Subsidizing Microcredit Interest: How Important Is it to the Poor?[1]

Getaneh Gobezie

Head of the ACSI Planning & Monitoring Department

Background

By most indicators, poverty and ill-being in Ethiopia are abysmal. The Amhara region in particular, has been prone to much suffering in the past, and was one of the hardest hit areas in the 1973, 1984 and more recent famines of Ethiopia[2]. A study undertaken jointly by the Ministry of Finance & Economic Development and the Central Statistical Authority (CSA) indicates that more than 42% of the 17 million people of this region cannot afford the minimum consumption for survival (the 2200 calories, recommended by the World Health Organisation)[3]. There are variations in the poverty rate within the region: some have a substantially higher rate than indicated by this average figure.

The Government has adopted several economic reforms to address poverty in its every aspect. Thus, while on the one hand trying to fulfil the basic needs of the population, it also embarked upon economic measures conducive to free market competition and employment creation. This includes the promotion of policies that will encourage savings, private investment, increasing income opportunities and promotion of small-scale industries in the informal sector, among others. The Government's Rural Development Strategy, the Industry Development Strategy, the Food Security Strategy, the Poverty Reduction Strategy Paper (PRSP) and other documents emphasise, among other things, microfinance as a good *entry point* in achieving development objectives in the region as well as curbing the dangerous trend in poverty and meeting the United Nation's Millennium Development Goals (MDGs).

---

[1] I am grateful for the valuable ideas and suggestions of Mr. Mekonnen Y/Wossen (General Manager of ACSI), as well as of the staff of the Planning Department (particularly Mr. Tewabe Aysheshum). All errors and omissions are, however, those of the author and can be communicated at getanehg2002@yahoo.com.

[2] For a more extensive description of this, particularly relating to the area in the Northern part of Ethiopia where ACSI is operating, see Devereux and Sharp (2003).

[3] This minimum consumption is estimated in Ethiopia to cost only about $10 per month/adult. One should therefore note that the poverty rate would be even higher if one considers the $30 poverty line (in other words, the 'dollar a day' convention) set by the World Bank.

Policies and regulatory frameworks were set to that effect. Thus, formal microfinance in Ethiopia started in 1994/5. In particular, the Licensing and Supervision of Microfinance Institution Proclamation No. 40/1996 encouraged the spread of Microfinance Institutions (MFIs) in both rural and urban areas as it authorized them to, among other things, legally accept deposits from the general public (hence diversify sources of funds), draw and accept drafts, and manage funds for the micro financing business (Article 3). Currently, there are 23 licensed MFIs reaching about 905,000 credit clients and some saving clients. Considering the potential demand particularly in rural areas, this only satisfies an insignificant proportion.

Thus, the rural financial landscape essentially remains dominantly informal. *Supply* of formal services is still very weak or inexistent - very few banks operate, there is little lending activity and virtually no savings mobilization, mainly because of the high transaction costs involved. For a number of reasons – for instance lack of accessibility or cultural specificities[4]- *demand* for these financial services also remains constrained. Hence, a good portion of the financial transactions that take place are concluded informally, at the village level[5]. Money is borrowed or lent by individuals and households, hoarded or saved at home, in Rotating Savings and Credit Associations (the *Equb* system[6]), social insurance systems (such as *Iddirs*[7]), etc[8].

These informal sources, however, do not generate enough and affordable finance for business to stimulate economic development. In particular, the individual money lender (the *Arata Abedari*) is extremely expensive, and is only resorted to in the absence of any alternative. In this case borrowers are required to provide guarantors and the interest rate is excessively high. Until recently the annual interest rates that the money lenders charged was estimated to range

---

[4] In some localities, Muslims do not take credit or save in banks or MFIs, because paying or receiving 'interest' is forbidden by their religion (or considered to be *Haram).*

[5] According to an earlier study on rural Ethiopia, less than 1% of the population has access to microfinance (see Chao-Beroff *et.al*., 2000 and Meles, 2000). This is believed to have changed to some extent with the proliferation of MFIs in all regions of the country.

[6] *Equb* is the local version of Rotating Saving and Credit Association, whereby group members meet regularly to collect contributions of equal amounts from the members and to allocate the amount. This allocation is based on a lottery system, as a loan to one member. *Equb* has an important cultural and economic significance in the traditions of Ethiopian population. A study conducted on the establishment of the Rural Development Bank in Ethiopia (1995) estimated that the volume of money revolving within *Equb* is in the range of 8-10 % of the GDP (IFAD, 2001). This system is somewhat equivalent to the *Esusu* in Nigeria, Liberia and Sierra Leon; the *Tontines* in Senegal, Burkina Faso, Ivory Cost, Niger; and *Sanduk* in Sudan.

