Title of the Project: Determinants of financial inclusion among micro and small business youth entrepreneurs: Evidences from Addis Ababa and Shirka Wereda, Ethiopia.

Duration of the Project Phase: Two years

I. Project Overview

1. Title of the Project: Determinants of financial inclusion among youth micro and small business entrepreneurs: Evidences from Addis Ababa and Shirka Wereda, Ethiopia.

2. Project Proponent:

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Brief Profile of the Proponent Institution

Arsi University is officially established in September, 2014 at the Town of Assela. The establishment of the University boosts the agricultural productivity of the area and it minimizes the costs of the resident to go far away to attend higher education. The University has a plan of becoming among the leading East African Universities and one of the recognized Universities in the world in producing capable professionals by 2033 even though it is a newly stabilized university.

Beginning from its establishment, the University started working closely with the board and local communities by linking them in planning process particularly in problem solving, research and community meeting projects. Accordingly; 86 research and 26 community engagement projects are launched with in the establishment year.
In addition to research and community engagement the University run teaching and learning activities in six colleges namely; college of Education and Behavioral Sciences, Social Sciences and Humanities college, Agriculture and Environmental Sciences College, College of Health Sciences, College of Business and Economics and Law schools. Engineering, Sport Academy and Natural science colleges will be opened in the coming two years.

The University teaching and referral Hospital which services over 3,000,000 people is being operational with state of the art medical equipment undergoing radical change to provide service. A number of doctors medical are doing their specialization which will add additional effort to the Hospital.

The University also formed strong linkages with some universities abroad in China, USA, Germany, South Korea, and as well as with some research institutes and industries. As very young university much corner stone is laid down but many more remain. Arsi University started two years ago with 10,328 students in 31 undergraduate, and 13 postgraduate programs possessing 650 academic and 1987 administration staff in 5 colleges and one school holding high its strategic plan to be among leading universities in East Africa and be recognized among world class university by 2033. Construction of main campus valued 1.3 Billion birr is among high rising tasks. On top of the current 24 Post graduate (PG) program fields of study it has already readied curriculum and subsidiary documents to commence 10 more PG programs in addition to the numerous undergraduate (UG) programs the university has and prepared documents form to kick-start work. Arsi University has deployed devoted, competent, and disciplined workforce among which 14.5% of them are Ph.D. holders. The university has given a chance for 175 staff on study leave to pursue for their Ph.D. succeeding the plan to raise Ph.D. composition of the staff to 30%. The University has invested over 51.2 million birr for ICT facilities, 21.7 million birr for Agri-lab facilities, 22.8 million for health utility, 2.2 million for books purchase. The University has carried out important activities of the university with regard to university-industry linkage, technology transfer and community services in these years. In this case the Medical College created free medical services for residents in the vicinity of the university working with medical care groups from abroad, Agriculture College worked on special milk cow species insemination service for farmers, vermo compost activities, integrated agriculture, and selected seed expansion among the many activities in these years.
3. Abstract of the proposed project

This project has intended at launching a data bank for CBMS and conducting an investigative study to identify major determinants of inclusive finance among MSEs youth entrepreneurs evidence from Shirka Wereda and Addis Ababa city. Though efforts has been made both the government and FSPS to make the country best ranked in terms of access of finance, still the country is lower ranked concerning credit access. Many researches emphasized that especially, youth entrepreneurs are financially excluded and unable to get financial access to start a business and insure the growth of their business once they have started. Currently, there is no consistent and timely data on the level determinants of financial inclusions, youth unemployment in terms of community, household, male and female and micro and small business entrepreneurship at the regional and sub city levels. Therefore financial exclusion remained on of the major obstacle restricting the youth from expressing their talent and become a contributor for countries social and economic problem. This project is intended to investigate the determinants of this financial inclusion that restricts the youth from being involved in financial services. The project will consider a census of the population of the study area and questionnaire will be designed concerning poverty indicators at community, household and individual level as well as riders of financial inclusion. The data from the target population will be collected through tablets and QGIS software will also be used to specifically indicated area that requires priority. Data regarding poverty indicators such as, access to finance, dependents, access to water, sanitation, access to health service, social factors, capital availability, access to education, income, production and other factors will be considered as indicators to analyze the situation. One the data is collected, it will be processed by STATA fifteen software considering different regression model. Finally, the project has an objective of providing possible strategic and policy recommendations to government, banks, social institutions, micro finances, insurance companies, saving and credit associations, MSE development agencies and other stakeholders.
II. Project Administrative Information

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III. Background and Rational
1. Background

In developing country youth take the major part of the population. From the global population, 18% are with age range of 15-24 YO, i.e., 1.2 billion. Majority (about 87%) of these youth lives in developing countries. Of the total population in Africa, 20% are youth, i.e., 200 Million (Ayele, et al. 2010, Nayak 2014). According to united nation population fact report stating Africa’s youth rising, described that the number of worldwide youth population is 1.2 billion which is one every six person. Based on reports Africa’s youth population is growing fastly. In Africa in the year 2015 226 million of the population was aged 15-24 YO which amounts for 19% of the world youth population. By the year 2030 the Africa’s youth population is estimated to rise by 42% percent. Throughout the rest of 21st century Africa’s youth population is expected to grow greater than double from current level by 2055. In Sub-Saharan Africa Ethiopia’s youth population is the largest. Its population in the beginning of 1990’s was only 48 million and in 2014 it becomes part of the most populous countries in Africa with an estimated population of 88 million. During the past 20 years Ethiopia’s total population has doubled. The population grew on average by 3.6 percent per year between 1990 and 2013 (Yonis, 2015). The population stabilization report of Ethiopia (2014) has revealed that female population constitute 26.6 million in 1994 which was 49.7 percent of country’s total population while males constitute 26.9 million (50.3 percent). In 2007 the number of females reached 36.5 million accounting for 49.5 percent of the total population while the males took 37.2 million (50.5 percent). In 2012 the size of female population was 41.6 million (49.7 percent) while that of males was 42.1 million accounting for 50.3 percent.

Ethiopia’s population is majorly young with the age of below 15 YO. The estimated working population percentage was 52%. The population pyramid of Ethiopia shows larger percent which
is young people at lower and narrow which is elderly at the top. Population of Ethiopia is mostly young with about 45% of the population being below 15 YO. (CSA, 2007).

According to Yonis (2015), between 1990 and 2013, the NLF has more than doubled as it augmented from 21 million in 1990 to 45.2 million in 2013, with an annual average growth rate of 4 percent. Possibly, fifty percent of Ethiopia’s population is below 25 YO. Whereas 20 percent are within the range of 15 to 24 YO.

Unemployment becomes as a major challenges which affect the day to day life of youth population of modern era. Despite recent year improvement, unemployment and underemployment still is the serious problem in Ethiopia (Nayak, 2014). Age range analysis shows mostly unemployment is observable on youth. Youth in urban areas are vulnerable to the problem of unemployment. The 2013 Ethiopian national labour force survey result reveals that unemployed population of the country was 1,981,165 with unemployment rate of 4.5 percent. This indicates 5% are unemployed from economically active individuals above ten YO. Compared two male(2.7 percent) female youth unemployment exceeds by two fold, i.e 6.5 percent.

Based on 2011 Urban Employment-Unemployment Survey (UEUS), 18 percent of urban population is those aged ten YO and above. Of which 11.4 percent is for male and 25.3 for female. The rate of unemployment has declined continuously from 26.2 percent in 2003 to 22.9 percent in 2004 in 2006. However it increased to 18% in 2011. The 2013 survey of NLFS also displays that the unemployment rate in urban areas (16.5 percent) is significantly deteriorated in comparison to that of the former urban survey results from 2009 to 2012. The unemployment difference is also witnessed between male and female, in which females are more of unemployed than males but the decline in unemployment is determined to be relatively more noticeable in case of female than male.

Though it has declined from 31.5 percent in 2004 to 23.7 percent in 2011, youth consists of quarter of the urban population. The problem faced by youth is not implied by rate of unemployment but also the job quality they secure in the dynamic employment

A fluid economic system consist of successful, growing and integrated micro, small and medium-sized enterprises is vital to achieve economic and employment growth and ensures the competitiveness of an area. MSEs are the heart of effort of productive employment system. For example in America these type of business generates 50% for private sector and more than 65 percent of the total new jobs for the past 15 years (Garrido, et al, 2012). To create job opportunities, ensure integration, and support self-employment for unemployed workforce
supporting MSEs is the driving force. However, the major challenge of MSEs is \(\frac{1}{3}\)rd of don’t have access to financial services to have merit of potential growth. (Garrido et al, 2012). The problem is more pronounced among women micro and small business owners as International financial corporation (IFC has predicted that globally a $300 billion difference in financing exists for formal, women-owned small businesses, and greater than 70 percent of women-owned MSEs have insufficient or provision of financial services Females are to be more probably financially excluded, perhaps due to their underprivileged status (Samra, 2012).

Regardless of its size every business needs access to financial resources which ensures start-up, facilitates growth and maintains successful development. Today MSEs face major challenges to obtain credit. (Garrido et al, 2012).

Gichuki et al (2014) also stated that the fundamental element for the development of an MSEs are access of finance specifically bank finance. Data collected by the world bank indicates to do once business the main obstacle is access to finance.

According to Glisovic and Martinez (2012) many FSPs provide service to developing countries MSEs which consists of Micro financial institutions (MFIs), commercial banks, cooperatives, and others. Within small business framework those FSPs have various motivation and capacity and target. Most FSPs including commercial banks which wants to serve MSEs tend to serve large and formal firms. Conversely, MFIs usually emphasize on firms those are smaller and informal.

According to Gichuki et al (2014), In Africa the emergence and growth of MSEs have linkage with challenge to access finance. Retained earnings, loan association as well as informal saving are the main source of capital for MSEs. These sources are thought to be not secured and unpredictable. Considering high risk of default and insufficient financial facilities, access to finance is not good for MSEs. Considering inability to repay loans, poor guarantee and absence of information, Africa’s MSEs rarely meet FSPs conditions. As per the studies made in certain part of Ethiopia the basic reason getting financial service like access to loan for women became difficult is related to the tradition influence of not letting the women to inherit, administer capital asset which might be used as collateral. (Chirkos, 2014)

Ethiopia’s financial sector is classified as informal and, semi-formal and formal. (Al-Bagdadi and Bruntrup, 2002). Commonly MFIs, Insurance companies and banks which are regulated by NBE and part of financial system. The cooperative union and saving and credit which are not controlled by NBE, are assumed to be semi-formal financial institutions. Informal sectors in Ethiopia consists non registered traditional institutions like Iqub and Idir (Death Benefit Association) as well as money lenders.
The majority of MIFs are considering sections of small scale enterprises to offer additional business growth chances and another objective of MIFs is to increase the number of their clients. International experience shows that when the society is more developed, the more push on empowering ordinary person and low income people. From the international experience, it is vital to look for the global experience in halting factors of financial exclusion. (Karthikeyan, 2011).

The "MSEs Development Strategy" which has been published in November 1997 by the ministry of trade and industry of Ethiopia enlightens an approach to eliminate the challenges of MSEs. The program indicates how to act with regard to the creation of MSEs and handle cases related to the expansion and establishment of MSEs. Moreover, specific supports are: provision of incentives, facilitating access to finance, promotion of partnerships, access to market, access to finance, access to appropriate technology, access to information and advice, infrastructure and institutional consolidation of private sector and access to market. (Girma, 2015).

Though efforts has been made to promote SMEs in rural area the country is set 150th country with full challenges for the population to access credit (WB 2012). NBE directives prevent microfinance institutions and banks from sustainable extension of credit by regulating these banks and other financial institutions. According to Zewdu (2014) MFI/18/06 says that the credit level for an individual who can pledge collateral should not exceed 1 percent of his/her capital whereas it should not exceed 4 percent for those who can pledge group collateral. Moreover, the NBE has set an entity which provides service of credit history to banks in order to reduce lending risk. Access continuing to be a national issue less than eight percent of Ethiopian has formal bank account. The percent of borrowers is even smaller. In Ethiopia MFIs reached 14.5 percent of households which are too small. There is empirical evidence that MFIs are not in aright position to guarantee access to financial services for MSEs and poor part of the community. MFIs don’t have the capacity to meet the need of urban and rural poor towards financial services. Majority of people in rural area and poor in urban haven’t access to financial services. Small financial institutions like credit unions and cooperatives can’t meet the credit requirements. Gebregziabher (2015) citing the enterprise survey conducted by from 2011-2012 by world bank, stated that despite the positive trend in saving, access to credit is problematic as only 6 percent of microenterprises and 1.9 percent of small enterprises have credit facilities. The Enterprise Surveys showed 41% of MSEs felt access to finance was a major constraint (similar to the SSA average of 43%), although problems tend to be more complex than this. Among firms who
applied for a loan or line of credit in the last fiscal year, 57.3% and 87.9% of applications submitted by micro and small firms respectively were rejected. This brought serious implication in terms of growth and opportunity of employment as well as poverty reduction. So this study is designed to determine major determinants of financial inclusions on formal financial services among micro and small business entrepreneurs in Addis Ababa and Shirka wereda.

