

Challenges of Rural Womens in Access of Micro-Credit and Saving: (In Case of Omo Micro Finance Wolaita Zone,Soddo Zuriya Woreda Kokate Marachere Kebele)

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Abstract

Micro enterprises in particular are considered important in contributing to the socio economic empowerment of the women. However, access to credit continues to be a major constraint for female entrepreneurs, particularly with regard to access to loan able funds, lending conditions and repayment arrangements. So that, this shows that there is need for provision of microfinance service for the poor, especially for women in rural areas. Therefore, the prime objective of this study was to identify the challenges of rural womens in access of micro-credit and saving of omo micro finance wolaita zone,soddo zuriya, Kokate Marachere kebele. The study employed cross-sectional survey design. Sample respondents were selected using simple random sampling technique. Data collected through interviews were analyzed qualitatively; whereas data collected through questionnaires were analyzed quantitatively using descriptive statistics. In this study demographic factors, socio economic factors, intuition factor and psychological factors were assessed. Lack of education, lack of training program, high interest rate and lack of decision making power of women and attitude towards were the main challenges of rural women participation in micro-credit and saving service finally, Based on the findings, the researcher has forwarded the following possible recommendation. It is better if Omo micro finance provide training program to create awareness to its clients also it is better if Omo micro finance provide awareness creation program to rural women

Keywords: challenges, micro finance, micro credit, saving

1. INTRODUCTION

1.1. Background of the study

Two thirds of microfinance clients around the world are women. Under the first rationale for investing in microfinance (Integrated Poverty Program) the focus tends to be on women because they are often the poorest and are responsible for household welfare, whereas in the second, women are the focus because they tend to have higher repayment rates. (Ipdr, 2011)

In Ethiopia agriculture is the mainstay of the economy and the people at large (Belaineh, 2003). Agricultural sector is also proving the major employer, accounting for 85% of the total employment in the country and an estimated 70% of the employment for rural women (African Development Bank, 2004). Different micro enterprises in particular are considered important in contributing to the socio economic empowerment of the women. However, access to credit continues to be a major constraint for female entrepreneurs, particularly with regard to access to loan able funds, lending conditions and repayment arrangements (Zewde and Associates, 2002).

Rural women work long hours and many of their activities are not defined as "economically active employment" in national accounts but are essential to the well-being of their households (FAO, 2010). They also constitute a significant proportion of the labor on their family farms whether producing for household consumption or for enterprise or both (UNIFEM, 2005). Their potential to do so is limited by multiple and diverse constraints by persistent structural gender disparities that prevent them from enjoying their economic and other rights.

The participation of the women is confined all too often to provide the labor and support. Therefore, they lack information and effective voice in different community organization and other political activities. As a result, their interests are ignored. These factors link to de-motivate them to participate and access in social economical and other developmental affairs. This would undermine women's confidence and keep them marginalized .Therefore this study conducted to assess the challenges of rural women in access of micro credit and saving.

1.2. Statement of the Problem

In most poor countries, men's domination of women is strongest within the household. Access to credit and participation in income-generating activities is assumed to strengthen women's bargaining position within the household thereby allowing them to influence a greater number of strategic decisions. It also gives women the tools and skills; they need to participate more effectively and successfully in formal politics and to informally influence decisions and policies that affect their lives (Narayan, 2002).

In developing countries, among the poor, rural women are the poorest and more vulnerable. Different empirical evidences suggest that more women especially in the rural areas are more adversely affected by the poverty than men. The incidence of poverty among rural women is on the rise in most of the developing countries. Projects aiming to reduce the poverty view the poor rural women as the recipient of the benefits of development,

instead of active participant of them and still poor rural women have the least access to basic needs such as food, health and education (Prakash, 2003).

Women are also more likely than men to spend their incomes on the welfare of children. Therefore poverty reduction program which target women are likely to be more effective. There is also the evidence of significant potential for microfinance to enable women to challenge and change gender inequalities at all levels. Many microcredit programs have targeted one of the most vulnerable groups in society-women who are in households which own little or no asset. By providing opportunity for self-employment, many studies have concluded that these programs have significantly increased women's security, autonomy, self-confidence and status within their households (Mayoux, 2006). Mostly women were restricted to get part in any social activities and not given roles in decision making in her family. The situation was even more worsening in rural areas. So the government launched different strategy to increase women participation. Hence, this study was aims to assess the challenges of rural women in accessing micro-credit and saving service finance in the study area.

1.3. Objectives of the Study

1.3.1 General objective of the study

The general objective of the study was to assess the challenges of rural women in accessing micro-credit and saving services in Soddo Zuriya Woreda.

