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**RESEARCH ARTICLE**

**CONSTRAINTS OF RURAL WOMEN IN ACCESSING MICRO FINANCE SERVICES**

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**ABSTRACT**

Women are the key instruments in every society. Their role is very important in today's world. To strengthen the role of women, countries are focusing towards empowerment. Empowerment means giving power in all aspects including finance. To fulfill these objective countries started microfinance institutions. These institutions are playing vital role in every country including Ethiopia. The current study is conducted in Dendi Micro Finance Institutions West Showa zone, Ethiopia. The study mainly focusing on the constraints of rural women in accessing the micro finance institution services. 120 user and non-users of micro finance institutions were chosen from three districts. Primary data collected from the customers of MFI's and secondary data is collected from interviews and other sources. It presents the results from the descriptive and qualitative analysis. The descriptive analysis used the techniques of mean, standard deviation, percentage, statistics and logistic regression (binary logit) and frequency distribution. In addition the t-test and chi-square statistics were employed to compare use and non-user group. The result of study showed that age of members, awareness, family size, loan collateral, interest rate, and business information are the major constraints of members. The study concluded the customers are facing various constraints like training, low business information, lack of awareness towards family planning and others. The research made some recommendations like reducing family size, changing borrower's perception, choosing business opportunity, provide information, interest rates on borrowed funds. It is strongly felt that developing women with the support of microfinance, monitoring and creating awareness to eliminate the challenges faced by women in Ethiopia.

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**INTRODUCTION**

A country where woman are empowered will prosper. Empowerment results in all walks of life including economic activities. It results in women's ability to influence decisions, increased self confidence and better living standards. Women spend much of their income on their household; if they increase their income the welfare of the whole family is improved. Micro finance is necessary to overcome financial exploitation, create confidence for economic self reliance of rural poor women, mostly invisible in the social structure. Microfinance helps in linking woman groups to financial institutions as a cost effective mechanism for providing financial services to the "Unreached Poor". It has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor for their empowerment. One of the major goals of United Nations Millennium Development (UNMDG) is realization of

gender equality and empowerment of women. It became important in order to attend the existing differences from the socially constructed relationship between men and women, this affect the distribution of resources between them and cause many disparities in development outcomes. Many parts of the world including sub-Saharan Africa and South Asia, 75% of agricultural producers are women. They are also active as traders, processors and entrepreneurs in spite of facing many problems as compared to their male counterparts. Ignoring gender inequalities comes at a great cost to people's well-being, economic growth and thereby reduces poverty. Ethiopia is one of the least developed and poor countries in the world. Poor is because of lack of access to credit. To overcome these problems the government has expanding microfinance institutions all over the country. Women are facing so many problems in acquiring finance from micro financial institutions in all most all the developing countries and Ethiopia is not an exception to it.

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### **Objectives of the Study**

- To assess the level of access to microfinance services of MFIs by rural women.
- To identify the constraints of women in accessing the services of microfinance institutions.

### **Significance of the Study**

Microfinance institutions are important for poverty reduction and creating employment opportunities especially in developing countries like Ethiopia. One of the key factors for profitability and sustainability of MFIs is the presence of women's to utilize microfinance institutions services. There are a number of socio-economic factors that affects women's ability to utilize these services. Analyzing such factors and devising appropriate solutions are essential to expand the activities of MFIs in a sustainable manner. This study tries to provide information for a better understanding on constraints of women's to access microfinance institutions of the Dendi District of West Shoa Zone, Oromia Regional State, Ethiopia. The study establishes a knowledge base that helps to make a sound decision by providing information for policy makers, MFIs, other lending institutions and stakeholders.

### **Scope and Limitations of the Study**

The scope of the research is woreda's, Dendi town and three Kebele Association, (Faji Galila, Dimtu Burka and Celeleka) in west Shoa Zone of Oromia regional state. Due to limited resources of the study, it is restricted to selected number of women through a sample selected from the districts and the results might have practical significance only to the selected area. However, the study findings may be applied to other areas of the Zone and the region and parts of the country where similar context (social, economic, institutional setup) is prevailing. Above all it could serve as a benchmark to undertake other detailed and comprehensive nationwide studies. Therefore, the study was undertaken to meet its objectives within the limitations.

