

Performance of MFIs and Their Role in Poverty Alleviation: The Case of Selected MFIs in Ethiopia

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Abstract- Purpose —The purpose of this research is to analyze the performance of selected MFIs and their impact on poverty reduction in Ethiopia. To achieve the objectives sought four MFIs were selected randomly and their outreach and financial performance, institutional sustainability and their program impact on poverty have been evaluated in-depth.

Methodology — A mixed methods approach has been adopted. Accordingly, both primary and secondary data were collected and have been processed and analyzed using quantitative and qualitative analysis techniques.

Findings — There is a weak governance and management capacity in all sample MFIs. Moreover, product diversification and the application of modern MIS are still not developed in most of the sample MFIs. However, some of them were performing well in terms of some of the outreach and financial indicators. Except OMO the remaining sample MFIs did not achieve level of OSS, and all of them were not attaining FSS yet. With negative AROA and AROE ratios, MFIs in Ethiopia are still not profitable. It is revealed that there is no trade-off between scaling up outreach as measured by NAB and financial self-sufficiency. However, when ALS (which measures client's poverty level) was compared to profitability, there exist positive correlation, indicating that there is trade-off between depth of outreach and sustainability. Nonetheless, since the coefficient is weak, it doesn't mean that MFIs should focus on large loans at the expense of their social mission. It is suggested that the twin goals of the MFIs can be attuned depending up on the adoption of appropriate strategies, which, judging by the findings of this study, including charging a relatively high real interest rate, making productive use of loan officers, keeping operating costs at minimum, diversification of income sources and encouragement of voluntary savings.

In terms of program impact, in addition to boosting household and enterprise income, microfinance loan help clients increase the habit of savings and acquire enterprise skills and assets. Loans also help current clients meet household expenditure and cushioned themselves from the difficulties of vulnerability. However, access to loan had done little to empower women. Therefore, it is clear that institutional capacity is the necessary pre-condition for the attainment of both financial viability and scaling-up outreach. And, only sustainable institutions have better impact and contribute towards economic development and poverty reduction.

Index Terms- Empowerment, Financial viability, Poverty reduction, Outreach, Sustainability

I. INTRODUCTION

According to Asian Development Bank (ADB, 1999), poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labor and be reasonably rewarded, as well as having some protections from external shocks. Beyond income and basic services, individuals and societies are also poor—and tend to remain so—if they are not empowered to participate and to make decisions that can shape their lives. Poverty is thus better measured in terms of basic education; health care; nutrition; water and sanitation as well as income, employment and wages. Such measures must also serve as a proxy for other important intangibles such as feelings of powerlessness and lack of freedom to participate.

Numerous studies suggested different causes for poverty in a country. Some contended that the cause of poverty in developing economies, among other things, is that the poor does not have access to credit from formal banks for the purpose of working capital as well as investment for their small businesses (Jean-Luc, 2006). Hence, improving access to financial services is an important development tool, because it helps in creating employment opportunities for unemployed and increases their income and consumption, which would in the final analysis reduce poverty. Access to financial services to the poor also facilitates economic growth by easing liquidity constraints in production, by providing capital to start up new enterprises or adapt new technologies, and by helping producers to assume production risks. To this end, many developing economies have developed and have been providing credit to the poor through microfinance schemes. The experience of several Asian, African as well as Latin American countries could be a typical example for this (Mayer, 2002).

Microfinance has been renowned, globally, as a feasible and sustainable tool for poverty reduction and economic development through improving income generating activities and employment creations. Despite well documented evidence of the positive impact of promoting access to finance to under-served segments of the community, many poor people in Africa still remain excluded from the mainstreaming financial systems.

In Ethiopia, the potential demand for financial services, particularly micro-credits is huge. However, the existing supply of financial services to the poor is very limited. As a strategic tool in alleviating the problem, though provision of microfinance services by government and non-government organizations were started in the past years, much emphasis was not given until the recent years. However, recently, the paradigm shift in reaching

and mobilizing the poor is attaining greater attention both at the national and international levels. By virtue of these, besides strengthening the effort of both parties, the recent phenomenon is the establishment of formal micro-financing institutions which operate in the country.

Formal micro-financing in Ethiopia started in 1994/95, and following the enactment of Proclamation No. 40/1996, currently, there are about 35 licensed microfinance institutions operating throughout Ethiopia. According to the AEMFI Annual Report (2013), the Microfinance sector is serving over 2.5 million active clients with an outstanding loan portfolio of Br. 7.157 billion (USD 408.7 million).

Previous studies about MFIs examined the growth of microfinance by developing proxy measures of outreach and repayment of loans. Such an approach is based on the assumption that if outreach in terms of number of borrower was increasing and repayment of loans were made by the clients then the sector was performing successfully (Khandkar, 1998). Limitations of such an approach are that it assesses breadth of outreach as the only dimension of performance and ignore other aspects of outreach that indicate the depth, scope, worth and financial health of the sector (Schreiner, 2002 cited in Mubarek, 2006). Though some studies were made on the financial soundness of MFIs in Ethiopia, their conclusions were largely based on a financial performance indicator that did not take into account adjustments for subsidies, inflation, loan loss provision and write-offs (See Wolday, 2000; Hailesillassie, 2005).

Although many studies have been made on the impact of microfinance program on poverty, the majority of them suffer from some procedural limitations like inappropriate sample selection, insufficient sample size, selection and placement bias and lack of appropriate comparison group (See MKNelly et al., 1996; Khandker, 1998; Morduch, 1998; Banegas et al., 2002; Gertler et al., 2003; Dercon, 1999; Meehan, 2001; Borchgrevink et al., 2005).

In general, the available literature on the outreach and performance of Ethiopian MFIs does not give a precise and uniform picture. This is partly because they rarely apply appropriate performance indicators. Moreover, the issue of the relationship between outreach to the poor and financial sustainability were not specifically addressed in these studies. Therefore, the current state of knowledge about the sustainability and performance of the institutions and their impact on clients' poverty clearly warrants further investigations, and it was against this background that the present study was undertaken.

In this study the investigator explores the performance of Ethiopian MFIs with respect to client outreach, institutional and financial sustainability and their role in poverty alleviation. Accordingly, propositions have been addressed through the following basic research questions:

- (1) Do the microfinance institutions have the necessary institutional capacity that enable them reach large number of active poor clients?
- (2) Are the microfinance institutions in Ethiopia operationally and financially self-sufficient? What factors influence the financial soundness of MFIs in Ethiopia?

