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ASSESSING THE CONTRIBUTION OF MICROFINANCE INSTITUTION SERVICES TO SMALL SCALE ENTERPRISES OPERATION: A CASE STUDY OF OMO MFI, HAWASSA CITY, ETHIOPIA

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ABSTRACT


The objective of this study is to assess the contribution of Microfinance Institution services to small scale enterprises operation in Hawassa city. Delivering of Micro Finance products/services to operators of SSEs in developing countries being viewed as a strategic means of assisting the so-called "working Poor" (ILD, 1973). In order to carry out this study the field survey was conducted on a sample size of 133 members randomly from 35 SSEs of the package program. So, it is an assessment to see whether microfinance in fact has an important contribution in reducing poverty or not, in the area of study by comparing the situation of beneficiaries before and after their participation in the program. The contribution was assessed using various indicators of economic and social aspects such as income, access to education service, and health care, nutrition condition and self-employment. The research work employed both primary and secondary data like questionnaires, interviews, Focus- group discussions and on- site- observation to collect primary data. The secondary data has been collected from different review of literatures, unpublished and published materials. The questions to be addressed in this study required both quantitative and qualitative research methodologies and data was analyzed through descriptive statistics. Generally, this study discloses Microfinance institution contribution of Microfinance to increase; in income and diversified sources, and reduces income inequalities. It has also contributed to increase personal consumption and improved living condition in terms of assets, access to education and medical services, and creation of employment opportunities. The findings of the study indicates that the beneficiaries of OMFI credit in the area perceived their lives have improved after the intervention of the credit and the outcomes of the study has established that microfinance intervention on SSEs have achieved significant improvements. In this case, therefore recommended that such a strategy should be encouraged and widely applied and then OMFI should diversify their activities and approaches to include the active poor and should investigate their effectiveness and efficiency in providing quality services.

KEYWORDS

OMFI, Credit Provision, Poverty Reduction, Savings, Income Generation, Self-Employment.

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

 Micro finance institutions are institutions that provide suitable financial and other services using innovative methodologies and systems at low cost to meet the need of low-income sections of the population and act as financial intermediaries in a genuine sense and they are also setup to provide fund to the enterprising poor. (Wolday, 2000)

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to arrange of high quality and affordable financial services offered by a range of retail providers to finance income producing activities, build assets, stabilize consumption, and protect against risks. These services include savings credit, insurance, remittances, and payments, and others.

Micro and small enterprises (MSEs) are believed to have a vital role in poverty reduction, employment generation as well as development in poor countries like Ethiopia. The Ethiopian MSE sector includes a diverse set of operators ranging from petty traders to small restaurant owners; Shoeshine boys to small shoe enterprise; peddler in the streets to grocery business operators. Micro Enterprises are the smallest, informally organized business activities while small enterprise are rather formal businesses that fall under the purview of the country's legal and regulatory systems. MSEs operate in all sectors-manufacturing, trade, services (Fantahun, 2004) both in the rural and urban areas. This situation can be based very much on a "hand-to-mouth" existence. A small business (enterprises) by contrast usually has an existence separate from that of the owner.

In Ethiopia, like in any other developing countries, medium and large scale manufacturing or service giving sectors and bureaucracies could not create enough jobs to absorb the ever increasing labor force, especially in urban areas. A number of interrelated factors contribute to this dismal situation. These include townward migration, population growth, landlessness, structural adjustment, etc. In such situations, MSEs, therefore, have a critical potential role in poverty reduction and economic recovery and growth. It has been estimated that there are 500 million economically active poor people in the world operating micro enterprises and small business (women's world banking, 1995). Most of them do not have access to adequate financial services. To meet this substantial demand for financial services by low-income, micro or small scale entrepreneurs should adopt a long-term perspective. The Contribution of Micro Finance Institution services on Small Scale Enterprises Operation are providing credit and savings to build assets, stabilize consumption against risk. Micro finance intuitions are said to bring valuable services to vulnerable people enabling them to create, own and accumulate wealth and assets.

Micro or Small enterprises offer an alternative to the conventional strategy for bringing development to poor nations. According to Grameen Dialogue (1996), "Many little things in many little places by many little people will change the face of the world". Accordingly, in the future it is not big corporate or governmental employers, but millions of small businesses that will have to provide large share of the jobs if they have been facilitated through credit provision by MFIs.

Therefore, the necessary emphasis should be given to small or micro enterprises development as it is powerful and effective poverty reduction tool. In some developing countries, successful measures have been taken for the improvement of credit provision at small or micro enterprises level aimed at the reduction of poverty of the poor people. The good example is the Grameena Bank in Bangladesh. In Ethiopia, poor people have used informal sector in their attempt to obtain loanable capital but the poor have becomes victim of money lenders who demand them high interest rate at the end of the due day. Despite its highest interest rate, this access is open to a very insignificant segment of the needy. In addition, the money obtained from lenders is unlikely to change either economic capacity or the quality of the life of the urban poor beyond alleviating their immediate problem. There is an urgent need to develop strategies and programs of intervention to mobilize resources, to develop the informal sector, to improve its efficiency and promote employment generation. In so doing, the delivery of micro finance services has been considered as one of the policy instrument of the government and nongovernmental organizations (NGOs) to enable the rural

and urban poor to increase their productivity, induce them to adopt new technologies, increase their income, reduce poverty and attain food security (Wolday, 2000).

Currently, the federal government of Ethiopia has taken several economic reform measures to address poverty. The poverty reduction strategy is to address poverty as its core objectives. This strategy is known as plan for accelerated and sustained development to end poverty (PASDEP). It covered five years (2006-2010) and focused on the eight elements (BoFED, 2006). Rural and urban unemployment is a serious challenge in Ethiopia. Therefore, self-employment generation through the promotion of microfinance is one of the eight focus area of PASDEP. Thus, trying to fulfill the basic needs of the population, it embarks upon economic reform measures conducive for free market competition and employment creation which includes the promotion of policies that will encourage savings, private investment, increasing income earning opportunities and promotion of small-scale industries. More recently, the ongoing five years growth and transformation plan has given due attention for overall development of MSEs in the urban industry development strategy puts the economically active poor people back in the spot light of the country's development agenda (MoFED, 2010).

Currently, there are 31 MFIs in the country, which are licensed to operate in regional states and at national level. They provide finance service, mainly credit and savings and in some cases, loan insurance. Almost all MFIs in the country have poverty alleviation as an objective. They are thus meant to address the lower strata of micro-entrepreneurs including those engaged in activities that are started and operated just for survival. In this study, the researcher will assess the contribution of MFI services on Small scale Enterprises operation. The study will be undertaken in Hawassa Town concerning seven fringes (division) including food processing, clothing and garments, urban agriculture, municipality works, construction, metal and wood work, and Hand crafts which consist of 2260 small scale enterprises.