2. Rationale of the Project

Currently, there is inconsistent and untimely data on the level determinants of financial inclusions, youth unemployment in terms of community, household, male and female and micro and small business entrepreneurship at the regional and sub city levels. Our preliminary survey conducted in the two selected project sites has proven that the above fact of absence of any CBMS especially in shirka wereda and information about male and female youth unemployment and exclusion of these male and female youth micro and small business entrepreneurs from financial access in the area is completely true. Nonexistence of data makes it difficult for regions and sub-cities to precisely detect the needs and problems of female and male youth entrepreneurs to address sufficiently. Therefore, CBMS could provide the sub-cities/kebeles/weredas opportunities to evaluate policies they have implemented at the local level, identify problems in relation to poverty community, household and individual level as well as determinants of financial exclusions at micro and small business entrepreneurs level and develop and implement up to date policies at local and national level. Hence, establishing the CBMS will grant easy access to information which will be helpful in investigating problems regarding reasons for financial exclusion for male and female youth micro and small business entrepreneurs in the area.

The project is also expected to identify the relationship between financial participation and other economic indicators to the local and national policy makers to be aware of financial exclusion has an impact on economy. Knowing that the area does not have any data or existing CBMS regarding access to finance, reasons for financial exclusions and level of male and female youth entrepreneurship, the pilot study will totally rely on the data bank (CBMS) we plan to establish through this project.

Particularly, the Addis Ababa site being similar data has been collected by previous CBMS Ethiopia project; the data to be generated will be two years panel data. Already poverty variable data and youth entrepreneurship data are available for the year 2015 and this project is hoed to
make similar data for the year 2017/2018. Hence, data being panel helps to see the trend of variation over the two years period.

3. **Review of Related Literatures and Framework of Analysis**

3.1. **Theoretical framework**

3.1.1. **Financial inclusion**

The concept of inclusive finance is wide. Based on Sarma(2012) financial inclusion makes ease access of finance for the people who involve operate in the existing economy. But differentiating the two types of financial inclusion is very important: involuntary and voluntary financial exclusion. Voluntary exclusion is stated as when the part of a given population is excluded from financial service usage due to factors like culture/religious reasons (WB, 2014). Conversely, high historical background of risk as well as discrimination and imperfections and insufficient income are the source of involuntary exclusion. (Park and Mercado, 2015). Moreover, Karthikeyan (2011) stated that financial exclusion is related to the delivery of financial facilities to the largest share community who are disadvantaged with reasonable cost. Employment creation and sustainable development of rural population is the basic aim of financial inclusion. According to Amidzic et al (2014) financial inclusion is a state in which people are denied for access of finance due to the factor other than criteria.

The financial inclusion report of African Development Bank(2013) has inculcated broader and multidimensional definition which considers it beyond simple financial services. Instead, a more wide-ranging understanding of financial inclusion should tell to how frequently clients utilize products, if the products are productively meeting their requirements, and if they are better off as a result. Arun and Kamath, (2015), described inclusive finance as a condition in which all individuals uses financial services in suitable manner, quality services at suitable prices, with ethical manner and dignity. Central banks, policy makers, government bodies and other financial institutions consider financial inclusion as part of their agenda being as the major socio economic encounters. Financial inclusion is especially important for less developed countries where the interaction between formal financial systems and individuals (households or enterprises) is still low. Noelia and David (2014) described that majority of susceptible groups combine forcefully irregular income with imperfect financial instruments due to the reason that accessing formal financial services is challenging. Financial inclusion has been described by Nikaido et al (2012) as the provision of secured, timely and adequate service when it is demanded by most vulnerable and weak part of the community at an affordable cost.
Researchers also associate the concept of social inclusion with financial exclusion. While majority consider inability to access finance as appropriate, some relates it with having access for formal financial institutions. Conversely, financial exclusion has been defined directly by Amidzic et al (2014) and Sarma (2012). As per Amidzic et al (2014), financial inclusion is about entities not denied the provision of financial services. Sarma (2012) defines financial inclusion as the activity of making access to finance to all member of the community easy, available and usage. Converse to the definition made by Amidzic et al (2014), the definition of Sarma(2012) has merit in such a way that he defines the concept of financial inclusion considering usage rate, accessibility and availability.

Based on UN (2007) financial inclusion is the provision of financial service to all bankable society and business firms to choose and utilize them regardless of being eligibility to all types of services. Thus, financial inclusion is the provision of unlimited services like deposits, loans, payment services, money transfer and insurance people. This is supported by Basavaraja (2009) who has stated that financial inclusion is provision of banking services at an affordable and reasonable cost to the majority of disadvantaged and low income groups. Heintz (2013) illustrates that within the wide set of policies for financial reform, G20 countries considered inclusive finance as major concern for those who are excluded from and do have little access to finance.

Classifying financial exclusion as voluntary and involuntary the 2014 Global financial development report listed that there are four types of financial exclusion. (World Bank, 2014). Voluntary exclusion is a type of exclusion were a certain group of people decided not use financial services willingly while not forced to do so or options are available. While involuntary lack of participation caused by unavailability or unaffordability of financial services. Based on Demirgüç-Kunt and Klapper (2012) the cause for 20 percent of financial excluded people in the world and 31 percent of sub-Saharan African people is distance or proximity factor.

The argument of Allen et al, (2012) implies that providing significant benefit to individuals, if policies are set in view of promoting financial inclusion.

Difficulty in financial facilities has been found to result in poverty as well as inequality Levine, 2010), while inclusive finance results in helping individuals to get saving opportunities and increases individuals savings, female empowerment, fruitful investment, and consumption (Ashraf et al., 2010). Banerjee et al. (2010) described that though it is not strong, access to loan
and insurance services has significant effect. According to Napier et al. (2012) financial inclusion, managed properly, can raise the empowerment of women by providing them access to finances to account of themselves and mechanisms that support them to get increased bargaining power women within households as well as their impact over how finance and resources are used. As per Erogbogbo (2010) the basic reason why women are majorly excluded from accessing financial services as compared to men is they don’t have right in some parts of the world on all types of assets which possible can be pledged as collateral. Women are also possible to have little experience to deal with financial institutions, insufficient knowledge and lower education, lack of confidence, relatively lack of set of professional networks, limited access to service and cultural norms. Allan et al, 2014 and Borges, 2007 explained that 90 percent of women income is reinvested on family compared to men, i.e., and 30 to 40 percent. Moreover, Erogbogbo (2010) outlined that the benefits banks obtain by targeting women are:

- Customer loyalty; women are relatively loyal and less likely switch for another option.
- Marketing word of mouth; women talks a lot concerning their experience.
- Lower risk; women borrowers have high rate of repayment rate.
- Portfolio growth; products created for women have wider customer base.
- Social recognition; services and products accepted by women have high level of reputation in the community.
- Distinction from competitors

3.1.2. Determinants of financial exclusion

The existence of price and non-price factors of financial service utilization is associated with financial exclusion (Adelaw and Adeyemi, 2011). The presence of significance diversity, measurement of financial exclusion is a complex task. Similarly, Global Financial Development Report of World Bank (2014) identified four main types of financial inclusion which includes involuntary and voluntary exclusion. (Amidzic et al, 2014). Voluntary exclusion is about the part of the population or firms that avoids using financial services either due to the reason they do not want those services because of absence of promising projects or for the reason that of religious or cultural reasons. Because this type of exclusion is not a direct result of market failure, little effort is required to address it. Of course, as identified out in the above-mentioned report, improvement is possible by boosting the entrance of specialized FSPs and improving financial literacy.
Financial exclusion is bound by absence of demand, considering macroeconomic situation. Due to insufficient income and worse lending risk profile, some firms might be financially excluded involuntarily. This type of involuntary exclusion is also not the effect of market failure. A second group of involuntarily excluded entities consist of the part of individuals and firms that are denied financial services as a result of government market imperfections or failures (Amidzic et al, 2014) Amidzic et al (2014) stated that public market imperfections is the basic reason why firms are involuntary financial excluded.. On the other way, Gichukiet al (2014) identified that financial inclusion can be determined by factors like Collateral requirements, credit cost, information availability on finance, business risk.

According to Adelaw and Adeyemi(2011) the effect of financial exclusion on entrepreneurial promotion, orientation might be too serious. This will be quite worsening when it is considered and compared with automatic usage. Hence it requires understanding appropriately the linkage among factors. At the end this understanding paves way to formulate good policy which helps to eradicate the adverse consequence of financial exclusion.

Munyanyi (2014) explained that there is association between educational level, occupation and income level. The more the educational level, the higher the chances of getting a better paying job and hence the better the chances of earning higher income. Surveys made by different groups indicate that the financial exclusion issues is severe among women specially, because the majority of women in the rural areas are less educated, they are largely unemployed or employed in jobs that do not pay much and consequently their income is very low. This could be a logical explanation why these women are not actively involved in the financial system and do not conduct on a regular basis, financial transactions. As a result women in the rural areas are financially excluded. Moreover, report of African Development Bank (2013) shows that out of 5 women 4 of them lacks access to finance whereas men are 25%. This financing difference is more sounding in rural where women are benefited only one out of ten credit facilities to farmers and below 1% of agricultural credit facilities. This report has also stated as a considerable study has been conducted to identify factors preventing women from accessing and using financial products and services. The explanatory factors for gender related funding gap to happen are: financial illiteracy, physical access, and social norms. Most of these problems fall under the broad groups of economic barriers (i.e., supply side issues), socio-cultural barriers and unfavorable enabling environment.

According to Munyani(2014) the following points could instigate inclusive finance(provision of financial service to the poor):
• **Accept mobile money transfer platforms as a launch pad to financial inclusion:** The increasing number of individuals receiving low income, financial services through phones, makes payments by phones has driven by the adoption of mobile banking technology (Ssonko, 2010).

• **Improve financial literacy in the rural areas:** AFI (2013) stated that financial literacy plays a great role in promoting inclusive finance which is very helpful to show the use how can they access finance and utilize it.

• **Promote women rural entrepreneurship:** African women entrepreneurs are victimized by social exclusion due to prolonged period of not allowing them not to access land, education and finance. (Nandonde and Liana, 2013).

The demography of respondents in this research indicates that rural women are far less educated than the women in the urban areas. Girma (2015) also stated that more than 50% of all women entrepreneurs in Ethiopia often face gender related problems related to setting new businesses as well as operating or expanding existing businesses. Women are disadvantaged due to religion, culture, and tradition. For instance, many women encounter difficulty in raising credit finance from banks as well as borrowing via informal networking. This could be the explanation why the women in the urban areas participate more in the financial services sphere. Because of lack of a regular income, rural women may not be interested in opening bank accounts as they may not be capable of sustaining the account given regular bank charges. In line with the recommendations by Valla (2001), as a way of promoting women entrepreneurship and fostering financial inclusion, financial institutions need to ease the administrative procedures for women and revisit assessment criteria of women applications for loans to include ‘softer’ assessment criteria than the traditional ones. The government also must come up with initiative to support rural women entrepreneurs and also engage non-governmental organizations to assist as well. When entrepreneurial activity increase, financial transactions and activity also raise and so are the demand for financial services and eventually financial inclusion is achieved.

According to Zewdu (2014) absence of physical access is the basic reason for inclusive finance to be low in Ethiopia regardless of tremendous move in the past decade. Raising the paid-up capital for commercials (566 percent) and MFIs(900 percent), recently the NBE has issued regulation which downcast the joining of more institution to the sector. Moreover, Though it avoids the possibility of NPLs, access to banks has been aggravated by recently issued regulation demanding tighten loan policy.
Over the past ten years there has been a surge in investment to advance youth financial inclusion, with various organizations around the world testing and evaluating various financial instruments targeting young people in low-income countries. Vast of activities have incorporated a non-financial component, mainly financial literacy or business and vocational training, aimed at further reinforcing young people’s financial capacity and business skills.

While business training is still deemed necessary for young people taking out loans, increasingly government agencies, funders, and financial institutions view financial education as a necessary element for developing the financial capability of young people. Financial education generally covers topics on budgeting, savings and debt management, and also include consumer protection awareness, explanation of financial products, and information on different types of financial providers.

Those who have participated in financial education have good financial knowledge as well as behavior, according to few studies conducted globally. But, few of the effects were small. Only a few of the studies have focused on young people, but the conclusions from those suggest that financial education does produce “tangible gains in financial capability”.

In one randomized control trial taking place in Uganda, the interplay between youth savings and financial education was examined to determine if the interventions act as complements or substitutes. Independently, financial literacy and savings products escalate the savings made by youth. The provision of financial services together with non-financial services (financial education, internship and social asset building) brings more advantage to the youth. A Youth Invest study explains that young people aged from 15 to 24 increased savings after receiving life-skills and financial education training.

The finding of Zeru (2010) found that the following were the basic aspects that hinder the small businesses not to access finance

- Loan covenants and information requirements
- Collateral requirements
- Available size of loan
- Level of cost of financing
- Availability of other loans (friends, family, Equb etc)
3.1.3. Unemployment

Youth unemployment is the share of the labor force ages 15-24 without work but available for and looking for employment. Golub and Hayat (2014) stated that Africa’s data regarding employment is not updated. In Africa the common concept about employment, labor force participation and unemployment are jeopardized. Nevertheless, the existing information paints a steady pattern: With small formal employment, African labor market is characterized by perfect dualism. Persistent underemployment is the feature of agricultural and urban informal sectors. Participation rate of labor force in sub-Saharan Africa is same as compared to other parts of developing countries. Informality is the unique feature of the labor market of Africa. The ILO study from 2012 also characterizes the informal economy by underemployment and poor working conditions, and establishes that “just over half of the active youth labor force population is employed in agriculture and informal sectors both of which are characterized by the prevalence of underemployment”.

