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Impact of Vision Found Microfinance on Poverty Reduction Wolaita Zone, (In Cases of Sodo Town), Southern, Ethiopia

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Abstract
Main Purpose of Vision Found Microfinance programs have been considered as one of the main instruments in poverty reduction in recent development agenda. It is a means to support the marginalized active poor of the society. The main objective of this study was to find out whether the provision of microfinance services has brought changes on the living standards of participant focusing on the case of Vision Found MFI program in Sodo town at household level. Mainly primary data was collected through structured questionnaire from 120 sample size. Vision Found microfinance participants and 100 non- Vision Found microfinance participants from three sub cities using random sampling methods. Propensity score matching was used to assess the impact of Vision Found microfinance on household income, expenditure, saving and asset accumulation value. The estimation results show that participation in vision Found microfinance had brought significant impact on household income, saving and aggregate expenditure and asset accumulation value. Further, sensitivity analysis test on estimated shows effect of vision found microfinance was insensitive to unobservable selection bias; even the two group allowed to differ in their odds of being treated up to 220% in terms of unobserved in which implying that being pure effect of program intervention. There for, by improving living standard of participant and as far as result was the only effect of intervention, thus microfinance intervention reduces poverty at household level.
Keywords: Vision Found Microfinance, household income, expenditure, saving and asset accumulation value, Probit model
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1. INTRODUCTION

1.1 Background Of The Study

The eradication of poverty continues to be a top political agenda in most developing countries. Poverty remains a global problem of huge proportions of populations in world, which needs a great attention to reduce it. As of world development reports of 2000/2001, it haunts the lives of billions of people around the world. Besides of its broad, multifaceted and multidimensional concept it involved in the economical, social, political and environmental well-being of the people (WB, 2002). Beside Ethiopia is one of the poorest countries, poverty cases a multi-dimensional problem and it was identified as insufficient source of income, lack of asset, poor health status and poor education level (Bisrat, 2011). In fact that, lack of income followed by low living standard. For example low income result in reduction expenditure, poor health leads being lack of productive and lack of education followed by lack of skill in man power. According to World Bank (2012), poverty is the manifestation of developing world Eradicating or reducing it was the greatest single challenge in low and middle income countries.

Over the past two ten years, both Ethiopian government and international organizations have been launching various policies to achieve fast and sustainable economic growth so as to eradicate poverty. In the 1970s the biggest developments in microfinance occurred for the poor people. As stated in Economics for microfinance the microfinance movement has come a long way since Muhammad Yunus first provided financing scheme to the poor in Bangladesh (Aghion &Morduch, 2005). According to Wolday (2001), one of the policy or strategy that contributes to reduce poverty was microfinance and also it is an important tool in the poverty eradication programs.

In Ethiopia, the poverty reduction strategy is becoming the operational framework to translate the global Millennium Development Goals (MDGs) targets in to national action (UNDP 2005). MDGs document recognizes microfinance as a powerful instrument to alleviate poverty and empower the poor. The formal microfinance industry began in Ethiopia in 1996 with the government's the Licensing and Supervision of Microfinance Institution Proclamation designed to encourage MFIs to extend credit to both the rural and urban poor of the country. Now a day there are 31 licensed MFIs reaching about credit clients and some saving clients in both urban and rural areas (Deribie et.al, 2013).

Poverty is a broad, multifaceted and multidimensional concept that involves economical, social, political and environmental well-being of the people (WB, 2002). Developing countries are working to create their own national poverty reduction strategies based on local needs and priorities (UNDP, 2003). As of WB (2012) Ethiopia was one of the poorest countries were developed own national poverty reduction strategies. One of the

policy or strategy that contributes to reduce poverty was microfinance and also it is an important tool in the poverty eradication programs (Wolday, 2001). However, formal MFIs started in Ethiopia since 1996, with aim of poverty reduction through loan and saving service to both urban and rural low income households (Deribie et.al, 2013).