1.2 BACKGROUND OF THE STUDY AREA

Ethiopia is the one of the countries in Africa Continent with an estimated population of 82,101,989 out of which 41,431,989 (50.46%) are male and 40,670,000 are female which accounts 49.53% (CSA, 2011). It is estimated that more than 85% of the population depend on the agriculture for their livelihood. Above half of the population is living below the poverty line.

SNNPR is found in the southern and south western part of Ethiopia. Geographically, the region lies between 4°27' and 34°21' and 8°11' East longitudes. The region is bordered with Kenya in south, the Sudan in the south west, Gambella Regional state in north-west, and Oromia regional state in north and east. The region is divided into 13 zones, 1 city administration /Hawassa/, And 8 special woredas. There are also 135 woredas and 21 city administrations.

The main economic activity in the region is agriculture, where farming is dominantly practiced in the highlands while livestock herding in lowland areas. The region is well known in organic coffee, spices and beverage production. Some people also involve in hand crafts and petty trades as a means of livelihood, especially in urban areas.

Hawassa, which is the area of this study, is the capital city of the SNNPRS that is located on the southern part of Ethiopia, on the high way from Addis Ababa to Nairobi at 272km. It is bounded by Lake Hawassa in the West, Oromia Region in the North, WondoGenet Woreda in the East, and Shabadino and Dorebafano Woredas in the South. The City Administration is divided into 8 sub-cities and 32 Kebeles.

According to federal democratic republic of Ethiopia central statistical agency's (statistical abstract, 2011) census projection, total population of the Hawassa city is estimated at 313,564 thousand, breaking into 161,346 male and 152,218 female which accounts for about 1.87 % of the total population the region. According to CSN's statistical abstract 2011, Hawassa city has 6538.17 km² and the population density of the city is 506.6 persons per square km. square km.

1.3 STATEMENT OF THE PROBLEM

Poor people have no access to get credit or money for self-employment and lack of access to financial support are some of the major problems that prevail in the urban areas of the developing countries. As a result they cannot take credit from financial sectors like governmental and private banks. This forces them to borrow money from urban money lenders at exorbitant interest rates. All the above problems are manifestations of poverty in the developing countries including Ethiopia. Concerning these problems, various approaches and many innovative institutional mechanisms have been developed across the world in reducing poverty by providing credit and related services to enhance the access of house hold to financial service to poor.

Now-a-days, poverty reduction is the main issue of developing countries and governments to pull out their people from poverty. Micro Finance has been one of the means developed with the purpose of helping the poor to escape out of the poverty. In many low income countries, the prevailing operation of the formal financial institutions is insufficient to provide sustainable credit facilities to the poor (Khandker, 1998). The main reasons are high transaction cost of loans, information problems, lack of appropriate collateral and the informal nature of their business. Considering the problem of poverty, the Federal Government of Ethiopia puts poverty reduction strategy on the top of its development agenda.

The government's effort to improve the living conditions of the rural population have begun to bear fruits even though the incidence and severity of poverty have been intensified in the urban areas in the recent past. Recent researches suggest that income gap between the rich and poor has been widening in the urban centers due to deepening poverty, rising unemployment, severe house shortage, poorly developed physical and social infrastructure and the proliferation of slum and squatter settlements. In view of this, five micro finance institutions operate in different rural and urban areas of SNNPR to achieve the ultimate goal of poverty reduction. Among these, Omo MFI was established with its vision and objectives of reducing poverty and strives to contribute its part in the effort to bring about accelerated and suitable economic development in the country by provision of efficient, effective and sustainable financial service to the economically active poor.

However, the contribution of Omo Micro Finance Institution, in the Region as well as Hawassa Town, has not been well studied whether it does in fact reduce poverty in terms of income, asset and employment generation and plays all the roles intended to achieve. Omo Micro Finance Institution focused mainly on the performance and operation activities of the institution rather than assisting small scale entrepreneurs and the poor people in mitigating and alleviating abject poverty in the study area.

Therefore, Assessing the Contribution of Micro Finance Institution services to Small Scale Enterprises operation, the case of Omo Microfinance Institution is the main focus of the study to find out the beneficiaries link to MFI for solving the problems of access as well.

1.4 OBJECTIVE OF THE STUDY

1.4.1 GENERAL OBJECTIVE

In consideration of the vital and critical role of small scale enterprises in poverty alleviation in rural and urban area and their contribution to the growth policies of the country, a detailed study on the structure and pattern of small enterprise has been found timely.

The general objective of the study is to assess and identify the contribution of MFI services on small scale enterprise operation in relation to credit provision and finding out the feasible solution of the access towards microfinance activities and bring into light the problem faced by SSE operators.

1.4.2 SPECIFIC OBJECTIVES

The specific objective of the study is:-

- To assess the contribution of MFI in helping small scale enterprises,
- To assess the collection period flexibility of MFI to small scale enterprises activities,
- To identify the trends among small scale enterprises in terms of ownership of assets, the Level of income and self-employment for livelihood improvement,
- To assess MFI credit provision sustainability to small scale enterprises and to poor people in urban areas,
- To assess possible improvement etc so as to improve the delivery of microfinance services to small scale enterprise and other poor people
- To recommend over all directions to MFI to address the problems existing in small scale Enterprises

1.5 SCOPE OF THE STUDY

The scope of this study is assessing the contribution of OMFI services on small scale Enterprises operation involving both primary and secondary from 2006 - 2010. This study was conducted in Hawassa City Administration which consists of 8 sub cities as beneficiaries of Microfinance credit provision services that has one branch covered in 32 kebeles and which consists of 2260 beneficiaries incorporated in 227 enterprises.

1. 6 LIMITATION OF THE STUDY

The major limitation is the shortage of time in relation to the study area. Due to this, to assess the performance of OMFI and its current status requires longer time. However, there is acute shortage of time to cover the study area.

The other limitation of this study is lack of substantial literature on formal micro finance institutions in the study area (OMFIs with reference to small scale enterprise). Third limitation is financial problem and paucity of data regarding the study.

2. REVIEW OF RELATED LITERATURE

2.1. DEFINITION OF MFIs

MF is an organization that provides financial service to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristics of providing financial services to clients who are poorer and more vulnerable than traditional bank clients (CGAP, 2010). Though by definition, MFIs provide financial services to the poor. They may also offer other services such as non- financial services as a means of improving the ability of its client to utilize financial services. However, there is still much debate in the field as to where the focus of the institutions should be offering only intermediation and other services (Ledger Wood, 1999).

