MICRO FINANCE A MEANS TO POVERTY ALLEVIATION: A CASE OF MASARA N'ARIZIKI FARMERS ASSOCIATION

By

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DECLARATION

I hereby declare that this submission is my own work towards the Commonwealth Executive Masters of Business Administration (CEMBA) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my parents and to my sisters Eunice Aveolie Abaluk, Anita Laadi Abaluk and Mavis Awaaze Abaluk for their encouragement and understanding, my colleaques Osman Abdulai, Mahamah Abdul-Rahaman and Dika Delali for the support during the period of the EMBA programme.

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Abstract

The principal objective of microcredit programs is to raise incomes and broaden financial markets by providing financial services (principally credit) to small-scale entrepreneurs who otherwise lack access to capital markets. The enthusiasm for microfinance rests on the idea that people who have next to no money deserve financial services just as much as those who have plenty. So microcredit is often justified by notions of equity or fairness: everyone should have clean water and health care, and everyone should have the right to exploit their talent. For that, access to credit is crucial. This study was conducted to examine the effects Micro Finance as a means of alleviating poverty with a focus on the Masara N'arziki programme. The study adopted the focus group method because it allowed the researcher to study people in a more natural setting. A total of 100 respondents were sampled for this study.

The main findings of the study are as follows:

Most of the respondents (45%) fell between the ages of 18 to 35 and about 70% of the respondents own houses whiles 15% were staying in rented premises. About 25% of the respondents said they finance the harvesting of their products on their own; 20% said they self-finance the plowing of their fields. 15% of the respondents each self-finance the weeding and spraying of their lands. As high as 85% of the respondents said they faced serious challenges prior to joining the programme. All the respondents unanimously agreed that it was very lucrative and profitable doing business with Masara. 40% percent said there has been an improved yield; 30% said they now have sustainable income; 20% said they were experiencing better economic lives and 10% said they now have access to quality seeds and finally, about 70% of the respondents generally were of the view that the programme can be replicated elsewhere but must be modified

Based on the findings of this study in the previous chapter, the researcher made the following recommendations and suggestions: that there should be an effective needs identification and analysis before rolling out micro finance packages that should be proper education and communication; Masara N'ariziki should improve upon its service delivery strategies; there is a need to also revise and improving upon the block farming policies; there is need to modify the programme before its replication in order areas; changes in policy and environment; meeting the clients' needs; networking and development of strategic alliances; expanded outreach through commercial banks; commercial banks could contribute towards the reduction of poverty through liaison and working with complementary organizations such as MFIs/NGOs and other community organizations that are more used to working with this type and level of clientele. The formal banks could extend wholesale funds to these institutions using the program performance yardstick as the collateral.

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CHAPTER ONE

INTRODUCTIIION

1.1 A background to the study

The definition of poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate stands the question whether poverty is largely about material needs or it is about a much broader set of needs that permit well-being.

According to Sida, (2005),"Poverty has multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They also lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities"

Hulme and Mosley (1996) define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered.

In order to discuss microfinance as a tool for poverty alleviation, it is important to understand the concept of poverty both at a micro and macro level. It is not enough to define poverty in terms of basic needs only because this is likely to omit other important components therefore focusing on poverty as a single sided problem. It is necessary for microfinance institutions (MFIs) to embrace broad aspects of economic development.

According to Chambers (1983) the poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. Poverty contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services. Chambers (1983) recorded the many forms of deprivation that very poor people identify themselves as experiencing that are not captured by income-poverty measures. These include,

- Poverty is a strong determinant of the others. Poverty contributes to physical weakness through lack of food, small bodies, and malnutrition. There are inability to pay for health services, to isolation because of inability to pay school fees for children to go to school, to vulnerability through lack of assets to pay expenses or to meet contingencies and powerlessness because of lack of wealth goes with low status.
- The physical weakness of a house hold contributes to poverty in several ways: through the low productivity of weak labour through an inability to cultivate larger areas or work

long hours, through lower wages paid to women and to those who are weak. It sustains isolation because of lack of time or energy to attend meetings.

- Isolation (lack of education, remoteness, being out of contact) sustains poverty, services do not reach those who are remote, illiterates cannot read information of economic value, and find it difficult to obtain loans. Isolation means lack of contact with political leaders and therefore misses government development policies.
- Vulnerability is part of the many links. It relates to poverty through the sale or mortgage of productive assets, to physical weakness because to handle contingencies, time and energy have to be substituted for money, to isolation through withdrawal.
- Powerlessness contributes to poverty in many ways, not least through exploitation by the powerful. It limits or prevents access to resources from the state, legal redress for abuses and ability to dispute wage or interest rates, and only feeble influence on government to provide services for the poorer people and places. They are powerless to demand what is meant for them and cannot attract government aid, schools, good staff or other resources.
- Microfinance is the provision of financial services to the poor and low income. A key focus of microfinance is to respond to the demand for borrowing to support self-employment and small enterprise growth (Khandker, 2005). Microfinance as a new concept in finance and development has endeavoured to develop sustainable enterprises since its birth in the 1970s. For several years, microfinance innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited our understanding and guided the practice of microfinance-credit (Labie, 2001), cited in Kiweu (2009). Given the ongoing developments in microfinance, there is considerable interest for many

microfinance institutions (MFIs) in Africa to keep pace with the changing landscape in the industry.

According to Haupt (2006), Microfinance provides effective support for national poverty reduction strategies in achieving the Millennium Development Goals. Access to microfinance services enables poor and economically active people to:

- invest in new business activities, thereby increasing levels of employment and income,;
- build financial assets gradually and keep some of their financial reserves in a profitable, secure and liquid way; and
- compensate better for fluctuations in their income and expenditure and therefore cope more successfully with risks and emergencies.

The principal objective of microcredit programs is to raise incomes and broaden financial markets by providing financial services (principally credit) to small-scale entrepreneurs who otherwise lack access to capital markets. Some of the programs have primary social missions, focusing on outreach to women and measuring success in terms of poverty[1] alleviation. The enthusiasm for microfinance rests on the idea that people who have next to no money deserve financial services just as much as those who have plenty. A lot of the times those people who have next to no money are poor women. So microcredit is often justified by notions of equity or fairness: everyone should have clean water and health care, and everyone should have the right to exploit their talent. For that, access to credit is crucial.[2]

Global campaigns to raise awareness of the microfinance sector, and inspire nations to fund and encourage microfinance goals, have included the path breaking 1997 Microcredit Summit, where nearly 3,000 delegates from 137 nations agreed to set a goal of reaching 100 million of the poorest of the poor with credit for self-employment and other financial services by 2005. The year 2005 was also recognized as the UN International Year of Microcredit (Gail, 2005).

"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation inthe financial sector….

It is generally agreed that there is no universally accepted definition of poverty. The World Bank Development Report (1990) cited in Domfeh, and Bawole, (2009), for instance expresses it in terms of the income that a household or individual would require to purchase goods and services deemed necessary to sustain physical and social existence and quotes $370 per person per year (or US$1 a day) as the absolute poverty line in developing countries. It estimates that 33 percent of the population in the developing world are poor but the methodology used by the World Bank has sparked off high controversy receiving both support and criticisms from different groups and individuals (CPRC, 2004).

[2] Economist, Bankable Banks, 11/5/2005, Volume 377, Issue 8451, Special Edition pp 12-13

Together, we can and must build inclusive financial sectors that help people improve their lives."[3]

It is often noted that the financial sector in low-income countries has failed to serve the poor. With respect to the formal sector, banks and other financial institutions generally require significant collateral, have a preference for high-income and high-loan clients, and have lengthy and bureaucratic application procedures. With respect to the informal sector, money-

lenders usually charge excessively high interest rates, tend to undervalue collateral, and often allow racist and/or sexist attitudes to guide lending decisions (such as discriminating against women). The failure of the formal and informal financial sectors to provide affordable credit to the poor is often viewed as one of the main factors that reinforce the vicious circle of economic, social and demographic structures that ultimately cause poverty. As a partial response to this failure, the practice of microcredit has been on the rise in the past two decades. Perhaps the best-known microcredit institution is the pioneering Grameen Bank in Bangladesh (Chowdhury, et al 2005).

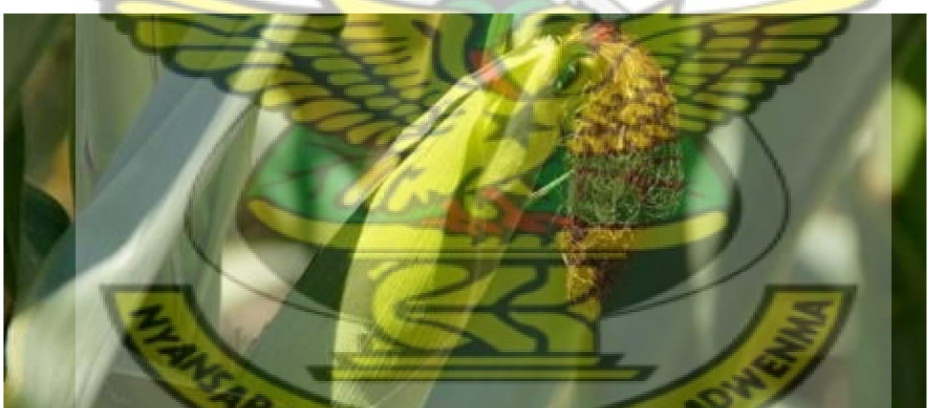
What makes microfinance such an appealing idea is that it offers "hope to many poor people by improving their own situations through their own efforts," says Stanley Fischer, former chief economist of the World Bank and now governor of the Bank of Israel. That

[3] --UN Secretary General Kofi Annan, 29 December 2003, announcing 2005 as the International Year of Microcredit.

marks it out from other anti-poverty policies, such as international aid and debt forgiveness, which are essentially top-down rather than bottom-up and have a decidedly mixed record.[4]

In a study of Grameen Bank clients, Khandker (1998) reports a cost–benefit ratio of 0.91, meaning a net social gain of $0.09 for every dollar spent in the program (as measured by improvements in household consumption). This result is particularly impressive when compared with the cost–benefit ratios of other poverty alleviation programs in Bangladesh such as the World Food Program's Food-for-Work, or CARE's food assistance program with cost–benefit ratios of 1.71 and 2.62, respectively. Efficiency gains are even greater when we consider that the benefits to the household extend into the future as a stream of income.[5]

Background of the Masara N'arziki Farmers Association (MAFA)



Through its involvement in the agricultural sector, Wienco has financial and business interests in the production/cultivation of banana, oil palm, teak, mango, cotton, coconut and other commodities. There is also an involvement in cotton and coconut fibre processing.

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[4] Economist, The Hidden Wealth of the Poor, 11/5/2005, Volume 377, Issue 8451, pp. 3-6

[5] Chamlee-Wright, Emily, Fostering Sustainable Complexity in the Microfinance Industry: Which Way Forward?, Institute of Economic Affairs, 2005, Blackwell Publishing, Oxford

These have resulted in the establishment of subsidiaries where Wienco has substantial equity investments in the following companies:

- Cocoa Abrabopa Association
- Masara N'arziki Association
- Wienco Fibres Limited (WFL)
- Integrated Tamale Fruit Company (ITFC)
- Volta River Estates Limited(VREL)

In May 2009, Yara Ghana Ltd and Wienco Ghana Ltd co-funded an association for the maize growers in the 3 Northern regions (Upper East, Upper West and North). This association is called Masara N'Arziki.

Masara N'arziki (Hausa phrase for "Maize for Prosperity") is headquartered in Tamale in the Northern Region of Ghana and covers the entire Northern part of Ghana (i.e. Northern Region, Upper West Regions and parts of Brong-Ahafo Region). Masara N'arziki Farmers Association (MAFA) is the culmination of Industrial Maize Program initiated in 2005 by Wienco (Ghana) Limited.

Despite increased maize production over the years, Ghana has a maize supply deficit, and makes up for the shortage through imports. But the establishment of MAFA is an indication of Ghana's potential in maize production. Its aims at addressing the challenges that the maize farmers are facing all along the value chain (inputs, harvesting, warehousing…and quaranteed markets)

Vision

The vision of MAFA is to support maize farmers do what they are doing much better, and receive more income through the use of improved technology that increases productivity of their farms. The program package consists of the provision of fertilizers, hybrid seeds, herbicides, insecticides, spaying equipment, innovative farm implements and technical advisory training on business to the farmers to enhance their entrepreneurial skills.

1. A key aim of Masara is to increase the productivity and profitability of maize production
2. The microcredit administered by Masara is to facilitate the adoption of improved technologies. For instance the technical (agronomic) training offered by Masara would enable the farmers adopt improved maize production methods. Secondly, the business training provided is to inculcate business thinking among the farmers. It is expected from these trainings that the groups would transform into viable Farmer Based Organizations (FBOs).
3. Masara also envisions that with time, the level of commercialization would increase among the farmers.

Components

The components of MAFA can be broken down as:

- Smallholder Farmer Development and good agricultural practices,
- good land use and management practices
- rural based programme with group cohesion and dynamics

- increase in yield
- farming as a business to increase yields and profit
- access to good market
- the promotion of the development of Farmer Based Organizations(FBOs)
- increasing profitability

Key Benefits to Farmers

The benefits of the MAFA includes but not limited to:

- availability of quality inputs and timely delivery to the farmer at the right time ;
- technical support and business management training for the farmers;
- provision of post harvesting machinery and equipment at farm gate level that reduce drudgery in post-harvest handling of maize;
- community storage facilities and
- guaranteed market thereby avoiding the fluctuations in the market prices of maize

Program Coverage

During the launch of the Masara N'arziki Farmers Association (MAFA) in 2009, 2,200 farmers were registered for the program. The program currently covers three (3) regions of Ghana namely Brong -Ahafo, Northern and Upper West Regions. Planting for the year 2009 amounted to 10,401acres for more than 2,500 farmers.

By the next 5 years, Wienco hopes to support MAFA to improve the supply of 200,000MT locally produced maize from about 50, 000 farmers, mainly for industrial use. They will benefit from new equipment, warehousing facilities and, most importantly, all necessary inputs on credit and repaid after harvest.

The program aims to regularly have quality maize grain for sale to interested buyers. The novelty in the operations of this organization lies in the fact that it provides credit to farmers and gets repaid at harvest time based on negotiated and agreed prices.

Masara N'Arziki, progress to date

Year	Yield(Metric tones)	No. Of Farmers	Acreage
2008	2,330	1,250	2330
2009	3200	2,181	8750
2010	10981.92	2951	14000
2011 Ongoing		3106	13464

Source: Masaranarziki.com

The organization has been so successful that it increased the productivity of maize from 2,330[6] metric tonnes in 2008 to an incredible figure of 20,000 metric tonnes in 2009. It also increased the number of farmers within the period to 2,500 from the 2008 figure of 2330 (see table 1, above). The programme is becoming very popular year after year and more farmers are signing onto the programme The increase in yields over the years also translates in to higher profitability and ultimately incomes for farmers.

1.2 The problem statement

The main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population.

It is known that loans advanced by microfinance institutions are normally for purposes such as housing, petty trade, and as "start up" capital for farmers to buy inputs for farming and this includes rice seeds, fertilizers and other agricultural tools. Some of the loans are used for a variety of non-crop activities such as: dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery and woodworking. Of course, funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises, such as: irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming.

In recent years, Ghana has emerged as one of the leading nations in Sub-Saharan Africa that is on course to achieve the Millennium Development Goals (MDGs) before the 2015 deadline. It has also managed a smooth and peaceful political transition in 2008, and has created a political and policy environment conducive to economic and social progress and poverty reduction IFAD (2009). The overall poverty level in Ghana has reduced from 56% in 1992 to 28% in 2006 (World Bank, 2006).Though Ghana's economy has grown at an average annual rate of 4.5% over the past two decades, the agricultural sector still dominates and contributes about 34% and employs nearly 55% of the labour force (World FactBook,2008). Low productivity and poorly functioning markets for agricultural outputs are among the causes of poverty as indicated in the government's poverty reduction strategy paper. Small scale farmers rely on rudimentary methods and technology and they have limited skills and inputs such as improved seeds that would increase yields. Poverty is deepest among food crop farmers, who are mainly traditional small scale producers. About six out of ten small scale farmers are poor and many of them are Women (IFAD, 2009). In the last decade, poverty rates dropped by 8.6 per cent in urban areas and by 10.4 per cent in rural ones. Ghana's growth and poverty reduction rates are probably the best that have been achieved throughout sub-Saharan Africa in the past 15 years[7].

From an obscure experiment in Bangladesh 30 years ago, microfinance has become a worldwide movement as a development activity, a way of helping poor people out of poverty (Ditcher, 2006). In light of its prominent role in development economics, Buckley (1997) described it as the newest darling of the donor community, while Karnani (2007) portrays it as the newest silver bullet for alleviating poverty and Greer (2008) and Gupta and Aubuchon (2008) claim that microfinance shines as a proven way to improve the lives of the poor. The

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[7] http://www.ruralpovertyportal.org/web/guest/country/home/tags/ghana, retrieved on 09/02/2011

Nobel Prize committee for 2006 identified microfinance as a liberating force and an important instrument in fighting poverty. Accordingly, by late 1990s, microfinance had become the darling boy of most donor agencies and subsequently received a chunk of the budget (Buckley, 1997). This was also boosted by the UN's declaration of 1997-2006 as a decade for the eradication of poverty.

Other studies, however suggest that the impact of microfinance has been over advertised or hyped(United Nations Capital Development Fund [UNCDF],1999; Ditcher, 2006; Karnani,2009). Sachs (2009) also argues that the conditions in Africa do not allow microfinance to have its full effect. According to him, the terrible conditions in Africa (disease, poverty and poor governance environment) have to be fixed first before microfinance could be beneficial. Because of these ambiguous results, many authors point to the use of citizens' perception (Durant and Legge,2002 and Battaglio and Legge, 2009) to examine the impact of microfinance as this study seeks to do.

Although there has been a substantial overall decline in the incidence of poverty in Ghana, poverty still has a firm grip on rural areas, especially in the north. There is a wide disparity in income between people living in the drought-prone northern plains, and those living in the south, where there are two growing seasons and greater economic opportunities. Just over half the country's population live in rural areas. The poorest parts of Ghana are the savannah regions of the north (the Northern, Upper East and Upper West regions), where chronic food insecurity is widespread and livelihoods are more vulnerable. Poor rural people have limited access to basic social services, safe water, roads that are accessible year round, and electricity and telephone services. Poverty is most severe among food crop farmers, who are mainly traditional small-scale producers. About six in ten small-scale farmers are poor, and many are women. Women bear heavy workloads. In addition to their domestic chores, they are responsible for about 60 per cent of agricultural production. More than half the women who head households in rural areas are among the poorest 20 per cent of the population.

Population pressure leads to shorter fallow periods or even continuous cultivation in the densely inhabited Upper East and Upper West regions, causing soil erosion and loss of fertility. Land degradation poses a long-term threat to farmers' livelihoods and incomes. Only a small proportion of farmers have access to irrigation. Land ownership and land security are regulated by complex systems that vary widely. Many farmers lack rural infrastructure and equipment for storing, processing and marketing their products.

In order to overcome their vulnerability and food insecurity, poor rural populations need help to sustainably increase their incomes. Good opportunities exist to link farmers to markets and to modernize agriculture. The rural private sector could play an important role in making farming a profitable business through access to financial services, farm inputs and linkages to agro processors and traders. However, all these supposed impact and effect of microfinance on poverty reduction have not being fully researched especially the effect of Masara N'Arziki. This organization is barely three years old but its role in poverty alleviation as seen in the introduction above is very impressive.

