



## WOMEN'S ECONOMIC EMPOWERMENT AND DETERMINATION OF PARTICIPATION THROUGH MICROFINANCE: A CASE-STUDY OF ACSI, SIMADA WOREDA, AMHARA NATIONAL REGIONAL STATE, ETHIOPIA

Derbew Kenubeh Dagne (PhD)

Assistant professor, Department of Accounting and Finance, University of Gondar, Ethiopia

**Abstract:** *Microfinance is one of the instruments to overcome the poverty level of the household and ensuring rural women's economic empowerment status. Assessing the impact of microfinance on women's economic empowerment helps to provide information to the development planners by examining the extent to which a program can attain a desired change on the participant household's wellbeing. This study was done to analyze the impact of microfinance on women's economic empowerment as well as to identify factors that affect women's participation in microfinance of the study area. A multi-stage random sampling technique was employed to select sample households. A data was collected from 346 household heads and analyzed with the help of various descriptive and econometric techniques. Propensity score matching model was used to achieve the objective of the study. A logit model was used to identify the potential variable affecting household participation in microfinance. The result indicates that, participation in microfinance is positively influenced by education status of the household head, active family size and by non-farm income source of the household head. Whereas, sex of the household head, land size and livestock ownership affects negatively. The intervention in microfinance result shows that, a positive and statically significant mean difference between the two groups in terms of participating in decision making of household financial activity. The result of average treatment effect on treated (ATT) shows that, the economic empowerment status of the participants were better than non-participants at 5% probability levels because of participation in microfinance. However, there are factors that hinder households to participate in microfinance in the study area, which needs attention. Therefore looking collective action should be advisable to improve and sustain the positive impact of microfinance by reducing major constraints that face rural women regarding on participating in microfinance in the area.*

*Key words:-Women's Economic Empowerment, intervention, participation, microfinance*

### 1. INTRODUCTION

The origins of the concept of empowerment go back to the civil rights movement in the USA in 1960. Empowerment of women is essentially the process of upliftment of economic, social and political status of women, that traditionally underprivileged ones, in the society. It involves the building up of a society where in women can breathe without the fear of oppression, exploitation, apprehension, discrimination and the general feeling of persecution which goes with being a woman in a traditionally male dominated structure (Nabanita.D and Kaushik, 2017).

Policy makers and development partners have placed women's economic empowerment at the top of the global agenda. Because, Women's economic empowerment is a prerequisite for sustainable

development, pro-poor growth and the achievement of all the MDGs. At the same time, evidence continues to mount on how increasing women's labor force participation and economic opportunities can drive sustainable and inclusive growth, eliminating discriminatory social institutions could benefit women's education and labor force participation and add USD 12 trillion to the global economy, representing 16% of the global GDP in 2011 (Ferrant and Kolev, 2016). Not only this one but also to achieve this objective at national level, the Government of Ethiopia has attempted to create an enabling environment through, among other measures, the 1995 Constitution and several policy frameworks, which explicitly emphasize the need for gender equality and women's empowerment.

Despite an increased focus on women's economic empowerment, women continue to see poorer

economic outcomes than men do. Globally, women's labor force participation rate was 54% compared to 81% for men (World Bank, 2017). For OECD countries, there remains a gender pay gap of almost 14% on average (OECD, 2018), while in developing countries, women are overrepresented among informal workers and as paid family laborers (ILO, 2018). Gender gaps related to women's economic participation build up over their life course: the global gender pensions gap ranges between 30-40%. As this rate, it is estimated to take over 200 years to achieve gender equality in the labor market (WEF, 2018).

Microfinance is the provision of financial services to low-income clients through micro-credit, compulsory savings, micro insurance within the reach of millions who are classified as too poor to be financed by the universal banks. Microfinance often targets women and as such has become a critical tool in empowering women. The UN, World Bank as well as governments and their development partners view microfinance as an instrument that will aid development of the society and alleviate poverty. Li; Gan & Hu (2011) assert that, women empowerment through microfinance can positively transform women in two ways i.e. supports poor women to earn income independent of their spouses and is able to financially support their families and it frees women from the narrow confines of household precincts and moves into a wider community as they access credit and use the credit facility to initiate income-generating activities.

