The Impact of Microfinance on Poverty Reduction and Women Empowerment

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Abstract: This paper is to examine the impact of microfinance on poverty reduction and women empowerment as perceived by microfinance institutions and experienced by aspiring women credit participant in Ethiopia. The study reviewed different literatures and broadly focused on social activities and economic empowerment of women beside household poverty reduction and economic development and the effect of household income, the objective of this study is to show how microfinance works, by using women participants for reducing poverty and how it affects the living standard (income, saving etc.) of the household poor people in Ethiopia, The microfinance institutions (MFIs) provide the opportunity for the people who are living under the poverty lines, the institution particularly encourage poor women households and the result will show that how poverty reduced by encouraging and providing access to finance poor household. Microfinance institutions are claimed to directly affect household income by encouraging productivity, increasing diversity of production and productivity, and maximizing the utilization of the available resources (Binswanger, 2007; Dejene, 2007; Sudan, 2007; Akintoye, 2008; Belwal et al., 2012; Fletschner & Kenney, 2014)

Key words: microfinance institutions, poverty, women

1. Overview of Microfinance in Ethiopia

1.1. The outreach of Microfinance performance

Ethiopia is one of the second largest population in Africa with the population of 100 million next to Nigeria, it has a huge virgin resources that was not yet exploited but the population are suffering with hunger and lack of opportunities, and poverty became critical issues in most developing countries, due to this, NGO's and other international organizations provide funds a huge finance as a solution for poverty reduction strategy, and these were temporary solution in some countries, some nongovernmental organizations (NGOs) shifted their fund more on microfinance organizations, for instant USAID and SIDA supports targeting microfinance institution for poverty reduction in Ethiopia.

Ethiopian microfinance institution has played a prominent role among development initiatives and became a key solution for the alleviation of poverty and the Ethiopian microfinance institution focus on group based lending, according to Jennefer Sebstad (2003) they use joint liability, social pressure, and compulsory savings as alternatives to conventional forms of collateral. Currently, the Proclamation requires MFIs to provide credit through group based lending methodologies. It allows MFIs to mobilize savings but restricts the size of MFI loans to a maximum of Br. 5,000 and the repayment term to no more than one year. An earlier ceiling on the interest rate was lifted in 1998 so interest rates are no longer restricted under this law. Informal system (saving and credit) were the primary access of finance by the poor, including money lenders, edir, ekub, traders, relatives, friends, according to Jennefer Sebstad (2003). The approximately 700 savings and credit cooperative organizations (SACCOs) in Ethiopia are urban, employee-based cooperatives (for example, Ethiopian Airlines). While some service cooperatives provide credit and savings, very few rural savings and credit cooperatives exist.

Since the last two decades different microfinance institutions are filling the gap of poverty in Ethiopia, according to Lafourcade A, et al 2005 survey data, Ethiopian microfinance ranked largest MFI in Africa by number of borrowers, ACSI and DECSI microfinance institutions are the two largest MFIs (ACSI and DECSI) in Ethiopia and Africa, even though these institutions are only eight and seven years old respectively, these microfinance lends to a large number of borrowers as seen below.

Ten Largst African MFI's by number of borrowers (2005)

	Country	Number of borrowers
Amhara Credit and Saving Institution (ACSI)	Ethiopia	289,000
Dedebit Credit and Saving Institution (DECSI)	Ethiopia	226,000
Malawi Rural Finance Company (MRFC)	Malawi	180,000
TEBA South Africa (TEBA)	South Africa	158,000
Credit Rural de Guinea (CRG)	Guinea	110,000
Kafo Jiginew	Malawi	94,000
FECECAM (Faitier des Caisses D'epargne et de Credit Agricole Mutuel)	Benin	83,000
OMO Microfinance	Ethiopia	71,000
Equity Building Society (EBS)	Kenya	65,000
Oromiya Credit and Saving Share Company(OCSSCO)	Ethiopia	62,000

Source: Africa data study "MIX" 2005

According to Adongo and Stork (2005) the microfinance institutions participation in several developing economies is escalating from time to time. Various studies on different countries on the performance of the MFIs confirm this (Zeller and Meyer 2002, Meyer 2002, Robert cull et al. 2007). Accordingly, the delivery of microfinance in Ethiopia has increased in a brief period of time, as the country has experienced a rapid economic growth, microfinance institution plays a significant role for a better and sustainable economic development of poor household, and in addition provision of the service has been carried out mostly by donor funded programs through NGOs and government institutions (Yigerem 2010).

