

Women's Perception Towards Services Provided By Microfinance Institutions And Challenges Faced By Them

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Abstract

Microfinance is basically the provision of financial services, mainly savings and credit to poor people, especially to women with no access to commercial bank services. It allows social development of unprivileged people by protecting, diversifying, and increasing their sources of income by bringing them out of hunger and poverty. The main objective of almost all microfinance institutions in Ethiopia is to deliver financial services to the poor. However, Ethiopian microfinance institutions are faced with many problems. Some of these are low outreach, limited funding alternatives, limited financial products, lack of research to understand client needs and weak internal control system. Dedit Credit and Saving Institution (DECSI) is one of the major microfinance institutions operating in located in Tigray region of Ethiopia that provides financial service to the poor people in rural and urban areas. The present study is an attempt to study the overall perception of women SHG members, in Ethiopia towards MFI services provided by DECSI and to analyse the major challenges being faced by them, while accessing credit.

Keywords: Microfinance ,Perception ,Expectation ,Gap Score, customer satisfaction.

INTRODUCTION

Microfinance is basically the provision of financial services, mainly savings and credit to poor people, especially to women with no access to commercial bank services. Microfinance has evolved due to competition and it is therefore paramount for any MFI to evolve products and improve upon quality of customer services. Customer service is basically anything we do for a customer which improves a customer's experience while satisfaction of a customer is their overall feeling of contentment after a customer communication (Harris, 2007). It is highly imperative to identify customers' perceptions of the kind of products and customer service offered to them by microfinance institution and also elicit information from their point of view, of how they would be satisfied as customers.

According to Kendall (2003), "Perception is the process of selecting, organizing and interpreting sensations into a meaningful to customer satisfaction". Customer satisfaction is influenced by the customers' perceptions and expectations of the quality of the products and services. Customer perception provides some useful insights for organizations to develop their marketing strategies.

The microfinance industry is now slowly becoming more "market oriented" and it seems that customer satisfaction is one of thrust areas for a business to achieve sustainable growth.

Microfinance Institutions are now affected by strong competition : commercial banks have begun to target microfinance institutions' traditional customers , the microfinance clientele are becoming more sophisticated with regard to the quality of service they require or expect. These factors may negatively affect the microfinance institutions in providing consumer-centric services to customers due of the aggressive competition, weakness to satisfy their clients, and concerns about customer satisfaction and retention. In the light of the present scenario of Microfinance in Ethiopia, the present study is based on these two objectives.

Objectives of the study:

- To study the overall perception of women SHG members towards MFI services
- To analyse the major challenges being faced by them.

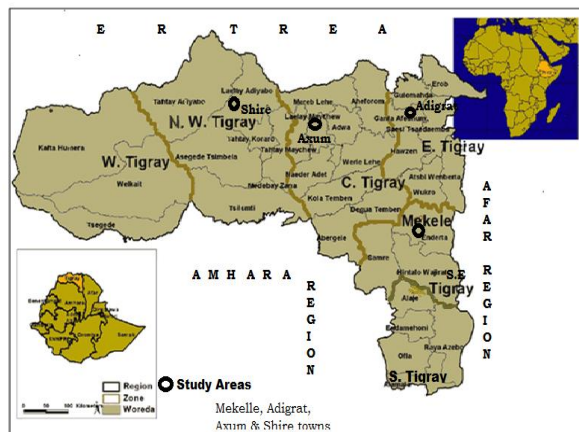
Scope of the Study:

Ethiopia is the largest landlocked country situated in the Horn of Africa. Ethiopia is a federal republic with nine regional states, out of which Tigray region is selected. It is known as Region one according to the federal constitution and the official local language of the region is called "Tigrigna" and its capital city of Tigray is called Mekelle (also spelt Mek'ele). For the purpose of this study, in order to focus on the zonal capital towns and with large numbers of SHGs, four zonal capital towns are Mekelle, Adigrat, Axum and Shire town were selected purposively in the first stage of our sampling. The number of SHGs from the selected zones of the Mekelle capital city of Tigray, Adigrat, Axum and Shire towns were 13, 10, 9 and 7 respectively, totaling to 39 associations (SHGs). Respondents were selected from all of these SHGs, indicating that all of these groups in each zonal capital town were included in the sampling procedure.

