A Comprehensive Examination of the Sustainability Status of Microfinance Institutions in Ethiopia

Teshale Birhanu Tiruneh
School of Management Studies, Punjabi University, Patiala, India, :

Abstract
This article tried to present an overview of the Micro Finance Institution Sectors in Ethiopia and a Brief Profile and Empirical Findings of 4 Microfinance Institutions which are selected as samples for this article. Out of eight MFIs which are included in my PhD dissertation, only four MFIs are considered because of researcher's access to their financial data available in their archives and their importance in achieving the purpose of this article.
The main purpose of this article focuses on a comprehensive examination of the sustainability status of 4 MFIs against the existing performance indicators and to pose a bold question of research framework to researchers regarding the appropriateness of the indicators used in my article.
I was very much interested to write this article recalling that Ethiopian Economy Financial System is not backed up by Credit Scheme while most of MIFs in Ethiopia are giving Credit Facilities to clients. If that is the case, I have a strong belief that MFIs should stay sustainable in their performance so that they could fill the gap which is missing in the Country's Financial Economic System. For achieving the purpose of my article, performance indicators which include Client Outreach; Saving Mobilization; Number of Branches; Clients Served/Active Borrowers; Number of Clients Received Loan; Amount of Loan Disbursed; Number of Clients by Gender; Average Loan Size; Asset, Liability & Capital; Outstanding Loan; Revenue Generated & Expenses Incurred; and PAR & Operational Sustainability are used to make a comprehensive examination on the sustainability status of MFIs in Ethiopia. The rationale behind selecting these performance indicators is that they have been used by the institutions during their operational years to evaluate their performance in line with sustainability corridor and please note that the used indicators in my article are mutually exclusive. The examination revealed that MFIs are having a positive/upward movement/ impact towards sustainability once their performance was measured against those indicators. This tells us that MFIs are doing well provided that the indicators are appropriate to measure sustainability.
Yet, in spite of the success of these microfinance institutions (MFIs), many difficulties remain which must be urgently resolved in view of their ambitious objectives. First, based on my practical observations, a large number of the rural households still lack access to financial services. This implies that even if the number of branches has been expanded and has had a positive impact on the sustainability of the sampled MFIs, the question of sustainability is still bold. In other words, we could say that most of the existing MFI are not yet sustainable especially considering the prevailing economic condition, consumerism behavior and the political affiliations. Second, these MFIs still need solid foundations to avoid management failures which are a major headache for them. Third, the MFIs' clients should be given a due attention knowing that most of the time clients perceive that once they borrow money; they perceive that money as if it is from the government and feel that they should not repay it back which is a critical problem for MFIs here in Ethiopia to maintain their sustainability. I, therefore, would say that MFIs should first consider the character, creditworthiness and capacity of their clients before loan disbursement. Because it does not mean that having a large number of clients leads to sustainability as it is shown from the findings of this article.
Furthermore, this article poses a research framework question to academicians and researchers in the area whether these performance indicators are appropriate enough or not as far as sustainability is measured against them and if it is possible to draw a sort of conclusions just based on only big positive numbers. In other words, this article paves a way for a further research in this area of research.
Keywords: Ethiopian MFIs, Sustainability Status of MFIs, Sustainability Performance Indicators

1. Overview of the MFIs' System in Ethiopia

In Ethiopia, among other things, lack of finance is one of the fundamental problems impeding production, productivity and income of rural and urban households. Microfinance, by offering a range of tailored financial and non-financial services to the poor, can reduce poverty and contribute to economic growth (Wolday A., 2004) However, I, as a researcher, have come across to realize that microfinance is not a universal remedy for poverty and related development challenges; it is rather an important tool in poverty eradication and economic development programs. In other words, what I mean is that microfinance alone cannot improve roads, housing, water supply, education, and health services. It rather would play an important role in making the above interventions realized; and empower the poor and provides them the confidence, self-esteem and financial means to increase income and access to social services.

After 1996 (the issuance of the microfinance law), there is an increasing recognition on the importance of the microfinance industry as a component of the overall financial system serving a huge portion of the Ethiopian population. The main motives of regulating the microfinance industry in Ethiopia include promoting the microfinance industry to alleviate rural poverty by increasing outreach; protecting the safety of the depositors; prohibiting NGOs and other institutions from delivering financial services; and introducing strong financial discipline in the delivery of financial services to the poor (AEMFI, 2013).

According to AEMFI, 2001, what makes the Ethiopian Microfinance Industry different is that it is dominantly rural-based and poverty-focused while at the same time struggling to be operationally and financially sustainable which is normally referred as a double bottom line. An assessment made by Association of Ethiopian Microfinance Institution (AEMFI, 2001) indicated that 93 per cent (93%) of the active borrowers reside out of major metropolitans. The average loan size as of June 2003 stood at Birr l, 070 (or USD 124). When compared to the statistics compiled by the Micro Banking Bulletin, the average loan balance of the Ethiopian Microfinance Institutions is 5 times smaller than that of the global figure and two times smaller than MFIs in Africa.

The literature indicates that the Ethiopian Microfinance Institutions have some of best practices happened in the last operational years which include strong focus on the poor; increase in outreach; have mobilized significant amount of savings; revisited their lending methodologies; improving transparency; also attempting to access commercial funding; improvements in operational and financial sustainability; introduced new financial products; improvement in the regulatory environment of the microfinance industry under the supervision of the National Bank of Ethiopia; strong commitment of the government to promote the industry; and establishment of the Association of Ethiopian Microfinance Institutions (AEMFI) which created a forum to discuss the issues in the industry (Wolday A., 2012).

Today's global business change has divided the microfinance industry into opposing camps, that is, Institutional Sustainability Camp on the one hand and Poverty Alleviation Camp on the other hand. The Self-Sustainability Camp therefore calls for large-scale outreach expansion to build revenue to cover costs, reduce the cost-per-unit of loans, and provide for risk minimization between high and low-profit enterprises (Otero, 1994). The UNDP's Microstate optimistically estimates 3–7 years for operational sustainability and 5–10 years for financial sustainability. Accordingly, I, based on the aforementioned standards, would say that most of the MFIs in Ethiopia should have realized their sustainability right away since they have been operational in their service almost for more than 5 years in Ethiopia.

On the other hand, the Poverty Alleviation Camp contends that microfinance accounts for greater poverty reduction among its clients. Through Credit Provision and Social Intermediation, they argue as microfinance broadens economic development. Subsidies from donors, they insist, should still be used as a catalyst to enable MFIs to deepen financial outreach. This is because subsidies enable MFIs to reduce transaction costs and charge attractive interest rates while passing the benefit on to clients (Morduch, 1999). However, what I understood from the Author's quote is that the involvement of donors in the form of subsides would have a negative impact on achieving the sustainability of MFIs for the fact that these MFIs will be inefficient (i.e. just waiting for subsides only) and to the worst case, they will cease their operation if donors get withdrawn. In general, I, as a researcher, therefore support both the debate between the two camps to bridge the differences by focusing on both institutional and client sustainability. However, in my view their conclusion is not without a hitch.

2. Background of the Study Subjects and Findings: (Secondary Data Employed)

In this part, I tried to present some information on the background of 4 sampled MFIs along with their respective empirical findings. To do so, I used a secondary data gathered from the existing archives of the participated MFIs in order to examine the current sustainability status of MFIs in Ethiopia. The samples considered mainly comprises 4 MFIs and are selected based on the researcher's access to their headquarters; their operational closeness to sustainability (i.e. being operational at least for a minimum of 5 years); and the size of the institutions in terms of their capital.

1.2.1 Sample One Oromia Credit and Saving Share Company *(OCSSC)*

1.2.1.1 Background of the Study Setting

Oromia Credit and Savings Share Company was first established as Oromia Credit & Saving Rural Schemes Development Project under Oromo Self-Help Organization on January 1, 1996 to provide Micro Finance Service (Credit & Savings) to farmers in rural areas of Oromia. Later on, the project was shifted to a Microfinance Institution named Oromia Credit & Saving Share Company on August 4, 1997 after the issuance of Proclamation No. 40/96 that determines the licensing and supervision of Micro Finance Business in Ethiopia (OCSSC, Head Office Archive, 2014).