### **REVIEW OF LITERATURE**

The World Bank (2001) documented that ignoring gender inequalities comes at a great cost to people's well-being, countries abilities to grow sustainably and thereby reduce poverty. Microfinance institutions are defined as institutions in which the major task is the provision of microfinance services (Oyunjargal and Nyamaa, 2002). It is the provision of a broad range of financial services such as deposits (savings), loans, payment services, money transfers and insurance to poor and low-income households and their micro enterprises (Putzeys, 2002). It is about provision of "a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to the poor and low income households and their farm or non-farm micro-enterprises" (Mwenda and Muuka, 2004, p.145). According to Basu *et al.* (2004) MFIs complement effectively the formal banking sector in providing financial services to the poor. The rationale of improving finance comes from the premise that empowerment of the poor through creating income generating capacity enables the poor

to access all development requirements to get out of multifaceted dimensions of poverty and reduce their vulnerability to unexpected events (Davis *et al.*, 2004). Up until the early 1990s, the sources of finance for rural and urban poor and micro and small enterprise operators in Ethiopia were confined only to informal sources of finance like moneylenders, friends and relatives (Itana *et al* 2004). Credit is the key means to have access to input in many development programs. This is particularly true for rural and urban development because so link of sufficient credit is not provided to the development programs of weaker sections of the society, the goal of development may not be achieved (Amare, 2005). The proportion of the population below the poverty line stood at 30.4% in rural areas, according to the study.

The poverty that prevails in the country has been caused due to various reasons. Some argued that the cause of poverty in developing economies among other things is that the poor does not have access to credit for the purpose of working capital as well as investment for its small business (Jean-Luc 2006). In many parts of the world- for example, sub-Saharan Africa and South Asia, 75% of agricultural producers are women. Women also play active roles as traders, processors and entrepreneurs despite facing many obstacles as compared to their male counterparts (World Bank 2007). The government of Ethiopia has been taking various measures to alleviate poverty in which expanding microfinance institutions is among them. It is indicated that although the development of microfinance institutions in Ethiopia started very recently, the industry has shown a remarkable growth in terms of outreach particularly in number of clients (Wolday 2007). Microfinance institutions in the country are formed with major objectives of poverty alleviation and women empowerment to mention few (Haimanot, 2007). The concern of gender equality and empowerment of women became a global a gender in order to address the existing differences arising from the socially constructed relationship between men and women which affect the distribution of resources between them and cause many disparities in development outcomes (World Bank, 2008). However, studies (e.g. Ahlin and Jiang, 2008) suggest that these benefits of microfinance can only be realized as long as the poor continue to be clients of microfinance institutions.

Thus, it is suggested that microfinance institutions should consider further enabling the average borrower to graduate from the continual dependence on them to enhance long run development. The disadvantaged position of women due to higher poverty incidence and unequal power relationships with men and the wider community has been a source of debate over the past several decades. In many parts of the world (for example, Sub-Saharan Africa and South Asia) women are the main farmers or producers. In Uganda (broadly illustrative of sub-Saharan Africa) 75 percent of agricultural producers are women (World Bank *et. al*, 2009). Thus, while accounting for at least 50% of the population, women posses only 1% of world resources (ACCION, 2009). Gender asymmetries in access to and control over assets (social, physical, financial, natural and human) access to markets, access to information and organization dictate. 'Learning route, gender and rural microfinance, new approaches, services and products in Africa' (Uganda, 12-20 March 2011). Recent advocates of women's

empowerment have argued for more participation in the financial systems by women Egyir, Irene S (2010). The study conducted by Ministry of Finance and Economic Development of Ethiopia (2012) shows that the proportion of poor people (poverty head count index) in the country is estimated to be 29.6% in 2010/11. Some studies, report positive findings, measured through various indicators such as access to consumption, health care and contraception, improved decision-making power and better spatial mobility, access to property, and a decrease in domestic violence. In contrast, other studies have pointed out a number of negative consequences, both within households and on a wider scale, (Guérin, I, Santosh Kumar and I. Agier, 2010). Though microfinance institutions have been playing a key role in poverty eradication and women empowerment, there have been constraints that hindered them to fully satisfy the need of their clients. It is indicated that, ‘Although microfinance has the ability to empower women, the connection is not straightforward or easy to make’ (Kulkarni 2011). The World Bank (2001) reports states that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance and lower standard of living. It has also been indicated that gender inequalities in developing societies inhibit economic growth and development (Cheston and Kuhn 2002).

