ST.MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES

PRODUCT IMPLMENTATION STRATEGY: THE CASE OF GASHA MICROFINANCE SHARE COMPANY

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY COLLEGE, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GENERAL MBA)

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Teklegiorgis Assefa(Asst.Pro)____________________. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name   Signature& Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor Signature& Date

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Acronyms

MFIs Microfinance Institutions

GMFI Gasha Micro Finance Institution

GMFSCO Gasha Micro Finance Share Company

NBE National Bank of Ethiopia

OCSSCO Oromia Credit and saving share Company

USP Ultimate Selling Proposition

AEMFI Association of Ethiopian Micro-Finance Institution

SACOS Credit and saving officers

NGOs Non- governmental organizations

OCSSCO Omiya credit and saving share company

MSE Micro and Small Enterprise

MF Microfinance Institution

MIS Management Information System

R&D Research and Development

Abstract

The study was conducted in Gasha Microfinance Share Company which is found in Addis Ababa. The purpose was to assess the product implementation strategy of GMFI. The study was conducted in four GMGI branches. These branches are Yeka, Entoto, Bishoftu and Adama. The major findings of the study are summarized as follows.

The study shows that clients have a strong say in deciding on issues related of GMFI products (savings, credit receiving , loan repayment and loan utilization). Participation in GMFI services has improved the clients' income because they launched new ventures and also expand their economic activities horizontally and vertically. Clients have also created assets, due to improve decision making on receiving credit, savings and improve income as a result of GMFI services.

The finding also indicates that in spite of improvement in outreach and sustainability, a number of respondents are looking for the services. However, considering the sustainability of the MFI, the result shows 100% loan repayment performance except the first year of establishment in the study area. Adequate advising, supervision and giving services on time are some of the factors that help in loan repayment performance.

Primary data were collected through structured questionnaire from clients and Non-clients using simple random sampling method. Secondary data were gathered from different MFIs' reports and literatures. Both are quantitative and qualitative in nature. Descriptive analysis, were applied in the study. The overall objective of GMFI is to improve financial and non- financial services to meet the poor needs.

Keywords: **product, Financial services, MFI, credit, saving, loan, repayment**.

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

Product is anything that can be offered to a market for attention, acquisition or use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organization and ideas or mixes of these entities (Kotler, 1994:98). A product design classified into three levels.

Core product: The most basic level of product, which addresses the question "what is the buyer really buying" And consists the problem serving services or core benefits that consumer, seeks when they buy a product. Actual product: is built around core product: A products parts, quality level, features, design, brand name, packing and other attributes that combine to deliver core product to benefit. Augmented product: additional consumer services and benefits like installation, warranty, delivery, and credit and after sale services built around the core and the actual product. The service product requires considerations of the the range of services provided, the quality of services provided and the level of services provided. (Baker, 1994; pp 673).

Microfinance services : Microfinance institutions products refers to the provision of financial services such as credit, savings, insurance, etc. to clients who are without access to the services of formal sector financial institutions on sustainable basis (Joan Parker, 2000).

According to Dejene Aredo (1998) MFIs are often defined in terms of different characteristics, among these are; extending small loans without collaterals; combining credit with saving; and charging market rate of interest. Sound practice in microfinance institutions is based on the ability to provide appropriate financial services to individuals and households that are otherwise excluded from the financial system (Joan P., 2000).

Wolday (2000) also argued that the delivery of financial services has been viewed as an anti poverty tool of development programs in Ethiopia. The capacity of the conventional banking sector in Ethiopia has been too weak to serve the need of the rural community. Few woredas in the country have bank branches. Even if there are banks in these woredas, due to high collateral requirements, the rural poor have limited access to the conventional banks. Making credit available, particularly to the rural poor, is thus considered essential to alleviate poverty and promote economic development. Since micro enterprises have very limited access to formal finance credit from banks, specialized financing schemes must be designed to facilitate credit access to the poor, enhancing their productivity and income generating capacity.

Micro financing is being practiced all over the world as a tool to deliver financial services to the poor with the broad objective of attacking poverty. The past two decades have seen the development of new microfinance technologies that have lowered the risk and the cost of lending to the poor entrepreneurs and households (Berihanu Digifie , 2000).

Alemu Tesema (2000) pointed that in developing countries like Ethiopia, there is a growing recognition that microfinance can be an effective tool in creating sustainable product services that can bring direct, measurable and beneficial impact on the livelihood of the poor. Entry requirements, which are set out in micro financing proclamation and the directives of the National Bank of Ethiopia, include initial minimum capital requirement and organizational set-up, ownership and governance of MFIs. The minimum initial capital set by the NBE to obtain micro financing business license is Birr 200,000. MFIs in Ethiopia are required to be formed as a share company in accordance with the provision of commercial code of Ethiopia. Company formed under the commercial code has legal personality.

Microfinance institutions (MFIs) are institutions that provide suitable financial and other services using innovative methodologies and systems at cost to meet the needs of low-income sections of the population and act as financial intermediaries (Wolday, 2000). From its nature, microfinance services, especially credit provision is time and purpose sensitive.

Leddgerwood (1999) argued that micro financing is growing for several reasons. One reason is that microfinacing activities can strengthen existing formal financial institutions by expanding their markets for both credit and savings.

Interventions through the delivery of microfinance services in Ethiopia have been considered as one of the policy instruments of the government and NGOs to enable rural and urban poor increase output and productivity, induce technology adoption, improve inputs supply, increase income, reduce poverty and attain food security (Meehan, 2000). A good credit policy should not only help in increasing production but it should also help in providing other facilities to the farmers for their all-round development such as marketing and processing of their produces. Microfinance credit policy is a procedure in which activities including client screening, training, loan processing, supervision and loan repayment and credit provision are undertaken.

Microfinance institutions in Ethiopia provide three kinds of products: Loan products, saving products and insurance products. Loan products include agricultural loan (loan provided to poor members involved in agriculture) and micro enterprise loan (loans provided to urban micro enterprise operators involved in petty trading, handcrafts and services such as selling cooked foods, bars, restaurants, etc). Saving products include compulsory group saving (certain percentage of loan), center savings (used by center leaders for social purposes), voluntary individual savings (open to any person who is willing to deposit) and institutional savings (saving made by governmental institutions, NGOs or associations such as lddir, mahaber, women and youth associations). The insurance products are at pilot stage by Oromiya Credit and Saving share Company Wisdom microfinance.

The acquisition of working capital in these MFIs varies and the main sources are regional governments, donors, and commercial banks. Most micro-credit services that were delivered through NGOs and government initiated projects in Ethiopia did not consider saving as one of the most important product both to the client and institution. This basically emanated from a notion that "the poor have nothing to save". However, this notion has been disproved in Indonesia, Bangladesh, Bolivia, and in Ethiopia (Messele, 2002).

Messele (2002) identified that lack of competition, shortage of loan capital, lack of commercial loan, weak law enforcement and weak governance structure were identified as some of the problems facing Ethiopian microfinance institutions. Therefore, MFIs should learn from what their clients wanted and then produce financial products by incorporating the information from the market research or needs survey on one hand and develop built-in tools to measure the impact of their program on the needs of their clients on the other (Wolday Amha, 2002).

1.2 An overview of Gasha Microfinance Institution/GMFI

In many developing nations the rural poor who are typically attached with poverty do not have accessibility to formal financial institutions. Generally in Ethiopia, due to high collateral requirements by formal banks, the majority of small-scale poor farmers have been denied access to financial services. Even there is no bank branch in many Woredas. To tackle this problem, rural and urban development is mainly the essential tool, credit being the best strategy. In 1996, the Government of Ethiopia decided that credit programs that provide financial services or products to the segment of the populations that do not access to the commercial banking system in the country should be legalized.

Microfinance institution was formally established as financial and non- financial service provider to the active poor in 1997. It started its operation in 1998 after obtaining its license from the National Bank of Ethiopia. GMFI was peculiar in its information establishment from the majority of Ethiopian MFIs. This is due to the fact it was designed to become the first client owned institution in the country.

From the past studies it is observed that credit provision has a significant impact on increasing agricultural productions by increasing production assets. Trading activities are also reported to increase the scale and number of clients that are engaged in activities that was previously in accessible them due to lack of capital.

The general objective of the company is to alleviate poverty and promote economic development through the provision of credit and saving services. The specific objectives of GMFI include achieving household level food security Addis Ababa and Oromiya region, increasing household income and improving the overall economic and social conditions of rural households.

The strategy of GMFI is to meet the above objectives include targeting resource poor people, mobilizing both compulsory and voluntary savings and delivering credit to the poor. According to AEMFI (2000) quarterly bulletin, the following are criterion to qualify for GMFI's credit and saving services:

a) The capable poor i.e. those households who have relatively basic resources and can afford to pay savings and loan with interests.

b) Physical and mental fitness in terms of requirements of the specific enterprise intended to be undertaken.

c) Hard working.

d) Willingness to join GMFI and adhere to group and center laws and joint responsibility for loan repayment.

e) Good personal conduct and having a recommendable history of trust worthiness in the Community.

f) Residing permanently within the boundary of GMFI's operation.

g) Prompt loan utilization and repayment.

GMFI is currently operating largely in urban and less in rural areas to eradicate poverty and improve client's income and life style. It operates Addis Ababa and Oromia regions (Adama and Bishofitu). The share holders of the company are client owned and NGO (Pro-pride) individuals.

Gasha microfinance institution gives access to credit to the people by lending group of browsers who guarantee each other's loan and whose security is peer pressure. Group is formed based on the following criteria:

a) A group consists of 3-10 members
b) Only one person from household is allowed to be a member of a group
c) Bothe female and male can form a group
d) Relatives cannot form a group
e) A center consists of 3-10 groups

The members should have (or establish) trust on each other. The clients volunteer to take joint liabilities which include volunteer to repay loan and save compulsory savings if other group members do not / not willing /can not pay loan. Clients should be those who accept and respect obligatory social traditions. The center formation is based on willingness for centers joint liabilities. Those groups come together and form a center.

GMF’s average loan size for the first loan is birr 1000. A client will obtain the next higher loan after the successful repayment of the first loan. Loan terms of GMFI are established at different levels with a maximum loan repayment of two years.

Members of groups are encouraged to save. Clients can save any amount, compulsory savages serve as collateral. Withdrawal from this account is prohibited unless all group members fully pay their loan and interest and quite from their membership. Members and Non members can save voluntary savings.

GMFI has delivered two main types of services. These are financial and non- finical. The financial services are credit, saving and micro insurance services whereas, and non-financial services are like client consulting and trainings. Currently, GMFI has developed other four additional products which are; micro loan, enterprise loan, house loan and short-term loan. Hence the former products are grouped guaranteed loan, special loan, consumption loan and MSE loan. When we come to saving mobilization GMFI is mobilized two types of savings (voluntary and compulsory saving).

1.3 Statement of the problem.

The prevailing operation of microfinance institutions in many low income countries like Ethiopia is inefficient in providing sustainable credit facilities to the client. The majority of the clients’ finical services are through informal way (like, Ikub and eidir). Access to the intuitional credit, which contributes to increase outreach investment, is limited in Ethiopia. GMFI has not been working adequately on savings as one of the most important product both to the client and the institution. Clients lack access to the financial market. Lack of microfinance institutions, which deliver financial services to the client, is a factor of in many developing countries. Therefore, targeting credit financial service to the client is one measurement for client satisfaction. (IFAD report, 2012-13).

GMFI has been encountered also with the following problems; lack of loan able capital to expand operational activities and reach more people; since microfinance is a new business, experience is lacking to cope with this changing the environment .

Due to poor loan collection and loan utilization, arrears on loans affect the lender ability to generate internal resources and external source of funds. Failure to repay loan at all or partly or not paying on time causes serious problems on sustainability of the institutions.
GMFI has not undertaken an assessment on product strategy research to indicate the implementation's of GMFI micro financing scheme.

The increasing number of MFIs, unmet demand, the availability potential market, the increasing number of drop - out and competition, the absence of product development or marketing units to care of modifying or developing new finical products. And the supervisory body National Bank of Ethiopia sets, the ceiling of the loan (products) and is issuing different regulations tells us that there are things that should be studied by synchronizing those internal and external factors because they directly or indirectly affect the product strategy. Due to these challenges, the study is initiated to fill this gab.

1.4 Objective of the study

As explained above, targeting delivery of financial services (credit and saving) to the client is one of ensuring product strategy implementation. The objective of the study, therefore, is to assess the implementation of product strategy in GMFI. The specific objectives include:

1. To assess finical and non - services delivery strategies undertaken by GMFI
2. To assess clients needs relating to product strategy
3. To assess the practice of GMFI financial services
4. To assess the challenges of product development strategy in GMFI.

