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DEDEBIT MICROFINANCE

Foundation

According to the research conducted on the socio-economic status in certain sample woredas of Tigray Regional State in 1993, the absence of financial institutions which can provide financial services to the poor was one of the obstacles that hindered the undertaking of rehabilitation and development activities. The research commissioned by the Relief Society of Tigray /REST/ revealed the significance of establishing this institution so that a full pledged financial services can be provided to the poor households. Hence, Rural Credit Scheme of Tigray, as one development wing of REST, was established in 1994. This was later called as Dedebit Credit and Saving Institution /DECSI/.

After 3 years of its operation, Dedebit Credit and Saving Institution /DECSI/ was re-registered in the form of a Share holding Company as a legal entity in 1997 following the proclamation of the National Bank of Ethiopia. With such commitment, DECSI has been working widely in rural and urban Tigray for the last 15 years.

Vision

The vision of DECSI is to see poverty eradicated in Tigray Regional State and the country as well through the provision of quality of financial services by establishing a competent, strong, efficient, stable and sustainable financial institution in our continent.

Mission

The mission of DECSI is to improve the wellbeing of those individuals operating in the areas of subsistence agriculture, micro, small and medium enterprises by

increasing their income and wealth through the provision of quality and sustainable microfinance services.

Objectives

- To improve food securities at household level both in the rural and urban areas of the region.
- To create job opportunities to the unemployed parts of the population through promoting micro, small and medium enterprises in the region.
- To stimulate the local economy through offering adequate and efficient financial services and build

financially sound and sustainable institution.

Key Strategies;

- ü Confer priority to agricultural sector in the rural and MSEs in the urban areas.
- ü Use high community participation for the success of financial services of DECSI.
- ü Ensure that women get priority for financial services.
- ü Integrating the DECSI program with whole set of development programs in the region.
- ü Secure and achieve sustainable financial income required to cover the institution's operational expenses.
- ü Give prior attentions to saving mobilization.

Target groups

Though clients vary according to the type of product services, the target groups are identified as

- § Community members working to come out of poverty
- § The poorest of the poor capable of generating income /productive poor/

§ Owners of micro, small and medium enterprises

Ownership

Dedebit Microfinance /the so called DECSI/ is a share company established in accordance with the requirements of the National Bank of Ethiopia. The owners (share holders) are:

- o The government of Tigray Regional State
- o The Relief Society of Tigray (REST)
- o Women's Association of Tigray
- o Farmers' Association of Tigray
- o Youth Association of Tigray

Area Coverage

- When the institution commenced operation in 1994, it had branches in 8 woredas of the region with only 31 employees. Currently it is providing its services through functionally decentralized 115 sub branches, 8 main branch offices and 15 micro finance collateral based branches. The current number of staff has also reached 2000. Moreover, it has opened branches in Addis Ababa and Gonder while it is on planning to commence remittance services from abroad.

Types of Services

At this time, DECSI is rendering four types of financial services namely:-

Credit

Saving

Money
Transfer

Pension
Payment

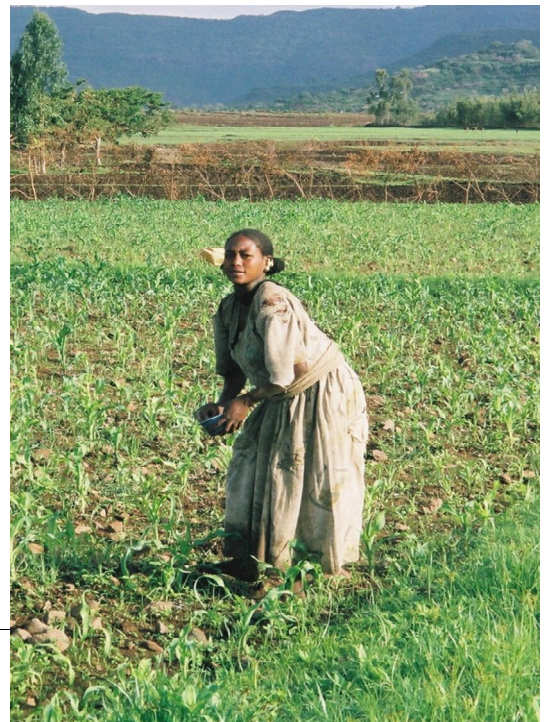
**Gold
Management**

How is loan provided to clients?

