-employment improvement in nutrition, educating children, etc.

Challenges of women in Microfinance intervention

This section deals with reviewing works of literature that related to challenges of people who are participated in microfinance service intervention.

Interest Rate

Microfinance Institutions charge high administrative costs and higher charges for risk coverage, which is in addition to the market interest rates, and taking advantage of the niche market for microloans (Morduch, 2010). However, According to Khan and Rahman's (2017) study although some individuals argue that, the interest rate of MFIs is high, in their analysis they found that most of the study participants did not have the same opinion on this issue and found it to be reasonable.

Diverting loan to urgent problems

According to Khandker and Zaman (2012) diverting loan money to urgent problems especially for basic needs and for unexpected crises is among the challenges individuals face in microfinance in repaying the credit. Thus, the potential of microfinance can be best exploited by recognizing the lessons from careful impact evaluation studies. Bamlaku Alamirew (2016) also added that clients were using the loan for unintended purposes. The poor divert loans to their urgent problems, because, it is clear that not all borrowers benefit equally as it depends on their local economic environment, their entrepreneurial ability, and the extent to which their income sources are diversified (Levin,2012).

Gender Difference

Studies show that microfinance does little to change gender inequities by limiting female control over loans (CGAP, 2013). Mayoux (2009) stated that women‟s choice of activity and the ability to increase their incomes are seriously challenged by gender inequalities Kabeer (2015) also found that, although microfinance institution is striving to increase income and asset in a poor household, women are likely to spend income on household consumption and security related assets‟ such as child clothing and feeding, whereas men borrowers are more likely to invest in further productive activities. Similarly, Pervin (2012) stated because of inheritance most women continue to register land and productive assets in their husband's name laws assets will be inherited by sons if registered in the husband's name, and by daughters if registered in the wife's name. Likewise, Rahaman's (2019) study conducted in Pakistan found that 40 to 70 percent of the loans disbursed to women were used by the husband and that tensions within the household increased and productive credit is of no use to such people without other inputs and women's empowerment in decision-making decreased (cited in Ledger wood, 2020).

Verbal Abuse

Microfinance practitioners often are blamed for lending to women because they are obedient, submissive, and easily bullied. Borrowers‟ husbands or brothers take the loan money and expect the wives or sisters to repay. When women do not have the money to repay the loans, they are subject to verbal and physical abuse from both their husbands and bank workers regarding the repayment of loans (Begun, et. al, 2000).

Absence of effective group collateral

Cheston and Kuhn (2012) stated that due to social and legal disadvantages, such as lower wage incomes or limitations in the ownership of property, women, in general, have less personal capital to start a business or to be used as collateral. In many countries, women cannot even hold land titles, thus they are effectively barred from formal sector credit. ILO (2009) added the requirement for the male spouse‟s co-signature and it is also often a requirement that women must obtain a guarantee declaration from their husband or father which is a challenge for women.

Moreover, since women‟s enterprises are usually in the service sector and do not have tangible assets for collateral, such firms rely mainly on intangibles assets which are difficult and costly to evaluate for MFI (Otoo, 2012).On the other hand, as per Meron(2017), although the advantage of group collateral is clear, it might also leave the clients in a disadvantageous manner when a group member fails to pay the debt making the rest of the group settle on her behalf.

Work burden

In Ethiopia, women are responsible for almost all the household chores, in addition to the support they provide in agriculture and caring for livestock production(Bezabih Tolosa,2017). Women entrepreneurs normally combine their business activities with their family obligations (Levin, 2012). According to IFAD (2018), about 40% of households in Ethiopia are headed by women, and credit was offered to women based on the assumption that rural women are familiar with non-farm income-generating activities, have sufficient time to start new income-generating activities. However as per Getaneh Gobazie (2017) practically most domestic tasks such as grinding grain and food processing, water and fuelwood collection are known to be highly difficult, labor-intensive, and time-consuming in Sub- Saharan Country. Furthermore, in addition to this accountability for household subsistence expenditure; lack of time due to unpaid domestic work and others are among cultural barriers that challenge women in microfinance.

Meron Hailesellassie (2017) also found out that, the participation of women in microfinance increased their work burden. Women may also struggle with the heavier workload created by the responsibility for loan repayment (ILO, 2017).