1.5 Significance of the study

Identifying the product delivery strategies of the clients enable the MFI to explore which types of services those are required by clients and by institutions. This information is essential for all microfinance institutions to be demand responsive rather than supply driven in their choice of products and lending methodology. Once the product is developed, understanding the needs of the clients enable mangers to determine which finical services are used by different clients. If the target groups are not responding, the MFI should evaluate its product strategy methodology and services to better meet the needs of the population.

The studies of product strategy implementation assist the MFI to improve and diversify its product. Product strategies are useful to improve the the institution's objectives particularly by expanding outreach and optimizing sustainability effectively for MFIs.

Like GMFI, almost all MFIs lack appropriate implementation of product strategy due to the fact that micro-finance industry is a recently applied field. The gradually increasing and challenging competition arising as the emergence of new business oriented, MFIs needs to be further studied. This research paper will provide the necessary input for the other existing marketing problems of MFIs.

Lastly, as the topic has not been studied sufficiently, this research paper will help as a reference for researchers and MFIs for further study to be under taken here after.

1.6 Scope / Delimitation of the Study

The scope of this study is limited to the implementation of product strategy in GMFI. The study was conducted in Addis Ababa and Oromiya Region (Adama and Bishoftu). While, studying the implementation of product strategy, the present study, considers financial and Non-financial services which are provided by GMFI for clients at Addis Ababa and Oromia regions. Financial services are loan and saving products. Whereas, non –financial services like trainings provide for clients. This study was also covered rural and urban areas. So that the scope is somehow limited.

This study focuses on one of the marketing strategy element that is product strategy implementation in Gasha microfinance institution. Product implementation strategy of GMFI is directly related to a functional unit i.e. operational unit. Sample survey branches are a part of this unit.

Due to time and financial constraint the researcher has not covered the reaming two branches under the study.

1.7 Organization of the Study

This thesis has five chapters. Chapter one is concerned with the introductory part including Background, problem statement, objective of the study, significance of the study, scope and limitation of the study and organization of the study. The second chapter of the paper deals with literature review, which comprises the conceptual framework of the study area. Chapter three describes research design and methodology used by the researcher. Chapter four deals with results /findings and discussion of the study. Chapter five describes conclusion and recommendation of the study.

CHAPTER TWO

2.1 Product Innovation by Microfinance Institutions

It is important to distinguish between idiosyncratic and covariant risks, that is, risks that affect only some individuals or larger groups of people in the same locality, respectively. Covariant risks include, for example, drought and flood, whereas individual risks are disability to work or old age. Since most MFIs in developing countries at present are too small in terms of number of clientele and geographical coverage, their ability to effectively cover covariant risks is very limited. However, as MFIs grow over time and reach operational scales like those achieved the Grameen Bank, there is also considerable potential to sustainably address covariant risks. For example, the Grameen Bank and BRI have rescheduled loans to clients in areas of natural disasters. The Grameen Bank has also rescheduled loans for clients affected by flood. The Grameen Bank requires members to deposit small amounts of savings into a so called emergency fund. The pooling of such funds over larger areas can, in principal, address covariant risks. (ManfredZeller, 2000).

A few innovative MFIs have developed financial products that address idiosyncratic risks. While MFIs should not be overburdened by being asked to provide health insurance services, MFIs can provide precautionary savings services and consumption credit that can indirectly address health risks. For example, MFIs that explicitly provide consumption credit, which targets microloans to very poor women,’ allow borrowers to stop loan repayment during pregnancy. Health risks can also be addressed by the provision of precautionary savings services. This type of service is useful for many types of risks, provided that the maturity of the deposit, its interest rate, and its transaction costs for deposits and withdrawals on short notice are adjusted accordingly. For health risks that occur relatively frequently and demand immediate response, the cost and time for withdrawal must be minimal. A current account at a village bank or a nearby bank branch offers such features as does a term deposit that can be withdrawn at short notice with a penalty. Because of socio cultural constraints, women often cannot get a loan unless they are married and their husband is a cosigner. MFIs ought to refuse to practice such discrimination. By providing women with individual credit lines and savings accounts, their household bargaining power may increase. Moreover, individual accounts for women will enable them to have a much stronger economic position in case of family breakup.(Ibid)

Access to microfinance has the potential not only to assist the poor to earn income from microenterprise, but also to smooth income and consumption. The first potential effect is what primarily motivates the microfinance movement today. Yet, the second-effect increases in relative importance as the poverty level of MFI-clients increases. MFIs, especially if they seek to benefit the poor, should concentrate more effort on credit, savings, and insurance services that can mitigate risks. The largest potential for microfinance is seen for addressing idiosyncratic risks, such as those related to health, disability, old age, and divorce. When MFIs grow in scale and inc rease their outreach to both poor and non poor groups, they also increase their potential to help their clients' address covariant risks. (William Gabriel Brafu-Insaidoo et-al, 2011).

A number of innovative MFIs offer financial products that respond to these risks. These include flexible saving services that permit prompt withdrawals, consumption credit, and even explicit health and life insurance.

The poorer the target group of an MFI, the more important is that MFI's experiment with new products for income and consumption smoothing. Through pro-poor product innovation, the MFIs' costs of targeting the poor may decrease. However, when MFIs choose to broaden their offering of financial services, they must be aware of the greater portfolio and liquidity risks that such a strategy entails. Prudence would suggest that MFIs first target areas with low covariant risks, and gradually expand client outreach to higher risk areas. Higher liquidity reserves and larger equity capital appear also to be appropriate responses to covariant risks. Client-funded emergency funds that are pooled over large areas have the potential to spread these risks at sustainable levels. (Ibid).

The micro financing institutions offer a wide range of financial services to low income households in both rural and urban. One of the major services is access to safe, flexible savings that help the poor to mitigate income fluctuations, smooth uneven consumption needs due to seasonal flows and for building their asset base. Traditionally most poor families in developing countries save in non-financial firms' .However these forms of saving are sub-optimal as they are susceptible to fluctuations in commodity prices and loss to pests and diseases. Saving services offered by MFIs have the advantage of security and liquidity that makes them popular among the poor, especially in rural areas. Thus, deposit collection has played a central role in the development of the microfinance sector in many African countries. Savings facilities are now provided for through savings and lending clubs, credit and savings cooperatives, rural credit banks, mobile banking, postal banks and commercial banks. Savings could be used to pay for inputs needed at the start of production processes, and self-finance future investments or leverage supplementary financing for them. In the forestry sector savings are very important for the mobilization of resources for generating assets and financing capital intensive operations. In the non-wood forest sector savings are important for smoothening income flows due to seasonality and ensuring availability of financial resources for the purchase of seasonal raw materials. .(peter C. Gondo, 2005).

The most common microfinance product is microcredit. Microcredit is characterized by a range of loan products with short maturities, limited amounts and fixed repayment schedules. These loans are often accessed either as individual or group loans. Individual lending is important to people who have collateral or a good repayment track record. It provides the more developed small-scale enterprises with flexibility to borrow for specific needs as and when they need the resources. Group lending has proved to be a powerful mechanism for reducing risks and transaction costs especially in remote and areas of low population. The group lending methodology has been widely applied in Africa including in the forest sector. It builds on traditional indigenous institutions.(Ibid).

Examples of traditional informal group savings and lending schemes include the Ekub in Ethiopia,. These schemes are based on traditional knowledge and values and microfinance initiatives that build on them can count on legitimacy, accountability, self-enforcement and expanded reach.

Loan guarantee facilities are common where some NGOs enter into partnership with commercial banks in the provision of loans in the form of risk sharing. The NGO deposits a loan guarantee with the commercial bank and in return the commercial bank provides and manages the loans on a commercial basis including supervision and monitoring of the loan recipients. This introduces the borrowers to commercial or conventional banking and prepares the borrowers to enter into the world of commercial banking. This approach has been used has mostly been used to demonstrate to commercial banks that poor people are viable clients. .(Ibid).

2.1.1 Microfinance Services

Provision of financial services could be made through saving and credit functions. Both functions could be provided from informal and formal financial markets. Micro- finance institutions are among the formal financial institutions targeting the poor both in urban and rural areas. Micro finance institutions started operations in the country following the issuance of Proclamation No. 40/96, which regulates the businesses of micro finance in the country. The National Bank of Ethiopia, that is the licensing authority, has since then been issuing a number of guidelines that underpin the operation of micro finance institutions in the country. The major target groups of most of the MFIs operating in urban areas are women while the lion's share of the target groups are men in rural areas. These institutions have been trying to enlarge their client and area outreach for the last almost five years (Tsehay and Mengistu, 2002).

Even though few MFIs are being involved in managing the pension fund of Social Security Authority and money transfer, the provision of credit and saving products are the two most important financial products/services delivered by all MFIs in Ethiopia (Wolday, 2002). Loan products of MFIs in the country can be divided into two general categories: viz. agricultural loans and micro-business loans. The agricultural loans are loans for agricultural inputs, livestock production, bee-keeping, etc. The loans are usually term loans; the principal and interest are paid at the end of the loan term, which varies from one week to one year for all MFIs in the country. (Bezabih Getachew, 2006).

Micro-business loans are loans for petty trade, handicraft, and other services, which are repaid weekly, bi-weekly, or monthly on a regular basis. The micro-business loans do have lower risks to MFIs portfolio management and loan loss as compared to agricultural loans, and they diversify household income. Saving is a precondition for investment and consumption smoothing and as a result, it can be an effective instrument to overcome economic shocks. The saving products include center savings, compulsory group savings, individual voluntary savings, and institutional voluntary savings.(Ibid).

Owing to small loan sizes and short loan period, which are major features of informal credit in both rural and urban areas of Ethiopia, the demand for products of MFI has been growing. According to Wolday (2000), delivery of microfinance services has been considered as one of the policy instruments to enable rural and urban poor increase output and productivity, induce technology adoption, improve input supply, increase incomes, reduce poverty and attain food security.

Microfinance institutions have a surmountable outcome and impacted individual households thereby raising their income level elsewhere and in Ethiopia. The Grameen bank in Asia is a case in point. In Ethiopia, few studies have established a relationship between microfinance institutions and household income. Samson (2002) has indicated that Busa Gonfa Share Company of MFI operating around Modjo areas could increase household income through its lending scheme. However, only 30% of the households in the study area were able to access the service one of the reasons being resource constraint.

Grameen bank based lending methodology, which includes "center", group and individual structures, has been employed. "Center" savings are fixed amount of savings (at least one Birr) by each member per month at center level while group saving is a certain portion of the required loan (10% for OCSSCO) that is deducted and saved with the institution. Individual saving (which can be of compulsory and voluntary) is the amount (minimum of Birr two per member per month), saved by the clientele with the company. Other organizations, associations, and anybody having legal entity with company make institutional saving.(Bezabih, 2006).

2.1.1.1 Innovative Financial products and clients satisfaction

Taking a loan is profitable for a client if the costs are reasonably less than the expected additional income, from using the loan. There are both direct and indirect costs incurred by a client: the direct cost is the amount paid to the MFI in the form of fee and interest and the indirect costs include opportunity cost of forgone work, cost involved in doing the paper work or when obtaining a guarantor and the risk that is tied with the probability of failure to fulfill his obligation for various reasons. Innovations which reduce the total lending costs for a client, increases the demand for loans and expand the frontier of finance.(Wolday , 2008).

Improving the financial products or developing new products (innovations) create additional value, if they reduce households and enterprises' transaction costs of accessing financial services. For example, making larger investment improves the income and economic capacity of clients and better valuation processes facilitate larger loans to the existing clients and engage clients who would not be served otherwise. (Ibid).

According to Itana Ayana (2003), improving the financial products or developing new products is valuable for MFIs adopting them if they increase their profitability by reducing their costs or increasing revenues. MFIs, like the clients, incur financial costs, transaction costs (or operation costs and risk costs). This is materialized by improving the institution's competitiveness by identifying the needs of clients, improving the quality of its services and/or reducing prices of the financial products. However, improving the existing product and new product development can be costly and risky as well. Itana Ayana, (2003) cited by Wolday (2008).

Many of the MFIs in Ethiopia provide similar financial products and use predominantly the group lending methodology (Wolday Amha 2008). They also employ individual lending to a limited extent. Although loan and saving products are the dominant financial products provided by the MFIs, they have also started the provision of micro-insurance, leasing, money transfer and managing the administration of pension fund on behalf of the Social Security Authority. (Ibid)

In the highly competitive environment, building more relationships with customer is vital for any financial institution. When building relationships with customers, satisfaction represent the foundation. Based on it, customer loyalty can be built in order to develop a stable, mutual profitable, and long term relationship. Satisfaction customers are considered to maintain contract with company, buy more products or services and buy more often. There is likelihood acceptance of other products in the product line. (Ibid)

Customer satisfaction is an evaluative process, it is defined as''… a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable of consumption related fulfillment, including level of under or over fulfillment'' (Oliver 1997:P.13) cited by Swaid (2007) and Home (2002).