Microfinance programmes are targeting women as a major policy of most developing countries to empower women mainly rural women. Various studies by different authors suggest this fact (Skallatos, 2004; Akosua and Kunt, 2007; Suresh, 2008; Alexander, 2011; Robert, 2012; Johanna, 2013; Alyade, 2014; Surya, 2015; Margaret and Masafiri, 2016). In addition to this, (Hymanot & Meron, 2007; Ahmed, 2013; Hylemariam, 2013; Taye, 2014; Befikadu & Martha, 2015) and Aregu, et al, (2017) were suggest the fact of microfinance becomes a major policy of most developing countries to empower women mainly in rural area of Ethiopia to.

In Ethiopia, where women constitutes half of the population and majority of them living in the rural areas of the country, women's are marginalized,

have limited roles in household decision and they are not economically self-sufficient (Ahmed, 2013) and Amhara regional state too. In Amhara region, more than 30% of the regional population earns an income below the locally driven poverty line income level Getaneh (2008). According to the livelihood profile of the region, the problem is highly observed in rural areas including Simada Woreda which is the focus area of the research.

However, despite regional government expand microfinance institutions in the area, the impact of microfinance on women's economic empowerment and constraints determine women's microfinance use not analyzed and identified respectively in the area.

Achieving women's economic empowerment is believed to be a key milestone in developing countries in general and Ethiopia in particular. Economic empowerment of women has become a development agenda at both global and country levels particularly since the Beijing Women's conference in 1995 (Anderson and Eswaran, 2005) cited by Lumid (2012). In many developing countries, women are deprived socially and economically compared to men. Women lack economic opportunities and autonomy, lack access to economic resources (including credit, land ownership and inheritance), limited access to education and support services as well as minimal participation in the decision-making process (Anderson and Eswaran, 2005). For realizing sustainable economic empowerment of women in the country, the government has been implementing microfinance institution for reducing the above shortcomings.

However, in some studies, analysis on the empowerment outcome of women access to MFIs is narrow or missing. The literature is also inconclusive on whether women access to MFIs empowers women economically or not. The contenders argue that microfinance targeting women contributes in generating economic activities and enhance their participation in decision making process at the household level hence enabling poor women to attain economic empowerment within and outside the households (Li et al., 2011). While some author argues that, women access to MFIs does not necessarily translate into their economic empowerment (Mayoux, 2000; Mayoux, 2002; Majo, 2011).

Other studies such as Kulkarni (2011) and Mushumbusi (2013) argue that, the connection between loans and women's economic empowerment is not straight forward or easy to make. They argue that, handling money to women and giving them access to financial assets and resources does not create a sense of empowerment for women, thus there is a need to structure the microcredit schemes in such a way that the empowerment outcome will be realized.

In fact, some studies have been conducted regarding impact of microfinance on women's economic empowerment in Amhara region and other areas of Ethiopia. However, these studies have some difficulties to generalize about the impact due to the methodology adopted or level of impact assessment. Hymanot and Meron (2007); Ahmed (2013) and Taye (2014) and others conducted a research on impact of microfinance on women's economic empowerment and some demographic and institutional variables as used as independent variables that were affected women empowerment. But, the level of impact analysis methods used in the studies discussed above is not also suited to generalize the impact of the program on beneficiaries.

Hence, this study underwent to address the impact of microfinance on women's economic empowerment status and identify major factors that affect rural women's microfinance participation in the study area.

## 2. OBJECTIVE OF THE STUDY

The main objective of this research is to examine the impact of microfinance on women's economic empowerment in rural area of Simada Woreda by having the following specific objectives

- To analyze the impact of microfinance on women's economic empowerment in the study area
- To identify factors that determine participation in microfinance in the study area.

## 3. LITERATURE REVIEW

Microfinance refers to the provision of mainly financial services such as micro loans, to those excluded from formal banking system.

Microfinance by its name clearly is about more than just credit, otherwise we should always call it microcredit. Many programs offer stand-alone savings products, and remittances and insurance are becoming popular innovations in the suite of services offered by financial institutions for the poor (Morduch, 2009).

According to the study by Brown (2005, cited in ferdisa, 2012), microfinance is the supply of loans, savings, money transfers, insurance, and other financial services to low-income people. Microfinance institutions (MFIs) which encompass a wide range of providers that vary in legal structure, mission, and methodology offer these financial services to clients who do not have access to mainstream banks or other formal financial service providers. It involves small-scale financial services-primarily credit and saving provided to people who farm or fish or herd; who operate small enterprises or micro enterprises 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 level of developing countries, both rural and urban (Rutherford, 2010).