Microfinance and women's participation in Ethiopia

A majority of micro-finance programs target women with the explicit goal of empowering them. However, their underlying premises are different. Some argue that women are a mongst the poorest and the most vulnerable of the underprivileged. Others believe that investing in women's capabilities empowers them to make choices, which is valuable in it, and also contributes to greater economic growth and development. Empowerment as a strategic development approach for women involves two levels; intrinsic and extrinsic.

The extrinsic level refers to gaining greater access to and control over financial and physical resources. On the other hand, the intrinsic level involves changes within, such as the rise in self–reliance, confidence, motivation, and positive hope for the future. It recognizes women's multiple roles and seeks to meet strategic gender needs through bottom-up participation on resources and development issues that concern the life of women.

Economic exclusion reinforces and perpetuates social exclusion. In the context of women, particularly poor women, their conditions become even more vulnerable due to unequal distribution of resources within and outside the domain of the household. Any mismatch between the minimum basic requirements and the resources available results in unfulfilled practical gender needs. In other words, poverty is the end state implying a lack of entitlement emerging from insufficient assets and capabilities for the fulfillment of basic livelihood needs.

This results in the social and economic exclusion of a certain class and category of people and their consequent dis empowerment. Hence, the idea of ' empowerment has influenced development practitioners, development agencies (governmental and non-governmental), theoreticians, and donor agencies in the last decade (Padma and Getachew, 2014).

Another motivation is the evidence from the literature that shows that an increase in woman's resources results in higher well-being of the family, especially children. Finally, an increasing number of micro-finance institutions prefer women members as they believe that they are better and more reliable borrowers thereby contributing to their financial viability(Armendariz de Aghion and Morduch(2015) cited in Haimanot (2017), a more feminist point of view stress that access to financial resources presents an opportunity for greater empowerment of women. Though many agree that women empowerment is an important development objective for micro-finance programs, it is still unclear what women empowerment means(Bali Swain,2017 cited in Jaleta(2012)).

Women's economic empowerment is thus the process, and the outcome of the process, by which women gain greater control over material and intellectual resources, and becomes less dependent on external forces. Even so, great debate tends to persist as to whether the provision of micro-finance for poor women could change the social and economic equations in which this subset of the population lives in villages, and further tend to empowerment. According to Mayoux (2012), there are four basic views on the link between microfinance and women's empowerment.

According to Wolday, micro-finance benefits the poor by increasing disposable income, increasing assets ownership and cushioning consumption in the food-deficit period (Wolday, 2012). It is a way out to the poor who are normally excluded by conventional financial institutions (Ibid). Microfinance institutions function at the grassroots level. They reach micro-level development constraints of the poor. They are capable of involving a large segment of the population. They likely build both the human and productive capacity of the poor (Shannon etc. Al 2005:80). Microfinance strategy may deliver inclusive financial service to the poor if augmented by sound financial sector policy (Wolday, 2005). In the last two decades, governments, NGOs, donors, and other development actors have given due attention to establishing expand the provide microfinance services to the poor in rural and urban areas.

According to Aschalew's (2016) research findings he indicates as literate women have more willingness(demand) to participate in MF programs, to take the loan for better production technologies, engaged in off-farm activities, purchase agricultural inputs, purchase fixed household an asset, purchase houses, accept technical advice from extension workers, and have awareness regarding opportunities and expectation for decision making purpose and diversifying their source of income than the illiterate ones. In addition to this research conducted by Edith (2019), also shows the probability of taking a loan from formal as well as informal institutions becomes lower, as respondents have lower educational attainment. Thus, being a literate woman increases the probability of participating in the MFIs loan program.

Constraints to effective women's economic role

According to Belaynesh Kumsa, many constraints hinder the effective role of women in economic development. Among these obstacles, the most and often still unsolved problem is the traditional backward attitudes, beliefs, and customs of the society towards women which are continued as a historical legacy across the country. These traditional backward attitudes towards women (assuming women as a weaker sex, second citizens, dependent, passive, and ignorant) are not only hinder and make the effective role of women invisible and unrecognized but also make and force women to internalize and accept their weakness and for long period even remain un confidant. Even though, the government tries to change the attitudes of the society through different mechanisms it is not eradicated and remains difficult. In general, the following are considered as common barriers and often make the role of women unrecognized and insignificant.

Low-level educational background: According to the women's and child's affairs office, the majority of women are not educated. From this, we can conclude that women's non-educational status hinders their expected role.