The June 2013 survey made by the CSA result reveals that unemployed population in Ethiopia was 1,981,165 with unemployment rate of 4.5 percent. This implies that around 5 percent of economically active individuals aged 10 or above it are unemployed. As compared to male (2.7 percent) unemployment rate of female is more than doubles. This shows the presence of gender based difference regarding unemployment. Almost in all age groups, the unemployment rate is the higher among female compared to male and the deference gets worsening after age group of 15-20. Moreover, the decline in the rate among female after age of 30 might not be the result of solving the unemployment challenges and in turn increasing employment for women (Yonis, 2015).

Youth are group of the population who are highly affected by incidence of unemployment. The rate of youth unemployment in Ethiopia in June 2013 was 6.8 percent of which the unemployment of male was 4.6 percent and female 9.1 percent. With respect to place of residence, youth in urban areas (21.6 percent) are unemployed than the rural one (3.1 percent) (CSA, 2014). Based on Trade Economics (2017) report the total youth population of Ethiopia was 7.10 per cent measured in 2014.

According to index mundi (2016) out of the total population, the total youth population (15-24 years) of Ethiopia is 20.04% (male 10,182,973/female 10,332,626).

By 2014 in sub-Saharan Africa UNCDF funded by master card foundation plan to reach 200000 youth with regard to provision of financial education and financial services (UNCDF, 2012) To date 10 FSPs has been awarded USD 7.2 million. Of which USD1.3 million has been assigned to design, deliver and scale up youth-centric programmes as well as financial services in collaboration with FSPs.

An IGC study of 2012 shows that 28 percent of employed Ethiopians reported being underemployed: 27 percent in rural areas and 34 percent in urban areas. In addition, the study explains that Ethiopian youth are less participated in informal sector employment than the national employment rate. Informal sector economic activities generally overlap with small cottage industries and MSEs absorb the largest part of the labor force. Based on CSA 2012, 31.7% of urban employment is brought by the informal sector, but does not state percentage of young people. According to the TVET Strategy (2008), “More than 40% are self-employed in the informal economy, most of which live on the edge of poverty”.

A high level of unemployment implies the failure of a country’s economy to use its labour resources effectively. There can be different issues explaining unemployment, such as a low level of general economic activity, recession, inflation, rapid changes in technology, disability,
readiness to work and discrimination. In the case of Ethiopia, several determinants thought as factor of youth unemployment such as; low level of education, poor economic performance, high population growth, lack of entrepreneurship and skills mismatch.

3.1.4. Entrepreneurship

Leaders in Africa have recognized the private sector and entrepreneurial activity as the backbone of economic growth. Despite it, in developing country and fragile African continent the contribution of entrepreneurship is low. Brixiova and Ncube (2013) states though the growth of youth entrepreneurship is at its child phase, this productive age has been neglected. Basically, entrepreneurship is a creative activity performed by human beings, involved building a team of people with complementary skills and talents. The concept entrepreneurship has wide rages of meanings. The concept entrepreneurship has wide rages of meanings. In extreme sense, He/she is an individual who has extremely high ability, can pioneer for change possessed creative characteristics exists rarely in the population. In the other sense, entrepreneur is someone who has the desire to work different activities for him/herself. In almost all of the recent definitions, there is an agreement that we are talking about a kind of behavior that includes:

- Taking Initiative
- The restructuring of social/economic mechanisms to turn resources to practical account and
- The risk acceptance or failure, etc.

And there have been hundreds of definitions in dozens of books. Such definitions include:

Green(2011) stated that entrepreneurship is self-owned business firm. Identification of existing opportunities then pursuing them and fully exploit them for personal use. Bjerke and Hultman, (2002).H Entrepreneurship has been explained by Hisrich(1985) as the creation of unique and new thing using resources in the given risky environment.

Both in private and state owned institution entrepreneurship is the Efforts of employees to show creativity in doing activities. This is a process of seeking opportunities and integrating the existing resources in an efficient way to contribute in the productivity and development of an institution (Bezabih, 2005). Gutterman (2012) by taking the idea of As per Joseph Schumpeter (1883 – 1950) entrepreneur is an individual who mobilizes resource in a creative way to create value. That is, an entrepreneur is one who engages in a new economic activity that was previously unknown and he is also a risk taker because being innovative means there are few rules or history for guidance.
3.1.5. Youth unemployment and Entrepreneurship

Nowadays, the role of government sector and hiring institution are not able to absorb the largest labor supply. Entrepreneurship is taken as the way out to lessen unemployment due to different benefits it has endowed with. If sufficient financial services exist and delivered, the major source of employment is entrepreneurship. For both developing as well as developed countries MSES are the major source of employment (International Labor Organization (ILO) (2014)). For the purpose of survival if the labor market does not have vacant position, youth will engage in self-business. A necessity entrepreneur helps to assist youth livelihood whereas opportunity entrepreneurs are source of job. The Youth Employment Inventory graded entrepreneurship promotion measures as having the highest positive effect on creation of employment among a range of programmes reviewed. Studies were carried out on the spillover effects of youth entrepreneurship. According United Nation’s Industrial Development Organization (UNIDO) (2015), a study from the Oxford University generalized a number of reasons for the importance of promoting youth entrepreneurship:

- Self-employment opportunity as well as youth employment opportunity to other youth.
- Bringing isolated and disregarded youth into major economic system and giving them a sense of meaning and belonging.
- Helping to avoid delinquency and socio-economic problems arising from unemployment.
- To change youth life it is important to enable them develop skills as well as experience.
- Promoting the recovery of the local community by providing valuable goods and services;
- Capitalizing on the fact that young entrepreneurs may be predominantly adaptive to new trends and opportunities of the economy

Though there are limited studies on the causes of unemployment in Ethiopia, problems that occur European countries may exist in developing countries with an increased rate. For instance, the Analysis Minister of Employment and Social Security (2013-2016) in Spain illustrates that, in addition to conditions stemming from the current economic situation, Basically structural problems are the cause of the number of youth unemployment to increase, such as:

- High rate of early school leavers.
- Marked polarization the labor market, with some young people giving up their studies and having few skills, while others who are highly qualified are under-employed.
- Insufficient level vocational trainings provided at medium level.
• Poor employability youth especially regarding foreign language skills.
• High rate of temporary employment, with of young people
• Working involuntarily in temporary employment.
• High levels of undesired part-time employment, with 51% of young people
• In part-time employment wanting a full-time contract.
• Difficult access to the labor market for groups at risk of social exclusion.
• Need to enhance the extent of self-employment and entrepreneurial initiative among young people.

Moreover, even though there are so many factors that facilitate unemployment rates in Africa, problems that are related to financing takes the largest share. These factors include; collateral requirements, cost of credit, availability of information on finance, business risks and the dependent variable; Access to credit facilities by micro and small enterprises in (Gichukiet al, 2014).

3.1.6. Micro and Small Enterprises(MSEs)

In different countries, the definition attached to MSEs has been to the same. From these perspectives, no definition is considered as a definition that works at a global level. The paid up capital, number of employees, investment outlay and turnover of annual sales are the most widely used criterion to define MSEs(Stephen & Wasiu, 2013; GFDRE, 2011). According to Osotimehinetal, (2012), businesses which has fewer than 200 employees and with annual turnover of not more than €2 million are considered as small business. In Japan, MSEs are businesses having a capital of not more than Y50m or with employees which are 300 or fewer in manufacturing industry and in the commerce and service sector, businesses with either a capital of not greater than Y10m or not more than 50 employees (Stanley & Morse,1965). In this regard, to Olabisi et al. (2013) revealed that in Nigeria, small businesses are businesses with paid up capital is not more than 500,000 US dollar. This definition is with the exclusion of cost of land and the inclusion of working capital. Further, as stated by Daniel (2012), in Ghana, MSEs are firms operating with machinery and plant and but having 9 or less employees. This definition is also with the exclusion of buildings, land and vehicles.

Since 1997, the government of Ethiopian has adopted two working definitions by distinguishing micro enterprises from small businesses. Previously the ministry of trade and investment of Ethiopia (1997) stated declared that if their paid-up capital is Birr 20,000 or less, whose
businesses are categorized as micro enterprises. Whereas when their paid-up capital is between Birr 20,000 and 500,000, it will be categorized under small scale enterprises. This categorization is with the exclusion of consultancy firms with large technology and other large tech establishments. However, later, in the new MSE development strategy of Ethiopia (2011), the definition is modified by including the number of workers working at the business. The definition has also considered the type of sector in which these businesses are operating. Accordingly, for Micro enterprises the paid-up capital rises from Birr 20,000 to 100,000 in the industry sector and from Birr 20,000-50,000 for the service sector and operating with less than six workers for both sectors. In the case of small businesses, to be considered as small business the number of employees is between 6-30 and the paid-up capital is between Birr 100,000 and 1,500,000 in the industry sector. Whereas for the service sector, the number of employees remains the same (6-30 employees) and the paid-up capital is between Birr 50,000 and 100,000.

MSEs are facilities that make possible especially poor people to get a small loan to start a business, pay for school fees, procure housing or receive health care (Micro and Small Enterprises vital to facilitate economic growth, 2005). These kinds of instruments are influential in shifting the poverty patterns into improved facilities to reduce the challenge posed by startup capital. Micro and Small Enterprises has been playing a significant contribution in changing the lives of human beings and uplifting communities since the beginning of trade (United Nations, 2005).

Ethiopia has established a national strategy for MSEs development in November 1997. The policy has recognized so many challenges hindering MSEs development. he policy has been used as guideline to all stakeholders to encourage the establishment of new micro and small scale enterprises and aiding the existing enterprises to grow and become more competitive. According this strategy, the major challenges are; un-favorable legal and regulatory frameworks, poor business development services, poor infrastructure, limited access to finance, ineffective and poorly coordinated institutional support (Micro and Small enterprises strategy for Ethiopia, 1997).

In addition to reducing poverty, MSEs development program has targeted at reducing the unemployment (by creating 80% permanent employment and 20% temporary employment opportunities). According to empirical studies there is a problem in assessing the impact that these enterprises create in terms of employment opportunities, income, profit and capital in light with local community development. For instance, Workneh (2007) in his study conducted study focusing on analyzing factors hindering performance of MSEs has found that bureaucratic
regulatory requirement, lack of markets, lack of capital, problem of business development services and inappropriate locations are still major challenges of the sector.

Based on various studies conducted at different time, finance is the challenging factor for entrepreneurship or youth’ involvement in business ownership. Performance and survival of MSEs are affected by innate problems such as shortage of finance, poor location, management experience, access to raw materials, poor infrastructure, lack of market and corruption. (Akabueze, 2002). Additionally, the problems of premises of work, raw materials supply irregularity, access for marketing channels, working capital, startup capital and availability land are challenges that enterprise owners are facing.

Mekonnen and Kassahun (2013) stated that raw materials availability, management and financial adjustments and working promises are the challenges regularly faced by owners MSEs, experts and coordinators in Addis Ababa. Moreover, anecdotal evidences, public meetings and annual reports, on MSEs Addis Ababa indicated that performance and growth of some of the MSEs declining from time to time because of various challenging factors and obstacles. These researchers has also stated that lack of market, lack of support from all stakeholders, poor infrastructure, incompetence, working premises, raw materials access financial problems (access to finance) and regulatory obstacles are the major challenges faced by MSEs.

Regarding the supporting institutions, Mekonnen and Kassahun (2013) has described MSEs that lack appropriate managerial support, lack of technical assistance, experience sharing, fairness in allocating incentives, reluctance in solving problems immediately and access to finance are some of the problems imposed by the government. Moreover, the majority of micro and small business enterprises are facing financial problems such as insufficient loan, absence of asset pleiged as collateral, inappropriateness of repayment period and financial illiteracy.

World Bank (2012) states that the biggest challenge of MSEs in Ethiopia is inconvenience in assessing finance and it is listed as the most severe hindrance by entrepreneurs themselves. Additionally, Girma (2015) has also stated that economic and administrative challenges are still tremendous for Ethiopian women entrepreneurs. The country’s microfinance Industry is quit young which has started 1997 and consists of 31 regulated MFIs that achieve over 2.5million clients (June 2011) with an outstanding loan balance of Birr 6.5 billion (384 million USD) and a balance of saving of Birr 3.4 billion (199 million USD).The Micro financial institutions have a rural orientation and mostly work with the group-lending methodology. The industry is highly concentrated, with more than 80 percent of the clients and/or outstanding loans exceeding 90 is
percent being served by the five major micro financial institutions. Furthermore, as these large micro financial institutions are limited to their own territory being one of the regions competitions in the industry is very low. These five largest micro financial institutions are also very much influenced by their respective regional governments, which practically own the MFI and provide less than market-rate funds.

Based on UN Capital Development Fund (2012) ensuring the youth are benefited from financial participation in financial requires collaborative activities by from all stakeholders at the meso, macro, micro and individual levels as follows:

- **Macro:** Regulators and policy makers, such as central bank, Ministry of education, ministry of finance, ministry of youth and authorities of supervisory service in finance.

- **Meso:** Parties providing service support and players at the industry level including training organizations, microfinance institutions etc.

