

# Role of Microfinance Institutions on Women Empowerment in case of Wisdom Microfinance Institution, Dilla Town - Ethiopia.

Tiblets Nguse Baraki

**Abstract:** *In a male dominated society, women have always been underestimated and discriminated in all spheres of life be it their family and social life or their economic and political life. Therefore, empowerment of women is one of very important issue in developing countries. Microfinance plays a significant role in empowering women through accessing both financial and non-financial service to empower the poor women. The main objective of this study is to assess whether the provision of microfinance services has brought changes on active women clients on living standards, decision making, and level of self-confidence in case of Wisdom microfinance institution. Primary data were collected through structured interview from active women clients those had been a client of program for more than two years. Interview with employees of the institution were also administered to capture qualitative information about their views toward women empowerment. A total of 50 samples were selected by convenience sampling method. Secondary data were gathered from different published journals and other relevant materials related with the subject of study. The study mainly applied descriptive statistics such as percentage and frequency distributions to analyze the data. The findings revealed that Wisdom microfinance institution has made a positive impact on poor women clients by improving their living standards, self-confidence and participation in decision making. Therefore, strengthening the development of microfinance institution in Ethiopia is an appropriate and appreciated policy instrument to realize the objectives of empowering women.*

**Keywords:** *Microfinance, women empowerment, active clients.*

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# Role of Microfinance Institutions on Women Empowerment in case of Wisdom Microfinance Institution, Dilla Town - Ethiopia.

## 1. INTRODUCTION

### 1.1 Background of the study

Empowerment of women is one of very important issue in developing countries. As women are integral part of society, their status and participation in decision making as well as economic activities is very low. Microfinance plays great role in improving women decision making by contributing in economic activities (Sara Noreen, 2011). MFIs also target women for sustainability reasons: women's repayment rates are typically far higher than those of men. Lower arrears and loan loss rates have an important effect on the efficiency and sustainability of the MFI. Many programs have also found that women tend to be more cooperative in administrative and organizational matters, such as attending group meetings regularly and respecting lending by-laws (Getaneh G., 2010). Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities, throughout the world. Traditionally, women have been marginalized. They are rarely financially independent and often they are more vulnerable members of society. About 70% of world's poor are women. Yet they have no access to credit and other financial services. Therefore, microfinance target women to empower women from poor household. So, particularly women can get benefit from microfinance institutions as many microfinance institutions target only women, to empower them (Sara Noreen, 2011). According to Cheston and Kuhn (2002), microfinance has come to play a major role in many gender and development strategies because of its direct relationship to both poverty alleviation and to the empowerment of women. The authors also stated that, "By giving women access to working capital and training, microfinance helps mobilize women's productive capacity to alleviate poverty and maximize economic output." Additionally, investing in women has proven to increase the positive impact of microfinance programs since women are more likely than men to spend their income on household and family needs. Women are disproportionately represented among the world's poorest people. Some advocates assert that increasing women's access to microfinance services will enable women to make a greater contribution to household income. This, in turn, will translate into improved standards of living. Moreover, because women have fewer resources available to them, they tend to be more vulnerable when economic challenges or unforeseen circumstances arise. By providing access to loans for income-generating activities, microfinance institutions can significantly increase a woman's resources, thereby reducing her overall vulnerability. Furthermore, it is well-documented that women are more likely than men to spend their income on household and family needs (Getaneh G., 2010).

Recognizing the importance of investigating the impact of microfinance services on the empowerment of women, Wisdom MFI has been considered for this study. Wisdom MFI is one of the earliest micro financing institutions in Ethiopia which was established in 1990 E.C and was legally registered by the National Bank of Ethiopia, in accordance with Proclamation No.40/1996. Its main objective is to enhance socio-economic empowerment of disadvantaged people, especially women, by providing them access to support services like credit saving and business training.

