# Aze Debo’a site-specific topic: credit and livelihoods

*The purpose is to explore how access to credit or the lack of access to credit impacts on different types of people’s livelihoods in the community*

## Background

There are few options available with regard to access to credit and it is perceived as a major factor limiting people’s livelihood development.

## Methods of data collection

This study was conducted through in-depth interviews with individual farmers and heads and staffs of Microfinance institutions and kebele administration. Accordingly, six interviews were conducted with different people.

## The existing Situation of Credit and Loan: An Overview

With regard to the credit and loan services, there are two big microfinance Institutions in Kadida Gamela wereda, named Omo Microfinance and Wisdom Microfinance. The former is an organization initiated by the government and it started its service in the wereda in 2008, while the latter (Wisdom) is an independent organization initiated and founded by World Vision International which started to work in the wereda in 2010.

Currently, Omo microfinance is working in Adilo town and eight rural kebeles in Kadida Gamella wereda. According to the Manager of Omo Microfinance, 1,386,950 birr was distributed as a credit to different groups of people. The major beneficiaries have been poor women and youths who were able to be organized in groups. From this amount of money, 785,873 birr was paid back to the organization up to the end of December 2011. On the other hand, Wisdom is providing credit to people in 13 kebeles of the 18 kebeles in the wereda. So far, it has disbursed five million birr. Most of its beneficiaries are poor women living in rural kebeles. However, Aze Deboa and some kebeles like Geshegola, Odamie, Zato Shodera and Bezena Benarsare are not the beneficiaries of either Omo Microfinance or Wisdom Microfinance so far. As the expert in Wisdom Microfinance named Abel underlined, the demand for credit is very high and the institution is planning to start the credit service for Aze Deboa and the remaining kebeles from the second quarter of this year.

Apart from this, a significant number of saving and credit groups were established by different NGOs like KMG and another credit-providing government body named Rural Finance Fund, which has no staff of its own in the past, but the credit was disbursed to the beneficiaries through the staffs assigned to run activities of PSNP. So far, a considerable amount of money was provided to those organized in groups of IGA and Credit. For instance, 67000 and 11925 birr was provided to 75 and 49 organized women IGA groups in Aze Deboa by these organizations respectively in the last few years without including the loans and credit provided by other NGOs working in the area. In this regard, there is no adequate recording or documentation that indicates how much financial resources are provided to different beneficiaries by various organizations intervening in the area.

The major criterion used to provide a credit or loan to beneficiaries from the government or NGOs is the economic status of the household. Accordingly, all credit services were giving priority to those households which are identified to be in the category of “poor” and “very poor” except KMG (Kambatti Menti Gezima) which disbursed its loan services only to women. So far, only a limited number of poor and very poor households as well as women are addressed in Aze Deboa kebele through these credit providing organizations such as Rural Finance Fund and some NGOs because of limited amount of budget allocation for credit service. However, the demand to borrow money is much higher than the access to credit services. In this respect one of the poor households who became a beneficiary of credit service stated his views as follows:

*I am 45 and a father of four children. My land is very small and it is even less than 1/10th of a hectare. As a result, my annual production is not enough to cover the consumption of my family. On the basis of my economic status, the priority was given and I was selected to be the beneficiary of a credit from Rural Finance Fund supported by the World Bank. Accordingly, I received a credit of 2000 Birr in 2008. I gave 1/3rd of the money to my wife and she involved in the trade of butter, but the profit is very small, not more than 300 birr a year, because she is running the business with a very small amount of money which buys a very small amount of butter from the market.*

*On the other hand, with 2/3rd of the money, I started the trade of sheep and buy three sheep and sell them after fattening at least from three to five months every year. On average, I was obtaining a minimum of 750 birr profit from the sale of the sheep every year. However, due to the increasing of price of sheep in the market, I could not buy more than two sheep for fattening since 2010. As a result, I am forced to buy only two sheep for fattening and earn a profit of less than 500 birr.*

*I and other people who borrowed the same amount of money from different sources could never be changed in our life unless we get additional credit from other sources. Because the profit I am earning from the sale of sheep and butter is very small and it does not cover even the consumption need of my family. Therefore, I do not have any savings outside the money I borrowed from the Rural Finance Fund. If I get 10 thousand birr, I would start fattening oxen and my annual profit would be much higher than the profit I am earning today. At the same time, it is possible to save some portion of the profit. The worst thing is that I am expected to start paying back the initial capital (2000 birr) to Rural Finance Fund next year.*

Besides that, another *medium household with no access to credit service* summarized the situation of his life as follows:

*I am 59, healthy and the father of 7 children. I am an active member of the Kalehiwot church. I faced a lot of problems during my younger age because of my father’s death when I was 15 years old due to malaria case. I am the older son of my parents and I was in grade 7 when my father passed away. My father was a good farmer and we had enough production when he was alive. After his death, we gradually started to be starved as a result of my mother’s weakness to make our land to be cultivated either by requesting our relatives/clan members or our church people for assistance. Therefore, I decided to drop out from my studies in grade 10 and I became a farmer. Then, I stayed single for 7 years until my age approached 25 years.*

*As a result, my younger brother who was attending the same class with me was able to complete grade 12 and was able to be employed as a primary school teacher. As soon as he graduated and started earning a salary, he insisted that I start my education. However, I refused to accept his advice and continued in my farm work. I have all the knowledge and skill of agriculture, but I have only one hectare of land. At the same time, I made a mistake in bearing many children, which is a big burden until they get their own job.*