Dedebit Credit and Saving Institution (DECSI) is a microfinance institution operating in the country located in Tigray region of Ethiopia, is one of the major microfinance Institutions that provide financial service to the poor people in rural and urban areas. Dedebit Credit and Savings Institution (DECSI) was launched in 1994 as one development wing of the Relief Society of Tigray (REST). Since then, DECSI has been operating in and outside of Tigray Region providing mainly loan and savings services to the rural and urban poor people through opening eight main branches and one hundred fifty eight sub branches all over the Tigray region as well as in Addis Ababa and Gonder cities. As a pioneer microfinance institution in the country, in addition to minimizing needy people problem, the institution has played major roles in developing a financial service that suit to the interest in the micro, small and medium operators in the region in particular as well as Ethiopia in general.

The geographical map of Tigray region (the region where, the study zonal was taken in) looks like as given:

Figure 1: Map of the Study Area



Source: EMAT 2015

RESEARCH METHODOLOGY

Structured questionnaire has been constructed to combine the numerical questions as well as some non-numerical questions. The result of the research is based on both numerical and non-numerical analysis, using both quantitative and qualitative methods. The study has employed two-stage purposive and proportionate simple random sampling techniques.

Selection of Sample Respondents and Sample Size

In the second stage sampling, sample respondents from each of the Self-Help Groups in each town have been selected. As it is stated in the table below, the total number of women clients who took loan from Dedebit Credit and Saving institution in Group/ in SHGs or Women beneficiaries of the selected districts and representative towns were four hundred twenty nine.

Table: 1 Selected Respondents/ Sample Size

No.	Selected Zones	Representative District/Town (Purposive)	Existing number of SHGs	Members of the SHGs	Selected Respondents (SRS)
1	Mekelle Zone	Mekelle city	13	143	111
2	Eastern Zone	Adigrat town	10	110	85
3	Central Zone	Axum town	9	99	77
4	North Western Zone	Shire town	7	77	59
Total			39	429	332

Source: Own Survey and Computation, 2016

The women members of SHGs were listed for each zone. Then, the proportionate sampling technique was applied, so that on average, 77% of members, i.e. 332 out of 429 members from each SHG in all zones were selected. The selected numbers of members from each group were 111, 85, 77 and 59 from Mekelle, Adigrat, Axum and Shire towns respectively. Finally, the random sampling technique was used to select sample respondents from each of the Self-Help Groups in each selected zone towns.

Data Sources and Data Collection Method

The primary data on socioeconomic and livelihood situation, which is the major source of information about the study, were obtained by means of questionnaires administered to the household's head, focus group discussion, and personal observation.

RESULTS AND DISCUSSION

Perception of SHG Members About Services Delivered By DECSI/MFIs After Joining SHGs

Expectation is the combination of assumptions and beliefs about the events in future, while Perception is very subjective and is based on personal interpretation of information collected during the experience. There is a gap between each customer's expectations and perception. The wider the gap, greater will be the possibility of creation of unsatisfied customers. To measure the Overall Perception of SHG Members on the Services Delivered by DECSI Microfinance, a Gap Score model $G = P - E$, that is, Perception minus Expectation has been applied. For this purpose, respondents were asked to score the extent of their degree of perception and expectation on the overall services.

They answered in terms of 'To a very large extent', 'To a Large Extent', 'Moderate', 'To small extent' and 'To very small extent' with the respective weighted score of 5,4,3,2 and 1 respectively. The weighted mean scores and Gap score were calculated. As shown in Table 2, for the question in relation to the 'employment creation (P9)' and social empowerment on Social respect and acceptance (15), the women affirmed about it to 'a large extent' after joining SHG. As it is indicated in Table 2, employment creation and social empowerment had the expectation means (4.22 and 4.55), highest perception mean (3.13 and 3.11) with the least Gap scores (-1.09 and -1.55) respectively, indicating the **maximum value of perception about employment generation and social empowerment**. This was followed by the respondents' perceptions to Economic Decision making (P14), Knowledge and awareness on work and members (P11), Political decision and participation (P16), Access to improved feeding style (P10), Commitments from group members (P13), and were with the average score of expectation means (4.56, 4.87, 4.57, 4.74 and 4.88) respectively, and perception means (2.67, 2.97, 2.58, 2.66 and 2.74) respectively. These values resulted in Gap Score values of (-1.89, -1.90, -1.99, -2.08 and -2.14) respectively. This shows that, members of the SHG have expressed their opinion to a moderate extent about these issues.