According to study by Mebratu (2008) poverty in Ethiopia were problems in both rural and urban, but in urban increase in number due to rural-urban migration at least by the amount of the new comers whose needs are not accommodated, in addition to deepening poverty of the existing urban poor. The same author reports that, as more and more people come to the urban area and take their share from the insufficient opportunities available for the existing urban poor, availability of these opportunities minimizes. This increases the number of the urban poor at least by the amount of the new comers. In addition it deepens poverty or the existing urban poor (Mebratu, 2008).

One of the studies by Asmelash (2003) reveal that microfinance loan service has impact on poor urban house-holds but lacks exclusive focus on urban poverty which has peculiar characteristics distinct from rural poverty. In assessing role of microfinance in poverty alleviation study by Mebratu (2008) emphasizes positive impact on beneficiaries of program and exclusively focused on urban poverty. Meanwhile, the studies report the current expenditure status of the clients but give no ideas on the condition of those clients before joining the program; this study was used in filling this gap by collecting data from counterfactual. However, study by Bisrat (2011) demonstrates positive impact of microfinance on its beneficiaries, but not estimates average effect.

1.2 RESEARCH OBJECTIVE

The Main objective of the study is to analyze the impact of Vision Found microfinance on poverty reduction at household level Sodo town, Southern, Ethiopia.

1.2.1 Specific Objectives of the Study

1. To examine whether vision found microfinance brought significant differences in living standard of participant compared to non-participant;
2. To assess the impact of vision found micro-finance on poverty reduction at household level;
3. To forward policy implication and recommend possible solutions to concerning bodies

2. REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature

Before assessing the impact of any institution on poverty, it is important to understand the concept of poverty and its relative definitions. The world is characterized by the division of rich and poor. The haves lead a luxurious life while the have-nots suffer from lack of decent, healthful and productive life (Todaro, 1997).

Hence, poverty is a shortage of having enough to eat, a low life expectancy, a high rate of infant mortality, low educational standard, low enrolment and opportunities, poor drinking water, inadequate health care, unfit housing conditions and lack of active participation in a decision making process(WB, 1990).

Developing countries have the highest percentages of population living below the poverty line.

The highest incidence of poverty is observed in sub-Saharan Africa, with almost half of its population living below the poverty line (1 dollar) (WB, 1991).

Once a person or community falls below a certain level of resourcefulness, a chain of events starts to occur that tends to perpetuate the situation; progressively lower levels of education and training leading to lack of employment opportunities, leading to low income and investments. This cycle continues until someone intervenes by providing worthwhile means (not handouts) for people to climb out of destitution, and by ensuring children's health and education.[1]The poor often lack adequate food, shelter, education, health and deprivations that keep them from leading the kind of life that everyone values (WDR, 2000/2001). In addition to this, poor face extreme vulnerability to ill health and economic dislocation. According to world development report the integrated components which connect or disconnect vicious circle of poverty are income, saving, investment and productivity. If circle the component has improved, the circle may be disconnected. Otherwise the circle of poverty continues (WDR, 2000/2001).

Poverty is mostly the manifestation of developing countries; Ethiopia is among the developing countries in the world facing severe poverty. It ranks 1157th out of 180 countries (UNDP, 2003). Poverty remains a threat to the political, economic and social stability of the country.

In addition to this, the socio-economic situation of the country is characterized by low growth of income, inadequate social services, high population growth rate, economic inefficiency and high unemployment rate (Wolday, 2003). Most of the poor are women, children, the elderly, small- scale farmers and unskilled

[1] http://www.businessdictionary.com/definition/poverty-cycle.html#ixzz3qGFSe6Mp/ accessed *in,2016*

workers. These people lack the financial capacity to meet the minimum standards of living (AEMFI, 2005).