According to Jennefer Sebstad (2003), a key component of Ethiopia's development strategy is the establishment of sustainable microfinance institutions serving large numbers of poor people, while non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years, the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot Ageba, 2002).

Different microfinance institution are working on poverty reduction and vulnerability of poor households by increasing agricultural productivity and income by providing credit to poor household in different regions of Ethiopia, most of them are effective in the strategy targeting of the poor, especially women are focused in their service provision by providing micro-credit and promoting sustainable access including poor household. A key component of Ethiopia's development strategy is the establishment of sustainable microfinance institutions serving large numbers of poor people (Sida, 2003).

Ethiopian microfinance institutions mainly related to poor household populations and lend uncollateralized and tailored loan terms to the unbanked poor in low-income communities accordingly the main goal of many micro finance institutions is to provide sustainable micro finance facilities to the poor to facilitate income generation and reduce poverty (Baumann, 2001), therefore this shows that microfinance institutions mainly stands mainly for the low income households and this low income household can easily borrow from the MFI and make different small businesses that will generate more money, then the borrower can easily pays interest rate by saving continuously, which in turn results greater optimism for improving credit markets in developing economies. However, the efforts of microfinance institutions to expand and perpetuate financial services to the poor are often backed by a steady flow of subsides, recently the growing commercialization and competition in microfinance coupled with withdrawal of subsidies standout the need for financial sustainability and efficiency in the industry (Tadese 2014).

The logic model of microfinance investment chain

Double Bottom Line Framework

Inputs	***Entity***	***Output***	***Outcome***
Financial recourse	MFI	Loan	Financial performance/ Social Benefits

Source: Social enterprise associate

The input capital flows to the entity (an MFI), producing an output (a loan). The loan creates an outcome (financial performance and social benefits).

2.2. The structure of microfinance institutions

Ethiopian microfinance institutions are lenience under the national bank of Ethiopia, in line with the proclamation No. 626 /2009 lays down that every micro-financing institution shall maintain a register, in such form as the National Bank may approve which shows the list of shareholders with voting rights, accordingly 31 microfinance institutions were listed under the proclamation of national bank of Ethiopia served thousands of clients, Amhara (ACSI), Dedebit (DECSI) and Oromia (OCSSCO) Credit and Savings Institutions are the largest dominant institutions with huge number of clients and amount of loan granted by the microfinance institutions in the country (Ebsa, et al. 2013).

Most donor organizations in Ethiopia prefer to support capacity building particularly these donors plays a big role on microfinance funds, According to Wolday, the support of donors to MFIs in Ethiopia takes mainly four dimensions: provision of loanable capital as grant, building the capacity of MFIs, providing advisory services, and developing innovative products that meet the needs of poor clients (Amha 2007:34-5). Most donors are supporting ACSI and Wisdom mainly in building their capacity due to the majority of the population in the region are living under poverty and ACSI microfinance needs to play the poverty reduction strategy by providing loan to poor in collaboration with NGOs.

Accordingly microfinance institutions were institutionalized by some NGO's, according to Duressa, some NGO and government microcredit programs were transformed to microfinance institutions. A regulatory framework was put in place to license and supervise institutions (proclamation no. 40/1996) under the country's central bank.(Duressa, 2009)

Amhara Credit & Savings Institution S.C, Dedebit Credit & Savings Institution S.C and Oromia Credit & Savings Institution S.C though their major share goes to the Associations and NGOs, the regional Governments control quarter of the total ownership. 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 (Ebisa, Getachew and Fikadu, 2013).