*Currently, my older daughter and my son joined Hawassa and Jimma universities, respectively. She is a third year student and studying Management, while my son is a second year student and studying Civil Engineering. Three of my other children are in high school and expected to finish their education this year and in the coming year. Particularly since the last three years, whatever I get from my farm is invested in my children. On average, I invest more than six thousand birr every year in their education. This year, I purchased two mobile apparatus with 1200 birr for my children in both Hawassa and Jimma universities. I learned from my experience that it is difficult to save money and to become economically successful for a household with a big family because he cannot save money.*

*Thanks to God, we have enough food to eat and I cover all the cost of my children in the universities and here in Durame mainly by the sale of the coffee I produced in my land. I also involve in the trade of grains, mainly peas and beans on market days in Durame, Adilo and in other small markets in rural areas of the wereda. I earn at least 20 to 40 birr on market days without including my transportation cost. I go to all markets on foot by loading the grains on my donkeys. I use public transport only when I go to Adilo market because it is very far from my village.*

Apart from this, *a successful household who didn’t use credit* elaborated his experience and began his discussion by thanking his parents.

*Thanks to my parents they did one good thing that they inherited me two hectares of fertile land, which is in a flat part of the kebele. I am 72 years old and a father of six children (2 female and 4 male). I have three sisters and all of them married two decades ago. I am the only son of my parents. During my childhood, I got the chance of going to school by the decision of my parents and I joined the Kalehiwot Missionary School in Teza. Then, I completed grade six which was the highest class in the school during that time. There was no other school having classes beyond grade six throughout the current Kambatta and Hadiya areas. As a result, some parents started to send their children to other areas to have education starting from grade seven up to 12. However, due to economic reasons my parents could not send me to any of the schools in other areas. Therefore, my interest in education was end up in grade six.*

*Then, as a result of being the only son of my parents, I got married by the arrangement of my parents at the age of 20 and I joined the Bible School in Teza and studied up to level four. During my stay in the Bible School, I learned not only about the Bible, but also how Protestantism emerged as a Christian denomination by detaching from its mother church (Catholic). My Bible teacher Mr. Jacobson from Canada always mentioned about the strength and hard work of Paul in the Bible. That became a lesson to me and positively contributed to my success in life. I hate and do not want to see lazy people wasting their time in unnecessary places and exposing their families to starvation. I always wake up early in the morning and finish my work before lunch time. In the afternoon I do not do difficult jobs like in the morning and I always make appointments in the afternoon.*

*Currently, I am one of the model farmers in the kebele. Almost half a hectare of my land is covered by coffee trees and I earn more than 10 thousand birr on average every year. The remaining half hectare is covered by enset and fruit trees. Enset is used for only household consumption, while we use mangoes and avocados as income sources. Roughly, the remaining 0.7 hectare of land is used for annual crops like maize and teff, while the other 0.2 and 0.1 hectare of land is used for grazing and for woodlots respectively. The wereda gave me farm tools last year because I became a model farmer and among the top 10 heads of households in the kebele.*

*The annual production I produce from my farm is enough for my family. Thanks to God, I am not afraid to say I am rich. I have a three room house in Durame town. Currently, two of my children studying in Durame Preparatory School are living in one of the rooms, and I rented the other two rooms for 200 birr per month. I also have two Jersey breed milking cows and two farm oxen. We always have milk in our house. We also eat fruit and vegetables produced on our own farms. As a result, all of my family members are found in a good condition. I have also a plan to add more rooms for rent in the compound of my house in Durame town. So far, two of my children have graduated from Addis Ababa University and are employed in Hawassa. I do not need anything from my children, but they send me some money, especially for the Meskel ceremony.*

## Conclusion

According to the information we obtained from the local informants, NGOs and financial institutions,there is a big gap between what is demanded and what is provided. At the same time, a very small amount of credit which is not enough to run any business except petty trade is provided to beneficiaries so far. As a result, it is not possible to see any impact brought by the credit or loan services. There is no household whose livelihood is significantly improved as a result of credit obtained from government sources.

However, those women who got access to credit from KMG are at least showing a gradual progress and saving money on a monthly basis because there is a close follow up and technical advice provided by its experts. The provision of dairy cattle and oxen to certain households by World Vision and religious organizations is largely contributing to food security of the beneficiary households even though the actual number of oxen and dairy cattle provided to beneficiaries is not known due to lack of documentation in the kebele. The oxen make the households produce relatively higher production than before. The milk and milk products obtained from the dairy cattle are used for household consumption and to cover other costs of the household. In this regard, most of the households who obtained the oxen and dairy cattle at the beginning of the projects obtained them as a free gift and they are not expected to pay it back.

Concerning the penalties, there is no problem in paying back. In this respect, most of the beneficiaries of Rural Finance Fund are PSNP beneficiaries; the kebele was able to collect almost all money by deducting from their transfer on the payment day. With regard to eligibility criteria, any person who is identified to be poor is eligible for credit. However, a limited number of people are addressed so far. In terms of collateral, there is no property registered as collateral. But they are made to be organized to be in groups and one signs when another group member borrows. In the case of the Rural Finance Fund, only 10 percent is charged as interest. In the case of NGOs, women are organized in groups and there is money deposited in the Bank in the name of the women’s group. The interest rate of KMG is 10 percent, the same as for government institutions. However, Omo and Wisdom Microfinance institutions have not yet started their intervention in Aze Deboa and some other kebeles.