- **Micro:** Financial service providers such as banks, Microfinance Institutions, credit and saving associations. It also includes; organizations providing assistance to the youth like; churches, community centers, parent’s associations, women’s groups etc

- **Youth:** Based on UN definition, youth are teens and adults from 15-24 years of age. These youth may face restrictions on age for accessing financial services.

So, for playing their respective roles at a macro level, policy makers and regulators are now more equipped to recognize characteristics and needs of the youth regarding their need for finance and stick to the obstacles that are restricting the youth from accessing financial services. The following are the major challenges the youth faces from obtaining financial services.

- Restrictions in regulatory and legal requirements such as identification card and minimum age.

- Inaccessibility and inappropriateness of financial services offered by financial service providers.

- The youth has poor financial capabilities.

As to the activities needed to be performed to overcome these obstacles, a youth-supportive legislation that could concentrating the youth in protecting them and their inclusiveness in financial services is very essential. Providing financial education targeting entrepreneurial development of the youth can also enable them in obtaining the merits of the existing financial services. Government incentives and policies can also help to inspire financial institutions in designing proper financial policies and dynamic delivery channels including low cost access
points such as mobile banking and school banking programmes. Collaboration of several institutions such as line ministries, ministry of education, policy makers and financial regulators can subsidize through designing integrative and effective activities and policies that support youth’s financial inclusion. Those activities could include the establishment of advisory committee or national platform around the country.

UN Capital Development Fund (2012) has made the following recommendations with regard to Design and Delivery financial services for the youth:

- Encouraging and supporting the financial sector to design suitable financial services consistent with the youth and approachable CYFI’s banking principle.
- Establishing policies that provides subsidies and incentives to adopt the use of saving culture in formal financial institutions.
- Indicating for donors that to create a fertile financial access for the youth capacity building for financial service providers should be a priority.
- Developing a proper regulations and policies for enhancing the design of modern financial service delivery methods such as; mobile banking, school banking, and agent banking can stimulate the youth’s access for financial services.

Small businesses have varied and contextually specific financial needs. Therefore, reaching on a conclusion depending on insufficient research results presented is risky, though some patterns appear to be progressive regarding the needs of micro and small business needs. In the beginning stages, small firms operating in developing countries an informal source of initiating a fund is the most widely used source of financing at the beginning stages of small firms. These firms have a primary needs like cash flow management obtaining working capital loans and fundamental saving accounts. Later as these firms grow their needs also grows to the long term debts, current assets, transfers and payments. Long term loans are the most frequently used needs of MSEs (Glisovicet al, 2012).

Financial inclusion has been largely considered as critical for poverty reduction and achieving inclusive economic growth. There are numerous evidences indicating that inclusive finance has a substantial benefit for individuals. Studies recognized that people are more able to launch and develop firms, manage risks, rivet financial blows and spend in education when their financial system participation is more. The access to savings, accounts and payment tools empowers women, enhances savings, and improves consumption and productive investment. Availability
and use of credits could also improve consumption, unemployment, mental health and income (Demirguc-Kunt et al, 2014).

3.2. Empirical Literature

3.2.1. Financial sectors growth of Ethiopia

It was in 1905 that Abisinian Bank has been established as a bank providing modern banking service in Ethiopian with a long term agreement (50 years) with national bank of Egypt. Later on, new bank known as “Societe Nationaled’ Ethiope Pour le Development de l’ Agriculture et du Commerce” and two different foreign banks called “Banque de l’Indochine and the Compagnie de l’ Afrique Oreintale” were established in 1908 (Addison and Geda, 2001; Geda, 2004). There was an growth of banking activity at the time of the five-years Italian occupation. Specially, the Italian banks were very active Barclay’s bank of British had been established on 1941 in Ethiopia after the country’s independence from Italy and was in business until 1943. In 1943, Ethiopian State Bank has been launched by the government Ethiopia. It was challenging task for Ethiopian government to establish this bank because of neo-colonial story Britain was opposing its establishment. The bank has continued its operations both commercial and Ethiopian central bank until it has been changed into Ethiopian National Bank in 1963 the Ethiopian central bank, reestablished in 1976) and the Ethiopian Commercial Bank henceforth (Geda, 2004).

The current government has faced the toughest challenge of establishing the demobilization and beginning the transformation to market base economy after the down fall of Derg regime in 1991. The new government has started economic reform soon after it has acquired power. Derg’s policies and the political instabilities have left a poor economy, infrastructure and disadvantaged people. A fiscal policy aiming to increase revenue and decrease the fiscal shortage as cause inflation has been targeted by the newly established government. Structural reforms have also been made concentrating on lifting most national price controls, decrease import tariffs, and transforming into market economy. The financial reform had begun its activities in deep in 1994. The role of NBE’s in controlling the private banks has been codified. Interest rates administered which were sector-specific by national bank of Ethiopia has been ended and substituted by small deposited rate (10%) and higher lending rate (15%). The national private banks were allowed to join the banking industry but foreign banks are not a allowed to invest. Because of this, activities to these changes has been encouraging (Addison and Geda, 2001) The Banking and Monetary
Proclamation declared in 1994 by the NBE judicial body independent from the national government and stated its major functions (Wiedmaier-Pfister, et al, 2008). The proclamation of “Monetary and Banking No 83/1994 and the Licensing” and control of Banking industry no 84/1994 declared the legal foundation for spending in the national banking industry. The number of private banks in Ethiopia has currently reached 18 because of the announcement of this proclamation and these banks now have numerous branches around the country in Addis Ababa and in different localities (Keatinge, 2014).

The direct lending by the non-governmental organizations ended by the 1996 microfinance law and the microfinance institutions of the country have been on formalization for a decade. Some very small scale enterprises that have more than Birr 200,000 capital requirement have been also permitted by this legal framework established by No 40/1996 proclamation. Apart the commercial banks which are relatively wealthy, the initiative has targeted to serve other rural areas with needs of financial services and it has permitted micro financial institutions to automatically enter in to the market. Additionally, the Financial sector were neglected because of unsatisfactory preparation by the national bank of Ethiopia to control financial intermediaries. There were three major reasons for which the NBE formulated. First, the legislation was not transparent and not an obstacle to enter because of friendly interpretation of the legislation. Second, lack of inconsistencies were the largely observed in the legislation which could be eliminated. Third, the national bank of Ethiopia has learned and gained an experience from the last 10 years (Wiedmaier-Pfister et al, 2008).

### 3.2.2. Size, Structures and Performance of Financial Sector in Ethiopian

Al-Bagdadi and Bruntrup (2002) stated the financial sector in Ethiopia consists of formal, semiformal and informal institutions. Accordingly, Banks, microfinance institutions and insurance companies are categorized under the formal sector. The semi-formal institutions are institutions that do not be governed by the NBE are credit and saving associations. *Iqub* which is a rotating credit and saving associations”, *Idir*, (an association for death benefits) and other local money lenders are categorized under informal sector. These informal financial institutions are not registered under the NBE and they are traditional.

The financial sector in Ethiopia consists of three government owned (public) banks including NBE, sixteen private banks, fourteen privately owned insurance companies, one government owned (public) insurance company, fourteen privately owned insurance companies, more than 8200 Credit and saving Cooperatives and associations in both urban and rural areas and thirty
one microfinance institutions (Zwedu, 2014). There is mixed structural ownership of microfinances with the largest microfinance institutions partly owned by NGOs, regional states and private owners. In May 2013, accounting around 70 percent of the total assets of all banks has been owned by commercial bank of Ethiopia which is the largest bank in Ethiopia compared to 80 percent in 2002 (Al-Bagdadi and Bruntrup, 2002). Comparatively the commercial bank of Ethiopia is more profitable and relatively stable than other sixteen privately owned banks possessing 30 present of the total asset in the banking sector (Keatinge, 2014).

According to the “Overseas Development institute” (2014) report, there is low coverage services of finance in Ethiopia and the financial sector is still narrow. Recently researches have projected that the access for a formal credit facilities of households in Ethiopia is below 10 percent. Further, there are lack proper advanced financing instruments such as equity fund, leasing, etc. Over the last decade, a promising growth is recorded in the banking sector even though it has begun with a very small capital base. It has been 153 billion Ethiopian Birr in 2008/09 but reached Birr 400.9 billion in 2012/13. As a result it has recorded an estimated 163% rise between these years. Though the growth remains very fast from small capital base, the NBE has launched new regulation and this regulation decreases the rate of growth of the sector. The banking sector possesses over 80% of financial sector’ total asset and it is the largest sector in the financial services sector. Fast growth, wider geographic coverage and aggressive determination for wider scale is also the characteristics of microfinances in Ethiopia. However, the size of microfinances is still low relative to the economy’s need for financing. The economy is rapidly growing due to expansions in basic services and governmental infrastructure projects and the financial need of the country is also increasing parallel to economy. Therefore, for an economy with a rapid growth recording continuous double digit growth recently, a very capitalized financial institutions with diversified services that enables the government avail financial resource is required (Deribie et al, 2013).

Though the Ethiopian financial sector’s size and performance is promisingly improving for the last two decades, African Development Bank in its financial inclusion report (2013) indicated Ethiopia remained the least to teach the financial facilities to the poor mainly rural households. Moreover, the 2011 Global Financial Inclusion Index from the World Bank Financial Inclusion Database website Sub-Saharan African countries has a very low rate of uptake of 12%. This contrasts the second lowest Indonesia 20 % and with the Thailand’s uptake rate of almost 78%.
3.3. Analytical Framework

MSEs development program has aimed at unemployment reduction by creating 80% permanent employment and 20% temporary employment opportunities. According to Workneh (2007), lack of capital, bureaucratic regulatory requirement, lack of markets, problem of business development services and inappropriate locations are still major problems of the sector. As it has been described above one of the core problem of MSEs is lack of capital or getting finance for startup as well as expansion purpose. A World Bank (2012) state that one of the major problems of MSEs development in Ethiopia is financial access and access to finance is listed as the most severe hindrance by entrepreneurs themselves.

Studies conducted by different researchers other literatures has described multidimensional problems of financial inclusion. For example, Zewdu (2014) and Demirgüç, et al (2012) according to In sub-Saharan Africa for 20 percent of unbanked individual the cause of financial exclusion is distance from FSPs. Zewdu also added that existing banks’ reachability is worsened due to financial regulation recently declared by NBE and this leads to highly conservative loan policy which each banks have to be subject. Amidzic et al, (2014) described that financial exclusion could be because of voluntary reasons. The voluntary exclusion is a situation in which individuals, groups or firms prefer not get financial services because of religion, culture or lack of encouraging projects.

Munyani(2014) has seen another perspective of financial inclusion stating use of technology, financial literacy and gender instigate financial inclusion. Findings in this study revealed that the implementation of mobile phone as a means of accessing financial services has been driven by the growing number of low income earners who own cellular phones, the pre-paid billing system sensitive to users’ incomes and improving technology. Regarding the proper usage of financial services though financial literacy is considered as a barrier, people are that they also contributes to foster financial inclusion. In Africa, women entrepreneurs have limited access to land, finance and education because of the social exclusion. Lack of a regular income could be a constraint that hinders rural women not to be interested in opening bank accounts as they may not be able to sustain the account given regular bank charges.

Moreover , Zeru (2010) has indicated that the basic aspects that hinder the small businesses not to access finance are; loan covenants and information requirements, collateral requirements, available size of loan, level of cost of financing and availability of other loans (friends, family, Equbetc). GebreEgziabher (2015) has also stated that in Ethiopia, over two third of the population of Ethiopia has informal access to financial services from informal providers, such as
friends/relatives, money lenders, or from the three widely used Ethiopian specific informal financial organizations: Iddir (mourning periods financial assistance), Iqqub (organizations on cash savings), and Meskel Aksiyon (Meskel festival meat purchasing collaborations).

Based on these literatures and researches conducted by researchers and theorists, some dependent and independent variables are identified and adopted in the process conducting this study. Reception to financial service providers and Preference of these financial service providers by the target population is considered as independent variables. Additionally, independent variables are factors that restrict the youth from being financially included. These factors include; distance of FSP, Availability of other types of loan (friends, equb, family etc...), gender, age, religion and culture, cost of capital (Borrowing IR), repayment period, income, financial literacy, collateral, restrictions of the youth in the legal and regulatory setting, loan Size, and FSP technology utilization.

Further, the conceptual framework will measure the impact of being financially included (financial service reception) on the welfare of the youth micro and small business entrepreneurs. Hence, the dependent variable will be welfare of youth MSE entrepreneurs and some of the dependent variables will be taken as a matching variable for the outcome variable (welfare) in the PSM model. Accordingly, the following conceptual framework is drawn for the purpose of this project and research questions are developed focusing on these dependent and independent variables. Questionnaires will also be developed targeting to obtain the desired data used to reach on conclusion on the interrelation ship between these dependent and independent variables. Additionally, the study will also investigate the impact of being financially included on the welfare of youth micro and small business entrepreneurs.
Research Questions

In view of the above stated factors related to inclusive finance and entrepreneurship, the thematic research paper plans to address the following research questions:

1. What is the level of youth (male and female) entrepreneurship in the study area?
2. What is impact of being financially included on youth (male and female) entrepreneurs’ welfare?
3. Does involuntary financial exclusion exceed voluntary exclusion among youth (male and female) entrepreneurs?
4. Which factors of inclusive finance have significant and strong relationship with youth (male and female) micro and small business entrepreneurs’ financial service reception and preference?
5. What is the relationship between household consumption (outcome variable) and income, household size, average age of household considering two years panel data in Addis Ketema sub-city?