Women's economic empowerment is defined as the increasing capability of women to make choices, transform choices into actions, achieve autonomy, use their voices, and exert influence within and outside the household in a way that challenges and changes subordination and unequal social relations (Kabeer, 2005; 2017; Molyneux, 2008; Petesch, Smulavitz, & Walton, 2005). Economic empowerment dominated most of the research findings (see, e.g. Peprah, 2012; Chhay, 2011; Junankar & Mallik, 2009; Zaman, 2001; Banu et al., 2001; Sohail, 2014; Zoynul&Fahmida 2013). Findings on economic empowerment are very important. Because, Zaman (2001) and Mayoux (2000) have argued that economic empowerment always forms the basis of other dimension of women empowerment.

The literature defines and measures economic empowerment in terms of indicators such as human capital and labor market conditions, as well as using individual markers such as years of education, political participation, and household or reproductive decision making (Hanmer &

Klugman, 2016). The feminist approach to empowerment emphasizes in addition concepts such as power, rights, interests, care, preferences, and the control women have over their lives (Murguialday, 2006). The study was adapted some of the most commonly used indicators in measuring women economic empowerment such as: control over savings and income (Goetz and Gupta, 1996; Pitt et al., 2006); ownership of assets (Barnes et al., 2001; Garikipati, 2008); decision-making (Hashemi and Rosenberg, 2006; Kabeer, 1997; Kishor, 2000); mobility (Schuler, and Rottach, 2010); control over income and savings, contribution to family support (Malhotra and Schuler, 2005; increased income, increased role in decision-making Chen (1997; Christine, 2016; women's ability to earn income, decision making and ownership of assets and Masafiri, 2016; person autonomy index, decision-making index, economic contribution to household index and freedom of movement index). Similar studies in Ethiopia, (Hymanot, 2007); decision making on large sales and Ahmed, 2013; decision making on household financial activities) are indicators of measuring women's economic empowerment. Some of these indicators were used to capture the impacts of MFI's intervention on women in Simada district. Hence, Decision-making on Household Index (DMHI) was constructed and adopted based on women economic empowerment as also proposed by the human development index (UNDP, HDI, 2005; cited by Morshedul, et al. 2011). The study was measure economic empowerment by making an index on the basis of question comprised of Sale or exchange of land/house/livestock, Purchasing children's clothes, Education expense of children, Purchasing Medical treatment of family, house repair construction, Control the saving for use, Routine household spending, women's access to formal sector employment, Borrowing from relatives or informal sources, Own and control household valuable. 1 point were given for all the indicators if the respondent answer for the question was "jointly or decides herself" and 0 for if "husband" response.

However, the index of dimension (Decision-making on Household Index) was constructed and adopted following from HDI made by the United Nations Development Program (UNDP 2005) using the formula below:

$$\text{Index Dimension} = \frac{\text{Actual score} - \text{Minimum score}}{\text{Maximum score} - \text{Minimum score}}$$

The actual score of each dimension is calculated by summing the positive responses of the respondents in favor of their Economic empowerment. Maximum score of each dimension is the total number of indicators belonging to that dimension and minimum score is zero with all negative response. The value of those indices ranges from zero to one or simultaneously, 0% to 100% and one minus the indices value measures the gap of economic empowerment. To determine women's economic empowerment level, cut-off point which is a woman who achieved the standard of "adequate" with 80% or more of weighted indicators is economically empowered, while a women who achieved below the standard "adequate" of 80% or less of weighted indicators is economically disempowered adopted from Alkire, et al. 2013).

### 3.1 Women's Economic Empowerment through Microfinance

The idea of empowerment has influenced development practitioners, development agencies, theoreticians and donor agencies in the last decade (Padma and Getachew, 2004). In line with the development of microfinance institutions, the Government of Ethiopia set up participatory rules and policies which gave space for women productivity. Padma and Swamy (2003) noted that, government has formulated and issued the Ethiopian women's policy to speed up the economic and social advancement of women. Rural development programs need to reorient their implementation strategies so as to target rural women as beneficiaries of development initiatives and programs. Within this framework, anti-poverty and women empowerment could be aspects of the major development strategies. While microfinance institutions have increased their efforts to provide credit to women, in Ethiopia women constitutes only 45% of those reached by microfinance (Getaneh, 2010). As the overriding objective of Microfinance in Ethiopia is to provide a broad range of micro-finance services to large numbers of poor households, it should be their priority to accommodate remarkable numbers of women clients to accomplish tangible changes in the livelihood of the rural poor.

