

**IMPACT OF MICRO FINANCE ON WOMEN  
ECONOMIC EMPOWERMENT: A CASE STUDY  
ON AMHARA CREDIT AND SAVING  
INSTITUTION OF ETHIOPIA**

**A**

**THESIS**

**Presented To Faculty of Business, Patiala**

**In Fulfillment for the Requirements**

**For The Degree Of**

**DOCTOR OF PHILOSOPHY**

**IN**

**MANAGEMENT**

**by**

**BELAY MENGSTIE**



(Established under Punjab Act No.35 of 1961)

**SCHOOL OF MANAGEMENT STUDIES**

**PUNJABI UNIVERSITY, PATIALA**

**DECEMBER, 2020**

# **CHAPTER SEVEN**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **Introduction**

This research was conducted to examine the impact of microfinance institutions on women's economic empowerment, a case study on Amhara credit and saving institution. The study focused on microfinance impact, the extent of women's economic empowerment, supports made by microfinance, and constraints limiting women's economic empowerment. The main purpose of this last chapter is to summarize the major findings and giving recommendations based on the result of the study.

#### **7.1. Summary**

- The result of the study shows that most microfinance women clients are in their young and adult age. This is an indication of the young women's interest in engaging in income-generating activities to earn their livelihood and their preparedness to access microfinance service. The lower age microfinance clients have low economic empowerment level. On the other hand, young and adult women have higher economic empowerment level. Maturity influences the relationship between microfinance service and women's economic empowerment.
- 48 % of the respondents are married, 35 % are not married, and 12 % are divorced. This shows that the great majority of the respondents are married. 47 percent of women clients are single and divorced who independently decide the use of money, leading micro and small enterprise, and other household resources. Women are more effective in saving and the loan repayment and lead to women's economic empowerment. Married women are more economically empowered than single and divorced once. Different studies show microfinance and women economic empowerment has a statistically significant positive relationship but is dependent on the marital status of the women.

- The majority of the respondents (43 %) were those who have graduated diplomas or degrees. This shows that the overall educational level of women in the selected study area was found to be high. This is probably due to the fact that more women professional graduates embraced the micro and small enterprise development programs as means of reducing unemployment in major towns of Amhara regional state. The level of education has a role on the effective utilization of credit and active participation in community leadership and economic empowerment.
- The regression result revealed that age, marital status, education level, number of training, credit amount have a significant positive effect on the economic empowerment of women in the study area. Previous business experience, number of household variables were found to be an insignificant impact on women's economic empowerment in the study area.
- The demographic variable in different studies has a moderation effect on the relationship between microfinance and women's economic empowerment. However, age, education, numbers of children have no role in moderating the relationship between microfinance and women's economic empowerment in this study.
- The average amount of assets for women microfinance clients is greater than non-clients, this confirms the significant differences between microfinance clients and non-clients. An independent sample t-test was conducted to determine the effect of microfinance on women assets, there was a significant effect on asset between women microfinance clients and non-clients. Therefore, microfinance institution service has a significant positive impact on the asset position of women.
- An independent sample t-test was conducted to determine the effect of microfinance on women's income, there was a significant effect on income between women microfinance clients and non-clients. There is a statistically significant difference in income between microfinance clients and non-clients

women. Income has a significant impact on the consumption of household besides to capital formation.

- There was a significant mean difference in saving the amount of women clients and non-clients. This finding provides evidence that a high saving amount is recorded due to the microfinance institution service. One important area in women's economic empowerment is saving habits and the amount of saving made by women. The result of the current study shows that majority of women clients have the saving habit and they able to save a large amount of money after they become a member of a microfinance institution.
- The Independent t-test result shows that there is a significant mean difference between women microfinance clients and non-clients. When women control resources and have a decision regarding credit usage, they will efficiently use their own welfare and household economy. Therefore, the provision of microfinance service to women enterprise owners enhances their decision-making ability in their business and they are controlling in resource roles will be improved.
- One way ANOVA was conducted to compare the effect of microfinance on asset among the three towns. There was no significant mean difference in asset positions, income, and control over the resource of women in the three town's administrations. However, there is a significant difference in saving the number of women in the three town administrations. The mean saving amount of women in Woldia is greater than Dessie and the mean amount of saving in Dessie is greater than Debrebirhan. Microfinance service in Woldia is more effective on women saving habit development than Dessie and Debrebirhan town administration.
- The paired sample t-test was conducted to determine the effect of microfinance on women's assets after credit and before the credit program, there was a significant effect on asset, income, saving amount of women. It can be observed from the study result that the mean asset, income, saving difference after credit, and before credit program is significant and microfinance program has a positive impact on

women's asset creation, income level improvement, and improving saving amount in the household.

- The economic empowerment of the majority of non-client respondents (58%) was limited to the low levels while the majority of women clients (59%) fell under medium economic empowerment level. Only 5 percent of non-clients belonged in high economic empowerment level while 17 percent of clients belonged to the high economic empowerment category. Comparisons of economic empowerment index scores across the membership of microfinance show that the mean values of members are higher than non-members. This difference is due to the high contribution of microfinance to women clients against new members. It confirmed that women members are enjoying high economic status than non-members due to the availability of credit with training service.
- Amhara credit and saving institution through its various bodies and in cooperation with the regional government has been encouraging women's economic role by the provision of revolving funds, by organizing micro and small-scale enterprises thereby transferring government capital in the accounts to Amhara credit and saving institution. In town administrations, the women's and child's affairs office encourages women's economic activities and credit need by signing collateral agreements with Amhara credit and saving institutions to participate in micro and small enterprises. Amhara credit and saving institution microfinance give priority to women.
- Insufficient credit; Lack of proper training; Lack of education; Lack of proper supervision and advice; Overburdened with family responsibility; Credit policy problem are identified by respondents that limit women's economic empowerment. The three main constraints identified in the study are insufficient credit (57.8%), credit policy problems (15.3%), and lack of proper supervision and advice (10.1%). There are only 0.6 % of respondents that do not believe that the aforementioned constraints were not affecting women's economic empowerment.