Cultural norms and family dynamics can also limit women’s ability to exercise control over the savings they have or the semi-liquid assets they own. Anderson and Balland (2002) and Gugerty (2007) hypothesize that one of the reasons for the high level of female participation in rotating credit and savings associations (ROSCAs) is that this socially accepted strategy to save allows women to protect their savings from husbands and other relatives. It is indicated that although the development of microfinance institutions in Ethiopia started very recently, the industry has shown a remarkable growth in terms of outreach particularly in number of clients (Wolday 2007). Among the poor the focus of microfinance institutions in the developing countries has been mainly women. Women in Ethiopia had not been exposed to the economic opportunities that would enable them practice alternative income-generating activities. 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 Ethiopian women. Microfinance institutions in the country are formed with major objectives of poverty alleviation and women empowerment to mention few (Haimanot, 2007).

It is a good idea to focus on women because, historically, women, though they outnumber men in the general population, have been marginalized economically and socially, and this has affected their economic empowerment. The general perception that in the traditional division of labor women are bound to certain functions is a barrier that many women all over the world face. This perception is closely associated with a definition and understanding of space as divided between public and private spheres where women are seen as belonging to the latter. These notions are remarkably persistent and are indeed believed to be the basis of much of the difficulties women face in their effort at self- and community

development. Recent advocates of women’s empowerment have argued for more participation in the financial systems by women (Egyir, Irene S, 2010). The study conducted by Ministry of Finance and Economic Development of Ethiopia (2012) shows that the proportion of poor people (poverty head count index) in the country is estimated to be 29.6% in 2010/11. Ethiopia is one of the least developed countries. The per capita income of the country, though it showed improvement in recent years, is USD 370 which is lower than the regional average of US\$1,257 (World Bank 2013).

**Sampling Methods and Procedures**

The data for the research was collected from both primary and secondary source. Primary sources of the data was collected from 48 kebele’s of the woreda’s, only three KAs with highest number of women customers were selected by using stratified sampling technique to stratify respondents into user and non-user. This technique enhances the study to select equal number of respondents in both the strata’s. A sample of 120 rural women’s out of 694 borrowers found in the sample KAs.

**Table -1** Distribution of sampled and Kebele’s Association borrowers

Respondent Category	Kebele’s Association							
	Feji gelila		Dimtu burka		Celeleka		Total	
	N	n	N	n	N	n	N	n
User	145	24	165	25	70	11	377	60
Non-user	62	12	205	38	50	10	317	60

(Source: DMFIs and own computation 2015)  
 Key: N= Total number of women borrowers  
 n=sample sizes taken from each Kebele’s for user and non-user

In addition to the above sample direct interviews were also taken by using an interview schedule consists of both closed and open-ended question from women’s and loan officers of Dendi Microfinance Institutions. Secondary sources include published and unpublished materials. Books and materials available with micro finance institutions, past research, journals, internet and other sources.

**RESULTS AND DISCUSSION**

The analysis has been conducted to address objectives of the research. It presents the results from the descriptive and qualitative analysis. The descriptive analysis used the techniques of mean, standard deviation, percentage, and frequency distribution. In addition the t-test and chi-square statistics were employed to compare use and non -user group with respect to some explanatory variables.

**Age of the respondents**

Age of the respondents is influencing the credit availability. Earlier research said to get financial aid from these institutions one should have the age of above 18 years. According table-2 indicated that 31.6%, 50.0% and 18.4% of user respondents aged from 20-30, 30-40 and 40-60 respectively. Whereas 15% percent, 73.3% and 6.7% of user respondent’s ranges 20-30, 30-40 and 40-60 ages respectively. Result of t-test indicated that there no statistically significant difference between rural

women user and non-user in accessing the service of microfinance Institutions.

**Table-2** Age of the respondents

Variables	User		Non-user		Total	
	No	Percent	No	Percent	No	Percent
20-30	19	31.6	8	15	44	36.7
30-40	30	50	48	73.3	78	65.0
40-60	11	18.4	4	6.7	15	12.3
Mean	32.48		30.7833			
Stad.deviation	5.19		5.688			

(Source: DMFIs and own computation 2015)

**Awareness about micro finance institutional services**

Lack of awareness and acknowledgement affects women’s in accessing the service of microfinance institutions. From the research survey showed that 74.5% of sample user of rural women’s has awareness and 25.5% were not having awareness about Microfinance institutions services and 54.6% has awareness and 44.4% of non-user was not having awareness about Microfinance institutions services. It is proved statistically there was a significant mean difference (t=3.772) at less than 5% probability level.