### **3.2 Determinants of women's Participation in Microfinance**

Zeller (2004) explained as there are a number of factors that imitate borrowers to take loan from the lending organizations. In addition Schmidt and Kropp (1987) cited in sisay (2008) explained as, access of credit is determined by the type of the institution and the policy that the organization follows. A study conducted by Atieno (2001) depicts that, the distance to micro finance, asset owned by the borrower, income level of the participants were significant variables that explain the participation of borrowers in formal lending institutions.

On the other hand, Getaneh (2005), stated that, group lending approach effectively ration out some groups of farm households (The poorest of the poor). That is co-borrowers tend to self select themselves into a group of homogenous members that effectively discriminates against some others to reduce risk of carrying the burden of repayment in case of defaults of co-borrowers.

Yet another study conducted by Assefa (1989), empirically tested a set of important socio-factors influencing agricultural credit use among small households aimed at differentiating credit participants from non-participants. In his finding he conclude that large farm size, high investment, were significant explanatory variables in distinguishing participants from non-participants.

A study conducted by (Zeller, 2001) showed as participation in micro finance increase, if it actually borrows from that source of credit before. He also added that regularity in attending meetings, higher share of credit for production than using it for consumption, and having increased rate saving are some of the important factors that determine participation level of women's in micro finance institutions. Furthermore, a study conducted by (Puhazhendhi and Jayaraman, 1999, cited in Haimanot (2007) shows as households headed by women than those headed by men has higher in participation.

## **4. METHODOLOGY**

This study was used descriptive and explanatory design by using cross-sectional research design. Unlike retrospective and longitudinal research designs, cross-sectional research design allows data to be collected at one point in time (Bernard, 2006). The design employs a survey method. This can be used to establish relationship between variables for the purposes of testing hypothesis and is feasible as it uses minimum time and resources.

A multi-stage random sampling technique was employed to select sample households. Then, 116 sample respondents from participants and 230 of them from non-participant groups were selected randomly through simple random sampling technique. Finally, 346 women's were selected from participants and non-participant women by applying simplified formula provided by Yamane (1967), statistically estimated at 95% confidence level, degree of variability = 0.05 and level of precision = 0.05.

Both quantitative and qualitative data type were collected from primary and secondary data sources to obtain the necessary information for the purpose of the study. The primary data were collected through questionnaire from sample respondents. Secondary data such as background information of the study area collected from secondary data sources such as from different journal, articles and paper. Semi structure questioner was designed and used to collect qualitative as well as quantitative data related to the study.

Descriptive and econometric analysis has been employed to analyze the data and reached on a conclusion specifically, with the help of Chi-square ( $\chi^2$ ) statistics; t-test and binary logistic regression were employed to gauge relationship among key study variables. An index score ranking method was also used to analyze quantitative data collected from respondents regarding to constraint of microfinance participant. To generate statistically acceptable matched pairs between participants and non-participants, Propensity Score Matching (PSM) method was applied. Finally, the analysis was done with the help of (STATA version 14.1 and Excel).

## **5. RESULT AND DISCUSSION**

### **5.1. Household demographic characteristics**

Table 1: Descriptive statistics of dummy variables

Participation in micro-finance		Participant	Non-participant	Total	$\chi^2$ -
Variables		Percentage	percentage	percentage	value
Sexhh	Male	16.38	41.74	32.24	22.3483
	Female	83.62	58.26	66.76	
Total		100	100	100	
EduWo	Illiterate	32.76	76	61.56	61.1751
	Literate	67.24	24	38.44	
Total		100	100	100	
Accmed	Yes	43.10	31.74	35.55	4.3465
	No	56.90	68.26	64.45	
Total		100	100	100	
Nonfarm	Yes	79.31	18.70	60.98	119.0689
	No	20.69	81.30	39.02	
Total		100	100	100	

Source: own results (2019)

**5.1.1 Sex of the household head:** Chi-square ( $\chi^2$ ) statistics revealed that, there was statistically significant relationship between microfinance and sex of the household head in all groups at 1% of significant level ( $P < 0.005$ ). From the above table 2 indicates that, 83.63% of participants of microfinance and 58.26% of non-participants were female headed household. So, it concludes that, female headed households are more likely to participate in microfinance than male headed households.