[7] *Iddir* is a local insurance mechanism whereby members regularly contribute to a pool from which they are entitled to a lump-sum to meet expenditures mainly related to burial ceremonies in the case of death of a family member. Rural communities in the southern part of Ethiopia also have a local version of Accumulating Saving and Credit Associations (ASCAs).

[8] For an excellent narration of informal financial systems in Ethiopia, see Aredo (1993). For an overall review, see Kropp, M. *et. al.* (1989).

from 60% to 120%; in a more recent study, IFAD (2001) found that these rates went as high as 400% per annum.

The Amhara Credit & Saving Institution (ACSI)

The Amhara Credit and Saving Institution (ACSI) was established in the Amhara region aiming to fill the gap of formal institutions by meeting the needs of small scale borrowers in income generation schemes. It was initiated by the Organization for the Rehabilitation and Development in Amhara (ORDA), an indigenous NGO engaged in development activities in the Amhara region. In a move to depart from the more usual direct provision of relief, the NGO set a department to start the supply of small credit to rural people on a pilot basis. That department grew in to a separate institution, and ACSI was licensed as a microfinance share company in April 1997, with a primary mission of improving the economic situation of low income, productive poor people in the Amhara region through increased access to lending and saving services.

ACSI currently delivers four types of financial products: Credit, Savings, Pension Fund Management and Money Transfer. Through its 10 branches and 174 sub-branch field offices, it has reached all *Woredas* (districts) in the region, and operates in over 2133 *Kebeles*[9] or Peasant Associations (nearly 69% of the total). As of September 2004, ACSI had an outreach[10] of over 337,000 active credit clients in its ‘regular’ credit programme alone (with over US$ 32 million outstanding loan balance), with over 30% of them being poor women[11]. With an estimated potential market of about 2.9 million people in the region, ACSI and other smaller MFIs and Saving and Credit Cooperatives (SACCOs) in the region only manage to reach between 10 and 12% of the demand[12].

13

[9] The *Kebele* (Peasant Association) is the lowest Government administrative unit, and covers on average 5,000 people (1000 households). The higher level *Woreda* (District) covers about 100,000 people.
[10] Outreach here refers only to breadth, i.e. the number of clients reached.
[11] About 40% of households in Ethiopia are headed (*de jure* and *de-facto*) by women (IFAD 2001). As employment and traditional livelihood strategies for men disappear, poor women have had to make their ways into the informal sector in increasing numbers, primarily in low paying and often menial work - piece work, vending, petty trading, agricultural labour, collecting garbage, cleaning toilets, and factory employment.
[12] There are only three other MFIs operating in few targeted Woredas in the region, with a combined clientele of hardly more than 10,000 people. SACCOs are in their infancy, with no or very low outreach in rural areas. As of March 2004, the total membership of SACCOs in the Amhara Region (registered with Cooperative’s Bureau) was a mere 6,380.

Reaching More and Poorer People?

The Microcredit Summit suggests MFIs should have as clients those belonging to the bottom 50% of those living below the poverty line. This makes a lot of sense in the Amhara region setting. Indeed, not only is the prevalence of poverty high, but so is the depth (or intensity) of poverty. This means that the average income of the poor is not only lower than the pre-determined poverty line, but also very far below it. In other words, the gap between the average income of the poor and the poverty line income level that would enable one to maintain at least the minimum requirement for mere survival is very high. Eliminating this gap would not only help reduce the poverty head-count, but, at the same time, it would reduce the depth of poverty, which is often taken as a more appropriate indicator of life condition in certain localities than the poverty rate. Indeed, the most accepted axioms in the measurement of poverty (the Foster-Greer-Thorbecke measures of poverty (Foster *et al.,* 1984) and their subsequent refinements) highlight the depth of poverty[14].

Thus, if we are to make advances on the reduction of both the rate and depth of poverty, thereby positively contributing to meeting the poverty reduction targets stated in the PRSP and the MDGs, we need to help the very poor come out of poverty. Assuming direct correlation between income level and the loan size demanded (i.e., those with better income level demand higher loan size) this implies that, we need to adequately respond to the demands of clients who require very low loan sizes, i.e., the very poor.

