



***Women Economic Empowerment Trough Village Saving And Loan Association: The Case
of Loka Abaya District, Sidama Zone of SNNPR***

Research Proposal

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**October 2014
Addis Ababa
Ethiopia**

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Acronym

CARE	Cooperative for Aid and Relief Everywhere
CFI	Chronically Food Insecure
GDE	Growth Domestic Product
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
HH	Households
MFI	Microfinance Institution
MOA	Ministry Of Agriculture
NGO	Non-governmental Organization
SIDA	Swedish International Development Assistance
SNNPR	South Nation Nationality People Region
USAID	United Nation Development Program
VSLA	Village Saving and Loan Association

Chapter One

Introduction

1. Background

Ethiopia is the landlocked country found in the Horn of Africa officially known the Federal Democratic Republic of Ethiopia (FDRE). The federation is composed of nine regional states and two city administrative councils comprised with more than 500 districts and 15,000 Kebeles¹. The total population was estimated 85 million, women accounts 50%, makes the country the second populous in Sub-Saharan Africa (World Bank 2013, cited UNDP 2011). For Ethiopian economic growth and development the agriculture sector takes the lion's share of the total Gross Domestic Product (GDP), in foreign currency earnings and in employment creation. In Africa, 80% of the agricultural production comes from small farmers, who are mostly rural women. In Ethiopia, studies conducted by many authors on rural women revealed that, women represent approximately 50 percent of the total population and account for 70 percent of the household food production (MOA, 2011).

According to Eyebn et.al, (2008) an economic empowerment is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways which recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. And they argue that an economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information. Sida² defines women's economic empowerment as the process which increases women's real power over economic decisions that influence their lives and priorities in society. It can be achieved through equal access to and control over critical economic resources and opportunities, and the elimination of structural gender inequalities in the labour market including a better sharing of unpaid care work. Therefore a process of economic empowerment for women is contingent upon available resources and whether women have the skills to use them; access to economic opportunities; and control over economic benefits that can be used to achieve positive change. According to World Bank (2003), the availability of properly designed financial services is an essential component of the enabling environment for rural economic growth and poverty reduction. Suitable credit products can enable borrowers to engage in off-farm activities

¹ The lowest administration structure in Ethiopia

²www.sida.se

(Gebrehiwot and Wolday, 2005). However, access to credit continues to be a major constraint for female entrepreneurs, particularly with regard to access to loanable funds, lending conditions and repayment arrangements (Zewde et.al 2002). Therefore, this calls for the need for provision of microfinance services for the poor, especially for women in rural areas.

The microfinance movement grew out of several field programs conducted in the 1970s in Asia, Latin America and Africa, which proved that low income people who were willing to develop a micro enterprise, could in fact repay their micro-loans while succeeding in their business. This finding represented a paradigm shift in economic development in that it presented low-income people are not as a group that needed charity but rather as a population that could be treated on an equal basis once they were offered equal opportunities (FAO, 2002). The popularity of current microfinance industry however, evolved from the success of the works of Yunus Mohammed with the Grameen Bank and the innovation in village banking by Bank Rakyat Indonesia (BRI) (Lakwo,2007). Throughout the 1980s and 1990s the microfinance movement continued to grow, particularly due to the fact that aspects of microfinance programs were fully in line with shifts in development thinking throughout this period. Microfinance is therefore, the financial sector which comprises formal and informal financial institutions, small and large, that provide small-size financial services in theory to all segments of the rural and urban population, in practice however, mostly to the lower segments of the population. SIDA (2004) defines microfinance as small-scale financial services for those who are excluded from the formal financial system, usually the poor women in the informal sector, agriculture and household-based activities. According to UNCDF (2004), these financial services are services such as credit, savings, cash transfers, and insurance to poor and low-income people.

In Ethiopia, since 1996, several Microfinance institutions (MFIs) have been established and have been operating towards resolving the credit access problem of the poor particularly those who engage in petty business (Befekadu, 2007). However, their outreach and service delivery to the rural poor particularly to women is hampered due to the following impediments: financial shortage, lack of logistic and lower human resource capacity as well as poor infrastructure. Therefore there should be a microcredit facility which is part of a microfinance that provides a wider range of financial services not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension (Befekadu, 2007).In response to these realities, many development agencies have sought