**Table -3** Awareness of respondents

Variables	User		Non-user		T-Test	Total	
	No	Percent	No	Percent		No	Percent
Yes	85	74.5	33	54.6	3.772**		
No	15	25.5	27	44.4			
Mean	4.667		5.593				
Stad.deviation	5.031		5.007				

(Source: own computation, 2015)

\*\* Significance at 5%

**Loan collaterals or securities**

Collateral security is the factor influencing the access towards loan from financial institutions. Current study indicates total 86.6% of a user woman’s said that securities are unaffordable, 6.6% are moderate and 6.6% of are low. 63.3% of non-user women said that securities are unaffordable, 18.3% are moderate and 18.3% of are low. Statistically there was a significant mean difference among user and non-user (t=30.134) at less than 1% probability level on constraints of accessing microfinance institutions service.

**Table -4** Loan collaterals or securities

Variables	User		Non-user		T-Test	Total	
	No	Percent	No	Percent		No	Percent
Unaffordable	52.0	32.2	38.0	22.2	30.134***	90	75
Moderate	4.0	5.5	11.0	6.6		15	12.5
Low	4.0	2.4	11	6.6		15	12.5

(Source: own computation, 2015)

\*\*\* Significance at 1%

**Rate of interest on borrowings**

Interest or cost of loan is another constraint of rural woman in borrowing money from financial institutions. 78.2% of rural women users feel that the interest rates are reasonably high, 10.4% feel moderate and 10.4% feel low. In case of non-users 40.6% respondents feel high, 30.4% feel moderate and 28.8% feel it is low. Statistically there was a significant mean

difference (t=20.134) at less than 1% probability level on women in accessing microfinance institutions.

**Table -5** Interest Rate

Variables	User		Non-user		T-Test	Total	
	No	Percent	No	Percent		No	Percent
High	47	78.2	24	40.6	20.134***	71	59.0
Moderate	6	10.4	18	30.6		24	20.0
Low	7	11.4	8	28.8		15	11.0
Mean	.1833		.5167				
Stad.deviation	.3902		.5365				

(Source: own computation, 2015)

\*\*\* Significance at 1%

**Distance from the residence**

Accessing loan is also depends upon the distance of the financial institutions from the houses of borrowers. The study showed 46.6% of the user rural women’s residences are not near and 53.4% are near. Whereas 40.3% of the non-user rural women’s residence are not and 59.7% are near to institutions. The results indicated that distance of borrower’s houses from the offices does not affect the women in accessing the service of microfinance institutions. This implies that being far and/ near to the microfinance institutions were not related to accessing the service of MFIS as expected, although the difference was not statistically significant.

**Table-6** Distances

Variables	User		Non-user		Total	
	No	Percent	No	Percent	No	Percent
Not near	28	46.6	24	40.3	52	43.3
Near	32	53.4	36	59.7	68	56.7
Mean	.4915		.6000			
Stad.deviation	.50422		.4940			

(Source: Own computation, 2015)

**Educational background**

Literacy makes the people enlighten in all aspects of life. Out of the total respondents in users 65% can read and write and 35% are literates with different educational backgrounds. In case of non-users 31.5% can read and write and 68.5% are literate. The result indicates that non-user have better educational background than user. The mean average school years of the total samples were 6.00 while average class years of non-user and user were 2.98 and 1.97 respectively. However, there was no significant difference between non-user and user with respect to educational levels on accessing the service of microfinance institutions.

**Table -7** Education level

Variables	User		Non-user		Total	
	No	Percent	No	Percent	No	Percent
Can read and write	39	65.00	19	31.5	58	48.3
Literate	21	35.00	41	68.5	62	51.7
Mean	2.98		1.97			
Stad.deviation	.4997		.4903			

(Source: Own computation, 2015)

**Family size**

As the result of the finding indicated that the mean average family size of user and non-user was found to be 4.35 and 3.969 respectively. Statistically there is no a significant mean

difference on their family size between user and non-user for accessing the service of microfinance Institutions. The basic sampling unit for this analysis is the family dependent, which had an average family size of 5.4, greater than the national average of 4.7 persons (CSA, 2008).