Now, OCSSCO MFI has been operating holding a mission to provide need based Micro Financial Services to strengthen the economic base of the low-income rural and urban people in Oromia through increased access to sustainable and cost efficient financial services while the vision of OCSSC MFI aspires to be a financially Self-Sustaining Model MFI enhancing mainly the livelihood of low-income people in Oromia (Ibid).

The company serves more than 500,000 clients every year and its outreach has risen to 809,284 in June 30, 2014. Its loan disbursement and saving mobilizations have been demonstrating momentous increment from year to year and by June 30/ 2013 the company has disbursed 3.5 billion Ethiopian birr (ETB) for rural and urban low-income citizens that constituted both women and unemployed youths and mobilized over 2.2 billion ETB during same period (Ibid).

In its core values, OCSSCO MFI pays emphasis to women and youth participation and advantage for the access of microfinance services. In light of this, the company has been working to ensure their advantage and to enhance women to above 50 per cent (50%) of its total clients. In its previous performances, the number of women clients has reached annually about 35 per cent (35%) which is also significant although it is below its target. As a result of OCSSCO MFI's intervention, a large number of women have accessed loan for petty trades, sheep, goats and cow breeding, purchase of oxen for tilling lands & fattening and agricultural inputs. In addition to these, the company has been offering loan for women entrepreneurs who were organized either in Micro and Small Enterprises and/or run individual businesses both in urban and rural. Furthermore, the company has financed HIV positive and those who are venerable to such deadly disease in selected towns of Oromia (Ibid).

1.2.1.1 Findings of Sample One <u>(Secondary data employed)</u>

Just to see the trends of growth performance of the institution and to examine its sustainability status, I tried to use the available data recorded against client outreach, loan disbursement & saving mobilization as performance indicator variables and produced the below figures.
[Figure 1]
Figure 1 dictates the trend of client outreach of OCSSCO MFI since its establishment till the date of review. The trend indicates that the institution has had a positive/upward direction/ impact as far as client outreach is concerned. As explained in many literatures, client outreach (i.e. the average size of clients) is one of the key factors affecting the sustainability of a given MFI. Hence, it can be easily understood that OCSSCO MFI's client outreach would affect its sustainability significantly (positively) in its future operation performance even if big figures do not always guarantee a favorable situations.
[Figure 2]
As indicated by figure 2, both loan disbursement and saving mobilization of OCSSCO MFI have been significantly increased from the period of its establishment up-to-the-date of the production of this article. It is evidenced from different literatures that the size of loan disbursement shows the loan capacity of the MFI towards its clients. That means it has a direct impact on the size of the client. I, as a researcher, would say that even if there is no indication from the figure about how effective the collection of the loan has been, the institution is having a good performance currently and the size of the loan has a positive impact /significantly/ on its present as well as future sustainability objective knowing that the size of loan disbursement has a positive relation with sustainability of MFI provided that the entity is effective in its loan collection performance.
Same is true for saving mobilization factor. As it is depicted by the above figure, the saving mobilization trend of OCSSCO MFI is in an upward/positive/ direction. This implies that clients are customized with saving though it is not clear whether the saving type is voluntary or compulsory in its nature. Whatever it is, still saving mobilization, being one of sustainability factors, is having a significant impact on sustainability /most likely positively) as far as its incremental trend from time to time is shown in the above figure.
I, as a researcher and an expert in the area, have observed from the above two trend analysis figures that it considers only two periods (i.e. the establishment period & the current date) as point of reference. This means that the trend analysis which is made based on two point of reference might have affected the dada validation. Hence, I believed that it would be better if continuous time period and more indicators are considered as far as trend analysis for OCSSCO MFI is concerned. For this matter and just to make the historical performance of OCSSCO MFI more informative, I have done the following trend analyses for each performance indicator (i.e. number of branches, clients served, amount of loan disbursed, and savings mobilized) against the last 18 years of operational period of time.
[Figure 3]
Figure 3 depicts the historical trend performance of OCSSCO MFI since its establishment against the number of branches as one of the performance indicators. As it can be seen from the trend analysis figure, the performance of the institution in line with its number of branches has been mounting from the first year of its operation up-to-date. Even the rate at which the number of branches becomes more and more is increasing at an increasing rate in comparison with the time period as it is shown in the figure. Hence, the number of branches in a given MFI being one of the factors affecting the sustainability of the institution, it can be concluded that OCSSCO MFI's sustainability is highly affected (significantly) by its number of branches it has opened for the last 18 years operation. That means, for each operational year, we can see that there has been an addition in the number of branches for its clients which I could say that the sustainability of OCSSCO MFI is positively affected as it has been evidenced from the literature that the number of branches affects sustainability positively. Therefore,

OCSSCO MFI is having a superior moment provided that the institution keeps on doing the same effort to add more branches in the future so that it would sustain its performance positively in the future as well.
[Figure 4]
Figure 4 dictates the OCSSCO MFI's trend of clients served since the year of its establishment up-to-date. The trend implies that the institution has had a positive performance/upward direction/ as far as the number of client size /client outreach/ is concerned. It is not worthy to say that the average number of clients for a given MFI is a key/prominent/ factor which plays a great role in the concept of achieving the sustainability goals. As many researchers explained in the literature, client outreach is one of the key factors affecting the sustainability of a given MFI. As a researcher, I could see from the above figure that, even if OCSSCO MIF had a slow performance progress from the year 1996 to 2005 in line with the number of clients served, the institution had exerted its effort from 2005 onwards to augment the number of clients served /clients outreach/ and from that period onwards, the rate has been increasing at an alarming rate and achieved the current position as it is shown in the figure. Hence, it can be easily concluded that OCSSCO MFI's number of client would affect its performance sustainability significantly (positively) provided that it will hold its consistency for which OCSSCO MFI had for the last 10 years of its performance towards the number of clients served.
[Figure 5]
As it can be seen from figure 5, loan disbursement of OCSSCO MFI has not been significant from the period of its establishment up to the year of 2006. However, right from the year 2006 onwards, the amount of loan disbursed has started its improvement slowly at a lower rate and the rate of increment kept on increasing at a higher rate especially for the last four years of operation which in turn shows that the loan amount disbursed to clients has become gradually significant /improved/. It is evidenced from different literatures that the size of loan disbursement shows the loan capacity of the MFI towards its clients and different research scholars highlighted that the amount of loan disbursement directly affects the sustainability of microfinance institutions. That means it has a direct relationship with the size of the clients. This implies that even if there is no indication from the figure about how effective the collection of the loan has been, the institution currently (especially starting from the year 2006 up to 2013) is having a fine instance and the size of the loan has a positive impact /significantly/ on its sustainability since the size of loan disbursement has a direct relation with sustainability of the MFI. But, it should be understood that the size of the loan disbursement would become significant if and only if the institution has been effective in its loan collection performance and holds its performance on the size of the loan which has happened for the last four years on consistency basis.
Likewise, I have also made an observation which is applied to the saving mobilization as one of the major factors influencing the sustainability of MFIs. As it is depicted in the above trend figure, the saving mobilization trend of OCSSCO MFI is in an upward/positive/ direction though the increment has been very slow from its establishment year up to the year of 2006 where we can see that OCSSCO MFI took longer to improve its saving mobilization performance. However, staring from the year 2006 onwards, the institution had a radical change in savings mobilization where the size of savings has been increasing at an alarming rate. This implies that clients are becoming more and more customized with the habits of saving though it is not clearly seen from the figure whether the saving type is voluntary or compulsory in its nature. Saving mobilization has been quoted by research scholars in many literatures as not only one of the factors influencing sustainability but also as an effective strategy for MFIs to become sustainable when they don't have donors. Therefore, we could easily understand from the above trend that recently the sustainability of OCSSCO MFI has become affected by the savings mobilization performance significantly/positively/.

1.2.2 **Sample Two** **Addis Credit and Saving Institution Share Company *(AdCSI)***

1.2.2.1 **Background of the Study Setting**

Addis Credit and Saving Institution is a micro financial institution, which operates within the boundaries of Addis Ababa City /capital city/ Administration. It was established & registered at the National Bank of Ethiopia (NBE) on January, 2000, as per Proclamations No. 40/96 (AdCSI MFI's Head Office, 2014).