Basic characteristics of Association of Ethiopian Microfinance Institutions (AEMFI) regular member MFI, as of January 2001

No.	Name of Institutions	Operational region	Year of Established	Regional Government share	% of Female clients	% of rural Clients
1	Amhara Credit and Saving Institution S.Co (ACSI)	Amhara	1997	25	47	75
2	Dedebit Credit and Saving Institution S.Co (DECSI)	Tigray	1997	25	41	80
3	Oromia Credit and Saving Institution S.Co (OCSCCO)	Oromia	1997	25	12	99

4	OMO Microfinance Institutions S.Co. (OMFI)	Oromia	1997	80	35	95
5	Specialized Financial and Promotional Institution S.Co (SEPI)	SNNPRs	1997	-	80	1
6	Gasha Microfinance S.Co	Addis	1997	-	85	0
7	Wisdom Microfinance S.Co	Amhara, SNNPRs	1998	-	30	85
8	Sidama Microfinance S.co	SNNPRs	1998	-	60	90
9	Asser Microfinance S.Co	Addis, SNNPRs	1998	-	n.a	73
10	Africa village Microfinance S.Co	Addis	1998	-	60	n.a
11	Buusaa Gonofa Microfinance S.Co	Oromia	1999	-	85	87
12	Mekket Microfinance institution S.Co	Amhara	1999	-	85	100
13	PEACE Microfinance Institution S.Co	Oromia,Amhara,SNNPRs	1999	-	62	100
14	Addis Credit and Savings Institution S.Co	Addis	2000	98.7	70	n.a
15	Eshet Microfinance Institution S.Co	Oromia	2000		54	70
16	Wasasa Microfinance Institution S.Co	Oromia	2000	n.a	31	69
17	Meklit Microfinance Institution S.Co	Addis,Oromia	2000	-	73	n.a
18	Benishangul Microfinance Institution S.Co	Benishangul	2001	-	60	100
19	Shashemane Eddir Yelimat Agar MFI S.Co	Oromia	2001	n.a	58	n.a
20	Metemamen Microfinance Institution	Addis	2002	n.a	n.a	n.a

Source: Adapted from Amha and Shiferaw (2001) except Government shares: Shiferaw and Amha (2001). It must be reiterated that the shares of regional governments does not correctly depict the true influence of the Government, since several other shareholders are government-near associations such as regional farmers, women and youth associations

2.2.1. Amhara Credit and Saving Institution (ACSI)

As part of the developing countries, Ethiopia has adopted microfinance programs where many MFIs are delivering the credit services to the poor in order to mitigate the effects of poverty among the poor sections of the society, ACSI is one of such MFI. Amhara credit and saving is the largest microfinance institutions in sub Saharan Africa, ACSI was established in 1995 as a replica of the Grameen Bank of Bangladesh'7. According to Gobezei, the planning and monitoring department head asserts, the fundamental principles of group lending system such as using group collateral to provide loans, peer pressure to ascertain repayment and center meetings to disseminate information are adopted from the Grameen bank (Interviewed on 4 July 2007). The primary mission of ACSI is to improve the poor economic status of the low income households, and enhance productivity in the region primarily through increased access to lending and savings services.

ACSI's target is the low income households, rural based, productive poor, with a particular emphasis on women, and the institution basically provides loans to men and women using group lending methodology, In addition the organization is committed to providing innovative and diversified products to its clients, including a variety of savings and credit products. ACSI disburses pension funds for the government in Amhara State, and currently provides money transfer facilities for businesses. (Neil 2006 p.15), in addition the Amhara microfinance is mainly donated by Swedish International development Coorperation (Sida), Sida is one of the few bilateral (or multilateral) donors to provide large amounts of capital funding through its support for the Amhara Credit and Savings Institutions (ACSI) (Jennefer 2003).

According to the USAID in Amhara, poverty levels within the Amhara State are the highest in the country as reported in 1999/2000. The proportion of people in Amhara who is absolutely poor was one third of the overall population of the region and the region are categorized as chronically food insecure with variations between the urban and rural areas. despite the fact that ACSI has adopted the traditional microfinance practice including group collateral, peer enforcement and continuous follow up, it has a number of a distinct qualities that helped it emerge as one of the most successful and sustainable MFI in Africa (Esayas 2009).