Respondents were asked to indicate their perception regarding 'Getting Orientation and Motivation in joining SHGs from DECSI (P10)', 'Adequate cash on account (P6)', 'Frequent loan service after repayment (P4)', 'Income generation and escape from poverty (P8)', 'Saving and capital accumulation (P5)', 'Technical, financial and material support from Microfinance supportive institutions (P17)', 'Adequate training and support of technical and business development of responsible bodies (P12)', 'Adequate cash on hand for family consumption (P7)', 'Access to credit at lower interest rate (P3) and 'Easy access to loan at the required amount (P2).

The respective Expectation means were (4.74, 4.55, 4.88, 4.89, 4.69, 4.62, 4.67, 4.98, 4.86 and 4.54); with perception means (2.66, 2.19, 2.27, 2.22, 1.95, 1.79, 1.44, 1.71, 1.54 and 1.19), resulting in Gap Scores of (-2.08, -2.36, -2.61, -2.67, -2.74, -2.83, -3.23, -3.27, -3.32 and -3.35). This indicates that, the stated issues had high negative values highlighting a big difference between perception and expectation. **The least value of perception of the**

respondents was for “easy access to loan at the required amount” (P2) i.e. (-3.35), and for “easy access to credit at lower interest rates”(P3)i.e.,(-3.32) indicated by the maximum Gap scores respectively.

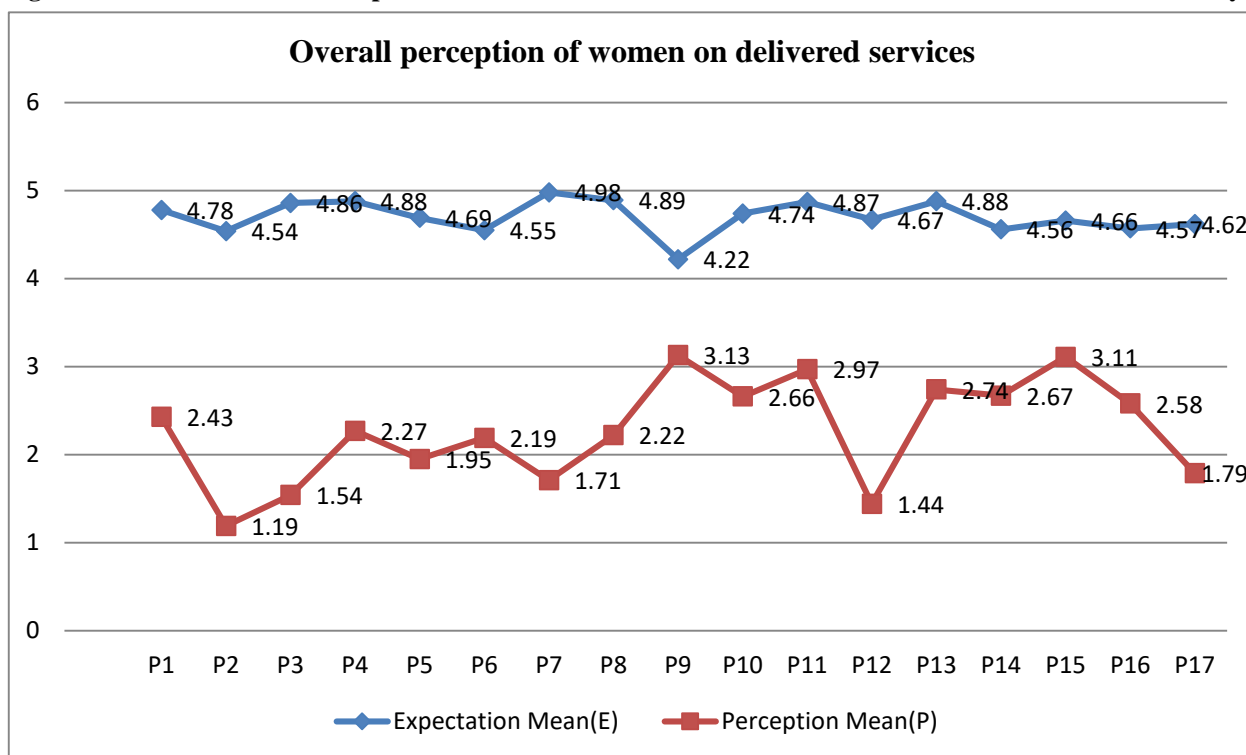
Table2: Overall Perception of SHG Members on Services Delivered by DECSI/ MFI