Therefore satisfaction is not a static idea, and it changes as soon as a client finds a better deal with that meets his expectations. In this perspective, firms focus on customer satisfaction level, to adjust the product to customer needs. Indeed customer satisfaction has a great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution. Swaid (2007) cited by NarayanaSL(2013).

2.1.1.2 Financial Products, services and research

Although the MFIs have made many efforts to address the financial needs of the able poor, they have excluded the poorest of the poor. The MFIs have used group-lending methodology which helped the poor to self-select programs. The methodology is a powerful instrument to address the lack of property collateral of poor households. However, the approach screens out the hard core poor from accessing loan from an MFI. The MFIs in Ethiopia do not provide flexible and responsive financial services to clients. They entirely concentrate on delivering a mono-product. The MFIs should be involved in developing varieties of loan products, saving products, insurance products, etc and provide diversified services to clients. The product development efforts are affected by the capacity of MFIs to develop new products. .(Woldy et-al,2008).

The group lending methodology, which has been used by all MFIs in Ethiopia, was successful in delivering financial products to the poor without property collateral and reduced transaction cost. However, clients who regularly repay their loans on time have complained about the group lending methodology. They indicated that the group collateral or liability encourages default. Thus, the methodology needs to be revisited.(Ibid).

2.1.1.3 Financial products

Loan products: The MFIs provide a variety of loan products which can be broadly categorized into agricultural loans, micro-business loans, micro and small enterprise loans (micro-bank loans), employee loans, package loans (food security loans), and housing loans. Many of the loans are group loans followed by individual loans and cooperative loans. Recently they have started introducing individual lending methodology to MSE operators that need larger loans (above 5,000 Birr). The agricultural loans in many of the MFIs are end-term loans which are paid at the end of the loan period. However, interest is paid mostly on monthly and in some cases on weekly basis.(Wolday , 2008)

Saving products: Saving services enable clients to bank surpluses that can be withdrawn during lean seasons. Savings also help to prevent the occurrence of food insecurity by enabling households to purchase food during off seasons or during bad production years. One of the most important services provided by MFIs in Ethiopia is saving mobilization. (Ibid).

There are basically two types of saving products, namely voluntary and compulsory saving (forced saving), provided by the MFIs. The type of compulsory savings varies from MFI to MFIs. Voluntary saving can be withdrawn whenever the saver wants. The voluntary savings are designed to clients, non-clients, government institutions, non-government institutions and associations. Clients, who have voluntary saving account, reported that voluntary savings are useful financial products which they deposit and withdraw whenever they want, the location of the sub-braches/branches are very close to their homestead; the interest rate is good; and the MFI offer them safe way of holding savings (Borchgrevink. et al 2005) cited by Wolday (2008).

The experience of Ethiopian MFIs (which are located close to clients) reveals that poor households can save money voluntarily to meet various forms of expenditure. The average saving rages from Birr 1,000 to more than Birr 2,000 (Assefa Admasie et- al 2005) .

There is an enabling regulatory environment which encourages all MFIs to mobilize savings from the public. All MFIs provide compulsory saving products to promote saving culture and serve them as collateral for the group loans. Voluntary savings are for both clients and non-clients. The voluntary savings of Ethiopian MFIs include: pass book saving, time deposit, regular saving, joint account, minor account, institutional saving and demand deposit (Wolday ,2008). Saving prices allow savers to store excess liquidity for further use and to obtain returns on their investments. Credit services enable the use of anticipated income for current investment or consumption.

Generally, microfinance services can help low income people, reduce risk, improve management, raise productivity, obtain higher returns on investments, and increase their income, quality of their lives and those of their dependents (Robinson, 2000).

2.1.1.4 Financial services target clients

Within the spectrum of lower-income population who lack access to financial services, a distinction can be drawn between the extremely poor and the economically active poor. The extremely poor are considered to be those individuals who have insufficient resources to meet defined basic consumption needs, including people who are not qualified to work (due to age, health and ethnic origin reasons, among others) or whose income is so low that they are not able to meet their household basic needs. This group has prior needs such as food and shelter, and therefore requires tools distinct from financial services to get out of poverty. (Miguel Delfiner et-al ,2007).

Placing people who will not be able to repay the loans in debt may help neither borrowers nor lenders. In the case of borrowers, this can lead to diminishing their already low level self confidence. In turn, lending institutions' capacity to make loans may be reduced. Government policies aimed at development, employment generation and skill training may become an adequate tool for helping the poor become microcredit beneficiaries.

The economically active poor include microenterprises, small farmers and, more recently, the concept has expanded to include low-income salaried employees, pensioners and poor households. Unlike the extremely poor, the economically active poor tend to be people who work on part-time jobs, own some private property or small business, and are capable of working and carrying out projects. Their basic needs are usually unsatisfied because their income is generally

unstable due to the informal nature of their employments or self-managed productive projects). This is the target group chosen by commercial banks when venturing into MF. Therefore, commercial microfinance is a complement to, not a substitute for, government and donor alleviation and employment generation programs for the extremely poor. The figure below shows the manner in which effective effort coordination between social welfare programs, MFIs' financial services and commercial banks could contribute to alleviating poverty. .(Ibid).

Although the needs of the economically active poor do not differ much from those of the higher-income population, the personal and commercial characteristics of the former, as well as the amount of their commercial transactions, are significantly different from those of the latter. In particular, microfinance customers consider service, speed and agility a much more important issue than the cost of a microloan. Regarding loans, this brings about the need for documentation to be simple and for disbursements to be timely. Regarding savings, clients will consider it more important to have unrestrained access to savings accounts with low requirements than to obtain an attractive rate of return on their savings. .(Tsehay, 2010).

2.1.1.5 Loan disbursement and repayment

In the world of banking in general, and micro finance services in particular, loan by its nature is both time and purpose sensitive. The clientele of the company would be more benefited if loan processing is made in accordance with these conventional views. Therefore, appropriate loan disbursement schedule is expected to have direct influence on the financial performance of clientele. (Bezabih, 2006).

Loan term is a schedule, which fixes duration of the loan and specific date of loan repayment, which is governed by the lending institution with agreement of the borrower. In most cases loan term is a function of loan size and loan purpose. Accordingly, the lending institution and the borrowers attempt to convince one another to set terms of the loan. Missing this concept will lead to setting repayment schedule for a given purpose quite before or after its maturity, which in turn leads to loan default. Therefore, appropriate loan terms can have positive effect on the success of loan purposes, improving the economic condition of the clienteles. Loan size depends on the purpose of the loan. In the study area, where capital is scarce as compared to labor and land, larger loan size is needed to acquire productive factors of production and engage in micro-business activities. Hence, the magnitude of loan the clientele received over the last five years is expected to have direct relationship with the improvement in income of the household. .(Ibid).

In principle, borrowers are expected to propose loan size along with loan purpose(s). However, there are cases in which local community representatives or committees together with branch staff(s) determine the loan size, based on production capacity, repayment capacity, social characteristics, etc. of the borrower and his loan purpose(s). Failure to provide the required loan size is expected to have negative repercussion on the loan performance. It is, therefore, hypothesized that provision of the required loan size would have high probability of increasing the income of the clienteles. (Bamako 2000).

Utilization of the loan. Upon loan processing, all clienteles specify their respective loan purpose(s), for which they use the loan, and they are not allowed to divert the loan to other purposes. But sometimes, clienteles are found to divert the loan to other purpose(s), may be due to incompatibility of loan size, unexpected circumstances, social problems, etc. This will have an impact on the loan performance. Basically, in addition to their indigenous knowledge, the clienteles are given training on all aspects of micro finance services, feasible loan purposes(s), utilization of the loan, etc. before loan processing by them company. Therefore, utilization of the loan received, for the intended purpose(s) has direct relationship with the improvement in income level.(Bezabih, 2006).

2.2 Product strategy

Product strategy is a strategic approach to developing and enhancing products to fit the needs of the market and going about activities to optimize sustainable sales of the product in the most profitable manner. The product strategy consists of:

Development and Differentiation:- The development and differentiation of products is a process of continually and systematically assessing needs of the market and its different segments to support product development and innovation that caters for those needs in the most feasible and profitable manner. In particular MFIs will be looking for opportunities that are not oversupplied from a competitive perspective. Effective product development and differentiation – even when it only involves relatively straightforward Product refinement can have dramatic results. (Graham A.N Weight et al,2005**).**

Product Brands, Tag Lines, Unique Selling Propositions and Benefit Statements**:-** Selling products is made considerably easier when approached in a systematic manner. There is relatively straight-forward method for preparing the key messages for a product marketing strategy. This approach is built on taglines, unique selling propositions and benefit statements. Each of these components should be developed on the basis of market research to assess clients' needs and expectations, and then quickly tested on the target market using focus group discussions prior to roll-out. (Ibid).

Product branding has similar objectives to corporate branding – namely differentiation, warranty and sales promotion. Product branding comes to the fore where there is little differentiation in product attributes – for example savings accounts … and many MFIs' standard group-based lending products. For the microfinance market, it is important to keep brand associations simple and clear. It is also important to test the perceptions of brand names/images – clients can often surprise us! Finally the MFI should check product branding against competition to ensure no overlap or potential for confusion.(Mutesasira et- al, 2005).

A tagline is a short phrase that is always connected with the product. It is a positioning "nugget" that describes the way you want customers to see the product The tagline seeks to communicate key product messages to the customer and must always be there in print and in the minds of the customers. The product and corporate tagline should not be identical though they can be related. The tagline must reflect a need and be informative/descriptive of the product.(Ibid).

A product's Ultimate Selling Proposition (or USP) is the choice between differences you want to communicate to the target market. The USP is "the difference that makes a difference" – the difference that compels the potential client to choose your product over that of the competition. The USP differentiates a product from the competition in response to market needs. The USP should be as tangible and factual as possible – always be suspicious of a USP phrased as "we provide the best customer service". The term USP can be misleading – MFIs offering market-responsive products may be able to identify and market several USPs for each.

Benefit statements are central to the sales effort. Every marketing book relates that the customer looking for a drill is not really looking for a particular piece of equipment - he or she needs a hole in something. Your customers are looking for the end result. It is important to remember that customers do not buy products and services; they buy benefits or value they expect to drive from them. It is therefore important to list out the key product attributes and translate them into benefits to the customer. The list of the benefits for the product is the most powerful tool your sales force can carry. In every customer contact, they should deliver the full key benefit message. Each carefully crafted benefit will appeal to various clients unequally. Price may mean everything to one customer, while availability might be the big problem to another. An MFI's sales force should be sensitive to the needs and responses of the target market to ensure that the product's benefits are appropriately pitched. (Ibid)

2.3 Pricing Strategy

There is several factors that make pricing financial services very different from pricing traditional goods. These are as follows: Customer needs vary considerably and with that customers' willingness to pay for particular service attributes varies; Financial services often bundle several services together - for example savings accounts with ATM cards, or overdraft facilities; Price information is overwhelming - a savings product may pay interest, but have monthly fees, fees for withdrawals, transfers, opening accounts, closing accounts, accepting cheque deposits etc. These fees make it difficult for a customer to objectively compare two related financial products; many products involve future consumption - for example contractual savings account that offers variable rates or a pension scheme, which can make future values uncertain; and Most services involve a continuing relationship between bank and customer - which means that the nature and strength of the ongoing relationship between the bank and its customers often determines customers' reaction to pricing decisions.(Ibid).

2.4. Sales Strategy of products

An MFI's sales strategy will depend on its products and its target market. These will dictate the balance between pull- and push-based strategies to selling the products. A pull-based strategy uses big spend on advertising and promotion to increase demand. This pulls the customers to demand the product on the basis of: Advertising, Public relations, Sales promotions and direct marketing. (Mutesasira et-al, 2005).

A push-based strategy uses a sales force to push the product through the following channels: Personal selling, direct marketing.

Advertising is designed to generate demand for your MFI's products through non face-to-face Communication channels and can also complement corporate branding communications. When designing an advertising campaign, it is important to remember that the level of identification is central to advertising. Essentially you are seeking to get the prospect to hear the advertisement, identify with it, understand it and remember the advertiser. Often advertising agencies prepare concepts which are too sophisticated for MFI clients – it is essential to be simple and literal, with one single message. To minimize wastage MFIs should also test the basic messages (whatever medium is to be used) before they take them out to the market.(Ibid).