Access to institutional credit that contributes to an increase in investment and disconnects the vicious circle of poverty is very limited in Ethiopia. The majority of the poor get access to financial services through the informal channels (Wolday, 2003). However, Poverty alleviation has remained a very complex and critical concern among third world countries for a long time (Rao and Bavaiah, 2005). It has been at the top of the agenda for policy makers and development workers. Thus, a large number of governmental and non-governmental organizations and international funding agencies all over the world have been engaged in attacking poverty using several strategies and instruments (Rao and Bavaiah, 2005).

According to MOFED (2002), the two institutions reached to an agreement that country owned poverty reduction strategies be the basis for World Bank and IMF concessional lending and guide the use of resources freed by debt relief under the enhanced HIPIC initiative.

Thus, this was the genesis of poverty reduction strategy at the global level World leaders agreed to a set of time-bound and measurable goals and targets for combating poverty and hunger. This is called millennium Development Goals (MDG). Among eight specific crosscutting and interrelated Millennium Development Goals endorsed by all members of the United Nations the first goal was to reduce poverty[1]. However, first seven goals focused on the duties of poor countries to meet the goals (UNDP, 2003). Poverty is again severing problem in developing world.

Ethiopia is one of the developing countries, were developed a poverty reduction strategy paper (PRSP). Thus, PRSP is becoming the operational framework to translate the global MDG targets into national actions. This document is serving as a practical building block to address the poverty challenges (MOFED, 2002).

In Ethiopia's development policies, strategies and programs adopted since 1992/93 have been concerned with how to bring sustainable and equitable development and then reduce poverty. With the above objectives, Ethiopia has formulated a Sustainable Development and Poverty Reduction Strategy Program (SDPRP) in 2002.

From poverty (Robinson, 2001). In Ethiopia after the proclamation No.40/1996, there are 31 legally registered MFIs (Deribie et.al, 2013). One of the Microfinance institutions in Ethiopia is Omo microfinance institution S.C (OMFIs) licensed as per this proclamation were started its operations since 1997. Like others the institutions have goal of poverty reduction through provision financial and non-financial services to poor in both rural and urban area of south nation, nationality and people regional states.

2.2. Empirical Reviews

2.2.1. Studies In Other Countries

When one goes through the bulk of literature on the impact of microfinance, one can find quite different results, which are generally inconclusive. In some cases, microfinance is said to have brought positive impacts on the life of the clients and in other hand the finding was provocative.

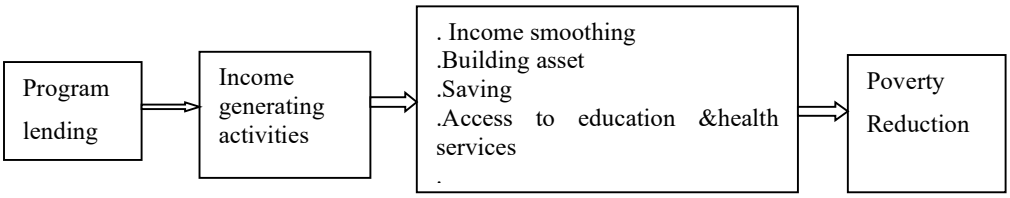
Supporting positive impact theoretical predictions advocate that financial development contributes directly to poverty reduction: first, in a direct way through savings, insurance services and access to credits that can enhance the productivity of assets the poor by allowing them to invest in new technologies, or investing in education and health. Financial development can improve opportunities for the poor to have access to formal finance (Jalilian H. and Kirkpatrick C., 2001). Second, financial system enables the poor to access financial services, particularly credit and insurance risk, enhancing the productive assets of the poor, by improving productivity and increasing the potential to achieve sustainable gains (Jalilian H. and Kirkpatrick C., 2001).

One of the study by Walter and Makanga (2013), focused in PAWDEP kiambu district in Kenia targeting was women in their descriptive and linear regression analysis attempt to investigate the effect of microfinance institution in poverty reduction. The finding of study implies that the living standard of participant would be improved. Hence, household income of families with access to credit is significantly higher than for comparable households without access to credit. Beside, impact improvement of income, reducing vulnerability and also impact were conclusive and positive in heath, diet conditions and primary schooling (Morduch, 2001).