- (3) Are the twin goals of poverty outreach and financial self-sufficiency attained? Or is there a trade-off between them?
- (4) How well the institutions are functioning towards poverty alleviation in the country?

Furthermore, the study also proposes to test the following three hypotheses:

Ho1: *There is no trade-off between scaling-up outreach and profitability of Microfinance Institutions in Ethiopia.*

Ho2: *There is no significant difference in the clients' mean annual income, mean annual expenditure on food, education and health before and after joining the Microfinance Credit Program.*

Ho3: *Participation in the microfinance program over a period of years increases enterprise assets.*

The current study is important because it provides relevant information to decision makers (investors, donors, creditors, clients, or governments) about how well the MFIs are performing. In addition, it enlightens the management of the institutions about the strengths and weaknesses of the current operating systems, and detects the impediments in the current functioning of the microfinance sector.

This study has been confined to the investigation of institutional and financial sustainability, outreach, and poverty impact of selected microfinance institutions in Ethiopia. The study has been undertaken based on a three year (2011 – 2013) audited financial reports, operating and portfolio reports obtained from sample MFIs and Annual Reports of the AEMFI, NBE and Micro Banking Bulletin (MBB).

The remainder of the paper has the following structure. *Section II* reviews relevant literature involving outreach, financial performance and institutional capacity, and impact on poverty. *Section III* explains the methodology employed and its limitations. *Section IV* presents the results & discussions. Finally, *Section V* provides the conclusions.

II. LITERATURE REVIEW

1.1 Microfinance Outreach

Outreach is “a hybrid measure that assesses the extent to which a Rural Financial Institution (RFI) has succeeded in reaching its target clients and the degree to which the RFI has met the clients demand for financial services” (Yaron et al., 1997, p. 91). There are several methods of measuring outreach that have been proposed. Yaron (1992a) suggests measuring outreach by loan portfolio value, average loan size, amount of savings in an institution, variety of financial services offered, number of branches, percentage of target population served, growth rate, and number of women served are possible.

Building on these measures of outreach, Christen, Rhyne, Vogel, and Mckean (1995) categorize measures of outreach in their study of effects of sustainability on outreach by defining outreach along three dimensions: quality of service, scale of outreach, and depth of outreach to the poor. Quality of service is measured qualitatively by the number of services offered, the quality of the available savings options, and the type of lending. In addition, the authors measure quality through evidence of client acceptance such as low delinquency and willingness to pay

high interest rates. Scale of outreach is measured by number of borrowers and branches, and percentage of the target population serviced. Depth of outreach can be measured through the type of clients reached and level of poverty. Average loan size, they argue, while only a proxy for client poverty provides a good quantitative measure because, by and large, poorer borrowers can get service of smaller debts, and hence tend to take out smaller loans.

Most efficient microfinance institutions are successful in reaching large number of poor clients. Grameen Bank (GB), for instance, covers 56 out of 64 districts making it the largest credit program in Bangladesh with annual growth rate of 34 per cent (Sarah, 1997). It gives service to more than 7 million people, of which 98 per cent are women. However, it is indicated that the poorest of these women have been excluded from getting the services through the process of group formation. This is because group members select each other on the basis of the potential of each member for making timely repayment and savings (Rogaly, 1996). If a woman is very poor and has no asset that indicates her potential to pay the loan, she is likely to be excluded (Johnson, 1997).

The greater emphasis on financial sustainability and the trend toward commercialization of microfinance has raised concerns about the effects of this shift on outreach, or more specifically on the number (breadth) and socioeconomic level (depth) of the clients that are served by MFIs. There are some discussions in the literature on the outreach of microfinance programs. This literature provides mixed evidence, especially regarding depth of outreach. Some studies indicate that it is the better off-poor rather than the starkly-poor who stand to benefit most. Evidence for this is given in e.g. Hulme and Mosley (1996) and Copestake et al. (2005). Other studies, e.g. Khandker (2005) and EDA Rural Systems (2004), find that the extremely poor benefit more from microfinance than the moderately poor.

1.2 Financial Sustainability

Providing microfinance is a costly business due to high transaction and information costs. At present, a large number of microfinance programs in Ethiopia and elsewhere in the world heavily depend on donor aids to meet the high transaction and administrative costs, i.e. they are not financially sound. In the 1990s, the importance of financial sustainability of microfinance institutions gave rise to an important discussion between the *financial systems* approach and the *poverty lending* approach (Robinson, 2001). If both approaches agree on the ultimate goal, which is to serve as many poor people as possible in a sustainable way, the means by which these goals should be reached differ fundamentally.

The *financial systems* approach focuses on the importance of financially sound microcredit program. Conversely, the *poverty lending* approach emphasizes on reducing poverty through subsidized credits often offered together with complementary services like skill training and teaching of literacy and numeracy, health, nutrition, family planning programs and the like (Zigiju, 2008, p. 17). The promoters of this approach affirm that the aim of microfinance is improving the living standards and empowerment of poor women. Because of this, subsidies for institutional innovation and expansion are reasonable. The activists of the *financial systems*; however, assert

that empirical evidence neither show that the poor cannot afford higher interest rates nor that there is a negative correlation between the financial sustainability of the institution and the poverty level of the clients.

Though most notable MFIs are hugely dependent on external funds during the initial years of their operations, in recent years, however, this dependency has shown a decreasing pattern. This has been buoyed by Johnson and Rogaly (1997) that most of the renowned programs have been operating in subsidies especially at the beginning of their operation but their reliance on subsidies decreases significantly. But, as Yaron states, financial soundness in microfinance is possible through many factors viz., high repayment rate combined with increased loan size and, the encouragement of voluntary savings (saving mobilization), and the decrease in administrative costs (Yaron, 1994; p. 59).

2.3 Financial Sustainability versus Outreach

Regarding the trade-offs between financial sustainability and depth of outreach, Craig Churchill (2000) analyses the characteristics of financially sound MFIs. Accordingly, he finds that there is no strong relationship between loan balances (average loan size) and self-sufficiency, and that some of the most profitable MFIs serve the poorest clients. In his study Churchill analyzed 114 MFIs to find evidence whether there is a trade-off between financial self-sufficiency (FSS) and depth of outreach (average outstanding loan/GNP per capita) and average outstanding loan balance or not. The data suggest that it is possible to provide very small loans and be financially self-sufficient. While it might be assumed that a decline in average loan size will negatively affect self-sufficiency, this is not necessarily the case. Because out of the 13 programs that fall within this category, 6 increased their FSS ratio from 1998 to 1999. Even though further investigations are required on the issue, yet it supports the idea that there is not necessarily a trade-off between depth of outreach and profitability.