2.2.2. Dedebit Credit & Savings Institution (DECSI)

DECSI is the second largest microfinance institution in sub Saharan Africa by number of borrowers, DECSI was reregistered in the form of a Share holding Company as a legal entity in 1997, according to the researcher The vision of DECSI is to see poverty eradicated in Tigray Regional State and the country as well through the provision of quality of financial services by establishing a competent, strong, efficient, stable and sustainable financial institution in our continent.

According to the researcher of Dedebit microfinance, the target group varies though clients according to the type of product services, the target groups are identified as,

- Community members working to come out of poverty
- The poorest of the poor capable of generating income /productive poor/
- Owners of micro, small and medium enterprises

The major objectives that were drawn from the socio-economic study undertaken in 1993 include financing the working capital requirements of small-scale undertakings of the rural poor, in order to make them economically sustainable and create conditions for self-sufficiency and self-reliance that would be the means to alleviate poverty (Assefa 2006), in addition the institution address gender sensitivity, by and large, building of social capital: to shore up self-help efforts at the family and community levels and to build up the voice of women and other marginalized groups as right holders and agents of local development (Hailu 2010).

2.2.3. Oromia Credit & Savings Institution

Oromiya is the largest region and nation in Ethiopia, the population of Oromo is more than 25 percent of the total population of the country, but as the largest nation oromia microfinance could not reach all the areas. Oromia credit and saving share company

(OCSSCO) was established in August 1997 to achieve the poverty reduction strategy in the region. Oromia Credit and Saving Share Company (OCSSCO) is currently operating largely in rural areas to complement the agriculture lead and rural centered development effect of the Federal Government of Ethiopia in general and Oromia Regional National State (ORNS) in Particular. (Ayalew 2013).

As poverty is a multidimensional problem, its solutions are multifaceted. In the Agricultural Development Led Industrialization (ADLI) strategy of Ethiopia, rural finance has been considered as an important tool for agricultural development and food security. Moreover, the Ethiopian Sustainable Poverty Reduction Strategy (SPRSP, 2002) underlines the importance of micro-finance institutions in poverty reduction and sustainable development, (Daga et al. 2002), and Oromia microfinance institution similarly focuses on poverty reduction and sustainable development, the institution services conducted for both credit and savings. Where available, these and other financial services help low income people improve household and enterprise management, increase productivity, smooth income flows and consumption costs, enlarge and diversify their micro business, and increase their incomes (Asfaw 2014).

2.2.4. OMO Microfinance institution (OMFI)

OMO microfinance Institution was established in 1997 to promote access to finance in the region particularly rural areas of SNNP region (southern nation and national people), as part of the national food security program by the regional government, and in accordance with the licensing and supervision of microfinance institution proclamation 40/1996. The scheme was launched as pilot in four district of the regional state. Today it operates in all zones in the region with a mission to contribute its part in the effort to bring about accelerated and sustainable economic development in the region by the provision of efficient, effective and sustainable financial services to economically active poor people through effective collaboration with government and non government organizations. OMO microfinance works for the success of government policies and strategy (Daniel, 2014).

The outcome measurement of microfinance

Mission	Activity	Outputs	Outcomes	Community goal

Source: Social enterprise associate

The mission of all microfinance activities are similar on poverty reduction, according to Tulchin (2003) Mission drives all program activities, producing outputs and their corresponding outcomes, which are related to community goals. These goals are set in advance, given an organization's mission. In this framework, an MFI is measured based on how its outcomes relate to intended community goals, creating a mission-driven performance indicator that can guide MFI management and establish a track record.

3. Does microfinance really effective on the eradication of poverty?

There are different types of poverty and poverty eradication strategy in developing countries, the international donors support the development effort in developing countries to come out of poverty, Ethiopia is one of the countries supported by donors for the eradication of poverty in various activities, then microcredit plays an important role on sustainable development by increasing the living standard of the poor community.