This research therefore was undertaken to identify how MFs and for that matter, Masara N'Arziki, contribute to poverty alleviation among the rural folks, especially, those found in the northern parts of Ghana.

1.3 Objectives of the study

Although Africa is not the poorest continent [8](Africa has so many resources like Gold, Diamonds, Platinum, iron ore, copper, coal, oil to name but a few, it also has rich forests, amazing wildlife, fantastic natural wonders that people spend millions every year to visit but its people are still the poorest in the world), it is the only region where poverty is constantly on the increase. Except from Solomons, all the top ten poorest countries of the world are from Africa. Congo is the poorest nation of the world as well as the poorest of Africa. The second poorest country of the world is Zimbabwe; it is also the second poorest state of African continent according to Gross Domestic Product. Liberia is the third poorest on earth, according to GDP per capita income given by CIA.gov. Check out the list of top ten 10 poorest countries in the world[9].

As a result millions of people live each day in abject poverty. Children go without food, their bodies stunted by malnutrition which is wide spread. The commission for Africa finds the conditions of the lives of the majority of Africans to be deplorable and an insult to their dignity (Geldolf, 2005). Therefore, there is need to change these conditions in order to make poverty history in Africa. Lufumpa (1999) points out that in the mid 1990s close to 50 percent of Africa's population of 700 million lived in absolute poverty and the majority of

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[8] http://socyberty.com/issues/the-richest-is-also-the-poorest-continent-in-the-world/
[9] http://www.einfopedia.com/poorest-countries-of-the-world-poorest-nations-by-gdp-per-capita.php, retrieved on 14/02/2011

the poor live in rural areas. In both urban and rural areas, women as a group comprise of a high disproportion number of people in absolute poverty.

No.	**Flags**	**Country**	**GDP Per Capita ($)**	**Continent**
1.		Congo	300	**Africa**
2.		Zimbawe	500	**Africa**
3.		Liberia	500	**Africa**
4.		Guinea	600	**West Africa**
5.		Somalia	600	**Africa**
6.		Comoros	600	**Africa**
7.		Solomons	600	**Australia**
8.		Niger	700	**Africa**
9.		Ethiopia	700	**Africa**
10.		Central Africa Republic	700	**Central Africa**

There is extensive evidence that microfinance has a positive impact on the first Millennium goal: that the number of people living in extreme poverty (defined as those living on less than $1 per day) will be reduced by half between 1990 and 2015 (Morduch and Haley, 2001). Lately the role of financial services, especially microfinance, in the struggle against poverty has been given increased attention given the informal economy where the majority of poor folks operate. The study is conducted with the following broad and narrow objectives:

1.2.1 Broad Objective

The overall aim of this thesis is to explore the impact of microfinance intervention on the rural poor by Masara N'arziki.

1.2.2 Narrow Objectives

- To assess the sustainability of the programme.
- To ascertain if the concept is replicable in other areas
- To find out yields and its economic implication

1.3 Research Questions of the Study

To answer the objectives, the following research questions were asked:

- What is the impact of the microfinance intervention on the rural poor by Masara N'arziki?
- Is the programme sustainable?
- Can the programme be replicated in other areas?
- What are the challenges hindering the smooth operations of the programme?

1.4 The importance of the study

Access to financial services in any form as seen from above, is imperative for the development of the informal sector and also helps to mop up excess liquidity either as surplus or investment capital for national development. The Ghanaian financial sector, in spite of the reforms, still experiences a gap between the demand for and the supply of financial services. The observation was stressed in the International Monetary Fund Country report on Ghana of May 2003 that "weaknesses in the financial sector that restrict financing opportunities for productive private investment are a particular impediment to business expansion in Ghana."

There is an emerging consensus around the view that micro finance as a necessary complement of formal financial credit can be an effective response to persistent poverty, vulnerability and inequality. It is hoped that the findings of this study will be a useful contribution for Ghana and other developing countries faced with the challenge of poverty alleviation. Specifically, it will help in the areas of policy choices and programme implementation. Non State actors like NGOs; CSOs and trade union organizations can also benefit from the findings of the study. It is hoped that it will help them with respect to how to construct their roles as partners in poverty alleviation.

These organizations can also use the findings as ingredients for issue framing and agenda-setting.

In conclusion, the study sought to analyze, using the sets of questions as a guide to show the situation of the poor, their efforts and how credit can help. But gaps left by credit, the state should step in within a broader view with social protection programmes.

1.5 The Research Methodology

This thesis integrated both quantitative and qualitative approaches. The field study with the clients of Masara N'arziki gave answers to the research questions. In conducting the study, secondary sources, information and data were relied upon. These included textbooks, published and unpublished reports, journals, local and international magazines and newspapers. The Internet and various websites were also accessed and used, but with some measure of care and verification on the competences. These materials were useful in the study as they helped strengthen the analysis to be presented thereafter.

The study further used interviews and discussions since these constituted the primary sources of the research. A comprehensive structured questionnaire was designed and administered to garther information that would strengthen the primary data of this study. However, the constraints of time and wherewithal limited retrieval and broad field application of the questionnaire.

1.6 Scope of the study

For the purpose of this study, the geographical scope was the Northern Region of Ghana. Tackling poverty is especially difficult in the north, and even small changes can have a noticeable impact. Across the country, Ghana's robust economy has contributed to considerably improving the well-being of its people, with the proportion of Ghanaians living in poverty falling from 52 per cent in 1991–92 to 29 per cent in 2005–06, according to estimates by the Ghana Statistical Service (Harsch, 2008). Ghana is thus on track to meet the poverty-reduction target of the Millennium

Development Goals (MDGs) adopted by world leaders in 2000. But Ghana's north has largely been excluded from that broader trend. The incidence of poverty in the Northern Region declined only slightly over the same period, from 63 per cent to 52 per cent. In the Upper West Region it remained static, at 88 per cent, while in the Upper East Region it actually increased, from 67 per cent to 70 per cent.

According to UNDP's Ghana Human Development Report 2007, these three regions "harbour the poorest of the poor," (Harsch, 2008). So while Ghana — unlike many other countries in sub-Saharan Africa — has made some notable progress on some of the MDGs, that process has been very uneven within the country. Segments of the population have been left behind in other parts of Ghana as well, especially in the large urban centres in the south. Yet the worst indicators are concentrated in the north.

It was therefore a very relevant and strategic place to study how micro finance has helped to alleviate poverty. The selection of the northern region was also relevant because that was where Masara N'Arziki is located and impacting upon the lives of the people. The study was based on both the key personnel of Masara N'Arziki as well as their clients.

1.7 Structure of the study

The first chapter began with an introduction, which contained the purpose of the study. This chapter included the main questions to be answered, the methodology, and the significance of the study.

Chapter Two gave a brief presentation of the development of the theoretical frame work, development theory concept and poverty traps. It also gave an overview of microfinance in its context, the financial sector, and formal, informal sector, microfinance and target groups.

Chapter Three presented the method and impact analysis, research design, validity and reliability.

Chapter Four dealt with the data analysis and the discussions of the findings.

Chapter Five brought down the curtains on the research by presenting findings, recommendations, summary and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 *Introduction*

This chapter of the study dwelt on concepts and issues such as the definitions of micro finance, its effects on poverty alleviation etc. It also looked at the concept of poverty and its various dimensions. The chapter concluded with a discussion on the Micro finance sector in Ghana.

2.1 The concept of 'Microfinance' (MF)

Microfinance, according to Otero (1999) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Microfinance is again defined as lending small amounts of money for short periods with frequent repayments (IMF Working Paper, 2004). Ceilings are often placed on loan sizes, or more favorable regulatory treatment is given to loans under the size threshold. Savings services are often permitted or included in the definition of microfinance, and recently MFIs in some countries have begun to offer a wider array of services, such as insurance and fund transfers. Normally, all second tier institutions such as thrifts and MFIs are limited to a smaller range of activities than commercial banks. In most cases, drafts and demand deposits are off-limits, and in many cases involvement in securities issuance, insurance, and/or foreign exchange transactions is prohibited. As a general principle, it is important to provide a definition that will enable market participants to be responsible, energetic, and innovative. The legal definition should be broad enough both to enable a focus on a sensible target group and to provide a wide range of appropriate financial services for that group.

While all MFIs face some limitations on their activities, they are not always defined by their activities. Sometimes, a microfinance institution is defined as an organization that works solely with the poor, which suggests that having clients above the poverty line would not be consistent with the rule. This definition of the customer base occurs for three reasons: in order to focus institutional attention on poverty alleviation; in order to prevent unscrupulous individuals from using the microfinance institutional structure to operate under less stringent regulatory scrutiny; and in order to define a set of organizations often capitalized by donor contributions – a form of preferential treatment.

From the foregoing therefore, it can be said that Microfinance is the term that has come to refer generally to such informal and formal arrangements offering financial services to the poor Brau and Woller (2004). Microfinance has existed, although mostly in the shadows and unseen by casual observers, since the rise of formal financial systems, and indeed probably predates them. It has only been within the last four decades, however, that serious global efforts have been made to formalize financial service provision to the poor. This process began in earnest around the early to mid-1980s and has since gathered an impressive momentum. Today there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world's poor (Christen et al., (1995), cited in Brau and Woller (2004). What began as a grass-root "movement" motivated largely by a development paradigm has evolved into a global industry informed increasingly by a commercial/finance paradigm.

The rise of the microfinance industry represents a remarkable accomplishment taken within historical context. It has overturned established ideas of the poor as consumers of financial services, shattered stereotypes of the poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of "social investment" for the poor (Mutua, et al, 1996). It must be emphasized too that the animating motivation behind the microfinance movement was *poverty alleviation*. Not only that, but microfinance offered the potential to alleviate poverty while paying for itself and perhaps even turning a profit—"doing well by doing good." This potential, perhaps more than anything, accounts for the emergence of microfinance onto the global stage.

Scholarly interest in microfinance has lagged behind industry development, but is now growing rapidly. Before 1997, academic journals published only an occasional article on microfinance, but since that time, academic journals have published hundreds of peer-reviewed articles on the topic. Nonetheless, microfinance has yet to break into finance journals. This despite the term *finance* in micro*finance* and the fact that the basic products offered by microfinance institutions (MFIs)—namely investing (savings), lending (credit services), and insurance (risk management)—are all well-established topics of mainstream finance research (Brau and Woller, 2004).

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2.1.1 Goals of a Microfinance institution

According to Quaraishi, (2007), the goals of MF institutions include but not limited to the following:

- To provide diversified, dependable and timely financial services to the economically active poor.
- To mobilize savings for financial intermediation.
- To create employment opportunities.
- To provide veritable avenues for the administration of the micro-credit program of government and high net worth individuals.
- To render payment services such as salaries, gratuities and pensions on behalf of various tiers of government.
- To involve the poor in the socio-economic development of the country (Egbu, 2006).

2.2 Brief History of Microfinance

Microfinance is dated back to the 1970s (Irobi, 2008), and it was necessary that all programs pass two key tests:

- Show that people can be relied on to repay their loans and

- Show that it is possible to provide financial services to poor people, which are done through market-based enterprises without subsidy.

In the 1970's a new wave of microfinance initiative introduced many new innovations into the sector. Many pioneering enterprises began experimenting with loaning to the poor and underserved in the same year. A few of the pioneering institutions will be reviewed later. Beginning in the 1980s a new approach came to work on the assumption that more market-based solutions were required still focusing on income expansion and poverty reduction but searching for cost-effective alternatives (Ledgerwood, 1999), cited in Irobi, (2008).

Local Nongovernmental organizations also began to look for a more long-term approach, and at about the same time Prof. Mohammed Yunus of Bangladesh who won the 2006 Nobel peace prize led the first lending scheme for landless people. From 1980 onwards, the field of microfinance has grown substantially and most recently, some NGOs have started transforming into formal financial institutions that recognize the need of savings services to clients and also to access market funding sources than rely on donor funds.

2.2.1 The Shore Bank

The first fully - incorporated microfinance and development bank was Shore bank, founded in 1973 in Chicago. This was when Millon Davis, James Fletcher, Mary Houghton and Ron Gryzywinski purchased the South shore bank at 71st Street (Irobi, 2008). Shore bank has helped finance the purchase and renovation of 49,000 affordable housing residences and between 2000 and 2006 it issued nearly $900 million in loans to citizens in Chicago, Detroit and Cleveland. One of the early pioneers of microfinance was Dr. Akhtar Hameed Khan. He was a development activists and social scientist credited for pioneering micro-credit and microfinance initiatives, farmers' cooperatives and rural training programs in the developing world.

2.2.2 The Grameen Bank (GB)

The question 'whether we can eliminate poverty in our lifetime' has already been answered by Muhammad Yunus one of the pioneers of microfinance, which is the provision of loans and other financial services to the poor to start small/micro businesses and get out of poverty. He gives hope that poverty can be eliminated in our lifetime. Economic Professor Muhammad Yunus is often credited with disbursing the first micro loan in Bangladesh in 1974. He later went on to find the Grameen Bank (GB) and was awarded the 2006 Noble prize for his efforts. The GB was chartered to operate as a National bank in 1983, with 75 branches spread in five districts of the country. As of 1997, the bank reached about 2.5 million clients in 37,000 villages and the total amount of loan disbursed amounted to US$ 2 billion with a repayment rate of over 97% (Yunus, 2001). According to the data compiled in 1998, 97% of the bank's members were women and 61% of them belonged to households with less than 0,1 acre of land and 31% owned 0,11-0,40 acre. Nearly half of the households owned no cultivating land at all and 87% did not go to school at all (Chowdhury, 2001).

GB lending system is purely group-based and participatory. It also offers other integrated services in addition to credit like training and education in health, nutrition and home food production. The bank has a highly decentralized organization with branches that are independent profit maximizing units. Employees are said to be highly motivated to help the poor as they are compensated according to productivity and general performance. The bank provides financial services to the poor to grow in their small businesses and overcome poverty. The borrowers of the loan pay interest on the loans at its return.

According to Yunus, what the poor people want most is not charity but opportunity. If the poor are given charity today and none tomorrow, it does not help in ending their poverty at all. Opportunities granted to them will go a long way in assisting or aiding their businesses thereby ending poverty. Yunus added that the key to microfinance was to design loan products that meet needs of the poor. This he explained saying that the poor will use the funds for income –generating activities and lift themselves also out of poverty.

Microfinance often works through women. This is because they invest profits in the household. Based on the above, the Noble Peace Prize committee did not stop at giving the prize to only Yunus, but also to nearly 70 members of the Grameen Bank.

2.3 The concept of 'Poverty'

The definition of what is meant by poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question whether poverty is largely about material needs or whether or it is about a much broader set of needs that permit well-being.

According to Sida, (2005), "Poverty has a multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities".

Hulme and Mosley (1996), define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered.

In order to discuss microfinance as a tool for poverty alleviation, it is important to understand the concept of poverty both at a micro and a macro level. It is not enough to define poverty in terms of basic needs only because this is likely to omit other important components therefore focusing at poverty as a single sided problem. It is necessary for microfinance institutions (MFIs) to embrace broad aspects of economic development.

According to Chambers (1983) the poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. Poverty contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services. Chambers has recorded the many forms of deprivation that very poor people identify themselves as experiencing that are not captured by income-poverty measures. These include,

- Poverty is a strong determinant of the others. Poverty contributes to physical weakness through lack of food, small bodies, and malnutrition. There are inability to pay for health services, to isolation because of inability to pay school fees for children to go to school, to vulnerability through lack of assets to pay expenses or to meet contingencies and powerlessness because of lack of wealth goes with low status.
- The physical weakness of a house hold contributes to poverty in several ways: through the low productivity of weak labour through an inability to cultivate larger areas or work long hours, through lower wages paid to women and to those who are weak. It sustains isolation because of lack of time or energy to attend meetings.
- Isolation (lack of education, remoteness, being out of contact) sustains poverty, services do not reach those who are remote, illiterates cannot read information of economic value, and find it difficult to obtain loans. Isolation means lack of contact with political leaders and therefore misses government development policies.
- Vulnerability is part of the many links. It relates to poverty through the sale or mortgage of productive assets, to physical weakness because to handle contingencies, time and energy have to be substituted for money, to isolation through withdrawal.
- Powerlessness contributes to poverty in many ways, not least through exploitation by the powerful. It limits or prevents access to resources from the state, legal redress for

abuses and ability to dispute wage or interest rates, and only feeble influence on government to provide services for the poorer people and places. They are powerless to demand what is meant for them and cannot attract government aid, schools, good staff or other resources.

Some people take poverty to involve a subjective and comparative terms while others take it to be moral and evaluative. Defining poverty involves the question of whether it is mainly about material needs involving measuring consumption by using income as the main determinant factor, or a much broader set of needs that includes factors of wellbeing (Hulme and Mosley, 1996). The term 'poorest of very poor' is used to refer to people living on less than $1 per day. The term 'poor' means those living in poverty above $1 per day or in the upper half of those living below their nation's poverty line. The 1st Millennium Development Goal (MDG) is to eradicate extreme poverty and hunger. This has become an issue of concern both on the local and international levels since the MDG's was established.

The World Bank defined poverty as the state of living on less than $2 a day and this poverty continues to remain elusive to eradicate even for the billion in question (World Bank 2000/2001).

They also have yet another definition as having a multi-dimensional nature consisting of vulnerability, powerlessness and social exclusion in addition to material deprivation. Poverty in many developing countries is largely a matter of not having enough on their tables to eat. Providing the poor with financial services is one way to increase their income and productivity, e.g. through self-employment and thus escape poverty (Chowdhury 2001).

Poverty is explained by individual circumstances and/or characterized of poor people, such as amount of education, skills, experience, intelligence, health, handicaps age, sex etc.

Poverty can be defined as the state of being without, often associated with need, hardship and lack of resources across a wide range of circumstances Irobi, (2008). Poverty is further classified into three variables, Income poverty, Vulnerability and Empowerment. Income poverty stands for lack of income to afford minimum basic necessities of life. Vulnerability involves the probability of risk today of being in poverty or to fall into deeper poverty in the future. Empowerment is further classified into three categories namely, Economic, Social and Political empowerment. They are defined as follows:

1. Economic empowerment refers to economic security of oneself.
2. Social empowerment refers to the ability to participate in decision-making in the community including the household and non-family groups.
3. Political empowerment refers to the ability to interact in the public sphere.

2.3.1 The causes of poverty

Poverty is a macro problem. The causes are as wide as they are deep also. Some of the key reasons why people all over the world are poor and remain poor are political instability, natural disasters, corruption, socio-economic disparities and prejudice, lack of access to education, lack of infrastructure etc. Some other causes of poverty can be from acute conditions like warfare. The material and human destruction that is often caused by warfare is a major development problem (World Development Report, 2000/2001).

An agricultural cycle is yet another cause of poverty. People that rely on fruits and vegetables that they produce for household food consumption often are faced with cycles of relative abundance of scarcity. The period before harvest is always a hungry period for families that rely on subsistence production for survival. During the scarcity periods, these families lack sufficient resources to meet their minimal nutritional needs. Droughts and flooding can cause poverty as well. Apart from destruction caused by natural events such as hurricanes, environmental forces always cause acute periods of crisis by destroying many crops and animals as well.