Inversely, studies by Gibbon & Meehan (2000) that included 12 MFIs in Asia, Africa, and Latin America argued that MFIs working with the poorest would experience a trade-off with institutional financial sustainability (IFS). Specifically, they concluded that, “at a given point in time [MFIs] can either go for growth and put their resources into underpinning the success of established and rapidly growing institutions, or go for poverty impact and put their resources into poverty-focused operations with a higher risk of failure and a lower expected return” (Hulme and Mosley, 1996, p. 206). However, the report did not reveal the variables that were used and the sample size was also inadequate to make a generalization.

A study by Cull et al. (2007) investigated the financial performance and outreach methodically for the first time in a large comparative study based on a new extensive data set of 124 microfinance institutions in 49 countries. They used three types of MFIs, i.e. group lending systems, village banking, and individual-based lending. The authors unambiguously examine whether there is empirical evidence for a trade-off between the depth of outreach and profitability. They scrutinize this issue by examining whether more profitability is associated with a lower depth of outreach to the poor, and whether there is a deliberate move away from serving poor clients to wealthier clients in order to attain higher financial sustainability (mission drift).

Accordingly, the results discovered that individual-based MFIs seem to perform better in terms of profitability, but the proportion of poor borrowers and female borrowers in the loan portfolio was lower than for group-based institutions. The findings also indicated that individual-based microfinance institutions, especially if they grow larger, focus increasingly on wealthier clients (mission drift), whereas this is less so for the group-based microfinance institutions. Moreover, the study strongly emphasizes the significance of institutional design in considering trade-offs in microfinance.

Nevertheless, except Cull et al. (2007), most of the evidence on the depth of outreach of microfinance institutions empirical evidence discussed above suffers from being anecdotal and the majority of them are case study driven. Most of the previous studies do not scientifically expound differences in depth of outreach of microfinance institutions, nor do they objectively search whether there is a trade-off between depth of outreach versus the strife for financial sustainability.

2.4 Microfinance and Its Impact on Poverty

Generally microfinance institutions are judged by the positive impact that they have to bring in terms of improving the income as well as living condition of its target beneficiaries and ultimately in terms of their role towards reducing poverty. It is generally believed that microfinance programs will raise incomes and broaden financial markets by mainly providing credit, among other services to small scale entrepreneurs (Aghion & Morduch, 2000, p. 402). The significant process by which financial services are conceived as reducing poverty is by the provision of income generating loans. According to Muhammad Yunus, the founder of Grameen Bank of Bangladesh, a successful circle can be set up: “*low income, low credit, low investment, more income, more credit, more investment, and more income*” (IDSS 1994 cited in Hulme, 1997, p. 101). The logic is that by providing small loans MFIs help the poor to better cope with risk, to take advantage of income generating opportunities and to reduce vulnerability (Paxton & Cuevas, 2001).

Studies also indicate that the advancement of financial sector expansion, particularly microfinance, makes a significant influence to the realizations of the UN Millennium Development Goals in helping to reduce poverty. Children of poorer families tend to attend school when their parents have access to savings and loans which contributes to an improved economic situation of their households. Similarly favorable effects can be seen through the offer of health and nutritional advice in combination with access to savings and loans by many MFIs. Such services have reduced mother and child mortality rates among MFI clients. While this impact may be less remarkable than many had hoped for, on the whole, millions of the poor would be worse off without microfinance.

More optimistic deductions in terms of the ability of microfinance to reduce vulnerability are found in Indonesia by Gertler et al. (2003), who revealed that access to finance enables families' smooth consumption in the face of declines in the health of adult family members. By establishing an empirical relationship between health condition and consumption the authors test for a relation between access to a financial institution and consumption shortfalls associated with ill-health. Using geographic distance as a measure of access, they find that for

households in an area with a BRI branch, health shocks have no effect on consumption. However, this study does not differentiate within the group of the poor.

About 86 - 95 percent of women clients reported that microcredit loans had a favorable impact on their enterprise operations (Sanders & Deugd, 2002). With the credit they obtained from microfinance, many women reported that they were able to diversify their products and their inventories, increase the supply and quality of the products they offered, and expand sales figures.

Borchgrevink et al. (2005) studied marginalized groups, credit and empowerment for the case of Dedebit Credit and Savings Institution (DECSI) of Tigray region, Ethiopia. The study found that female household heads were extremely marginalized groups; and also, young households, rural landless households and urban house-renting households were the other marginalized groups.

Through the two-phase assessment, the study found that the DECSI's program has had a positive impact on the livelihood of and as well enhanced the social and political position of many clients. Concerning the challenges for economic development, the study identified poor rainfall, small farm size, and shortage of labor during peak agricultural seasons as the main challenges. Whereas, low return and lack of demand were the major constraints in the non-farm business. However, the study indicated that credit was not the main constraining factor for expanding economic activity, except that in urban areas.

III. METHODOLOGY

3.1 Research Approach

To meet the objectives of this research, a mixed methods approach has been executed. The purpose of using such a mixed methods approach was to gather data that could not be obtained by adopting a single method and for triangulation so that the findings with a single approach could be validated with others whatever possible. To accomplish the task, the investigator conducted personal in-depth interview with General Managers, Deputy General Managers, Operations Managers and Loan Officers of sample MFIs; and with officials in NBE and AEMFI. Moreover, to capture information about microfinance program impact, interview schedule has been designed and an interview was held with current clients and incoming clients in selected urban and rural areas.

The questions in the interview schedule were adapted from the Manual entitled “*Learning from Clients: Assessment Tools for Microfinance Practitioners*,” developed by the SEEP Networkⁱⁱ, AIMS (Assessing the Impact of Microenterprise Services), and a group from USAID.

This schedule consists of three major sections namely, the Impact survey; Individuals Use of Loans, Profits and Savings over Time; and Client Empowerment Interviews. The impact survey was categorized as quantitative tools because the enumerators collected standardized information by asking exactly the same questions to clients and non-client comparison groups and organized their answers into quantifiable response categories. Moreover, to evaluate the institutional and financial sustainability as well as outreach performance, audited financial reports and portfolio and operations reports of the respective

sample MFIs for three consecutive years (2011 – 2013) were used. While measuring the financial and outreach performance of sample MFIs, a standard performance assessment tools developed by the Consultative Group to Assist the Poorest (CGAP)ⁱⁱⁱ has been used.