The research questions along with the data requirements and data sources are listed in the following table.

<table>
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<th>No</th>
<th>Research questions</th>
<th>Data Requirement</th>
<th>Source of data</th>
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| 1. | What is the level of youth (male and female) entrepreneurship in the study area? | • Number of youth involved in micro and small business ownership.  
• Gender type of respondents | From the rider questionnaire  
From the core questionnaire |
| 2. | What is impact of being financially included on youth (male and female) entrepreneurs' welfare? | • Number of financially included youth and financially excluded youth, Their respective income level per year  
• Gender type of respondents | From the rider questionnaire  
From the core questionnaire |
| 3. | Does involuntary financial exclusion exceed voluntary exclusion among youth (male and female) entrepreneurs? | • Number of voluntarily excluded and number of involuntarily excluded youth  
• Religion, gender, age, education, financial literacy, etc | From the rider questionnaire  
From core questionnaire |
| 4. | Which factors of inclusive finance exert more impact on youth (male and female) micro and small business entrepreneurs’ financial participation? | Determinants of financial inclusion and their level of impact on youth financial participation | Rider and Household Profile Questionnaire(H PQ) |
| 5. | What is the relationship between household consumption (outcome variable) and income, household size, average age of household considering two years panel data in Addis Ketema sub-city? | The relationship between household consumption (outcome variable) and income, household size, average age of household considering two years panel data in Addis Ketema sub-city | From the core questionnaire |
Hypotheses

Here below corresponding hypotheses are set for each research questions:

**H1**: The status of inclusive finance very low in the project areas.

**H2**: Financially included youth (male and female) are more successful than financially exclude youth entrepreneurs.

**H3**: The involuntary factors (insufficient income, high risk, discrimination, lack of information, weak contact, price barrier due to market imperfections etc) overweight the voluntary in determining the financial inclusion among youth (male and female) entrepreneurs.

Variables of the analysis

Dependent Variables (DV)

**DV1**: Youth reception of Financial Services (financially included or excluded) –Using Binary logit

**DV2**: Youth preferences for financial services Providers-Using mlogit

The response for this DV will be:

Banks (1), Micro Financial Institutions (2), Saving and Credit Associations (3), Local money lenders (4) Other(5)

List of independent variables to affect youth to receive or prefer types of financial service providers (FSPs) (Banks, Insurance Companies, MFI, Saving and Credit Associations, Local money lenders and financially excluded):

A. Gender
B. Age
C. Religion and Culture
D. Cost of capital (Borrowing IR)
E. Distance of FSP
F. Repayment Period
G. Income
H. Financial Literacy
I. Collateral
J. Regulatory and legal environment restrictions
K. Loan covenants and information requirements
L. Loan Size

M. Availability of other types of loan (friends, equb, family etc…)

N. FSP Technology utilization

Both descriptive and inferential statistics will be adopted for this study. Specifically, frequency distribution tables which show the percentage figure of indicators will be utilized. In addition to the mentioned descriptive methods of data analysis, advanced econometrics technique of binary and multinomial logistic regression is planned to be used. These models will help to identify youth entrepreneurs’ reception and preference of financial Service Providers respectively. The common types of lending financial institutions in Ethiopia are banks, microfinance and local money lenders. The Binary logit model provides the opportunity to identify the probability of participation (receipt of financial services) of subject of the study, which is the probability of getting loan from lending institutions. Whereas, the mlogit will be used to identify the probability of the independent variables on youth entrepreneurs preference of financial service providers. Accordingly, the dependent variable (preference of FSPs) regresses up against the observable explanatory variables (Example: Age of the business, collateral, loan size, income etc)

The mlogit for each non-reference category \( j = 1, \ldots, C-1 \) against the reference category 0 depends on the values of the explanatory variables through:

\[
\log \left( \frac{\pi_i(j)}{\pi_i(0)} \right) = \alpha_j + \beta_{1j} x_{1i} + \cdots + \beta_{kj} x_{ki}
\]

For each \( j = 1, \ldots, C-1 \) where \( \alpha_j, \beta_{1j}, \ldots, \beta_{kj} \) are unknown population parameters

\[
\Pr(Y_1 = y_1, \ldots, Y_k = y_k) = \left\{ \frac{n!}{y_1! \cdots y_k!} \pi_1(0) \cdots \pi_k(C-1) \right\} \text{ when } \sum_{j=1}^{k} y_j = n
\]

Otherwise 0

**Response variables: Preference of financial services**

Micro finance is the reference category, \( j = 1 \)

Banks are \( j = 2 \) category

Local money lender are \( j= 3 \)

Saving and Credit Associations \( j=4 \)

Financially Excluded \( j=5 \)
(Note that this codification is arbitrary)
**Independent variables:**

Cost of capital (Borrowing IR), Distance of FSP, Repayment Period, Insufficient income, Financial education, Collateral, Restrictions in the legal and regulatory environment, Insufficient income, Loan covenants and information requirements, Loan Size, Availability of other types of loan (friends, equb, family etc…), FSP Technology utilization.

Hottest will be conducted to verify the presence of hetroscedacity among error terms. Gujarati(2004) stated that variance of estimator factor might be inflated if a multicollinearity exists. The existence of muticollinearity is explained Variance Inflation Factor (VIF).Which is computed using $VIF_j = \frac{1}{1-R^2_j}$ where $R^2_j$ stands for coefficient of determination which explains how many percent of the variation of explanatory variables explain the variation of response variable. When VIF increases with R2jcollinearity will increase. As it has been explained by Gujarati and as rule of thumb when R squared is greater than 0.90 the VIF will be greater than 10.Hence the variables tends to be extremely Multicollinear.

In addition the poverty and inequality profile of the selected areas will be also analyzed. For the analysis of poverty and inequality Foster, Greer and Thorbecke (FGT) (Foster et al., 1984) and Gini-coefficient will be utilized(World Bank, 2005). The former will be after the determination of poverty line; if the household spend below it a household is considered as poor because that expenditure is insufficient to meet the food and other basic needs requirement that is considered as a minimum subsistence level.

The mathematical notation of poverty can be expressed as:

$$p_\alpha = \frac{1}{N} \sum_{1}^{H} \frac{G_i^\alpha}{Z_i}, (\alpha \geq 0)$$

Where,

$p_\alpha = Povertymeasure$

$G_i = Thedifferencebetweenincomeorexpenditureandpercapitaandpovertyline$

$H = thenumberofpoor (thosewithincomesatorbelowZ$

$N=Total
population$

H= The number of poor (those with incomes at or below Z

$\alpha = Weightattachedtotheseverityofthepoverty$
The commonly used values of $\alpha$ are 0, 1, and 2. When we set $\alpha$ equal to 0, $P_0$ indicates the headcount ratio, which measures percentage of population that falls below the stated poverty line for their living.

On the other hand, when we set $\alpha$ equal to 1 and 2, we obtain the poverty gap and severity of poverty index respectively. They are also denoted by $P_1$ and $P_2$. The latter two, unlike the head count measure have the advantage of giving more weight for the poorest segment of the group.

Gini-coefficient is the most widely used single measure of inequality (World Bank, 2005). It is an extension of the Lorenz curve analysis of inequality. Gini-coefficient provides a numerical value of the quotient of area A and the summation of area A and B i.e. $\frac{A}{A+B}$. The higher the value means the farther the curve from the perfect equality line that indicates there is unequal income distribution for the group or the country.

Further a binary logit model is used to identify the success and failure factors of youth entrepreneurs’ loan application.

Logit/probit model is a model for binary response where the response probability is the logit function or standard normal cumulative function evaluated at linear function of independent variable (Wooldridge, 2000).

In the logit model the probability of participation (included or excluded) can be defined as $P_i = \frac{e^{z_i}}{1+e^{z_i}}$ where $Z_i = \text{which is an estimated value of being financially included for the observed individual, household, and community characteristics.}$ However probit binary estimation.

$$P_i = p(y = 1|x) = p(z_i \leq \beta x) = F(\beta x)$$

The logit as well as probit models are similar, but the only difference is logit being flat at the top. In addition, in logit the probabilities sluggishly approaches 0 or one slowly as compared to probit. Considering these things and keeping in mind there complete similarity, this study does not have any rationale than its simplicity to choose logit model (Gujarati, 2004). In this research the logit model has been used for the estimation of the probability of creating own business or not based on apparent individual, household and characteristics of the community. Conditionally, the study will use the following Binary choice model which will
be helpful to identify prospective factors to affect youth entrepreneurs’ choice for formal financial sector for loan services.

\[
\log\left(\frac{p_i}{1-p_i}\right) = \alpha + \beta I + \theta H + \delta C + e
\]

Where,

\(\alpha\) - Vector of Coefficient of independent variation

\(\beta\) – Vector Coefficient of variables, which indicate individual characteristics

\(\theta\) – Vector Coefficient of variables, which indicate household characteristics

\(\delta\) – Vector Coefficient of variables, which indicate community level characteristics

\(Y\) - Whether the individual gets loan from legally established institutions or not i.e. \(1=\) Loan from legal established financial institutions \(0=\) Loan from illegally established financial institutions/sources

\(P_i=\) probability of \(Y=1\)

\(I\) - Vector variables, which indicate individual characteristics

\(H\) - Vector variables, which indicate household characteristics

\(C\) - Vector variables, which indicate community characteristics

\(e\) - Error term

**Error Component Model (ECM)**

For the sake of panel data analysis specifically for Addis Ababa project site the study is intended to use Error component model (ECM). It is known that the ECM will check the degree of adjustment of the variable to the long run relationship aftershocks.

Initially the panel data will be tested to choose for fixed effect model or random effect model using Hausman test.

\[
Y_{it} = \alpha + x'_{it}\beta + u_{it}
\]

Where,

\(i=1, \ldots, N\)

\(t=1, \ldots, T\)
\( i = \text{Denotes household} \)
\( t = \text{Denotes time frame} \)

\[ u_{it} = u_i + v_{it} \]

\( u_i = \) denotes the unobservable individual specific effect and \( v_{it} \) denotes the remainder disturbance.

The Error Component Model will be used to find the effect of independent variables on the level of consumption (RQ 4). Hence total consumption will be computed for each household and then the project will have two years panel data consisting the stated variable and other explanatory variables.

Here below clearly depicts the procedure how and for what issue the project will use the ECM:

**Step 1**: This project will collect consumption data for the project sites

**Step 2**: Then the project considers similar data which has been collected by previous CBMS Ethiopia project in 2015.

**Step 3**: Hope the project will have panel data for the variables: average age of households, average income of the households, household size etc. particularly for Addis Ababa site (because this is the only site where CBMS is re-implemented).

**Step 4**: The study will declare the data set as panel mentioning time variable \( t \) and using household ID.

**Step 5**: Then fixed effect(with in variation) and random effect(re) coefficients will be estimated assuming household consumption as DV and average age of households, average income of the households, household size as an IV.

**Step 6**: Meanwhile the Hausman test will follow to check the appropriateness of fe or re model.

**Step 7**: Finally, the coefficients will be interpreted

**Propensity Score Matching (PSM)**

As per the comments made by BEM the team has been requested to study the effect of financial inclusion on welfare of the youth. Hence the study reconsidered the methodology and set to use PSM.

Therefore while using this PSM we will collect the data and try to match and form a
group based on their exposure to formal financial institution (considered as treatment factor) and check whether there is difference on their respective income level.

The designed Propensity Score Matching (PSM) impact analysis tool will check the average treatment Effect (ATE) of accessing formal financial services on the welfare level of youth entrepreneurs (i.e research question two).

The procedure is as follows:

**Step 1**: Initially the research will select matching variables, i.e., treatment independent variables: which will help to balance the treatment and control groups and determine the number of blocks as well as common support area.

**Step 2**: Then the study will compute pscros and have two balanced groups ready for matching and meanwhile helps to determine the average effect of treatment dependent variable (accessing formal financial services). Hence in this step STATA will set the total number of blocks.

**Step 3**: In this step the study will choose matching method: As it is known there are four matching method (Nearest neighborhood, Radius Matching, Kernel matching and stratification matching.

**Step 4**: Finally the STATA will compute the Average Treatment on the Treated group (ATT)

The procedures listed above will assist to analyses research question which is about the effect of inclusive finance on the welfare of the youth entrepreneurs. Basically we consider measuring the welfare of youth entrepreneur based on the income. Hence the ATT will be explained in terms of currency.
IV. Objectives

**General objectives**

To develop and carry out pilot test for the CBMS implementation in Addis Ketema Sub-city (Addis Ababa) and Gobbesa town & MikanaGado rural kebele administration (ShirkaWereda).

**Specific objectives of Community Based Monitoring System (CBMS)**

- To provide appropriate information all concerned stakeholders such as governmental institutions, NGOs who may require this information to develop policies.
- To create awareness about the relevance of community based monitoring system to improve social welfare and poverty reduction.
- To introduce a detailed and appropriate survey tools used to collect community, household and individual level data.
- To promote collaboration among major stakeholders of youth financial inclusion through the steering committee established for this project.
- To recommend new policy issues then follow up to achieve low rate of financial exclusion in the project areas.