In fact, most microfinance institution involves different financial facilities beyond saving and credit facilities on the bases of poverty reduction, of course, poor may not have saving account in the institution but after the service offered to the poor household, they start surviving and increase their income through productive income generate activities and these poor households would start saving their money. Most of microfinance institutions usually stands for poor households and communities providing small loans and savings Among other microfinance institution, ACSI plays significant role on sustainability development to achieve millennium goal, and the institution supporting development program on poverty eradication campaign, according to the USAID “ACSI is amongst the many vehicles that government supports and endorses as part of its sustainable development and poverty reduction efforts” Alternatives (2006, p.6).

The services of microfinance in poor rural household community have a direct impact on poverty reduction program, “The idea of poverty reduction through MF has generated enormous enthusiasms among donors and NGOs as an instrument for reducing poverty in a sustainable manner. The results of a few case studies have indicated that access to finance can reduce poverty” Chirkos (2014: p.48).

Moreover, the recent microfinance institution has enormous effects in rural poor community including rural factors of social, economic, cultural and political on the bases of poverty eradications, and the institution has an immediate impact on income, education, health, nutrition and fertility, Morduch, (2002), hence microfinance institution improves socio and economic welfare of the poor household particularly in local areas.

Most development experts and authors address the positive impact of microfinance on poverty reduction, according to United Nations Office of Special Adviser on Africa. (2013) “when properly harnessed and supported, can economically empower individuals and small enterprises and enable them to contribute to and benefit from economic development”, currently most developing countries target is enabling poor to economically empower through microfinance institutions, “Poverty reduction has been a concern of developing countries through emerging microfinance industry” Chirkos, A. Y. (2014, p 49).

Many authors emphasis the positive impact of microfinance for low income households, but as per some literatures, there are debates of microfinance whether the microfinance institution exactly targeting the poor society and poverty alleviation, and these authors questioned whether women are targeted and empowered through microfinance, as a matter of fact many developing countries of their inequality gap between rich and poor is increasing every time, according to global development (2015), this shows that the effectiveness of poverty reduction strategy in some developing countries is under question mark, of course microfinance provide credit to low income households unless mismanaged behavior of credit, borrowers results benefit the would show a positive impact of the service on the household borrowers, but some do not fully agree, from the point of view of Dr. Martina Mutheu in Rosenberg (2009), “Most of the credit given to the target segment is used to finance saturated business activities whose margin of return is far less than what is charged on the borrowed funds, the outcome is a deficit, pushing the borrower further into debt and in effect making him poorer”, in addition to this argument “micro-credit increases poverty by increasing debt and that husbands use their wives as conduits to secure loans” Burra, as cited by Adeyemi (2010), but this argument was reacted and tackled by Richard Rosenberg as “repeated use does not by itself prove that a service is benefitting users. No one would make this argument about repeated use of heroin, for instance. People do not always borrow wisely. With microloans or any other loans, some borrowers will inevitably over-indebt themselves and be worse off as a result” Rosenberg (2010).

In fact, microcredit is a tool for poverty eradication and a core for sustainability development as studied by different researchers, but microfinance alone cannot eradicate poverty according to Yunus “Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people’s potential, micro-credit is an essential tool” Yunus M. (2003: 171).

4. Microfinance and women empowerment

Ethiopia is one of the least developing countries in the world with high level of unemployment, and more than half percents of unemployed population are women. According to the data, over 85 percent of these women reside in rural areas, most of these women integrated into physical work in the rural economy, which is mainly in agricultural and labor intensive work.

An improvement in economic conditions would improve the standard of living of women, according to the ministry of women affairs, the ministry monitors the Ethiopian Women’s Development Fund, which was established in 2001 to provide financial, material and technical support to women’s organization that undertake women’s capacity building activities (OCDE, 2001).