3.2 Sample Design

To meet the objectives sought four (4) MFIs were selected randomly. The total population considered for the study was 31 microfinance institutions currently operating in the country (*Source*: Association of Ethiopian Microfinance Institutions, October 2013) and out of these MFIs those established before or as of 2010 were considered fit for the study purpose to assess the performance, sustainability and impact of MFIs' in the country.

Today, one can find at least a microfinance institution engaged in the provision of financial intermediation services in every region of the country. However, mainly due to time and cost considerations MFIs in Amhara, Benshangul Gumz, Gambella, Tigray and Somali regions were deliberately excluded from the list. Therefore, only MFIs found in Oromia, Southern Nations & Nationalities Peoples' Regional State (SNNPRS), Harrari, Dire-Dawa and Addis Ababa were considered in the study. It is, thus, from the MFIs that are currently operating in these regions that the four (4) sample MFIs selected based on multi-stage sampling technique. In the first stage, three regions (Addis Ababa, Oromia and SNNPRS) were selected based on random sampling technique. Then the four (4) MFIs were selected randomly from these three regions based on probability proportion to size; size being number of MFIs in the regions. Accordingly, two (2) MFIs from Addis Ababa, one (1) from Oromia, and another one (1) MFI from SNNPRS were selected randomly.

After selecting sample MFIs from the aforesaid regions, two service centers (one from urban and another from rural areas) from each MFI were selected randomly. Then clients belonging to these service centers were stratified based on their attachment with the Microfinance credit program as one-year clients and two-year and above (established) clients. Finally, after having randomly selected the sample MFIs, the officials in each of these institutions, NBE and AEMFI have been chosen.

The cross-sectional sample design employed in the impact assessment survey was random sampling technique. In this study three categories of clients were proposed: (1) established clients (i. e., two years and above in the program), (2) short-term clients (those having only one-year experience in the credit program); and (3) incoming clients (those recruited to be the next microfinance clients who serve as a comparison group and are a proxy for non-clients). Accordingly, a total of 1200 respondents consisting of 800 current clients (established and short-term) and 400 non-client comparison groups have been selected based on systematic random sampling technique.

3.3 Data Analysis Techniques

After data have been collected, the financial reports of sample MFIs were adjusted to ensure comparability against the effect of subsidy, inflation and difference in loan loss provisioning. Subsidies were adjusted to the cost of fund. Additional costs were added for any liabilities bearing interest rates, which were substantially lower than the market price. In-kind subsidies such as donated vehicles or computers, free rent,

or direct payment of staff member's salaries by a third party were adjusted to the expense account and the net income was adjusted accordingly.

Based on the nature of the data collected through interview schedule, semi-structured interview, and document analysis, the following procedures and statistical tools were employed. First, data were checked for consistency and completeness and then labeled and entered into a computer, and then it has been processed and analyzed quantitatively and qualitatively using SPSS Version 19.0 for Windows Software.

The output from SPSS Software were analyzed using descriptive statistics such as mean, standard deviations, frequency tables for the responses obtained from the current and incoming clients through the interview schedule. In addition, the investigator analyzed the data using various statistical tools such as: Chi-square test, ANNOVA, and Paired t-test. Pearson Correlation Analysis was also used to determine the relationship between outreach to the poor (measured by NAB and ALS) and profitability (measured by AROA and AROE).

Finally, under qualitative analysis assessment of the institutions' operation was made based on the officials' responses and the secondary data collected from different sources.

3.4 Limitations

As with any other survey, this study has some potential limitations. One of the limitations of the impact survey is that the results of the study pertain only to those who have stayed in the microfinance program and did not include dropouts. However, the researcher believes that covering dropouts would make sampling too difficult and would be too time consuming. Also, while conducting this study some pieces of information was difficult to obtain; especially data related to African MFIs. Other than these, sample imperfections, methodological flaws, measurement errors can also be cited as limitations.

IV. FINDINGS

1.3 Institutional Capacity of MFIs

In Ethiopia, MFIs were established as share companies in line with Proclamation 40/1996 and the Commercial Code of Ethiopia issued in 1960. In terms of governance, in all sample MFIs, the highest governing body was the General Assembly of shareholders. Ordinarily, the General Assembly elects the board of directors and the chairperson of the board would be elected from the representatives of the highest shareholding organization in all sample MFIs. Despite having limited experience in managing microfinance, all board members in sample MFIs were qualified people, and about 59 percent and 35 percent of them were having first and second degrees, respectively.

The ownership structure of sample MFIs had been a blend of regional governments, NGOs, associations, private organizations and individual shareholders. All sample MFIs have more or less similar organizational structures which were both extensive and decentralized. With this form of structure, the institutions were able to deliver financial services in locations close to their clients. The structure implemented by the sample MFIs has the advantage of reducing transaction costs for both the firm and their clients. The majority of MFIs mainly offered two types of financial products namely, savings and loans. The loan products were mainly MSE installment loans and agricultural

term loans; and the solidarity group lending being the methodology used by all MFIs. However, each of the MFIs calls for different group and center size.

Almost all sample MFIs provide short-term training in different areas and their employees were participated in various experience sharing visits within the country to well experienced MFIs and abroad, particularly in Kenya, Ghana, India and Bangladesh. Often, the AEMFI also offered technical assistance to its member MFIs in the area of capacity building and has the objective of promoting and supporting networking activities among MFIs like initiate and support policy dialogue, providing up-to-date information on the status of MFIs in the country. However, despite the effort by Association, most employees at branch and sub-branch offices of the sample MFIs did not have the basic qualification and knowledge regarding microfinance operations, particularly in the areas of record keeping, interest calculation, and loan delinquency and financial management. Furthermore, very little consideration was given for staff development and capacity building works almost in all sample MFIs. Finally, as it was confirmed by participant MFIs and officials in AEMFI and NBE, there was encouraging environment for the growth of viable MFIs in the country.

1.4 Outreach Performance of MFIs

The number of active borrowers in the sample institutions as well as at the industry level has been swelling. OMO lead the sample MFIs with regard to growth in number of active

borrowers (NAB) with a 28.0 percent growth rate registered between 2011–2013. During the same period the industry’s overall active borrowers have increased by 13.7 percent. Compared to the national average growth rate, all sample MFIs except WISDOM posted a remarkable performance. Growth in the number of active borrowers for WISDOM has shown a declining trend.