**Specific objectives of the pilot test**

- To explore level of youth (male and female) entrepreneurship in the study area.
- To measure impact of being financially included on youth (male and female) entrepreneurs’ welfare.
- To compare the prevalence involuntary and voluntary financial exclusion of youth (male and female) entrepreneurs.
- To identify which factors are more determinants of inclusive finance among youth micro and small entrepreneurs in the study area.
- To investigate the relationship between household consumption (outcome variable) and income, household size, average age of household considering two years panel data in Addis Ketema sub-city.
V. Research and Mobilization Activities

5.1. Project site selection and Description of the area

The CBMS study will be conducted in two extremely different areas of the country. One area is Addis Ababa city and the other is Arsi zone, which is found South-Eastern of Oromia Region in the country. Addis Ababa which is capital city of the country and the center of African Union plus home of other multinational institutions is believed to be 100% urban. Addis-Ketema sub-city is among the 10 sub-cities found at the city. Based on the previous CBMS-Ethiopia study conducted in 2015 (Leader Abel TewoldeMehari) in the sub-city, the total households number in the sub-city is 1880 and the total population is around 9000 resulting in average number of 4.8 members per household. The other area in which the study will be conducted is Arsi zone Shirka Wereda. Among the 18 zones in oromia region, Arsi has a surface area of around 23881km² and mixed farming practice is the characteristics of the zone. The difference in its weather condition allows the zone to practice various agro-ecological zones (mainly 5 major zones) which are moderately cold which accounts about 40% of the zone followed by very cold full season temperature possessing about 34% of the zone. Generally, the area’s mean annual temperature is between 20-250c in the low land, 10-150c in the middle high land (Oromiya National Regional State, Office of President). It is widely known in its excess production wheat and knows as “wheat-belt” of Ethiopia (Hailu, 1992). The main crops are wheat, barley, oil crops and pulses, teff, sorghum and maize. Live-stock are the major resources in agriculture, being around 0.97 million sheep and goats, 0.32 million draught animals and 1.5 million of cattle.

Two areas are intended to be selected from Shirka Wereda which is among the 25 Weredas of Arsi Zone. Within this Shirka Wereda there are 33 rural and 3 urban kebeles. Among these total number of 36 kebeles, one urban (Gobbesa town) and one rural (Mitana Gado) kebele is selected for this study.

Table 5.1: Addis Ababa City (Addis Ketema Sub-city) profile

<table>
<thead>
<tr>
<th>No</th>
<th>Addis Abeba</th>
<th>Total population size</th>
<th>Number of Households</th>
<th>Population who has an account in a formal financial institution</th>
<th>Youth Unemployment rate</th>
<th>Major economic activities where youth are engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Addis Ketema Sub-city (Wereda 10)</td>
<td>9,000</td>
<td>1880</td>
<td>Undisclosed: (The CBMS will reveal it)</td>
<td>10.06%</td>
<td>Trade</td>
</tr>
<tr>
<td>No</td>
<td>ShirkaWereda</td>
<td>Total population size</td>
<td>Number of Households</td>
<td>Population who has an account in a formal financial institution</td>
<td>Unemployment rate</td>
<td>Major economic activities where youth are engaged</td>
</tr>
<tr>
<td>----</td>
<td>--------------</td>
<td>-----------------------</td>
<td>----------------------</td>
<td>-----------------------------------------------------------------</td>
<td>------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>Gobbesa town</td>
<td>13,599</td>
<td>2999</td>
<td>Undisclosed: (The CBMS will reveal it)</td>
<td>Undisclosed: (The CBMS will reveal it)</td>
<td>Trade</td>
</tr>
<tr>
<td>2</td>
<td>MikanaGadokebele</td>
<td>4,341</td>
<td>856</td>
<td>Undisclosed: (The CBMS will reveal it)</td>
<td>Undisclosed: (The CBMS will reveal it)</td>
<td>Agriculture</td>
</tr>
</tbody>
</table>
5.1. Indicators

The following are basic indicators for the areas where the data will be collected:

**Table 5.3: Indicators, variables, measurements and operational definition for CBMS at an individual level**

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Variables</th>
<th>Measurement</th>
<th>Disaggregation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of children 7-14 years not attending primary school.</td>
<td>Education</td>
<td>Levels attained and the benefits accrued (Illiteracy, Primary, Junior, Secondary, Tertiary(College and universities))</td>
<td>Male/Female</td>
</tr>
<tr>
<td>2.</td>
<td>Number of youth 15-24 years without a job</td>
<td>Employment/occupation</td>
<td>Self-employed, civil servant</td>
<td>Male/Female</td>
</tr>
<tr>
<td>3.</td>
<td>Number of individuals without daily, monthly or yearly income</td>
<td>Income</td>
<td>Salary/wage</td>
<td>Male/Female</td>
</tr>
<tr>
<td>4.</td>
<td>The number of years the person spend without a certain job.</td>
<td>Work experience</td>
<td>Expressed in terms of years stay at work</td>
<td>Male/Female</td>
</tr>
<tr>
<td>5.</td>
<td>Number of individual who are failed to start a business because of fear of risk.</td>
<td>Attitude towards risk</td>
<td>Risk avert, risk lover etc</td>
<td>Male/Female</td>
</tr>
<tr>
<td>6.</td>
<td>Number of individual previously involved in voluntary activities.</td>
<td>Number of voluntary activities</td>
<td>The total number of involvement</td>
<td>Male/Female</td>
</tr>
<tr>
<td>7.</td>
<td>The monetary value of economic activity on which an individual is engaged</td>
<td>Value of total production</td>
<td>Total number of output (In Kg, liter, meter etc) and Total production value.</td>
<td>Male/Female</td>
</tr>
<tr>
<td>8.</td>
<td>Number of individual who are crime victimized</td>
<td>Crime</td>
<td>Burglary, stealing, hanging etc</td>
<td>Male/Female</td>
</tr>
<tr>
<td>9.</td>
<td>Number of youth 15-24 years who are involved in addictive and stimulant items (e.g. chat, cigarettes)</td>
<td>Addiction</td>
<td>Amount spent on beer, chat, cigarettes and other addictive acts.</td>
<td>Male/Female</td>
</tr>
<tr>
<td>10.</td>
<td>Number of individuals visiting health each day.</td>
<td>Vulnerability to disease</td>
<td>Frequency of a person visiting health center per year</td>
<td>Male/Female</td>
</tr>
</tbody>
</table>
Table 5.4: Indicators, variables, measurements and operational definition for CBMS at household level

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Variables</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Household income spent for consumption</td>
<td>Total consumption</td>
<td>Total number of output consumed (in Kg, liter, meter etc) and Total consumption value.</td>
</tr>
<tr>
<td>2.</td>
<td>Proportion of economic dependents</td>
<td>Dependency ratio</td>
<td>Number of children, Adults without income generating job.</td>
</tr>
<tr>
<td>3.</td>
<td>Household members who have died in the period</td>
<td>Death rate</td>
<td>Annual number of death and their causes, maternity death, infant death etc.</td>
</tr>
<tr>
<td>4.</td>
<td>Households with newly born children in the period</td>
<td>Birth rate</td>
<td>Annual number of birth at home, birth at hospitals.</td>
</tr>
<tr>
<td>5.</td>
<td>Households with safe housing</td>
<td>Housing</td>
<td>Owned, Rent, or no housing at all.</td>
</tr>
<tr>
<td>6.</td>
<td>Household clothing expenditure from the total spending</td>
<td>Clothing</td>
<td>Total number of cloth, cloth’s value.</td>
</tr>
<tr>
<td>7.</td>
<td>Proportion of household without access to safe water</td>
<td>Water</td>
<td>Pipe water inside the house (including bottled water), pipe water inside the private compound, pipe water inside compound but shared, pipe water in the village.</td>
</tr>
<tr>
<td>8.</td>
<td>Households without their own private toilet</td>
<td>Sanitation</td>
<td>Type of toilet (private, shared, no toilet) in the household.</td>
</tr>
<tr>
<td>9.</td>
<td>Daily meal intake of the household</td>
<td>Nutrition</td>
<td>Average number of meal intake per day by household members.</td>
</tr>
<tr>
<td>10.</td>
<td>Participation in community social affair (<em>Edir, Equb</em>)</td>
<td>Social capital</td>
<td>Number of household members involvement in social institutions.</td>
</tr>
<tr>
<td>11.</td>
<td>Household without access to health service</td>
<td>Health</td>
<td>Distance to health facilities, availability of drugs, quality and cost of health services.</td>
</tr>
<tr>
<td>12.</td>
<td>Household distance to the nearest market</td>
<td>Market</td>
<td>Measurement in KM or Meter.</td>
</tr>
<tr>
<td>13.</td>
<td>Household without saving account</td>
<td>Saving</td>
<td>Number of households members without saving account in a formal financial institution.</td>
</tr>
</tbody>
</table>
Table 5.5: Indicators, variables, measurements and operational definition for CBMS at community level

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Variables</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total number of firms engaged in investments and their respective capital</td>
<td>Investment</td>
<td>High level, medium and low level of investment</td>
</tr>
<tr>
<td>2.</td>
<td>Proportion of labor force in the community who are actively participate in work</td>
<td>Employment/Unemployment</td>
<td>Possible number of jobs, their salary</td>
</tr>
<tr>
<td>3.</td>
<td>6.1 Proportion of Community actively participates in environmental protection activities. 6.2 Number and type of businesses in the community which are not environmentally friendly.</td>
<td>Environment</td>
<td>Degree of deforestation, air pollution, sound pollution Consumption of ozone-depleting substances</td>
</tr>
<tr>
<td>4.</td>
<td>6.1 Number of KM of road in a community 6.2 proportion of community who have access for electricity, telecom service.</td>
<td>Infrastructures</td>
<td>Road type (asphalt, cobble stone, plane road etc), Electricity, telephone etc</td>
</tr>
<tr>
<td>5.</td>
<td>Total number of financial institutions(bank, insurance, micro credit institutions) and financial services in the community</td>
<td>Financial institutions</td>
<td>Bank service, insurance services etc Number of Formal financial institution branches in the area Number of ATM Machines installed by formal financial institutions in the area Number of POS terminals providing services to the community in the area</td>
</tr>
<tr>
<td>6.</td>
<td>Number of community members received aid or support from NGOs</td>
<td>Nongovernment institutions</td>
<td>Numbers and types of institutions in the community</td>
</tr>
<tr>
<td>7.</td>
<td>Total number of firms engaged in the provision of inputs for the dwellers of the community.</td>
<td>Input access</td>
<td>Highly available, less available etc</td>
</tr>
<tr>
<td>8.</td>
<td>Number and types of crimes committed in the community in particular period</td>
<td>Crime</td>
<td>Crime rate relative to the specified area community.</td>
</tr>
<tr>
<td>9.</td>
<td>Number and type of natural disaster occurred in the community</td>
<td>Natural disaster</td>
<td>Earth quake, volcanic eruption, flood etc..</td>
</tr>
<tr>
<td>10.</td>
<td>Number of times does the community get in to conflict with other community and within the community</td>
<td>Peace and Order</td>
<td>Number of conflict occurred in the community in the last twelve months</td>
</tr>
</tbody>
</table>

Table 5.6: Core Poverty Indicators

<table>
<thead>
<tr>
<th>Variables</th>
<th>Core indicators</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Nutrition</td>
<td>1. Proportion of children under five years old who died in the last 12 months</td>
<td>Total number of children aged 0 to less than 5 years old who died in the last 12 months divided by (the total number of children aged 0 to less than 5 years old who died in the last 12 months plus the total number of living children aged 0 to less than 5 years old in the last 12 months)</td>
</tr>
<tr>
<td></td>
<td>2. Proportion of women who died due to pregnancy related causes in the last 12 months</td>
<td>Total number of women who died due to pregnancy related causes in the last 12 months divided by (the total number of children less than 1 year old plus total number of women who died due to pregnancy related causes)</td>
</tr>
<tr>
<td></td>
<td>3. Proportion of household members who do not eat food three times a day past week</td>
<td>Total number of households with all members who do not eat food three times a day past week divided by total number of households</td>
</tr>
<tr>
<td><strong>Housing detail</strong></td>
<td>4</td>
<td>Proportion of households living in substandard houses</td>
</tr>
<tr>
<td>-------------------</td>
<td>---</td>
<td>----------------------------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>Proportion of households who do not have their own private house</td>
<td>Number of houses which are rented divided by total number of households.</td>
</tr>
<tr>
<td><strong>Sanitation and water supply</strong></td>
<td>6</td>
<td>Proportion of households who do not have access to their own toilet facility</td>
</tr>
<tr>
<td>7</td>
<td>Proportion of households who have no access to clean water facility</td>
<td>Total number of households with no clean water (other than piped line water) divided by total number of households.</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>8</td>
<td>Proportion of children aged 7 to 14 years old who do not attend elementary education</td>
</tr>
<tr>
<td>9</td>
<td>Proportion of children aged 15 to 18 years old who do not attend secondary education school</td>
<td>Total number of children aged 15 to 18 years old who did not attending secondary school divided by total number of children aged 15 to 18.</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>10</td>
<td>Proportion of households with income below the poverty threshold in the last 12 months</td>
</tr>
<tr>
<td>11</td>
<td>Proportion of households with income below the food threshold in the last 12 months</td>
<td>Total number of households with income below the food threshold in the last 12 months over total number of households.</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>12</td>
<td>Proportion of households who are engaged in economic production</td>
</tr>
<tr>
<td><strong>Social engagement</strong></td>
<td>13</td>
<td>Proportion of households who participate in social engagements</td>
</tr>
</tbody>
</table>
### Table 5.7: Indicators for financial inclusion and entrepreneurship study