Reaching the Poorest through Credit Increases Operational Cost

But this substantially increases operational costs to the MFI. There are, for example, those women who require loan sizes as low as Br. 50[15], for activities such as spinning required for

[14] In the microfinance discussion, the 'double bottom line' of institutional sustainability (financial returns to MFIs) and depth of outreach (social returns) constitutes the central issue. More recent arguments on the contribution of microfinance on enhancing social welfare, based on the traditional economists' tool of 'cost-benefit analysis', focuses the discussion on the net increase in total social welfare over and above the benefit to (private) customer that result from consumption of financial services. The net social benefit is determined by the depth, breadth, and length of outreach. Depth of outreach matters because society places greater value on helping the poor people than the better-off. Breadth of outreach matters because society values helping more people than fewer people. Finally, length of outreach of outreach matters, because society cares about the poor both now and in the future. *Ceteris paribus*, the greater the depth, breadth, and length of outreach, the greater the net social benefit (see Woller and Schreiner, 2004).

[15] The current exchange is US$ 1= Br. 8.56

the production of the local *gabbi*[16]. These poor people do not necessarily lack business skills and are not looking only for charity hand-outs, as is often assumed. They are not passive recipients of money transferred from other segments of the economy in a top-down approach. Rather, they need to be empowered to create their own jobs and enhance private income. They have the requisite skills for this specific task, and there is a market for their products. They can fully repay loans given to them and, in fact, they are too proud to look for charity! Yet such loan sizes as the one cited above would require 100 clients to sell a total portfolio of just Br. 5000, the maximum loan size allowed until recently[17]. Smaller loans mean the need for more credit officers to attend clients, creating additional costs, when instead bigger loans could be disposed to one single big borrower.

Moreover, given the geographical set up of the region and the poor physical infrastructure (particularly the road network, of which up to 80% is inaccessible during the rainy season), operations in the region as a whole, and predominantly in rural areas, have proved to be a very problematic task. Microfinancing activities as undertaken by institutions like ACSI are such that not only does one need to identify and disburse loans to the right client in isolated remote areas, but one also needs to ensure full repayment through daily monitoring and follow up of each client, with very low loan sizes. Very small savings have to be encouraged and mobilised from these same poor people. Live cash has to be transported from one location to the other. And such activities often involve a door-to-door service.

And the very poor need all rounded support, not just credit

The poor need financial services that suit his/her specific demands at each locality: small and large loans (which may vary depending on the season), diversified repayment periods, repayment frequency, diversified collateral, suitable saving products as well as insurance and other services. To be successful, the poor require close monitoring and support in the course

---

[16] *Gabbi* is a widely used traditional Ethiopian cloth. Cotton, that has been spinned (often a woman's task) and weaved (often a man's undertaking) is used for its production. These activities provide an alternative income source for a growing portion of marginalised people, particularly as *per capita* land holding and returns to farm production deteriorate.

[17] Recently, the National Bank directives on MFIs with regard to lending methodologies, terms and conditions were relaxed (following the Federal Rural Development Strategy) in a way that encouraged MFIs to diversify their client base. Most important among these changes are: alternative lending methodologies other than 'group lending' can be explored; loan repayment periods is revised from one to two years; loan sizes can exceed the Br. 5000 limit, on the condition that the total disbursement of such loans does not exceed 20% of preceding year's disbursement, and that the maximum loan size is 0.5% of the MFI's capital. The repayment period for these kinds of loans can go up to 5 years.

of their business. The poorer the client, the more s/he needs such support, thus increasing staff time, and hence operational costs.

Moreover, financial products alone cannot be expected to satisfy all the demands of the ultra-poor. As many scholars strongly argue, credit and savings programmes must be accompanied by, for example, education - teaching of some additional skills as well as family planning, health, nutrition and so on. Some of the logical arguments emphasize that credit, if not accompanied by, say, some new skill training, can only expand the 'scale' of existing product lines. If many clients produce same types of products - as is often the case- this will quickly saturate the small market nearby. In fact, after only one or two loans, business expansion possibilities would remain in what Hulme and Mosley (1996) call a 'steady state'. Profitability would essentially fall, making credit a less attractive means to escape poverty.

Cognizant of the critical roles that such support can play in improving the livelihood conditions of the poor, ACSI is trying to integrate various development topics into the microfinance programme. Specifically, using the congregation of poor clients at the usual group/centre meetings, education and business development support programmes are delivered on such key topics as family planning, nutrition, HIV/AIDS, and other health themes, as well as advice on new agricultural/industrial technology and marketing. But, while such critical support surely enhances profitability of the clients, these additional services require more staff time, thus increasing operational costs.