- ∅ Clients should primarily convince themselves to use the loan appropriately and repay it on time.
- ∅ Clients with clean track record history.
- ∅ Above 18 years of age and productive.
- ∅ People with good credit disciplines and no mental problems.
- ∅ The clients should be permanent residents of their respective areas.
- ∅ Projects financed should be feasible and marketable.

Ways of loan provision

- ∅ In group, individually and through collateral



Type, size and duration of loan

There are several types of loans /products/ in Dedebit Microfinance and the size and loan period varies according to the type of loan.

1. Regular loan

- It is a loan provided to regular clients of Dedebit Microfinance.
- It is a loan provided through group guarantee and the minimum number of group members is 3.
- The maximum period of loan is 3 years.
- Currently there are 60,619 clients benefiting from the service.
- Birr 160.7 million outstanding balance is in possession of clients under the service.
- The maximum loan amounting Birr 10,000 is given to clients who brought real and measurable results in their lives.



2. Agricultural input loan

- This product is given 100% for purchase of agricultural inputs like fertilizers and selected seeds.
- The loan is given in collaboration with Rural Development Bureau and the

collateral scheme is still similar with that of the regular loans.

- As of December 2008, over Birr 5 million outstanding loan balance is in the hands of 38,455 farmers.
- Loan period is 1 year /one harvesting season/.



3. Civil servant loan

- Civil servants are simultaneously among the beneficiaries of regular loans.
- Currently as of December 2008, Birr 34.5 million outstanding loan is in the hands of 20,211 civil servants.
- Civil servants take loan to cover education fees, for house construction and for purchase of house furniture.
- Civil servants should bring a support and letter of guarantee from their employer which indicates the amount of their salary and other relevant information.

- The loan allowed is maximum of 7 months salary.

4. Rural Package /Household centered/ loan

- This product consists about 70% of the institution's resources.
- Intentionally or unintentionally, this service is linked to safety net program in the region.
- This product service is maintained to attain food security at household level through diversifying the household income.
- At present 100% of the loan is particularly provided to rural households for buying various agricultural package components.
- The loan is provided with guarantee from the Rural Development Bureau of the regional state.
- Currently 313,598 active household clients possess outstanding loan balance of Birr 693.7 million.
- The loan period is 1-4 years.
- The maximum amount of loan can go up to Birr 10,000.



5. Urban package loan

- ∅ Higher portion of this loan is provided to owners of micro and small business enterprises in towns.
- ∅ It also consists loan for urban agriculture.
- ∅ It is implemented in collaboration with the Bureau of Trade and Industry as well as with the Agency of Micro, Small and Medium Enterprises as guarantees.
- ∅ A total of 21,535 urban household clients with an outstanding loan of Birr 52.8 million has been reported until the end of December 2008.
- ∅ The loan period ranges from 1 to 3 years.
- ∅ Maximum amount of loan provided is Birr 5,000.

6. Business Loan

- ∅ It is based on house collateral and is focusing on individuals who own micro, small and medium enterprises.
- ∅ Some 4,578 business owners are currently in possession of birr 354.7 million.
- ∅ The loan period is utmost 3 years.
- ∅ Up to now the minimum loan taken by individuals is Birr 10,000 while the maximum amount is Birr 3.4 million.
- ∅ The requirements clients should fulfill are:
 - *Business plan, Renewed business license, Original site plan of a house, Original ownership certificate of collateral and Marriage certificate*



7. Housing Loan

- § It is a loan provided for construction of residential /business/ houses.
- § Currently 4,604 clients have taken Birr 118.4 million for constructing houses.
- § The loan period is 5 years.
- § The maximum amount of loan disbursed to an individual client to date is Birr 2 million.
- § The requirements clients should fulfill are:
 - The house under construction should be at least with foundation and beam erected.
 - Original plan and ownership certificate.
 - Marriage certificate
 - For those who earn salaries, supporting letter from their employer is compulsory.
 - Other clients should avail financial statement that indicates their capacity to repay the loan.