To sum up, microfinance institutions are institutions that established for the purpose of provide suitable financial and other services using innovative methodologies and systems at low cost to meet the need of low income sections of the population who have no access to credit and savings facility and act as financial intermediaries in a genuine sense.

2.2. DEFINITION OF MSEs

Small scale enterprises remains one of the most reviewed in literature especially as its impact on all kind of economics can be overlooked. Worldwide, they are accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potentials at low capital cost. The rapid expansion of small scale enterprises in economies of developed countries in the 1980s and 1990s has created a widespread conviction that small, new ventures are the most important source of entrepreneurship and as dynamic and innovative factor, they contribute directly to economic growth. (Piety and Rekowsky, 2008).

Micro and small scale Enterprises (MSEs) are believed to have a vital role in poverty reduction, employment generation as well as economic development in poor countries like Ethiopia. The Ethiopian MSEs includes a diverse set of operators ranging from petty traders to small restaurant owners; shoes shine boys to small shoes making enterprises; peddler in the streets to the grocery business operators, etc. Micro enterprises are the smallest, informally organized business activities while small enterprises are rather formal business that fall under the purview of the country's legal and regulatory systems. MSEs operate in all sectors—manufacturing, trade, services (Fantahun, 2004) both in rural and urban area. The definition given to MSEs is not similar in all countries rather it varies depending up on different factor. The meaning attached to MSEs varied and changing according to each county's development and capacity of support provision. For instance, in South Africa a Small, Micro and Medium enterprise is seen as a separate and distinct business entity that include cooperative enterprise and non-governmental organization managed by one owner or more persons which include branches if any (predominantly carried on in any sector or sub sector of the economy) National small business Act. (1996).

In Ethiopia, The definition of MSEs is decided by MoTI—by considering the existing situation of the country. According to the definition of MSEs that currently is practiced as follows:- Micro enterprise are those business enterprises with a paid-up capital less than birr 20,000 and excluding high-techno consultancy firms and technology establishment; whereas small enterprise with paid up capital above birr 20,000 and not exceeding 500,000 birr and excluding high-techno consultancy firms and other technology establishments (MoTI, 1997). Medium and large enterprises by default are those with more than birr 500,000 paid up capitals. Other working definitions that were in use classify firms in to different size categories based on the number of workers as criteria. For example, according to the CSA a micro enterprise is one with fewer than 10 workers; those with 10-50 workers constitutes small enterprises while medium and large sale enterprises are those with more than 50 employees. Recently the CSA classified manufacturing establishments as: (1) large and medium scale that engages 10 or more persons and use power driven machines; (2) small scale manufacturing establishments engaging less than 10 persons and use power driven machines; and (3) Cottage/ hand craft manufacturing establishments performing their activities by hand (i.e. using non- power driver machine/ hand tools).

2.3. MICROFINANCE IN AFRICA

The last twenty years have significant advances in understanding and providing financial services to better advance development and eradicate poverty. This includes providing the financial means to save, access credit, and start small businesses, with potential economic enhance community development, as well as local and national policy making. When properly harnessed and supported, microfinance can scale-up beyond the micro-level as a sustainable part of the process of economic empowerment by which the poor can lift themselves from poverty.

Microfinance is not a panacea for poverty and related development challenges, but rather an important tool in the mission of poverty eradication. Poverty is a multi-dimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system. Owing to poverty's large scope and multiplicity of actors, there is no single guaranteed approach to its eradication. Within this system, solutions are as multifaceted as the causes. Such a systems' perspective is critical in creating an enabling environment for sustainable poverty. Problems and solutions are not isolated phenomena, but occur within interconnected system in which actors and actions have reciprocal consequences. Consequently, poverty eradication is a complex mission and requires commitment, co-operation, and cohesion at all level of development—individual, community, national, and global. While microfinance alone does not improve roads, housing, water supply, and education and health services, it can play an important role in making these and other sustainable contribution to the community. AS microfinance becomes more widely accepted and moves into the mainstream, the supply of services to the poor may likewise increase, improving efficiency and outreach, while lowering costs. This, in turn, can have a multiplier effect on people's standard of living. Perhaps the greatest contribution of microfinance is that it empowers people, providing them with confidence, self-esteem, and the financial means to play a larger role in their development. The potential of microfinance far exceeds the micro-level, scaling-up to address macro-problems associated with poverty eradication.

Africa microfinance is as diverse as the continent itself. An array of approaches have been used, ranging from traditional kinship networks Revolving saving and Credit Association (RSCAs) to NGOs and development projects, and found by the informal and formal financial sectors, as well as domestic and international and donors. (Culgakovski.J.V.M.C.Germany and C.Hamphereys, 1991).

2.4. MICRO FINANCING IN ETHIOPIA

The existing of financial markets capable of mobilizing financial resource is widely accepted as essential for economic development of any country. But, the credit market in the country is highly fragmented this limits the financial flows between formal and informal sector. The poor in Ethiopia are often self-employed in small scale Business due to lack of education and skill, and limited employment opportunities. In addition to this, the poor particularly, women create this own jobs very small agricultural, manufacturing services, and petty trading. Yet, this small scale informal activity is not in supposition to yield sufficient income to escape the poor out of poverty. Rising investment, capital and lack of sufficient available funds, and facility's are among the barriers faced by microenterprises sector, particularly in the informal sectors. Since micro-enterprises have very limited access to convention banks, specialized financing scheme should be developed to facilitate credit access to the poor, increasing their productivity and income generating activity.

Wide scale micro-financing started on March 30/1990 following the signing of credit agreement between the governmental of Ethiopia and the International Development Association (IDA). The credit scheme aimed at financing the market towns to improve infrastructure in towns, markets and service centers for the agricultural hinterland and to alleviate problems of urban poverty.

In the past, micro credit service and saving mobilization in Ethiopia were being carried out by NGOs, government departments, cooperatives and others in fragmented and inconsistent way. But according to Wolday (2000), the government took the initiative to establish a regulatory framework in order to facilitate sound development of microfinance industry. The Ethiopian government has laid down a regulatory framework for the establishment of MFIs by issuing a proclamation No. 40/1996 that provide for the licensing and supervisions of MFEs. They are sponsored by regional governments, local associations, NGOs, and

government departments. Since the issuance of this proclamation in July 1996, MFIs have legally registered and started delivering microfinance services. The National Bank of Ethiopia (NBE) supervises MFIs in Ethiopia.