### 1.2 Statement of the problem

According to the World Bank's gender statistics database as stated by Cheston and Kuhn (2002), women have a higher unemployment rate than men in virtually every country. In general, women also make up the majority of the lower paid, unorganized informal sector of most economies. These statistics are used to justify giving priority and increasing women's access to financial services on the grounds that women are relatively more disadvantaged than men. Ethiopian women who constitute about 50% of the population comprise the majority of the unemployed segment of the population are the most affected by poverty. Since the majority of the Ethiopian women live in areas where basic social services such as health, education and other infrastructures are non-existent, disease, malnutrition, and illiteracy is seriously affecting the life of women and children (Tsehay and Mengistu, 2002). In olden days women were restricted to take part in any social activities and not given roles in decision making in her family. The situation was even more worsening in rural and remote areas. Now the situation has been changed. She is given freedom to do what she wishes. In today's scenario more women are engaged in income generating activities. This is because of NGO and other financial institution coming forward to provide microfinance to poor women. They believe that a woman is the small credit risk and often benefits the whole family. The main aim of microfinance is to empower women (S.Sarumathi and K.Mohan 2011).

Microfinance is a type of banking service which provides access to financial and non-financial services to low income or unemployed people. Microfinance is a powerful tool to self-empower the poor people especially women at world level and especially in developing countries. Microfinance activities can give them a means to climb out of poverty. From early 1970's women movement in number of countries increasing to alleviate poverty through microfinance programs. The problem of women less access to credit was given a particular concentration at First International Women Conference in Mexico in 1975 (Sara Noreen, 2011). It has been observed through the available literature that most of the studies related to microfinance have been carried out on microfinance's that are located around city of Addis Ababa and very little efforts in microfinance institutions operating in regional states. Therefore, this present study aims to fill this gap in the available literature. It is a modest attempt to assess the impact of microfinance in women empowerment in the case study area.

**A. The researcher addressed the following research questions:**

- ✓ How access of financial service to the women clients helps them to improve their living standards through improved income?
- ✓ How access to finance for women clients leads to their empowerment in house hold decision making?

**1.3 Objectives of the study**

The main objective of the study is to assess the role of microfinance institution in empowering women in case of Wisdom microfinance, Dilla town.

**1) Specific objectives**

- ❖ To assess the extent to which access to microfinance service for women leads to improvement in self-confidence and household decision making.
- ❖ To assess the role of microfinance in improving the living standard of women.

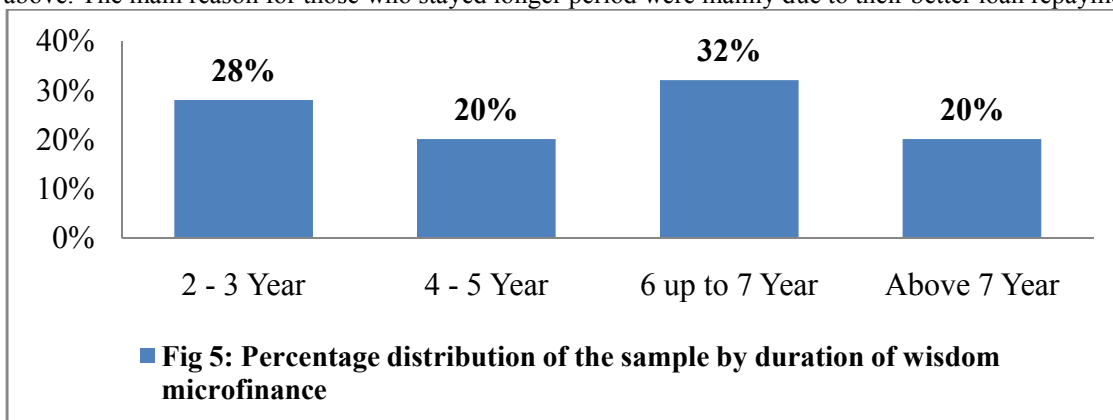
**2. RESEARCH METHODOLOGY**

Descriptive survey research design was employed for conducting this study. Both qualitative and quantitative research methods were used to address the same questions and such a study is helpful in obtaining pertinent and precise information as well as to draw valid conclusion about the target population. The data was obtained from primary sources which included structured interview schedules with various respondents; and secondary sources mainly from journals, other documents on microfinance, and women empowerment related literature. Due to lack of well documented list of clients who had been client of the institution for 2 years and above, the researcher conducted structured interview with 50 clients of the institution selected by convenience sampling techniques. And since the number of the employee of the institution were too small the researcher conducted semi-structured interview with all total of 7 employees of the institution to gather their perception about the role of the institution towards empowerment of women clients through accessing both financial service and non-financial services. The collected data were edited, coded and entered Statistical Package for Social Science (SPSS) software as a facilitator for data analysis. Then, descriptive statistics such as percentage and frequency distributions were used to analyze data obtained through structured interview. The quantitative findings were reinforced by the results of qualitative data emanated from respondents' comments on open ended questions and interviews.