to develop community-based financial organizations that could cost-effectively provide financial services to a clientele at the “low demand” end of the spectrum. Among others, Village Savings and Loan Associations (VSLAs) model is one which is developed by CARE - Niger (Hugh, 2002). VSLA is an informal form of MFI, are community based organizations that pool member savings into funds from which members can borrow. The approach has the following strength it’s rural and poverty outreach is high, it requires low operating costs, the capital remains within the group, the system is transparent, democratic and flexible, and it is a good opportunity for increased economic activity. However it has limited capital, financial services and products offering, there might be interrupted savings, elite capture, exclusion and theft which considered as a potential constraints to benefit from the approach. The VSLA approach makes it easy to promote economic development, and also creates an opportunity and platform through which women can raise demands for gender equity and rights. VSLA creates a sound platform as an entry point to address other issues important to women. In Ethiopia the model was started since 2004 at CARE Ethiopia intervention Districts of West and East Harerge, as a path way out of poverty for rural poor by creating a financial service. Since then CARE together with other international and national NGOs promoted the model to different parts of the country. As a result, CARE Ethiopia, since 2009, in its PSNP Plus³ project has promoted the model in LokaAbay⁴ district. The project used the model to empower poor households in general and women in particular to make informed decisions about scarce resources, while facilitating their entry into markets and access to informal and formal financial products and services. In the district the project established 149 VSLAs which comprises 3226 rural households (1618 female and 1608 male)⁵. However, the contribution of VSLA for women economic empowerment was not studied.

2. Statement of the problem

Since 1990s the microfinance came to be seen as a window of hope by development agencies who largely try economic development. The primary objective of MFIs is to create a small and easily accessible loan to the poor that can foster pro-poor growth. Microfinance can facilitate poverty reduction through improved quality of life on the one hand and women’s economic empowerment on the other (SIDA, 2006). Moreover, microfinance interventions may lead to

³PSNP Plus is implemented by a CARE-led consortium that includes Catholic Relief Services, Relief Society of Tigray, and Save the Children UK, with technical support by the Netherlands Development Organisation (SNV) and the Feinstein International Center at Tufts University. It operates in Amhara, Tigray, Oromia and Southern Nations, Nationalities and People’s Regions and targets 47,414 households.

⁴ It is one of the chronically food insecure district find in Sidama Zone of South nation and nationalities region (SNNPR)

⁵ CARE Ethiopia – Sidama Project Office October 2011 Report (unpublished)

empowerment of women by increasing their incomes and their control over that income, enhancing their knowledge and skills in production and trade, and increasing their participation in household decision-making (Kabeer, 1997). As a result, social attitudes and perceptions may change, and women's status in the household and community may be enhanced (Ibid). However, women are not willing to approach credit institution due to the fact that they should travel long distances to get credit and make repayments in addition the collateral the finance institutions requested from rural women is more than they can. Because of this, although the sum is too small to purchase agriculture inputs and is limited to petty trading, and informal sector activities, or are not enough to meet some personal social obligations, they involved in community based revolving credit and savings groups; that were much more convenient to them in terms of the distance, the ease of access, and the fact that they dealt with people from the community.

A VSLA model, an informal microfinance institute, promotes locally self-managed savings and loan associations in rural areas. The self-managed adaptable system enables members to respond to economic opportunities as well as unforeseen shocks that may typically drive them into a cycle of uncontrollable and un-payable debt. Even though the VSLA play a vitalized role for the rural women, especially for those not get an opportunity to access a financial service both from the formal financial institution and microfinance, its contribution for the rural women economic empowerment not yet assessed and documented. Therefore, this study is designed to put evidence about the inevitable contribution of VSLAs in Loka Abaya District women economic empowerment.

3. Objectives of the study

The general objective of this study is to identify the nexus between Village Saving and Loan Association (VSLA) and women economic empowerment in Loka Abaya District, of Sidama Zone in Southern Nations Nationalities and People's Regional (SNNPR), Ethiopia.

Specific objectives:

1. To assess the contribution of VSLA to empower women economically in the study area, and
2. To evaluate the empowerment status of VSLA's women members in the study area.

4. Scope and Limitations of the Study

Village Saving and Loan Association, an informal microfinance model, is first introduced in the country by CARE- Ethiopia and currently it is adopted by many local and international NGOs. Hence, many VSLAs are providing services for their members in different parts of the country. However, this study is limited to only Loka Abaya District of Sidama Zone in Southern Nations Nationalities and People's Regional (SNNPR) of Ethiopia. Moreover, VSLAs are operational in 9 Kebles of the District which is below half of the district; so thus, this study will be limited only to two Kebles and 60 women members will be the respondents.

Women economic empowerment through VSLA can be influenced by many factors. Consequently, this piece of work may not be exhaustive in terms of considering the entire explanatory variables influencing women empowerment through microfinance. However, the results of this study can be used as valuable reference to conduct similar studies and for decision making regarding the promotion of VSLA for the purpose of empowering women.