<table>
<thead>
<tr>
<th>No</th>
<th>Category</th>
<th>Indicator</th>
<th>Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of household members</td>
<td>% of household members with an account at a formal financial institution</td>
<td>Household</td>
</tr>
<tr>
<td></td>
<td>Formally banked</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Number of household members with credit at</td>
<td>% of household members with at least one loan outstanding from a regulated financial institution</td>
<td>Individuals</td>
</tr>
<tr>
<td></td>
<td>regulated institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Number of household members made Mobile transactional use</td>
<td>% of Number of household members that use their mobile device to make a payment/Receipt</td>
<td>Individuals</td>
</tr>
<tr>
<td>4</td>
<td>Number of household members made High frequency of account use</td>
<td>% of Number of household members with high frequency use of formal account. High frequency is defined as having taken money out of a personal account(s) 3 or more times in a typical month. This includes cash withdrawals, electronic payments or purchases, checks, or any other type of payment debit, either by account owner or third parties.</td>
<td>Individuals</td>
</tr>
<tr>
<td>5</td>
<td>Number of household members having Saving propensity</td>
<td>% of Number of household members saved at a financial institution in the past year. Institutions include banks, credit unions, cooperatives and microfinance institutions.</td>
<td>Individuals</td>
</tr>
<tr>
<td>6</td>
<td>Number of household members receiving remittances</td>
<td>% of Number of household members receiving domestic and international remittances</td>
<td>Individuals</td>
</tr>
<tr>
<td>7</td>
<td>Financial Knowledge</td>
<td>Financial knowledge score. Correct responses to questions about basic financial concepts, such as: (A) Inflation, (B) Interest rate, (C) Compound interest, (D) Money illusion, (E) Risk diversification, (F) Main purpose of insurance.</td>
<td>Financial Literacy &amp; Capability</td>
</tr>
<tr>
<td>8</td>
<td>Financial Behaviour</td>
<td>Source of emergency funding. Response to: If you had an emergency that required [$10 or 1/25 of GDPPC] urgently, where would you get the money? a) borrow from friends/relative; b) work more; c) sell assets; d) use only savings; e) loan from savings club; f) loan from bank; g) would not be able to find it</td>
<td>Financial Literacy &amp; Capability</td>
</tr>
</tbody>
</table>

Source: Adopted from G20 Global partnership financial inclusion 2011 (customized)
5.2. Data collection

Data enumerators are intended to be selected based on their experience and skills because in some areas especially in rural Oromic language skill is highly demanded for the betterment of the project task. High school teachers in the study area (especially in ShirkaWereda) will be considered as the major targets for selecting data enumerators considering their capability to undertake the data collection activities at a community, household, enterprise and individual level.

The total number of data enumerators to handle the case of Addis Ketema sub-city and ShirkaWereda will be 30 (10 for Addis Ketema Sub-city and another 20 for ShirkaWereda). This is done on the basis of recognition that the household size and structure from where the data is supposed to be collected.

According to the data obtained from the previous CBMS study, the total population size of Addis Ketema sub-city is around 9,000 with 1880 households. Additionally, based on information from Shirka Wereda administration, the total population in Gobbesa town and Mikana Gado kebeles is 13,599 and 4,341 respectively. Besides, their household size is 2999 and 856, respectively. In the effort of deciding the size of enumerators, the size of population (Addis Ketema sub-city and ShirkaWereda) from where the census data will be collected is crucial. Hence, taking the enumerators number at Addis Ketema sub-city, 10, every enumerator is expected to handle the case of gathering data from 1880 households (comprising around 4.8 family sizes per household) within 3 months period of data collection. Data enumerators from the previous CBMS project will be considered for Addis Ababa city. This will save the time and cost of data enumerators training since they are familiar with the objectives and instruments used in data collection. Hence the project team will provide a simple orientation for these data enumerators. Similarly the planned enumerators (20 enumerators) at Shirka at an individual level they are expected to gather data from 3855 households (comprising around 4.6 family sizes per household) within 3 months period of data collection period. Based on experiences gained from the previous CBMS project high school teachers are more active, committed and flexible to implement CBMS activities. Hence, data enumerators in ShirkaWereda will be high school teachers in the project site. Further, training on the objective and data collection instruments will be provided for these data enumerators will be provided. The community will be involved in selecting these data enumerators and facilitating the collection of the data in the study area.
A census of the target population in the study area will be used to collect data for community-based monitoring system (CBMS) and pilot study on determinants of financial inclusion among youth micro and small business entrepreneurs in Addis Ababa city and ShirkaWereda. Household, community and individual level questionnaires will be prepared based upon the indicators listed in the project. Household and community core CBMS questionnaires of the earlier PAGE-CBMS project will be adopted with additions for collecting CBMS data. In the household questionnaire, one indicator (households without a saving account) will be added and in the community questionnaire, three indicators (number of formal financial institution branches, number of ATMs and number of POS terminals) will be added. Other than this, all the indicators stated from table 5.3-5.6 will be collected through CBMS questionnaire. For collecting a data used in the pilot study, all youth in the study area are encouraged to answer rider questionnaires. Data concerning riders listed in the conceptual frame work of the study; and financial inclusion and entrepreneurship indicators (table 5.7) will be collected through the rider questionnaire. The questionnaires are not limited to explicitly declared indicators. Further, through time while conducting preliminary assessment additional indicators might be built-in. Therefore, the questionnaire to be proposed will also incorporate such flexibility. Initially, the enumerators will take house number from the sub-city or Weredaadministration and area demarcation notification will also be provided about both selected sites at Addis Ketema and Shirka under the guidance of supervisors from the project team members. Meanwhile, regarding the above mentioned point and other important issues related to the project, orientation will be given to all enumerators under the following training schemes:

**Training:** Training to enumerators on the overall objectives of the CBMS and what type and from where to collect the data. This will be training on guidelines of field operation of census data collection. So, a two days training to supervisors and data enumerators will be given on CBMS objective, data collection, and use of equipment.

**Generally,** the team has agreed to utilize android gadgets (tablets) to gather data because it is believed that this way will reduce time of collection and data encoding.
5.3. Data Processing

After all the data are collected and uploaded on the server, the project team will download for processing the data. Once the data is downloaded from the server, the project team will prepare a data dictionary in order to identify the variables while processing the data on the stata software. The project team will also edit the data downloaded from the server while processing the data. Finally, since the data are collected through Household and rider questionnaires, there is a need to merge the household data with the rider data using the stata software. This is done because some data (like age, sex, education, etc) will be collected through household questionnaire but considered as independent variable for the youth financial reception and youth financial service providers preference that will be examined through the stated binary and mlogit model to determine which factors will exert more impact on youth financial service reception and financial service providers preference.

5.4. Data Validation:

The steering committee having total of twelve will be presented with the overview of the data results of the CBMS and they will be asked to recommend and confirm about validity of the data. To do so the following consultation workshop is designed to be conducted in future. Assuming that their involvement is crucial, all steering committee members will be invited to involve on the workshop.

Workshop 1 Presentation of Design of CBMS: Invite local government officers, representative from the community and other future possible users of the data bank and brief them about the new CBMS to be established. In addition, further explanation about the objectives of newly establishing CBMS in the area will be carried out.

5.5. Poverty mapping software used

The project team will use Quantum Geographic Information System (QGIS) software for poverty mapping. QGIS is an open source Geographic Information System that supports most geographical vector and raster file types and database formats. It is available for a number of operating systems including windows. It has an ability to create shape files and allows the user to
create points, lines and polygons very quickly and easily, and the user can also edit shape files and the contents in the attributes table. One member of the project team has trained in QGIS usage and conducted a previous CBMS project using the software.

5.6. Database management

A network with the local administrators is already established in both project areas and these local administrators have promised to provide the required support during data collection. The data enumerators will hold letter of cooperation from local administrators. Additionally, the project team will prepare a badge and T-shirt for all the data enumerators and supervisors in the project area.

Though their activities and responsibilities vary, numerous parties will be involved in database management of the project. Project data will be collected by data enumerators with a close follow-up of project supervisors who are responsible for checking, editing, processing and uploading data on the CBMS database. Project leader could also be involved in these activities if he is around the area while the enumerators and supervisors are performing these activities. But additionally, the project leader and members of the project team can upload, process and download the data for research proposes. Only the CBMS experts will be able to modify the data in the database and the project team members have to let them know if want to modify the data.

Finally, the data will be assessed by federal and local policy makers but other stakeholders such as Donating organizations has a limited access and have to get a permission from the PEP-CBMS International network.

5.7. Methodology

Data are intended to be gathered from Addis Ketema sib-city which is among the 10 sub-cities of capital city Addis Ababa and two kebeles found in Shirka Wereda which is among the 25 Wereadas found in Arsi Zone. From Shirka Wereda one kebele from both rural and urban areas of Shirka Wereda are selected for this study. These areas are believed to be having high level of financial exclusion.
Because of the remoteness of these two kebeles, the youth are believed to be excluded from formal financial services and these results in high rate of unemployment and rural to urban migration. Therefore, data related with determinants of financial inclusion and youth entrepreneurial activity will be gathered from those two research areas.

VI. Consultation and Dissemination Strategy

The results drawn from this study is going to be made available for the institutions and policy makers that are currently involved in the programs devoted to support financial inclusion and youth entrepreneurship development. These institutions are listed in the Table 8.3. Currently, we have no established contacts with these listed institutions. According to our expected output some relevant policies could be drawn and the existing policies will be revised in context to the prevailing situations.

To “Oromia Credit and Savings Share Company” (OCSSCO) and Addis credit and saving Share Company, we could provide a recommendation to design new strategy within which young entrepreneurs can have easy formal financial services. One individual from these saving and credit companies will be selected and included in the steering committee of the project and they will be part of the project to facilitate the changes required to improve youth financial participation in these financial institutions. To the Ministry of Education (higher and vocational) we could advice to increase the entrepreneurial skills of youths indicating which areas there is a skill gap among youth micro and small business entrepreneurs in the research report. To labor and social affairs minister, youth affaires minister, Ministry of Work and Urban development, trade and industry minister, numerous NGOs and financial institutions, this project will provide the profile of youth entrepreneur and reception to formal financial service providers. These institutions might initiate regional level training workshops for the youth on self-employment and means of financing their business. Likewise, it is important to improve partnership between public institutions, Commercial Banks and insurance companies to support youth initiative by providing social capital and guarantee. Specifically to Commercial Banks, we could advice them to allow to start-up access to long term loans based on findings. For institutions that included in the steering committee, representatives will be invited to the local and national workshops while presenting the findings of the project.
The dissemination strategy of the findings of this research will cover activities both at local, national and international levels. Important dissemination activities will be undertaken at the local and national levels, such as dissemination through workshops and conferences to present final research reports to a wide range of policy makers, academics, civil institutions and NGOs and the interested publics are targeted in this study. These workshops will be Presentation of Results of Pilot Test at a national level Local level. The workshops will play a crucial role to ensure that research results feed into the policy making process. These occasions will also be used to expose planned future research activities with a view to informing and receiving input from regional and national stakeholders.

The information about the CBMS project will be disseminated to all stakeholders through visual and written media (such as info graphics). The result of the project will be published on scientific papers in specialized reviews. Finally, the dissemination will be done online through Arsi University web site and all stakeholders can access the finding of the project from the website of the University.

To insure the sustainability of the CBMS implementation, a training on CBMS design and methodology will be provided to local officials along with the software that are used for the purpose of community based monitoring system.

**Steering committee set up**

The committee will be established comprising of the following 12 members

i. An individual from OCSSCO

ii. An individual from Addis credit and saving Share Company.

iii. Three individuals from selected Addis Ketema sub-city and ShirkaWeredaGobbesa town and MikanaGadokebele.

iv. Two individuals from the project team members.

v. Two individuals from data enumerators.

vi. A representative from Micro and small Business development bureau of ShirkaWereda

vii. A representative from Micro and small Business development bureau of Addis Ketema Sub-city

viii. An individual from CAWEE (center for women’s economic empowerment)

This committee will be established during the onset of the CBMS implementation. Particularly individuals from the two project administrative areas will help the researchers during the data
collection process as well as at the time of dissemination. Members like CAWEE and representatives from micro and small business development office will help the study by triangulating at the time of data validation.

VII. Expected Outcomes

Before conducting a detailed study in the CBMS profile and on the selected topic, a preliminary survey will be conducted and the reliability and relevance of variables, indicators and measurement tools will be tested. The national government will have the access to the CBMS profile data for developing policies and giving a priority in areas in which there is high level of poverty indicators and work of factors that determinants in financial inclusion of the youth. Additionally, the data will also be available and used by the regional and local officials to develop a regional and Wereda policies especially on how to improve access to finance to the youth who are mainly involved in different entrepreneurial activities in the study area. Moreover, based on need, different non-governmental organizations working on poverty reduction can also get the data access from the CBMS center to give a priority on areas on which they want to make.

The project will be expected to produce three papers, the first one is stating the method that will be used to design and implement the CBMS programs. Secondly, it will also produce a paper on specifically stating the major determinants that force young entrepreneurs to be excluded from access to finance. The third paper which is expected to produce is household and community level poverty profiles and poverty maps.