The aim of OMFIs is to reduce poverty by targeting poor people to improve the clients' welfare and standard of living. Therefore, this study applies the participant orientated approach which focuses on beneficiaries needs to assess the impact of OMFIs on the living standard of the participant (Tsehay and Mengistu, 2002).

[1] Millennium Goals: #1--To reduce the proportion of people living in extreme poverty by half between 1990 and 2015 (defined as people living on less than $1/day).

Figure 1: Analytical Framework



Source: adopted from Hulme(2018)

3. RESEARCH METHODOLOGY

3.1. Research Design

The research design of this study was descriptive survey method, which focuses on investigating the current status of nature of youth unemployment in Wolaita Zone, Sodo Town.

3.2 Sample Size and Sampling Design

The selection of sample for this study will be based on non-probability sampling which are convenience and purposive sampling techniques because it is not easy to find an accurate number of street children, because of their dualistic and volatile nature. The "convenience" sampling is a research technique which is selecting participants because they are often readily and easily available. Typically convenience sampling tends to be a favored sampling technique among students as it is inexpensive and an easy option compared to other sampling techniques (Ackoff, 1953).

From different sample size determination approaches, the researcher will use Yamane's (1967) sample size determination approach that is shown in the following way.

$$n = \frac{N}{(1+Nxe^2)}$$

Where, n= sample size
N = Population Size
e = error 1% (0.01).
Thus, Given: N= 1800

Solution: $n= \frac{N}{(1+Nxe^2)}$

$$n = \frac{1800}{(1+1800x0.1^2)} = 200$$

2.2. Econometric Model Specification

2.2.1. The Discrete Choice Model:

Vision Found Microfinance programs

To determine the factors influencing his/her decision to participation in Vision Found MFIs, a discrete econometric model has been used. This approach works with the utility function in that the utility derived from using the new participation in vision found MFIs may be expressed as a function of several attributes. The observed indicator equals one if $U^n > U^o$ and zero if $U^n \leq U^o$.

The household will connect to the new improved living standard or not. The choice is influenced by both the household attributes and the current neighborhood characteristics.

The common formulation for this model is

$U^n = \beta_n X + \omega_n$ ..... (1)

$U^o = \beta_o X + \omega_o$ ..... (2)

Where X = vectors of explanatory variables which include socioeconomic and Demographic characteristics of the household and neighborhood attributes

β 's = parameters of the model

ω 's = the error terms

Now if we denote Y = 1 when the individual is willing to participation in vision found MFIs, then the probability that a household chooses the improved living standerds is:

$P(Y = 1|X) = prob(U^n > U^o)$

$=Prob\left(\beta_n X + \omega_n - \beta_o' X - \omega_o > 0 \middle| X\right)$

$=Prob\left[\left[\beta_n' - \beta_o'\right]X + \left[\omega_n - \omega_o\right] > 0 \middle| X\right]$

=Prob $\left(\beta' X + \omega > 0 \middle| X\right)$

=Prob $\left(\omega > -\beta' X \middle| X\right)$

If the distribution is symmetric,

P(Y=1|X) = prob $\left(\omega < \beta' X\right)$ **..... (3)**

= F $\left(\beta' X\right)$

The following probit model will be used to estimate the household's probability of willing to participation in vision found MFIs.

$P\left(Y = 1 \middle| X\right) = \beta' X + \omega$ **..... (4)**

Where: **Y**, the dependent variable, is given 1 if the household decides to participation in vision founds MFIs. Otherwise it is 0;

X is a vector of socio economic characteristics of the household and environmental factor that are hypothesized to influence his/her decision to participation in vision founds MFIs.

β' is vector of regression coefficients to be estimated; and

ω is error term used to capture unobservable factors and its distribution is assumed to be normally distributed with mean 0 and variance 1.