2.3.2 Measuring poverty

When poverty is defined in a broader sense it can raise the questions of how to measure overall poverty and how to compare achievements in the different dimensions. Below is how the different dimensions of poverty can be measured.

a. Measuring material deprivation: Under this we have the income and consumption levels of the household. This is measured using the national poverty line, a critical cut off in income or consumption below which an individual or a household is determined to be poor. The impact of MF in this regard, can be judged from its contribution in helping households to move from a permanent 'below poverty line' situation to a permanent 'above poverty line' situation (World Development Report, 2000/2001). The depth of this programme fashioned in reaching the poor located far from the poverty line can be seen as a viable indicator as well.

b. Measuring vulnerability: Poverty cannot be fully alleviated in a sustainable way unless intermediaries are designed to tackle the multi-dimensional nature of poverty. Vulnerability being a dynamic concept has its measurement centered on the variability to income or consumption and on the availability of other dimensions of well being like physical assets, human capital, social capital and prevalence of non-income risks like violence, natural disasters and son on (World Development Report, 2000/2001).

c. Measuring empowerment: Measuring empowerment may vary according to the context i.e. the social, culture and political context of a given society. Under this we have:

1. **Economic empowerment**, which can be measured in terms of woman's ability to command sufficient resources, and this, involves level of economic dependency.

2. **Social empowerment** which can be measured in terms of the ability of a woman to participate in decision making at the household and community level.

3. **Political empowerment** can be measured in terms of a woman's capacity to participate in political affairs. As a member of a political group or cabinet she is exposed to be a political candidate, and similar activities are included here too. The impact of Mf on empowerment however, can be judged from its contribution to enable women clients to have their own sources of income as well as develop their physical and human capital. This will definitely assist them to build their self-esteem and become decisive in the community.

2.3.3 World Bank Poverty Reduction Strategy

The World Bank and International Monetary Fund (IMF) were established to help in the developing countries. They were created to aid in development after the 1st world war. The task of the World Bank is to help in developing the developing countries by financing. They have implemented some programmes towards the eradication of poverty in some of the developing countries. Such programmes are known as Poverty Reduction Strategy Programme (PRSP). Some of the programme has assisted some of the developing countries in their finances and investments. Irrespective of the fight to eradicate poverty, it continues to remain elusive to eradicate for the billion (www.gapminder.org). They laid out a process that very poor countries would follow if they wish to make use of various concessionary lending facilities. After some years, an evaluation was made and it was noted that some of the PRSP process promotes is helpful. It was better than one that ignores the poor, never solicits outside opinion, imposes solutions with no reference with the participation of the recipient country, and is derived with no consultation with the recipient country. Poverty for some involves a subjective and a comparative term; while for others it is moral and evaluative and some still see it as scientifically based.

The poverty reduction strategy that the World Bank and the IMF has required from the HIPC countries since 1999 is normally described not by its contents but by the process by which the PRSP is elaborated. The concept of Poverty Reduction Strategy Papers (PRSP) involves the following processes. Below are the five principles that PRSP involves:

1. **Country driven**: Here the original initiative to start a PRSP should originate with the countries themselves. There is always the need of the countries initiating it to participate with the civil society organizations in order to agree on the type of strategy to use or implement.

2. **Result-oriented**: The PRSP should try to focus on the effects of the policies rather than on the policies itself. They should try to look at the effects of the policies at the long run on the society where it is being administered to, to find out how it is going to positively affect them or otherwise before implementation.

3. **Comprehensive**: Based on the concept of poverty as multi-dimensional this principle opines that poverty cannot be reduced, by increasing economic growth alone but with other factors in collaboration.

4. **Partnership-oriented**: This includes the various partners of development, from bilateral donors and multilateral institutions, through national governments and parliaments, to domestic and international civil society organizations.

5. **Long –term**: Poverty, which is a multi-dimension issue, is not easy to be reduced within a short run. This makes it difficult for the PRSP programmes to be run over a short term but rather must be consistent over a period of time (www.gapminder.org). The background to the PRSP is that Structural Adjustment Programme (SAP) of the World Bank and IMF failed. It could be recalled that this programme of SAP began in the 1980's. They

did not fulfill the aim of their initiation. The creditors ran SAP and the IMF with the World Bank not directly by the countries affected by them. The SAP only cared about economic growth but not bothered much on how poverty should be dealt with or removed entirely.

The PRSP Programme's objective was to lessen the negative impacts of the Structural Adjustment Programmes, and not to change the main orientation of the policies.

2.4 *Microfinance and poverty*

The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool to break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. According to Hulme et al (1996) most institutions regard low-income households as "too poor to save". In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of factors necessary for a successful enterprise. Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty.

According to Ismawan (2000) the real idea of microfinance is to help the weakest member of civil society who in this case is the poor. However Roth (1997) has another view. He argues that microfinance programmes often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of microfinance programmes as a panacea of poverty ignore the complex matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

However Roth (1997) argues that credit is only one ingredient in the mix of factors necessary for a successful enterprise. He is critical of the microfinance evangelists who create a vision of the rural poor as a collection of budding entrepreneurs, waiting for salvation from credit agencies, which on receipt of credit, will develop successful micro enterprises and leave poverty forever. Their promotional activity gives rise to worrying spectre of a return to a "blueprint", implicit in the new microfinance approach to development. To respond to a potential demand for a good or service, a rural micro-entrepreneur may need access to one or more of the following: transport, communications, power, water, storage facilities, a legal system for enforcing contracts and settling disputes. Apart from infrastructure, micro entrepreneurs need access to information about market trends and skills to run their macro enterprises. Roth cites Weber (1958) who argues that hard work, skills and enthusiasm are essential ingredients for an enterprise to be successful. Non-numerate people struggle to start enterprises by themselves as it is extremely difficult for them to keep track of the flows of income in their enterprise13.

Ismawan (2000) calls for differentiation between two categories of the poor. Some are able to increase their income by themselves, create activities that would enable them to move closer to or above the poverty line. Those in the second category are unable to do so and would need permanent financial support from microfinance. The latter category would include the poor who have no capacity to undertake any economic activity, either because they lack personal skills or because they are so destitute that they are in no position to develop any meaningful economic activity in the environment in which they live. Those in the first category are described as the “entrepreneurial poor”. The entrepreneurial poor do not need assistance for themselves, but they do need help in setting up an activity that will eventually increase their income. In particular they need assistance in accessing the resources to develop this activity, and to some extent managerial assistance. The non-entrepreneurial poor require direct assistance to survive.

The transfer of resources in terms of credit does not only give the poor access to resources but also the economic empowerment and increased self-reliance (Alana, 1994). The goal of MFIs as a development organization is to service the financial needs of unserved or underserved markets as means of meeting development objectives. Ledgerwood (1999) identifies the following objectives in development offered by MFIs which include the following among others, to reduce poverty, to empower women or other disadvantaged, population groups, to create employment, to help existing businesses grow or diversify their activities, to encourage the development of the new businesses.

There is much debate in the field of microfinance as to whether access to financial services benefit the “the poorest of the poor”. It has been argued that while there are now many credit institutions serving the poor, there is less experience of successfully serving the very poor, the destitute, and the disabled (Hulme and Mosley, 1996).

2.4.1 Helping the poor out of poverty

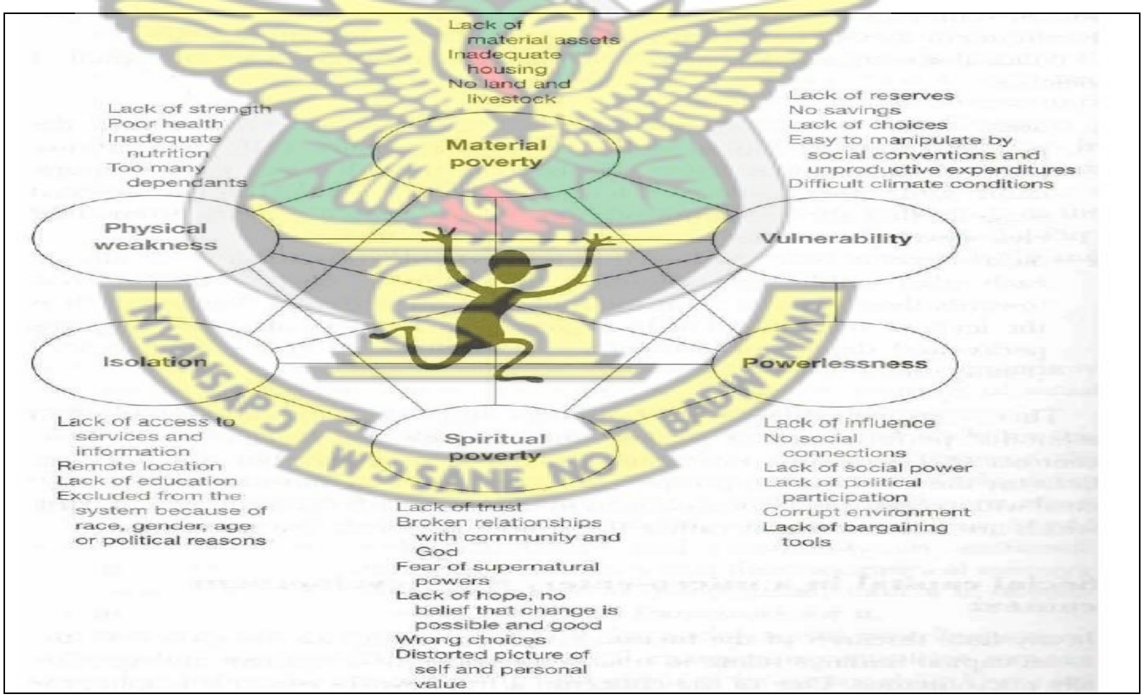
It is argued that stimulating economic growth, making markets work better for the poor and building their capacity is the key out of their poverty situation. There is need to change the whole context of the lives of the poor and economic activities which do not produce enough surplus to lift their standard of living. Some critics argue that the necessary infrastructure has been put in place in some areas for microfinance to trigger economic processes but very little success has been recorded which makes the problem of poverty and the poor very tricky.

Capital in terms of microfinance is just one factor which requires other factors access to markets, information, and training of any kind, business development skills and business networks and entrepreneurial skills. Indeed, microfinance is not a panacea to the problem of poverty but improved access to capital and other financial services are significant to the poor. The problem is that market failures weaken the effectiveness of microfinance.

According to Ferrand, et al (2004) he argues that functioning markets is critical for poverty alleviation. The danger is that it does not work effectively for the poor. Ferrand outlines three steps for the markets to work namely, understanding markets, focusing on factors that inhibit their improved performance and opportunities for their development, developing a vision of the future, a picture of how markets can work effectively, and acting to build markets, to make markets more effective and inclusive. According to Copestake (2002) microfinance has a polarizing effect as there is discrimination in favour of richer clients, who benefit from better access to credit, and exclusion of poorer people. If one of the aims of microfinance is to assist the “poorest of the poor” the microfinance is not always the most appropriate intervention.

Marek (2003) in his research on how the social capital findings relate to micro-enterprise development and specifically to microfinance used Chambers (1983) literature to help him to put together the "poverty trap". Marek argues that poverty is a complex web of disempowering relationships, which do not work. Households trapped in this spider's web suffer from material poverty, vulnerability, powerlessness, physical weakness, isolation and spiritual poverty. Therefore, addressing the problem of material poverty through microfinance services is vital and critical, but it will not be enough for the poor households to escape from the poverty trap. Marek argues that it is not possible to neglect other aspects of human nature and the multi-sided nature of poverty (see figure 2.1 above).

Figure: 2.1 The "poverty trap"



Source: Chambers (1997), cited in Matovu, (2006)

2.5 Microfinance Institution Products and Services

MFIs provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Notwithstanding, to date most efforts to formalize microfinance have focused on enterprise lending (loans for enterprise formation and development) which remain by far today the dominant product offered by MFIs (Nourse (2001). This, however, has slowly begun to change. Increasingly today MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education. Nourse (2001) reviews the context and rise of microfinance products and argues there is a need for savings and insurance services for the poor and not just credit products.

He goes on to argue that MFIs need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Eyiah (2001) develops a model of small construction management contractors and MFIs in developing countries that provides a tailored lending structure for microenterprise contractors. Similarly, Woller (2002a) argue that MFIs need to be more client-focused, including offering a mix of financial products tailored to the varied needs and wants of poor consumers.

Microcredit is most often extended without traditional collateral. If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital, MFIs focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principal of joint liability. In essence, the group takes over the underwriting, monitoring, and enforcement of loan contracts from the lending institution (Wenner, 1995). Under joint liability each group member is made responsible for the loans of other group members. If one member defaults, the other group members are required to cover the loan from their own resources, and if they do not, they lose access to future loans. It is thus in each member's interest to ensure that the other members pay.

Social collateral also works through reputational effects on group members in which repayment of loans is seen by group members as necessary to maintain their social standing in the community (Woolcock, 2001). Goldmark (2001) suggests methods that may help build social collateral, thereby making loans even more secure. Van Tassel (1999) constructs a model and one-period game to determine the optimal group lending contract under asymmetric information. He concludes that agents will always form groups with agents of the same type and that agents' types can be distinguished according to the rate at which they are willing to trade increased joint liability commitments for lower interest rates. Ghatak (1999) concludes that group lending not only increases repayment rates and welfare via social collateral, but also due to peer selection by members of the lending group. Similar to Ghatak, Islam (1995) concludes that lenders using peer-monitoring systems can charge lower rates relative to conventional lenders and that at the same interest rate, the expected rate of repayment is higher with lower risk when using peer monitoring (although social collateral is widely used, it is not universally accepted by all as the optimal approach. For example, Mustafa (1994) concludes that alternate forms of institutional arrangements may be better than credit cooperatives in alleviating poverty).

Within the lending function of microfinance, it is useful to divide loans into enterprise loans and consumption/emergency loans. As mentioned above, the loan programs typical of MFIs almost entirely consist of enterprise loans. Nonetheless, significant unfulfilled market demand also exists for consumption and emergency loans (Woller, 2002a). The demand for consumption/emergency loans is evident in developing countries by the thriving business of the local moneylenders. Although stereotyped as a loan shark preying on the desperation of the poor by charging exorbitant interest rates and employing unsavory collection methods, the traditional moneylender provides a valuable service for poor people who require quick and flexible infusions of cash to meet immediate and pressing consumption needs or to cope with emergencies. Like savings, consumption/emergency loans form an integral component of poor households' risk management and coping strategies.

Those in the microfinance industry who assumed that formal MFIs would drive the traditional money lenders out of business have been shocked to learn that the demand for moneylenders has remained robust, even among clients of microfinance programs. A good illustration is the case described by Perry (2002), in which women moneylenders in Senegal used loans from a local MFI to finance their own money lending businesses. It turns out that just as the terms of the loans offered by moneylenders (rapid loan approval, flexible terms, repayment periods measured in days or weeks, and lump-sum payments at exorbitant interest rates) makes them generally ill suited as a source of enterprise financing, the terms of enterprise loans offered by MFIs (slow turnaround, inflexible terms, repayment periods measured in months or a year, and regular small payments at relatively low interest rates) are generally ill-suited for emergency/consumption purposes.

Along with the lending function, a market for savings exists in poor areas around the world. Savings services offered by MFIs can be divided into forced and voluntary savings, with forced savings far exceeding voluntary savings. In a forced savings program, microfinance participants are required to save a minimum amount each week (or other set period of time). Forced savings ostensibly teaches financial discipline and provides the MFI with additional information about clients. In practice, forced savings serve primarily as a form of cash collateral. Rules regulating when and how clients may withdraw forced savings are typically highly restrictive.

The second form of savings is voluntary, flexible savings (Nourse (2001). Millions from all strata of poor do not operate enterprises, but they do save, albeit often in very small amounts and at inconsistent intervals. Savings are integral to poor households' risk management strategies; they constitute the first line of defense to help poor households cope with the external shocks, emergencies, and life-cycle events to which they are so vulnerable; and they play a crucial role in allowing the poor to take advantage of productive investment opportunities.

Characteristic of poor households is extreme vulnerability to risk and external shocks. Traditionally, poor households have managed risk and coped with external shocks through a combination of informal social support networks, savings, and borrowing from informal moneylenders. Participation in microfinance programs offers another set of risk management and coping options for poor households.

The discussion in this section has demonstrated that at the core, the issues challenging microfinance institutions and formal sector institutions are very similar. The commonalities between both sectors encourages us that mainstream finance tools can be applied to microfinance. At the same time, the unique characteristics of microfinance provide an interesting laboratory to test existing financial theory and to create new theory. Having addressed microfinance products and services, we now turn our attention to the management of microfinance institutions.

2.6 Challenges of Microcredit as Strategy to Poverty

The first challenge to credit arises from the notion of the theory as espoused by de Soto (1989). The idea that the poor are entrepreneurs is rather too simplistic. Also, to think that they will succeed without taking other internal and external environmental factors like market, technical and managerial competences and infrastructure, etc, into cognizance is too theoretical. The African situation showed that while many had loans, their operations, mainly farming in rural areas and services (trading and retail) in the urban areas did not improve their income and conditions (Odigie, 2007). When the farmers were lucky to avoid harvest failures occasioned by low rainfall and incidence of pest raids, they had no market and storage facilities for their produces. To get the produces to bigger markets in the cities were equally difficult due to poor road networks between the rural areas and the cities. Besides, their production methods stayed rudimentary and their bookkeeping practices were almost non-existence.

The size and notion of credit is one issue that needs to be considered when analyzing critical success factors of the strategy. According to Dichter (2006), the very nature of the loans themselves, which are small, fewer in frequency and smaller savings will not engender much result. The micro level activities the loans are been utilized for and the shorter repayment periods amongst others limit their effectiveness. The practice is such that borrowers are more likely to invest the loans in quick yielding investment. The thinking is that they need to repay the loans as at when due and so cannot afford the luxury of time-long investment. Since they hardly make substantial profits to be ploughed back into the enterprises, they remain perpetually small operators.

Besides having credit, the question of how to turn the loan into profit is very important and necessary for consideration. Meade (2000) pointed that one of the fundamental problem of microcredit programme is the difficulty involved in actually turning loans into profit. For women who are legally and largely perceived as minors by society, they can only secure loans with the signatures of their spouses. And in most cases they are often absent as they are also engaged outside their residence. Sometimes the men are reluctant, as they fear loss of relevance that could arise from female independence. And even when women do manage to start a small business, they must continuously fight against a repressive patriarchal social structure. And they can only make do with what little education they have received before starting a business.

There is also the fact that loans are often used to finance 'female work', which is not seen fit for a man. This leads women to turn to their female children for supplemental labour. The pressure to support and contribute to family income earning leads to withdrawal from school of the female children (Meade, 2000). Mayoux (1997), in a briefing paper to the world microcredit summit organized by the UN alluded to how microcredit has also further contributed to the indebtedness of women. She pointed to the fact that male family members have used women to secure loans that were not used to contribute to family income. And that in most cases the women are held responsible for the loans. The women sometimes retort to securing other loans so as to use it to pay for the ones already due. She also pointed out the fact that when the loans are secured by the men, they establish businesses that the women have little or no control of. Another dilemma is the fact that they are used as unpaid family labour and this leads to increased workloads for women.

The inability of microcredit to reach the very poor is also a major dilemma of its efficacy. Meade (2000) noted that this is a major problem for microcredit programme and that it may even be increasing the chasm between the poor and the rest of society. Quoting "Assessing the Poverty and Vulnerability Impact of Micro Credit in Bangladesh", he quipped that "the poorest have a number of constraints (fewer income sources, worse health and education, etc) which prevent them from investing the loans in high-returns activity" he stated further that the same report also noted that "there appears to be a growing consensus that moderate-poor micro credit borrowers benefit more than extreme-poor borrowers. The reason for this he explained centred on the peculiar nature of credit need of the poor. The poorest need tiny loans which are not cost effective even for micro credit programmes. They also place the greatest demands on microcredit training programmes, which make the cost of lending even higher. And that as microcredit are pressured to become more self-sufficient, the incentives to lend to such desperately poor borrowers evaporates.