**5.1.2 Education status women:** Chi-square ( $\chi^2$ ) statistics test revealed that, education status of the women was statistically significant difference at 1% of significant level ( $P < 0.005$ ). The result shows that, 24% non-participant household heads were illiterate and 67.24 participants were found that literate household heads. This is clearly implies that, educated women's were better participating in microfinance than that of uneducated women's.

**5.1.3 Access to media:** Chi-square ( $\chi^2$ ) statistics revealed that, there was no statistically significant relationship between microfinance and access to media of the respondents in all groups ( $P > 0.005$ ). This tendency suggests that, access to media does not influence the relationship between women and microfinance institutions but also might exert a negative or positive influence on the use of money obtained from microfinance institutions

**5.1.4 Non-farm income source:** Chi-square ( $\chi^2$ ) statistics test revealed that, non-income source of the household was statistically significant difference at 1% of significant level ( $P < 0.005$ ). The result shows that, 79.31% participant women's have gone income from non-farm activities while non-participant household heads were covered 18.70%. This is clearly implies that, getting better income from non-farm activities of women's were more likelihood participating in microfinance than that of gaining low income from non-farm activity .

Table 2: Descriptive statistics of continues variables

Participation in micro-finance Variables	Participant HH		Non-participant HH		t- value
	Mean	SD	Mean	SD	
Age of household	38.39	9.08	40.07	9.76	1.5446
Active family size of HH in number	2.74	1.23	2.28	1.09	-3.4839
Distance from ACSI in (km)	14.33	7.65	15.62	6.98	1.5790
Land size in (hectare)	0.53	0.25	0.54	0.24	0.0886
Livestock holding in TTLU	2.80	1.26	3.13	1.24	2.3432

Source: own results (2019)

**5.1.5 Age of household head:** As depicted in the above Table 3, the mean age of the household heads in the study area was 38.39 and 40.07 years of participants and non-participants and when we compare the mean age of the treated household is less than the mean age of the control group but the t-test statistics revealed that, there was no statistically significant relationship between microfinance and age of household head of the respondents in all groups ( $P>0.005$ ).

**5.1.6 Active family size:** the t-test statistics revealed that, active family size of the household was statistically significant difference at 1% of significant level and the mean active family size of participant and non-participant were 2.74 and 2.28. This clearly implies that, large active family size of household heads were better participating in microfinance than that of small active family size of household heads.

**5.1.7 Distance from household residence to ACSI:** As depicted in the above Table 3, the mean distance of the household heads in the study area was 14.33 and 15.62 kilometer of participants and non-participants and when we compare the mean distance of the treated household is less than the mean distance of the control group but the t-test statistics revealed that, there was no statistically significant relationship between microfinance and distance of household head of the respondents in all groups ( $P>0.005$ ).

**5.1.8 Land size:** The mean land size of the treated and control group were 0.53 and 0.54 hectare respectively and when we compare the mean land

size of participants were less than non-participants and the t-test statistics revealed that, land size of the household was statistically significant difference at 1% of significant level negatively. This indicates that, when the land ownership is increase the probability of participating in microfinance was decrease.

**5.1.10 Livestock ownership:** The mean livestock ownership of the treated and control group were 2.81 and 3.14 respectively and when we compare the mean livestock ownership of participants were less than non-participants and the t-test statistics revealed that, livestock ownership of the household was statistically significant difference at 5% of significant level negatively. This indicates that, when the live stock ownership of the household was increase, the probability of participating in microfinance was decrease. This means that livestock and microfinance is negatively correlated.

## 5.2 Descriptive results of outcome variables

In this study, if the respondent or jointly made decision on the indicators of economic dimension 1 point is given and if the husband of the respondent or any person is decided on the economic dimension 0 point is given.

Accordingly, out of the total 346 sample respondents 170 of them are economically empowered. Putting in category, 92 (79.31%) of them are clients of ACSI and 78 (34%) in the study area respectively. Table 3 shows that, the descriptive result of the outcome variable (decision

making on household financial activities index by using scores). The result shows that, there is significant deferent between the two group.