As noted above public relations can play a very important role in an MFI's selling strategy. A well designed public relations campaign can provide: Credibility, Imitation, Image transference, Bonding**,** and Retention. Public relations-based selling efforts are time-consuming and often slow to yield results, but can prove very valuable exercises.

Sales Promotions are used by MFIs throughout the world, whenever they make special offers such as waived fees, reduced opening balances or premium interest rates.(Ibid)

Direct marketing is the form of selling that links the MFI directly with its prospects. Direct marketing approaches used by MFIs include the distribution of leaflets, kiosk marketing in busy places, direct mail, targeted press advertising, and radio or TV advertisements with built-in direct response mechanisms. With direct marketing is essential to ensure that the prospect is given an easy opportunity to respond/buy. Direct marketing is usually more effective with advertising back up so that prospects know/recognize your MFI and its brand. (Lilian Aseyo, 2011).

Personal selling is perhaps the mostly commonly used sales technique amongst MFIs. Field staff are out in the cities, towns and villages selling the MFI and its services. Some MFIs have dedicated sales staff tasked with making presentations to each and any gathering of the target market – from school open days to meetings of vendors' associations. Others target employers needing efficient banking services for their lower-paid staff.

Optimizing personal selling depends on setting consistent standards and approaches – so that the benefits are appropriately marketed and the message is consistent and compelling. In addition, effective personal selling is dependent on defining transparent and fair rewards or incentive schemes for the sales force. MFIs using personal selling should set targets by team, region and person, and ensure buy in to those targets from the sales team. The team should also be provided with sales support materials – brochures, Frequently Asked Questions sheets etc. - in Clear, **C**oncise, Client language. Furthermore, the MFI should make sure that it is easy for the prospect to buy so that the sales team does not waste too much time closing the pitch into a sale – some

MFIs have separate staff to assist prospective clients to open their accounts, so as to keep the sales team out selling the MFI and its services. (Graham A.N Weight et al, 2005**).**

Finally, it is important to note that personal selling provides a unique opportunity to educate clients and respond to their questions (as well as obtain important information from them that can be fed into future marketing activities). This is particularly important in a competitive market where clients have a large number of choices and therefore want to ask many questions about the service before finally choosing which MFI to use.

Client reward and retention is closely related to sales promotion but is geared towards retaining high quality, high value clients and rewarding client behavior that benefits the MFI – for example regular and prompt repayment of loans or maintenance of high savings balances. To work effectively, the incentive offered to the client must constitute a real benefit, and experience suggests that it is important to keep reward/incentive schemes simple to ensure that the customer understands them and that they are easy for the MFIs to manage and administer.(Ibid).

2.5. Product as a process

This straightforward quote suggests the importance of taking a methodical, measured, and persistent approach to new product development. Success is wrapped up in thoughtful collaboration, customer input, deliberate testing, and objective analysis, rather than just pure innovation. The process of development, as much as the features of the product itself, ultimately determines success. Therefore, this technical note illustrates a traditional approach to new product development for microfinance institutions an approach that is deliberate and Systematic to decide whether the product should be commercialized or tabled. The product development process is designed as a funnel into which an institution enters, starting broadly with a range of potential product opportunities and successively narrowing the new product choices as project feasibility is researched and analyzed through the various stages of development. The first two phases of the process- Opportunity Identification and Analysis and Evaluation - are covered in the companion technical note, “New Product Development for Microfinance: Evaluation and Preparation,” which discusses how new product ideas are generated and evaluated. The evaluation and preparation technical note also examines the capacity of a microfinance

institution (MFI) to undertake the development and implementation of new products and to determine if this strategy is appropriate for its stage of growth and the market realities it faces.
This technical note describes the design, testing, and launch of the product. Each phase of the product development process marks an increasing commitment by the institution to eventual commercialization, and the MFI must be prepared for the increased demands an expanded product line will place on an organization. Assuming the MFI does have sufficient capacity to develop and implement new products, this technical note describes the remaining phases of product development (following the initial feasibility) that the institution must undertake and illustrates these processes with examples from varied MFI experience. (Monica Brand October, 1998).

2.5.1 Product Design and Development

The first step to methodical product development is mobilizing the organization to introduce a new product to the market. For organizations that have evolved from a specific financial methodology, the proposed addition of a new product will have repercussions throughout the organization. It is important to explain to the institution's personnel the rationale for changing the methodology and expanding the product line because buy-in is crucial for successful implementation. A collaborative approach will help define the specific product team that will carry out the development process through the pilot phase. At conventional financial institutions, successful new product development typically involves a product champion who will motivate personnel and manage the process and a cross-functional team that performs necessary tasks and helps build buy-in. (Narayana, 2004.)

Product Champion: For the MFI, a product champion is essential because it is likely that the organization will resist change. Such resistance has already been seen in many conventional financial institutions. The experience of one well-known firm was that: "When it comes right down to it, introducing change into the organization is difficult. New product activities upset fixed routines and schedules. The product champion facilitates change by accepting risk and making a personal commitment."Moreover, given how uncommon new product development is as a practice within MFIs, someone at a senior level within the organization will likely have to lead this charge. "Without a product champion, the individual loans never really took off.".The lack of a clear message from the board or senior management led branch managers to perceive savings not “as a mandate, but as an option.” (Ibid)

Cross-Functional Team**;** Although the product champion is responsible for oversight of each step of the development process, the day-to-day tasks are undertaken by a product development team of key personnel from the different parts of the organization, which are critical to the product’s ultimate success. Cross-functional teams in most conventional financial institutions comprise three to seven staff members from the marketing, sales (credit officers), finance, management information systems (MIS), operations, and legal departments. In addition, if a financial institution ventures out into a new product territory (such as insurance), or a segment outside of its traditional target markets, then it will often solicit the help of outside consultants with expertise in that particular area. (Wolday Amaha, 2004).

Whether or not outside assistance is sought, it is important to have a multidisciplinary approach to product development and to incorporate the different functional aspects of the organization. Below is a list of the skills or departments that ideally would be represented in the cross-functional product team, with a corresponding explanation of the skill’s role in design and development.

Sales (credit officers***)*:-** Because credit officers often deliver the final product, it is critical they have a thorough understanding of the product to sell it more effectively. Credit officers typically have the best understanding of clients’ needs and preferences, gleaned from ongoing contact with them. They have a sense of price sensitivities and effective delivery channels that can be incorporated into the design of the new product prototype. In other words, credit officers can help decipher client needs and analyze how best to meet them in designing the prototype. On the other hand, some credit officers may misinterpret clients’ needs so involvement in this market research may enhance their understanding of the market. (Ibid).

Marketing/Promotions***:*-** This function is critical in helping ensure that products are developed from the point of the view of the market, rather than just from an internal perspective. Most conventional financial institutions have people devoted exclusively to delivering value to customers, although very few MFIs have dedicated marketing staff. Some MFIs have elements of the traditional marketing function on their staff, usually in the form of customer service.

Human Resources**:-** Someone on the new product development team should have an understanding of the ability of the MFI to design a training curriculum because training is an integral component of the new product pilot test and implementation process. This knowledge requires familiarity with the ability of credit officers to absorb the new product into their existing responsibilities, both in terms of the skills required to underwrite the new product and the capacity to sell and manage it. The sales representative on the product development team may be able to supply this insight, but human resources staff may have more expertise in training resources. (Ibid).

Finance:-. The finance function helps evaluate risk and return of new product development to help balance the marketing perspective. In addition, financial staff can help determine if the MFI will have sufficient liquidity to meet the demand. Typically, a portfolio manager or chief financial officer can make this assessment.

Management Information Systems**:-** A key component of implementing the new product will be developing the internal systems to administer and track the new offering. Although most conventional financial institutions focus mainly on the technological aspects of management information systems, MIS track and monitor all the critical data of an organization. Representatives from MIS need to be on hand in the design phase to ensure that the organization has the capacity to track data successfully and implement the new product.

Methodology/Research and Development***:-*** Staff from these departments, to the extent that they exist, can bring valuable market information and a dynamic perspective to the product development process. Many financial institutions create a separate research and development department to keep abreast of industry trends, competitor activities, and changes in consumer tastes. MFI staff who specialize in the development of an organization’s micro lending methodology similarly have an important perspective regarding how new products fit into the evolution of an organization and its market. Some MFIs will hire market research consultants if they lack in-house expertise. (Ibid).

Members of the product development team will devote varying levels of time to product R&D, depending on their function and the staff constraints of the organization. Some skills are involved periodically (such as bookkeeping), while others are critical for the entire process (such as marketing). The product champion's basic responsibility is to coordinate and monitor the team in designing the prototype, which will become the pilot product to be tested in a limited number of markets or branches. (Ibid).

Institutional Buy-In: Sudden changes can be unsettling. To avoid resistance, the product development team should regularly communicate the progress of the testing process to their colleagues and engage the organization's input. Interdepartmental briefings are good settings for such discussions, because the success of developing, testing, and implementing new products requires drawing on the strengths and resources of different functional areas within the organization. This dialogue can also occur during strategic planning sessions or special meetings called by senior management to emphasize the importance of product development. The necessary number of meetings will vary with each institution, depending on the level of resistance. If the change is a significant departure from the MFI's current methodology, such as when a lender adds voluntary savings or when a group-based program introduces individual loans, an off-site retreat may be appropriate. (Baker: 1994).

Buy-in meetings should have two main purposes: (1) to update the organization on the current and upcoming product development activities and (2) to solicit feedback on the product development strategy and implementation. For this second purpose, it is important that the meeting be structured as an open forum for feedback on the proposed product design, or that a brain-storming session is scheduled to generate creative ways to incorporate the new product efficiently into the MFI's existing systems. Openness is critical to dealing with the likely resistance to introducing a new product because of the uncertainty involved in an organization's evolution. Senior management must explain why this change is necessary, given the changing marketplace and institutional evolution. It is also critical that management allow staff to voice their reservations and concerns and address these concerns openly, taking them into consideration when deciding whether and how to proceed with implementation. (Ibid).

Ultimately, implementation will be much more effective if staff have time to adjust to the introduction of a new product. More importantly, if the product is adopted, the staff will need to be prepared for significant changes in the organization, which may range from job descriptions and dress code to incentive schemes and organizational structure.

2.5.2 Market Research: Designing the Prototype

To become a successful product, the prototype must be based on targeted market research. The product team needs to gather data that is qualitative, which will help decide how to design and deliver the product, and quantitative, which will help the MFI set a price and estimate demand. Too often financial products are treated as a fungible commodity that is differentiated only by price. Offering only price-specific products may make sense when an MFI is starting out because such a policy keeps program administration simple and expenses down. However, as an MFI grows and seeks to expand into new markets, it must consider a more sophisticated approach to product development. To create sophisticated products, the new product development team must consider the entire product, including its component parts, and solicit client feedback on four factors that marketing professionals refer to as the four Ps: (Hill, 1990).

Product (design***)***:- includes specific features, terms, packaging, liquidity, ancillary services such as loan review and disbursement times, and collateral or guarantees; Price:- includes the interest rate, loan fees, prepayment penalties, prompt payment incentives, and other discounts.

Promotion: includes advertising, public relations, direct marketing, publicity; and Positioning: includes both the physical placement of the product (delivery channels through branches, door-to-door, automatic teller machines, and affinity groups) and its competitive position in the market (low price, high quality, quick turnaround time, Professional service, and so forth). The four Ps are central to the targeted market research involved in designing the product prototype. The steps involved in designing the prototype are :(Ibid)

Market Segmentation; Segmentation is an important information-gathering technique that involves dividing the market into target groups defined by certain shared characteristics. Segmentation helps the MFI identify market opportunities by customer group to more effectively design and target its new products. Specifically, it allows an MFI to make conscious decisions about cross subsidizing, diversifying portfolio risk and other tradeoffs involved in serving multiple customer groups with different products. Groups into which markets are typically segmented include:

Geography**.** Most MFIs divide their markets into geographical units, identifying specific characteristics of regions, towns, or villages. Geographic segmentation by region can make divisions by location such as south, north, central, mountain, or coastal; population density, differentiating urban, rural, and suburban areas; and climate such as tropical, arid, or temperate. Often, product design will reflect these geographic differences, for example by tying payment terms to seasonal climatic variations.

Demography**.** Demographic analysis involves segmenting the population by certain shared characteristics, such as age/generation, social class, marital status, family size, ethnicity, race, religion, occupation, and level of education. In conventional business, demographic variables are the most commonly used for differentiating target markets, mainly because they are easily measurable and are strong predictors of consumer preferences and usage rates. The three most common demographic characteristics used to segment markets in microfinance are gender, income, and industry/occupation.