Addis Credit & Saving Institution's vision is "to become financially/operationally sustainable MFI and a model MFI in the country as well as in Africa in the year 2020" while its mission is to contribute toward the eradication of poverty and unemployment prevailing in Addis Ababa and surrounding through providing demand-driven financial services in a sustainable way mainly for Micro and Small Enterprises with special focus on women (Ibid).

Since its establishment, AdCSI MF has been using Solidarity Group Lending Methodology. But starting from the Mid of E.C year 1995 changes in the policies, procedure & methodology of the institution has started to provide individual loan on personal guarantee and/or collateral basis. Cooperatives and joint ventures are also entertained on the same line (Ibid).

One important development worth mentioning in the promotion of voluntary saving is introduction of mobile saving in this budget year. Mobile saving is conducted per week as commemoration of saving day in such a way that cashier and loan and saving officers move in their respective Keble to promote saving and collect saving at client's business place and home, whatever they need to save (Ibid).

1.2.2.2 Findings of Sample Two (Secondary data employed)

According to the existing data recorded in the archives of AdCSI's MFI, the performance of the institution has been recorded and evaluated against the performance indicators which include total number of clients, amount of loan disbursed, number of clients by gender, and average loan size. Here, I tried to use the data and analyze all these information specifically using a sort of bar charts which would provide the shape on the trend of each performance indicators across time period in order to examine the sustainability status of institution as discussed below.

[Figure 6]

Figure 6 shows the trend of AdCSI MFI's total number of clients served since the year of its establishment till the time of examination. It is clearly indicated from the above figure that the institution has had a positive performance/upward direction/ as far as the number of client size /client outreach/ is concerned. I believed that the average number of clients for a given MFI is a key/prominent/ factor which plays a great role in examining the sustainability status of AdCSI MFI which in turn enables the institution to hit the intended objectives/goals. As many researchers explained in the related literatures, the total number of clients /i.e. client outreaches/ is one of the key factors affecting the sustainability of a given MFI. As a researcher, I could see from the above figure that; even if AdCSI MFI had a very high downward performance movement in some of its operational years in line with the number of clients served; the institution had exerted its effort to increase its number of clients served /clients outreach/ and the rate has been increasing at an alarming rate in most of its operational years and achieved the current position as it is shown in the figure. The debate on sustainability is demonstrated by Kereta (2007) who quotes a study by Meyer (2002) stressing that there is in fact a complimentary relationship between outreach and sustainability. Meyer argues that as the number of microfinance clients increase (outreach), MFIs enjoy economies of scale, consequently translating in reduced cost and eventual attainment of sustainability. Hence, it can be easily concluded that AdCSI MFI's number of client would affect its sustainability significantly (positively) provided that it will hold its consistency in expanding its client outreach for which AdSCI MFI had in most of the years of its performance toward the number of clients.

[Figure 7]

As it can be seen from figure 7, the amount of loan disbursement of AdCSI MFI has not been significant from the period of its establishment up to the year of 2006. However, right from the year 2006 onwards, the amount of loan disbursement performance of the institution has started its improvement slowly at a lower rate and the rate of increment kept on increasing at a higher rate especially for the last three years of operation which in turn shows that the loan amount disbursed to clients has become gradually significant /improved/. It is evidenced from different literatures that the size of loan disbursement shows the loan capacity of the MFI towards its clients and different research scholars highlighted that the amount of loan disbursement directly affects the sustainability of microfinance institutions. This implies that even if nothing has been said whether the collection of the loan has been effective or not, the institution currently (especially starting from the year 2011 up to 2013) has been having a good performance record and the size of the loan has a positive impact /significantly/ on its sustainability knowing the fact that the size of loan disbursement has a direct relation with sustainability of the MFI. But, it should be understood that the size of loan disbursement would become significant if and only if the institution has been effective in its loan collection performance and holds same performance on the size of the loan which has happened for the last three years on consistency basis.

[Figure 8]

In figure 8, the issue of which target/group/ has been outreached by AdCSI's MFI more could get identified just by looking at the trend of clients on the basis of gender. It is recalled that developing women entrepreneurs has been quoted as one of the primary objectives of many MFIs in developing countries. In this regard, it is clear from the above figure that AdCSI's MFI has more female clients as compared to the total number of male clients who have been served. From the trend, even if both category of clients have the same performance movement (i.e. downward & upward movement at the same time), it is the number of female clients who is having a high rate of increment at an increasing rate. Therefore, as far as women clients are considered as indicator of good performance of AdCSI's MFI, it can be observed that the institution has outreached more women entrepreneurs as compared to male clients. Here, I could say that this is highly encouraging so as to achieve the intended objectives of the institution. Moreover, the sustainability of AdCSI's MFI is more affected positively/negatively/ by the upward/downward/ trend movement of female clients in comparison to its male clients.

Many microfinance schemes have a clear focus on women and AdCSI MFI is one of them. Research shows that women are more reliable and have higher pay-back ratios. Moreover, women use a more substantial part of their income for health and education of their children. Thus, women play a very important role in reducing poverty within households. Hence, I would say that AdCSI MF plays a big role in achieving this target being focused on more of women clients as compared to male clients as shown from the above figure. However, the critics argue that often women are forced to hand over the loan to men, who subsequently use the loan for their own purposes. This may lead to an additional burden for women if they are held responsible for the repayment. Moreover, and more important with respect to women empowerment, women who are borrowers make significantly more use of health insurance than non-borrowing women who have obtained the insurance through their husbands. Therefore, I could conclude from this that this latter result provides evidence for the claim that access to microfinance may empower women.

[Figure 9]

Figure 9 depicts the loan size of AdCSI's MFI on average. This amount is an indicative of the capacity of the institution for the existed program. As per the trend displayed above, it is a strait forward to observe that AdCSI MFI is having a positive/upward direction/ movement on its loan size performance. As it is seen from the figure above, AdCSI MFI has a very good performance especially from the year 2010 up to 2013 even if it had a very small amount of loan in the beginning of its establishment. This implies that the institution has a feasible project and can give the prime importance in the determination of the amount of loan to be given on credit and for controlling purpose being relaxed; and decide the loan size accordingly which include both working capital as well as investment decisions. As a result, AdCSI MFI would be considered as a sustainable MFI as far as the improvements on the trend of its average loan size for the last four years is considered even if it does not guarantee at all based on different related literatures quoted.

1.2.3 <u>Sample Three</u> Bussaa Gonofaa Microfinance Institution Share Company (BGMFISC)

1.2.3.1 Background of the Study Setting

BG MFI is a mission-driven organization committed to enabling people unleashes their potentials and improve their wellbeing through access to inclusive and appropriate financial services (BGMFI, Head Office, 2014).

BG MFI was founded in May 1999 and issued its first micro loan (of Ethiopian Birr 300 per borrower or about USD 40) in November 1999. The company started with a tiny loan size of Birr 300 per borrower (or less than USD 40) and over time it has built a network of 30 branches serving 'unbanked' low-income households in rural areas of Oromia region. Currently, BG MFI is one of the leading Private MFIs in Ethiopia in terms of the number of active clientele base (Ibid).

BG MFI works with target groups that are traditionally viewed as 'un-bankable' primarily due to socio-economic barriers. Today, BG MFI serves 72,012 active clients as on Dec. 2012, mostly enterprising women and hardworking smallholder farmers that are the back bone of the nation's bread and butter. In some of these communities, BG MFI is the only provider of formal banking services that the clients have never contacted. That is why even the opportunity to borrow or save the smallest amount of money has a far reaching impact on their ability to take control of their life (Ibid).

The BG MFI's vision is to build an inclusive financial system that works for all people while its mission is "to provide flexible and sustainable financial services to improve the livelihood of the resource poor households, with particular focus on women, the landless youth and smallholder farmers" (Ibid).

According to Association of Ethiopia Microfinance Institutions (AEMFI), BG MFI's data as of June 2014 indicates that the company has 67,787 active clients and 50,840 women borrowers. The size of Loans Outstanding is Birr 161,153,151.00 and Birr 29,418,511.00 goes to total savings. Of the total Savings, Birr 3,712,017.00 represents voluntary Savings while the remaining amount of Birr 25,697,494.00 is a compulsory savings (Ibid).