Decision Making on Household Index (DMHI):- It refers to the total contribution of women’s decision making on the household financial activities measure in score. If look the descriptive statistics of participant and non-participant groups, the mean decision making on household index of participant household is more than that of decision making on

household index of the non-participant household (0.8051724 versus 0.5675217 respectively). As indicated the mean difference in decision making on household index between the participant and the nonparticipant households is -0.2376507. This result showed that, there is a significant difference between participant households and non-participant household. The t-test also showed that statistically significant difference at 1% probability level (Table 4).

Table 3: Descriptive statistics outcome variable

Variable	Combined Mean	Participant Households	Nonparticipant Households	Mean Difference	T-test
Decision Making on					
Household index	0.65	0.81	0.57	-0.24	-8.406***

Source: own results (2019)

Source: Own estimation result (2019). \*\*\* means significant at 1%, probability levels

However, the above result cannot tell us whether the observed difference is exclusive because of the program or not. In fact, it is not possible to attribute the difference in decision making on household financial activities of the two groups exclusively to the program, as comparisons are not yet restricted to households who have similar characteristics. As stated earlier, a further analysis must be performed using propensity score matching techniques to address this issue.

**5.3 Econometric Results**

To identify factors affecting participation in microfinance and the impact of microfinance on women’s economic empowerment; econometric analysis employed. Propensity score matching techniques and Logistic regression model was used. Table 4, shows the logit model result.

**• Logit results of participation in microfinance**

The estimated logistic regression model indicated that six of the nine explanatory variables significantly influenced participation in microfinance. These include sex of household head, education status of women, active family size of household head, land size of the household, nonfarm income source of the household head and

livestock ownership of the household. Of these six variables, four had negative signs and the remaining two had positive signs. The results in Table 5 reveal a number of significant and insignificant covariates of program participation.

**Table 4: Marginal effect from logit model estimation of participation to micro finance**

Variable	Coefficient	Std.Err.	P> z
Agehh	-0.0030789	0.193795	0.339
Sexhh	-0.1810624	0.4020718	0.002***
EduWo	0.3352934	0.3550971	0.000***
Famsize	0.1760413	0.2351998	0.000***
Accmed	0.0682195	0.3461691	0.251
Dismicro	-0.0046411	0.0230585	0.226
Lsize	-0.4554596	1.166299	0.019**
Nonfarm	0.5690656	0.3714288	0.000***
TTLU	-0.618056	0.1658006	0.025**

Number of Obs	346
LR chi2 (9)	211.17
Prob>chi2	0.000
Pseudo R2	0.4784
Log likelihood	-115.1095

Source: own survey, 2019



Note: \*\*significant at 5%, \*\*\*significant at 1% probability of significance level

**5.3.1 Sex of the household head:**-This variable is significantly affect participation in microfinance negatively as hypothesis at 1% significance level. The marginal of the variable indicates that other factors constant, participation in microfinance decreased by a factor of -18.10% as households are headed by male, means that being male headed households are not participate in microfinance than female headed .

**5.3.2 Education status of women:**-This variable is significantly affect participation in microfinance positively as hypothesis at 1% significance level. The marginal effect of the variable indicates that other factors constant, participation in microfinance increased by a factor of 33.53% as education status of household increase by one unit. It is probably due to those households who educated (read and write) better chance to participate in microfinance than illiterate (not read and write). These result in line with the result of (Sisay, 2008) found that education plays a key role in the household decision for participating in microfinance.

**5.3.3 Active family size of the household:** - This variable is statistically significant (at the 1 % level of significance) and it is positively associated with the probability of participation in micro finance. The more likely reason is that household heads with larger active family size can more probably have more labor to engage in micro finance practices. Since households with larger family size can perform various agricultural activities without labor shortage. Therefore, in the study area households with larger family size can probably choose to participate in microfinance. A unit change in family size of the household head the probability of participation would increase by 17.60% of marginal effect, other variables in the model remain constant at their mean value. This finding is in line with the study conducted by (Hylemariam, 2013) found that family size of the household head positively increases the probability of participation in microfinance practicing. And suggest that the increase in the household size implies a cheap labor and has a higher chance to participate in irrigation system.

**5.3.4 Land size of the household:** - This variable affects participation in microfinance negatively as

expected. It is significantly affect participation in microfinance at 5% probability level. The marginal effect of the variable indicate that other things being constant ,the probability of participation in microfinance decrease by 45.54% as the land size of household increase by one unit. This is probably due to land shortage of household. This study result is in line with (Diagne, 1999) found that household members of holdings with more hectare of land might not be able to participate in programs due to availability of financial sources.