**Table -8** Family sizes

Variables	User		Non-user		Total	
	No	Percent	No	Percent	No	Percent
0-3	20	33.33	30	50.00	50	41.66
3-5	24	40	21	35.00	45	37.5
5-8	16	26.67	9	15.00	25	30.00
Mean	1.4833		1.4333		20.84	
Stad.deviation	0.6247		0.6731			

(Source: own computation, 2015)

**Marital status**

Finance is needed more for married one than unmarried one. The study showed that 72.2% of the user women were married, 12.8% were divorced and 10% were widowed and 5% were single. 65% of the non-user sample women were married, 8.33% were divorced, 16.66% were widowed and 10.0% were single. The difference was not statistically significant. The study implies that being married or not were not related to access of rural women's to microfinance.

**Table-9** Marital status

Variables	User		Non-user		Total	
	No	Percent	No	Percent	No	Percent
Single	3	5.0	6	10.0	9	7.5
Married	43	72.2	39	65.0	82	68.33
Divorced	8	12.8	5	8.33	13	10.8
Widowed	6	10	10	16.66	16	13.3
Mean	1.6167		1.8667			
Stad.deviation	.6667		.5373			

(Source: own computation, 2015)

**Business Information**

Information is the most important parameters, helps borrowers to become aware of a microfinance enterprises. It plays a vital role in the success of business. It can initiate borrowers to try the new practice on their own business place. Borrowers can get information through informal or formal. Informally, they can get from neighboring farmers, friends, relatives, elders, and others. The study showed that 76.5% of user women borrowers had got information, 23.5% had no information. 56.5% of non-user women borrowers had got information, whereas 43.7% women were not getting information, which was significant difference at less than 1% significance level(  $\chi^2= 29.231$ ).

**Table-10** Information of the respondents

Variables	User		Non-user		$\chi^2$	Total	
	No	Percent	No	Percent		No	Percent
Got information	46	76.5	34	56.5	29.231***	80	66.66
No information	14	23.5	26	43.7		40	34.34
Mean	1.000		0.4167				
Stad.deviation	0.000		0.5301				

(Source: own computation, 2015)  
\*\*\* Significance at 1%

**Account Opening**

The study showed that 96.5 percent of user women borrowers have an account, whereas 3.5 percent of user women were not and 10.5 percent of non-user women borrowers had got account, whereas 89.5 percent were not which was significant difference at less than 5% significance level(  $\chi^2= 2.148$ ). Having an operating account in one of the prescribed financial institutions is one of the strict requirements of enabling access to the services of Microfinance Institutions. The majority of the women said it is too expensive and uneconomical to open an account when one is not yet engaged in a viable business that generates regular income.

**Table-11** Account

Variables	User		Non-user		$\chi^2$	Total	
	No	Percent	No	Percent		No	Percent
Has account	58	96.5	6	10.5	2.148**		
Has no account	2	3.5	54	89.5			

(Source: Own computation, 2016)  
\*\* Significance at 5%

**Econometrics Result**

Econometric analysis was carried out in order to identify constraints of rural women in accessing the services of micro finance institutions. As explained in the earlier binary logit model was employed to estimate the effects of the hypothesized explanatory variables on the identify constraints of rural women in accessing the services of micro finance institutions.

**Table-12** Summary of Continuous variables by loan scheme

Variables	User (60)		Non-user (60)		Total (120)		T-Value
	Mean	Sta.dev.	Mean	Sta.dev.	Mean	Sta.dev.	
Awareness	17965	35902	5696	5900	18666	18800	.3581***
Business information	5.95	5.564	7.45	6.644	7.12	8.432	4.216***
Loan collateral	2.18	2.15	5.19	5.26	3.95	4.5	1.539**
Age	34.5	45.4	39.6	40.6	32.56	40.56	2.339**
Interest rate	6.95	4.564	4.45	3.644	8.12	9.432	3.326***

(Source: Own computation, 2015)  
\*\*\* represent the level of significance at 1% and 5% respectively

**Table -13** Multicollinearity test for continuous explanatory variables

Variables	Collinearity statistics	
	Tolerance	VIF
EDL	0.922	1.317
AG	0.907	1.338
FS	0.87	1.215
LOC	0.959	1.264
INR	0.891	1.366
BUI	0.966	1.256
DST	0.1013	1.194
MS	0.881	1.380
RPM	0.806	1.204
AW	0.710	1.089
GEND	0.86	1.08