1.2.3.2 Findings of Sample Three <u>(Secondary data employed)</u>

In this part again, I, using the figures recorded in the institution's archive, have performed the analysis for the following performance indicators as displayed below using graphs just having the intention of adding value about their implications or impacts on the sustainability status of BG MFI knowing that these factors have a great influence in sustaining the institution's operation.

[Figure 10]

Figure 10 dictates BG MFI's total number of active borrowers served as of June 2014. Even if the trend is not clearly indicated in the figure due to a single point of time reference, the institution (being a private institution) has huge number of clients which is positive as far as the number of client size /client outreach/ is concerned. Even we can observe from the figure that most of the active borrowers are women which count around 75 per cent (75%) of the total clients and the remaining 25 per cent goes to male clients. This implies that the institution is mainly outreaching women clients.

I, as a researcher, have come across from the literature about the critics of microfinance doubt whether it has a positive impact on women. Many microfinance schemes have a clear focus on women like that of BG MFI. Even many researchers discovered that women are more reliable and have higher pay-back ratios. Moreover, it was also found out that women use a more substantial part of their income for health and education of their children. However, the critics argue that often women are forced to hand over the loan to men, who

subsequently use the loan for their own purposes. This may lead to an additional burden for women if they are held responsible for the repayment. Moreover, and more important with respect to women empowerment, women who are borrowers make significantly more use of health insurance than non-borrowing women who have obtained the insurance through their husbands. From the above observation, I could say that BG MFI, having more women clients as compared to male clients, has been trying to empower women which in turn lead to the sustainability of the institution since the effect of empowerment influences the poverty reduction. In other words, if women are empowered then they would play a great role in reduction of poverty which has been quoted as the sign of sustainability.
[Figure 11]
Figure 11 shows the status of BG MFI's savings at institutional level. The total saving balance at the end of June 2014 was 29,418,511 of which 3,721,017 represents the voluntary saving while the remining balance of 25,697,494 goes to compulsary savings which is bigger than the voluntary saving. But here, we could not say whether the saving was increased or not since only one point of time reference is considered and its trend can not be shown as well. However, if it was posible to see it, I would say that the saving increases/decreases has something to do with the the increase/decrease of clientele outreach in the same direction. Different researches also speak on the positive impact of the size of savings in achieving the sustainability of MFI which holds true in the case of BG MFI assuming that the amount has been increased as compared to the previous operational years. Hence, I could conclude that this, as is claimed, is important as it would also broaden the lending capacity of the institution which will be heading it to sustainability corridor.
[Figure 12]
As it is indicated from figure 12, the total asset of BG MFI which is a total of both liability and capital is displayed as of June 2014. On that fiscal year, the total asset, total liability and total capital of BG MFI was 190,962,805; 116,403,864; and 74,558,941 respectively. It could be seen from the figure that the share of loan (liability) portfolio from the total asset is having the biggest share which was about 61 per cent (61%) of the total asset while the remaining 39 per cent goes to the total capital portfolio from the total asset. This implies that BG MFI is having a sort of more debt financing scheme than equity financing at that particular fiscal year. Based on the literature, we can say that the underlined performance indicators are very important in line with sustainability of BG MFI because the institution's performance on it indicates how effectively a management generates earnings from its investments plus how profitable a company is relative to its total assets. Moreover, the performance gives the measure of profitability of a company by indicating the profit generated by the company from the money invested by its shareholders.

1.2.4 Sample Four AGGAR MICRO FINANCE SHARE COMPANY (AMFSC)

1.2.4.1 Background of the Study Setting

Aggar MFI is the first Commercial Private Micro Finance licensed in the country on March 18/2004 and started operation in April 2004. It was initiated by few enlightened individuals to address the "missing middle" as often called i.e. the MSE's. The founders envisioned to address both social objectives and profitability in the long run (AMFSC Profile, 2014).

Although Aggar MFI was interested to provide financial services to the Micro and Small Enterprise, the policy framework didn't allow doing so at that time. As a result, the Company was obliged to provide financial services to Micro Enterprise Operators alone. Today, the policy barriers are removed and financial services are provided to clients not targeted by the banks (Ibid).

Aggar Micro Finance S. Co.'s vision is "to be the most preferred and pioneer Private Micro Finance that serves active poor in Ethiopia" while its mission is "to provide fast, affordable and demand-driven financial services on sustainable basis to the economically active poor to improve their wellbeing and to generate profit for its shareholders by deploying qualified and motivated staff and high tech services" (Ibid).

Regarding its record keeping system, the Company uses Manual Management Information System (MIS) so far. This has been surfaced in the institution as one of the challenges of Aggar not solved easily and may persist a challenge in the future too, because the MIS software is not available in the local markets and buying from outside is expensive for MFI like (Ibid).

1.2.4.2 Findings of Sample Four (Secondary data employed)

As per the fiscal financial year, the performance data of Aggar MFI against four major indicators are recorded in its archives. Therefore, just to have a clear picture about the performance of Aggar's MFI, I tried to see the trends of the historical performance of the institution as displayed below and interpretation was made in line with the sustainability status of Aggar MFI.
[Figure 13]

Figure 13 shows the trends of Aggar MFI's active number of clients and those who have received loan in the last ten years of its operational performance. From figure 13, it can be seen that Aggar MFI's outreach is increasing from year to year. This shows that Aggar MFI has shown a remarkable growth in terms of outreach, particularly in the number of active borrowers. However, note that the number of active borrowers declined in the year 2005 as compared to the number of clients received loan in the same year.

It is generally assumed that the larger the number of borrowers, the better the outreach is. This leads us to conclude that a larger number of borrowers found to be the biggest sustainability factor; on the contrary, I have reviewed as there could be a negative and significant relationship between breadth of outreach and sustainability. This implies that increased in number of borrower itself does not improve sustainability of microfinance institutions. The reason could be increased inefficiency as a result of increased number of borrowers.

Likewise, as it is clearly seen from the figure, except 2005, the number of active clients who has been receiving loan is lower than the total number of active clients. Even this difference has been increasing starting from the year 2007 onwards. The reason could be either the institution is running out of loan-able fund or clients might have been inactive in borrowing due to different situations.

Anyhow, as far as the trend is concerned, the two performance indicators are having a positive/upward direction/ impact on the sustainability of the entity except in the year 2007 and 2008, where the reverse has happened against the indicators as it is clearly indicated by the from the figure above.

[Figure 14]

Figure 14 has been produced so as to display the trends of the value of loan disbursed and the average loan size of Aggar MFI by considering them as indicators of the institution's performance for the last 10 years of its operation. It can be seen from the figure that the amount of loan disbursed has been increasing at a slow rate for the first four years of performance and started increasing at an alarming rate from the year 2009 onwards. While when we see the increment on the amount of average loan size is a bit slow which is good even if its increment is not encouraged. This is because the amount of loans disbursed is theoretically expected to be negatively (positively) related to un-sustainability (sustainability) because it reduces per unit cost of the lending.

Likewise, growth in average loan size does not necessarily mean that an MFI is suffering from "mission drift." Most MFIs have a sequential ladder of loan sizes for clients. As an MFI matures and growth slows, a lower percentage of its clients are first-time borrowers, and average loan sizes will rise even if there has been no shift in the market it is serving. Accordingly, I would say that Aggar MFI is having a fine performance and the trend could affect institutional sustainability positively.

[Figure 15]

The above figure shows us the trends on the size of outstanding loan and client's savings for the last 10 years of the institution's operational performance. As its trend speaks, these two performance indicators have upward direction movements and they do have their own implications in sustainability corridors.

It is clear that the average outstanding balance includes only loan amounts that clients have not yet repaid, or savings that clients have not withdrawn. Again, average outstanding balance is roughly related to client poverty, because better off clients tend to be uninterested in smaller loans or deposit accounts.

Likewise, the amount of savings mobilized is theoretically expected to influence the sustainability of microfinance institutions, to the extent that they increase interest expense and cost of the microfinance institution, or to the extent that they provide credit information that can be used to assess the eligibility of a borrower and reduce the costs of the lending process for the microfinance institution.