- Gender. Many microfinance programs, such as target women explicitly both because female-headed households are among the poorest in the world and because of women's propensity to reinvest their earnings into their family's health and education. This latter reason helps explain the popularity of savings products among women micro entrepreneurs and why they have repeatedly proven to be better credit risks than men in many different country settings. In addition, women-run microenterprises have shared characteristics that suggest product features more appropriate for this target market.

Common characteristics include faster operating cycles (shorter terms), slower growth rates (smaller loans), fewer assets and employees, and severely time constrained managers with less formal sector exposure/experience and lower levels of literacy. Corresponding product features include simple applications with quick turnaround time.

Income. Some MFIs target micro entrepreneurs earning less than a certain amount. If an MFI serves different economic classes of the population, income segmentation can help isolate the different needs of these target markets.
Industry/Occupation. Some MFIs offer specialized products by industry, such as agriculture, fishing, and trade, or by occupation . These targeted financial products are structured to match the seasonal funding needs characteristic of particular industries.

Business Siz***e.*** Business size is similar to income segmentation. MFIs can differentiate enterprises by their sales, number of employees (if any), or profit size.
Financing Need**.** Commercial lending institutions often segment the market by product type or the corresponding financing need. Similarly, MFIs often segment the market by those enterprises requiring working capital (the most prevalent type of microfinance product) versus those wanting to purchase fixed assets or to finance infrastructure improvements.

Behavioral. Behavioral segmentation divides customers into groups based on their attitude toward, use of, or response to a particular product. Examples of behavioral segmentation include loyal, repeat borrowers versus those who are very price sensitive; borrowers who are interested in tailored financial products and hand-holding versus those who want quick, efficient service; and borrowers who begrudgingly use an MFI because they have no choice versus those who have enthusiastic feelings. Behavioral segmentation is common among MFIs, which often group clients by repayment history because responsible clients are lucrative.15 Another behavioral segment used in both conventional and microfinance settings are those customers that are status conscious. Segmenting the market can identify niches where new products can fill an unmet need. Accordingly, the product development team should segment the market in a way that identifies clusters of potential customers from whom to elicit feedback on the prototype. Once the target market has been identified, the product development team will start collecting data on the segment to design product characteristics. (Ibid).

Differential Advantage**:** Target market segmentation is, however insufficient for strategic planning since, in general, other companies will also be competing for any segment chosen. To be successful, marketers must also develop a deferential advantage, which will distinguish their offers from competitions in the segment. This differential advantage may be obtained potentially via any element of marketing mix-crating superior product to completion, more attractive designs, better services or more effective distribution, better advertizing or selling and so on . (Baker:1994).

Competitors: firms are engaged in different levels of competitions. First, all business organizations are competing for customers' limited purchasing power. Then at generic level firms in the same industry contest by providing goods and services to satisfy the same need of customers. Finally at the level brand competition firms producing homogenous products are rival for each other. Specifically the generic and brand completion should be attention. (Hill, 1990)

2.5.3 Product launch and commercialization

Once the MFI has determined that market demand is attractive and has mobilized internal resources to move forward, the commercialization phase begins. The MFI will announce the launch of the new product and slowly scale up until it has fully integrated the product line. The commercialization phase the scale up phase when the product is introduced throughout the branch networks the true test of whether the new product is client-centered. It is also a test of the organization's preparedness. Most of the bankers surveyed identified implementation (launch and commercialization) as the most difficult phase of new product development. Preparedness for product launch is as key to market success as the systematic testing that determined the product's potential viability. This chapter will discuss the process of commercializing a new product, focusing on the relevant external (market) and internal (organizational) issues involved in fully integrating a new product into the MFI's existing mix. (Monica Brand October, 1998)

2.5.4 Developing a marketing /product/ strategy

The MFI must make strategic decisions about packaging and promoting its new product to deliver it through its branch network. The commercialization strategy revolves around the four marketing Ps of the new product, whose features will be refined as it evolves through its life cycle, as the institution matures, and as client needs change. Although the four Ps of marketing are defined from the seller's perspective, they are designed to deliver benefits to the customer and can be thought about in relation to the four consumers Cs, as illustrated in the box. With this perspective in mind, the product team can translate the pilot test results into a commercially viable product.(Ibid).

2.5.5 Key Product Development Success Factors

Taking advantage of changes in the marketplace is at the core of new product development. As competition and customer sophistication increase, product development provides an opportunity to better serve market demands. However, identifying the need and the opportunity is simply the first step in a methodical process of designing client-centered financial instruments. Even the most careful planning will not prevent the inevitable problems that arise when dealing with dynamic parties like the market, the microfinance institution itself, and competitor MFIs. Nonetheless, an MFI must treat crisis as an opportunity to institute change, to loosen institutional resistance, and to mobilize staff to rally around a cause—namely, the client. As Copisarow explains: The key to successfully introducing new products is having the appropriate mentality: the expectation that there will be errors; the readiness to hover closely and respond immediately to problems as they arise. It's not the number of mistakes, but how quickly one is able to recognize them and adjust accordingly. Most people don't expect things to be a mistake. A product's acceptance in the marketplace is as much about good timing as it is about systematic strategy. (Ibid)

2.5 .6 Factors contributing to un successful Product Development

There are no magic formulas for successful new product development save a methodical process of trial and error. Most factors that breed success or failure have to do with the organization launching the product rather than the external actors in the marketplace or the product itself. (Silvana Perón et -al, 2007)

2.5.6.1 Why New Products Succeed

Market Factors**.** Just as changes in consumer tastes or environmental factors can hinder a product's acceptance, they can also spell its success. Favorable competitive environment scan allow new products to blossom, as has been the case in Bangladesh, where competition has forced MFIs to find creative ways to establish a firm customer base and serve their clients' needs.

Product Factors**.** Products that aim to meet specific market needs should be widely adopted. In some cases, a product may successfully predict, rather than respond to, market demand. Institutional Factors. When products are well aligned with an organization's integral strengths (core competencies) and its organizational mission, support is straightforward. But even if these factors are not perfectly aligned, top management support will often be sufficient to marshal an organization's resources for successful implementation. (Ibid)

2.5.6.2 Why New Products Fail

Market Factors. Actual market demand may be lower than anticipated because of changes in environmental factors or consumer taste. Sometimes, demand will also be captured by competition, which may respond with an imitation product between the pilot phase and commercialization. Increased competition can also cap prices and limit an MFI's return. Margins may also shrink because of higher than anticipated costs. (Jonathan Morduch, 2001)

Product Factors**.** Weak market acceptance of new products can result if the products are not distinct or innovative enough to capture consumer attention or if their features are not attractive. Customers had to be encouraged to join groups through attractive product pricing. In addition, a new offering can cannibalize existing products.

Institutional Factors**.** Many failures resulting from organizational factors are caused by poor delivery, which can result from mismanagement or simply insufficient resources for effective implementation. Staff expertise, systems, or physical infrastructure can be overwhelmed if the product is a market success. Accountable leadership is critical during the scale-up, as new products can atrophy if no one claims or is assigned responsibility for the commercialization.

The most common source of institutional product failure is succumbing to internal resistance to change. No matter how much coaxing senior management undertakes, it is still incumbent on the line staff to sell the product. The inability of an organization to rally around a product may be caused by a stodgy mentality, poorly designed incentive systems, or the fact that the product's main purpose or target market is outside the core competency of the organization. This last point is particularly relevant for donor-driven product launches, which may not fit an MFI's area of expertise. Even if the MFI hires the relevant expertise, the mission drift an organization can suffer by taking on products too far from its defining purpose can have a demoralizing effect on the staff and severely hinder new product implementation. (Ibid).

2.6. Product Life Cycle

Product development is a process that evolves with the organization's growth and the product's maturity. Part of product success involves continual readjustment and fine-tuning in the face of changes in market demand and the natural aging of a product as it evolves through its life cycle. Financial service products have life cycles with distinct phases (introduction, growth, and market penetration), that correspond to the passage of time and increases in sales.

Introductio**n.** Product launch is marked by initial low sales and high start-up costs, mostly because of the heavy promotion needed to build customer awareness and entice demand. This staff-intensive period should be brief if the pilot test was effective because early adopters should already be familiar with the product. The main challenge for the institution at this phase is to make sure the systems and staffs are prepared for the subsequent growth phase, which will likely put a strain on the organization.

Growth**.** This scale-up phase is marked by increasing sales, average cost reduction as usage spreads, and the first signs of profitability. The MFI should be able to "quickly gain the accounts of people living or working nearby the bank offices" or what is often known as the "easy money."The MFI tweaks product features as it monitors demand. In addition to the systems buildup, the MFI will need to expand its existing distribution network to reach the wider service area that market penetration will require.

Market Penetration**.** This phase requires a more deliberate marketing effort to maintain volume and reduce cost per client to maximize profits. The product is now fully incorporated as a regular part of the line, and the MFI is identifying cross-selling opportunities with other products. At this point, competition may enter because of the track record the product has developed. The MFI must develop a systematic approach to identify potential customers, implement an incentive system that rewards staff for new client accounts, create "effective methods for intra-bank communication," conduct additional market research, and generate additional publicity. The process of product development repeats itself, either with the same product in new segments (breadth) or new products in existing target markets (depth), as an MFI penetrates new markets. (Ibid).

2.7 Challenges for the Ethiopian microfinance industry

The Ethiopian micro finance industry faces several important challenges. One of the most significant challenges for Ethiopia's microfinance institutions has been the lack of access to foreign capital and donor funding for MFIs to finance their loans. Not only has this hampered the ability for MFIs to scale up, but it has resulted in some MFIs have to make some products dormant whilst they seek new funding streams . The lack of capital has also hindered MFIs form investing their own development. One of the major constraints to MFIs in Ethiopia is the poor management information system (MIS) and the need to build technical capacity within the institution. Efficiency gains could also be made by linking branches more effectively. The industry also faces the challenges of limited outreach (particularly to women), uneven coverage over parts of the country and limited financial products. With the introduction of more flexible directives regarding group lending, MFI are now able to being new products to market and expand their product offerings, however, they need to balance their requirements to address rural clients needs with the problem of how to advertise agricultural products and bring them to market. Improved telecommunication and electricity infrastructure are developing in rural areas, and MFIs are increasingly looking at ways to work with community based on organizations to improve outreach. The issue of human resource is a familiar problem for the sector – staff turnover is high, particularly in rural areas where living conditions may be unattractive to staff and in urban areas staff where the private sectors offers more attractive remuneration and alternative befits such as shareholders. In Ethiopia there is an additional challenge of the stringent personnel requirements for senior staff of the MFIs. The chief executive officer must have a minimum of first degree in social science plus three years senior management experience in financial institution. Board members must all have completed high school. (Narayana Sl,2013).

Although the government is supportive of the sector and there is a clear legal framework, the NBE has limited capacity to supervise and provide technical support. Concerns have been expressed by some over the risk of market distortion by regional government's supporting and delivering microfinance, as well as the dangers associated with over regulation and the potential politicizing of microfinance in Ethiopia. There are also deep concerns within the sector about the growing issue of inflation of the profitability of MFIs, and the ability to maintain low interests.

the absence of efficient legal and court system to help protect both customers and MFIs means that contracts cannot be enforced and there is no fore closure law.

Along with other microfinance markets in Africa, the Ethiopian microfinance sector has need for greater training assistance, social performance assistance and business development assistance. AEMFI however is considered one the strongest national net work in Africa, and if sufficiently resourced, would be able to provide much of the support that the sector is currently lacking. (Ibid)

CHAPTER THREE
METHOD OF THE STUDY

3.2 Research Design and Methodology

3.1.1 Research Design

In order to achieve the objective of this study, quantitative as well as qualitative methods were used. More emphasize was given to quantitative method. Multi- stage sampling methods were also used for the study. For analysis purpose qualitative methods were used.

3.1.2 Population and Sampling Techniques

The study was conducted in Addis Ababa and Oromiya Regional National State at GMFI. It has six branches (yeka, Entoto, Kolfe Gojam Berenda, Bishoftu, Adama and Merkato) . Four of them have been operating in Addis Ababa. While two of them have been operating in Oromiya region (Bishoftu, Adama).

The survey was conducted on the respective samples. Three stages of sample design procedure were adopted for the survey. The first stage is selection of sample branches of GMFI. The second stage is the selection of sample kebeles. The third stage is the selection of sample cases (respondents) from the selected kebeles.

Four branches two from A.A(Namely, Entoto, Yeka (A.A) and two from Oromiya i.e Bishoftu and Adama each have been taken for the sample. Rural kebeles selected from Bishoftu and Adama and urban kebeles Yeka and Entoto from Addis Ababa were selected on purposive sampling. Additionally, using simple random sampling method, six kebeles were selected.