8. TVET

- § The clients are graduates of technical and vocational education grouped in the form of cooperatives. They are selected by the Bureau of Trade and Industry.
- § Major types of products are metal and wood work, computer centers, stationeries, poultry, small ruminants, and etc.
- § 625 active clients with outstanding loan balance of Birr 2.2 million has been reported until the end of December 2008.
- § The service is covering more than 40 towns of the regional state of Tigray.
- § The maximum loan period is 3 years.



University and College graduated students

- ∅ DECSI is also committed to create job opportunity for university graduated students.
- ∅ The students are organized in the form of cooperatives.
- ∅ Hence, a total of 650 students with outstanding balance of Birr 4.5 million have been reported by the end of December 2008.

9. Equipment leasing

- ∅ Such product is given in kind and different loan sizes depending on the type and quality of the machinery.
- ∅ About Birr 27.2 million has been disbursed for more than 297 cooperatives.
- ∅ Maximum loan term is 3 years.
- ∅ This service is provided with a guarantee from the regional government.



10. Solidarity Tigreans Fighters Association

- ∅ More than Birr 3 million outstanding loan balance has been reported until the end of December 2008.
- ∅ 981 members of the association are active clients of Dedebit Microfinance.
- ∅ The service is provided with guarantee of their association.

Collateral

- ∅ DECSI provides loans based on different modalities including group collateral, guarantee



11. Disabled Veterans of Tigray

- ∅ Selected disabled veterans are identified by their association to take loans from DECSI for different business activities.
- ∅ Currently outstanding loan balance of Birr 929,264 is in the hands of 463 members of disabled veterans.

Gold management

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documents, and on individual basis.

- ∅ All household packages, business and housing loans are given individually with some sort of actual guarantees.

- ∅ Regular and input loans are given to groups organized in different forms.

Interest rate

- § DECSI charges a commercial declining interest rate ranging 9.9 to 18 percent depending on the type and risk characteristics of the product.
- § All interests are calculated on remaining balances.
- § The interest is meant to cover administrative costs, cost of fund, default and inflation.

Saving program

- § The service is provided to all members of the community: clients, non-clients, governmental and non-governmental regardless of their level of wealth.
- § Massive mobilization of saving is undertaken as part of the key strategy of the institution to achieve financial self-sufficiency.
- § The service is aimed at boosting the economy through developing the culture of saving.
- § Saving helps not only to solve immediate problems and expand income sources but also creates self-confidence and high spirit of the customers.
- § It increases the chance of getting loans by strengthening collateral.

- § It enables to follow planned expenditure through raising financial management capacity.
- § Any saver has the right to withdraw his/her money any time during working hours.
- § Through this service, it is desired to cover money required for loans out of saving deposits.
- § The interest paid for saving/deposit/ is 4 percent and still open for any changes when necessary.
- § The secrecy of savers is purely protected /kept confidential/.
- § As of December 2008, net saving of Birr 397.7 million has been collected from over 281,000 savers.

Money transfer service

- ∅ It is a service which enables customers to transfer money from one place to another in a timely, certain and safe manner.
- ∅ It is introduced to increase the income of rural communities through providing all rounded financial services.
- ∅ 39 woredas of Tigray region are currently benefiting from the money transfer services.
- ∅ As of December 2008, a sum of 345 million has been transferred from and to branches and sub branches.
- ∅ The money transfer service will further be expanded when all the sub-branches are accessed with automatic telephones.
- ∅ Any amount shall reach destinations within an hour or below.
- ∅ The service is also given from Addis Abeba and Gonder.
- ∅ The institution is also planning to execute international remittances after a legal

permit is obtained from the National Bank of Ethiopia.

Pensions Payment

- Monthly payment is made to over 65,000 pensioners through 75 sub-branches of DECSI.
- The service is provided to pensioners in their vicinity without being exposed to

unnecessary ups and downs and extra expenses.

- The service is implemented in a different mode of operations in collaboration with the Social Security Agency of the region.
- Hence, payrolls are prepared by the Agency for Pensioners and payments are made by DECSI using its pay out offices.