Lack of initial capital to start their own business: Despite, the high interest and motivation of women to work, the lack of initial capital to start up and to run the business hinder their economic activity.

Lack of business know-how: Women involve in various economic activities, especially in the marketing process and trading activities, but they lack business know-how i.e. how to run business and cost-benefit analysis.

Lack of monitoring of women's cooperation activities: The government is trying to coordinate women in the group to work in cooperation and solve their economic problems. However, there is no supervision and follow-up about the day-to-day activities of these women's cooperation work. According to the respondents, women's organized activities are run in the town even without better problem identification, problem-solving and technical support rather various local government bodies and NGOs continue to assist women-only financially Wondimu Z (2013).

Dependency of the family on women: Culturally, in some families, some members are dependent on the earnings of women. In some cases, the husband remains dependent on their wife's income. Such dependency of family members on women makes their role invisible and unrecognized. However, women are continued to play their role in various economic activities.

Lack of interest to work in a group (cooperation): Women are fearful of cooperation and they are not well aware of the benefits of working together. Working in cooperation, especially for women can make their role visible and it also increases their confidence.

Women's dependency on men's income: Despite the existence of family dependency on women, in some cases, there is also women's dependency on men's income. This is due to the influence exerted by their husband. If this is developed, they did not give a decision on their own in their overall life. In this case, dependency on women can bring a lack of decision-making power and this makes the role of women unrecognized.

Lack of confidence and inferiority: In this case, the most and often difficult problem for the integration of women into the economic development and in other various political offices is lack of confidence. Women's lack of confidence is mainly due to the culture of the society and their inferiority assumptions. In addition, women are not highly committed and lack the interest to take full responsibilities and accountability and they are fear of challenges, especially in office positions. Despite, the existence of the above-mentioned barriers for women's effective role in economic development, they are continued to play their role in economic development. Even though different problems hinder the participation of women, their roles in various economic activities are very significant.

Microfinance institutions are concentrating more on the very poor, especially women. It is because poor people have no sufficient income to meet both ends. This enables the poor to start their own business or do something to improve their livelihood. In the study are the members of microfinance are changed for the better. It is due to some bottlenecks challenging them not to utilize the services effectively. Insufficient loan amount, lack of training for members, lack of follow-up, lack of proximity to the market, high cost of inputs, saving habit, saving purpose, experience, and perceptions of borrowers on repayment period are the major constraints of members. It is suggested that these institutions should focus on improving the size of the loan, training the members, following up, enhancing marketing facilities, time to repay the loans. Microfinance institutions mainly give services to rural and poor women so s to enhance their living standards. If these institutions can perform well, by giving the best services to the rural and poor women the purpose of starting microfinance institutions have fulfilled.

CONCLUSIONS

Based on the reviews and reflections made in the entire paper the following conclusions are made on the role of Microfinance in poverty reduction and women's empowerment in Ethiopia. The provisions of microfinance service to the poor women would have impacts on their livelihoods.

The study identified that they use this loan as working capital and /or purchase household needs and assets. From a public service point of view, microfinance institution is doing well in terms of providing loans to micro-entrepreneurs.

In this respect, Ethiopia's microfinance institution is successful and promising in helping poor people out of poverty in both rural and urban areas of the country by empowering women. It significantly increases its clients and it is possible to argue that it is reducing the migration of the people to overseas countries.

Accessing loans at reasonable interest rates provide poor people an opportunity to locate their own business. Poor households are using microfinance to move from hand-to-mouth survival to planning for the future in the sense that it invests in better nutrition, housing, health, and education. Microfinance helps to promote economic growth and development and plays a pivotal role in empowering women.

Recommendations

By this review or seminar paper by reviewing the entire research study I have seen different challenges of women empowerment through microfinance such as high-interest rate, lack of collateral, less access to microfinance institutions, lack of infrastructure, low level of training of women about significance of microfinance, work burden, etc. By taking the above challenges as an input for policy intervention the government or other concerned organization should work on:

As women's access is still insufficient, women's access to credit has to be supported.

The country's microfinance should further create job opportunities.

As the interest amount is an additional burden to the clients thereby microfinance would be sustainable when it would be decreased its interest rates more.

It is better when the country's microfinance would be more diversified its services to poor categories of women.

Infrastructural facilities must be fulfilled for a microfinance institution to empower women

Women must be trained about the importance of microfinance to be knowledgeable about its contributions to raising their incomes

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