2.2.2. Preference participation in Vision founds MFIs

To analyze the determinants of households' preferences to participation in vision founds MFIs they would like to accept if they are to participation in vision found MFIs, we used a probit model, which is a simple extension of the Probit discrete econometric model. It is used to analyze households' preferences when they are faced with more than two choices and when the outcomes cannot be ordered. Accordingly, following Scot (1997), the probability of an individual to choose one form of participation in vision founds MFIs the other is given by

$$\Pr\left(yi = m / xi\right) = \frac{\exp\left(xi\beta m\right)}{1 + \sum_{j=2}^{J} \exp(xi\beta j)} \quad \textbf{form>1. ..... (5)}$$

Where y is the dependent variable with outcome J.Pr $\left(yi = m / xi\right)$ is the probability of observing outcome m given the individuals characteristics xi .

The multinomial probit model can also be expressed in terms of the odds of outcome m versus outcome n given x:

$$\Omega_{m/n}(x) = \frac{\exp(xi\beta m)}{\exp(xi\beta n)} \quad \textbf{..... (6)}$$

=exp $\left(xi\left[\beta m - \beta n\right]\right)$ **..... (.6.1)**

Assuming that the average utility is a linear combination of the characteristics of the individual, the probit model can be estimated using the following model (Scot, 1997).

$\upsilon im = Xi\beta m$ **..... (7)**

Where, υim is the average utility of individual i by choosing outcome m. Xi is the socio-economic, demographic attributes of the individual, and environmental and other characteristics of the individual's neighborhood. In our case m represents the three different form of compensation the respondent is willing to accept: house to rent, house to own and plot of land in case of rented households.

2.2.3. Variable And Variable Description

This sub section describes explanatory variables and outcome variables included in the propensity score matching model based on theories and empirical evidences of vision found MFIs. Accordingly, several variables including household characteristics, institutional and socio-economic factors are hypothesized to determine participant in vision found MFIs and impact on poverty reduction. Explanatory variables composed of different demographic and socio-economic that affect participation in MFIs and living standard were identified and present as follows:

Table 1: Variable And Variable Description

Variable name	variable description	Variable type	Sign
Dependent variable	participation in MFIs (Yes=1, No=0)	Dummy	+/-
Covariates			
Head sex (X1)	Sex of household head(M=1,F=0)	Dummy	-/+
Head age(X2)	Age of household head	Continues	-/+
Head educ.level(X3)	Education level of head (primary=1,sec.=2, tertiary/12+=3)	Continues	+
Family size (X4)	Number of family member in household head	Continues	+
Marital status (X5)	Head Marital status(married=1,single=2,divorced=3,and widowed=4)	Continues	+
Numbdept(X6)	Number of dependent under household head	Continues	-
Othercreditsource(X7)	Availability of other credit source(Yes=1, No=0)	Dummy	-
inclvelofHhhead(X8)	Head income level(high=1, medium=2 and low=3)	Continues	-/+
Hhminginl12m(x9)	If any member of household sick last 12 month(yes=1,no=0)	Dummy	-
Lst12mfdshrt(X10)	If household member face food shortage last 12 month(Yes=1, No=0)	Dummy	+

Source: Own survey, 2021.

3. RESULTS

In the course of investigating whether participation in microfinance reduce poverty, the researcher present and discuss the impact of vision found microfinance on basic household poverty indicator using cross-sectional data with respective econometric model propensity score matching and also brief description and definition of microfinance participation explanatory variables to both sample household with access to vision found MFIs and for those without access to using percentage, and also two sample t-test and ATT estimation were used to estimate average impact of intervention.