Regarding growth in portfolios (GLP), all sample MFIs have reported increment over the study periods with different rates of growth leading the overall industry’s average portfolio to surge during the study periods on average by a remarkable 44.36 percent. WISDOM leads the pack with an impressive average growth rate of 88.97 percent between 2011–2013 fiscal years. METEMAMEN in its part has reported growth in GLP of 16.84 percent. Likewise, OMO and AVFS reported average growth in GLP of 40.74 percent and 18.0 percent between the periods 2011–2013, respectively. Industry-wise, GLP has shown increment over the study periods by a significant rate of 44.36 percent.

In three of the four sample MFIs women participation in the microfinance program has been encouraging. However, women’s involvement in OMO microfinance was very insignificant (which constituted 31.0 percent of all borrowers). Industry-wise women represented 51.0 percent of the microfinance clients during 2012. This figure was below the average for African countries, which was 65 percent during the same period (AEMFI, 2013).

Table 4.1 Some of the Financial Performance Measures of Sample MFIs

Performance Indicators	AVFS			METEMAMEN			OMO			WISDOM			Eth. Av.
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	
Growth in GLP	33.7 %	11.5 %	5.8 %	11.6 %	5.5 %	10.8 %	16.2 %	25.7 %	11.9 %	-6.3 %	-5 %	20.4 %	44.4 %
Women Borrowers	74%	76%	75%	77%	76%	76%	32%	30%	31%	62%	64%	64%	51%
Voluntary Savings/GLP	8.8 %	5.02 %	6.7 %	0.04 %	0.55 %	1.0 %	23.3 %	28.6 %	31.2 %	8.8 %	8.6 %	3.1 %	37%
ALS in Birr	864	992	1055	1135	1201	1315	1780	2070	2135	3550	3995	3995	2670

Source: Computed from Operating Manuals & Audited Financial Reports of Sample MFIs (2010 –2013).

Despite the increasing trend it showed, voluntary saving as a percentage of GLP for sample MFIs and at the industry level was very low. Industry-wise, it accounts only 37.0 percent of GLP and 26.5% of total assets in 2012 (AEMFI, 2013). Voluntary savings enable microfinance clients to build for the future and better prepare for unexpected contingencies. Voluntary savings are by far the most common source of funding for microenterprise startup and expansion. Similarly, voluntary savings provide a relatively stable source of funds that could enable an MFI to achieve financial self-sufficiency (AEMFI, 2012). The average loan size for an individual borrower reported by sample MFIs range from Birr 864 to Birr 3,995. The average loan size for the Ethiopian Microfinance sector was also Birr 2,670 (around 127USD) in 2012, suggesting MFIs in Ethiopia

are poverty oriented which was on the assumption that small loan does not appeal the wealthy clients. However, the average loan size reported by all sample MFIs and the industry average has shown increasing trend.

1.5 Financial Performance of MFIs

From efficiency and productivity perspective, OMO has reported operating expense ratios of 2 percent, 4.2 percent and 5.12 percent in 2011, 2012 and 2013 fiscal periods respectively (most efficient). Inversely, AVFS, METEMAMEN, and WISDOM have posted the highest operating expense ratio (less efficient) as measured by operating expense over average loan portfolio. AVFS registered operating expense ratio of 12 percent, 20.3 percent and 26.78 percent during 2011, 2012 and 2013 budget years respectively. Whereas, METEMAMEN reported the

next higher operating expense ratio of 17 percent, 18.21 percent and 18.93 percent in 2011, 2012, and 2013, respectively. WISDOM on its part has posted operating expense ratio of 18 percent, 14.4 percent and 16.75 percent in 2011, 2012, and 2013 fiscal periods respectively. The average for Ethiopian microfinance sector reported operating expense ratio of 12.9 percent during 2012. For AVFS and METEMAMEN, operating expense ratio shows increasing trend, hence, requires the attention of management. Because as operating expense ratio increases ROA and FSS will decline. However, compared to the African average, which was 24.27 percent in 2012, Ethiopian Microfinance institutions were more efficient.

In terms of productivity of loan officers OMO microfinance is leading the pack by reporting the highest ratio of 488, 743 and 1380 borrowers per loan officers during 2011, 2012 and 2013 fiscal periods respectively. METEMAMEN on its part registered the second productive use of its loan officers by reporting 544, 587 and 591 borrowers per loan officer ratio in 2011, 2012 and 2013 fiscal years respectively. Whereas AVFS has registered borrowers per loan officer ratio of 323, 478 and 511 in 2011, 2012 and 2013 fiscal periods respectively. The industry average for Ethiopian Microfinance, in this regard was 547 during 2012. Hence, in terms of productive use of loan officers, Ethiopian microfinance institutions in general, and sample institutions in particular, were doing well specially compared to their African counterparts, which registered a ratio of only 255 borrowers per loan officer in the same year (AEMFI, 2013).

Another important factor that has impact on the financial soundness of MFIs is the status of portfolio quality. And the most widely used measure of portfolio quality in the microfinance sector is portfolio at risk (PAR), which measures the portion of the loan portfolio at risk. Any PAR > 30 days exceeding 10 percent is not considered good. In line with this, WISDOM and AVFS reported lower rates. Thus, using this parameter the study found that the low PAR > 30 days rate disclosed by WISDOM (2.11%) could contribute positively to achieve financial self-sufficiency. Nevertheless, the 15.16 percent and 12.83 percent PAR > 30 days ratios posted by OMO and METEMAMEN respectively were above the standard and will endanger the future revenues of the institutions since unlike commercial bank loans, loans of MFIs are not supported by collateral. Microfinance institutions in Ethiopia reported average PAR > 30 days ratio of 7.59 percent during 2012. Compared to the African

average, which posted PAR > 30 days ratio of 6.63 percent during the same period, Ethiopian MFIs performed a little lower. In general, the higher PAR > 30 days ratio posted by OMO and METEMAMEN and the growth trend of the ratio in all sample MFIs may imperil their level of financial soundness.