The selection of study branch is based on mainly the flowing criteria: the number of the clients, who have access to service, time spent on branch i.e. a branch has a long duration and branch outreach.

The population of GMFI for the year ended June 2012/ 2013 is 14, 000 of which 7828 are female and 6720 are male. About 37 % of the total population of the GMFI engages in agricultural activities. Others include those who participate in trading and other activities.

The selection of respondents was based on regular clients and non-clients of the program. There are two categories of respondents. Namely, clients and non- clients. Clients are those who have been clients of the sample of GMFI access to the services while the non-clients are those who never got access to such services. Non-client will be used as a control group.

Two clusters of respondents were first identified from the total population of sample kebeles. The first cluster was from regular borrowers who are clients for at least two years. The second cluster was from non-clients who have not stayed in the program. The total sample size was 605 i.e. 304 Female and 301 Male. In terms of length of program participation, 484 were selected from frequent borrowers i.e. 254 female and 230 male while the remaining 121 i.e. 56 female 65 male were from non-clients who make up the control group.

A sample size of 484 clients was taken for the study .The total sample size of clients was proportionately distributed over the sample branches of GMFI. The selection procedure of the client is:

- A clients who had access to service for two or more years
- All the samples should be married (since married clients use the loan service better than the non married)
- More than 50 % of the sample clients should be female (since the majority of the clients of GMFI are female).

3.1.3 Types of data Source and tools/instruments of data collection

Information was obtained by using both primary and secondary data. Primary data has been collected through questionnaires and interviews. The main sources of primary data were from the clients under Gasha Microfinance Share Company using structured questionnaire.

Secondary data on financial service deliveries have been collected from MFIs and other pertinent bodies such as relevant literatures like books,brouchers,journals , articles ,reports, different publications and previous studies especially from Association Ethiopian Microfinance Institution(AEMFI)- the network organizations and from National Bank of Ethiopia. The researcher also thoroughly reviewed previous reports and publications on clients and micro finance in other countries.

3.1.4 Procedure of data collection

In order to captures and document quantitative and qualitative aspect of the study, a client and non-clients survey method was mainly used for this assessment. In line with this, the survey instruments /questionnaires were framed in consistency with the objective of the study. Prior to the formulation of the survey instruments for this particular undertaking, the researcher reviewed various relevant literatures. First, the questionnaire was prepared in English language. Then, it was translated in to Amharic. The researcher had recruited two enumerators who speak Afan oromo for Bishoftu and adama each to facilitate the filling of the questionnaires. The researcher monitored the data quality and checked the questionnaire on the spot. In order to collect data from clients selected in Addis Ababa, the researcher together with the staff of the branch office facilitated the questionnaire to be filled.

3.1.5 Method of data Analysis

Finally, the data collected from respondents and employees /beneficiaries of GMFI was analyzed and interpreted in two main approaches: the implementation of product or financial service strategy in terms of MFIs and in terms of clients. The findings of the study were tabulated and interpreted. On the other hand, comparisons were drawn between clients “Before and after ‘’ GMFI intervention in one hand and clients and non- clients on the other. The significance tests were made where appropriate.

In order to test the validity and reliability of the survey instruments /questionnaire is that pilot test techniques were used .i.e. the researcher was distributed 20 questionnaires to the respondents and discuss on each of them with respondents. Such discussion provides the opportunity to have a deeper understanding of one belief, feelings and behaviors on important issues.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Results of the study

From the total 605 respondents in the sample branch, 484 clients and 121 non-clients were interviewed for the study**.**

Table 4.1 percent of the sample clients by branches

Gasha MFI branches	Frequency	Percent
Entoto	127	26.2
Yeka	125	25.8
Bishoftu	107	22.1
Adama	125	25.8
Total	484	100.0

Source: own survey, 2013

As shown on Table 4.1, the sample survey covered 484 clients and 121 non - clients. The study was conducted in Entoto , Yeka , Bishoftu and Adama branches.

Table 4.2 percent of clients and Non-Clients by sample wore as

Woredas	Branches	Clients	Non-clients
Shiromeda	Entoto	15.4	0
keranyo	Entoto	11.2	24.8
Sendafa	Yeka	25.8	24.8
Adulala	Bishoftu	12.0	24.8
Hidi	Bishoftu	10.0	0.8
Adama	Adama	25.8	24.8
Total		100	100
Number		484	121

Source: own survey, 2013

The study was conducted in five woredas in two regions, namely Addis Ababa and Oromiya. Table 4.2 shows the distribution of the samples by Woredas.

Table 4.3 percent of clients and non-clients by Age Group

Age(Years)	Clients	Non-clients
18-25	14.7	28.9
26-35	46.3	36.5
36-45	27.7	24.2
46-55	8.4	7.8
Above 55	2.9	2.6
Total	100	100
N	484	121

Source: own survey, 2013

Table 4.3 shows the age distribution of the clients and Non- clients. Nearly half of the sample clients were in the range of 26-35 years of age. Similarly, over one third of the non –clients were between 26 and 35 years old. Almost all sample cases fall in the productive age group.

Table 4.4 percent of clients and Non –clients by level of Education

Level of education	Clients	Non-clients
Illiterate	55.2	77.7
Read and write without formal education	4.3	1.7
Primary school	26.7	14.0
Secondary education	13.6	10.2
Others	0.2	5.8
Total	100	100.0
N	484	121

Source: own survey, 2013

The education level of the sample cases ranges from illiterate to secondary level of education. As shown on Table 4.4, the majority of clients and non- clients from the samples were illiterate. 55% the clients and 78% from the non-clients were illiterate.

Table 4.5 percent of clients by duration of membership by GMFI

Duration of membership in GMFI(year)	**Frequency**	**Percent**
2.00	140	29.0
3.00	157	32.6
4.00	61	12.7
5.00	43	8.9
6.00	39	8.1
7.00	14	2.9
8.00	30	5.8
Total	484	121

Source: own survey, 2013

The duration of client membership to branches of the sample cases ranges between 2 to 8 years. About 6% of the clients stayed as a client of GMFI for eight years. Nearly, quarter of the clients remained clients of GMFI for three years, (Table 4.5).

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4.2 Financial Services Delivery for clients

4.2.1 Creation of access to credit

Table 4.6 Percent of client and Non- clients having Access to Credit

Access to credit	clients		Non-Clients
	Before GMFI Intervention	After GMFI Intervention	
Always	2.9	96.1	1.7
Sometimes	11.4	3.1	2.5
Rarely	2.9	0.8	4.1
Never/ no access	82.8	0.0	91.8
Total	100	100.0	100
N	484	484	121

Source: own survey, 2013

An important purpose of delivering microfinance services to the poor is creating access to credit. The microfinance institutions in Ethiopia were established with this basic aim of creating access to credit services for the poor. Similarly, GMFI also shares this basic strategic objective.

The findings of the assessment show that 465 (96%) of the clients have had access to credit service always after GMFI intervention. On the other hand only about 14(3%) of the clients reported that they always had access to credit before GMFI intervention. Similarly, about 2(2%) of the non - clients reported that they have always access to credit (Table 4.6). The level of clients' always getting access to credit has improved from 3% before GMFI intervention to 96% after GMFI intervention.

As can be noted from Table 4.6 the clients got better access to credit service after GMFI intervention compared to both before GMFI intervention and non- client cases. This proves that microfinance institutions perform to their expectation in devolving credit service to clients who had no access to such service. Having access to credit service by poor clients could be a take- off stage for product development which will be analyzed in the subsequent sections.

Table 4.7 Frequency of Credit Received by clients

	Sample GMFI's branches				Total	
Number of credit service delivered/round	Entoto	Yeka	Bishoftu	Adama	Frequency	Percent
Two times	61	14	51	34	160	33.7
Three times	51	21	48	19	139	29.2
Four times	15	19	7	26	67	14.1
Five times	0	20	0	10	30	6.3
Six times	0	21	0	11	32	6.7
Seven times	0	6	0	16	22	4.6
Eight times	0	16	0	2	18	3.8
More than eight times	0	16	0	0	16	3.0
Total	127	132	106	119	484	100

Source: own survey, 2013

Another important element in credit service delivery is sustainability of the service. This means that one- time credit may not elevate a poor person from poverty unless the credit is accessible in a continuous way.

Repeated and continuous credit service delivery to MFI clients is one of the most important strategies that GMFI is using. GMFI focus on retaining its clients besides its objective of reaching new clients. As shown on table 4.7 some clients of GMFI (Yeka and Adama) have already passed the 8^{th} round credit delivery in certain areas, Entoto and Bishoftu clients have reached 4^{th} round delivery. This shows that clients have been liked credit deliver service of MFIs.

Over one third of the sample clients have received credit two times. Similarly, 139 (29%) of the sample clients received credit three times. About one- third of the sample clients reported that they received credit four or more times from GMFI. This proves that GMFI is creating a sustainable credit access for its clients.

Table 4.8 Amount of the Recent loan Received by Clients

Credit size		Percent
Less than birr 500	6	1.2
Birr 500-1000	30	6.3
Birr-1001-1500	40	8.2
Birr-1501-2000	65	13.5
Birr -2001-2500	145	30.0
Birr-25001-3000	108	22.3
More than birr 3000	90	18.5
Total	484	100

Source: own survey, 2013

Table 4.8 shows the volume of credit delivered to clients of their most recent loan. About one-third of the sample clients reported that they received Birr 500-1000 in their recent loan, and 145(30%) of them received credit of Birr 1001-1500. Only about 13 (3%) of the sample clients reached credit size of more than birr 3,000

One of the challenges of the clients were them slow growth of loan size delivered to clients. The main reasons of the MFIs for delivering small loan size could be inadequate loan able funds and time buying to develop confidence of their clients.

Table 4.9 Purpose of the Recent Loan Utilization of the client

Purpose	Frequency	Percent
Purchase of Agric inputs	104	21.5
Purchase of oxen/ sheep /goat	**220**	**45.5**
Food Consumption	60	12.4
Medication	6	1.2
Education (children)	14	2.9
Clothing	6	1.2
Wedding and other holidays	9	1.9
Business (trade)	**210**	**43.4**
Other Purposes	110	22.7
Total	739	158.9
N	484	100

Source: own survey, 2013

N.B the total is more than 100 percent due to multiple responses (assumed; No restriction in loan utilization by clients).

Loan utilization was another area of assessment in this study. Clients used their loan for various purposes such as purchase of agricultural inputs. livestock, home consumption medication, children education, clothing trade, etc. About 223 (46%) of the sample clients reported that they used credit for purchase of livestock while 208 (43%) of them used it for trade (Table 4.9).

As shown on Table 4.9 Credit obtained from GMFI was used for various purposes and seems to have been no restriction in loan utilization. The loan was open for any purpose that the client feels is important.

Table 4.10 level of Recent loan Utilization for Multiple Purposes by Clients

Purpose	Frequency	Percent
Agricultural inputs	37	7.6
Livestock	119	24.6
Food	4	0.8
Trade	89	18.4
Multiple Purpose	**220**	**45.5**
Total	484	100

Source: own survey, 2013

About 235(48%) of the clients used their credit for multiple purposes (Table 4.10) However, such open purposes of loan utilization could affect credit efficiency negatively and may hinder development. This unlimited flexibility in loan utilization may be due to in adequate follow up of the GMFI loan officers and lack of approved business plan.

Table 4.11 Level of satisfaction of Clients and Non- Clients in having Access to Credit

Level of satisfaction	**clients**		**Non- Clients**
	Before GMFI intervention	**After GMFI intervention**	
Adequate	0.6	62.4	0.0
Partly adequate	3.2	26.9	2.6
Inadequate	3.9	10.2	3.5
Never met at all	92.3	0.4	93.9
Total	100	100.0	100.0
N	484	484	121

Source: own survey, 2013

Assessing client and non- client satisfaction in having accesses to credit is one of the important indicators of measuring the performance of microfinance services. As shown on Table 4.11 about 302(62%) of the clients reported that they have adequate access to credit. At the same time, 447(92%) of the sample clients reported that they had unmet credit needs before the GMFI intervention. Similarly, almost 114 (94%) of the non- clients reported they have unmet credit needs.

Thus, the MFI has addressed the credit needs of the client while the non- clients have unmet credit demand.