2.5. MSEs DEVELOPMENT IN ETHIOPIA

In Ethiopia the MSEs sectors was neglected for a long period of time. The socio cultural and political problems were the main obstacle for the development of the private enterprise including MSEs. This is, because of lack of enterprise culture, lack of positive attitude towards MSEs, and the out casting of those groups of people engaging in the sector, etc. One example on the casting out of people the consideration given for weavers and leather product producer and thus as a result of this approach contributed to high hinder the development and promotion of MSEs in Ethiopia. In recognition of the importance role of MSEs in creating employment opportunities and generating income, hence reducing poverty, the government introduced its first Micro and Small Enterprises Development Strategy in 1997 (MoTI,1997). Measures that support the development of the private sector, including many measures to support the development of small enterprises were taken. Provision of incentives to the creation and development of micro-entrepreneurial activities is considered as one of the main component of economic growth and poverty reduction promotion strategies by the government and other development stakeholders.

2.6. MSEs DEVELOPMENT IN THE REGION

The package and regular program performance of the MSEs development is confined to the strategic direction established by the region bureau of trade and industry in line with the vision, goal and targets of the micro and small scale enterprises development program. Under this program the MSEs target of the micro and small scale enterprise development program. Under this program the MSEs targets to create 410,000 small scale and medium enterprises operating in the domestic market and 10.00 in the international market. Under this arrangement, the program is to engage a total of 420.000 MSEs operators with 168.000 in package program and 252.000 in the regular program. These programs are being implemented so as to realize the MDGs to ensure sustainable development, eradicate poverty and to fulfill the industrial development strategy, rural development strategy and urban development policy by 2015 (SNNPRS bureau of Trade & Industry 2009:4).

Poverty and Unemployment have been widely identified as an impediment to development especially in the under developed economics where majority of the population are known to live below the poverty line. Poverty and unemployment carries along them other socio- economic problems that tend to un determine major gains that these struggling economics try to realize there by slowing considerable the pace of development (Ibid).

2.7. MSE's CONTRIBUTION TO THE NATIONAL ECONOMY

Generally, MSE'S are ubiquitous in Ethiopia. However determining their number is note easy, partly due to lack of consistent determination of MSEs by concerned government agencies such as the Central Statistical Agencies and the Ministry of Trade and Industry. The CSA surveys do not define the terms MSE as such. Instead, they are based on terms such as the informal sector, Small scale manufacturing industry and cottage and hand- crafts. The consequence is that a credible estimate of the magnitude of micro and small enterprises is get to come.

With the MSE sector cutting across all sectors of the economy, Ho ever, it has proved to be a source of productive employment next to agriculture both in urban and rural set-ups. According to the 1997 CSA survey, the Ethiopian informal sector along with small scale manufacturing sector comprised of a labor force which is eight fold compared to the mediums and large scale manufacturing sector (IC Net limited 2007).

2.8. PROBLEMS OF MSEs

Micro and small Enterprise account the bulk of economic activities in most developing countries. However, they face many problems such as lack of access to finance, lack of promotion support, lack of working premises, lack of information in business opportunities. Lack of marketing strategies, social and cultural impacts, in adequate training in entrepreneurial and management skills, lack of infrastructures, lack of access to appropriate technology, lack of smooth supply of raw materials, etc. In Ethiopia the private sector is highly dominated by MSEs that geared towards satisfying the needs of poor and low- income groups, in the country MSEs Account for 99.8 percent of the total establishment and employing 94.7 percent of workers. However, like other developing countries, The sector faced with critical problems and challenges both at the operation and start up period. Wolday (1997), assessed about the problems on MSEs in Ethiopia both at the existing and the emerging enterprises. Some of this include: lack of access of credit, problem of raising investment capital, lack of sufficient loan, funds, facilities, access to premise and land, considerable insecurity on business owners concerning location and acquiring location and acquiring of land which are not suitable to get easy access to markets, lack of training on entrepreneurial and managerial skills, training institutions and centers, infrastructures, sufficient market and linkage, Promotional supporters, Business information, specific national policy to enhance the development of the sector and problems on the education system. MSEs are highly applicable in developing countries due to various reasons. Among these, their size, their use of local input and labour forces, low startup capital, locally existing technology and experience hence, other than the problem mentioned above due to their different economic, social and political significance they need special to make them efficient and large scale industries in developing countries attention like Ethiopia.

2.9. SUMMARY OF REVIEW OF RELATED LITERATURE

The review of literature depicts that the overall review of financial and non-financial services of MFIs to SSEs operators' / poor. Throughout the world, poor people excluded from formal financial systems. Absent of an access to formal financial services, the poor have developed a wide variety of informal, and community based-arrangements to meet their financial needs. In addition, over the last two decades an increasing number of formal sector organizations (non-government, government, and private) have been created for the purpose of meeting those same needs. Microfinance is the term that has come to refer generally to such informal and formal arrangements offering financial services to the poor. The basic products offered by MFIs are credit, savings, and insurance (risk management). The existing MFIs are minimalist in their approach in the sense that they provide financial services. On the other hand, formal banks concentrate on financing the medium and large-scale enterprise, and shun the SSEs mainly due to the high cost and risk involved and absence of appropriate assets that can be pledged as collateral.

Although the current sources of finance for SSEs include MFIs, personal savings, equb and sometimes friends and relatives, with the possible exception of MFI, the rest may not be reliable or sustainable sources for the development of SSEs. So, there is a strongly growing interest in microfinance as one of the ways to encourage the developmental of the poor. This brought microfinance within the framework of the new institutional economics with attention for the governance structure in financial institutions, and for the relationships between the client and financial institutions. The literature of review is divided in to two categories, namely, theoretical and empirical. The theoretical perspective literature has in turn, classified in to the following three parts as (1) definitions and concepts given to establish a clear understanding about the study,(2) history and theories of MFIs and MSEs, (3) formal and informal financial institutions services. The second broad category of literature is empirical literature, which has been used to review various studies about microfinance institution service and small scale enterprises operation written by different scholars in the of study.

To sum up, the literature of this study is focused on definitions of microfinance, discussion of related theories to the study, historical establishment of microfinance in other countries as well as in Ethiopia, and the conceptual framework of microfinance. All sources cited in the review of literature share a common view point that SSEs are established to play a vital role in poverty alleviation, and employment or job creation, and income generation thereby creating sustainable economic development in poor countries, like Ethiopia. In general, micro financial institutions are accepted as the engine of economic growth to bring about sustainable and equitable development enhancing the idea of savings and investment which may finally contribute for capital formation, which in turn may be used for reinvestment.

3. RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

The Methodology of Study includes quantitative and qualitative approaches based on structured techniques of data collection by using descriptive analysis of existing situations. The research strategy that the study applied was the descriptive techniques. The descriptive study approach is chosen for this survey since it facilitates the identification and analysis of relevant data and variables. This approach tries to describe present conditions, events or systems based on the impression or actions of respondents of the research. Consequently, the research was designed to achieve the objectives set out by the researcher.

3.2. SAMPLE SIZE

During the survey time there were 63 enterprises in the food processing sector, 14 enterprises in the construction materials production work sector and 35 enterprises in metal and wood work sector, totally 112 enterprises consisting of 621 members as the sample of study population. Among these, 10 enterprises were selected from the food processing sector, 6 enterprises were selected from the construction material production sector, and 19 enterprises were selected from the metal and wood work sector, totally 35 enterprises (31.25% of total enterprises) included in the study from three sampled sub-cities (Menaheria, Tabor, and Misrak). The desired sample size of this study is 133 which constitute 21.42% of the study population.

3.3 QUESTIONNAIRES

The data were collected by means of self-administered questionnaires. The questionnaire was both close-ended and open-ended questions. These questionnaires have been distributed to selected enterprises members in Hawassa city by the researcher. The respondents were asked to circle the choice that provided under close-ended questions and give comments for open-ended questions. This tool is selected due to easiness for distribution and collection as well as respondents can fill it with confidence and also the detailed information can be obtained. Therefore, the questionnaires were used to collect the relevant data of demographic variables like sex, Age, marital status, and the social aspects like education, health, nutrition. And socio-Economic variable like level of income, employment opportunities, constraints and problems (challenges) faced internally and externally, sustainability, Marketing condition from small scale enterprises members. And financial aspects such as credit provision, supports provisions to sustain the enterprises monitoring and evaluation schemes, future plan and the like information or data were collected from OMFI.

3.3.1. INTERVIEWS

Interviews were also prepared and administered again to the head officials, branch officials and sub-cities employees. The interview made in-depth insights concerning the contribution of the micro finance institution services to small scale enterprises operation. The interviews were more effective for its high response rate following questions and verifications of unclear issues that could be possible alone on the spot. Interview check list was used as a tool for conducting interviews.

3.3.3. FOCUS GROUP DISCUSSIONS (FGDs)

The focus group discussions held with selected individual from SSEs, OMFI head and sub branch Officials. In this regard important and selected issues, from semi-structured questionnaires and site observations were raised from the focus group discussions were regarded with written notes and recording device to summarize the information for analysis. Personal observations were also made on the residence of selected respondents and the working sites of the SSEs. The researcher has to use basic questions related contribution of MFI to guide the discussion with the selected members of the focus group discussions.

4. RESULTS AND DISCUSSION**TABLE 4.1: DEMOGRAPHIC INFORMATION**

Variable	Type of small scale enterprise				
	FP n=33	GP n=16	PB n=8	MW n=76	Overall N=133
Sex of the Respondent (%)					
Male	54.5	18.75	100.0	72.4	69.993
Female	45.5	15.25	0.0	27.6	30.140
Age of the Respondents (%)					
18-25	18.26	25.0	12.5	142.13	32.343
26-35	39.4	13.68	11.875	752.64	53.471
36-45	18.26	6.3	1.0	95.3	8.311
46-55	15.25	0.0	0.0	0.0	3.85
+ 55	9.1	3.0	0.0	0.0	2.33
Age of the Respondent (Mean ± Std.Dev.)	37	13.29	4.31	42.7	6.309
Marital Status of the Respondent (%)					
Single	42.4	14.83	25.0	247.43	64.1455
Married	54.5	18.13	13.75	651.33	57.176
Divorced	0.0	0.0	0.0	1.3	1.81
Widowed	3.0	1.0	0.0	0.0	0.81
Educational Status of the Respondent (%)					
Illiterate	3.0	1.0	0.0	0.0	0.81
grade 1-4	3.0	1.0	0.0	13.2	10.311
grade 5-8	15.25	18.83	0.0	27.6	21.829
grade 9-10	48.5	16.56	39.75	642.13	247.463
grade 11-12 complete	30.3	10.25	0.4	217.11	132.829
Prior occupation before joining the enterprise (%)					
Unemployed	30.3	10.68	11.1	100.0	14.51130.140
Self-employed	42.4	14.0	0.0	40.8	3133.845
Student	3.0	1.25	0.4	14.5	11.2016
Private Co. employee	6.1	2.63	1.0	27.6	2118.024
Government Employee	12.14	0.0	0.0	2.6	24.56
Other	6.1	2.0	0.0	0.0	1.52

FP = Food Processing; GP= Gravel Production; PB= Precast/ Block; MW= Metal and Woodwork f* is the frequency of values; % refers to the percentage

Source: Data from the questionnaire

Table 4.1 clearly reveals that the most beneficiaries are categorized under the age of 18-25 years which is 43(32.3%) of the total beneficiaries and in the age group of 26-35 years, which is 71 (53.4%) of the total beneficiaries, that is totally 114 (85.7%) are productive age. The average age groups of respondents are the age between 36-45 years which is 11 (8.3%) of the total beneficiaries and the least age group of respondents who are participated in credit and savings scheme is the age group between 46-55 years which is 5(3.8%) of the beneficiaries. The mean age of the sample respondents is 30 years. This showed that most of them are youth who could actively participate in income generating activities to improve their living conditions. Moreover, it is possible to say that SSEs involved in metal and wood work sector are benefiting age groups, more significantly the youth, and their contributions for productivity and employment generations is very essential. The below table 4.1 gives details of the marital status of the selected sample beneficiaries. It is clear from the table that 55 beneficiaries which accounts 41.4% were unmarried (single) among the total beneficiaries and 76(57.1%) of the beneficiaries were married and 1(8%) beneficiary was divorced, and 1(8%) was widowed beneficiary among the total beneficiaries.

4.2. ENTERPRISES' CONDITION

As table 4.2 shows 33 respondents of which accounts 24.81% were food processing while 24 respondents (constituting about 18.05%) were construction work enterprise members, and 76 respondents which accounts 57.14% were metal and wood work enterprise members. The general experience shows that SSEs

cater for the need of the lower and middle class consumer by availing affordable products/services, thought the buyer should compromise of the quality of the product/service. Attempt was made to identify the lines of business the SSES are engaged in and the major products/ service to the community. This was done partly to get an overview of the important of SSES, sector in the economy and also understand the types of financial and non-financial services to be availed to promote the growth of the sector.