It is revealed that equity capital remains the major funding source almost for 3 of the 4 sample MFIs as evidenced by the higher capital asset ratio. In this regard, METEMAMEN has reported capital asset ratio of 80 percent and 78.65 percent in 2012 and 2013 budget years respectively. Similarly, AVFS had registered a capital asset ratio of 56.55 percent and 56.1 percent during 2012 and 2013, respectively. On the other hand, WISDOM has posted capital asset ratio of 44 percent, 47 percent, and 48 percent, respectively during the study periods. Inversely, OMO held the lowest capital asset ratios of 10 percent, 27 percent and 24 percent, respectively during 2011, 2012 and 2013 fiscal periods. With regard to this, the CGAP stated that MFIs should be subject to even higher capital to asset ratio than conventional banks as a means to safeguard their portfolios and advises institutions to maintain ratios approaching 20 percent with the potential to lowering it to 12 – 15 percent, based on performance over time (CGAP, n/d cited in AEMFI, 2013). The limited access to commercial source of funds, and largely due to the heavy reliance on donors' funds, the sector has exhibited an average capital to asset ratio of 43 percent (AEMFI, 2013).

Except OMO, which registered an OSS of 103 percent, 116 percent and 119 percent in 2011, 2012 and 2013 respectively, the rest of the MFIs included in this study didn't achieve operational self-sufficiency (OSS). For example, WISDOM, with an OSS ratio of only 71 percent, 86 percent and 87 percent during 2011, 2012 and 2013 respectively has not passed the break-even point. Though it has shown tremendous improvement, METEMAMEN registered an OSS ratio of only 62 percent, 85 percent and 89 percent in 2011, 2012 and 2013 respectively. Similarly, AVFS reported an OSS ratio of 78 percent, 59 percent and 63 percent during 2011, 2012 and 2013 respectively. The average OSS registered by Ethiopian MFIs was 119 percent in 2012, which was a bit higher than the average attained by African MFIs which exhibit OSS ratio of 108 percent during the same year. This shows that Ethiopian microfinance sector performed a little better than their African counterparts.

Table 4.2 Some of the Financial Performance Measures of Sample MFIs

Performance Indicators	AVFS			METEMAMEN			OMO			WISDOM			Eth. Av.
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	
AROA	-2.0%	-1.8%	-1.6%	-2%	0.5%	1%	0.1%	1.4%	2.2%	-1%	-2.6%	-1.9%	2.7%
AROE	-3%	-3.2%	-3.0%	-2%	0.7%	2.6%	1%	5.9%	5.2%	-3%	-5.3%	-4.5%	6.3%
OSS	81%	82%	87%	62%	85%	89%	103%	116%	119%	71%	86%	87%	119%
FSS	78%	59%	63%	43%	45%	51%	95%	78%	95%	66%	67%	71%	86.3%
PAR>30	4%	7.4%	6.5%	12%	12.8%	10.9%	7%	15.1%	10.7%	9%	2.1%	4.4%	7.59%

Source: Computed from Audited Financial Reports of Sample Institutions (2010 –2013).

On the other hand, the analysis for Financial Self-sufficiency, taking into account adjustments for subsidies and inflation, revealed that the entire sample MFIs did not achieve financial self-sufficiency yet. From among sample MFIs, METEMAMEN registered the lowest FSS ratio of 43 percent, 45 percent and 51 percent during 2011, 2012 and 2013 respectively. Average FSS attained by Ethiopian MFIs was 94.6percent, 83.0 percent and 86.3 percent during 2011, 2012 and 2013 respectively. It means that on average, Ethiopian MFIs could cover only 86.3 percent of their obligations in 2013. Compared to the FSS achieved by African microfinance sector, which was 96 percent in 2012, the performance of Ethiopian MFIs was very low. Not only is the low level of FSS ratio posted by the Ethiopian microfinance sector, but also the decreasing trend it has displayed over time cause for concern. Similarly, the profitability ratios for two of the sample firms measured by AROA and AROE shows negative results. Accordingly, AVFS has posted an AROA of -2percent, -1.8 percent and -1.65 percent in 2011, 2012 and 2013 fiscal periods respectively. During the same periods, it has reported AROE of -3 percent,-3.2 percent and -3.0 percent respectively. Similarly, WISDOM displayed AROA of -1 percent, -2.6 percent and -1.9 percent during 2011, 2012 and 2013 respectively. METEMAMEN has registered -2

percent, 0.5 percent and 1.0 percent AROA; and -2 percent, 0.7 percent and 2.61 percent AROE during 2011, 2012 and 2013 respectively. Inversely, OMO posted an AROA of 0.1 percent, 1.4 percent and 2.2 percent; and AROE of 1.0 percent, 5.9 percent and 5.2 percent during 2011, 2012 and 2013 respectively. The average AROA posted by Ethiopian microfinance sector were 0.2 percent, 1.4 percent and 2.7 percent during 2011, 2012 and 2013 respectively. Whereas, the average AROE posted by Ethiopian microfinance sector during the same period were 3.4 percent, 5.1 percent and 6.3 percent respectively. Compared to the average AROA registered by African microfinance sector, which posted AROA of -1.53 percent and AROE of -1.13 percent in 2012, Ethiopian MFIs achieved better performance.

Finally, Pearson Correlation test result indicated that there is no trade-off between breadth of outreach (as measured by NAB) and profitability (AROA) (*See Correlation results on table 4.1 below*). Nevertheless, when we look at the correlation between depth of outreach (as measured by ALS) and profit performance (AROA), it was found that there is positive correlation between them; which implies that microfinance institutions with small loan size(which is taken as a proxy for clients' poverty level) tend to have low profit figure (or otherwise incur a loss) and vice versa.

Table 4.3 Correlation Result among Number of Active Borrowers (NAB), Profit Performance (PP) and Average Loan Size (ALS)

		Average loan size	Number of Active borrowers	Profit Performance
Average loan size	Pearson Correlation	1	.961**	.607
	Sig. (2-tailed)		.000	.063
	N	10	10	10
Number of Active borrowers	Pearson Correlation	.961**	1	.747*
	Sig. (2-tailed)	.000		.013
	N	10	10	10
Profit Performance	Pearson Correlation	.607	.747*	1
	Sig. (2-tailed)	.063	.013	
	N	10	10	10
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

*Correlation is significant at the 0.05 level (2-tailed) ($p < 0.05$).

1.6 Role of Microfinance in Alleviating Clients' Poverty

4.4.1 Survey Samples Demographic Characteristics

Regarding the demographic profile of respondents, the numbers across the three survey sample groups (established clients, one year clients, and incoming clients) seemed to be similar. Statistical tests were performed to determine whether the responses were significantly different or not. Hence, for those questions reporting percentages, a Chi-square statistical test was used to determine whether significant differences were evident between the sample groups. For questions reporting numerical or counting variables (such as *age* or *income amount*) the *Means* test was used to perform Analysis of Variance (ANOVA) statistical test.