Specific objectives of the study

- ✓ To identify the current status of microfinance service in the study area.
- ✓ To identify the factors that affect women participation in micro finance service in the study area

2. METHODOLOGY

2.1. Description of the Study Area

Wolaita Zone is one of the 14 Zones in the Southern Nation Nationalities and Regional State. It is roughly located 6.40° - 7.0° N and 37.40° - 38.20° E. the boundary areas are Kambata Tambaro in the north, Sidama Zone in the East, Gamo Gofa Zone in the South, Dawro Zone in the West. The Zone has total population of 1,691,867 (CSA, 2000). Area of the Zone is 451170 hectare or 4511.7 km². The zone has 12 rural districts and three town administrations. There are three agro ecological zones in the zone, out of which high land accounts 9%, mid land 56% and low land 35%. As far as land usage concerned 246,962 hectare cultivated, 35888.5 hectare cultivable, grazing 45577.8 forests and bushes 76611.71 other purposes 15424.2 from the total area of the zone. The average maximum and minimum land holding is 0.5 and 0.125 hectare respectively. The zone has social service of health: 3 hospital, 65 health centers, and 329 health posts. Education sector; 421 primary school, 23 secondary school, 7 preparatory, two ATVET and one University According to the census result of 2007, there are 294 rural Kebeles and 48 reform town Kebeles. The number of municipal towns in the zone is 22. The study would be conducted in Soddo Zuriya Woreda which is one of the 12 rural Woredas of Wolaita zone. The total population of the woreda is male 92,542, female 96,573 total 189,115. The total area of the woreda 233.1km² has two agro ecological zones, out of which midland 200.93 km² and low land 32.17 km². The economy of the woreda mainly based on mixed farming.

2.2. Sampling Design

This study was used simple random sampling technique. It is based on the data of the women population they belong to Soddo Zuriya Woreda; to select the number of sample by using Yamane formula:-

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

Where, N is the total OMFI rural women client 235, confidence level of 90% will used. Based on this, the error term would equal to 0.1. Using the total population of 235 and error margin of 0.1, the sample size was calculated as follows.

$$n = \frac{235}{1+235(0.1)^2} = 70$$

Hence, out of the total population of 235 Omo microfinance women clients, a sample size of 70 was taken.

2.3. Data type and source

The study used both qualitative and quantitative data. Qualitative data includes those data that were primarily collected through interview from respondents. This type of data was used to support the quantitative data. Whereas quantitative data were the response of respondents in the questionnaire. Quantitative data used to support the data obtained through interview. Regarding the data source, the study used both primary and secondary source. Primary source includes data that collected through interview and questionnaire whereas secondary data are those collected for other purpose like annual report and manuals of the of the Omo micro finance.

2.4. Methods of Data Analysis

After the necessary data collected from primary and secondary source it appropriately checked and edited by the researcher. The respondents asked to what extent they were participating in those activities. Then the edited data coded and manually analyzed by using descriptive statistics. Finally, the analyzed data presented through, table and qualitatively depending on the type of the data.

3. DATA ANALYSIS AND PRESENTATION

3.1 Demographic Profiles of the Respondents

In this part, demographic characteristics of the respondents presented. These characteristics include sex, age, levels of education and occupation and marital status of respondents.

Table 3.1 sex of the respondents

Sex of respondents	Frequency	Percent
Female	70	100
Male	0	0
Total	70	100.0

Source: own survey result, 2017

The above table 3.1 indicates that 100 % of the respondents were female and no male respondents. Because the study targeted only women clients of micro finance.

Table 3.2 Ages of the Respondents

Age interval	Frequency	Percent
18-25	10	14.28
26-33	26	37
34-41	30	42.8
Above 42	4	5.7
Total	70	100.0

Source: own survey result, 2017

The above table 3.2 indicates the age composition of the respondents and clearly shows that the majority of the respondents are within the age group of 34-41 years old, which accounts for 42.8%. On the other hand, 37% represents the age group of 26-33 and only 5.7% of the respondents are on the age group of above 42 years old. From the figure, one can understand that the majority of the respondents found within the age group of 34-41.

Table 3.3 Respondents Level of Education

Level of education	Frequency	Percent
Illiterate	40	57
Primary school completed	15	21.4
High school completed	8	11.4
College diploma	7	10
First degree	0	0
Above first degree	0	0
Total	70	100.0

Source: own survey result, 2017

The above table 3.3 shows respondents' level of education. Therefore, as seen from the table, 40 (57%) were illiterate. While 15 (21.4%) of the respondents were completed primary school, 8 (11.4%) of the respondents were completed high school. Finally 10% of the respondents had college diploma and no respondents had degree or above fist degree level of education. From this one can understand that the majority of women are illiterate.