**3. RESULTS AND DISCUSSION**

**3.1 General information about the clients stay in the institution**

It is obvious that time plays a significant role in ensuring the impact of the loan since the experience of business management skill increases. Hence, those women clients who relatively stayed in the program for more years are expected to be benefited more than those women clients that participated for fewer years. Because if the clients were not showed any change with the loan given to them they will not stay longer in the program. Years of involvement in the MF service determine loan effectiveness and successful in repayment. The result showed that out of the total respondents more than half (52%) stayed six years and above. The main reason for those who stayed longer period were mainly due to their better loan repayment.



**Table 1: Distribution of the sample by source of credit before and after joining MFI**

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Source of loan/ credit	Before		After	
	No of respondent	Percent	No of respondents	Percent
Private money lenders	7	14	0	0
Relatives/friends	4	8	0	0
Equib/iddir	25	50	8	16
Only wisdom	0	0	42	84
No means	10	20	0	0
Others	4	8	0	0
Total	50	100	50	100

Table 1 above shows, before joining WMFI, 14% of respondents were using private money lenders as their source of credit while 8% depended on relatives and friends. Equib and Idir constituted as the credit source for 50% of the clients while 20% of the respondents did not have any source of credit before joining MFI and the remaining 8% have other sources of credit like their own individual voluntary saving and credit within neighbors. However, after they joined WMFI the major source of credit for majority of the respondents (84%) were only from WMFI and the remaining 16% were from Idir/Equib in addition to the source from WMFI. Therefore, the result indicates that before the clients joining the program the major source of credit for the majority of the respondents were idir/equib and followed by clients with no means for source of credit and few respondents are exposed to private lenders whose interest charge is very high. However, the establishment of the program brought an opportunity for the majority of the clients as only source of credit to engage in income generating activities to improve their living standards.

**Table 2: Distribution of the sample by perception of clients on WMFI service**

Reason for positive views	No respondents	Percent
Low interest rate than other informal sources of credit	6	9
healthier source of working capital	44	68
Group sodality and or group dynamics	5	8
Easier guarantees than other loan alternatives	5	8
Other (effective customers treat and advising)	5	8
Total	60	100

As depicted in table 2 above, out of the total sample respondents 68% prefer the micro finance because it is a healthier source of working capital while the remaining clients prefer WMFI credit service because of positive impact on group solidarity and group dynamics, easier guarantee than other loan alternatives and others with equal percentage (8%). Therefore, from this we can understand that the majority of the respondents prefer the credit service of WMFI because of it was a healthier source of working capital to easily participate in income generating activities and the other clients views they prefer due to their effective way of customer treating, advising, timely provision of service, and their approaches to their clients. As per interview result, some few customers have negative views on the credit service of the programs. This views will help the institution to work more on and make improvements for reasons that require improvements and make an awareness creation on clients upon their negative views that will help for the sustainability and effective achievement of the institution objectives. The result from interview depicted that the clients dislike more about WMFI due to high interest charge and problematic group dynamics.

**Table 3: Percentage distribution of the sample by purpose for which loan is used for**

Purpose of loan	No respondents	Percent
Purchase of food items	1	2
Business/trade	36	68
Others (mostly for education)	16	30
Total	53	100

From table 3 above, out of the total sample respondents the majority of the clients (68%) used the loan for business/trade activities while the remaining 32% used the loan for other purposes other than for business purpose such as for purchase of food items, education, house improvement and health services. Therefore, it can be understood that the majority of the clients are requiring loan for the purpose of business/trade and in addition to that since women's are more taking the responsibility of household they are also using the loan to take care for children, for education, and consumption at the time of difficulties. However, even though they are using the loan for other constraints in the household, they are still having high repayment rate than men clients. According to the data obtained from interviews made with employees of the institution, women clients have higher repayment performance than men clients and this is mainly due to women sense more responsibility and accountability,

they are fearing taking them to court since they are worrying for their children too, they don't want to spoil their good image in the society, and others.