Women in Ethiopia, especially in rural area, have no exposure to economic opportunities that would support them to practice alternative income-generating activities to change standard of their own life as well as family. Lack of alternative income sources is a major challenge which makes women’s to be extremely dependent on their husbands as well as on their relatives and leads to low participation in household decision-making. Gutu F. and Mulugeta W. (2016), in such reasons most microfinance institutions in Ethiopia give more emphasis on poor women accessing the credit services and empower women on resources, the provision of microfinance can assist the women to participate on decision making process at household level and community (Dessalegne, 2009), the program was effective on targeting women as a client of micro-credit programs, women income benefits from the credit service has contributed for the general welfare of household life. According to Ledgerwood, MFIs target women more than men clients because women almost always make up the poorest segments of society and are responsible for child rearing, and they often have fewer economic opportunities than men (Ledgerwood 1999, 37).

Mayoux categorizes different policy prescriptions and priorities in relation to both micro-finance itself and to gender policy, these are Feminist Empowerment Paradigm, Poverty Reduction Paradigm, financial Sustainability Paradigm.

4.1. Feminist Empowerment Paradigm

Empowering women through microfinance is one of the key elements for promoting the International Labour Organization's (ILOs). Women's empowerment is seen as an integral and inseparable part of a wider process of social transformation. The main target group is poor women and women capable of providing alternative female role models for change, Mayoux (2005).

The strategy is more focus on gender equality and women's economic and socio-political empowerment. According to Chen MIF should be based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change (Chen, 1996).

4.2. Poverty Reduction Paradigm

These paradigms mainly focus on community development, developing sustainable livelihood and social service provision integrating NGO's, this paradigm defines the term poverty reduction in a broader scheme than market incomes and decreasing the vulnerability of poor people. Policy debates have focused particularly on the importance of small savings and loan provision for consumption as well as production, group formation and the possible justification for some level of subsidy for programmers working with particular client groups or in particular contexts (Mayoux 2005).

4.3. Financial Sustainability Paradigm

Microfinance refers to small-scale financial services primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban. Robinson (2001 p. 9) the ultimate aim of financial sustainable paradigm is to set a large program being profit and fully supportive for development strategies by competing against private financial organization such as banks.

Increasing the role of women in the economy is part of the solution to the financial and economic crises and critical for economic pliability and growth. However, at the same time, we need to be mindful that women are in some contexts bearing the costs of recovering from the crisis, with the loss of their jobs, un attractive working atmosphere and increasing instability on them (Ibid, 2011).

5. Gender and culture challenge

Poverty is "not having enough for subsistence", and is subsequent to social injustice, manifested by unequal power relations among citizens, as well as gender inequality, as a result of which women suffer the most. It is a depravation of bare necessities of life, including food, clothing, and shelter. (Haregewein, 2003), in many cases gender is a major determinant of one's additional household obligations, Ethiopian women carry unlimited and unequal burden of household obligations in comparison to men, in rural society of the country, the tradition and culture does not accept women as powerful and influential business leaders and limits women access to control over resources nor the right to access financial services. According to CGAP Annual Report (2011), a growing body of empirical evidence shows that access to the right financial service at the right time helps households build assets, generate income, smooth consumption, and protect themselves from risks. At the policy level, decision-makers have recognized that an inclusive financial system that reaches all citizens also allows for more effective and efficient execution of other social policies, for example through conditional payment transfers in health and education. And at the macro level, we know that deeper financial intermediation in an economy leads to more growth, and less inequality.

Traditionally women were historically disadvantaged in accessing material resources like credit and other property, the culture of Ethiopia had negative impact on women's activity on resource management, the culture doesn't give more emphasis on women empowerment and nor give them confidence in themselves, particularly women reside in rural area but microfinance has played a big role for women participant in different social activities and economic empowerment beside household poverty reduction and economic development.

Ethiopian microfinance institutions broke the challenges of gender in the society and enhance women to access finance. "Firstly, microfinance practices do not always produce automatic empowerment benefits for women; therefore, empowerment must be strategically planned for in MFIs. Secondly, empowerment approaches allow microfinance institutions to realize their full potential in contributing to a number of critical dimensions of women's empowerment. Finally, empowerment approaches are often compatible with other approaches to microfinance (e.g. financial sustainability), and can actually enhance the aims of these other approaches in many cases" (Mayoux 2006), this implies that improving women empowerment through microfinance results sustainable economic development in all the cases, and targeting women has a positive impact in the development arena and poverty reduction strategy, therefore, Gender discrimination is one of the major causes of poverty, slower economic growth, weaker governance and lower standards of living and women are poorer and more disadvantaged than men. However, women contribute decisively to the well being of their family comparatively more than men (Bamlaku Alamirew, 2006).