Accordingly, clients across the three survey groups were quite similar. Women represent 63.25 percent, 58.75 percent, and

61.5 percent of the respondents of two-year and above, one-year, and incoming clients respectively. Similarly, the majority of the respondents were married; and their mean age was 39.55 years with no significant difference among the three sample groups. On average, the respondents included in this survey had completed 8 years of school and only 11.67 per cent of them never attended school at all. Hence, no significant differences among the three client groups were observed in any of the individual level demographic indicators.

Likewise, the respondents' household information was summarized with *Mean* numbers. Once again, statistical tests determined that no significant differences were found among the three client groups in any of the household-levels information. Since no significant differences were observed in the key

demographic characteristics, the three sample groups have been assumed to be comparable.

Table 4.4 Clients Individual & Household Level Demographic Information

Key Demographic Information	Two-year & Above (N=400)	One-year Clients (N=400)	Incoming Clients (N=400)
Percent of Women Clients	63.25	58.75	61.5
Percent Married	59.5	63.5	64.0
Percent Never Attended School	13.25	11.0	9.75
Mean Age of Clients (in years)	41.5	38.25	38.9
Mean years in School	7.3	8.4	8.65
Mean number of members in the household	4.42	4.11	3.91
Mean number of household members with regular income	1.89	2.21	1.91

Source: SPSS Output from Survey Data, 2014

4.4.2 Impact on Savings and Enterprise Profits

In terms of savings, the three client groups were compared. Consequently, 361 (90.25 percent) of established clients, 318 (79.5 percent) of one-year clients, and 287 (71.75 percent) of incoming clients reported that they have savings with the respective MFIs. Statistical Chi-square test was done and shown that established clients were significantly more likely to have savings than were both one-year & incoming clients ($p < 0.05$). About how they used the savings, the majority of clients in the three sampling groups confirmed that they used their savings in the MFIs primarily for business purposes (such as for undertaking new enterprises, for expansion of existing business, for acquisition of inputs, etc.). Also, 69(19.1 percent) of established, 31(9.75 percent) of one-year, and 26(9.25 percent) of incoming clients indicated that they used the savings for house

improvement. Chi square test result revealed that established clients were more likely to have spent their savings for improvement of housing ($p < 0.05$). On the other hand, 21 (5.82 percent) of established, 37 (11.64 percent) of one-year, and 34 (12.1 percent) of incoming clients confirmed that they used the savings to cover school fees for their children & themselves. Whereas, 18 (5.0 percent) of established, 28 (8.8 percent) of one-year, and 15 (5.33percent) of incoming clients indicated that they used the savings to settle debts (repay loan). 9 (2.49 percent) of established, 13 (4.1 percent) of one-year, and 35 (12.46 percent) of incoming clients didn't use their savings.

With respect to enterprise profit, 78.5 percent of established, 69.3 percent of one-year and 42.0 percent of incoming clients posted enterprise profit in the last twelve months. Chi-square test comparing the percentage of current (both one-year, and established) clients and incoming clients were performed and found to be significant at 5 percent ($p < 0.05$).

4.4.3 Impact on Enterprise Assets

It is clear that an increase in assets may be considered as proxy indicator for previous business profits that were invested in these items. As can be seen in table 4.2below, the results revealed that two-year and above(established)clients were significantly more likely to have acquired small tools and accessories than were both one-year &incoming clients in the last twelve months ($p < 0.05$).Chi-square statistical tests was undertaken and confirmed that established clients were significantly more likely to have acquired major tools, such as machineries, equipment and furniture; and made minor investments in their production and/or market sites than were both one-year and incoming clients in the last twelve months. However, when the responses of one-year clients were pooled with the two-year and above clients, no significant difference was found in minor investments in marketing and/or production sites, and major tools like machineries, equipment and furniture between current and incoming clients. Therefore, the hypothesis that participation in the Microfinance program over a period of years increases enterprise assets is accepted (see table below).

Table 4.2 Impact on Enterprise Assets

During the last 12 months, did you purchase or invest in any of the following assets for your enterprise?	Percent Two-Year and Above Client (N = 400)	Percent One-Year Client (N = 400)	Percent Incoming Clients (N = 400)	P – Value	Percent Urban Clients (N=600)	Percent Rural Clients (N=600)
Purchased small tools or accessories (such as cooking utensils, hoes, plows, baskets, buckets, barrels, etc.).	65.5	52.25	47.0	0.014*	45.5	39.83
Purchased major tools, such as machineries, equipment	31.3	24.5	18.5	0.031*	13.5	11.0
Made a minor investment in their marketing or production site (by purchasing a chair, table, shed,	51.5	42.25	39.0	0.027*	33.5	35.67

etc.).						
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*Significant difference between established clients versus both one-year & incoming clients (p<0.05).

Source: SPSS Output from Survey Data, 2014

4.4.4 Impact on Economic Security

To study the impact of Microfinance on income and expenditure, before and after the program, a paired t-test for difference of mean has been used to test the significance. The test statistic is given by:

$$\frac{\sum d}{\sqrt{\frac{n(\sum d^2) - (\sum d)^2}{n-1}}}$$

Where; $\sum d$ = sum of the differences
 $(\sum d^2)$ = the sum of the squared difference
 $(\sum d)^2$ = the sum of the differences squared

The income & expenditure values before joining the program have been converted to current prices using CPI based on the CSA's report taking Year 2000 as the base year (2000 = 100).

As shown in table 4.3 below, a paired t-test result revealed that Microfinance clients had significantly higher mean annual income, mean annual expenditure on food, health and education after joining the microfinance program than were before joining the program as evidenced by a paired t-test statistics (p<0.05). Thus, the hypothesis that there is no significant difference in the clients' mean annual income, mean annual expenditure on food, education and health before and after joining the Microfinance credit program was *rejected*.