The other challenge to be noted is the notion of competition. In the first place, informality grows as a result of formal firms wanting to stay competitive. Firms do this by restructuring their production and employment relations. Rather than have one production site (factory), they have supplier (chains) through contracting, subcontracting and off-shoring. The result is the transfer of employment relations responsibilities to the suppliers who rarely respect workers rights. And when workers are classified by employment status and by industry or trade, the process by which poverty sets in with respect to informal workers begins to become clearer (Carr and Chen, 2002). Micro entrepreneurs are tempted to want to follow such similar production pattern and this means their few employed staff will be paid wages not sufficient to escape poverty. Clearly, bigger firms, who in most cases have superior production techniques, are likely to increase the chances of failures of micro enterprises operations. Bigger firms with competitive prices are most likely to have niche market that micro enterprises cannot penetrate.

The issue about micro credit creating a niche market for itself through dependency has also featured as a weakness of such strategy. This accusation has also been made about the Grameen Bank whose borrowers has little or no other sources of borrowing to turn to and so cannot afford to default. Meade (2000) stated that this problem is sufficient to counter the claims of micro credit programmes being better lenders than the informal lending sources. He noted that borrowers can even resort to pawn broking to meet their loan obligation so as to stay in good stead for future loans. And when borrowers are not able to increase their incomes, they may become permanently dependent on microcredit lending.

Yet, another very important challenge is the question of what constitute priorities for the poor. Studies have shown that while credit is important, nutrition and health, for example rank higher on the scale of preferences of the poor. Neff (1996) in her critique about the Grameen Bank noted that 55% of the women were using their loans to purchase food as against investment. She opined: "Grameen believed that women are able to provide for themselves all other inputs necessary to be effective entrepreneurs, provides only credit. On the other hand, India's Self-Employed Women Association, a union for poor women, offers credit as one of a range of services, along with political organizing, training, business skills, leadership skills, mediation, lobbying and project assistance. The Bangladesh Rural Action Committee provides education for the daughters of borrowers as well as health services. But the Grameen model of banking on the poor is strictly quantifiable- "repayment rates", "cost effectiveness" (that is, how much it cost rich creditors and donors) and "viability". Without the cumbersome delivery of the other services that the poor need, Grameen gets to champion the free-market system and all its goodness".

The implications from this is that as parents are too poor to send their wards to school, then poverty will be observed rotating in a vicious circle at such households. Clearly, the children suffer loss of opportunities to better improve their skills and capacities necessary for entry into the labour market. The World Bank also emphasizes the importance of education in the Nigerian development process. The study on growth and poverty (World Bank, 2000) argues that human capital is the main asset of most poor people. Therefore, investment in the human capital of the poor should be an appropriate and efficient method of poverty reduction.

2.8 Evolution of the Microfinance Sub-Sector in Ghana

Indeed, the concept of microfinance is not new in Ghana (Asiama and Osei, 2007). There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. For example, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries (Asiama and Osei, (2007). However, Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century. Over the years, the microfinance sector has thrived and evolved into its current state thanks to various financial sector policies and programmes undertaken by different governments since independence. Among these are:

- Provision of subsidized credits in the 1950s;
- Establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector;
- Establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s;

- Shifting from a restrictive financial sector regime to a liberalized regime in 1986;
- Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions.

The policies have led to the emergence of three broad categories of microfinance institutions. These are:

- Formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks;
- Semi-formal suppliers such as credit unions, financial non-governmental organizations (FNGOs), and cooperatives;
- Informal suppliers such as susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

In terms of the regulatory framework, rural and community banks are regulated under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328) Work on an amendment of this Act is however underway.

On the other hand, the regulatory framework for credit unions is now being prepared, and this would recognize their dual nature as cooperatives and financial institutions. The rest of the players such as FNGOs, ROSCAS, and ASCAs do not have legal and regulatory frameworks.

Programmes currently addressing the sub-sector in Ghana include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP).

2.8.1 Microfinance and Poverty Reduction in Ghana

The main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population.

According to the 2000 Population and Housing Census, 80% of the working populations are found in the private informal sector. This group is characterized by lack of access to credit, which constrains the development and growth of that sector of the economy. Clearly, access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development[10]. Unfortunately, in spite of the obvious roles that microfinance institutions have been playing in the economy particularly over the last twenty years, there is lack of data on their operations.

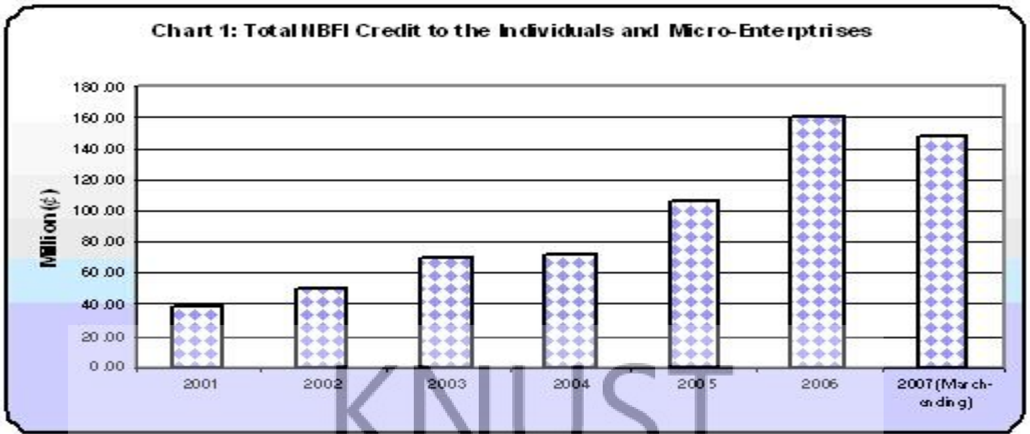
World Bank-Africa Region, Studies in Rural and Micro Finance: Financial Services for Women Entrepreneurs in the Informal Sector of Ghana. World Bank, New York, (1999) It is known that loans advanced by microfinance institutions are normally for purposes such as housing, petty trade, and as "start up" loans for farmers to buy inputs for farming and this includes rice seeds, fertilizers and other agricultural tools.

Some of the loans are used for a variety of non-crop activities such as: dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery and woodworking. Of course, funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises, such as: irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming.

For example, trends in loans and advances extended to small businesses, individuals and groups by the Non-Bank Financial Institutions(NBFIs) in Ghana amounted to GH¢50.97 million in 2002 as against GH¢39.64 million in 2001, indicating about 28.6 per cent growth.

The amount of loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, suggesting 3.1 per cent growth. In 2006 alone, total of GH¢160.47 million was extended to clients, which represents 48.8 per cent higher than the previous year's total loans and advances granted by these microfinance institutions(see figure 2.2). The upward- trending NBFI's credit to individuals, small businesses, groups and others indicates marked improvements in level of microfinance in the country.

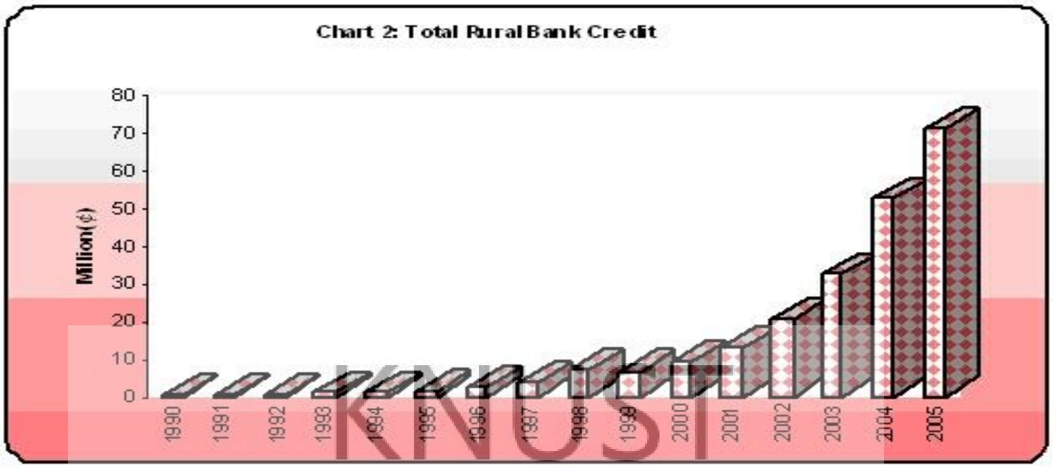
Figure 2.1



Source: Asiama and Osei, (2007)

The Rural and Community banks also play very important role in microfinance in the country. These banks were established specifically to advance loans to small enterprises, farmers, individuals and others within their catchment areas. Total loans advanced to clients by all community and rural banks in Ghana was GH¢20.68 million in 2002 compared to GH¢13.12 million in 2001, suggesting an increase of 28.6 per cent. The amount of loans further increased from GH¢71.63 million in 2005 to GH¢115.10 million in 2006, thus indicating 35.4 per cent respectively (see figure 2.3).

Figure 2.3



Source: Asiama and Osei, (2007)

2.8.2 Structure and Key Stakeholders of Microfinance in Ghana

The structure and key microfinance stakeholders in Ghana consist of the following Microfinance Institutions, including

- The Rural and Community Banks,
- Savings and Loans Companies
- Financial NGOs
- Primary Societies of CUA
- Susu Collectors Association of GCSCA
- Development and commercial banks with microfinance programs and linkages
- Micro-insurance and micro-leasing services.

Microfinance Apex Bodies, namely:

- Association of Rural Banks (ARB)
- ARB Apex Bank
- Association of Financial NGOs (ASSFIN)

- Ghana Cooperative Credit Unions Association (CUA)
- Ghana Cooperative Susu Collectors Association (GCSCA)
- End Users
- Economically active poor who are clients of microfinance products and services.
- Technical Service Providers
- Business Development Service Providers to MFIs and their clients.

Supporting Institutions

- Microfinance and Small Loans Center (MASLOC);
- The Ghana Microfinance Institutions Network (GHAMFIN);
- Development partners and international non-governmental organizations
- Universities, training and research institutions.

Government Institutions

- Ministry of Finance and Economic Planning
- Ministries, Departments, Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs)
- Bank of Ghana.

2.8.3 *The Role of Bank of Ghana and other Government Administered Programs for Micro, Small and Medium Scale Enterprises (MSMEs)*

The Bank of Ghana's history of promoting the financing of Micro, Small and Medium Enterprises (MSME) began from the Credit Guarantee for Small Borrowers scheme in 1969 through the Development Finance Department of the Bank. The Bank was further instrumental in administering the IDA-financed Fund for Small and Medium Enterprise Development (FUSMED) Project, and also with the Private Enterprise and Export Development (PEED) Project, as well as other direct projects that were ended after BOG decided to focus on its core areas of operation. Currently, BoG is actively participating in the Rural Financial Services Project (RFSP). This project was supported by donors such as the International Development Agency (IDA) of the World Bank, the International Fund for Agricultural Development (IFAD), and the African Development Bank (AfDB). It is aimed at broadening and deepening financial intermediation in rural areas through measures such as; Capacity Building of the Informal Financial Sector, Capacity Building of Rural and Community Banks, and the establishment of an Apex Bank for Rural Banks in Ghana. Generally, the range of players in providing financing facilities for the MSME sector is shown in Table 1 below.

From 1990, support for micro, small and medium enterprises was intensified with the establishment of the National Board for Small-Scale Industries (NBSSI). In 1991, the NBSSI was merged with the Ghanaian Enterprises Development Commission (GEDC) and this made the NBSSI to take over the functions of the latter - in particular the delivery of credit to small scale entrepreneurs. Its main financing window was a USD30 million Fund for Small and Medium Enterprise Development (FUSMED) - that was provided under the World Bank's small and medium enterprises project and managed at the Bank of Ghana. The fund offered credit to enterprises in all sectors of the economy except primary agriculture, real estate and trading. However the repayment performance turned out to be less than satisfactory.

Table 2.1: Credit Flow to Micro Enterprises and SMEs in Ghana

Source	**Examples of Schemes**
1.Financial Institutions	Major Banks, Rural banks, Community banks, non-bank financial Institutions, etc.
2. Donor/Government Credit Schemes	GRATIS. FUSMED, NBSSI schemes
3. Donor-Assisted SME Loan Projects	IFAD, DANIDA, CIDA, FAO, USAID etc
4. Informal Financial NGOs, Credit Unions	Sinapi Aba Trust, CARE International etc.
5. Government Schemes	BAF, SIF (Micro-Finance Capitalization), Poverty Alleviation Fund (PAF), EDIF, MPSD and PSI schemes, MOTI, MASLOC,

Source: Compiled from various sources

Currently, the projects that are on-going for the MSME sector include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural

Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP). A recent impact assessment of the plethora of MSME financing programs that have been implemented across the country suggests that significant challenges remain in ensuring the effectiveness of MSME programs. The study found that access to finance was a significant problem for MSMEs, even though other problems such as low cash flow, energy, high cost of non-labour inputs, increasing competition, and high cost of credit were also cited. The next section outlines some of the remaining challenges facing the microfinance sector in Ghana.

2.8.4 Challenges Facing the Microfinance Sector

Generally, since the beginning of government involvement in microfinance in the 1950s, the sub-sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector. Among the constraints are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including the development partners, government and other agencies, could help to better integrate microfinance with the development of the overall financial sector.

Secondly, traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess. The commercial banking system, which has about twenty-three (23) major banks, reaches only about 5% of households and captures 40% of money supply[11]. Therefore there is room for expanding the microfinance sector in Ghana.

For example, Barclays Bank of Ghana (BBG) Ltd launched a micro banking scheme in December 2005 which establishes a formal link between modern finance and susu[12](one of Africa's most ancient forms of banking) collection in an unconventional mobile initiative across the country. The scheme aims to extend microfinance to some of the least affluent in Ghana, like the small trader at the market or the micro-entrepreneur selling from road-side stalls. Though their individual income is apparently too small for 'high street' banking, collectively it estimated at about a $150 million economy thriving below the traditional banking radar. Ghana's 4,000-strong Susu Collectors offer basic banking to the needy. For a small fee they personally gather the income of their clients and return it at the end of each month, providing greater security for their client's money. In addition, with finance from Barclays the Susu Collectors are able to provide their clients with loans, helping them to

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World Bank, Rural and Micro Finance Regulation in Ghana: Implications for Development of the Industry, World Bank, New York (2004)

Susu Collectors in Ghana are recognizable for their distinctive, many pocketed coats. Traditionally, they service a set area or group of families with whom they have developed a long relationship.

establish or develop their business. In the words of the former CEO of BBG Margaret Mwanakatwe,

What we are doing is somewhat unique. Not only are we creating an account for Susu Collectors to deposit their funds, we are also providing them with loans of their own, which they can 'lend-on' to their customers, helping them build their capital. In the process, we are laying the building blocks for a truly financially inclusive society. Currently, over three quarters of Ghanaian society may not have access to high street banking. We are also providing capacity building training to Susu Collectors to make sure that they do their credit risk correctly and any training needs they may need".

It is gratifying to note that the Government of Ghana has adopted microfinance as one of the important strategies for poverty reduction and wealth creation. Recognizing the role various institutions and individuals can play to ensure the achievement of this national vision of achieving the MDGs and also becoming a middle income country by the year 2015, there is the need to quicken the pace of reforms in the microfinance sector in order to unleash its full potential for accelerated growth and poverty reduction.

Finally, while Ghana has a reasonably diversified and supervised regulatory framework for formal financial institutions licensed by BoG, there is concern that appropriate regulation needs to be extended to other institutions operating in the microfinance sub-sector (for example the legal framework for credit unions) in order to improve the outreach, sustainability and efficiency of savings, facilitate credit delivery, and institutional arrangements.

2.8.5 The specific challenges facing the industry are discussed into more detail below.

A. Institutional Arrangements

The stakeholders in the sub-sector play various roles which are expected to be complementary. Due to the lack of defined areas of operation, the roles and responsibilities of stakeholders currently overlap in some cases. The overlap is also due partly to the fact that organizational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. Commercial banks could play an increasing role. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

B. Capacity Building and Funding for the Sector

In order to promote the sub-sector, the various stakeholders organize training programmes and activities with the view to upgrading the human capital in the industry. Nevertheless, the staffing and competency level being achieved with these training programmes is still below what is desired. Thus, the human capacity of some key stakeholders and institutions including MASLOC, GHAMFIN, MFIs, relevant Ministries, and technical service providers etc needs to be enhanced for microfinance operations. The random and incoherent nature of training programmes has also probably hampered the achievements of the projected gains for the sub-sector, as the flaw in the human capacity of all the stakeholders may have had a rippling effect on the governance and structure of the industry. Furthermore, the current microfinance Apex bodies lack an adequate cadre of in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Infrastructural capacity in the sub-sector is yet to be developed around an integrated and holistic logistical support and internal operating systems. Funding for the sub-sector has been from three sources: the institutions themselves, government, and development partners. Firstly, available funds have not fully 'met the needs for developing and expanding the sub-sector; and, secondly, the varying sources come with their conditions, and distort the market in some cases. There is considered to be a need for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support, building on experience such as the Training Fund under the Rural Financial Services Project.

C. Credit Delivery and Management

The current strategies for credit delivery are not adequately diversified or efficient, and therefore are unable to fully meet the varying demands of the market and different categories of end-users. There is no framework for categorizing and upgrading some of the emerging microfinance institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. The objective of microfinance is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual MFI clients and other forms of support that may be more appropriate for some groups.

D. ***Targeting the Vulnerable and the Marginalized***

People with disabilities and impairments do not have products and services designed to meet their needs and also are not adequately served by existing microfinance funds and services. This target group in particular could benefit from complementary skills training programmes. The existing skills training and funding arrangements for women do not seem to be market-driven. Thus, specific services and products that target women for entrepreneurship development to enable them engage in economic activities and become more self-reliant need to be more coherent. Young people aged 15-24 years account for about a third of the population of Ghana and constitute over half of the unemployed population. There is a need for special microfinance, grant and training programmes that target the youth for entrepreneurial development

E. ***Data/Information Gathering and Dissemination***

Generally, there is paucity of information on microfinance institutions, their operations and clients in the country. Approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the sub-sector. The current attempt to develop a national data bank on microfinance is yet to be fully realized. There is a lack of well defined reporting system by both the government and development partners with regards to their interventions. The outcome is inadequate data base for decision-making and planning. At the institutional level, data/information gathering and dissemination are weak within and between institutions. The lack of common benchmarks, methods for measuring and information sharing further inhibits the performance of the sub-sector. Lack of adequate and reliable information on outreach in terms of its depth and breadth remains one of the most daunting in the sub-sector. This lack of information has affected targeting of clients and ultimate poverty reduction.

F. Regulation and Supervision

There is a need for dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures to ensure consistency and cost-effective approaches to regulation across different types of microfinance institutions and products. There is a need to balance permitting continued evolution of a variety of institutions providing microfinance products and services with the need to protect depositors' funds, provide adequate information and protection to consumers, and coordinate expansion and regulation of different segments of the market. Microfinance institutions in this category face rigid regulatory and supervisory systems that present some challenges for product innovativeness, outreach and ultimately the performance of the institutions. There is a lack of well specified guidelines for operations among apex bodies namely, CUA, GCSCA, ASSFIN and Cooperative Council. This leads to uncoordinated activities and invariably hampers the performance and outreach of their member institutions.

G. Collaboration and Coordination

There is no national body which is responsible for coordinating all activities associated with microfinance, nor is there a forum for dialogue among stakeholders on policy and programme issues. As a result there is lack of coherent approach, fragmentation, duplication and inadequate collaboration between and among MDAs, MMDAs, development partners, service providers, practitioners and end users.