Table 2: Demographic Characteristics Of Household Head

Variable	Category	Total (N=200) %	Non-participant (N=110) %	Participant (N=90)%
Head age	29-45	24.50	13.50	37.79)
	46-64	72.00	57.27	47.78
	65-72	22.50	29.09	14.44
Marital status	Married	72.00	74.55	70.00
	Single	8.50	6.36	11.11
	Divorced	10.00	10.09	8.89
	Widowed	9.00	8.18	10.00
Head education level	Primary	36.50	39.09	33.33
	Secondary	45.50	44.55	46.67
	12+	18.00	16.36	20.00
head Sex	Male	58.50	67.2	47.78
	Female	41.50	32.73	52.22
head Family size	3-4	56.50	48.18	66.67
	5-6	37.00	44.55	27.78
	7+	6.50	7.27	5.56
Other credit source	Yes	42.00	27.78	53.64
	No	58.00	72.22	46.36
Work force in household	1-2	76.36	76.67	76.50
	3-4	23.64	22.2	23.00
	5^{+}		1.11	0.50
Dependent in household	1-2	96.36	98.89	97.50
	5^{+}	3.64	1.11	2.50

Source: Own survey, 2021

3.2. Econometrics Estimation Result

This section describes the econometric analysis and explains the entire process to arrive at the impact of the program using propensity score matching model which includes estimation of propensity scores, matching

methods used, common support region, matching program participant and non-participant household, choosing matching algorithm, balancing test and finally sensitivity test estimated on ATT result.

Table 3: Probit Regression Result

Variables	Coef.	Sd.E	Z-value	p-value
Age	-.0671	.0202	-3.54***	0.000
Lst12mfdshrt	.671	.365	1.84*	0.066
Hhfsize	.3525	.684	.052	0.607
Hhingl12m	.7145	.363	1.97	0.049
Martstus	-.0358	.177	-.20	0.839
Numbdept	-1.175	.703	-1.67*	0.095
Numbwrkforce	.1942	.644	0.30	0.763
Head sex	-6269	.364	-1.72*	0.085
Hheadeduclvl	.5329	.217	2.46**	0.014
Othercreditsource	-1.258	.3762	-3.35***	0.001
Inclvelofhh	.3617	.4143	0.87	0.383
Constant	3.877	1.604	2.42**	0.016
Number of obs=200 LRchi2(11) =78.00 Prob >chi2=0.0000 likelihood = -98.630053 pseudo R2 = 0.2834				

***, **and * means that statistically significant at 1%, 5% and 10% level of significance.

Education level of the household head and participation in program has positive relationship were implying that household head who has higher education level more likely devoted to take loan from vision found MFIs and put in to income generating activity than household with low education level. Implying that household head educated and who get more chance to higher education has higher probability to participate than low level educated household head.

3.2. Economic Activities of Household Head

Regarding to household head occupation 30.50% crafts and laborer, 42.00% trade, 11.50% government employee, 2% urban farmer (fettering and poultry) and remaining 14% are professional technical. Similarly, about 32.00% of the household heads are engaged in service (for example in food processing). Accordingly, 30.91% and 33.33% of non-participants and participants are engaged in service work (for example food processing) respectively.

Table 4.: The Main Occupation And Engaged Activity Of Household Head

Variable	Categories	Non-participant of OMFI(N=110)	OMFI participant(N=90)%	Total (N=200) %
Occupation	Crafts , laborer	29.09%	32.22%	30.50%
	Trade	40.91%	43.33%	42.00%
	g/employee	17.27%	4.44%	11.50%
	Farmers	1.82%	17.78%	14.00%
	Proff.technicial	10.91%	26.67%	26.50%
Engaged activities by head	Small business	26.36%	26.67%	26.50%
	Manufacturing	25.45%	31.11%	28.00%
	Service	30.91%	33.33%	32.00%
	Agriculture	0.91%	3.33%	2.00%
	Other	16.36%	5.56%	11.50%

Source: Own survey, 2021

3.3. Matching Program And Non Program Households

The important tasks that must carried out before conducting the matching work itself are first, estimating the predicted values of program participation (propensity score) for all the sample households of both program and control groups (which was done in the previous section) is a primary activity. Second, imposing a common support condition on the propensity score distributions of household with and without the program is another important task. Third, discarding observations whose predicted propensity scores fall outside the range of the common support region is the next work. In setting the common support conditions the minima and maxima comparison was made. The basic criterion for determining the common support is to delete all observations whose propensity score is smaller than the minimum of the program and larger than the maximum in the opposite group (Caliendo, M. and S. Kopeinig, 2008). As shown in Table4.6 below (appendix v) the estimated propensity scores vary between 0.0584247and 0.9739493 (mean=0.625366) for vision found MFI participant households and between 0.0142306 and .8783146 (mean=0.3065264) for non- vision found MFI participant