Table 4.3 Mean Difference in Clients Annual Income, Annual Expenditure on Food, Education, and Health Before and After Joining the Microfinance Program

Attribute	Mean Value (in Birr)	Mean Difference	Paired t Statistics for equality of means	P Value	Decision (result)
Mean Annual income after joining the microfinance credit program	21728.35	6424.41 (41.9%)	18.193	0.000*	Reject null hypothesis
Mean Annual income before joining the microfinance credit program	15303.94				
Mean Annual expenditure on food after joining the credit program	12736.50	2895.4 (29.4%)	13.221	0.000*	Reject null hypothesis
Mean Annual expenditure on food before joining the credit program	9841.10				
Mean Annual expenditure on education after joining the credit program	2935.41	948.925 (50.3%)	19.403	0.000*	Reject null hypothesis
Mean Annual expenditure on education before joining the credit program	1886.34				
Mean Annual expenditure on health after joining the credit program	1729.29	495.56 (40.2%)	14.101	0.000*	Reject null hypothesis
Mean Annual expenditure on health before joining the credit program	1233.73				

*Significant at 1% level.

Source: SPSS Output from Survey Data, 2014

V. CONCLUSIONS

The objective of this study was all about the two sides of Microfinance. The first aspect treats about sustainability of the MFIs and their outreach performance whereas the second aspect deals about the other side of the microfinance program, i.e., the impact that the program has on the socioeconomic activities of the beneficiaries. It is stated earlier in this study that MFIs are expected to achieve the twin goals of reaching the vast majority of the economically active poor (outreach) and becoming financially sustainable (profitable). As a precondition for

achieving these goals, MFIs have to build institutional capacity. Institutional capacity requires that adequate governance, management, staff and organizational structures are in place to reach large number of clients sustainably.

In all MFIs the highest governing body is the General Assembly of shareholders and the General Assembly would elect the board of directors (BoD) and the chairperson of the board would be elected from the representatives of the highest shareholding organization. Although the board of directors fulfills the requirements of NBE, they have little or no experience about microfinance. This has limited the board

members' ability to analyze critically management's plan as well as their capacity to provide proper guidance.

The MFIs included in this study used more or less similar organizational structure, which are both extensive and decentralized. With this form of structure the firms were able to deliver financial services in locations close to their clients. This form of structure has the merit of reducing transaction costs for both the firms as well as the clients; and enables the firms to establish permanent relationship and mutual trust with their respective clients. However, the majority of sample MFIs have entirely used manual information processing in their operations. The system did not produce the portfolio quality, which is an important aspect for the analysis of the portfolio. Therefore, manual information system coupled with poor accounting and record keeping knowledge of branch and sub-branch staffs makes difficult to process and provide accurate and timely information to decision makers.

With outreach dimension, all MFIs included in this study were doing well in terms of growth in number of active clients served and growth in GLP throughout the study periods. The growth in GLP and NAB served was ascribed to the ability of MFIs to obtain funds for on-lending purpose. Despite the remarkable achievement in terms of growth in number of active borrowers, the total number of clients served by the sector in Ethiopia is still very small. As per the report of AEMFI (2008), only 20 per cent of the country's eligible microfinance clients have access to financial intermediation. The average loan size is considered as a proxy measure of depth of outreach. Compared to the African region average, which was Birr 5028 during 2010, the ALS in Ethiopia is very low. The low ALS suggests that MFIs in Ethiopia is poverty focused which is on the assumption that small loan does not attract better-off clients.

The volume of savings mobilized by sample MFIs and the sector, in general, was very low. Despite the increasing trend it showed recently, it still represented 37 percent of the sector's GLP (AEMFI, 2013). The major reason for the low level of savings may be attributed to the very little incentive attached to the mobilization of savings. Many MFIs consider mobilization of savings as costly and re-lending the deposits even would lead to greater losses. Moreover, many MFIs in Ethiopia have access to donated equity from development partners and highly concessional borrowings that they obtained from development finance institutions. Thus, this led them to give little attention to mobilization of client savings. In addition, since the interest rates on deposits is very low (which in Ethiopian case is 5 per cent) against the sky-high inflation in the country which results in real rates on deposits fell to zero or even below, savers had little incentive to build up accounts and ultimately, little savings was generated, and money stayed under mattresses or was moved into nonfinancial assets. Except OMO the three sample MFIs didn't achieved level of OSS, and all of them were not attaining FSS yet. With negative AROA and AROE ratios, MFIs in Ethiopia are still not profitable.

A simple correlation test result between outreach (as measured by NAB) and financial performance (as measured by AROA) revealed that there is no trade-off between the twin goals of an MFI. However, when comparison is made between ALS (a measure of client's poverty level) as a proxy for outreach and AROA, the correlation is weak. Meaning that small loan size will

result in lower profit or loss and *vice versa*; and it follows that in order to be profitable MFIs should increase the loan size. Increasing the loan size will attract the better-off clients and, therefore, ultimately results in a mission drift. However, MFIs in Ethiopia should not have to concentrate on large loan size at the expense of their social mission. Instead, institutions are advised to adapt other strategies like charging relatively high interest rate, making productive use of loan officers, keeping operating costs to minimum level, encouraging voluntary savings and diversification of income sources.

Regarding impact on poverty, in addition to boosting household income and enterprise profit, microfinance loans help current urban and rural clients in financing household welfare (like food, health and education, clothing, and the likes). Loans also help poor families smooth out income fluctuations and maintain consumption levels even during the hungry seasons. Moreover, as a result of participation in the microfinance program clients have made numerous changes and acquired enterprise assets. Therefore, one can conclude that with the help of the financial services they obtained from the MFIs, a significant number of clients have been able to increase their income and buffered themselves from the difficulties of vulnerability.

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ⁱ Millennium Development Goals: (1) Reduce the proportion of people living in extreme poverty by half between 1990 and 2015 (defined as people living on less than \$1/day). (2) Enroll all children in primary school by 2015. (3) Make progress towards gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005. (4) Reduce infant and child mortality rates by two-thirds between 1990 and 2015. (5) Reduce maternal mortality ratios by three-quarters between 1990 and 2015. (6) Provide access for all who need reproductive health services by 2015. (7) Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.

ⁱⁱ SEEP Network – The Small Enterprise Education and Promotion Network is an association of more than fifty U.S. and Canadian NGOs that work with hundreds of local organizations throughout the world on microenterprise development. SEEP engages in research, documentation, and

training activities aimed at improving member practice. Other partners in the AIMS Project were Management Systems International, Harvard University, and the University of Missouri.

ⁱⁱⁱThe Consultative Group to Assist the Poor (CGAP) is a consortium of 33 public and private [development agencies](#) working together to expand access to [financial services](#) for the [poor](#) in [developing countries](#). CGAP was created in 1995 by these [aid agencies](#) and industry leaders to help create permanent financial services for the poor on a large scale (often referred to as microfinance). (http://en.wikipedia.org/wiki/Consultative_Group_to_Assist_the_Poor).