(Source: Own computation, 2015)

Analysis on constraints of rural women in accessing the service of microfinance institutions As discussed earlier, the binary logit econometric model was selected the factors constraints of rural women in accessing the services of micro finance institutions. Prior to running the logistic regression analysis both the continuous and discrete explanatory variables were

checked for the existence of multicollinearity and high degree of association using variance inflation factor (VIF) and contingency coefficients. The VIF values for continuous variables were found to be very small (much less than 10) indicating that absence of multicollinearity between them. Likewise, the results of the computation of contingency coefficients reveal that there was no serious problem of association among discrete variables. For this reason, all of the explanatory variables were included in the final analysis. More specifically, nine (9) continuous and six discrete explanatory variables were used to estimate the binary logit model. Contingency coefficient values ranges between 0 and 1 and as a result of chi-square variable with contingency coefficient below 0.75 shows weak association and value above 0.75 indicates strong association of variables. The contingency coefficient for the dummy variables included in the model was less than 0.75 that did not suggest multicollinearity to be a series concern. The result of VIF and contingency coefficient computed from the survey data are presented on table 13 and 14 respectively.

**Logit model**

Logistic regression model was used to assess constraints of rural women in accessing the services of micro finance institutions. Based on the result of multicollinearity diagnostics’ tests for both continuous and dummy explanatory variables, no variable was found to be highly correlated or associated with one of the other variables. The likelihood ratio test statistic exceeds the Chi-square critical value with 12 degrees of freedom. The result is significant at less than 0.01 probabilities indicating that the hypothesis that all the coefficients except the intercept are equal to zero is not tenable. Likewise, the log likelihood value was significant at 1% level of significance. Another measure of goodness of fit used in logistic regression analysis is the count R2, which indicates the number of sample observations correctly predicted by the model. In other words, the *i*th observation is grouped as a non-defaulter if the computed probability is greater than or equal to 0.5 and as a defaulter otherwise. The model results show that the logistic regression model correctly predicted 71.5 of 120, or 84.8 percent of the sample borrowers. The sensitivity (correctly predicted non-defaulters) and the specificity (correctly predicted defaulters) of the logit model are 83.3 percent and 88.3 percent, respectively. Thus the model predicts groups, non-user and user fairly accurately.

were factors affecting the constraints of rural women’s in accessing the services of microfinance institutions. More specifically, the coefficients of borrowers perception, availability of training, source of incomes are statistically significant at less than or equal to 1 percent significance level. The variables, family sizes, business experience were statistically significant at 5% level of significance. On the other hand, the coefficients of ten explanatory variables, namely, education (EDL), Gender bias (GEND), distance (DST), family sizes (FS), and Marital status (MRST) of borrowers were less powerful in explaining constraints of rural women in accessing the services of micro finance institutions. Awareness (AW): The coefficients of this variable were hypothesized and the results have significant and have positive impact. The variable was significant at 1% probability level. The possible explanation is that because one of their family members was engaged in source of other income, this might help them to earn additional income. Beside, engaging in diversified ‘economic activities might reduce family dependency ratio, which is defined to be the ratio of economically dependent members to economically active members. Other things being constant, the odds ratio in favor of non-defaulters increases by 0.195 for those borrowers who have active age family.

Interest rate (INR): The coefficient of this variable is hypothesized to constraints of rural women in accessing the services of micro finance institutions either positively or negatively. If repayment period is suitable, the client should perform better. The model results show that contrary to the a priori expectation, this variable has a significant positive impact on rural women in accessing the services of micro finance institutions. The variables are significant at less than 1% probability level. This might be due to the fact that those borrowers have positive perception for repayment period tend to develop repayment and become friendly with the lender, which results in reluctance to fulfill their loan repayment obligation. Hence, they do not bother about the consequences arising from the dalliance in loan repayment. On the other hand, those have not positive perception towards repayment period, the more dalliance for rural women in accessing the services of micro finance institutions and become defaulters. Other factors being kept constant, the odds ratio favoring rural women in accessing the services of micro finance institutions increase by a factor of 17.611 for borrowers who have positive perception on repayment period.