(control) households. The common support region would therefore, lies between 0.0584247 and 0.8783146 which means households whose estimated propensity scores are less than 0.0584247 and larger than 0.8783146 are not considered for the matching purpose. As a result of this restriction, 24 households (14 participants and 10 non Participants) were discarded (see appendix II).

Table 5: Distribution Of Estimated Propensity Scores:

Group	Observation	Mean	Std. D	Min	Max
All household	120	.45	.2817292	.0142306	.9739493
Treated group	85	.625366	.2481691	.0584247	.9739493
Control group	100	.3065264	.2201286	.0142306	.8783146

Source: Own survey, 2021

4. CONCLUSIONS

This study examined the impact of vision found microfinance on poverty reduction in Sodo town, Southern, Ethiopia. The study was based on primary data obtained from 1800 randomly selected sample size of 120 households consisting vision found MFI program participants household using structural questionnaire. General profile of the household head' shows that majority are female in productive age group and married. Regarding to family size on average there was two to four member and majority engaged in service work, followed by petty trade. In order to estimate the impact of vision found microfinance in poverty reduction PSM is used to create a comparable pair of treatment-control households due to absence of baseline data. Although, different processes of matching quality tests were applied such as t-tests, reduction in standardized bias and chi-square tests before calculating ATT.

In conclusion, participation in vision found MFIs specifically vision founds MFIs in Sodo surrounding sub-branch had brought significant impact regarding to average yearly income, total saving, aggregate expenditure and asset holding value in birr. Further, sensitivity analysis test on estimated ATT shows that effect of vision found MFIs does not change even though the participant and non-participant households were allowed to differ in their odds of being treated up to 220% ($e^{\gamma} = 2.2$) in terms of unobserved covariates. Hence, ATT result in table4.9 was insensitive to unobservable selection bias, being pure effect of program intervention. Thereby, improving living standard of participant and as far as ATT result was the only effect of intervention, thus microfinance intervention reduce poverty at household level.

5. RECOMMENDATION

This study found that vision found MFIs had not brought any significant impact on participant children school fee in the study area. Thus, program designers at higher levels, implementers at lower levels, and funding agents should re-evaluate the program design and implementation to bring the positive effect on the participants in terms of asset accumulation and to made difference in schooling expenditure.

The positive outcome of vision found MFIs micro financing scheme in improving income, aggregate expenditure and total saving implying that micro financing specifically Sodo town surrounding vision found MFI sub-branch important in reducing poverty and enhancing social welfare in Sodo town. Therefore, all necessary support should be provided to the industry from the government and other funding organizations in order to improve their performance and outreach as well as to improve the magnitude and type of impacts towards poverty alleviation.

Household having other credit source was found that less likely to participate in vision found MFIs loan program while perceived profitability of using it influenced the intensity of use negatively in the study area implying that household having other credit sources does not like to participate in credit with at high interest rate specifically in Sodo surrounding vision found MFI. Hence raising the perception level of household head towards understanding the profitability of using vision found MFIs loan and availing it at lower loan interest rate should be focused on by policy makers.

Hence, the importance of microfinance in poverty reduction is of immense benefit to the participant households in Sodo town. There is, therefore the need to help sustain it and help its growth as its role to the development of the Sodo town and the country at large is very good. Finally, this study limited its scope with direct effect of intervention on value of aggregate expenditure, average yearly income, total saving and asset holding values in birr. Therefore, taking other additional livelihoods indicators and with much large sample size, it's necessary to extend research at different locations to acquire more empirical findings.

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