

Microfinance and Women Economic Empowerment Nexus: Eastern Zone, Tigray Region, Ethiopia

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Abstract: Ethiopia is one of the largest populated countries in Africa and the mainstay of Ethiopian economy depends on poorly performing agricultural sector. This is due to drought, civil war, land degradation, limited use of modern input, low level of investment, and low level of financial services to the rural households. The countries women constitutes half of the overall population and they are still suffered to economic poverty, social discrimination, and cultural subjugations in gaining productive resources and decision-making power. The incidence and severity of poverty level in Tigray is about 32.6% (2010/11). Since, there is large number of women headed households who are living under absolute poverty in the region due to the long year civil war and limited number of studies undertaken on women economic empowerment, this study examined the microfinance and women economic empowerment nexus in this region. The study employed 270 households with equal share of these households were microfinance participant and the non-participant households. The total sampled respondents, 100 percent, of the sample were allocated to three rural areas of Eastern zone. Three woredas from the zone, known for their high use of credit, was selected purposefully and sample households were selected from the frame list of the participant and non-participant. Since the women economic empowerment level determined by different demographic and socioeconomic factors, this paper attempts binary logit model analysis to explore the possible effects of microfinance on the women economic empowerment. The result shows that the women economic empowerment level is considerably influenced by age of the household, family size, being microfinance participant, home ownership, land holding, livestock holding, education level, being household head, cash saving, household income level and availability of loan from other sources. Apart from the other economic empowerment variables, a variables like family size, being participant of microfinance, being a head of a household and livestock holding shows significant positive impact on the economic empowerment level. Finally, it is recommended that the economic empowerment could improve by concentrating on the positive factors, which affects the rural women and consequently women will be economically self-reliant and through be poverty levels will be reduced.

Keywords: Microfinance, women economic empowerment, binary logit method

1. Background and Justification

Ethiopia is one of the largest populated countries in Africa. Its population is around 73.918 million. About 84 % of the total population in the country lives in rural areas, while the remaining 16percent lives in urban areas. Out of the total 84% of the rural population, 91% of the rural economically active population, employed in agriculture and agriculture related activities (CSA, 2007). The performance of agricultural sector is in adequate to feed the growing population due to drought, civil war, land degradation, limited use of modern input, low level of investment, and low level of financial services to the rural households (Amhaw, 2000). MoFED (2008) and Fekadu (2010) added that poverty remained widespread in the rural Ethiopia. Even though, the countries women constitutes half of the overall population they are still suffered to economic poverty, social discrimination, and cultural subjugations in gaining productive resources and decision-making power (CSA, 2007; FAO 2006; OSRA, n.d).

To mitigate the problem, the Ethiopian government have drafted and implemented different policies, programs and strategies to back the economy of the country on track. Among these strategies increasing the number of the financial services to improve the livelihood of the rural poor has given due attention. The general characteristics of Micro-Finance Institutions (MFIs) are targeting the poor (especially the poor women); promoting small businesses; building capacity of the poor; extending small loans without collaterals; combining credit with savings; and charging commercial interest rates (Dejene, 1998). The government

also puts policy measures (like PASDEP and GTP) and has taken a range of measures to increase women's participation in political, social and economic affairs and in making economically productive (MoFED, 2010). However, dealing with the poor women for taking microcredit is not easy task due to collateral requirements less organized or un institutionalized way of living, illiteracy of the poor, etc. as result their performance in terms of area and client out each, recovery rate, loan size, saving mobilization and community participation might be restricted or very low (Zelalem and Chalchissa, 2014).

According to the 2010 Ethiopian millennium development goals report, the government has also declared its commitment to gender equality, equity and the empowerment of women by stipulating the rights of women in its constitution, by issuing the Ethiopia women's policy and by revising the family law and the criminal law. However, regardless of their significant role in the country's economic, they are victims of violence and harmful traditional practices, they have the least access to productive resources, health care, basic education, credit services, employment opportunity, and decision-making processes; this all exposes them to a greater risk of poverty and powerlessness (UNIFEM and DAW, 2001 as cited in Rad et al., 2010; UN, 2009).

The livelihood of the population in Tigray significantly dependents on agricultural income supported by off-farm income generation such as labor trade and petty trade. However, agricultural production and diversification remains low (CSA, 2005; Kidane, 2006). The incidence and severity of poverty level in Tigray is about 32.6% (2010/11),

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The region is also known as the most disaster prone and food insecure regions in Ethiopia, high number of female-headed households under absolute poverty due to the long year civil war, severe environmental degradation, low soil fertility, inadequate and erratic rain fall, poor performance of microcredit services, vulnerability to pests, lack of appropriate technology, small size and fragmentation of land holdings, lack of diversification, lack of oxen for draft power and little use of modern inputs (Fasilet al., 2007, Tsegay, 2009, FAO, 2006; Hailu and Edwards, 2006). Moreover, in the region there is high economic poverty of women. They are engaged in harsh and laborious work, taking less quantity food with low nutritional value. Women school enrolment is still low, consequently, it leads them to have limited skills and have a less empower of decision-making on their own resource (Fong and Perett, 1991 as cited in Tesfay, 2003).