In this regard, the role of GHAMFIN as an umbrella body for microfinance apex institutions, as well as their member institutions, needs to be strengthened to ensure the transfer of best practices and setting of standards for the industry. The existing institutional structure does not include all practitioners and service providers, and needs to be addressed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the methodology to be used during the data collection and analysis stage. The research objective is to examine the effects of Microfinance on alleviation of poverty. This study's focus is on Masara N'arziki Programme. The chapter will explain the strategies and the rationale behind the choices the researcher made in the data collection. It also discusses the problems encountered during the study and the limitations of the study. This research methodology will be designed in a simple way and conducted using a detailed questionnaire (semi-structured and informal interviews) to gather and systematically track the client's responses on the impact of microfinance.

3.1 Types and sources of data

Data was collected from all relevant sources, secondary (journals, periodicals, textbooks, websites, etc) and primary (questionnaires).

3.1.1 Primary research data

The essence of any data collection method is the ability to unambiguously answer the research questions. The data to be collected for this study will use the case study method in order to aid in the interpretation. This is to say, data will be collected directly from key and relevant personnel of programme. The questions to be asked in the study will be a combination of both open and closed ended questions. It must however, be noted that closed questions are most suitable when the set of possible answers are already known.

Opened ended questions will be used in instances where the researcher believed there could be more opinions not captured by the closed questions. According to Stacey (1969), closed questions can be used in situations where different answers are known, very limited in number and are clear-out. Stacey (1969) further stated that where the issues involved are complex, relevant dimensions not known and the process being explored, the opened questions should be used. Overall 100 beneficiaries of the Masara N'ariziki farmers association were selected. Masara N'ariziki operates in ten operational areas with each operational area having about ten communities. Beneficiaries of the Masara N'ariziki farmers association had membership of five to ten people. The farm sizes ranges from five to ten acres per person.

3.1.2 Secondary research data

Notwithstanding the advantages of primary data i.e. the provision of data that match the researchers needs, the data collected being current, and so on; secondary data was seriously used as well. Secondary data is data already collected for some other purposes. The secondary data sources included but not limited to published articles, books, reports related to the subject area as well as internet sources. These sources are generally used in the literature review chapters to develop the arguments that serve as the basis for the empirical study.

3.2 Population of the Study

A study population is that aggregation of elements from which the sample is actually selected (Earl 2002). According to David and Chava (1976) a population could be defined in terms of content, extent and time. Therefore a population is the aggregation of all cases that conform to some designated set of specification. Cooper and Sciendler (2001) defined population as the total collection of elements about which we wish to make some inferences.

From the foregoing, the population of the study covers the Officials of the Masara N'arziki Programme as well as the beneficiaries of the programme, who in this case are the entire maize farmers of the programme. Masara N'ariziki farmers association has a total of one thousand three hundred and eighty-seven farmers in the Tumu operational area constituting two hundred twenty- two groups and cultivating eight thousand and eighty acres.

3.3 Sampling

Sampling denotes the process of choosing the research units of the target population, which are to be included in the study. It is a process of taking any portion of a population or universe as representative of that population or universe (Osuala, 2001). Chava (1976) defined a sample as any sub set of sampling units from a population. A subset is any combination of the entire units that does not include the entire set of sampling units that has been defined as the population. In general terms, sampling enables the research to study a relatively small number of units in place of the target population and to obtain data that are representative of the whole target population.

This study's sampling unit will therefore be drawn from the maize farmers of the programme based in Tumu, in the Upper West region of Ghana.

3.3.1 Sampling Technique

Sampling technique basically refers to the method employed in obtaining the sample size for the research. According to Twumasi (2000) sampling technique is very necessary in any social study because it helps in answering questions pertaining to what type of respondents will be called upon to give answers to the research question, whether the selected group of respondents is adequately representative of the population, how wide a coverage would be acceptable and other questions that would help the researcher in the selection of his sampling design. Sampling techniques provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub group rather than all possible cases. Some research questions requires sample data to make generalization about all the cases from which samples have been selected.

3.3.2 Non-probability sampling

Non-probability sample is a sample selected in some fashion other than those suggested by probability theory (Neuman W. L. 1991). Many of the research situations faced by social workers often make probability sampling impossible or inappropriate and non-probability sampling techniques are often more appropriate. A range of non-probability sampling techniques are available which should not be discounted as they can provide suitable alternatives to select cases to answer the research questions and address the objective. One of such methods is quota sampling which, like probability sample tries to represent the total population.

This study will employ purposive sampling technique (which is a type of non-probability sampling) in interviewing key and relevant personnel of the organization. Here the researcher will select the departments to be observed on the basis of her judgments about which ones will be the most useful or representative. This method will enable the researcher identify uniquely qualified respondents to provide needed information. The selections are based on expert knowledge of the particular problem of the research. This helped the researcher to select respondents who seemed to know more and work directly under the finance administration.

3.4 Research instruments

The researcher used methods deemed fit in collection of information for the study. The survey questionnaire and focus group interviews were deemed fit to be used to gather data from respondents.

3.4.1 Questionnaire

This aspect of the study will deal with a series of structural questions, which are reflected to the research topic and are directed to a respondent with the aim of gaining a firsthand knowledge on the topic posed to the respondent. The research questionnaire will be structured in the following categories:

i. **Suggestive** – to ascertain whether the respondent accepts or rejects an assertion in the question.

ii. **Opened ended** – giving the respondent the chance to frame an answer in the way he or she thinks most appropriate

iii. **Close ended** – where some questions are presented and the responses are fined and the respondent is expected to choose the answer from the options given him. This is done to provide quick results and a lot of information in no time.

3.4.2 Focus Group interview

A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs and attitudes towards a product, service, concept, advertisement, idea, or packaging (Henderson, 2009). Questions are asked in an interactive group setting where participants are free to talk with other group members. In the social sciences focus groups allow interviewers to study people in a more natural setting than a one-to-one interview. In combination with participant observation, they can be used for gaining access to various cultural and social groups, selecting sites to study, sampling of such sites, and raising unexpected issues for exploration. Focus groups have a high apparent validity - since the idea is easy to understand, the results are believable. Also, they are low in cost, one can get results relatively quickly, and they can increase the sample size of a report by talking with several people at once (Marshall and Gretchen, 1999).

Thus a focus group interview is an interview with a small group of people on a specific topic. Groups are typically six to eight people who participate in the interview for one-half to two hours. The focus group interview is indeed an interview. It is not a discussion. It is not a problem-solving session. It is not a decision making group. It is an interview. The participants are typically a relatively homogeneous group of people who are asked to reflect on questions asked by the interviewer. Participants get to hear each other's responses and to make additional responses beyond their own initial responses as they hear what other people have to say. It is not necessary for the group to reach any kind of consensus. Nor is it necessary for people to disagree. The object is to get high quality data in a social context where people can consider their own views in the context of the views of others.

The researcher thus arranged with the leaders of Farm Based organization (FBOs) on a suitable time and venue for the focus group interviews to elicit the right information to enable her make valid conclusions.

In addition to the focus group interviews, the researcher also administered some questionnaires on key personnel of the organization to complete the information to be obtained from the FBOs.

3.5 Data Analysis

The data obtained from the questionnaire, focus and personal interviews and sampling was analyzed. The analysis was in the form of tables, charts and graphs. The data was displayed on the tables and highlighted in a pictorial form on the graph. In addition, the information on the graph as well as the table will be expressed in a more detailed form to facilitate understanding such as using descriptive statistics of means and standard deviations.

3.6 Limitations

During the study, the following problems were encountered by the researcher:

i. Difficulty in the retrieval of all questionnaires

ii. Respondents were scared giving out information for fear of taxation

iii. Some respondents were too busy to entertain researchers.

iv. Limited time to cover more catchment areas

v. Lack of financial resources to widen the sample size

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

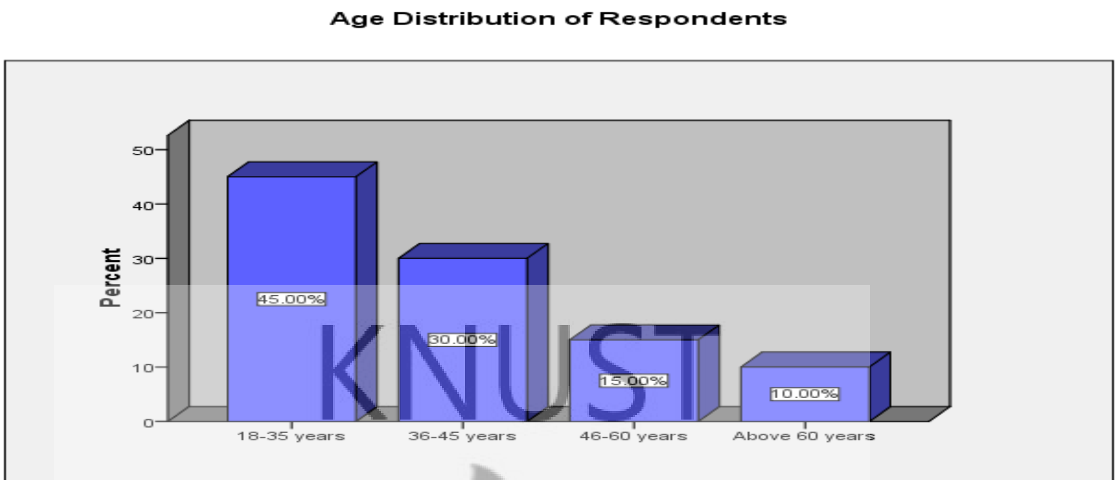
This chapter focuses on analyzing the data collected. The data was analyzed for frequencies of the responses which were presented using pie charts, bar charts and frequency distribution tables.

4.1 Personal Information of Respondents

4.1.1 Age of Respondents

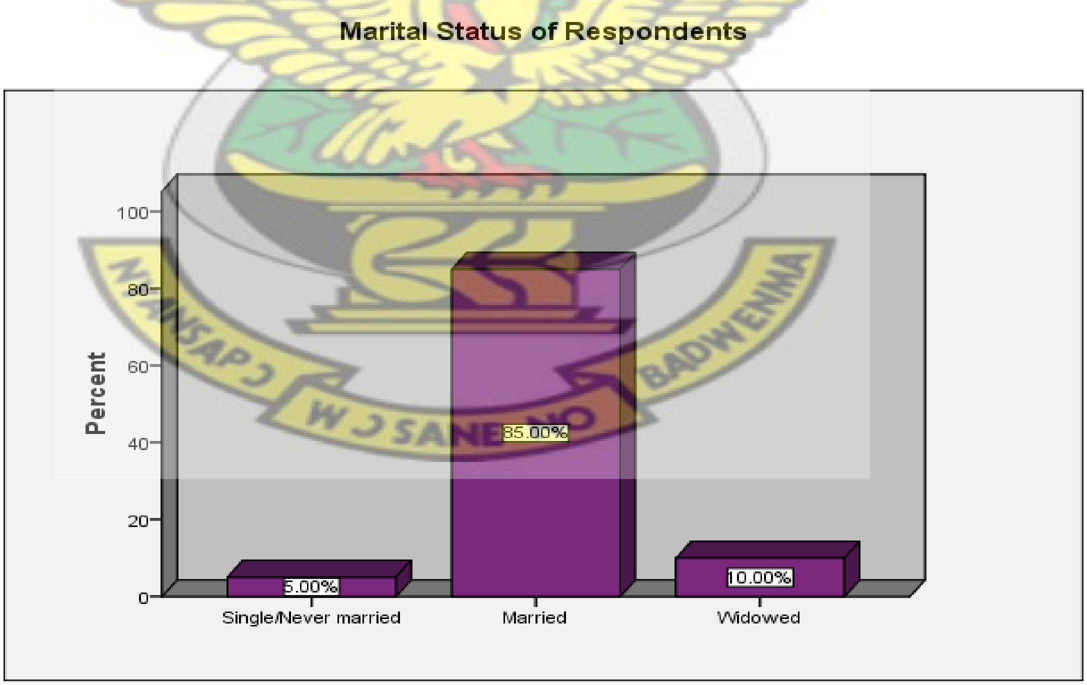
It was interesting to find out that most of the farmers were young. In fact out of 100 respondents, 45% fell between the ages of 18 – 35 years, with another 30% in 36 - 45 years range and 15% being between 45- 60 years. Understandably, only 10% of the farmers were above 60 years. This suggests that agriculture is attractive to the youth of Tumu. Our focus group discussion also revealed that organizations in microfinance prefer to give credit to farmers in this area because they do not default in payment. Farming especially subsistence farming is a very hard work and the older one gets, the less effective he/she is on the field. No wonder the very young dominated in the survey. See Figure 4.1.1 below for details.

Figure 4.1.1 Age of Respondents



4.1.2 Marital Status of the Respondents

As illustrated in Figure 4.1.2 below, as many as 85% of the respondents were married. 5% had never being married and another 10% being widows.



Source: Primary Data. Figure 4.1.2 Marital status of Respondents

4.1.3 The Number of People in Respondents' Households

As can be seen in Figure 4.1.3 below, 30% of the respondents each said there between 1 to 5 people and between 6 to 10 people in their households respectively. Only 5% of the respondents +had more than 26 people in their household. This finding is a little surprising because one would have expected more people in typical northern household than as presented in this study because of their extended family system.

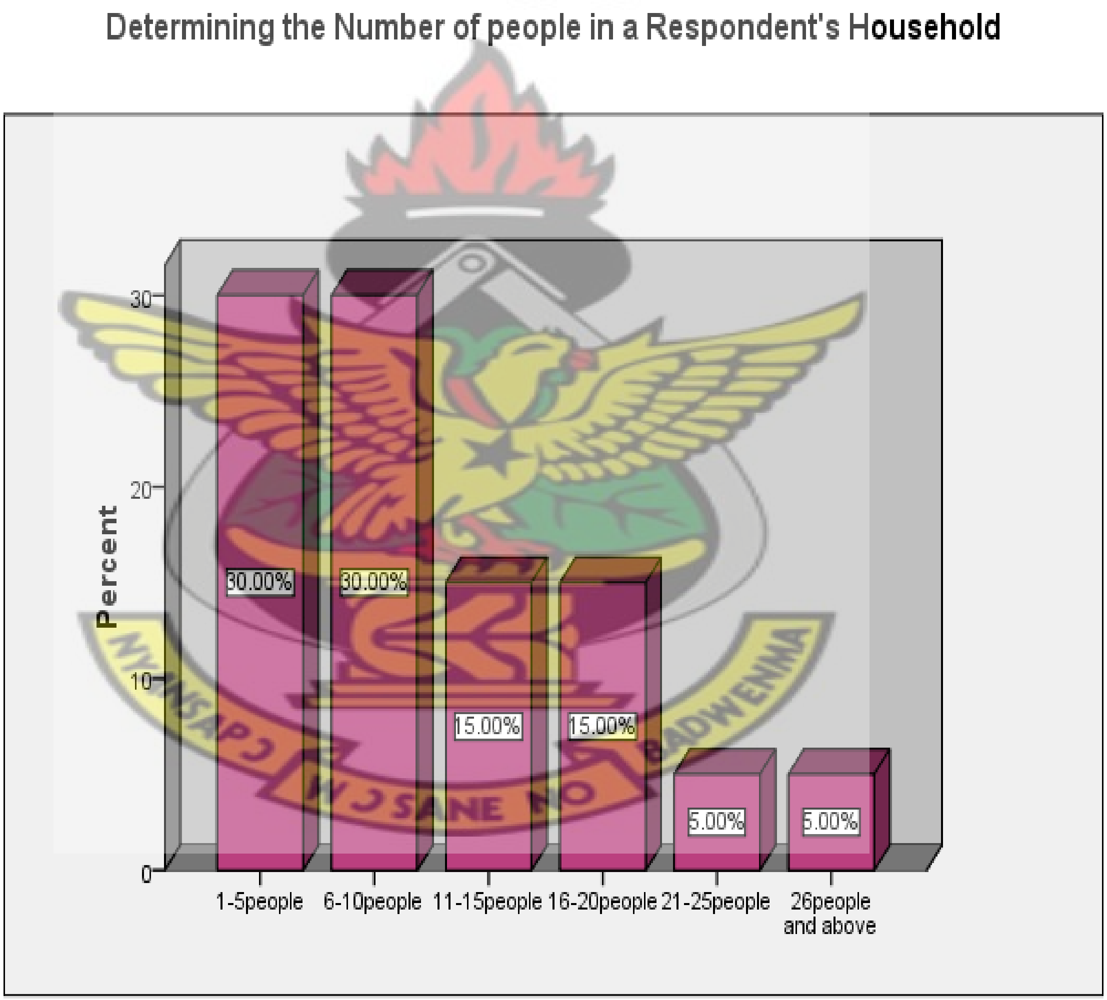


Figure 4.1.3 The Number of People in Respondents' Households

4.1.4 Assessing Respondents' Access to Accommodation

It was interesting to find as illustrated in Figure 4.1.4 that 70% of the respondents own houses whiles 15% were staying in rented premises. Another 15% were sharing their accommodation.

Assessing Respondents' State of Accommodation

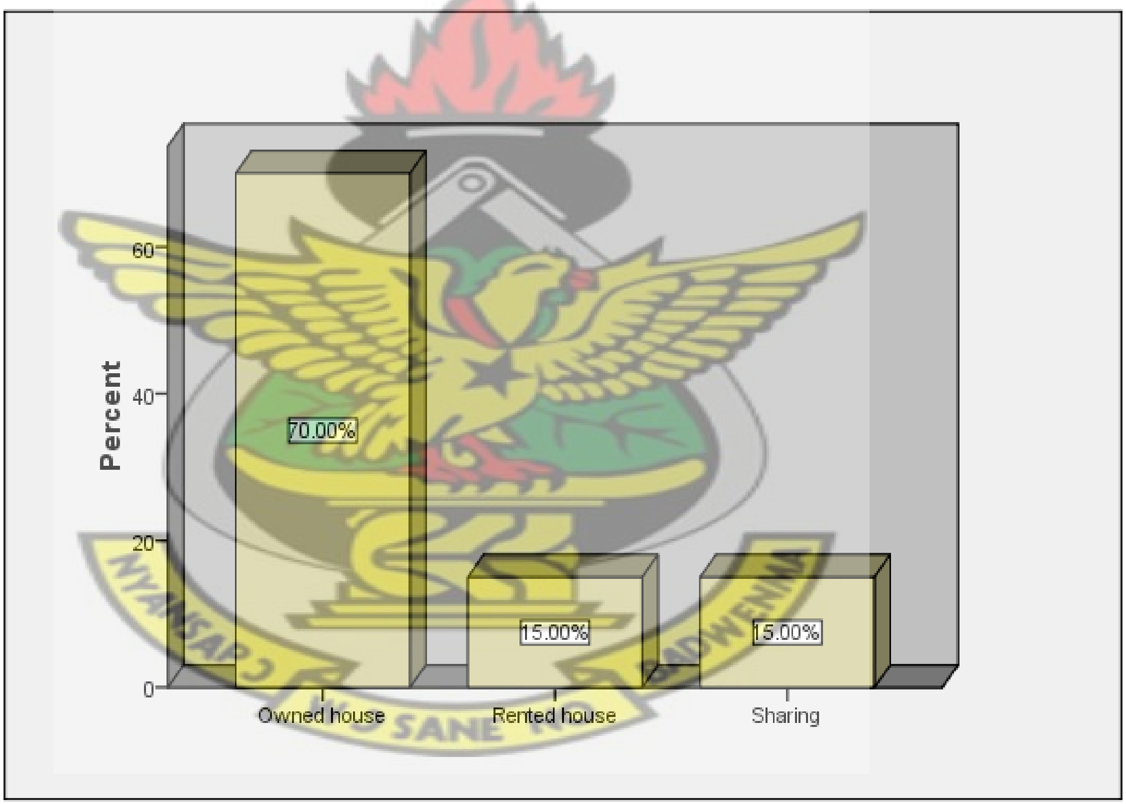


Figure 4.1.4 Assessing Respondents' Access to Accommodation

4.1.5 Number of Children going to School in the Respondents Household

As can be seen in Figure 4.1.5 below, 85% of the children between 1 and 5 go to school and strangely though, those who go to school and are aged between 6 and 10 years were only 15%. Seems as if as the children grow older, the more and faster they drop out of school.