Framework of women empowerment through microfinance

Outcome and Indicators of women Empowerment

Control over Savings and Income

Participation in decision making

Increased in ownership of assets

Increased in mobility and activities outside home

Increased Self-efficacy

Microfinance institution Woman participation in Micro-credit services

Resources (condition) Provision of micro-credit services

Unequal gender treatment due to social and cultural, legal, economic and political structure

6. The Contribution of Microfinance for Poverty Reduction and Women Empowerment

Low income leads to low investment and which in turn leads to low productivity, the microfinance role is increasing productivity by increasing income of the poor household through microfinance, the impact of microfinance program on the household welfare has an effect, according to Yigzaw (2014) the majority of the clients that had registered in microfinance credit and saving services, the outcome enables clients increased incomes. It is these incomes that can help them to solve some problems of poverty like isolation, physical weaknesses and they can afford a good diet, can deal with vulnerability as they can save and now able to deal with crises, has the capacity to send their children to school and to pay for their health which is critical for their continued well-being and as a consequence break the poverty trap.

Poor women are not able to meet the commercial banks requirement, microfinance fill the gap of women's problem access to credit. The microfinance institutions, saving and credit cooperatives designed to responds to the failure of the commercial and development banks to meet the financial needs of poor and small producers (Adebayo, 2009, Fiona, 1999). MFI encourage the socio economic development by encouraging low income household in productivity.

Most Ethiopian microfinance programs focus on women particularly women living under poverty line. Beside empowerment of women through micro-credit, microfinance relay on women's repayment of their loans more often and to direct a higher share of enterprise proceeds to their families, a major obstacle for women is the presence of constraints imposed upon them by society, the family, and women themselves. Crampton and Mishra (1999). Some writers wrote that women's empowerment contributes to financial sustainability and poverty alleviation. According to Wolday (2002), Micro-finance benefits the poor by increasing disposable income, increase assets ownership and cushion consumption in food-deficit period.

Women access to saving and credit will optimize their own and the household's welfare and this plays a big role in poverty reduction and sustain economic development beside empowerment; the rationale for providing women access to microfinance services is that gender inequalities inhibit economic growth and development (World Bank, CIDA, UNDP, and UNIFEM).

MFIs are claimed to directly affect household income by encouraging productivity, increasing diversity of production and productivity, and maximizing the utilization of the available resources (Binswanger, 2007; Dejene, 2007; Sudan, 2007; Akintoye, 2008; Belwal et al., 2012; Fletschner & Kenney, 2014), and the institution contributes supporting low income families to generate income of the poor, In addition to financial support, microfinance spreads the idea of democracy and human rights, and aims to improve women's social status (Chaudhry, Nosheen, 2009; Da Silva, 2007; Montgomery, Weiss, 2011).

7. Conclusion

Poverty has became a major challenge for developing countries, government budget, donor funds and other concerned bodies were financing for poverty reduction to sustain the household economy, many developing countries problem were lack of finance to the poor. Formal commercial banking are unable to provide access to poor rural and urban society, and then microfinance has become a key source of financial services to the poor and poverty reduction by enhancing self employment projects that generate income to improve the living conditions of the poor and saving mobilization for investment and growth more focusing poor women.

Ethiopia has recognized and licensed thirty one microfinance institution as poverty reduction strategy, and among these Amhara Credit & Savings Institution S.C, Dedebit Credit & Savings Institution S.C and Oromia Credit & Savings Institution S.C have become the dominant institutions in service delivery and different poverty reduction strategy, accordingly all financial institutions in Ethiopia contributes financial services to poor and fight against poverty giving more emphasize on women living under poverty line.

Targeting women has a positive impact in the development arena and poverty reduction strategy, therefore, Gender discrimination is one of the major causes of poverty, slower economic growth, weaker governance and lower standards of living.

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