DECSI was one of the microfinance institutions in Tigray and registered as a share company in 1997 based on the proclamation of the national bank of Ethiopia. Since then DECSI has been mainly working widely in rural and urban Tigray. The delivery of Dedebit microfinance institution is one of the policy instrument used to enable rural and urban households to improve their output and productivity, including technology adoption, and increase households income helping them to reduce poverty, to improve women empowerment and attain food security (Wolday, 2002). In this regard, it is argued that micro-finance as a development strategy is able to give room for women's participation in socioeconomic development. Besides, ILO (2006) argued that microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status. By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world. As such, microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better working conditions for women.

Although the delivery of microfinance institutions is one of the policy instrument used to enable rural- urban households productive, poor women are still engaged in heavier and highly time-consuming workloads, they never obtain the commensurate earnings. This leads them to be highly dependent on their husbands to have low participation in household decision-making. The burden is worse in rural area where peasant women have no alternative to generate their own income and to be self-reliant. Due to cultural problems, and lack of awareness, women continue to be burdened with back-breaking domestic chores and unimproved heavy agricultural activities for long periods of time. But recently, many scholars, policy-makers and development planners have started advocating the important role of the emerging new phenomenon, microfinance program, for the advantage of poor rural women.

Therefore a due emphasis has to be given to women in making them economically productive, powerful and self-reliant. Accordingly, making women economically independent, ensuring equal property rights through organizing, creating job opportunities, improve their access to credit and other inputs, enhancing their entrepreneurial

skills and upgrading their decision-making power in overall spheres of development have enormous policy relevance (Mukessa and Nije 2001, cited in Multa 2008).

The studies that critically assess the role of micro-finance on women's economic empowerment are so far limited in the country. However, In order to measure economic empowerment level, the researchers developed separate index, used different determinants and different methods and techniques of analysis. Since, the women economic empowerment issue varies from region to region and culture to culture, the socioeconomic, environmental variation and access to microfinance vary in according to their particular settings. According to this, the Microfinance and women economic empowerment level of eastern zone has not yet been studied. Realizing this, therefore, the main concern of this research is studying the issue of women economic empowerment in relation to microfinance in Tigray zone. Accordingly the following research objectives were addressed through this paper.

- The determinants of women's participation in microfinance
- The role of microfinance participation on women economic empowerment

2. Research Methods

Source of data and Instruments of Data collection

Sample size

The study will include 270 households with equal share of these households uses credit from microfinance and the non-user of credit households. Based upon the usage of credit in the zone, the entire sample was allocated to three rural areas of Eastern zone. Three woredas from the zone, was selected purposefully and sample households were selected randomly from the frame list of households.

Source of data

The study depends on both primary and secondary sources of information. The primary data was collected through structured and semi structured questionnaire. In addition, structured and semi structured interview with woreda and tabia officers and focus group discussion was carried out with key stakeholders having deep knowledge about the functioning of microfinance in the specific tabia. The secondary data mainly focused on published and unpublished reports of the Microfinance institutions of Ethiopia, the Regional government of Tigray bureau and reports of Microfinance institution of the woreda.

Instrument of data collection

Both probability and non-probability sampling techniques was employed in the study. The probability sampling technique depends on simple random sampling, systematic sampling; and the non-probability sampling technique focuses on the quota sampling.

Method of data analysis

In this part methods and tools of analysis was addressed for each of the objectives that demands model based investigation. Accordingly, the roles of microfinance on

women economic empowerment were taken the lead. Descriptive statistics like percentages, mean, standard deviation and other was used to describe some contents of the study which can be treated or represented with appropriate table, graphs and charts. The model based analysis on the microfinance and women economic empowerment nexus will be carried out using the STATA package and was presented in the usual presentation of findings. Since the dependent variable (decision-making on agricultural by-product sales) dichotomous, the regression analysis is based on binomial logit model, one of the models to deal with dichotomous dependent variables applied in determining women's economic empowerment.

3. Result and Discussion

Table1: Sampled households with respect to credit access from the rural woredas of the zone
 Description of the variables

Woredas	Freq.	Percent	Cum.
AsibiWenberta	90	33.33	33.33
GantaAfeshum	90	33.33	66.66
KiletAwelalo	90	33.33	100
Total	270	100.00	

The data were collected from 3 woredas from 3 rural kebele. These kebles are from, Ganta Afeshum, Atsbi Wenberta, and kile Awlaelokebeles with equal representation.