It can be seen from the figure that the amount of savings mobilized had shown increments and this trend gets increased more and more especially for the last 6 years of operation. Here, I can say that the saving increases could be in line with the increase of clientele outreach in the same direction. This implies that the clients of Aggar MFI are getting familiar with the habits of saving knowing that this amount of money will be there for them whenever they need it. For instance, clients may need money for health, education or even for expanding their Small and Medium Enterprise. If so, they will look for their savings from the institution. I, therefore, could conclude that Aggar MFI is doing well on saving mobilization and its sustainability is affected positively.

[Figure 16]

Figure 16 explains the trends of revenue generated and expenses incurred for the last 10 years of Aggar MFI's operational performance. Considering these two factors as indicators of performance, it is clearly seen from the figure that the institution is having a positive/upward/ movements on them. This implies that Aggar MFI has been profitable since the year 2008, even the profit size gets higher and higher at an increasing rate for the last 4 years of operation; but for the first 3 years of performance, the institution has realized a loss. In other words, as it is seen from the above figure, the income of the company has been increased throughout the last 10 years.

Likewise, the expenses incurred also increases proportionally with an increase of income except for the first three years where the company has scored a loss during those periods.

It is known that these performance indicators have different implications on the sustainability of the entity. The revenue generated on assets indicates how effectively a management generates earnings from its investments and it also indicates how profitable a company is relative to its total assets. Moreover, the revenue generated on equity gives the measure of profitability of a company plus it indicates the profit generated by the company from the money invested by its shareholders.

I, as a researcher, would say that, even if MFIs are not encouraged to make profits by neglecting the main objective of serving the poor, Aggar MFI is having a fine performance and the institution's sustainability is affected positively provided that the entity holds a consistence performance in the future.

[Figure 17]

Figure 17 dictates the trends which are constructed by considering the ratio of PAR and operational sustainability factors of Aggar MFI for the last 10 years of its operational performance. For the last 7 years, as it can be seen from the figure, the operational self-sufficiency has been above 100 per cent (100%) which implies that the operational self-sufficiency of Aggar MFI was highly encouraging and the trends of Aggar MFI's operational sustainability is having a positive/upward direction/ movement which could be considered as good performance of the institution since there is a positive relationship between sustainability and operational performance of a given MFI.

Moreover, figure 17 shows not only that Aggar MFI is operationally self-sufficient, but also that the institution's profitability is improving from year to year, particularly from 2007 onwards. When we see the trend, one could notice that Aggar MFI's operational performance is still improving.

Likewise, the most important measurement tool used to assess portfolio Quality in this article is the Portfolio at Risk (PAR). As it can be seen from the figure, the ratio of PAR for the year 2006 and 2007 was very high which is undesirable while the PAR has decreased from the year 2008 onwards. This implies that the quality of portfolio is getting better and better to affect the sustainability of the institution positively provided that lesser ratios are desirable for a given MFI. I could say that it was an excellent performance and shows that Aggar MFI's portfolio quality was good during those periods. However, Aggar MFI's PAR during 2006 and 2007 was rising. This shows that the portfolio quality of Aggar MFI has deteriorated during 2006 and 2007. It should be noted that, despite deterioration of portfolio quality during those two years, Aggar MFI's portfolio quality in general is still in comfort zone.

As a remark on these ratios, I could say that repayment of an MFI's loans is a crucial indicator of performance. Poor collection of microloans is almost always traceable to management and systems weaknesses. Likewise, the strongest repayment incentive for uncollateralized microloans is probably not peer pressure, but rather the clients' desire to preserve their future access to a loan service that they and their families find very useful: thus, healthy repayment rates are a strong signal that the loans are of real value to the clients which in turn leads to institutional sustainability. In such way, it can be wise if we conclude that Aggar MFI is heading to the sustainability corridor having such a fine ratios of PAR and Operational Sustainability provided that these percentages are truly positive just beyond being positive as they look.

1.3 CONCLUSION AND RECOMMENDATION

1.3.1 Conclusion

In this article, an attempt was made to examine the sustainability status of MFIs in Ethiopia during the underlined operational years with particular reference to 4 MFIs which include Oromia Credit ans Saving MFI, Addis Credit and Savings MFI Credit, Bussaa Gonofaa MFI and Aggar MFI. It is found out from the article that, considering the undertaken performance indicators, these MFIs have performed well from year to year during the period under review.

This article also revealed that the numbers of units/elements which are taken as performance indicators in measuring the sustainability status of MFIs are increasing from year to year. This implies that MFIs are doing their operation very well which leads them to achieve the sustainability corridor of the institutions. In other words, the article reveals that the indicators happened to affect sustainability positively.

In this article, it can be concluded that the policies and proclamations that were adopted in the year 1996 regarding MFIs in Ethiopia have brought rapid and equitable expansion of MFIs. By considering the figures in this article, it is possible to observe that most of the scopes of MFIs have considerably increased within those operational years.

Moreover, in this article, MFI's performance was found to be improving from time to time. However, a comparative study of performance should be carried out to determine whether the underlined MFIs are performing better than other microfinance institutions in Ethiopia. That means, the author recommends additional research required to be made on a large scale in the future. Since financial data on other MFIs was not available, the study of this article considered only 4 MFIs.

In spite of their positive performance, I realized that most institutions happened to be drifted from their planned objectives towards earning higher profits by charging higher interest rates to their customers. Even the interest rates charged are higher than banks and sometimes clients are requested for collateral before they get the fund.

1.3.2 Recommendations

Based on the findings and conclusions plus my personal observations during data collection period, I have suggested the following recommendations like.

I recommend that MFIs to be successful, a successful economic development strategy must be crafted which should focus on improving the skills of the staff/workforce/management skills/, reducing the cost of doing their business especially high transaction costs related with increasing outreach as shown from the findings, and making available the resources/loan-able funds/ institution needs to compete and thrive today's global economy.

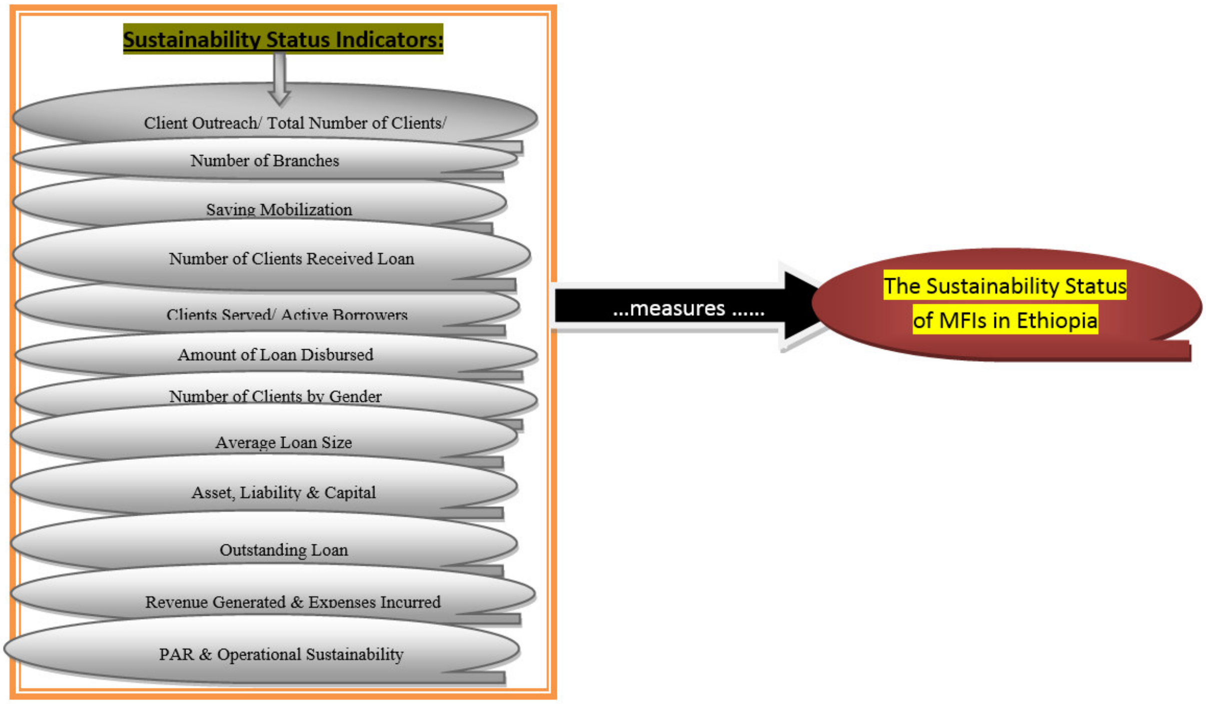
I had also a feeling that most institutions' businesses lack the support of technologies. Considering globalization, I would recommend that MFIs should introduce new technologies and skills to boost their service quality and hit a long-term institutional sustainability.