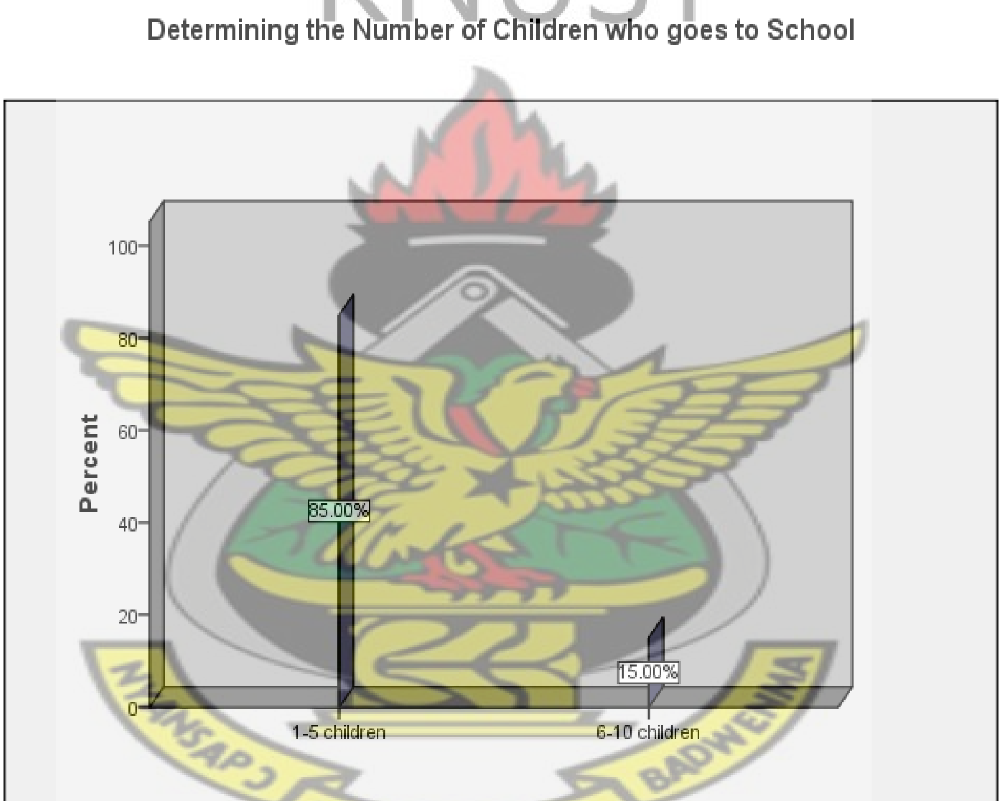


Figure 4.1.5 Determining the Number of Children who to School

4.1.6 Reasons for the Children not going to School

As illustrated in Figure 4.1.6 below, the respondents said 70% of the children go to school. However, the reasons for those who do not attend school according to the respondents is because they wanted the children to assist them in their farms (10%) and also because of the lack of money (20%).

When the respondents were asked if they find it easy educating their children, 70% answered yes and 30% said no. See Table 4.16 below for details.

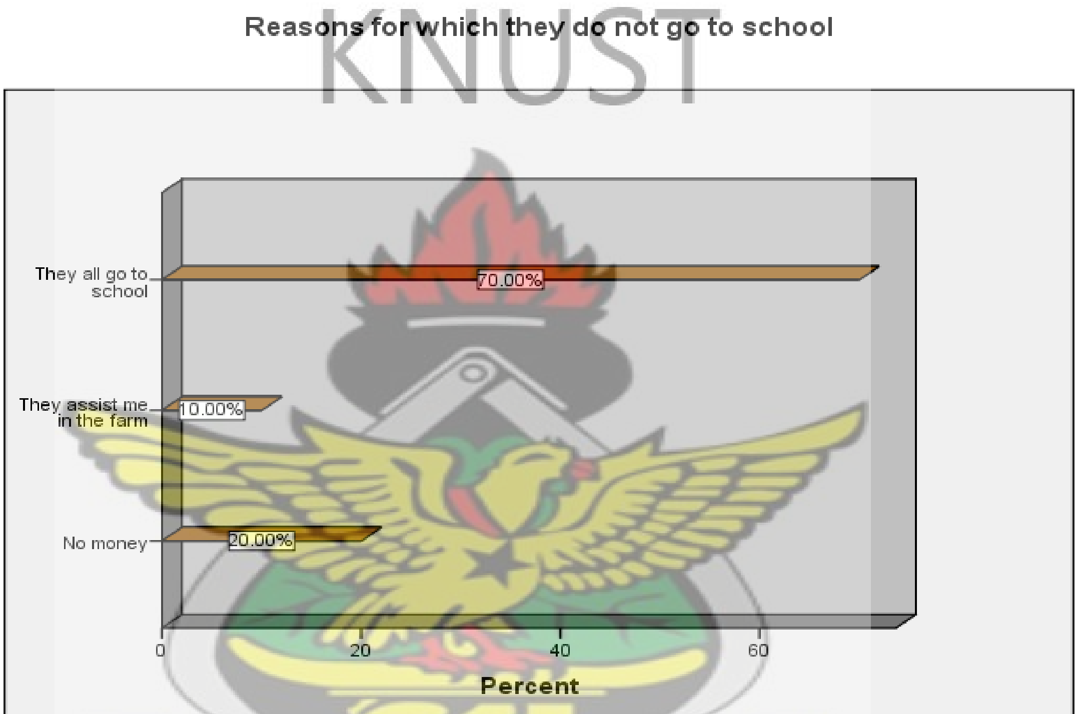


Figure 4.1.6 Reasons for the Children not going to School

Table 4.1.6 Determining if Parents are able to Easily Educate their children

Response	Frequency	Percent	Cumulative Percent
Yes	70	70.0	70.0
No	30	30.0	100.0
Total	100	100.0	

Table 4.1.6 Determining if Parents are able to Easily Educate their children

Response	Frequency	Percent	Cumulative Percent
Yes	70	70.0	70.0
No	30	30.0	100.0

Source: Field survey, 2011.

4.1.7 Determining the Cost of Respondents' Daily Diets

It came out from the study that about 35% of the respondents spend between 6 to 10 cedis on food daily, whiles 25% spend between 1 to 5 cedis on food daily. As illustrated in Figure 4.1.7 below, 15 % spend above 20 cedis on food daily.

Determining the Cost of Respondents' Daily Diet

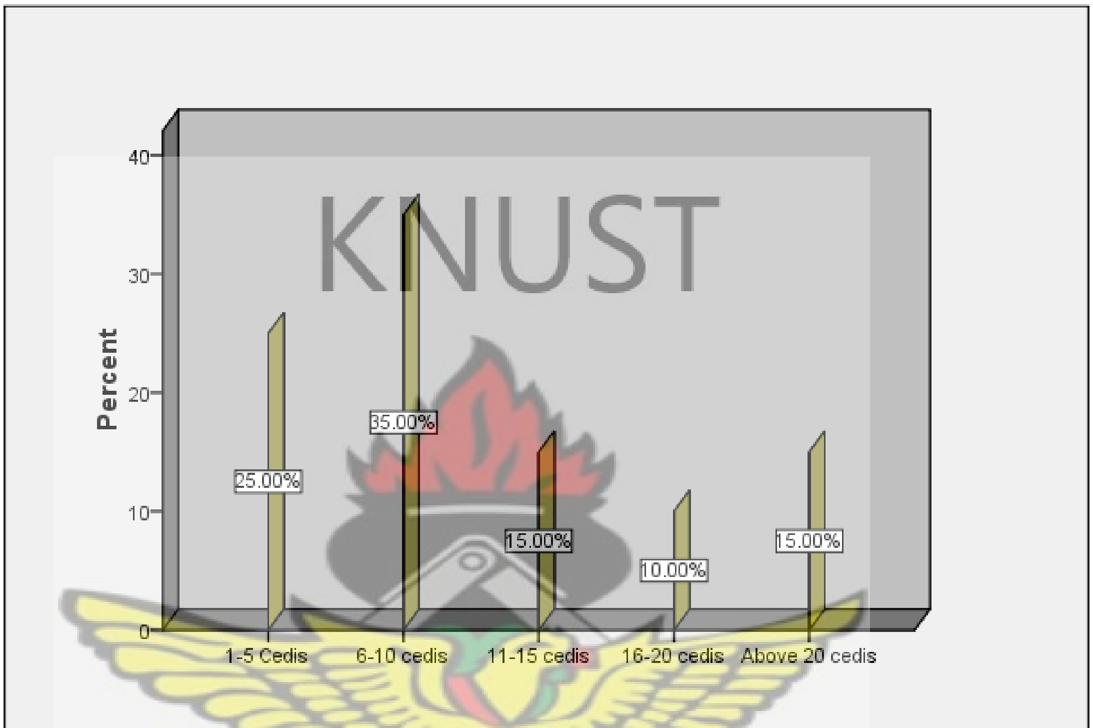


Figure 4.1.7 Determining the Cost of Respondents' Daily Diets

4.1.8 Determining Whether Respondents are able to pay for their Medical Expenses

From Table 4.1.8 below, it was gathered that majority of the respondents claim they are able to pay their medical bills. In fact as high as 85% claim they are able to pay their medical expenses. Only 15% said they could not foot their medical bills

Table 4.1.8 Finding out whether Respondent is able to Pay for the Medical Expenses

Response	Frequency	Percent	Cumulative Percent

Yes	85	85.0	85.0
No	15	15.0	100.0
Total	100	100.0	

Source Primary Data

4.1.9 Respondents' Acreage before Joining the Programme

From Figure 4.1.9a below, it can be seen that 45% of the respondents had between 1-2 acres with another 40% cultivating between 3- 4 acres of land. Only 15% had 5 or more acres of land. The main reason given for their acreage was as presented in Figure 4.1.9b, was because that was what they could afford.

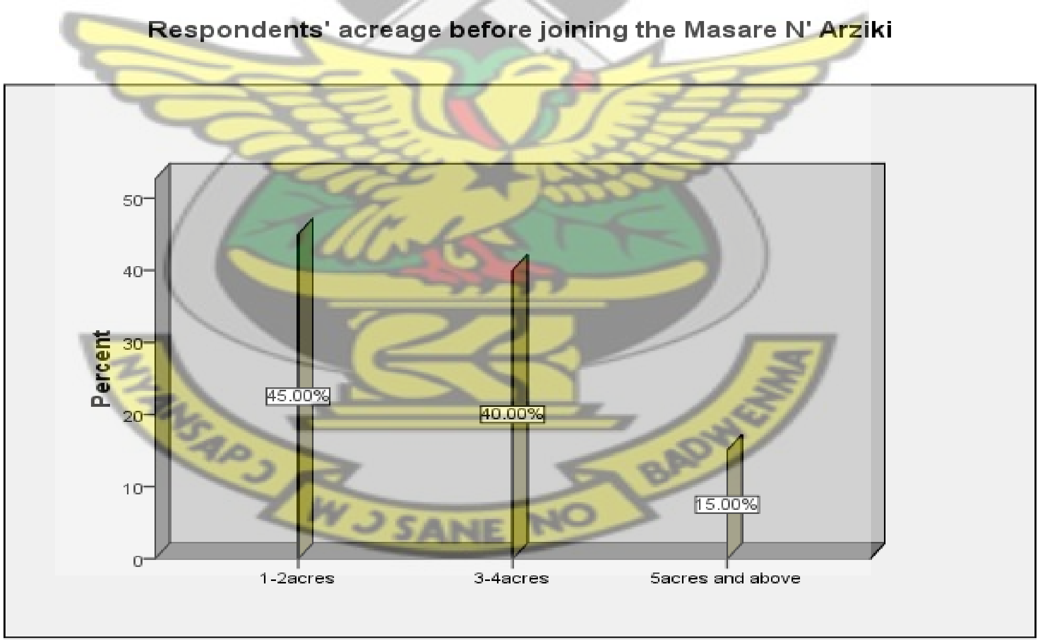


Figure 4.1.9a Respondents' Acreage before Joining the Programme

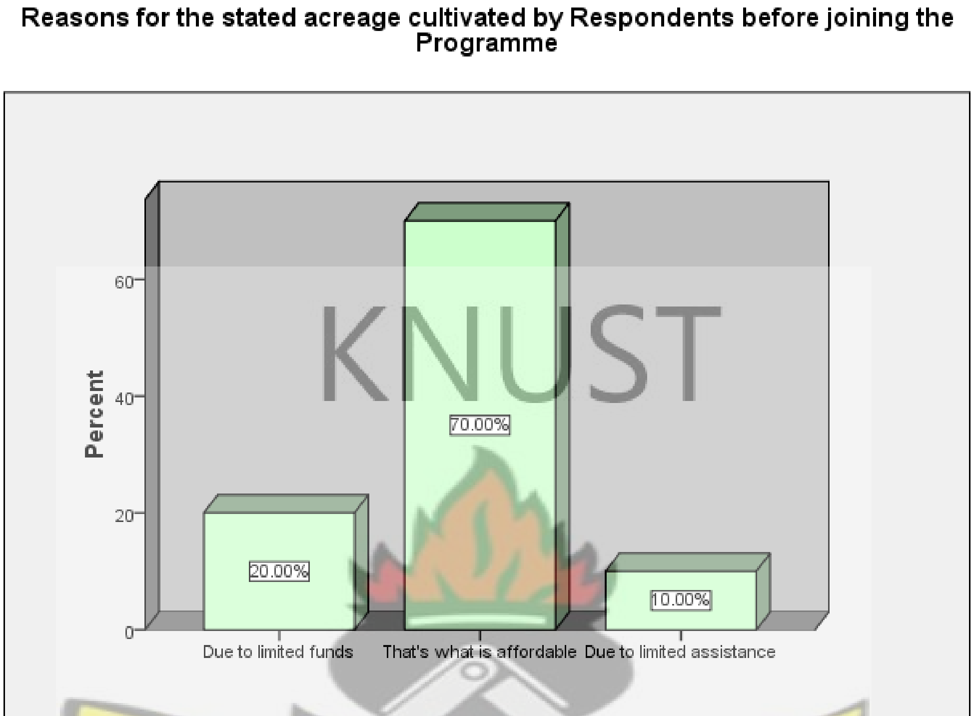


Figure 4.1.9b Reasons for the stated acreage

4.1.10 Determining the Aspects of farming Respondents Finance on their Own

From Figure 4.1.10 below, about 25% of the respondents said they finance the harvesting of their produce on their own; 20% said they self-finance the plowing of their fields. 15% of the respondents each self-finance the weeding and spraying of their lands.

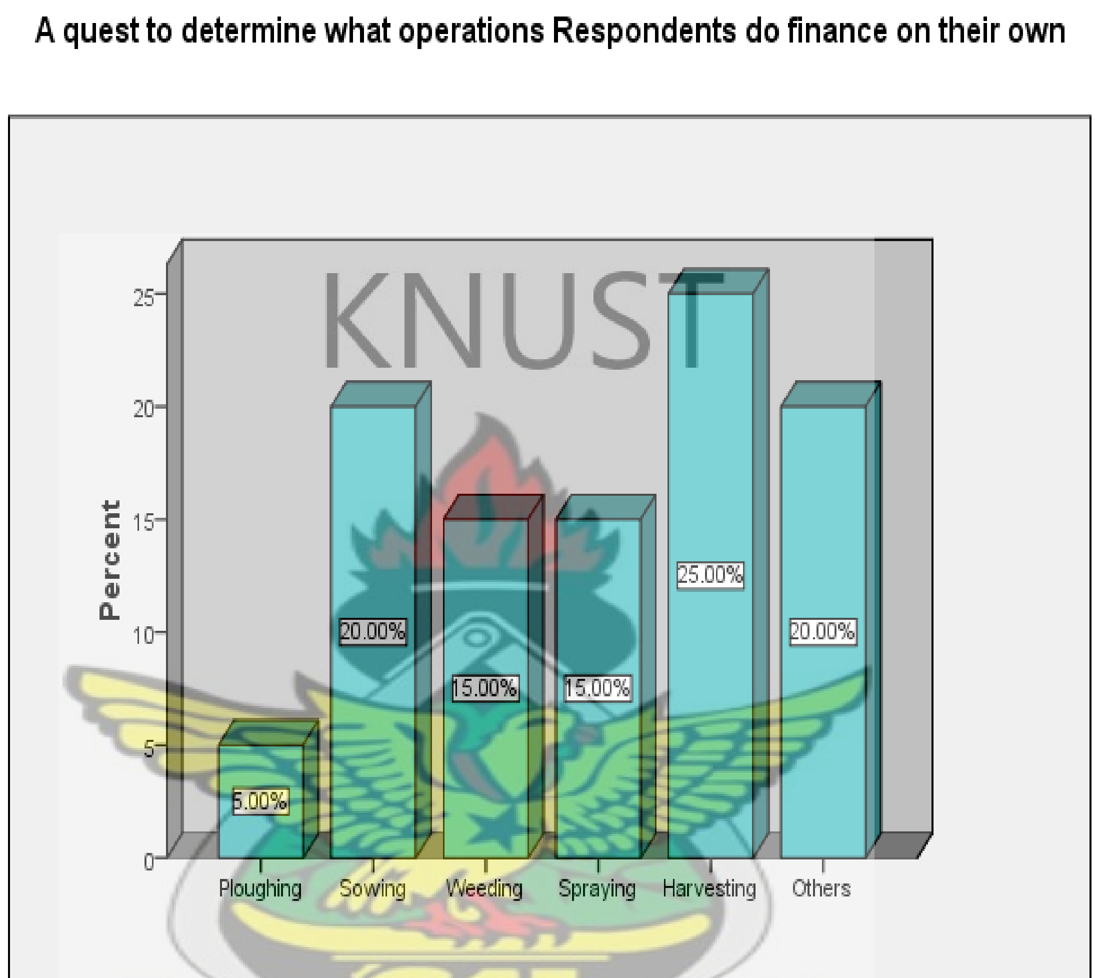


Figure 4.1.10: Aspects of farming Respondents Finance on their Own

4.1.11 The Type of Crops Cultivated Before Joining the Programme

From Figure 4.1.10 below, it was realized that the dominant crop cultivated by the respondents was maize (65%). This was followed by sorghum (20%) and rice (15%). From Figure 4.1.11b below, it was realized that maize 45% of the respondents cultivated maize because it was the most popular crop, 30% said they cultivate it because it has a ready market. 25% of the respondents however said they cultivated maize because it is a staple food in their various homes.

This finding supports the donors assertion that maize is the most widely grown crop and also the fact that maize from the northen zone is of better quality in terms of moisture content.