Interest should be Enough to Cover Operation Costs

Given the very poor infrastructure of the region, attending clients with very small loan size undoubtedly increases operation costs which cannot be covered from such operations because of the low interest rate. Even though the National Bank regulation allows MFIs to fix their interest so that they can cover the cost of operations, some are still reluctant to do so because of the perception that by so doing, they might hurt the poor they are trying to support.

Pressure is constantly being put on MFIs by some development organizations and stakeholders to exhaust all possibilities for improvement in terms of productivity of staff and administrative efficiency to ensure sustainability, while keeping the interest rate low so that clients do not have to subsidize inefficient operations. After all, some may argue, MFIs are there to help the poor improve their income and *not* to exploit them! Thus, although the transaction costs of providing microcredit in remote and isolated areas are much higher than

those for providing standard commercial loans, and while it is clear that prompt and reliable access to credit is more important to poor clients than low interest rate, ACSI has still been committing itself to a low interest rate of 12.5%. More recently, it has diversified its rates between 12.5%-18%[18] (declining for instalments, and flat for end-term). Yet complaints persist[19].

True, MFIs operating in areas where there is little or no competition should not be tempted to charge any interest from clients, simply because they may find themselves in a position where they can do so - they should also work on further improving their efficiency. That is exactly what ACSI has been doing, and indeed, it has been rated as one of the most efficient MFIs[20]. But as the MFI deepens its outreach to more peripheral areas and to more marginalised poor people, the challenge of maintaining institutional sustainability becomes ever harder.

Yet, interest is not the major cost item

Richard Rosenberg**,** senior advisor at CGAP (Rosenberg, 1996) argues that there is overwhelming empirical evidence that huge numbers of poor borrowers can indeed pay interest rates at a level high enough to support MFI sustainability. He sees abundant proof that people's tiny businesses can often pay interest rates that would strangle larger businesses. Number of empirical studies show that the interest rate of a loan is not an important part of the input cost, that demand for credit is largely inelastic with respect to the interest rate (see for instance Schmidt and Kropp, 1987). A recent survey by ACSI estimates returns to investment

---

[18] ACSI lends on a relatively lower rate in some areas to encourage the adoption of modern agricultural technology which by any standards is currently at a desperately low level.

[19] A study conducted in 1996 indicated that given the infrastructural set up in rural Ethiopia, an annual real rate of 30%-35% would not be out of order as a means of achieving sustainable system of reaching the poor. For ACSI, Chao-Beroff, et.al (2000, pp.76) suggested that a rate between 20 – 30 % would be inevitable. Thanks to the new liberal policy, majority of Ethiopian MFIs are charging higher rates of 15% - 24% (flat rate). But some in the development field, policy makers, NGOs, relief organizations, etc continue to complain that such rates are exploitative to the poor. More awareness creation needs to be done on the sector.

[20] ACSI has been rated by Global MicroRate Africa (GMRA) in 2003. According to their final report, ACSI has a remarkably low operating cost ratio of 7.5% which is far lower than any observed so far by MicroRate in Africa. For them, to a large extent, this is a sign of efficiency: the number of borrowers per loan officer reached a relatively high level of 297 in May 2003 (See GMRA, 2003). Similarly, using earlier data, the MIX/CGAP found that ASCI administers its loan portfolio more efficiently than its peers: its adjusted operating expenses represent only 9.5% of its gross loan portfolio, compared to 21.4% for its peers (African large MFIs) and 29.4% for all MicroBank Bulletin participants (MIX 2003).

at about 130% per annum[21]. Thus, if the effective interest rate is set at, say, 29%, this would leave about 101% in the hands of the client to reduce poverty.

Studies covering India, Kenya and the Philippines found that the average annual returns on investments by micro-businesses ranged from 117 to 847 percent (CGAP, 2004). Similarly, a study in Chile, Colombia, and the Dominican Republic found that a six percent monthly interest rate represented less than 0.4 - 3.4 percent of a typical micro-entrepreneur's total assets. Thus, the interest charged is obviously an insignificant portion of the total input cost. Not surprisingly, of the 300 credit clients surveyed by ACSI (in 2001 as well as in 2003), more than 92% responded that they found the interest rate to be very low. Similar responses were obtained from 600 potential clients, indicating a Willingness To Pay (WTP) for the service.

Does the subsidy reach the poor?