Finally, the project is expected to provide a short summary of policy briefs in two different areas. First, it will specifically identify determine major determinants of financial inclusion particularly for youth entrepreneurs and suggest national and local officials ways of molding the policies. Second, it will also prepare poverty profile and indicate the areas that the national and local officials as well as non-governmental organizations have to give a priority to improve level of poverty.

In terms of expected policy changes, different researches has stated that more than 2/3 of the Ethiopian population has access to an informal finance provider such as “Iddir” (death benefit) and Iqqub (rotating cash credit and savings organizations). So, it will be essential to look at the ways of integrating the formal financial system (specially, loan system) with these kinds of informal credit and saving organizations. Therefore, this project will develop a possible structure
in which the formal and informal financial systems will be integrated and then the policy makers (officers of financial institutions) are expected to adopt these structures of integrating the formal and informal financial systems.

VIII. Institution and personnel

Table 8.1: CBMS Project members’ profile

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Age</th>
<th>Sex</th>
<th>Training and Experience</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Degife Ketema</td>
<td>31</td>
<td>Male</td>
<td>Masters in Business administration; and 6 years experience in Adama science and Technology University and 2 Years Experience in Arsi University.</td>
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<tr>
<td>2.</td>
<td>Menen Abate</td>
<td>31</td>
<td>Female</td>
<td>Masters in Business Administration; and 7 years experience in Adama Science and Technology University and 2 years in Arsi University.</td>
</tr>
<tr>
<td>3.</td>
<td>Abel Tewelde</td>
<td>31</td>
<td>Male</td>
<td>Masters in business administration and 6 years experience at Haramaya University and 2 year experience in Arsi University.</td>
</tr>
<tr>
<td>5.</td>
<td>Senayit Seyoum</td>
<td>29</td>
<td>Female</td>
<td>Masters in Biostatistics and 8 year teaching Experience in Haramaya University.</td>
</tr>
<tr>
<td>6.</td>
<td>Hiwot Girma</td>
<td>25</td>
<td>Female</td>
<td>Bsc degree in Management information System and 1 year experience in East African Bottling Coca Cola and 2 years in Repi-Wilmar as area sales manager.</td>
</tr>
<tr>
<td>7.</td>
<td>Eden Gebremikael</td>
<td>28</td>
<td>Female</td>
<td>Masters degree in Accounting and Finance and Five years experience at Arsi University.</td>
</tr>
<tr>
<td>8.</td>
<td>Mulugeta Hailemariam</td>
<td>38</td>
<td>Male</td>
<td>BA degree in Language and Literature from Cotebetecagers teaching college and currently working as a mayor at Addis ketema Wereda 10.</td>
</tr>
</tbody>
</table>
Table 8.2: Possible duties of team members in the project

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Task</th>
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</thead>
</table>
| 1  | Degife Ketema      | ▶ He will be in charge of coordinating or supervising enumerators at the time of data collection  
▶ He will contact Shirka Wereda administration and get supportive information from there.  
▶ He will identify youth association in Shirka Wereda and try to get important info from them.  
▶ He will participate in data feeding to statistical software of SPSS/STATA  
▶ He will supervise data collection both at Addis Ketema Sub-city and Shirka Wereda  
▶ He will train trainers of enumerators  
▶ He will train enumerators  
▶ He will work with sponsored analysis papers |
| 2  | Senayit Seyoum     | ▶ She will contact Addis Ketema administration and get supportive information from there.  
▶ She will identify youth association in Addis Ketema and try to get important info from them  
▶ She will support all other members in data analysis and interpretation  
▶ She will take a responsibility of leading poverty mapping task  
▶ She will be the core leader of data collection in Addis Ketema  
▶ She will engage in supervising data collectors both at Addis Ketema and Shirka Wereda  
▶ She will work with sponsored analysis papers |
| 3  | Abel Tewolde       | ▶ He will generate policy and strategic advise according to the result  
▶ He will evaluate the general report of the study and give recommendation  
▶ He will participate in data encoding task to statistical software package of SPSS/STATA  
▶ He will supervise data collection both at Addis Ketema and Shirka Wereda |
| 4  | Kassahun Mamo      | ▶ He will generate policy and strategic advise according to the result  
▶ He will evaluate the general report of the study and give recommendation  
▶ He will evaluate and work with sponsored analysis papers  
▶ He will train enumerators |
| 5  | Hiwot Girma        | ▶ She will supervise data collection both at Addis Ketema and Shirka Wereda  
▶ She will participate in data encoding task to statistical software package of SPSS/STATA  
▶ She will work with sponsored analysis papers |
| 6  | Eden Gebremikael   | ▶ She will be the core leader of data collection in Shirka Wereda  
▶ She will participate in data feeding to statistical software of SPSS/STATA  
▶ She will participate in data analysis part as well as interpretation  
▶ She will engage on activity of data editing, processing and organizing |
<p>| 7  | Mulugeta Hailemariam | ▶ Will be actively involved in desininating the project result to gevermental institutions and private sectors in Addis ketema subsidy and Shirka Wereda. |</p>
<table>
<thead>
<tr>
<th><strong>Institution</strong></th>
<th><strong>Contact</strong></th>
<th><strong>Target</strong></th>
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</thead>
<tbody>
<tr>
<td>Oromia Credit and Savings Share Company (OCSSCO)</td>
<td>Po.box:19853 Tel:+251115534873</td>
<td>Oromia Credit and Savings Share Company (OCSSCO)</td>
</tr>
<tr>
<td>Addis credit and saving share company</td>
<td>Tel:+2511-1-57 27 20</td>
<td>Head office Addis credit and saving share company</td>
</tr>
<tr>
<td>Ministry of Labor and Social Affairs</td>
<td>P.O. Box: Tel:+251115517330</td>
<td>Head Office of Labor and employment</td>
</tr>
<tr>
<td>Ministry of Youth Affairs and Sport</td>
<td>P.O.Box:3241/907,Tel. 251-1-517020, Fax,251-1-512889, Addis Ababa</td>
<td>Head Office of Youth Affairs</td>
</tr>
<tr>
<td>National Bank of Ethiopia</td>
<td></td>
<td>Head office of the National Bank</td>
</tr>
<tr>
<td>Ministry of Education (Higher and vocational education )</td>
<td>PO Box :1367, Addis Ababa, Ethiopia Tel: +251-11-155-3133</td>
<td>Head Office of Higher and Vocational Education</td>
</tr>
<tr>
<td>Ministry of Work and Urban Development</td>
<td>PO Box 5608 Addis Ababa, Ethiopia Phone: +(251-11)151-0000.</td>
<td>Office of Credit</td>
</tr>
<tr>
<td>Ministry of Trade and Industry</td>
<td>P.O. Box: Tel:+251115518025</td>
<td>Head Office of Trade</td>
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<tr>
<td>Head Office of Trade</td>
<td>P.O. Box: Tel:</td>
<td>Head Office of Tax</td>
</tr>
<tr>
<td>Ethiopian Employers association</td>
<td>P.O. Box: 2536 Tel: +251 11 6 55 68 75 +251 11 5 50 02 48</td>
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<tr>
<td>Commercial Banks (CBE, DB, DBE, CBBE, WBE, HBE, ABE etc.)</td>
<td></td>
<td>Head Office of the banks</td>
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<tr>
<td>NGOs instituted for youth : employment</td>
<td>P.O. Box: Tel</td>
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<tr>
<td>Ethiopian Insurance Corporation</td>
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<td>Head office of Ethiopian Insurance Corporation</td>
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<tr>
<td>Ministry of Science and Technology</td>
<td>P.O.Box 2490 Tel:2511-51-13-44 Addis Ababa, Ethiopia</td>
<td>Ministry of science and technology</td>
</tr>
<tr>
<td>Federal Micro and Small Enterprises Development Agency</td>
<td>P.O. Box: 1463 Tel:+2515511122</td>
<td>Head offices for Job creations</td>
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</table>
IX. Work plan and time table activities

9.1. Work plan

Table 9.1: CBMS project: Time table of activities

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<thead>
<tr>
<th>Activities</th>
<th>Months</th>
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<td>Phase 1 – Year 1</td>
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<tr>
<td>I. Development of a CBMS</td>
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<td>a. Review of Existing Monitoring Systems</td>
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<td>b. Design of the Proposed System</td>
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<td>c. Presentation of Draft Design</td>
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<td>d. Report Writing</td>
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<td>e. Dissemination of Results</td>
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<td>II. Implementation of the System</td>
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<tr>
<td>a. Development of data collection and processing tools</td>
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<td>b. Networking with key persons in pilot site/s</td>
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<tr>
<td>c. Conduct of training of enumerators and data processors</td>
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<td>d. Conduct of data collection</td>
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<td>e. Consolidation and processing of data</td>
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<td>f. Analysis and validation of survey results</td>
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<td>g. Assessment and refinement of the CBMS design</td>
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<td>h. Report writing of poverty profile</td>
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<tr>
<td>i. Dissemination of poverty profile and final CBMS design</td>
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<td>II. Conduct of Research on the priority theme</td>
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<td>a. Estimation of models</td>
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<td>b. Analysis of results</td>
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<td>c. Preparation of draft report</td>
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<td>d. Presentation in a technical workshop</td>
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<td>e. Revision of report</td>
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<td>f. Preparation of policy brief</td>
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<td>g. Dissemination of Results</td>
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<td>i. local workshop</td>
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<td>ii. National workshop</td>
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<td>h. Submission of final report</td>
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</table>
9.2. Budget

<table>
<thead>
<tr>
<th>No.</th>
<th>Activity</th>
<th>Budget</th>
<th>Total (in Eth. Birr)</th>
<th>Total (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Personnel</td>
<td></td>
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<tr>
<td>1.1.</td>
<td>Professional Fees/Salaries</td>
<td></td>
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<tr>
<td>Project Director</td>
<td>2000x1 man-months x 36 months</td>
<td>48,000</td>
<td>2,060</td>
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<tr>
<td>Principal Researcher</td>
<td>1000x1 man-months x 24 months</td>
<td>24,000</td>
<td>1,030</td>
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<tr>
<td>Research Assistant/s</td>
<td>1000x4 man-months x 24 months</td>
<td>96,000</td>
<td>4,120.2</td>
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<tr>
<td>1.2.</td>
<td>Benefits</td>
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<tr>
<td>Travel Insurance</td>
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<td>35,000</td>
<td>1,502.1</td>
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<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>203,000</strong></td>
<td><strong>8,712.4</strong></td>
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</tbody>
</table>

2. Research Expense

<table>
<thead>
<tr>
<th>Budget</th>
<th>Total (in Eth. Birr)</th>
<th>Total (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enumerators, supervisors and drivers</td>
<td>75 days x 300 birr /day x 30 enumerators and drivers</td>
<td>675,000</td>
</tr>
<tr>
<td>30 Days of supervision x 1000 birr / supervisor X 4 supervisors</td>
<td>72,000</td>
<td>3,090.1</td>
</tr>
<tr>
<td>Local capacity building (Enumerators and Supervisors Training)</td>
<td>30 enumerators X2 Days X 200 birr per day and 4 supervisors X2 days X 1000 birr per day</td>
<td>20,000</td>
</tr>
<tr>
<td>Research Supplies/Maintenance</td>
<td>Pen, pencil, paper in reams and other stationery items</td>
<td>10,000</td>
</tr>
<tr>
<td>Reproduction of Research Reports</td>
<td>Payment for write up per page Birr 100 X 400 pages (for four analysis papers) and publication</td>
<td>15,000</td>
</tr>
<tr>
<td>Purchase and photocopy of Reference Materials</td>
<td>300 Birr X 15 reference books and photocopy of around 1000 pages</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>797,000</strong></td>
</tr>
</tbody>
</table>

3. Dissemination

<table>
<thead>
<tr>
<th>Budget</th>
<th>Total (in Eth. Birr)</th>
<th>Total (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshop 1: Presentation of Design of CBMS</td>
<td>Per diem for participants, lodging expenses, transportation expenses and other expenses</td>
<td>50,000</td>
</tr>
<tr>
<td>Workshop 2: Presentation of project results/findings - National workshop</td>
<td>Per diem for participants, lodging expenses, transportation expenses and other expenses</td>
<td>40,000</td>
</tr>
<tr>
<td>Workshop 3: Presentation of project results/findings - Local workshop</td>
<td>Per diem for participants, lodging expenses, transportation expenses and other expenses</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>120,000</strong></td>
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</tbody>
</table>

4. Indirect Costs (maximum of 13% of sum of items 1.0-3.0)

<table>
<thead>
<tr>
<th>Budget</th>
<th>Total (in Eth. Birr)</th>
<th>Total (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fee</td>
<td>Payment for human resource, purchasers of project equipment, finance administrators based on the time they work on the project.</td>
<td>20,000</td>
</tr>
<tr>
<td>Other Support Services</td>
<td>Cost of communication, car fuel etc</td>
<td>25,000</td>
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<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>45,000</strong></td>
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<tr>
<td><strong>Total cost of the project</strong></td>
<td></td>
<td><strong>1,165,000</strong></td>
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</tbody>
</table>

** The current rate of exchange is: 1$US = 23.3 Ethiopian birr and it is expected to rise
Note: The project team has intended to use tablets procured for previous CBMS project. Most of these tablets are in the hands of the previous CBMS leader Mr Abel Tewelde even if some of these tablets are not properly functioning. So the project team has planned to repair these tablets and use for this project.
X. Reference


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