Impacts of DECSI's programs

- *Up to now Birr 4 Billion loan is disbursed out of which Birr 2.8 Billion is given particularly for agricultural production.*
- *At least 464,622 persons are interacting possessing money.*
- *To over 281,000 household saving clients, DECSI has played significant role in introducing saving tradition.*
- *The institution has 2000 employees which created wide employment opportunity in the region.*
- *Currently DECSI is providing financial services through 115 sub-branches, 8 main branches and 15 micro finance-collateral based branches.*
- *DECSI is providing fast and efficient financial services to different sectors of agriculture, service, handcrafts, trade and industry.*
- *It has also built its own standard offices in major towns of Tigray so that it can facilitate any banking services.*
- *The performance of the institution in terms of outreach and by product type as of December 2008 is quantitatively shown below:*

Outstanding portfolio as of December 2008

No	Type	Outstanding amount in million	No of Clients
1	Regular Loan	160,715,862	60,619
2	Rural Household Package	693,708,445	313,598
3	Urban Package Loan	52,786,606	21,535
4	Agricultural Input Loan	5,025,301	38,455
5	Business Loan	354,707,268	4,578
6	Housing Loan	118,427,777	4604
7	TVET Loan	2,196,141	625
8	Cooperative Loan	1,498,622	100 groups
9	Micro leasing Loan	27,172,771	297
10	Total	1,459,217,367	464,622
11	Net saving	397,684,513	281,000

Wealth and capital accumulation

∅ According to impact assessment which was conducted twice by a group of people from Norway and Ethiopia:

- Credit service has played important role in the increase of agricultural production.
- It has also played pivotal role in familiarizing the tradition of credit and saving with farmers.

∅ DECSI clients are able to select new business and markets; and familiarize

themselves with trading, factory products, food and drinks, carpentry and others.

- ∅ Due to the services, DECSI's clients not only have developed saving traditions but also have gained financial management and planning skills.
- ∅ Hence, comparing clients and non-clients, the clients:-
 - Have better living standard.
 - Their wealth has increased.
 - Their income has increased.

- They brought a change in their feeding habit.
- They are not vulnerable to disasters

- They have better access to health and education services.

Changes at household level

Changes observed at households	Clients	Non-clients
Improvement of living status of the household	59%	33%
Increase of the household's income	57%	35%
Increase of the household's wealth	51%	30%
Improvement of the quality of food	54%	38%
Increase of the quantity of food	49%	32%

Additional major accomplishments

- ∅ Sustainability of the institution is ensured.
- ∅ The wealth of the institution has grown up from Birr 4 million at initial to Birr 1.85 Billion as of Dec, 2008.
- ∅ The capital of the institution has increased to Birr 324 million.
- ∅ Possessed major fixed assets including:
 - 10 houses in Addis Ababa
 - 9 big buildings in major big towns of Tigray
 - One big complex in Mekelle for a head quarter
 - 11 One stair buildings in the woreda capitals
- ∅ 4 gold-purchasing sub branches were opened adjacent to the gold-field areas last year.
- ∅ Activities that will transfer DECSI into big banking institution have been undertaken.
- ∅ Considerable human resource capacity has been built.



The distinctive qualities of Dedebit microfinance are:-

- ∅ Unlike to others, DECSI operates in rural and urban Tigray centering the productive part of the poorest of the poor.
- ∅ Its quality in integrating the service with other development programs such as Food Security office, Bureau of Agriculture, Bureau of Industry and MSE agency.
- ∅ Encourages the local economic growth through creating new income sources to communities in Tigray.
- ∅ Familiarize and expand the tradition of saving and credit services to the rural poor.
- ∅ The ability of DECSI to make the have-not clients to generate economic power unlike the other banks that focus on increasing the wealth of rich customers.
- ∅ Enabled over 65,000 pensioners to get their payment in 75 stations located almost in every Tabia (sub-district) of Tigray.
- ∅ It has generally addressed different sectors of the community such as farmers, youth, marginalized women, disabled veterans, TVETs, university and college graduated students from different discipline, contractors, micro-small and medium enterprises, agro-industries and others.
- ∅ Has taken the initiative to create the association of micro financial institutions in the country and contributed to the issuance of microfinance regulatory framework in Ethiopia.

Key programs in the future

- ∅ Absence of sufficient financial resources to ensure the millennium development goals
- ∅ Absence of appropriate laws to transform itself into bigger bank operations.
- ∅ Absence of modern data collection systems or automating the system with new banking software.