Table 4.12 Sources of Finance of Respondents

Sources	Type of respondents		Total
	Clients	Non –clients	
Micro finance /GMFI	484	0	484
Iddir/Iqqub	11	51	62
Individual money lender	0	8	8
Relatives / friends	0	5	5
Conventional bank	0	3	3
Total	100	100	100
N	484	121	

Source: own survey, 2013

Iddir, Iqqub, relatives, friends and individual moneylenders are sources of finance for the sample respondents. Since there is no conventional bank branch in the sample woreda i.e. at Bishoftu and adama , no one has reported conventional bank as his source of finance. From table 4.12, it is observed that Iddir and Iqqub are most dominant sources of finance next to microfinance to the poor. This implies the poor have lack of access to formal credit market. Out of the total sample clients only 5(2%) reported Iddir and Iqqub are sources of finance while 51(42%) for non-clients (see table 4.12).

4.3 Loan disbursement and repayment

Table 4.13 Loan disbursement of for sample branches for two years

Year	**Amount Disbursed (Birr)**								**Amount Collected**				**Repayment rate (%)**			
	Yeka	(%)	Entoto	%	Bishoftu	%	Adama	%	Yeka	Entoto	Bishoftu	Adama	Yeka	Entoto	Bishoftu	Adama
2011/12	3480066.00	-	4774062.45		5730364.75		2282226.93		3276548.20	4299090.04	3456246.73	2256363.49	94	100	99.03	98
2012/13	3765729.86	11	5749586.15	12	13671183.47	24	2608353.00	14	34674373.02	4570652.25	7889234.01	2603541.22	92	100	99.69	99

Source: The last two years of operational report (2011/12-12/13).

The outreach and loan repayment methodology of GMFI is important tool to expand GMFI service. It is also important for the sustainability of the institution.

To understand the company's loan disbursement and repayment performance, the researcher reviewed the last two year's (2011/12 and 2012/13) performance report of the sample branches. The report showed that, the amount of loan disbursement at Yeka, Entoto, Bishoftu and Adama increased by 11%, 12%, nearly a quarter i.e. 24% and 14 % respectively. Meanwhile, the loan repayment rate of Yeka, branch in the year 2011/12 was found to be 94% and 2012/13 was 92 %. Moreover, Entoto branch rate showed 100% repayment rate on the stated years. The case of Bisoftu in the year 2011/12 found to be 99% and the year 2012/13 it was nearly 100%. Finally, in the year 2011/12, Adama's loan repayment rate was 98% and the year 2012/13 was 99%.

We can understand from the report that the loan disbursement amount increased from 2011/12 to 2012/2013. However, because of poor loan management and training of clients, arrears have been observed for the last two years (2011/12 and 2012/13) at GMFI. Therefore, these factors led the institution to face loan default to some extent.

4.4 Financial service targeting groups

By interviewing the general manager and operation manager of the head office of GMFI, the following information was obtained with regard to the selected target group of the service. The interviewees said that, targeting helps for easy development of the right service, for the selected target market, and for the other market mix elements (price, promotion, and place) of the organization. It also identifies market segments, selects one or more of them, and develops products and marketing mixes tailored to each. GMFI is not established merely through the need of poor people, but by the decision of donor (Pro-pride), who first identify social or development objectives. Such objectives usually make reference to the need for credit amongst a specific group of people .The product offered by those MFIs has not been met. The demand is much higher than the supply. GMFI serve specific groups of people able that are poor.

4.5 Product development

With regard to product development, the general manager said the organization used the following criteria to develop new products: like risk and cost analysis, donor and government influence, market analysis, institutional set-up and appropriate staff based on need and interest of target. It is one of 5 ps (people, process, product, placement and position) that can satisfy customer needs. The general manager also said that the types of product being rendered by GMFI are Credit, Saving, Training. The organization conducted prerequisite activities before launching saving and credit like technical support, follow up loan utilization training, saving mobilization training and relevant technical skills for the borrowers.

Concerning to service and product competition, GMFI has good and flexible service delivery systems so that clients are satisfied by its fast service delivery system. In addition , as per the interview conduct with the general manager repayment period has changed to monthly for urban areas; term loan is also delivered to agricultural products and training have been given to SACOs to deliver fast and quality services to customers; the loan size (to some extent is flexible depending upon their business within the legal framework. Also, the general manger stated that, compared to peer groups the interest rate of Gasha is found to be low i.e. (15%) .

In order measure the demand for products by client there was no an indication of any kind of studies by GMFI regard to the demand for products measured by client. This means no assessment on demand projection has been made by the institution.

Currently, the general manager said the organization used two types of product promotion strategies. The first one is all the staff especially; the credit and saving officers announce the products being rendered by the institution to get new clients and creating awareness for the institution and their products. The second strategy is using bill boar, posters leaflets flyers, stickers, logos etc. Finally as per the interview conducted with, the general manager the challenge faced in product development is:

- Lack of skilled an d experienced manpower
- Lack of both human and financial resources
- The NBE regulators (Loan- Ceiling, Lon- term, minimum capital requirement, minimum saving, interest rate, etc).
- Their concern was to outreach and expansion.
- The absence of competition also makes them focus only on the available products/ services. These factors are key reasons for the unmet demand gap seen time to time.

4.6 Saving culture

Table 4.14 mechanisms of saving by Clients in the last 12 Months

Mechanisms of savings	Frequency	percent
Keep money in house/shop pocket	3	0.6
Save in a form of Equb	4	0.8
Save at MFIs	43	8.9
Reinvest in Livestock and Grain	73	15.1
Purchase non movable assets	1	0.2
More than one of the above saving mechanism	**360**	**74.4**
Total	484	121

Source; own survey, 2013

The saving culture of the clients was also assessed. Clients save their money in one way or another. According to the findings illustrated on Table 4.14, about three- fourth of the sample clients saved their income in more than one way in the last 12 months. The clients used saving mechanisms such as keeping money in a house/ shop/ pocket, saving in the forms of equib (informal saving mechanism saving at MFIs and invested in the form of buying livestock and grain and purchase of fixed assets.

Table 4.15 level of Savings Clients and Non- Clients in the last 12 months

Status of personal case saving	Clients (%)	Non- Clients (%)
Decreased greatly	2.9	2.4
Decreased	3.6	3.7
Stayed the same	13.7	32.9
Increased greatly	68.4	8.5
Do not know	11.5	30.5
Do not save	0	22.0
Total	100.0	100
N	484	121

Source; own survey, 2013

The MFI financial services delivery also improved the level of saving of clients. About 331(68 %) percent of the sample clients replied that their savings increased greatly in the last 12 months. On the other hand only about 10(9%) of the non- clients reported that their savings increased (Table 4.15)

As shown on Table 4.15 the clients' performance in saving is much better than that of the non-clients. The increased savings of the clients was due to the GMFI interventions, by improving their saving culture. Economic theory suggests that increased saving could lead to increased investment increased investment could lead to improvement in the well being of the clients and reduce poverty.

Normally, there are two types of savings: compulsory and voluntary. Compulsory saving is enforced and at the same time with the loan that is approved for individuals who are program participants. There is one type compulsory saving in GMFI. Its group compulsory saving is used as collateral. Compulsory group saving is a saving of 10% from the loan size.

On the other hand, voluntary saving is an individual saving that depends on the willingness of the individual including clients and non- clients to save and withdraw at any time when the need arises.

Table 4.16 Saving mobilization in sample branches for the last two years

Type of saving					Growth in (%)
Year	Sample branches	Compulsory	Voluntary	Total	
2011/12	Yeka	383,455.20	306,770.45	690,228.65	88
2012/13		286,689.30	239,173.52	5,525,862.82	
2011/12	Entoto	895,652.24	137,022.06	1,032,674.30	29
2012/13		1,115,903.42	214,774.69	1,330,678.11	
2011/12	Bishoftu	1,181,428.68	105,227.00	1,286,655.68	70
2012/13		2,257,241.10	333,721.14	2,190,962.24	
2011/12	Adama	444,293.76	76,032.79	520,326.55	-5
2012/13		412,449.59	79,975.50	492,425.09	

Source: two years operational report of sample branches, 2012-2013

As shown on Table 4.16, for the last two years ,savings mobilization of the sample branches has increased except for Adama branch. Which decreased by 5% on the year 2012/13.The large portion of saving growth held is by Yeka ,Bishoftu and Entoto by 88%,70% and 29% respectively for the stated years. From the above table we can also observe that program participants have developed saving habits. The reasons of saving include paying loan, to earn profit, to withdraw in the case of urgent needs, to spend on education and medical care expenses and to improve household security. Meanwhile, the researcher has understood from the two years of annual performance report that the difference of saving between clients and non-clients that the program has brought and develops the habit of savings among the clients.

The findings of this study show that the financial service delivery used by GMFI is mainly access of credit to targets. Meanwhile, (Manfred Zeller, 2000) said MFIs offer financial products. These include flexible saving services that permit prompt withdrawals, consumption credit, and even explicit health and life insurance. Also (Bezabih Getachew, 2002) argued that Provision of financial services could be made through saving and credit functions.Both functions could be provided from informal and formal financial markets. Micro- finance institutions are among the formal financial institutions targeting the poor both in urban and rural areas.

With regard to the practice of GMFI financial services, the result of the study showed that, clients were able to receive credit service from two to eight times. since one- time credit may not elevate a poor person from poverty unless the credit is accessible in a continuous way. Repeated and continuous credit service delivery to MFI clients is one of the most important strategies used by GMFI. The study also found that the amount of loan clients received ranges from less than 500.00 birr to more than 3000.00 birr. Additionally, in this study, it was found that, clients used the loan for the following purposes: to purchase agricultural inputs, oxen, goat, sheep, food consumption, medication, education, and cloth. According to Wolday (2000), owing to small loan sizes and short loan period, which are major features of informal credit in both rural and urban areas of Ethiopia. Loan products of MFIs in the country can be divided into two general categories: viz. agricultural loans and micro-business loans. The agricultural loans are loans for agricultural inputs, livestock production, bee-keeping, etc. The loans are usually term loans; the principal and interest are paid at the end of the loan term, which varies from one week to one year for all MFIs in the country. Manfred Zeller, 2000 argues that the major services of MFIs is access to safe ,flexible savings that help to the poor to mitigate income fluctuations ,smooth uneven consumption needs due to seasonal flows and for building their asset base. Samson (2002), as cited by (Bezebih, 2002) indicated that MFI operating around Modjo areas could increase household income through its lending scheme. He also argued that clients should propose loan size along with loan purpose and the final decision should be made between the client and the staff (Robinson,2011) .MFI's can help low income people, reduce risk, improve management, raise productive, obtain higher return on investment etc.

The study also depicted that with regard to level of satisfaction of clients, the majority of the respondents said they were satisfied by the credit access. According to (Oliver 1997:P.13) as cited by (Swaid 2007 and Home 2002) customer satisfaction is an evaluative process, it is defined as''… a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable of consumption related fulfillment, including level of under or over fulfillment'' Meanwhile, as per to (Swaid 2007) cited by Narayana SL(2013) argued that satisfaction is not a static idea, and it changes as soon as a client finds a better deal with what meets his expectations. In this perspective, firms focus on customer satisfaction level, to adjust the product to customer needs. Indeed customer satisfaction has a great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution. But, according to Etena Ayana, 2003 as cited by Wolday, 2008 improving the financial product or developing new products and identifying the need of the clients, improving the quality of the service and/or reducing prices of financial products meet client satisfaction.

As per the sample branches, the loan disbursement and loan repayment, GMFI provided 42,061,842.60 and 32,590,113.20 for clients as loan from 2011/12 -2012/13 respectively. 22.5% of the disbursement has been uncollectable. It might lead to default due to poor loan management in general. According to Bezabih , 2002 appropriate loan disbursement schedule is expected to have direct influence on the financial performance of the client. Additionally, Bezabih , 2002 also argued that, loan term is a schedule which fixes duration of the loan and specific date of loan repayment which is governed by the lending institution with agreement of the borrower.

In addition to financial service, this study also assessed the saving cultures of the clients. Clients save their money in one way or another. About three- forth of the sample clients saved their income in more than one way in the last 12 months. In addition to financial service delivery, (Manfed Zeller, 2000) argued that MFI's can provide saving culture like precautionary saving culture. Bezabih, 2000 as cited by Wolday,2002 saving is a precondition for investment and consumption. As a result, it can be an effective instrument to overcome economic shocks. Wolday Amha,2000, said that saving also help to prevent the occurrence of food security by enabling household to purchase food during season off or bad production year. Normally there are two types of saving products and voluntary and compulsory saving. The latter is a forced saving and used as a guarantee for the loan taken by the clients and promote saving culture. Whereas the former can be withdrawn at any time.