Table 3.4 occupation of respondent

Occupation	Frequency	Percent
Farmer	50	71.4
Trading	8	11.4
Housewife	12	17.14
Others	0	0
Total	70	100

Source: own survey result, 2017

The above table 3.4 shows occupation of respondents. Accordingly, 50 (71.4%) were farmers. While 8 (11.4%) are involved in trading activity the remaining 12 (17.14) of the respondents are house wife. From this we can conclude that the majority of the respondents are farmers.

Table 3.5marital status of respondent

Marital status	Frequency	Percent
Single	16	22.85
Married	42	60
Divorced	4	5.7
Widowed	8	11.4
Total	70	100.0

Source: own survey result, 2017

The above table 3.5 indicates respondent marital status. It clearly shows 16 (22.85%) of the respondents were single. 42 (60%) of the respondent are married. While a small number of respondents 4 (5.7%) are divorced the remaining 8 (11.4%) were widowed. From this it can be generalized that the majority of the respondents were farmers.

Table 3.6 years of membership in Omo micro finance

Years of membership	Frequency	Percent
Less than or equal to two years	18	25.71
3-5 years	45	64.3
6-10 years	7	10
Above 11 years	0	0
Total	70	100

Source: own survey result, 2017

The above table 3.6 portrays respondents' years of membership in the Omo micro finance. Accordingly, the majority of the respondents which accounts for 64.3% have membership experience of 3-5 years followed by 25.71% which had less than or equal to two years in the Omo microfinance. Respondents, which had for above 6 years accounted for 7 (10 %).

Table 3.7 below shows the kind of service customers of Omo micro finance got. Accordingly, 25(35.7%) of the respondents got saving service. While 30 (42.8) of the respondents got access to loan the rest 15 (21.4%) of the respondents got both saving and loan service. From this we can understand that the majority of the respondents got loan service.

Table 3.7 kinds of service the customer got from the Omo micro finance institution

Kinds of service	Frequency	Percent
Saving	25	35.7
Loan	30	42.8
Both	15	21.4
Total	70	100.0

Source: own survey result, 2017

Table 3.8 demographic factors that affect rural women

Which of the following demographic factors affect your participation in micro credit and saving service?	Frequency	Percent
Age	10	14.28
Family size	5	7.14
High dependency ratio	15	21.4
Lack of education	40	57.14
Total	70	100

Source: own survey result, 2017

The above table 3.8 portrays which demographic factors affect women participation in Omo micro finance. As the table indicates that10 (14.28 %) said that age of women affects their participation. Anjugam and Ramasamy (2007) found age to have a negative influence in explaining women participation in the microfinance program in their case, as the age of women increased by the probability of participation of women in the microfinance program decreased indicating that as the age of women increased, they could not participate in the program effectively. 5 (7.14 %) of the respondents responded that the number of family size affects their participation. In addition, younger and adult age respondents are believed to be in favor of taking a calculated risks unlike that of old age respondents.

(Aqsa *et al.*, 2005) found comparable results where household size had a positive influence on household access to credit and participation in credit program. These studies suggest that individuals with large household size were likely to participate in program as they have more family burden to contain with, in terms of social and economic services, and therefore, need support to meet their family daily needs. While 15 (21.4%) of the respondent said high dependency ratio affect their participation, the remaining 40 (57.14) said lack of education was the main challenges of their participation in micro finance. From this it can be generalized that lack of

education was the main factor that affect women participation in micro-credit and saving service. It is often believed that higher education gives households the ability to perceive, interpret and respond to new information faster than their counterparts with lower education (Federer *et al.*, 1985). Increase in years of schooling is associated with women participation in microcredit. It is, therefore, established that higher education fosters participation in microcredit.

Table 3.9 Socio-economic factors affect participation in micro credit and saving service

Which Socio-economic factors affect your participation in micro credit and saving service?	Frequency	Percent
household Income	14	20
land size	15	21.4
Years of experience in income generating activities	17	24.3
Live Stock Ownership	15	21.4
Community participation	0	0
Cumulative amount of loan received	9	12.8
Total	70	100.0

Source: own survey result, 2017

The above table 3.9 portrays socio-economic factors that affect women participation in Omo micro finance. As the table indicates that 14 (20%) said that household income affects their participation. Total household income which is the sum of off-farm and farm income is thus influence on household to join microcredit group and the number of times borrowed. 15 (21.4 %) of the respondents responded that land size affects their participation. Land holding size displays a significant impact on household borrowing activities. Nguyen (2007) found land holding size and household assets which are the most used collateral to be significant and affected credit program participation.