**5.3.5 Nonfarm income source:** - This variable positively affects participation in microfinance in line with the previous hypothesis at 1% level of significance. The marginal effect reveals that, a unit of increasing non-farm income source of the household, increase participation in microfinance by 57%. The possible explanation is that, those household involve in other livelihood income sources does not to look to the other this may be because of lack of skill and access of get non farm income source. The result of this study is against study of (Bohj, et al. 2013), found that households who participate in non-farm more probably encouraged participating and adopting microfinance systems because of the money that they earn from non-farm leads the households to engage in the participation microfinance.

**5.3.6 Livestock holding:**-This variable significantly affects participation in microfinance at 5% probability level. The sign of the variable is in line with the previous hypothesis. It negatively affects participation in microfinance. The marginal effect revealed that at a unit increasing in livestock holding participation in microfinance decrease by 61.80%. This is probably due to the difficult of combine large livestock with a small field of cultivation. This study consists of the hypothesis and study conducted by (Diagne, 1999).

#### **5.4 Challenges facing rural women in accessing MFIs services**

Even though, microfinance has positive impact on women's economic empowerment of the study area have faced a number of microfinance participate related constraints. Hence, this study find some of the major constraint of microfinance participant based on data obtained from the questioner. Accordingly, limited loan (lack of finance), Quick, early repayment schedule, low saving interest rate, diverting loan to other purposes, Uncommitted

group's members who pose burden on others, drought and animal disease, lack of appropriate training, high interest rate and others are the major constraints of participating to microfinance in the study area. Among this problem based on the given proportion result; diverting loan to other purposes,

Limited loan (lack of finance), Lack of appropriate training, uncommitted group's members who pose burden on others are the top four constraints of challenges of microfinance use in the study area as shown in Table 5

Table 5 Challenges being faced in accessing to MFI services (n=116)

Factor	n	%	Rank
Limited loan (lack of finance)	51	0.178	2
Quick, early repayment schedule	21	0.073	7
Low saving interest rate	20	0.070	8
Diverting loan to other purpose	63	0.22	1
Uncommitted group's members who pose burden on others	29	0.101	4
Drought and animal disease	22	0.077	6
Lack of appropriate training	38	0.133	3
High interest rate for loans	25	0.087	5
Others	17	0.059	9

Source: own results (2019)

## 6. CONCLUSION AND RECOMMENDATION

Based on the result of empirical model the study recommend on the following demographic, economic and institutional related factors affecting household to participation in microfinance as follows: -

Education levels of household head positively affect women's decision to participate in microfinance. As a result, educated household heads are in the better position to participate in microfinance. Therefore enhancing the educational status of the rural women through formal and informal (Capacity building, experience sharing with model women and prepare women's field days) recommended. Households with less active family members were less to participate in microfinance. Because, active labor force are necessary to create productive family in rural area. Therefore, introducing labor saving technology (use less horsepower tractor and herbicide chemical) and improving the working habit of the

household's will be advisable to reduce labor shortage in the households.

Nonfarm income source of household, affect microfinance participation positively. Thus, it is well if rural women look in to different livelihood option to do so capacity building and forming entrepreneur household will be advisable. Having more livestock affect participation in microfinance negatively. This is because of livestock is one source of income of the rural household special in Ethiopia. Therefore use more productive livestock is advisable to reducing number to control erosion. To do so government and extension personal should change the attitude of the rural household for indicating other source of income through different training is advisable.

Microfinance institutions alone cannot effectively support rural women to maintain high standards of living and contribute to local economy development, the study therefore recommends to all institutions (public and private) in the local economy to play their roles in the provision of

various economic and social infrastructures to enable economic empowerment among women in rural areas.

The study recommends the promotion of financial literacy campaigns that will enlighten women and enable them to make more informed decisions about access and use of financial services. This can be done by the Government of Ethiopia through its specific microcredit schemes like Women Development Fund, Women's Bank, and many other financial institutions targeting women. The development strategies that aim to empower rural women economically like access to microfinance services should be designed to enhance women's direct access to these financial services, i.e. not mediated through their husbands or male partners that has been a challenge.

Moreover, the study recommends to microfinance institutions to reduce the interest rate charged on credit, and design financial products that respond to women's businesses and individual cash flow problems. Credit products should take into account the type of economic activities that women have engaged in.

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