**Table-14** Multicollinearity test for discrete variables

Variables	AVTR	RESFHH	FSANDOH	BPORP	SEXOBO	SHB
AG	1.000	0.043	0.060	0.141	0.186	0.219
RPM	--	1.000	0.007	0.073	0.012	0.169
AW	---	---	1.000	0.036	0.197	0.098
LOC	---	--	---	1.000	0.035	0.351
INR	----	---	---	---	1.000	0.121

(Source: Own computation, 2015)

Out of the eleven variables hypothesized constraints of rural women in accessing the services of micro finance institutions, five were found to be statistically significant. The maximum likelihood estimates of the logistic regression model shows that Age (AG), repayment mode (RPM), Awareness (Aw), loan collateral (LOC), Interest rate (INR) and Business Information

Loan collateral (LOC): The coefficient of this variable is hypothesized to constraints of rural women in accessing the services of micro finance institutions either positively or negatively. If repayment period is suitable, the client should perform better. The model results show that contrary to the a priori expectation, this variable has a significant positive

impact on rural women in accessing the services of micro finance institutions. The variables are significant at less than 1% probability level. This might be due to the fact that those borrowers have positive perception for repayment period tend to develop repayment and become friendly with the lender, which results in reluctance to fulfill their loan repayment obligation. Hence, they do not bother about the consequences arising from the dalliance in loan repayment. On the other hand, those have not positive perception towards repayment period, the more dalliance for rural women in accessing the services of micro finance institutions and become defaulters. Other factors being kept constant, the odds ratio favoring rural women in accessing the services of micro finance institutions increase by a factor of 17.611 for borrowers who had positive perception on repayment period. The coefficient of this variable is hypothesized to constraints of rural women in accessing the services of micro finance institutions positively..

**Table -15** The maximum likelihood estimates of the binary logit model

Variables	Estimated Coefficients	Odds ratio	Wald statistics	Significance level
Constant	18.483	.000	.000	.000***
AG	-9.23	2.516	.759	.384
EDL	-.247	.781	.519	.471
AW	1.636	.195	6.217	.013**
FS	-19.999	.000	.517	.915
SHB	-.165	.848	.019	.891
GEND	.573	1.773	1.306	.253
LOC	2.869	17.611	5.080	.000***
INR	2.256	9.546	6.703	.010***
DST	.612	1.844	3.906	.048
BUINF	-.288	.779	.171	.679
FS	.026	1.026	.019	.892
RPM	1.019	2.772	5.279	.022**
Pearson Chi-square				
-2log likelihood		84.412***		
Ratio		61.412***		
Correctly predicted		75.00		
(Count R2 )		73.3		
Sensitivity		78.3		
Specificity		120		
Sample size				

(Source: Own computation, 2015)

\*\*\*Significant at 10%, 5%, and 1% significant level, respectively.

## SUMMARY, CONCLUSION AND RECOMMENDATION

### SUMMARY

Microfinance institutions are playing a vital role in the development of the country and people engage in economic activities that enhance self reliance. The schemes are offered by these institutions enhances the productive potential of poor, rural women and men particularly women-headed households. Especially this credit is very much crucial for agricultural and small business sectors and considers being the life blood in the developing countries like Ethiopia. During these days poverty becomes a major problem and severs in many developing countries, that has left millions of people out of basic needs for

survivals. In Ethiopia, there are many poor people living in rural and urban areas mostly the women share large proportions. The availability of financial services plays an important role in creating self-employment, opportunity to start own business, helps to increase the living standards of the people of low income population especially for women. The main reasons for poor performance of financial institutions in many of the developing countries are high rate of interest and no-repayment of loan.

## CONCLUSION AND RECOMMENDATION

Microfinance institutions are concentrating more on very poor, especially for women. It is because poor people have no sufficient income to meet their both ends. This enables to the poor to start their own business or do something to improve their livelihood. In the study are the members of micro finance are changed for better. It is due to some bottle necks challenged them not to utilize the services effectively. Insufficient loan amount, lack of training for members, lack of follow up, lack of proximity to the market, high cost of inputs, saving habit, saving purpose, experience and perceptions of borrowers on repayment period are the major constraints of members. It is suggested that these institutions should focus on improving size of the loan, training to the members, follow up, enhancing marketing facilities, time to repay the loans. Microfinance institutions mainly give services to the rural and poor woman so s to enhance their living standards. If these institutions can perform well, by giving best services to the rural and poor women the purpose of starting micro finance institutions have fulfilled.

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