Table 4.2 reveals that the years of establishment, nearly all the enterprises are young that started working during and between the years 1998-2004 E.C. According to the survey, 3 food processing enterprises which accounts for 9.1%, 13 gravel production enterprise constituting of 81.3%, 4 precast and block production enterprises which accounts for 50% and 28 metal and wood work enterprise sector which accounts for 36.8% established in the year of 1998-1999 E.C. While 5 food enterprises which accounts for 15.2%, 3 gravel production constituting about 18.8%, 4 pre cast and block constituting 50% and 6 metal and wood work enterprises which accounts for 7.9% established in 2000- 2001 E.C. The remaining 19 Food processing enterprises sector which constituting about 57.6%, 34 metal and wood work enterprise sectors, established in 2002-2003 E.C. And then 6 food processing enterprises which constituting 18.8% and 8 metal and wood work enterprise sector which accounts for 10.5% established in 2004 E.C. This indicates that the SSES involved in metal and wood work related works established absorb the most job opportunities.

TABLE 4.2: ENTERPRISES' CONDITION

Variable	Type of small scale enterprise								Overall N=133
	FP n=33	GP n=16	PB n=8	MW n=76					
Type of small scale enterprise (%)									
Food processing	100	33	0	0	0	0	0	33	24.8
Gravel Production	0	0	100	16	0	0	0	16	12
Precast / Block	0	0	0	0	100	8	0	8	6
Metal & wood work	0	0	0	0	0	0	100	76	57.1
Time of Establishment of the Enterprise (%)									
1998-1999	9.1	3	81.3	13	50	4	36.8	28	36.1
2000-2001	15.2	5	18.8	3	50	4	7.9	6	13.5
2002-2003	57.6	19	0	0	0	0	44.7	34	39.8
2004 and on-wards	18.2	6	0	0	0	0	10.5	8	10.5
Members of the Enterprise (%)									
4 Members	21.2	7	0	0	0	0	6.6	5	9
5-6 Members	63.6	21	25	4	50	4	93.4	71	75.2
7-8 Members	15.2	5	56.3	9	0	0	0	0	10.5
9-10 Members	0	0	18.8	3	50	4	0	0	5.3
Futures plan in relation to your enterprise (%)									
To promote the existing business to medium scale enterprise	45.5	15	56.3	9	87.5	7	69.7	53	63.2
To expand the existing business to PLC	27.3	9	25	4	12.5	1	17.1	13	20.3
To maintain the existing business	3	1	0	0	0	0	0	0	0.8
To divert the existing business	24.2	8	18.8	3	0	0	13.2	10	15.8

FP = Food Processing; GP= Gravel Production; PB= Precast/ Block; MW= Metal and Woodwork f* is the frequency of values; % refers to the percentage

4.3. CREDIT SCHEME CONDITION

TABLE 4.3

Variable	Type of small scale enterprise								Overall N=133
	FP n=33	GP n=16	PB n=8	MW n=76					
Access to credit from other sources (%)									
Yes	24.2	8	25	4	50	4	48.7	37	39.8
No	75.8	25	75	12	50	4	51.3	39	60.2
Time of having access to credit from other sources (%)									
1985-1990	25	2	0	0	0	0	2.7	1	5.7
1991-1995	12.5	1	0	0	0	0	10.8	4	9.4
1996-2000	25	2	100	4	100	4	56.8	21	58.5
2001-2004 (Present)	37.5	3	0	0	0	0	29.7	11	26.4
Amount of credit received from other Institutions (Mean ± Std.Dev.)	14875 (8871)	61960 (53965)	247000 (0)	58821 (45887)	66540 (67562)				
Sources of credit (%)									
Equib	25	2	0	0	0	0	13.9	5	13.5
Friends and relatives	0	0	50	2	0	0	13.9	5	13.5
Money lenders	0	0	0	0	0	0	2.8	1	1.9
Banks	62.5	5	0	0	0	0	47.2	17	42.3
Other	12.5	1	50	2	100	4	22.2	8	28.8
Credit receipt time from OMFI (%)									
1998-1999	0	0	81.3	13	50	4	42.1	32	36.8
2000-2001	18.2	6	18.8	3	50	4	9.2	7	15
2002-2003	57.6	19	0	0	0	0	43.4	33	39.1
2004	24.2	8	0	0	0	0	5.3	4	9
Amount of credit received from OMFI (Mean ± Std.Dev.)	33824 (11915)	71337 (49786)	260500 (14432)	54363 (30555)	63708 (59036)				
Spending of the money in accordance with the enterprise business plan (%)									
Yes	93.9	31	81.3	13	50	4	89.5	68	87.2
No	6.1	2	18.8	3	50	4	10.5	8	12.8
Benefits of the credit (%)									
Yes	93.9	31	68.8	11	50	4	90.7	68	85.72
No	6.1	2	31.3	5	50	4	9.3	7	14.28
Adequacy of credit provision (%)									
Adequate	33.3	11	43.8	7	0	0	25	19	27.8
Inadequate	66.7	22	56.3	9	100	8	75	57	72.2
Sufficient Amount of Credit to Run the Enterprise (Mean ± Std.Dev.)	142818 (162902)	134888 (121605)	357500 (4629)	197697 (264977)	186137 (225061)				

FP = Food Processing; GP= Gravel Production; PB= Precast/ Block; MW= Metal and Wood work f* is the frequency of values; % refers to the percentage

Source: Data from the questionnaire

As table 4.3 Reveals that Credit provisions is an important instrument that can be used effectively when it is given to credit worthy among the economically poor people. In this regard, respondents were asked their access to received credit from other source previously. So, 53 respondents which is constituting 39.8% had access of other sources and 80 respondents which accounts 60.2% responded that they had no other sources of credit. This indicates that for almost more than 60% enterprises members, OMFI is the only source of credit for their enterprise. Accordingly, to indicate the time of having access to credit from other sources, 3 respondents which accounts 5.7%, 5 respondents which accounts 9.4%, 31 respondents which accounts 58.5%, and 14(26.4%) respondents responded that they were received credit from the other sources in the time period between 1985-1990, 1991-199, 1996-2000, and 2001-2004 respectively. The overall average amount of credit received from other source is 66540 birr per work /job sector.