**Table 4: Percentage distribution of the sample by experience of savings**

Money saving	Before MFI		After MFI	
	No respondents	Percent	No respondents	Percent
Save in wisdom MFI	0	0	46	92
save in bank	26	52	4	8
never saved	19	38	0	0
Other	5	10	0	0
Total	50	100	50	100

Table 4 above, shows before clients joining WMFI of the total sample respondents 52% have opened saving account in the bank, 38% do not have a saving account at all and the remaining 10% have other traditional saving which does not earn interest on deposit. However, after the clients joined the micro finance institution almost all (92%) had able to open saving account in WMFI and the remaining 8% had also an additional saving account in the bank. This implies WMFI brought an opportunity for many poor women clients who do not have source to save their small earnings but able to save and also increased the saving culture in the society. Before the clients joining the institution out of the total sample respondents 38% do not have saving account at all but after joining the institution every clients had able to save and this is due to access of WMFI to the clients.

**Table 5: Percentage distribution of the sample by participation in household decision-making**

Role in decisions	Before MFI		After MFI	
	No respondents	Percent	No respondents	Percent
Fully participate	4	8	35	70
Occasionally/partly	19	38	3	6
Less participate/rarely	15	30	0	0
No spouse	12	24	12	24
Total	50	100	50	100

As depicted in table 5 above, women participation in household decision making were highly increased comparing before and after access to microfinance credit. Therefore, the decision making power after the clients joined the institution were highly increased as compared with before joining the program.

**Table 6: Level of self-confidence and change in decisions making**

Factors	Degrees of agreement									
	SA	%	A	%	NAND	%	D	%	SD	%
Increase positive attitude of the spouse	17	35	20	40	9	19	0	0	1	2
Increased participation in major activities	18	38	19	40	9	19	1	2	0	0
Decreased quarrel and conflicts	16	34	16	34	14	30	1	2	0	0
Increased respect by spouses	18	38	19	40	9	19	1	2	0	0
Increase self-image in the society	31	66	16	34	0	0	0	0	0	0

Respondents are asked to view their responses from strongly agree to strongly disagree on the reasons for the change in self-confidence decision making on the resources they have and the result showed after joining WMFI the participation in decision making in household and on the resources they had, right of ownership, and level of confidence of the client were highly increased as compared with before participating the program. The major reasons for these incremental were the contribution of many factors such as due to increased participation in major household activities, increased positive attitude and respect by the spouse, increased self-image in the society and due to decreased quarrel and conflict among spouses. But the base for the contribution of those reasons was the financial service of the WMFI. Because after they joined the program and accessed the credit service from the microfinance they participated in income generating activities and able to participate in household's expenditures which were previously covered only on by their husbands. In addition to participation of household expenditures they are able to save their portion of income which will enhance the future welfare of the household. However, still there are few respondents through face to face interview replied that there is still no change in participation of decision making on resources they have mainly due to cultural influence, husband influence and lack of change of self-image.

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Regarding the improvement of self-confidence, a 29 years old client had this to say.

*Since I have no job and income, previously I was financially dependent on my husband. I have no confidence to buy something that I want to buy like clothes and also to do confidentially what I want to do due to fear of my husband since I am financially dependent on him. However, after I got an opportunity to access credit and had my own income and be economically independence, my confidence was highly increased to do something that I like. Not only my incremental of confidence, but also my husband's self-image on me and the value he is giving to me was also highly increased. I can also go anywhere like market, refreshment area, to see my family and help them also during difficulties, and also to have a right to participate on decision making, and others. In general, WMFI not brought only opportunity to improve our life and living standards but also to be respected by my husband's that were not exist before since we majority of the females are less educated and mostly dependent on husband's income. Therefore, I would like to say thanks to the institution that brought me such special opportunities that I will never get when I was not accessed financially.*

**Table 7: Level of agreement on living standard improvement**

Factor	Degree of agreement									
	SA	%	A	%	NAND	%	D	%	SD	%
Income increased	33	70	14	30	0	0	0	0	0	0
Educational enrollment increased	31	66	14	30	0	0	2	4	0	0
Health services improved	25	53	22	47	0	0	0	0	0	0
Improved ability of purchasing children's school material	20	43	23	49	4	9	0	0	0	0
Improvement in living house	37	79	10	21	0	0	0	0	0	0
Improved house hold asset	34	72	13	28	0	0	0	0	0	0