Some even argue based on empirical evidence that, contrary to popular opinion, a policy of high interest rates could improve access of the poor segments of the population to credit; that is if a financial institution that is oriented towards the target group demands higher interest rate than conventional banks, wealthier borrowers who are also clients of the latter institution will not seek to obtain funds from the former institution. Thus, more funds will be available to the poorest target groups. In other words, whereas interest rate restriction obviously results in some 'income transfer' to loan recipients, such rates would induce excess demand from *all* types of applicants, poor and non-poor. Influence and patronage, and better connections inevitably bias the distribution of the 'subsidised' credit in favour of the better off - more so when the local targeting mechanism is lax (Gibbons and Meehan, 2002; Rosenberg, 1996; Braverman and Guasch, 1993).

Subsidy gives rise to micro-level corruption by the ones involved in 'targeting'. And this is not just limited to the case of credit delivery. Any trade which involves any kind of subsidy, is prone to some kind of corruption, or black-marketing. A good example of this is the one of

[21] In preparation for the Institutional Strategic Business Plan (2001-2005), a survey was conducted in 2001 in order to obtain a clear picture of the extent as well as of the nature of credit and saving demand in the region. A total of 47 representative sub-branches were covered in the survey, comprising about 30% of the (then) total ACSI sub-branches, in an attempt to make a rough assessment of returns to investment. This was done by taking the simple ratio of average monetary benefits for existing credit clients and the corresponding total investment. The result indicates that net returns to investment in an average repayment period of about one year are over 130%. The same survey included potential clients and assessed their Willingness to Pay additional credit interest if the service were to be extended to them.

the sugar supply in local *Kebele* shops which is subsidised by the government, with the good intention of supporting the poor through lower prices. Who manages to buy this commodity and ultimately benefits from the subsidy? More often than not, the better-off. The delivery of health services targeted to the poor is yet another example. To take advantage of this service, individuals need to carry a proof of their poverty in the form of a letter from their local administration (the *Kebele* administration). Again, it is more often the better off who manage to obtain these letters thus benefiting from the subsidised health delivery. The World Development Report 2000/2001 (World Bank, 2001) reports a similar story: a large study in two African countries - Guinea and Mozambique - found that eliminating food subsidies did not hurt poor people because the subsidies had not reached them in the first place!

Exactly the same theory applies to subsidised credit. Given the problem of information asymmetry on the part of the client giving rise to moral hazard and adverse selection problems, ACSI draws on the support of the local community 'representative' (the 'Credit and Saving Committee') who carry out a 'Participatory Wealth Ranking'[22] in order to identify those who should get the service first (based on their poverty level), and to further facilitate follow up. But the subsidy encourages demand from all corners and indications are that there are real possibilities of leakage of resources to a non-target group. When this happens, the share of lending to the target group inevitably declines, and ends up having to be satisfied by the informal money lenders.

Conclusion

Rural credit in the Amhara region means agricultural loans. Providing agricultural loans in a context where cultivation is mainly rain-fed and where hardly any modern technology is available involves not only a higher risk in terms of repayment but also a higher cost of operation. Providing rural credit in a region with very little infrastructure and with little logistical provisions (motorbikes, mules, etc.), and collecting such small loan repayments from poor people with irregular income sources is nearly impossible. This is more so if the lending interest rate is kept comparable to that of conventional banks. Going to rural areas to lend very small amounts to very poor people in scattered and remote settlements means that one has to forego the higher earned income that would have been possible by offering the loan in towns, to people requiring bigger loan sizes and who can offer material collateral.

[22] A 'Participatory Wealth Ranking' is carried out by the local 'Credit & Saving Committee' composed of five representatives from the locality (at least 2 women). They sit down to evaluate the poverty level of all applicants for credit, based on criteria suited to that locality.

Consistent with its vision of a society free of poverty, ACSI looks forward to reaching the large majority of poor people still un-reached by any modern financial services. This entails strong institutional capacity and improved earned income through a combination of improved efficiency in operation, and setting appropriately diversified interest charges that cover operational costs. Thus, while setting a realistic interest rate should not be a license for higher costs and inefficiency, if the MFI is to offer its financial services to poor and marginalised people living in remote and peripheral rural areas (with non-existent, inadequate or defective infrastructure) and who require very small loan sizes and hence high transaction costs, interest rate capping should not constitute a bottleneck.

REFERENCES

Amha, W. (2000) 'Review of Microfinance Industry in Ethiopia: Regulatory Framework and Performance' *AEMFI Occasional Paper* No.2

Amha, W. (2003) 'Microfinance in Ethiopia: Performance, Challenges and Role in Poverty Reduction' *AEMFI Occasional Paper* No. 7.