Again, the bottom line is Ethiopian poor but productive people today need more financial resources for their development endeavor but unfortunately huge amount of financial resource slip or squeeze out of its figure due to mismanagement of resources and carelessness or political affiliations. I therefore would say that this trend begs for a remedial solution so as to realize sustainability in MFIs sectors.

Last but not least, I highly recommend that the needs of Ethiopia with large youth populations should be considered in the context of MFIs' sustainable development objectives and partnership with governments, private sectors and other stakeholders are needed to make the necessary funds available and empower women and youths.

1.4 A Proposed Research Framework

Here, once I have produced this article, I had the opportunity to entertain the idea of posing a sort of questionable research framework resulted from the underlined article. I, therefore, am very much happy to let academicians and researchers to ask themselves about the appropriateness of the indicators used in my article to examine the sustainability status of MFIs. Hopefully, they may go for conducting a sort of experiments or any type of survey either to prove or disprove its appropriateness. Having these hunches in my mind, I have proposed the below research framework as it looks like:



Source: Researcher's Proposed Research Framework, 2015

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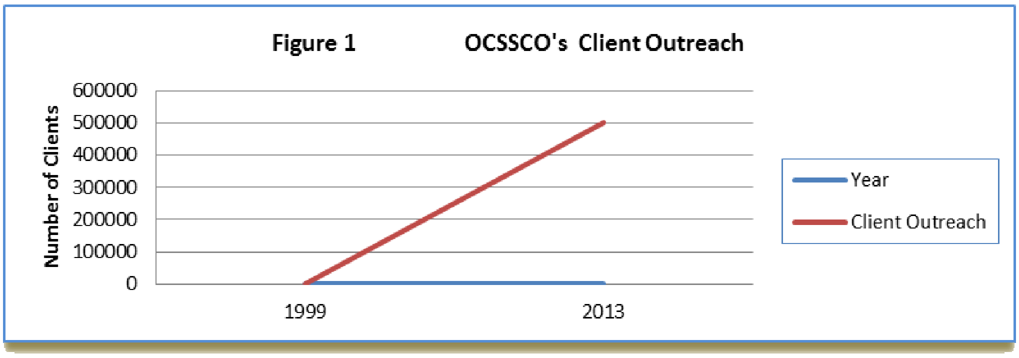
APPENDICES



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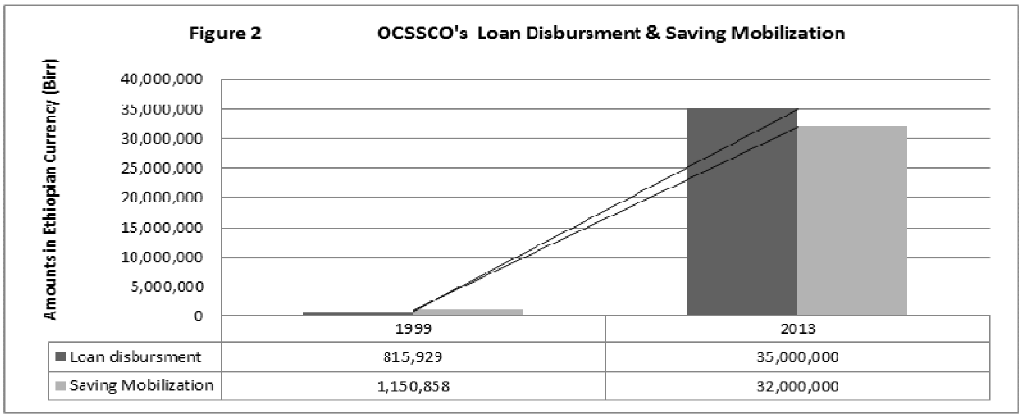

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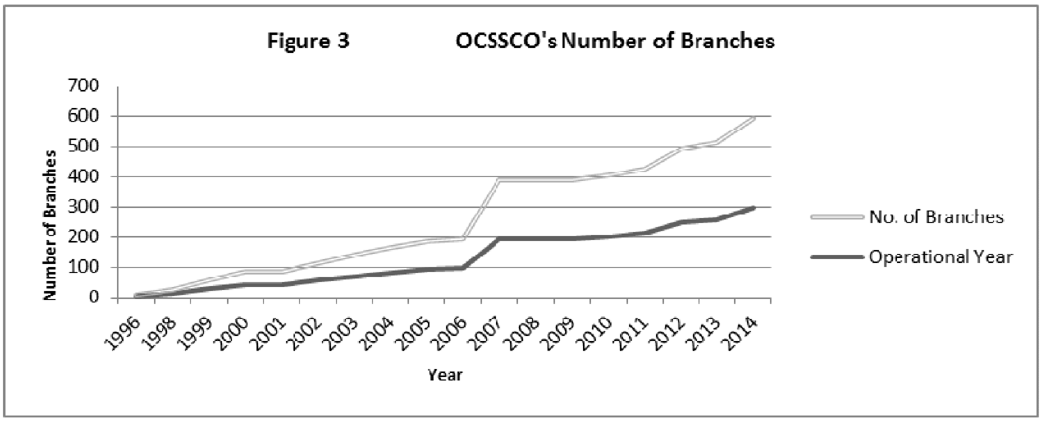

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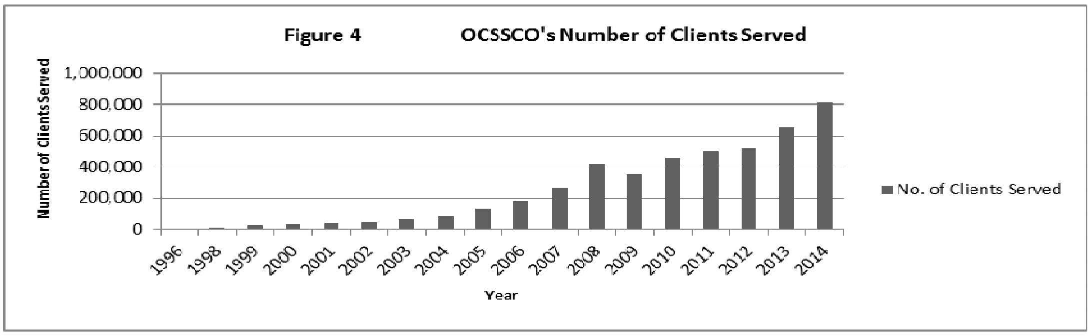