While 15 (21.4%) of the respondent said live stock ownership affect their participation, the remaining 9 (12.8) said cumulative amount of loan received was the challenges of their participation in micro finance. From this one can understand that all of the above were the man challenge of rural women in access of micro credit and saving service.

Table 3.10 Institutional factors affect your participation in micro credit and saving service

Which of the following Institutional factors affect your participation in micro credit and saving service?	Frequency	Percent
Lack of access to financial service	11	15.7
Lack of training program	29	41.4
Years of membership in micro credit group	10	14.28
High interest rate	10	14.28
Lack of decision making power of women	20	28.57
Total	70	100.00

Source: own survey result, 2017

The above table3.10 reflects intuitional factors that affect their participation in micro credit and saving service. Accordingly 11 (15.7%) of the respondents responded that lack of credit access was their challenges. While 29 (41.4%) of the respondents said lack of training program, 10 (14.28 %) of the respondents responded that both years of membership in micro credit group and high interest rate was the challenges. The years experience in the micro-credit group increases the number of borrowings also increase. This can be attributed to the fact that the member learns more about the mechanics of group borrowing scheme, group members and the MFI with increase in years of being a micro-credit group member.

Finally 20 (28.57%) of respondents responded that lack of decision making power of women affect their participation of micro-credit and saving service. From this the researcher concludes that lack of training program and lack of decision making power of women were the main challenges for participation of credit saving service. Increasing the number of training will result in high participation and a well motivated group that has low delinquency problems (Okeet *et al.* 2007).Therefore, decision making power and the power relationship that exist between men and women in the community will influence the right to decide on use of resource and other social service that are believed to develop people in the society. Therefore, a woman had a decision making power in the community, then her participation in the microfinance service will increased.

Table 3.11 psychological factors affect your participation in micro credit and saving service

What psychological factors affect your participation in micro credit and saving service?	Frequency	Percent
Attitude towards risk	40	57.14
short loan repayment period	30	42.86
Others	0	0
Total	70	100.00

Source: own survey result, 2017

Table 3.11 reflects psychological factors that affect women participation in micro credit and saving service. Therefore, 40 (57.14 %) of the respondent said that attitude towards risk were the main challenges that hinders not to participate in micro credit and saving service. The remaining 30 (42.86 %) of the respondent said short loan repayment period was the main challenge. From this the researcher concludes that attitude towards risk were the main challenges that hinder their participation in micro-credit and saving service. It influences the household's participation of micro finance service, is their attitude towards risk. Many individuals, as can be expected, are very risk averse that even when credit is available, they do not like to engage in business enterprise. This is due to risks of repaying loans that come from loss of property and failure of proposed business plan. Vigano (1993), in a case study of Burkina Faso, stated that large number of residents do not take credit service fearing they might be in risk of losing their property.

Table 3.12 the current status of micro finance service in the study area

What is the current status of micro finance service in the study area?	Frequency	Percent
Very good	7	10
Good	8	11.4
Moderate	35	0.5
Poor	10	14.28
Very poor	10	14.28
Total	70	100.00

Source: own survey result, 2017

4. CONCLUSION AND RECOMMENDATION

4.1 CONCLUSIONS

Based on the analysis on the preceding chapter the researcher concludes the following major points. Seeing the general background of respondents the majority of the respondents found within the age group of 34-41. The finding portrays that majority of women are illiterate. Regarding the occupation of the respondents, the majority of the respondents were farmers. And the majority of the respondents were married. The age structure of respondents shows that the majority of the respondents which accounts for 64.3% have membership experience of 3-5 years followed by 25.71% which had less than or equal to two years in the omo microfinance. Moreover, the majority of the respondents got loan service from omo micro finance. Generally when we see the main challenges of rural women in accessing micro credit and saving service demographic, socio-economic, psychological and institutional factors were identified; such as Lack of education was the main challenges of their participation in micro finance in the demographic factors, Lack of training program, high interest rate and lack of decision making power of women were the main challenges for participation of credit saving service in the institutional factor and Attitude towards were the main challenges of rural women participation in micro-credit and saving service in the psychological factor.

4.2 RECOMMENDATIONS

Based on the findings, the researcher has forwarded the following possible recommendation.

- ❖ The result of this study indicates that there lack of training program provided for rural Omo micro finance clients so it is better if omo micro finance provide training program to create awareness to its clients.
- ❖ There is high interest rate therefore, it is better if omo micro finance make reasonable interest rate.
- ❖ The main problem with rural women was attitude towards risk therefore, it is better if omo micro finance provide awareness creation program to rural womens

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