The result of the study showed that GMFI target the able poor and to develop the right service, it selected target market, market mix elements (product, price, promotion, and place) of the organization. But, Wolday et- al,2008 said that Within the spectrum of lower-income population who lack access to financial services, a distinction can be drawn between the extremely poor and the economically active poor. The extremely poor are considered to be those individuals who have insufficient resources to meet defined basic consumption needs, including people who are not qualified to work (due to age, health and ethnic origin reasons, among others) or whose income is so low that they are not able to meet their household basic needs.

Concerning to product development, the general manager said the organization used the following criteria to develop new products: like risk and cost analysis, donor and government influence, market analysis, institutional set-up and appropriate staff based on need and interest of target. In the mean time Beaker, 1994 supports that to become a successful product, the pro type must be a target market research.

According to (Graham A.N, weight et al, 2005) argued that effective product development and differentiation – even when it only involves relatively straightforward Product refinement can have dramatic results.

Monica Brand, 1998 said that The MFI must make strategic decisions about packaging and promoting its new product to deliver it through its branch network. The commercialization strategy revolves around the four marketing Ps of the new product, whose features will be refined as it evolves through its life cycle, as the institution matures, and as client needs change. Although the four Ps of marketing are defined from the seller's perspective, they are designed to deliver benefits to the customer and can be thought about in relation to the four consumers Cs, as illustrated in the box. With this perspective in mind, the product team can translate the pilot test results into a commercially viable product.

Finally this study identified he following challenges faced by GMFI in product development were:

- Lack of skilled an d experienced manpower
- Lack of both human and financial resources
- The NBE regulators (Loan- Ceiling, Lon- term, minimum capital requirement, minimum saving, interest rate, etc).
- Their concern was given much to outreach and expansion.

Narayana SL (2013) said that one of the most significant challenges for Ethiopia's microfinance institutions has been the lack of access to foreign capital and donor funding for MFIs to finance their loans, poor management information system (MIS), limited outreach (particularly to women), uneven coverage over parts of the country and limited financial products. Moreover, staff turnover is high, particularly in rural areas where living conditions may be unattractive to staff in rural areas. Although the government is supportive of the sector and there is a clear legal framework, the NBE has limited capacity to supervise and provide technical support. the dangers associated with over regulation and the potential politicizing of microfinance in Ethiopia. There are also deep concerns within the sector about the growing issue of inflation of the profitability of MFIs, and the ability to maintain low interests , the absence of efficient legal and court system to help protect both customers and MFIs means that contracts cannot be enforced and there is no fore closure law.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMENDATIONS

5.1 Summary

GMFI did not have product development or marketing unit to take care of modifying or developing new financial products. In the absence of this big department, GMFI could not meet their clients' needs and thereby they will lose both existing and potential customers.

Quite a number of clients are in a great need of higher loan size, long-term loans, variety of saving products etc. However, the supervisory body does not allow MFIs to offer or satisfy such demands. Due to low limit of GMFI loan size, the failure in new product development activities.

Existing clients of GMFI are complaining due to lack of appropriate product, lack of methodology, lacking of training etc.

The institution target group needs changes time to time and to satisfy their needs, it urges innovative products and services. However, some of NBE proclamations prevent to upgrade those services /products.

GMFI has not flexible lending methodologies. Lenders and donors need some other innovative and flexible methods. In addition, clients need other need other service products beyond credit and savings, for which GMFI could not still ready to develop products and services based on the Client's demand.

Finally, as per the results of the findings, the institution's product development challenges are the common limitations of GMFI.

One of the major strategies being used by GMFI is to reduce poverty through the delivery of financial services credit and saving. The provision credit and saving mobilization are the two major products of the institution. GMFI is a one who was established in 1998 in Addis Ababa aiming a poverty reduction through the provision of credit and savings mobilization to the poor. Currently, GMFI is operating in Addis Ababa and Oromia regional state including urban and rural areas.

The sample respondents include clients who are frequent borrowers from the program and non-clients who are looking for the credit from the program. In order to select the sample respondents from the two groups stratified and systematic simple random sampling methods have been used. The study conducted in two approaches: Assessing the impact of GMFI services for clients compared to the non- clients as a control group.

Descriptive analysis was used to analyze the implementation of the product strategies of the institution .since the objective of this study is to find out the implementation of product strategies in terms of GMFI and clients point of view.

5.2 Conclusions

Gasha micro finance services is one of the micro finance services that brought significant changes on the level of clients' participation in decision making on the service delivery of the institution such as receiving loan , loan utilization, savings mobilization and repayment .

Client participation in Gasha micro finance institution is used to improve the service that has been provided by GMFI and also to improve the clients' satisfaction and their income. Furthermore, clients expand their economic activities horizontally and vertically compared to the non-clients. The clients launched new economic activities such as crop production, trade, livestock, husbandry, handcrafts and others. But, the non-clients launched only trade and other economic activities as a new venture. Clients diversified their economic activities more than the non- clients due to participation in Gaha micro finance services.

More Gasha micro finance clients' own assets compared to the "before membership" and the "non- clients "groups. Moreover, like other similar institutions Gasha micro finance institution has its own services that contributed towards having better access to urban and rural clients as compared to the other groups. This was due to the improved decision making on receiving credit, saving and income of clients' as a result of the institution services.

Considering outreach and sustainability of the company in sample branches, the result indicates a trend that the amount disbursed has been increased. But, shortage of loan able fund is considered as one of the obstacles to reach large number of people. About 100% of loan repayment within a given maturity date has been observed for the last two years. One of GMFI program has brought and develops the habit of savings among its clients. It extends the choice of the people who are looking for saving services. The company is engaged in not only providing credit but also in mobilizing saving from any interested individuals. The contribution of the program in training and giving advice in improving saving habits among the program participants is encouraging. Savings have been mobilized from clients and non-clients. However, saving mobilized from non-clients is too weak or unsatisfactory.

The main product development challenges of GMfI are: Lack of skilled an d experienced manpower ,lack of both human and financial resources ,the NBE regulators (Loan- Ceiling, Long- term, minimum capital requirement, minimum saving, interest rate, etc) and their concern was given much to outreach and expansion.

5.3 Limitations of the Study (if any)

The study was undertaken in four branches of GMFI. The rest two branches excluded under the study due to due to limited resources (human and material). The study was restricted to 605respondents of which 484 are clients and 121 are non-clients from the sample branches. Meanwhile, GMFI has not self- owned marketing units, because of this, the study have been lacked of primary as well as secondary data sources. The results from this study would have practical validity mainly to the study area and can serve as a basic ground for any further studies to be conducted in other areas.

5.4. Recommendations

- Gasha Micro finance institution should promote the service delivery methodologies in order to increase the chance of poor clients to have access the of institution’s services.
- GMFI should look into increasing the number of clients in a given location /branch and operating new branches in order to addresses the poor clients. This could smoothen the income difference that has been already created between the clients and non-clients.
- Documented feasibility assessment based on loan disbursement needs to be practiced in GMFI. Clients need to practice simple business plan preparation. Loan officers need to assist clients to develop business plan. Loan disbursement should be based on business plans and should increase to meet the credit needs of the clients.
- Marketing department should be organized. Loan officers and marketing researchers need to conduct assessment on market- based product development. Such assessment should be tested and adopted. Advisory service to clients to should be available so that they can expand other economic activities.
- GMFI should assess the potential of its clients and design strategies to expand its products.
- Training for clients should not be a one time opportunity; it should be planed in such a way that loan utilization training can be organized for clients. Furthermore, new training should also be designed and offered every time for clients. In general, capacity building of clients needs greater attention.

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MBA Program (General MBA)

This Questionnaire is designed to conduct a research topic for the survey on **"product implementation strategy: The case of Gasha Micro finance Institution (GMFI)"**

The purpose of the study is for partial fulfillment of the requirement of MBA degree in business Administration. Therefore for the successful accomplishment of the study your response will have pivotal role by being used as valuable input for the study.

1. **Household Characteristics**

   1.1 Sex of respondent a) male b) female

   1.2 Age of respondent a) 18-25 b) 26-35 c) 36-45 d) 46-55 e) and above

   1.3 Marital status of respondent a) married b) widowed c) divorced d) separated e) single

   1.4 Education of respondent a) illiterate b) read and write without formal education c)primary school d) secondary school e) others

2. **Financial service delivery (for both clients and non-clients)**

2.1 What is your level of access to credit?

A) always b) sometimes c) Rarely e) never or no access

2.2. Name three things you like most about the credit

a) Low interest rate than other informal source of credit

b) Steady source of working capital

c) Group solidarity and or group dynamics

d) Training or technical assistance

e) Other financial service such as savings or insurance

f) Is there guarantees than other loans?

g) Others

h) Do not know

2.3 Name three things you like least about the credit

a) High interest rate

b) Too small loan size

c) Loan cycle is too long / too short

d) Lack of grace period

e) Repayment policy

f) Guarantee policy

g) Transaction cost for Clients

h) Forced saving and or insurance

i) Problematic group dynamics

j) Meeting frequency too often or meeting too long

k) Dislike behaviors of loan officers

l) Others

m) Do not know

2.4 How many times did you receive credit from lenders so far? __________ Times.

2.5 How much did you receive in the last three recent cycles?

A) Recent loan birr ________

B) preceding loan birr _______

C) third recent loan birr _______

2.6 What is your level of satisfaction in credit need (in terms of volume or amount)?

a) Adequate

b) Partly

c) Inadequate

d) Never meet at all

3. Loan from any other financial institutions except GMFI

3.1 Did you have access to credit from other formal or informal financial institutions For the last two years? a) Yes _____ b) No________

If yes, was it from: a) Banks b) Relatives / friends c) Individual money lender d) Iddir/ ekub e) Others

3.2 For what purposes did you find the loan? a) Food consumption b) Clothing

c) Business activities d) Purchase agricultural inputs

e) Medical or health services f) purchase of agricultural inputs g) education

h) Others (specify)

3.3 Did you get the amount you requested for your business? a) yes b) No

3.4 If repayments are in arrears, what are the major causes of the problem?

a) poor follow up b) poor approval of loan

c) Clients have not got enough training e) others

3.5 Loan size: a) Enough b) Not enough c) More than the capacity

3.6 If you do not have any access to credit, what was the main reason(s):

a) Lack of near institution b) High interest rate c) Collateral requirement

d) No information of loan e) others (specify)

4. Loan from GMFI

2.2 was the amount of loan received from and repaid to GMFI after the Program participation (in Birr)? a) Enough b) not enough c) more than enough

2.3 Did you get the amount you requested for your business? a)Yes b) No

2.4 Have you been trained about loan utilization? Yes a) b) No

If yes, has it been satisfactory? a) Yes b) No

2.5 If repayments are in arrears, what are the major causes of the problem?

a) poor follow up b) poor approval of loan c) clients have not got enough trainings

e) others

2.6 Have you had loan utilization training or consultancies from GMFI for Your business? a) yes b) No

4.**6** The supervision on loan utilization and loan repayment is ------

a) Satisfactory b) Not satisfactory

4.7 If not satisfactory, do you believe that it has contribution for your loan default?

a) Yes b) No

4.8 Describe three main problems which are related to financial service access

n) --

o) --

p) --

5. Saving information

5.1 Do you have a personal saving account since two years

Yes ____No ______

5.2 If yes, what type of savings? a) Compulsory b) Voluntary c) Saving and credit Association d) Iqqub e) Iddir f) Others

5.3 Specify the average monthly saving amount in Birr: a) Compulsory b) Voluntary ____

5.4 For what purpose did you save? a) Loan repayment b) To earn profit c) To withdraw incase of urgent needs d) others (specify)

5.5 During the last 12 months, has your personal cash savings ------ a) Decreased greatly b) Decreased c) stay the Same d) increase greatly e) don't know

5.6 What have been your major uses of savings during the last twelve months?

a) Re-invested b) Household expenditure c) Ceremonies (weeding, holidays,)

d) Urgent needs e) Bought basic items e) Made improvement to the house

f) Buy animals h) Have not used savings yet I) others (specify)

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Interview questions for GMFI

(For MFI General Managers and operation mangers)

1. What are the products/ services provided by GMFI?
2. How do you define your target groups?
3. What are the considerations in setting the ceiling of the loan?
4. How do you develop new products based on your client information?
5. Have you made market research to develop new products?
6. What tasks do you perform to launch saving and credit program?
7. Do you conduct customer survey relating to GMFI products?
8. Do you know what products or services competition offers?
9. Have you tried to measure the demand for products by client?

10. . What factors do you use to measure the product demand?

10 . Do you have a competitive advantage on your product? if Yes, can you Mention?

12. Do you promote the availability of your service?

If yes, how -------

If No, why --------

13. What techniques do you use to differentiate your product from competitors?

14. Are efforts being made to understand the needs of your existing clients?

15. Mention the three main challenges of product development by GMFI?