5. Universe of the Study

The VSLA model is relatively new to Ethiopia. In Ethiopia the model was started since 2004 at CARE Ethiopia intervention Districts of West and East Harerge, as a path way out of poverty for rural poor by creating a financial service. Since then CARE together with other international and national NGOs promoted the model to different parts of the country. As a result, CARE Ethiopia, since 2009, in its PSNP Plus⁶ project has promoted the model in Loka Abay⁷ district. The project used the model to empower poor households in general and women in particular to make informed decisions about scarce resources, while facilitating their entry into markets and access to informal and formal financial products and services. So far, no study was conducted on any aspect of it in Ethiopia. Therefore, this study is unique in its kind in the area which can serve as a reference for others who are interested to conduct similar studies. The results of this study can also inform both current users and future adopters of the VSLA model as to its

⁶PSNP Plus is implemented by a CARE-led consortium that includes Catholic Relief Services, Relief Society of Tigray, and Save the Children UK, with technical support by the Netherlands Development Organisation (SNV) and the Feinstein International Center at Tufts University. It operates in Amhara, Tigray, Oromia and Southern Nations, Nationalities and People's Regions and targets 47,414 households.

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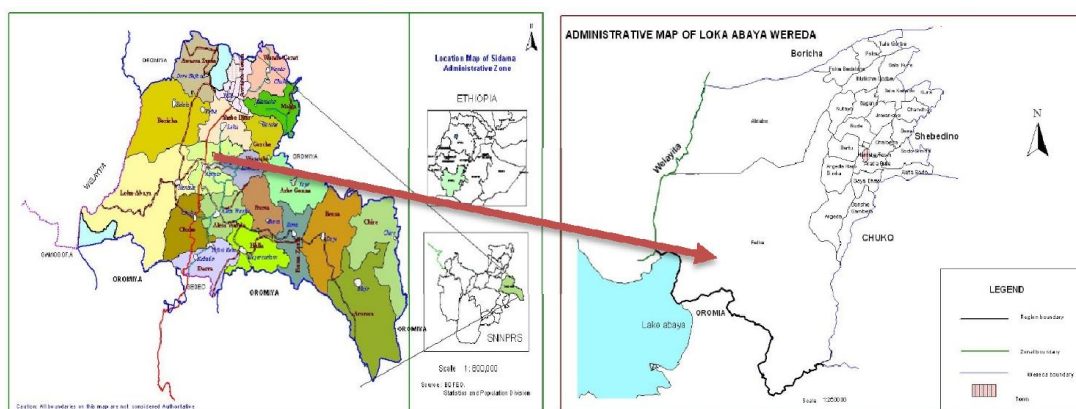
contribution for women economic empowerment. Hence, it is helpful for decision making regarding future usage of the model with implicit or explicit objective of women economic empowerment.

Chapter Two

Research Methodology

1. Description of the study area

Loka Abaya is one of the 21 districts (19 rural District and 2 urban Administration) in Sidama zone of SNNPR at a distance of 56 km South West of the SNNPR regional capital Hawassa. The district has the total population of 114,594 (Sidama Zone Office of Finance and Economic Development, 2013 unpublished) and 26 Kebele administrations where 24 of them are chronically food insecure (CFI). Hence, the Ethiopia Government addressed these Kebeles by productive safety net program (PSNP) to enhance the rural HHs graduation from food insecurity. This is complemented by CARE's, in 9 Kebeles out of 24, that aims to facilitate graduation of 2000 CFI HHs from the PSNP by supporting value chain development (livestock, white pea/red beans and cereals), facilitating VSLAs and providing training on income generation activities economic and political influence around their shared agendas (CARE, 2010; unpublished PSNP Plus project document). According to the 2013/14 official report of District Office of Agriculture Development (WOAD) the district has a total area of 119,000 ha and the crude density is estimated 90 persons per km square. Discussions with Districts officials revealed that the graduation benchmark for chronically rural poor HHs from food insecurity program, PSNP, is 3,000 ETB in assets per person. According to traditional classification systems, the district is characterized by mid-lowland and low land agro-ecologies (Source: Loka Abaya WOAD, 2011). These are lowland livestock dominant livelihood system and midland/lowland cereal crop and livestock mixed livelihood System.