Figure 4 OCSSCO's Number of Clients Served

Source: Researcher's Computation from the available figures, 2015

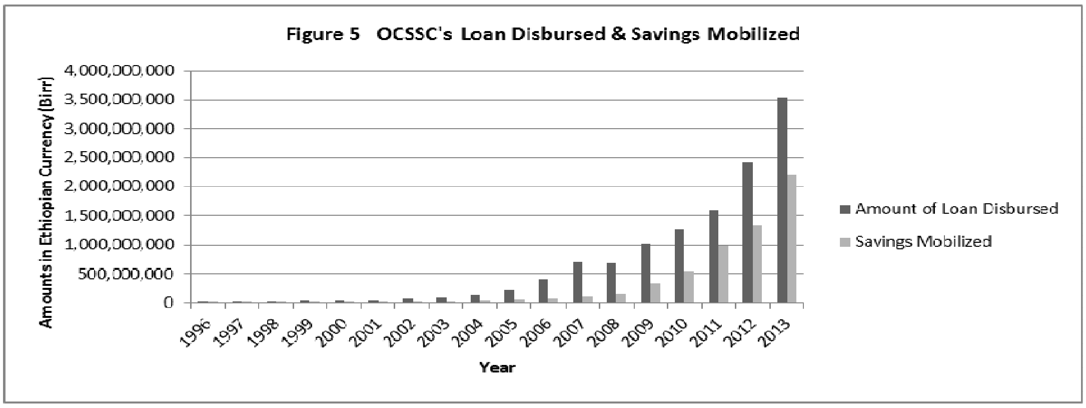


Figure 5 OCSSC's Loan Disbursed & Savings Mobilized

Source: Researcher's Computation from the available figures, 2015

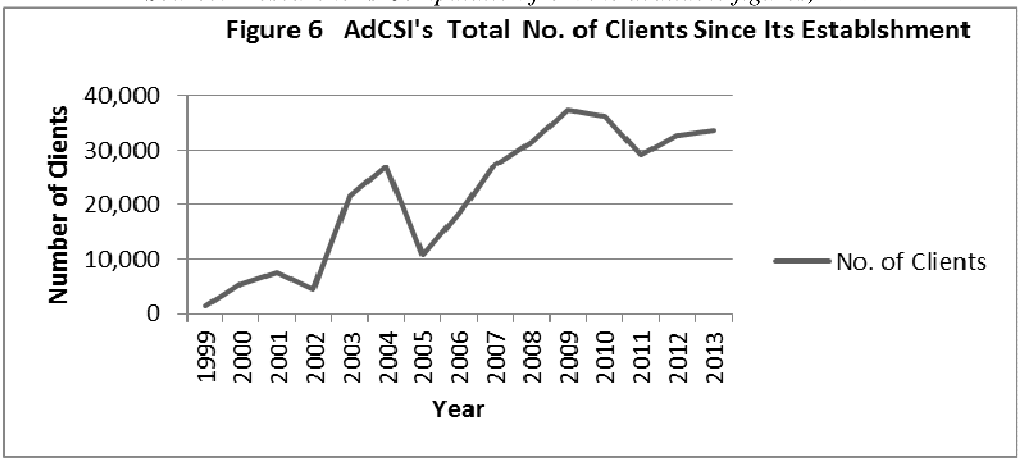


Figure 6 AdCSI's Total No. of Clients Since Its Establshment

Source: Researcher's Computation from the available figures, 2015

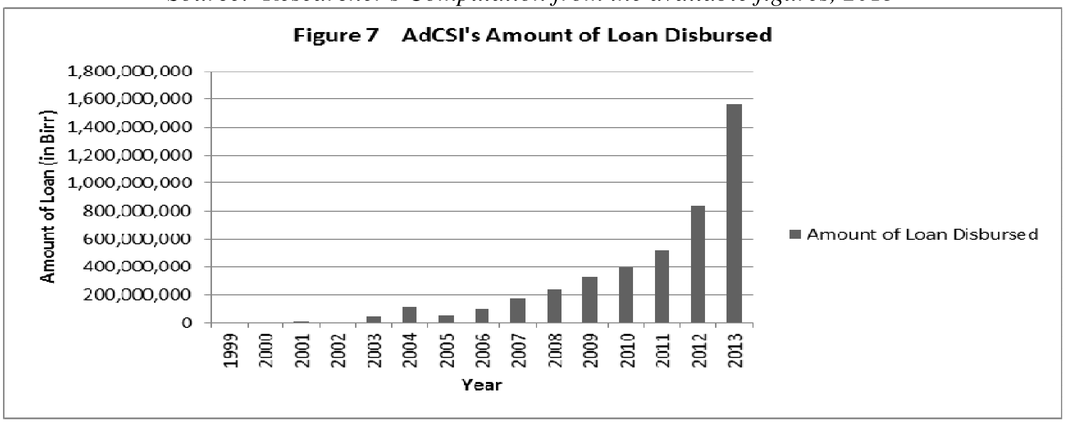
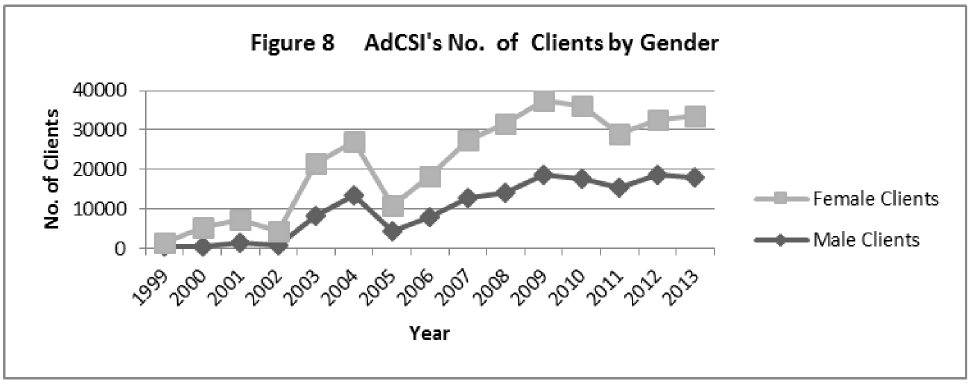


Figure 7 AdCSI's Amount of Loan Disbursed

Source: Researcher's Computation from the available figures, 2015



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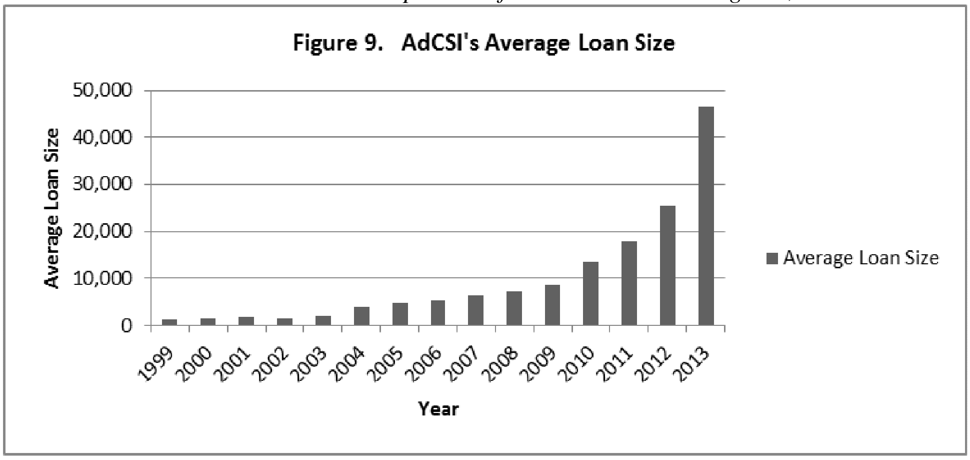

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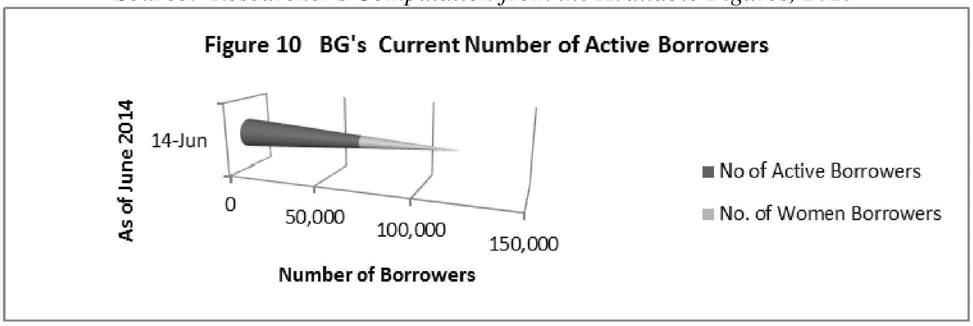

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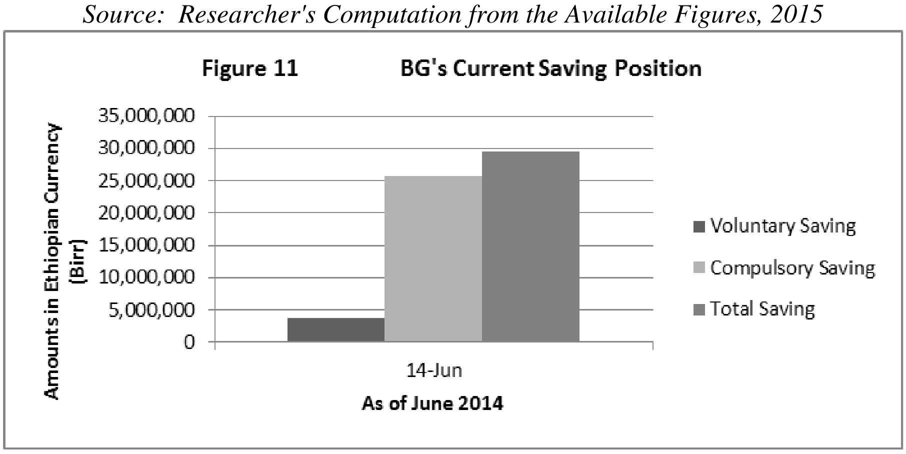