Table 4.2

Variable	Obs	Mean	Std. Dev.	Min	Max
hhage	270	48.2	6.556361	30	60

hhactive	Freq.	Percent	Cum.	hhhead	Freq.	Percent	Cum.
1	227	84	84	0	126	46.67	46.67
2	43	16	100	1	144	53.33	100.00
Total	270	100.00		Total	270	100.00	

hh1edu	Freq.	Percent	Cum.
Illiterate	69	25.56	25.56
Informal	129	47.78	73.33
Primary	36	13.33	86.67
Secondary	36	13.33	100.00
Total	270	100.00	

The average age of the household was 48.2 with minimum 30 and maximum 60 years. The average age of the household head is 48.2 with standard deviation 6.556361. The age distributions of 111 microfinance participant respondents are within the age range of 41 to 50. From the collected data, 69 household heads were illiterate, 129 household heads were trained informally, 36 household heads were learnt primary education and the remaining 36 household heads were trained secondary. Out Of the total 270 sampled respondents the 262 respondents are single, widowed and divorced women, and the rest were married women. Since participating in microfinance credits helped them in generating income, all of participants in microfinance and married women said that as they have decisions making power on major household decisions. Out of the total sampled respondents, while 26% of the respondents are illiterate, 48% of them had informal education, 13% of them had primary and 13% had secondary education. 45% of microfinance participant and 75% of microfinance non-participant respondents were illiterate and had informal education. Regarding the main occupation of respondents, the majority, 84%, were engaged in agriculture and related activities and the rest 14% were engaged in handicrafts, petty trade like selling locally-made beverages and in daily labor activities. While 63% of microfinance participants engaged in livestock production, 3% of non-participants produce livestock. To examine the impact of the microfinance program on women's decision-making within the household, respondents were asked to indicate their decision making status in different household activities such as sale of animals, purchase of household utensils, and

decision on school expenses and decision on going market by own will. Accordingly, 25% of microfinance participants who are women headed households reported that they made independent decisions to sell ox/cow without any consultation with male relatives, whilst all the participants of microfinance that were under male headed household confirmed that they made the decisions in consultation with their husbands. On the other hand, most non-microfinance participant who were married women did not play any important role in such decision-making. In addition, the asset possession of microfinance participants has been found to be better when compared with non-microfinance participants. Therefore, the descriptive as well as the regression result shows that microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status.

4. Econometric Analysis of variables

Variables	Coefficient	Std. err	P-value
HHAGE	0.21	0.12	0.34
FSIZE	0.34	0.10	0.001***
BPMC	1.648	0.55	0.003***
LEEDU	.187	.256	0.464
HHHEAD	2.917	.895	0.001***
HOME0	.195	.301	0.518
LHOLD	-0.08	0.031	0.108
LSHOLD	1.456	.709	0.040**
INCOME	.000	.000	0.649
LOAN	-.457	.667	0.493

CASHS	.180	.583	0.757
Constant	-1.675	.922	0.069
Log pseudo likelihood = -50.620928 Prob > chi ² = 0.0011			
Pseudo R ² = 0.2194 Wald chi ² (11) = 25.78			

***, **, variables significant at 1% and 5% level of significance respectively

The variables like family size, being participant of microfinance, being head of the household and engagement in livestock production are positively related to the decision-making on the sale of agricultural by-product. The variables are significant at 1 % and 5 % respectively. Therefore, it is concluded that they have a positive relationship and significant with women economic empowerment. Even though the other variables were statically insignificant at 1, 5 and 10% level of significance, But the variables like home ownership, education level, household income level and having cash saving have a positive relationship with women economic empowerment while the variable household loan from other sources had a negative relationship with the decision making on agricultural by-products.

5. Conclusion and Recommendation

The paper is aimed at investigating the role of micro credit services in enhancing women economic empowerment of rural households in Ethiopia, the case of Eastern Zone of Tigray. We have taken three woredas (Gantaafeshum, AtsbiWonberta and Kiltewelaelo) and equal sample of 90 were taken from the respective woredas. A binomial logit model was employed to identify the determinants of decision-making on large sales (as an economic empowerment indicator in the study) by comparing participant with non-participant of microfinance. Accordingly, micro-financing has yielded positive impacts on women's economic empowerment. The descriptive as well as the regression result shows that microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status. Therefore, the concerned body should devote their emphasis to improve their performance and capacity to help the poor women in access to credit, thoroughly, poverty and food insecurity can be reduced. Consequently, women economic empowerment will be achieved.

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