## **7.2. Conclusion**

Microfinance service accesses improve the livelihood and economic empowerment of women. The impact of Amhara credit and saving institution as microfinance played a vital significant impact in empowering women economically. The study has focused on the impact of microfinance on women's economic empowerment and highlighted four key areas of economic empowerment of women made by Amhara credit and saving institutions due to its provision of credit and training service.

Multiple regression analysis was conducted to investigate the impact of microfinance on women's economic empowerment. Different demographic and financial service variables are included in the model, which in turn presents the estimated results of the regression model's direct bearing on women's economic empowerment. The study established that age, marital status, education level, credit amount, number of training have a significant impact on the economic empowerment of women while the number of households and previous business experience has no impact on the economic empowerment of women resulting from microfinance. This means that among demographic variables, age, marital status, and education level of the respondents are the three women demographic variables that affect women's economic empowerment apart from microfinance services. The result of this study provides adequate evidence that demographic variables like age, education level have the potential to increase the impact of microfinance service on women's economic empowerment.

Microfinance has a significant impact on women's assets, income, saving, and control over the resource. Women microfinance clients have higher levels of income, better asset position, high saving amount, and better control over the resource in households and the surrounding community as compared to non-clients. Whatever is done to improve the microfinance service of credit provision and training will improve women's economic empowerment. Creating a conducive environment for clients for income generation is one of the different microfinance activities. Through advice, the organization enables clients to spend the money on profitable business activities. Amhara credit and saving institution developed two saving methods: compulsory and volunteer. From the study, it becomes clear that clients are saving money under compulsory and voluntary saving methods and they have understood the

benefits of saving in case of emergencies, expanding business and investment besides their household consumption.

The level of women's economic empowerment was assessed by dividing it into three equal parts. The distribution of the economic empowerment index shows that Amhara credit and saving institution clients are economically empowered than non-clients and most women fall under medium and high economic empowerment levels. Women credit users were more empowered economically due to their participation in various incomes generating activities and saving and decision making improvement as a result of training provided by microfinance.

### **7.3. Recommendation**

- The amount of credit provided by Amhara credit and saving institution very small. It is therefore recommended that the amount of credit provided to women clients should be adequate to start a new business or expand the existing business. This will encourage women and even attract new customers since the ultimate goal of most women clienteles of microfinance is to have access to loans and start their income-generating business. The federal and regional governments could enforce a minimum lending amount on loans in which microfinance cannot lend loans to their clients.
- The interest rate on loans is very high. The majority of microfinance client's dissatisfied with a high-interest rate. Therefore, the institution needs to revise its interest policy to attract more women clients and help them in the process of women's economic participation and empowerment.
- Enhancing microfinance service improves the economic empowerment of women. Hence, it is recommended that Amhara credit and saving institutions and policymakers increase microfinance service programs, particularly the poor and disadvantaged women. Moreover, paying much attention to women operating business or plan to start new business enterprises.
- Access to training, the level of training in the region needs to be raised, and more people need access to training. Women need to be provided with training

opportunities so that they can develop various skills. Microfinance should offer training programs for women at a different level of the town so that the women become equipped with skills and can run their business more professionally. Skill development for microfinance staff is very important for the success of the microfinance institution unless it is difficult to achieve its objective. Amhara credit and saving institution should fix training programs on different issues like developing competency on marketing, accounting and finance, business plan, time management, and other skills training. These sorts of training could help women clients to prepare themselves to tackle challenges in the business environment.

- As the findings of the study indicated that Credit policy and lack of proper supervision and advice are the two important limiting factors for women's economic empowerment. The absence of collateral is the predominant factor compelling the women to borrow credit from microfinance and fulfill the economic requirements of the households. However, microfinance needs to guarantee in case of default. It is highly recommended that Amhara credit and saving institution should revise its credit policy and supervision and advice strategy by transforming the practices of customer-oriented service in an integrated manner. The transformation could take place in such a way that Amhara credit and the saving institution must play a strategic role and hence the appropriate mechanism such as providing credit without collateral and application of demand-based business advisory service.
- The result of the study shows that a lot of women have attitude problems in using the credit for income-generating activities particularly those women with low academic levels, low experience, and no business exposure. Thus, women having attitude problems should acquire the knowledge of entrepreneurship, and basic business skills in order to become psychologically, feel the competence and control they have in performing their business.
- The findings of this study revealed that microfinance is a powerful tool in enhancing women's economic empowerment for all indicators like household economic decision making, asset creation, income increment, saving amount improvement. Only participation in microfinance programs does not lead to an increase in women's

economic empowerment it should be coupled with participation in workshops, exhibitions, experience sharing programs, and skill training in order to help women in enhancing their economic empowerment level.

- Considering the contribution of microfinance in job creation and women's economic development, it can be highly recommended that microfinance institutions should be supported and encouraged by the governments so that they can extend their service to the unemployed and women through their credit and training service. Currently, Amhara credit and saving institution provides important service to women clients but less than expected. Amhara credit and saving institution services to women's economic empowerment should be improved by working with town administration women's affair office and other non-government organization which is working on women empowerment.

#### **7.4. Limitations and Future Research Directions**

In this research, some limitations were identified. The study was limited to the Amhara credit and saving the institution of Ethiopia. Future research should include other microfinance working at the regional and national levels for better representation and generalizability. Moreover, this study investigates age, education, and the number of the household as moderators. The future study requires including other demographic variables such as marital status as a moderator.