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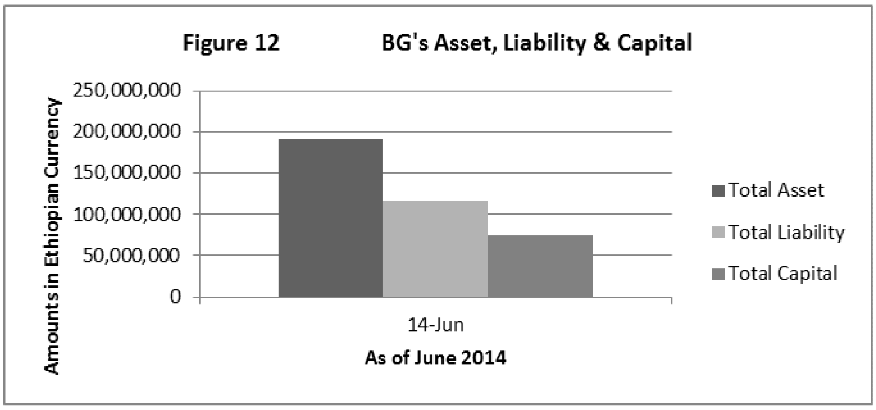

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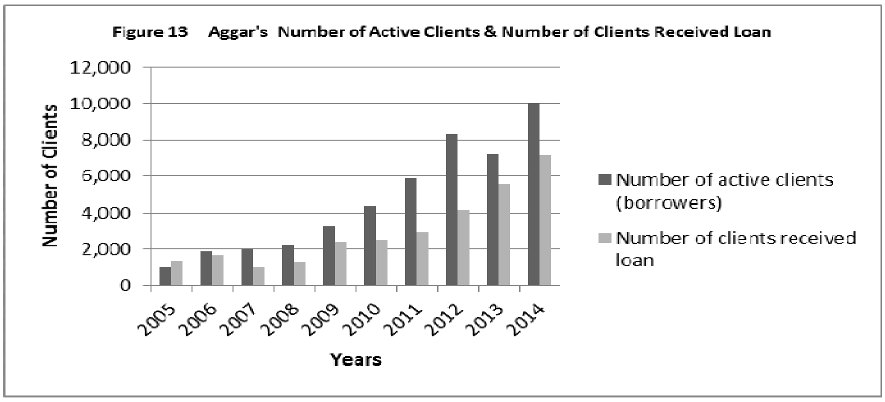

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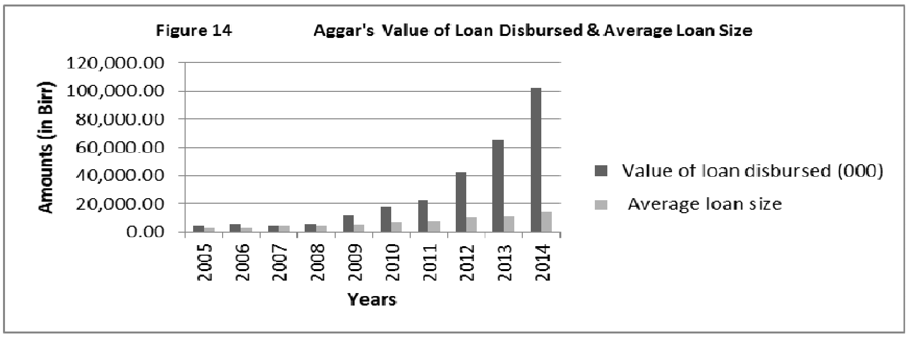

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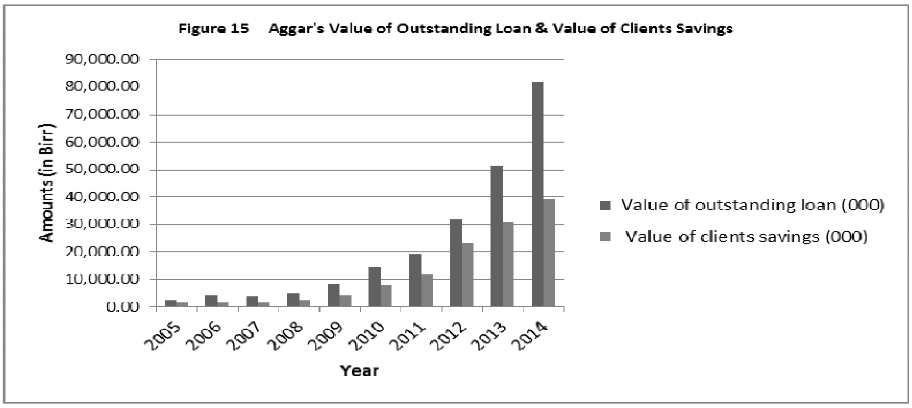

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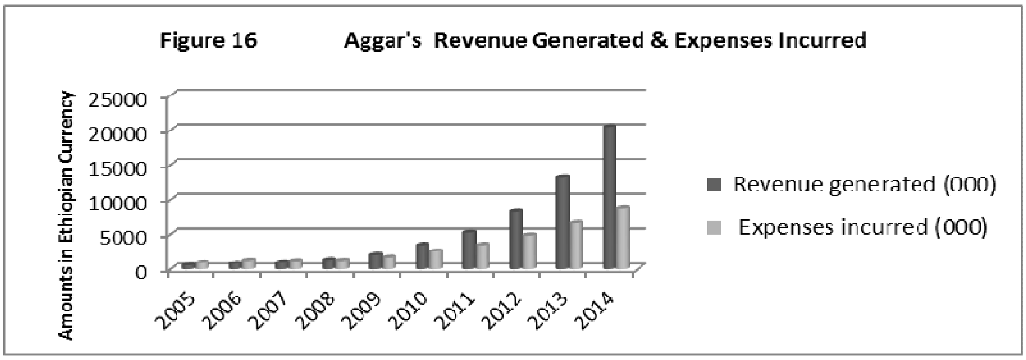

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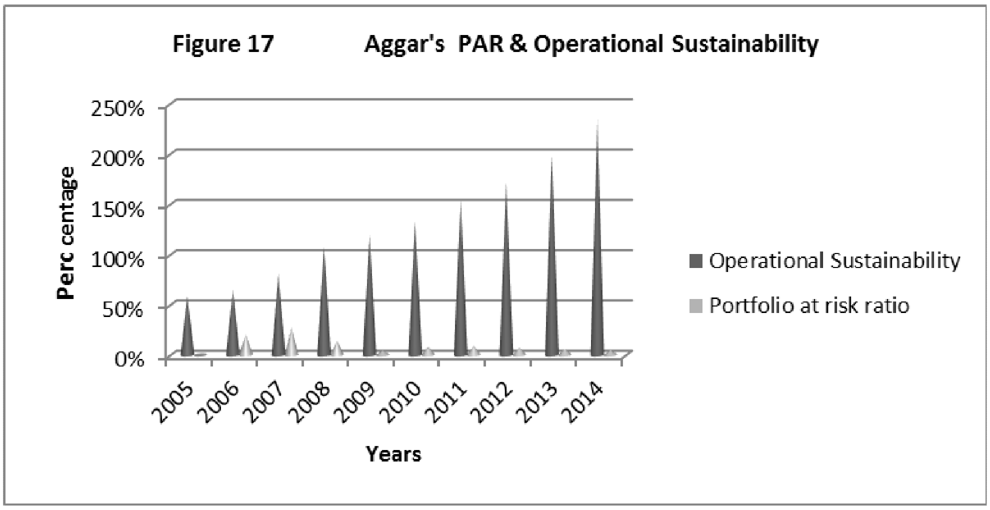

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