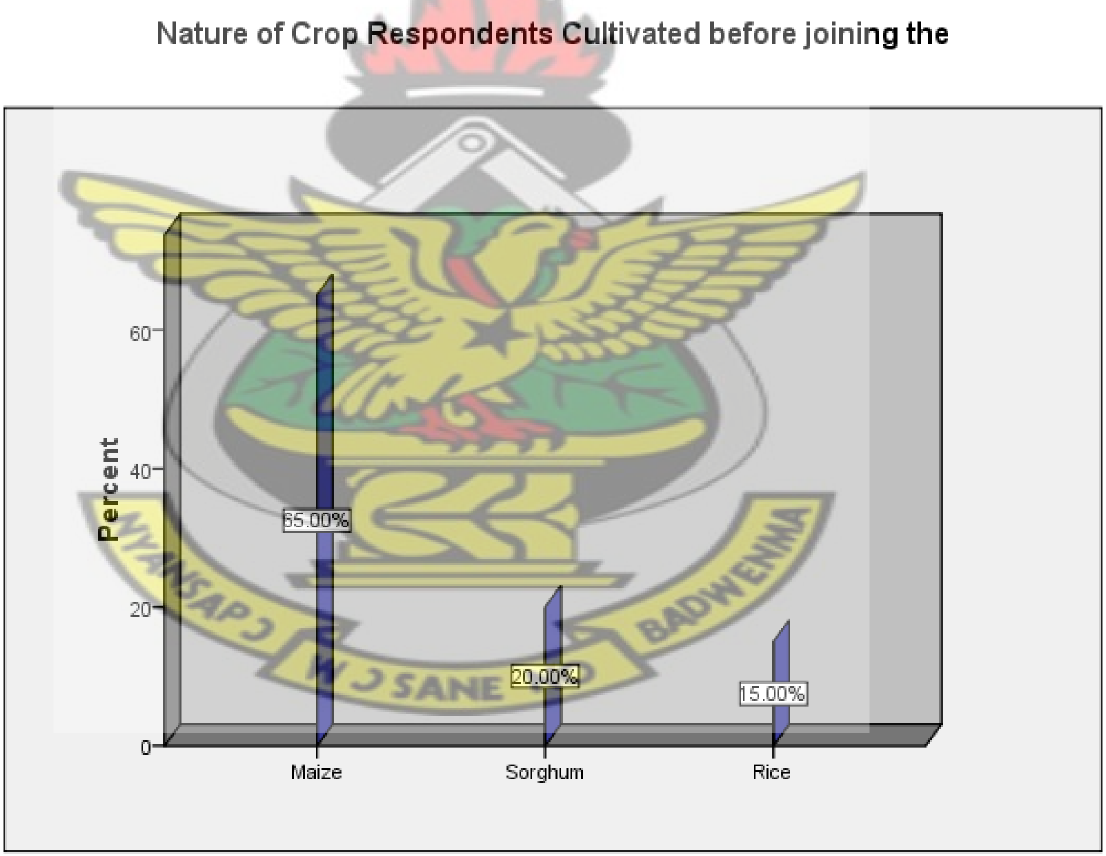


Figure 4.1.11a The Type of Crops Cultivated Before Joining the Programme

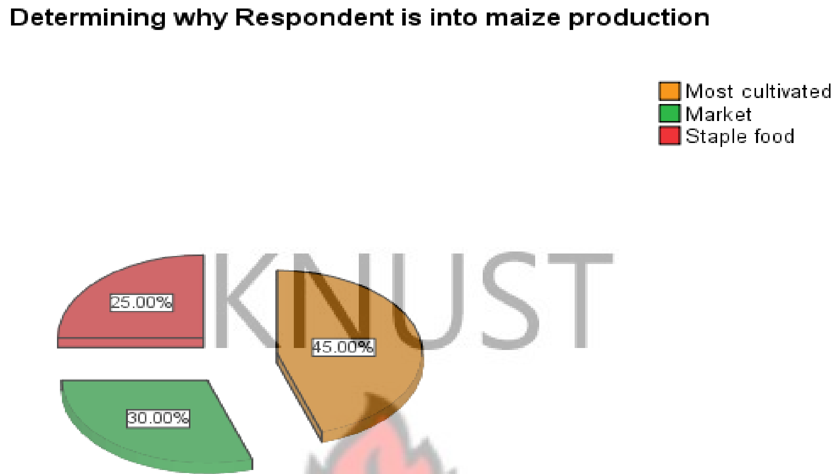


Figure 4.1.11b Why the Cultivation of Maize

4.2 The Effects of the Masara N'ariziki Programme

It was learnt from the literature review in chapter two that microfinance is considered as a vital tool to break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. Access to microfinance services enables poor and economically active people to invest in new business activities, thereby increasing levels of employment and income, build financial assets gradually and keep some of their financial reserves in a profitable, secure and liquid way, compensate better for fluctuations in their income and expenditure and therefore cope more successfully with risks and emergencies.

The Masara N'Arziki programme (which basically means the maize for wealth), renders support to maize farmers to improve upon their produce through the use of improved technology. The programme package consists of fertilizers, hybrid seeds, herbicides, insecticides, spraying equipment, innovative farm implements on credit as well providing technical advisory and training services to them. The novelty in the operations of this organization lies in the fact that it provides credit to farmers and gets repaid at harvest time based on negotiated and agreed prices.

This section sought to determine how the programme has helped in alleviating poverty within its members.

4.2.1 Number of Years Spent in Farming

It came out that about 40% of the farmers had been farming for between 5 to 8 years. This was followed by 25% who said they have been farming for between 1 to 4 years. Only 5% of the farmers have been farming for more than 17 years. See Table 4.2.1 below for details. Again, from Figure 4.2.1 below, it can be seen that 70% of the respondents were full time farmers.20% were involved in general business in addition to the farming,5% teach in addition to farming and another 5% were involved in petty trading to supplement their farming business.

Table 4.2.1 Ascertaining the Length of Respondents' Involvement in the Farming Business

Response	Frequency	Percent	Cumulative Percent
1-4 years	25	25.0	25.0
5-8 years	40	40.0	65.0
9-13 years	20	20.0	85.0
14-17 years	10	10.0	95.0
Above 17 years	5	5.0	100.0
Total	100	100.0	

Other Businesses engaged in by Respondents' aside the Farming

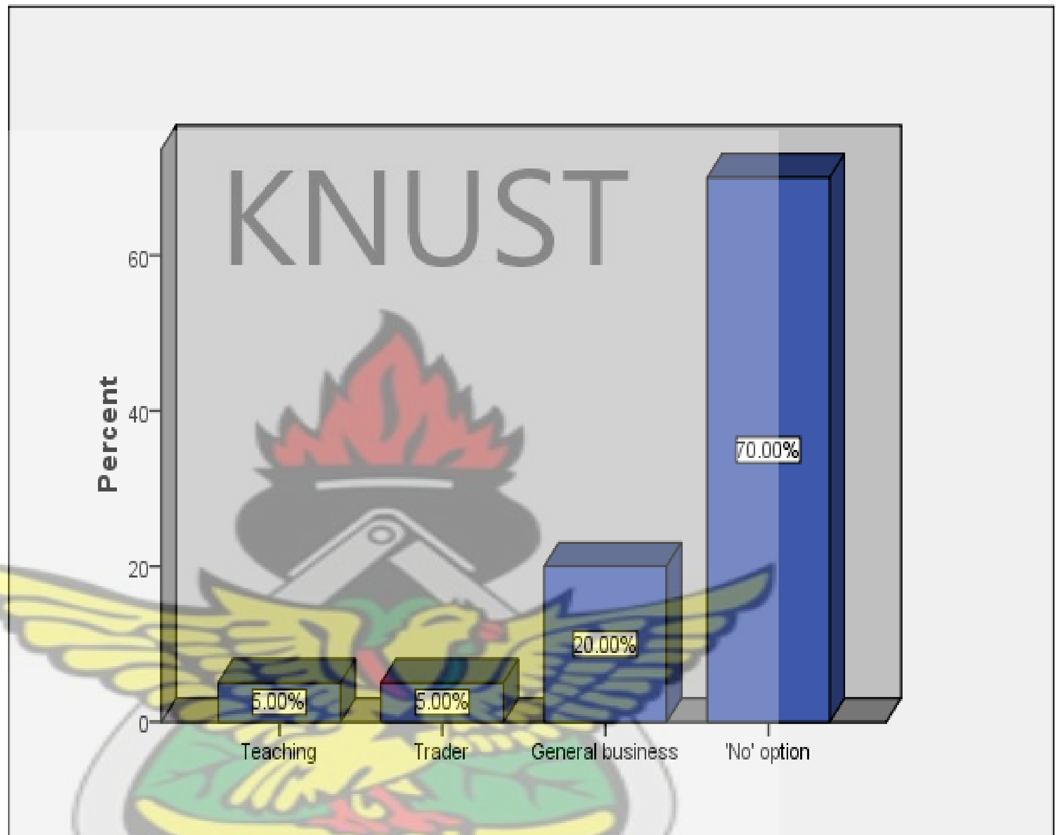


Figure 4.2.2 ascertaining whether Respondents do any other Business aside the Farming

4.2.3 How Respondents Got to Know about the Programme and Length of Membership

45% of the respondents said they got to know about the programme through friends, 35% said they got to know through radio adverts and 20% said they became aware of the programme through interactions with the Masara staff.

45% of the respondents have been with the programme for more than 3 years, whiles 30% have spent 2 years. For details see Figures 4.2.3a and 4.2.3b below.

Figure 4.2.3a How Respondents Got to Know about the Programme

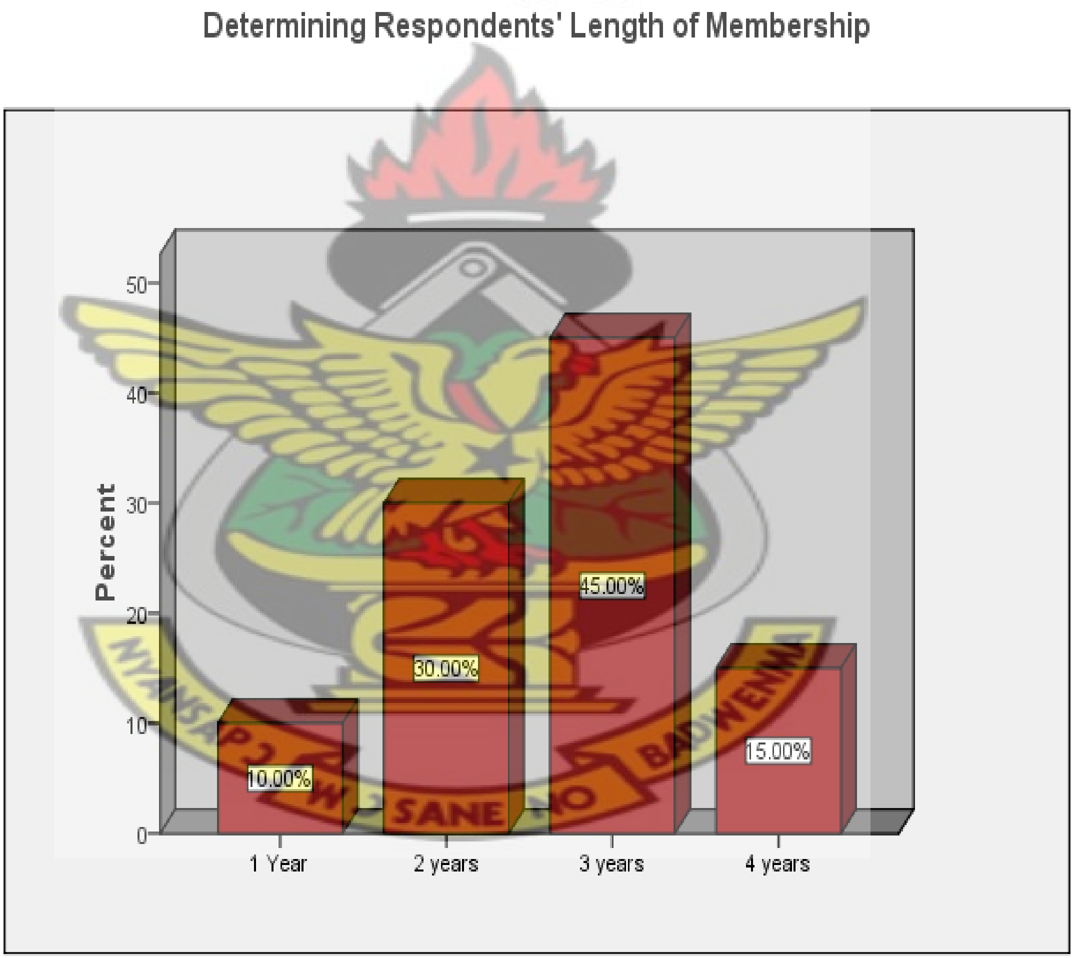


Figure 4.2.3b Length of Membership

4.2.4 Respondents Experiences as Farmers

Farming means different things to different people based on where they are coming from and their backgrounds. As seen in Figure 4.2.4, 45% of the respondents were of the view that farming is a very interesting business and that they enjoy the vocation. Another 40% of the respondents said farming was lucrative and 15% said farming is a lifetime business.

The above finding implies that farming when done properly and with the necessary support and techniques can be very rewarding.

Respondents' Experience as a Farmer

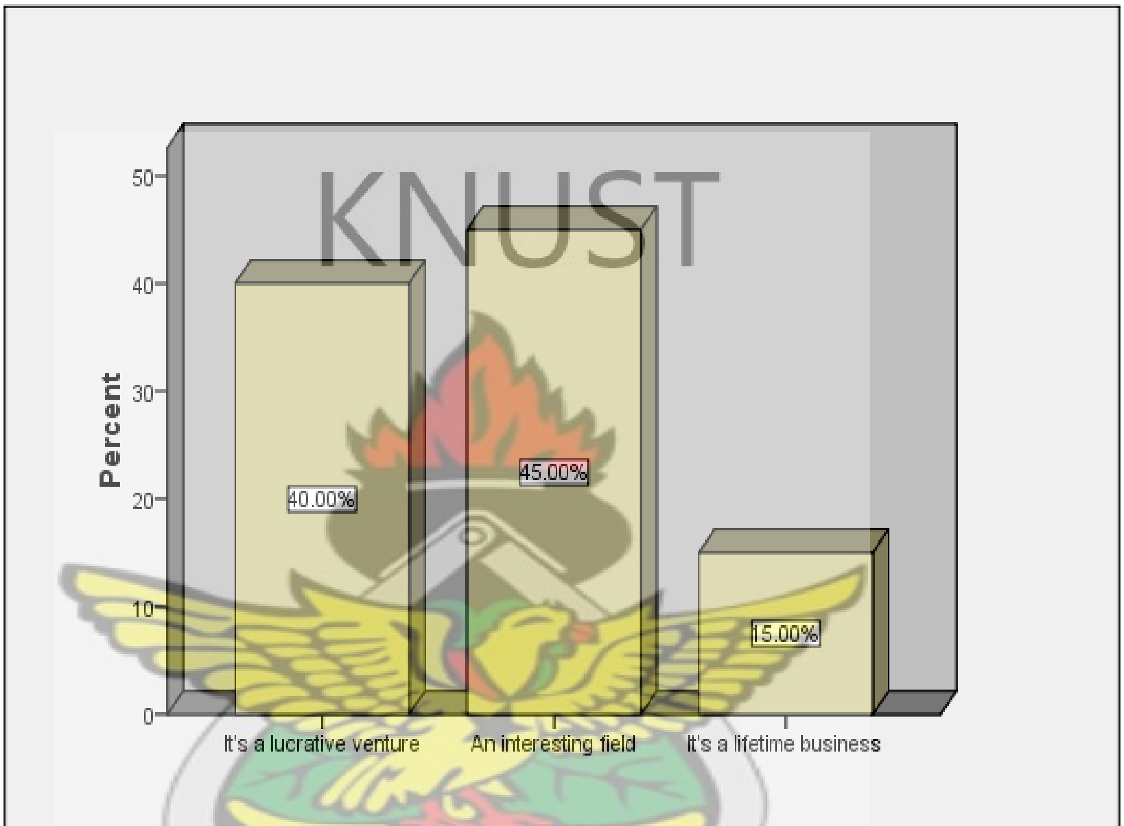


Figure 4.2.4 Respondents Experiences as Farmers

4.2.5 Determining Whether Respondents Faced Challenges before Joining the Programme

Most of the respondents as can be seen in the Figure 4.2.5a below claimed that they had some farming challenges before joining the programme. In fact as high as 85% of the respondents said they faced serious challenges prior to joining the programme. Only 15% of the respondents said they faced no challenges.

As can be seen in Figure 4.2.5b below, 45% percent said the main challenges was the lack of inputs such as tractors, seeds, fertilizers, etc. 20% said their challenges were a combination of the lack of inputs and financial; resources. 15% of the respondents only mentioned the lack of finances as their challenge.

This finding is not very surprising considering the fact that farming in most parts of the country is subsistence, rain-fed, lack of modern technology in terms of equipment to enable the farmers cultivate large parcels of lands, etc.

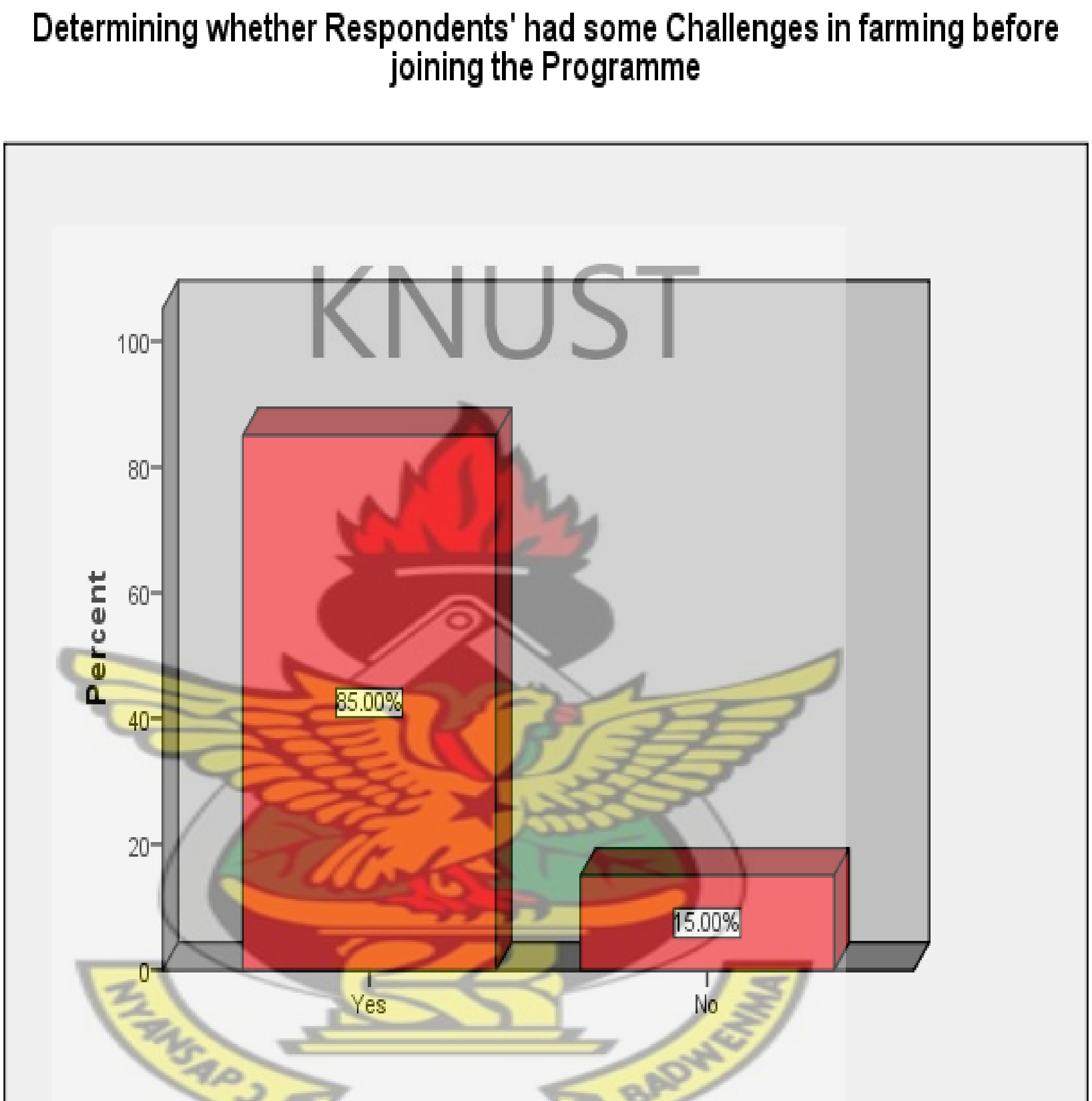


Figure 4.2.5a Farming Challenges Faced by Respondents before Joining the Programme