As table 4.3 summarized the most commonly used of overall sources of finances are equb (13.5%), credit from Friends and relatives (13.5%), credit from money lenders (1.9%), credit from banks (42.3%), and credit from other finance sources which accounts 28.8%. Similarly, the time period of credit received from OMFI also depicted in table 4.3. 49 respondents which accounts for 36.8% responded that they received credit the time period between 1998-1999E.C. 20 respondents stated that they received credit at the time period between 2000-2001E.C. and 52 respondent which is constituting 39.1% responded that they received credit at the time period between 2002-2003E.C. and the remaining 12 respondents which accounts 9% responded that they have received credit at year of 2004E.C.. The overall mean amount of loan received from OMFI is 63,708 Birr per job sector., The maximum and minimum average of the total loan is birr 260,500 and birr 33824, that received by food processing sector, and precast and block production enterprises, respectively.

According to table 4.3, of 116 respondents reported that they had spending of the money in accordance with the enterprise business plan, where as 17(12.8%) respondents responded that they have't spent in accordance with the enterprise business. This indicates that the weakness of OMFI monitoring and follow-up of their performance. Providing credit alone may not bring dramatic change or it will not reduce poverty and improve productivity and income on sustained basis. Hence, to make the borrowers /poor to use the money according to the enterprises business plan and to make credit provision more effective, giving additional credit packages such as business plan development, different training facilities, and market study.

In light of this, the previous study dealing with Ethiopian microfinance institution indicated that the most of the institutions did not give these service and they considered this as a major challenge for MFIs; and they all commented that this issues should be improved and they point out so many things that the MFI should provide.

Table 4.3 indicates that almost all beneficiaries, 114(85.72%) respondents have been benefited from the credit scheme. This implies that the credit scheme to poor people in urban area has a great race in reduction of poverty. Accordingly, 19(14.28%) respondents depicted that they have not been benefited from the credit scheme. Because the short term of repayment affects their business have not to being beneficiary from the credit. They proposed that they can be benefited if the credit will be given based on long-term repayment and if the credit amount will be increased. This indicates that microfinance institution should adjust the repayment period and the credit amount.

As table 4.3 reveals about adequacy of credit provided by OMFI to run their businesses, of 37 respondent which accounts for 27.8% said that the amount of loan taken from OMFI is adequate (sufficient) to run their business effectively. Whereas, 96 respondents which is constituting about 72.2% of the total respondents claimed that inadequacy of loan size to run their business. This indicates that the credit provision is not sufficient enough for enterprises' business to run their operation effectively.

So, it is clear that despite the significant contribution of SSEs are making towards employment and national economy, their growth has been hampered by several challenges and constrains like low credit amount and repayment periods rank on top being reported as the major constraints by a large proportion of the enterprises. Therefore, OMFI should adjust the credit amount that offer to SSEs business /beneficiaries. It was also suggested that OMFI should be able to extend repayment of loans in cases where beneficiaries face problems beyond their control and loan repayment periods should be flexible and be based on the pattern of income flows from business activities. Slack period for some of the activities should be identified and the loan repayment periods be based on the specific circumstances.

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This study is focused on assessing the contribution of MFI services on SSEs operation on economically poor people. So, from this survey the main results can be identified below.

- The results of study revealed that the beneficiaries were able to improve the livelihood of themselves and their family members. Coming across different literatures, the working definition of livelihood throughout this study include: income, health care, education service, asset ownership, personal consumption/diet, and self - employment.
- The results of the study showed that the majority of the enterprises' members were found to be at their productive ages as the way out to employment creation and increase in income by engaging in various skill based jobs that related to food processing, construction materials production such as gravel production, precast production, and metal and wood work.
- The majority of the enterprises members used to have prior job, the Omo micro finance institution credit scheme served as job opportunity for nearly half of the beneficiaries.
- The number of beneficiaries and the amount of loan which is provided to beneficiaries by Omo micro finance institution indicated that declining from time to time. The decline in the number of beneficiaries and loan size may affect efficient and effective services to the small-scale enterprise members.
- The operation of small-scale enterprises have the constraints of infrastructure which hinder the enterprise effective performance of their future development and the challenges that encounter during the involvement of their operation were multi-dimensional and emanated from different sources. The frustration emanates from the problems encountered and the gaps between expectation and attainments becoming unsatisfactory among most of the enterprises members.
- The contribution of microfinance institution services considered as the main factors responsible for the improvement of their income of the enterprise members working in various work sectors.
- As the correlation test signifies that the microfinance service was found to have strong positive effect relationship with self-employment, income generation/gained and sources of income widened, asset accumulation and the booms in the total expenditure of the enterprises members.
- As the results of study showed, the difficulty of getting access to credit given by Omo microfinance institution is found to be one of the major problems due to the complication of the loan provision process, prolonged time it takes, low amount of credit provision, high rate of interest, and the request for guarantee/collateral, besides the trend of follow-up or monitoring mechanism, the short term of credit repayment, is not satisfactory
- The major results of this survey revealed that when poor people have access to financial services, they will be able to progressively increase their income, savings and investment through self-employment that pull out of poverty through the time.
- Finally, despites the recent financial policy environment and the best area for financial activities, the performance of loan disbursements and its recovery rate is still fluctuating. The reason for loan recovery fluctuation can be that the collection time of repayment may not match with the time of return of investment.

5.2 CONCLUSIONS

Micro financing has not yet been accepted universally as formal financial services render. However, the practice is widely spread with several countries accepting it as a strategy for poverty alleviation. Ethiopia is one of this new strategies using country. Although the microfinance has an essential place in the economic development, there are quite number of problems to be addressed. Poverty and unemployment are the two basic problems that hunt the poor for want of linkage between agriculture and industries sector of the economy. Microfinance is considered as a push factor that enables the poor to work their way out of the poverty.

So, small scale enterprises occupy an important place in the Ethiopian economy, at least, in the terms of the employment and the income they provide, more so in urban areas. Most of the time many of the poor are either unemployed or even employed, they are the least paid or participated in activities which are unprofitable. It is possible to make these people more productive by providing financial services.

The existing MFIs are minimalist in their approach in the sense that they only provide financial services and promote the productive capabilities of the poor and enable them to satisfy their needs better through participation in their own activities. The current sources of finance for SSEs include OMFI, personal savings, equb and sometimes friends and relatives, with the possible exception of MFI, the rest may not be reliable or sustainable sources for the development of SSEs. The fact that own savings and support from family and friends came as prominent sources of funding for start-up of new businesses which indicates the difficulty of entry and the absence of any external support for new and dynamic potential entrepreneurs. By creating employment opportunities for the poor and increasing capacities for those with no working capital, the institute has contributed positively to generate income, improved access to medical and educational services. In addition to this, those borrowers who took credit for relatively longer period of time have benefited more from those who took credit for short period of time.