Amhara Credit and Saving Institution (2001) *Strategic Business Plan 2001-2005* Bahir Dar

______________________________ (2004) *Institutional Profile, Current Status and Future Strategy* Bahir Dar

Bigsten, A., B. Kebede, A. Shimeles and M. Tadesse (2003) 'Growth and Poverty Reduction in Ethiopia: Evidence from Household Panel Surveys' *World Development* 31(1): 87-106

Braverman. A. and J. Guasch (1993) 'Administrative Failures in Rural Credit Programs' in the *The Economics of Rural Organisations*, edited by Hoff, K., A. Bravermann and J. Stiglitz, Oxford University Press: New York

CGAP (2004) 'Interest Rate Ceilings and Microfinance: The Story So Far' *Occasional Paper* No. 9

Chao-Beroff, R., W. Amha, T. Mengesha, Y. Sefere and K. Tesgera (2000) *Enhancing Rural Financial Intermediation in Ethiopia* IFAD/World Bank.

Chen, M. and E. Dunn (1996) *Household Economic Portfolios* AIMS, USAID

Aredo, D. (1993) *The Informal and Semi-formal Financial Sectors in Ethiopia: A Study of Iqub, Iddir, and Saving and Credit Cooperatives* African Economic Research Consortium, Nairobi

Devereux, S. and K. Sharp (2003) 'Is Poverty Really Falling in Rural Ethiopia?' *Paper presented at the Conference 'Staying Poor: Chronic Poverty and Development Policy'* at the University of Manchester

Meles, F. (2000) 'Informal Financial Institutions: Impact Analysis of ACCORD's Credit Intervention Through *Iddirs* in Dire Dawa *M.Sc Thesis* Addis Ababa University

Federal Democratic Republic of Ethiopia (2002) *Rural Development Strategies, Policies and Instruments* Ministry of Information

Foster, J.E., J. Greer and E. Thorbecke (1984) 'A Class of Decomposable Poverty Measures' *Econometrica* n.52: 761-766

Garson, J. (1999) *Microfinance and anti-Poverty Strategy: Donors' Perspective* UNCDF: New York

Global MicroRate Africa (2003) "Amhara Credit & Saving Institution", *A Report prepared for USAID and SIDA*, South Africa.

Gibbons, D. and J. Meehan (2002) 'Financing Microfinance for Poverty Reduction' *Paper Presented at the Microcredit Summit -5*

Gobezie, G. (2004) 'Microfinance Development: Can Impact on Poverty and Food Insecurity be Improved Upon?' *Paper presented at the 'International Conference on Microfinance Development in Ethiopia'* organized by AEMFI, Awassa, Ethiopia

___________ (1999) 'Measurements and Determinants of Rural Poverty: A Comparative Analysis of Three Villages' *M.Sc Thesis*, Addis Ababa University

IFAD (2001) 'Ethiopia: Rural Financial Intermediation Programme (RUFIP) - Formulation Report' *RUFIP Working Paper No.1*

Kropp, E., M.T. Marx, B. Pramod, B.R. Quinones and H.D. Seibel (1989) *Linking Self Help Groups and Banks in Developing Countries* GTZ: Eschborn

MIX (2003) "Customized Performance Report for ACSI", Washington, D.C

Morduch, J. and B. Haley (2002) 'Analysis of the Effects of Microfinance on Poverty Reduction' *NYU Wagner Working Paper* No. 1014

Rosenberg, R. (1996) 'Microcredit Interest Rates' *CGAP Occasional Paper* No. 1

Rutherford, S. (1999) *The Poor and Their Money* Oxford University Press: Delhi

____________ (2002) *The Economics of Poverty: How Poor People Manage Their Money Safe*Save: Dhaka

Schmidt, R.H and E. Kropp (1987) 'Rural Finance: Guiding Principles' *Rural Development Series, BMZ/GTZ/DSE*

Schneider, H. (1997) *Microfinance for the Poor?* OECD/IFAD: Paris

Sebstad, J. (2002) 'A Short Study on Microfinance in Ethiopia' *Study prepared for SIDA, Addis Ababa*

Woller, G. and M. Schreiner (2004) *Proceedings from the Conceptual Workshop on 'Measuring Outreach'* Chemonics International

World Bank (2001) *World Development Report 2000/2001-Attacking Poverty* Oxford University Press: New York