Since majority of the respondents replied that access to credit brought a great change on the living standards of the clients, they are asked to response their degree of agreement from strongly agree to strongly disagree for the improvements made and the result, as depicted in table 7 above, found that access to credit of WMFI brought a great change on household's living standards. Some of the improvements made on household due to access of microfinance service include increased in household income, educational enrollment and health service, ability of purchasing school material, access to pure water, living house, and household assets. However, some of the clients replied that there was no change observed and their reasons includes lack of market, lack of experience about business, insignificance of the loan, improper use of loan, high consumption of household, husband intervention and damage of the investment were among the major factors that hindered the clients from effective utilization and brought about change. Therefore, we can understand that accessing credit to women improved the living standard of the household.

A 40 years old lady who is the mother of four children explains how WMFI has helped her to improve her life.

*I am not educated and did not have a job and my husband also earns less than 500 Birr per month which is difficult to survive with this small income even for consumption only. I was judged to borrow money to start my own business and earn an income to minimize the dependence level on my husband and improve our living standards. But I did not able to meet the collateral requirements of banks loan. I did not also able to get from relatives and also I fear to borrow from local money lenders since they are charging high interest rate. However, WMFI brought an opportunity and we organized a group of 5 members and secured 2,000 loans each 7 years ago and started my own business. Now thanks to God we had our own house while before we are under rent house, access to utilities (water, electricity, and telephone), we own real assets (like TV, sofa, radio etc), capable to educate all of our children with fulfilling their requirement than before, income improved, dependence on husband expenditure is fully avoided, business was upgraded and know once again thanks to my God the capital that was started with 2,000 Birr 7 years ago becomes about 20,000 Birr today. Therefore, I have no words really to appreciate the role of WMFI to improve my life just I am easily to say MFI is really a life saver to the poor.*

The employees are asked to respond the improvements they had been observed on clients during follow up and supervision after the loan is provided especially for those clients who had been a client of the program for a long period. The employees respond that there are a lot of improvements observed. Some of the major improvements are; improvement in household real assets, building their own houses (i.e. shifting from rent expenses) those who do not have personal houses before and improvements to house for those have before, educating their own children well, upgrading the business activities they were engaged, promotion from small enterprise to medium enterprises, and accessing to some utilities such as water, electricity, and telephone.

A 36 years old divorced and mother of two children lady also had this to say regarding the role of WMFI in changing her life.

*I missed my education in grade eight due to the enforcement of my husband and being married. After 5 years we were divorced due to, I had no job and only dependent on husband's expenditure, he is not giving value to me and he married another wife. After that life was very much complicated for me and I had no body who could provide me money through aid or loan to participate in income generating activities and able to educate my 2 children as well as to improve my life. While by fulfilling the collateral requirement to each other with other four women, I able to get loan from the WMFI and capable to educate my children well, get income, and living my best life with my children and run away from difficulties encountered before. Therefore, I would like to say thanks to WMFI because my life and my children' life was saved due to access of their credit that was not believable before.*

#### 4. CONCLUSIONAND RECOMMENDATIONS

##### 4.1 Conclusion

Empowerment of women is one of very important issue in developing countries. It is well-documented that women are more likely than men to spend their income on household and family needs. Therefore, increasing women's access to microfinance services will enable women to make a greater contribution to household income. This, in turn, will translate into improved standards of living. This study was made to assess the contribution of MFI in empowering women by taking WMFI as a case study and some of the major findings based up on data obtained from the sample respondents shows that WMFI brought an opportunity for women as healthier source of working capital to easily participate in income generating activities and not only brought an opportunity of accessing credit but also brought an opportunity to mobilize saving culture among poor women. Therefore, it is better to conclude that WMFI program has made a positive impact on poor women clients by improving their living standards, self-confidence and participation in decision making.

##### 4.2 Recommendations

Even though the majority of the clients showed a change on their living standards due to access of WMFI credit, some of the respondents were replied that no change was found as compared with before and their main reasons are due to no change on cultural influence, husbands influence and lack of self-image in the society. Therefore, the concerned body of the institution should take responsibilities and try to identify those clients who were not satisfied or brought no change and should make an experience sharing with those clients brought a great change. The majority of the institution documents were based on manual system and to get reliable information was difficult and therefore, the institution should have to improve the documentation in computerized system rather than more focusing on manual system.

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