Source: Sidama Zone Finance and Economic Development Office

Figure 1 Study District

2. Sampling Farm and Sampling Techniques

The sampling frame for this study will include the VSLA members established by CARE Ethiopia PSNP-*Plus* project between 2009 and 2011 in Loka Abaya district. Probability and non-probability sampling techniques will be employed to draw sample VSLAs and respondents. To conduct formal survey with women VSLA members the researcher will draw respondents using a multi-stage stratified sampling techniques. As of October 2011 in 9 Kebles of the district 149 VSLAs which comprises 3226 rural households (1618 female and 1608 male) were established (CARE 2011, progress report). In the first stage, the researcher will select study Kebles purposely and hence based on number of VSLAs, accessibility and number of women VSLAs members Chanco and Tula Gorbe Kebles purposely selected from nine Kebles of the project. At the same time using the same criteria 5 VSLAs will be selected purposely from each study Kebles. In the second stage the researcher will list all women VSLA members found in the selected VSLAs. In the third stage a respondent sample size for the study Keble will be determined to be 60 women's purposely. And then following the probability to proportional sampling method each VSLA sample size will be determined; this method guarantees representation of the sample size in the population and improves inference accuracy made to the whole population. Finally, from each VSLA respondents will be selected using a systematic random sampling technique.

3. Data collection methods and tools

The research will collect both primary and secondary data and will employ qualitative and quantitative data collection methods. In generating the primary data structured questionnaire, focus group discussion and key informants interview will be used as tools. The secondary data will be gathered from a desk review of different relevant literatures, internet sites and different organization documents (District Offices, CARE Ethiopia and other relevant organizations).

3.1 Sample survey

a. Designing Questionnaire and pretesting

Before designing the questionnaire, the sample Kebles and VSLAs will be visited. During the visits, a number of informal discussions will be conducted with women members, development agents and local government officials. Based on the information gathered and personal observation, interview questionnaire will be developed and pretested before it is administered.

The questionnaire mainly focuses on the contribution of VSLA for the economic empowerment of women.

b. Primary Data Collection (Interview)

The researcher will collect primary data using structured questionnaire designed to obtain information from selected sample women VSLA members. The content of the questionnaire prepared to interview sample respondent will includes personal women and household data, women experience and decision making role in VSLA, women empowerment framework (agency, structure and relation), women income sources, women capacity building issues, challenges and prospects of VSLA model.

3.2 Focus Group Discussion and Key Informants Interview

The primary data collected from sample women will be further enriched by additional information gathered through two focus group discussions (one at each Keble). The focus group discussion will be conducted with 6-8 women VSLA members from sample Kebles using a checklist. Individuals, who believed to be knowledgeable about the past and present history of VSLA and its contribution to empower women economically, will be selected and interviewed by the researcher. For both focus group discussions and key informant interview the researcher will prepare leading questions to guide the discussion and interview.

3.3 Secondary Data Collection

In addition to primary data collection, secondary data will be collected from different sources. These include necessary documents, studies and other useful written materials needed for the study. Different organizations will be contacted during the survey period. In addition different literatures and study findings will be refereed.

4. Data Analysis

Quantitative and qualitative techniques will be used to analyze the data. Statistical tools such as mean, percentage, Chi-square test, correlation, percentage and mean will be used in analyzing the data to identify VSLA contribution in women empowerment using SPSS software version 20 and the result will be expressed in the form of tables, graphs and figures. Ranking will be used to find out the opportunities and constraints of VSLAs to empower women economically. In addition CARE Ethiopia women economic empowerment framework

will be employed to show the sum total of change needed for a women to realize her full human rights as shown below:

1. **Agency:** her own aspirations, self-esteem and capabilities,
2. **Structure:** the environment that surrounds and conditions her choices,
3. **Relations:** the power relations through which she negotiates her path.

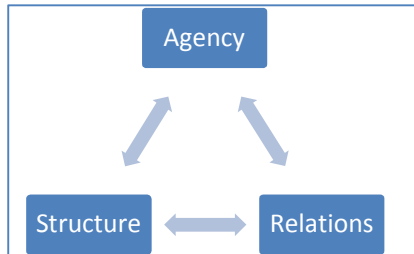


Figure 2 CARE International Women empowerment framework

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**PROFORMA FOR SUBMISSION OF MSW PROJECT PROPOSAL FOR
APPROVAL FROM ACADEMIC COUNSELLOR AT STUDY CENTRE**

Enrolment No. : ID1115127
Date of Submission: 29 October 2016
Name of the study centre: St. Mary University College - Indira Gandhi National Open
University
Name of the advisor: Dawit Tafesse
Title of the project: *“Women Economic Empowerment Trough Village Saving and
Loan Association: the case of Loka Abaya District, Sidama
Zone of SNNPR”*

Approved/not approved:

Signature of the Advisor:

Signature of the student:

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