No	SHG members in relation to the service deliver from DECSI/ MFI	Expectatio n Mean(E)	Perceptio n Mean(P)	Gap Score
				/G=P-E/
P1	To get full orientation and motivation in joining SHG from DECSI	4.78	2.43	-2.35
P2	Easy access to loan at the required amount	4.54	1.19	-3.35
P3	Access to credit at lower interest rate	4.86	1.54	-3.32
P4	Frequent loan service after repayment	4.88	2.27	-2.61
P5	Saving and capital accumulation	4.69	1.95	-2.74
P6	Adequate cash on account	4.55	2.19	-2.36
P7	Adequate cash on hand for family consumption	4.98	1.71	-3.27
P8	Income generation and escape from poverty	4.89	2.22	-2.67
P9	Employment creation	4.22	3.13	-1.09
P10	Access to improved feeding style	4.74	2.66	-2.08
P11	Knowledge and awareness on work and members	4.87	2.97	-1.90
P12	Adequate training and support for technical and business development from responsible bodies	4.67	1.44	-3.23
P13	Commitments from group members	4.88	2.74	-2.14
P14	Economic decisionmaking	4.56	2.67	-1.89
P15	Social respect and acceptance	4.66	3.11	-1.55
P16	Political decision and participation	4.57	2.58	-1.99
P17	Technical, financial and material support o Microfinance supportive institutions.	4.62	1.79	-2.83

Source: Own Survey and Computation, 2016

In order to demonstrate the results in a more visible and understandable way, the researcher has used the following figure.

Figure2: Overall Perception of SHG Members on Services Delivered by DECSI /MFI



Source: Own Survey and Computation, 2016

Therefore, the expected services, ‘easy access to a loan at the required amount’, ‘Access to credit at lower interest rate, ‘Adequate training and support of business development of responsible bodies, technical, financial and material support from microfinance Supportive Institutions (MSIs) which are critical for their empowerment, need to be, improved for the betterment and increased satisfaction of the members of SHGs.

Challenges Faced By Women SHG Members

Microfinance has emerged as an innovative poverty eradicating and social development program. The inability of financial institutions and other subsidy based poverty alleviation program to meet the credit requirements of the poor led to the birth of this program. Under this program, financial and non-financial services are provided to the poor, especially poor women. In this program, a small group of poor Women known as a Self-Help Group (SHG), is formed under DECSI /MFI and a loan is given to this group at a specified rate of interest to empower themselves.

Clear and transparent policy of financial regulation is a precondition for any MFI to operate in Ethiopia. DECSI/ MFIs as one of the MFIs, follows a set of policies for providing financial help to the beneficiaries like loan amount, interest rate, repayment schedule, minimum number of members group size, regular meetings, record keeping nominations with the group, set the pattern of authority and responsibility, ways to get training, the methods of supervision and auditing follow up etc.

To ensure financial sustainability of DECSI and to serve society continuously by providing demand based financial services, the adoption of efficient and effective technology, strong financial management capability, technically capable personnel and value oriented staff have become vital. The institution has designed appropriate policies and operating guidelines to treat clients with dignity in its strategic plan.

However, some problems were identified which were faced by the members after joining the SHGs in DECSI, as shown in Table 3. The respondents were asked to express their extent of agreement on these problems in terms of 'Strongly Agree', 'Agree', 'Neutral', 'Disagree' and 'Strongly Disagree'. The results shown in Table 3 indicated that the overall average score of "additional stress or fear of failure for saving and repayment of loan" was 2.55 showing that the respondents disagreed on this problem.

Town-wise analysis also depicted the pattern as shown in Table 3 i.e., 2.85, 2.71, 2.42 and 2.22 for Mekelle, Axum, Shire and Adigrat, towns respectively.

The mean score in all the Towns disagreed on the problem of additional stress for saving and repayment of loans to the Microfinance.

The overall average score of "Lack of encouragement and motivation from government, NGOs and other responsible bodies" was 3.95 showing that this was the **most significant problem** after joining the SHGs. Town-wise, the mean scores were 4.13, 3.94, 3.88 and 3.85 in Axum, Shire, Mekelle and Adigrat respectively.