Microfinance is becoming not only as a development tool for many developing countries by providing financial services in rural and urban areas, but also it is an effective method of poverty alleviation. Hence, microfinance credit is designed to provide credit for poor to create income generating activities there by contributing towards poverty reduction. The contribution of microfinance credit provision has been assessed in this study by comparing the situation of beneficiaries before and after being beneficiaries in the program. The contribution was assessed by using various indicators of economic and social aspects such as income condition, saving condition, employment creation conditions, access to education and access to medical services.

The assessment has shown that there exists a huge demand for credit for working capital and long term investment, especially from growth oriented SSEs and both the quantitative and qualitative results of the study shown that an improvement in the condition of the members following the receipt of microfinance credit and involved in the umbrella of their respective SSEs. The sustainability of the enterprises, the capacity of enterprises to stand alone without the support of other stakeholders that enable them to run business effectively, the lack of initiative to pool resources together and committed to work were found to be the areas that show limitations. Even if the efforts made by the concerned stakeholders to solve the constraints are encouraging, due to lack of continuous follow-up and support the observed results were not satisfactory.

Based on the findings, focus group discussions as well the key informants interviews found and confirmed the correlation tests, the growth and the future expansion of small scale enterprises could be affected by the multifaceted problems which might hinder the enterprises from achieving their objectives. Moreover, the constraints may led to a situation where many SSEs not to be sustainable in the long run. So, the study indicated that the nature of SSEs' business requires efficient and flexible lending policies and procedures on the part of the lending institution.

5.3 RECOMMENDATIONS

Considering the well recognized importance of SSEs in job creation, income generation and poverty alleviation, the government institutions, NGOs, MFIs and AEMFI/all stakeholders have the responsibility to make effort to remove the constraints that stand on the development path of the SSEs, especially those with the potential to grow and contribute more to the national economy.

Microfinance institutions as a whole were initially designed to combat poverty throughout developing countries in rural and urban areas. Most of the beneficiaries believed that it has been becoming the tool of poverty alleviation. Since the poor is deprived from the conventional banks due to low level of assets endowment in one side and the higher the transaction cost in another, Donors, NGOs and governments have been attempting to use microfinance in different parts of the world. Like many MFIs in Ethiopia, OMFI has been trying to reach as many active poor clients as possible in urban and rural areas of the zone. The financial environment and the needs of the people show changes throughout the time. Hence, the institution also should have to adjust itself with the changes of the environment. Based on the study findings above the suggestions are provided, hoping that they will be helpful to alleviate or at least to minimize the problems that associated with microfinance services provision to the SSEs. Therefore, the following recommendations are recommended for better performance and achievement of the institution to its effectiveness and future development.

1. Regarding sufficiency of the loan amount to meet the demand of beneficiaries, it has already been reported that the amount of loan taken from OMFI is insufficient to run the business effectively. Therefore, the size of the loan provision per head should be increased to the reasonable amount.
2. Funds for repaying loans are obtained from the returns on investment, but obtaining return on investment usually taken time. Thus, the repayment period should be adjusted so as to match the time to get return on investment. Accordingly, weekly or monthly schedule of repayment period should be changed to quarterly schedule period.
3. The institution should note that extending credit alone is not sufficient condition to reduce poverty and increase the living standard of economically active poor. So, additional interventions that go hand in hand should be implemented, i.e. aggressive work on skill development and credit management training to assist beneficiaries had better manage their loans. This will ensure that the borrowers are equipped with necessary skills to enable them to use their resources effectively and more productively.
4. In the study area, OMFI does not have flexible repayment period for beneficiaries when they are at risk. This makes the institutions credit services in question and borrowers may dissolve from the program. So, the institution should design flexible loan repayment period which is in line with current market condition.
5. The study revealed that frequent beneficiaries those who took credit relatively for longer period of time have benefited more from new beneficiaries/borrowers those who took credit for short period of time. So, the institution should also provide long term access to credit facilities to clients because its contribution cannot be seen in a short period of time due to vulnerability and high pressure of poverty that threatens the effectiveness of the credit's contribution.
6. Regular training should be given to beneficiaries along with the provision of credit services. This training should be directed at improving the management capacity of beneficiaries and at inducing utilization of new technologies, instruments and systems. This can be done through provision of credit in kind. The contribution of MFI intervention with stakeholders' support could be best recognized if they have contribution in creating capacity to improve the well-being of the members of SSEs.
7. Monitoring and follow-ups on the utilization of their loan should be carried out. Such follow-up may enable the beneficiaries to avoid the utilization of funds on activities other than their business plan.
8. To ensure sustainability in poverty reduction and transform to development, MFIs should diversify or modify their products / services for SSEs development and to be productive, delivery of such services / products should be designed in a cost effective way.
9. From what has been discussed so far, it is clear that MFIs are not responsive enough to meet the needs of SSEs to the level expected. There is need for new products and/or refining the existing ones to better reach and serve the SSEs for them to flourish and contribute more to reduction of poverty and national economy. So, MFIs should refine existing financial products and develop new ones based on the assessment of their financial needs.
10. The stakeholders such as AEMFIs should be engaged in building the capacity of MFIs, availing study documents and creating linkage with conventional banks and others.
11. According to findings of the study, one of the series problems faced by SSEs was lack of working place for its operation. The government agencies, therefore, should provide plot of land where they operate. Moreover, it should facilitate market for SSEs operators to sell their products.
12. One of the critical problems of the SSEs is their inability to offer collateral in fixed asset form to access loans from MFI. Even under the condition that SSEs were able to present personal and some other similar guarantors, the problem of collateral existed when trying to access repeat loans as the guarantors may not want take responsibilities for the next loan. Therefore, as proposed by the majority of the SSEs included in the study it would be good if OMFI consider business plan or project based lending to SSEs in promising activities. A wide range of collateral and collateral substitutes should also be considered in connection with situation of OMFI and each branch. So, some possibilities can be multiple guarantee arrangements, warehouse certificates, machinery and equipment, parents and other family members, Share certificates and cash flow pattern of the enterprises.

13. Microfinance movement has to be viewed long-term prospective. Its mission goes beyond development through credit provision for poverty reduction. By and large the analysis of microfinance is sowing seeds for self-reliant economy. While incorporating the certain business culture, social development action is essential for economic and development of the poor in the society since assessing the contribution of MFI services cannot be done on a one time exercise, the institution should develop simple and participatory assessing the contribution of MFI services evaluation methodology and tools. This will help the beneficiaries to engage in new innovative ideas and for institutions to maintain the quality services of the programs as well as to make decision on timely basis.

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