Table 3 : Extent of Agreement on Problems Faced after Joining the Group by the Respondents

To what extent the problems affected you	Mekelle		Adigrat		Axum		Shire		Total		F-Ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
You have additional stress or fear of failure in saving and repayment of loan	2.85	1.53	2.22	1.22	2.71	1.34	2.42	1.31	2.55	1.22	2.17
Lack of encouragement and motivation from Govt, NGOs	3.88	1.34	3.85	1.32	4.13	1.42	3.94	1.14	3.95	1.24	2.79*
Lack of work place for expansion	4.01	1.22	4.15	1.33	3.87	1.38	3.65	1.31	3.92	1.18	2.68*
Lack of cooperation and commitment from your members	2.25	1.34	1.96	1.22	1.73	1.37	1.51	1.31	1.86	1.22	1.75
Non co-operation from your family/ husband has increased	2.99	1.62	2.51	1.09	2.88	1.41	2.53	1.45	2.73	2.22	1.55
Withdrawal of members	3.85	1.32	3.96	1.22	3.94	1.14	3.98	1.23	3.93	1.32	2.95*

Source: Own Survey and Computation, 2016

Respondents from SHG leaders argued that the main challenge of the program was the expectation of the community for financial and material aid from the organization that organized SHGs and the government. So, many women left the group because of the absence of any financial or material aid given to the group members.

The **second most significant problem** was of **‘Withdrawal of members’**, indicated by the overall average score of 3.93. showing. Town-wise, the mean scores were 3.98, 3.96, 3.94 and 3.85 for Shire, Adigrat Axum and Mekelle respectively. It is similar for respondents in all the towns who agreed on the problem of ‘Withdrawal of members’ after joining the SHGs. The major causes of this problem were: lack of punctuality in meetings, frequent absence and delay to return their loan. As of their experience, most of the time, SHG leaders solved such challenges smoothly by using a friendly approach among the members. They also said that they do not hurry to punish the group members rather, try to teach them smoothly.

The **third most significant problem** which the members faced was of **‘Lack of work place for expansion’**, indicated by overall average score 3.92. Town-wise, the mean scores were 4.15, 4.01, 3.87 and 3.65 for Adigrat, Mekelle, Axum and Shire respectively. Participants of the FGD mentioned that lack of market places was a main challenge that held up them from the production and sale of products

Respondents were asked to express their opinion on the ‘lack of cooperation and commitment from SHGs members’ which was 1.86 and not significant, showing that the respondents disagreed on this problem. Town-wise, the mean scores were 2.25, 1.96, 1.73 and 1.51 for Mekelle, Adigrat, Axum and Shire respectively. It is similar for respondents in all the towns who disagreed on the problem of ‘lack of cooperation and commitment from SHGs members’ after joining the SHGs.

The problem of ‘non-cooperation from family/husband’ after joining SHGs was statistically not significant, scored 2.73 showing that the respondents were neutral on this problem.

Town-wise, the mean scores were 2.99, 2.88, 2.53 and 2.51 for Mekelle, Axum Shire, and Adigrat respectively. It is similar for respondents in all the towns who were neutral on the problem of “non-cooperation from family/husband” after joining the SHGs.

CONCLUSION

The perception of the women members of SHGs were analysed on sixteen parameters. The women **SHG members were satisfied to a large extent with regard to employment generation and social empowerment provided by DECSI** after joining SHG, indicated by high perception means. The respondents had moderate satisfaction with regard to Knowledge and awareness on work and members, Commitments from group members, Economic decision ability, Access to improved feeding style and on Political decision and participation. The major cause of **dissatisfaction of the women** has been **not having easy access to loan at the required amount and credit at lower interest rates**. The perceptions of the respondents were the result of the problems they perceived and faced while approaching the SHGs through DECSI.

Lack of encouragement and motivation from government, NGOs and other responsible bodies” was the **most significant problem** for the respondents after joining the SHGs. The **second most significant problem** was of **‘Withdrawal of members from the SHGS’**, due to lack of commitment among the women because of other life obligations related to their financial, social and political life. The **third most significant problem** which the members faced was of **‘Lack of work place for expansion’**.

The other problems faced by the members were: lack of cooperation and commitment from SHGs members and non-cooperation from family/husband’ after joining SHGs, though

statistically not significant.

Thus, there is a need to strengthen the capacities of DECSI/ MFIs itself in order that they are able to extend their activities to more women, thereby furthering the cause of women empowerment. For this, concerted efforts need to be made to improve the coverage of their services across the region and improve their products and lending services to meet the needs of growth oriented business women by providing larger loans and longer repayment period of time.

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