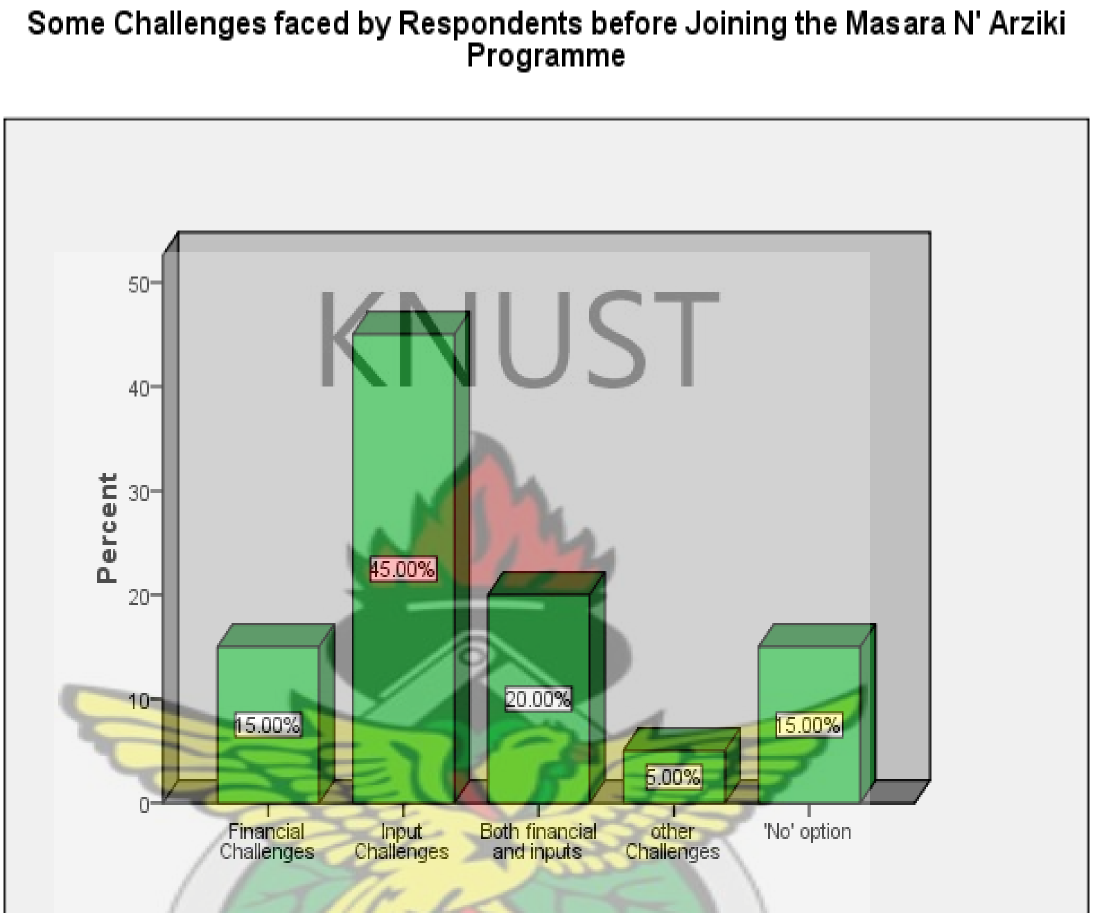


Figure 4.2.5b Types of Challenges Faced by the Respondents before Joining the programme

4.2.6 Determining Whether Respondents have been granted Loans before

From Table 4.2.6a below, it was found out that 40% had been granted loans before; whiles 60% said they have never been granted such facility before. For those granted loans before, 15% said they repaid the loan in cash whiles 20 percent said the paid in kind. See Table 4.2.6b below for details.

Table 4.2.6a Finding out if Respondent has Ever been granted Loan

Response	Frequency	Percent	Cumulative Percent
Yes	40	40.0	40.0
No	60	60.0	100.0
Total	100	100.0	

Table 4.2.6b Determining how the Respondent Repaid the Loan received

Response	Frequency	Percent	Cumulative Percent
Cash	15	15.0	15.0
Kind	25	25.0	40.0
Have never taken a loan	60	60.0	100.0
Total	100	100.0	

4.2.7 *Respondents' Views on how different the Masara N'Arziki Programme is from others*

It was quite surprising to realize that only 30% of the respondents were of the view that the Masara N'Arziki Programme is different from other programmes. 60% said it was not different whiles 10% were undecided. See Figure 4.2.7 below for details.

The above finding should be of concern to the Masara N'Arziki Company because they have been touted as very different and more capable of alleviating poverty than other programmes.

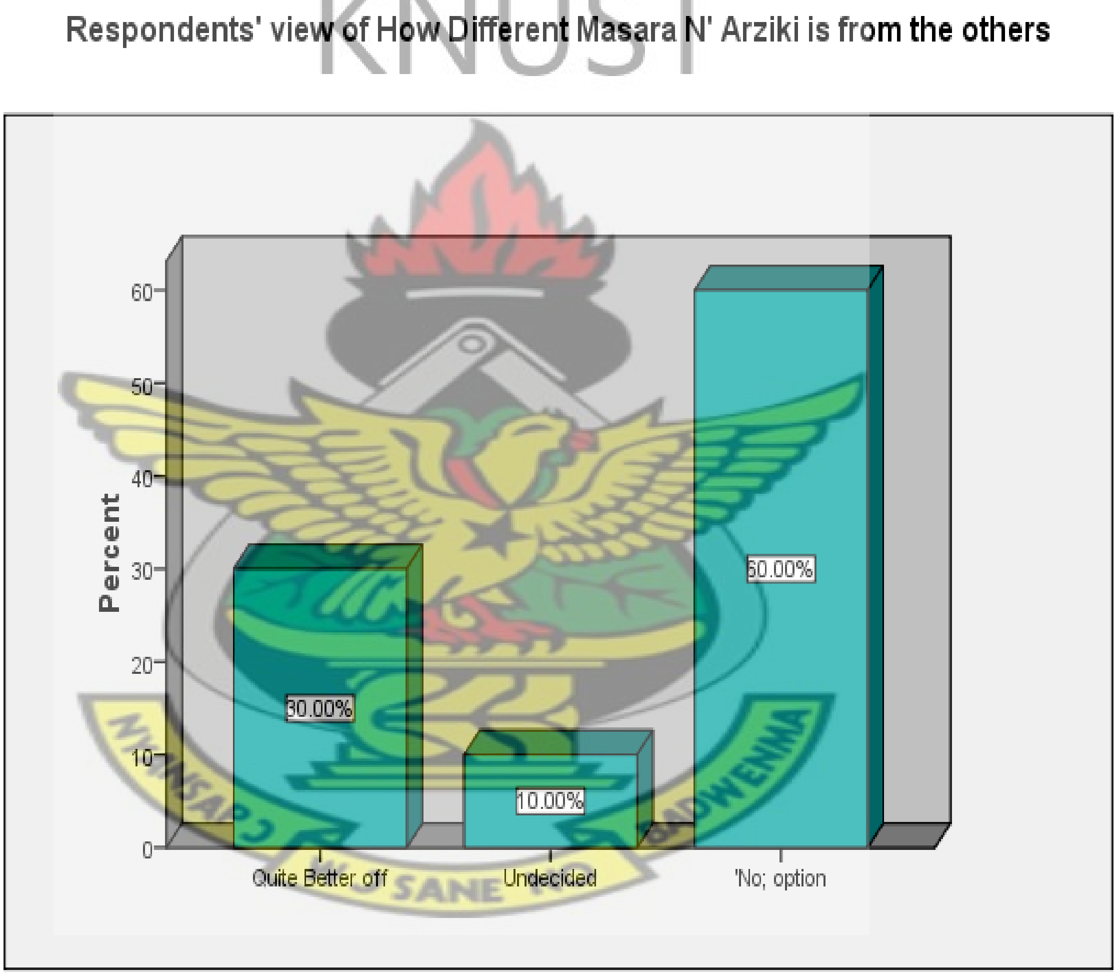


Figure 4.2.7 Respondents' Views on how different the Masara N'Arziki Programme is from others

4.2.1 How the Programme Has Contributed To Alleviate Poverty

4.3.1 Is it Lucrative doing business with Masara?

All the respondents unanimously agreed that it is very lucrative and profitable doing business with Masara. This can be seen in Table 4.3.1 below. This implies that the Masara programme as claimed by the officials of the company really helps better the lives of its members.

Table 4.3.1Is it Lucrative doing business with Masara

Response	Frequency	Percent	Cumulative Percent
Yes	100	100.0	100.0

4.3.2 Specific Benefits Attributable to Joining the Programme

To confirm the above finding, respondents were asked specific benefits they have enjoyed since joining the programme and their responses were as presented in Table 4.3.2 below. 40% percent said there has been an improved yield; 30% said they now have sustainable income; 20% said they were experiencing better economic lives and 10% said they now have access to quality seeds.

It can again be seen in Figure 4.3.2 below that only 10% of the respondents said their economic statuses had not changed since joining the programme. An overwhelming majority – 90% said their current economic statuses are better off after joining the programme.

In fact joining the programme is so beneficial that as seen in Figure 4.3.2b, 60% of the respondents claimed they have enough income and 15% claimed they have acquired additional farmlands.

Table 4.3.2b shows that all the farmers claimed they have gained some helpful and beneficial farming knowledge ever since joining the programme.

Table 4.3.2a What Benefits can you attribute to joining Masara?

Response	Frequency	Percent	Cumulative Percent
Quality seeds	10	10.0	10.0
Improved yield	40	40.0	50.0
Sustainable income	30	30.0	80.0
Good economic life	20	20.0	100.0
Total	100	100.0	

Respondents' Definition of their Current Economic Position

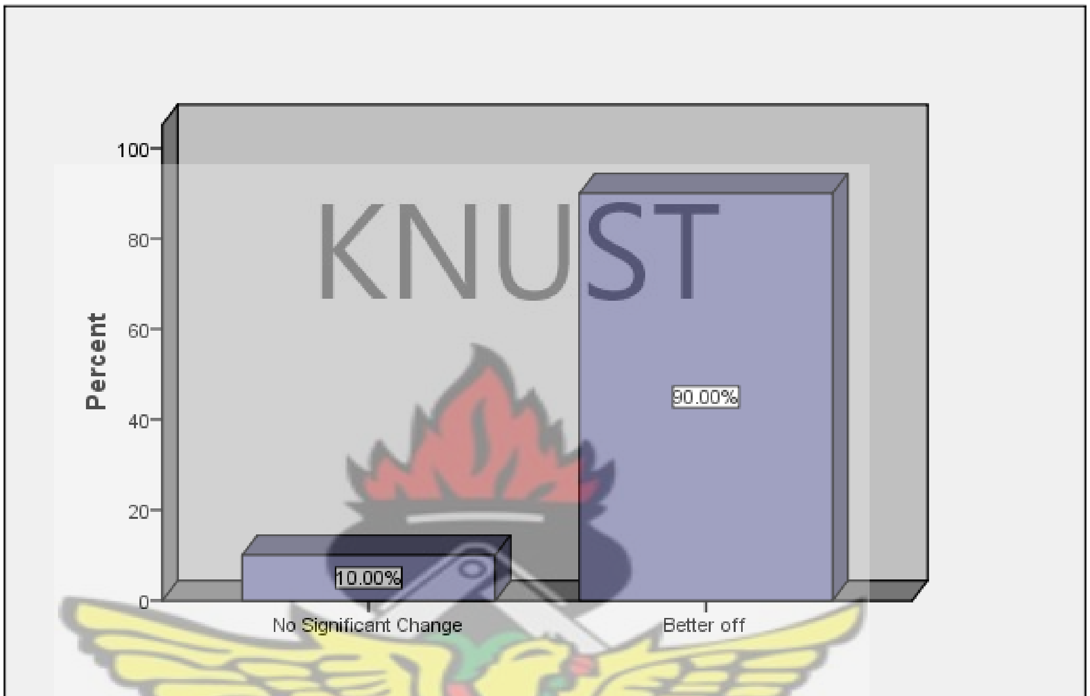


Figure 4.3.2a Current Economic Positions of Respondents

Table 4.3.2b Have you acquired some Knowledge with regards to farming since you joined Masara?

Response	Frequency	Percent	Cumulative Percent
Yes	100	100.0	100.0

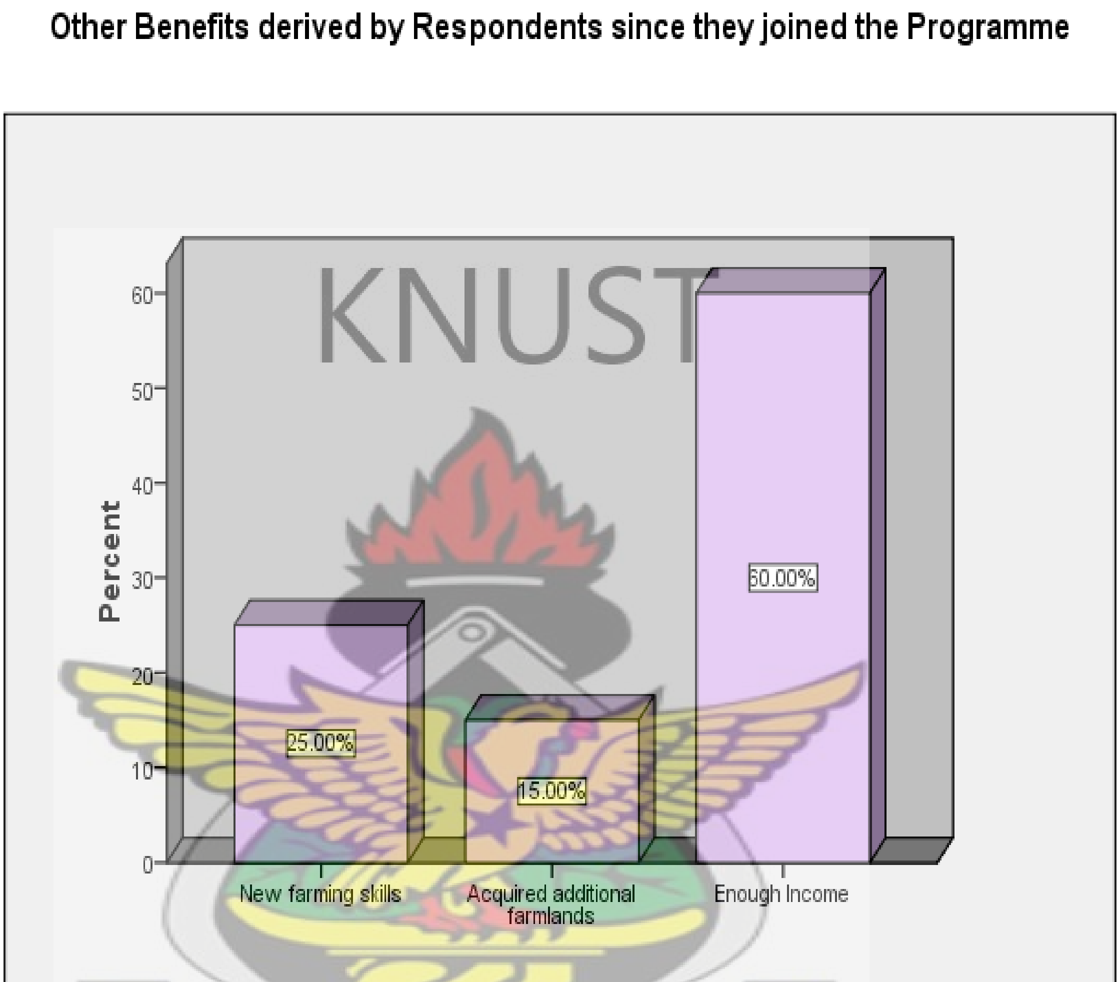


Figure 4.3.2b Other benefits

4.3.3 Assessing Profit Made and how Respondents Utilize the Profits

From Figure 4.3.3a below, it can be seen that 60% of the respondents make about GHS 280 per acre of land.15% make about GHS 210 and another 15% making about GHS per acre of land.

The respondents have so many uses for their profits from farming. However, it was a bit worrying and sad that 30% of them said they use their profits to pay hospital bills. 25% of the respondents said they use their profits to providing shelter for their families and another 25% spend it on feeding. 20% said they used their profits in educating their children. See Figure 4.3.3 below for details.

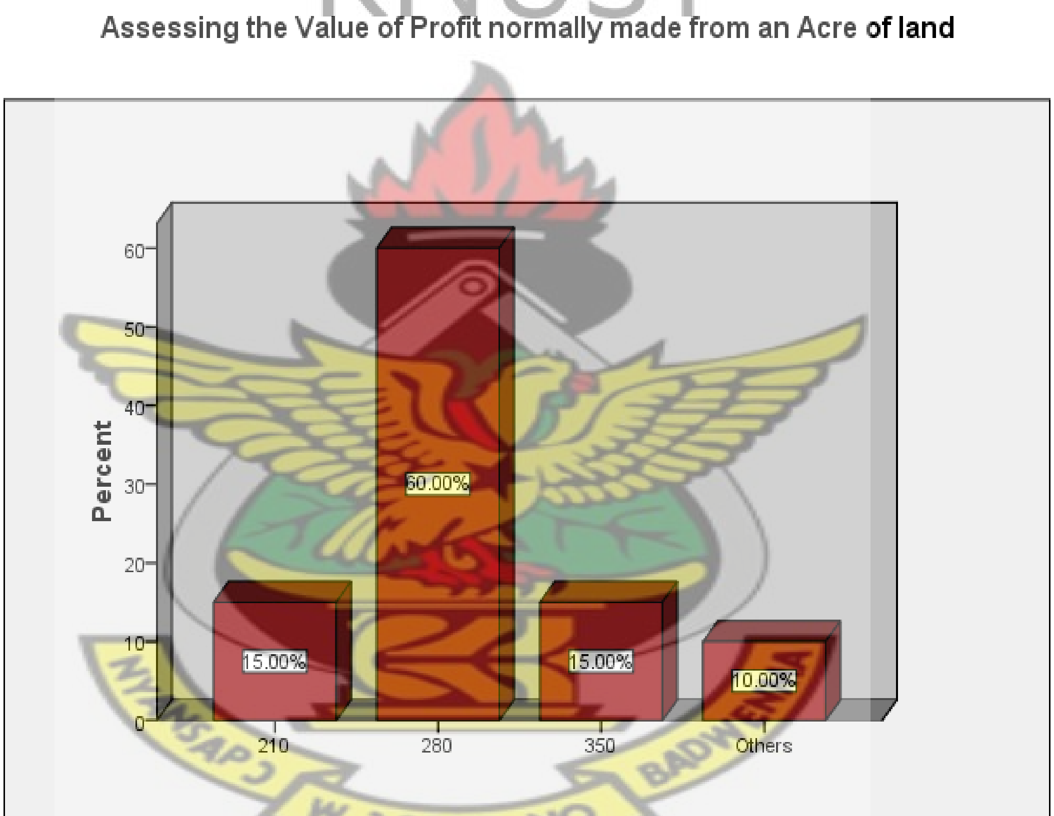


Figure 4.3.3a Accessing the value of profit made from an Acre of Land

Determining the use to which members(Respondents) put the profits realised

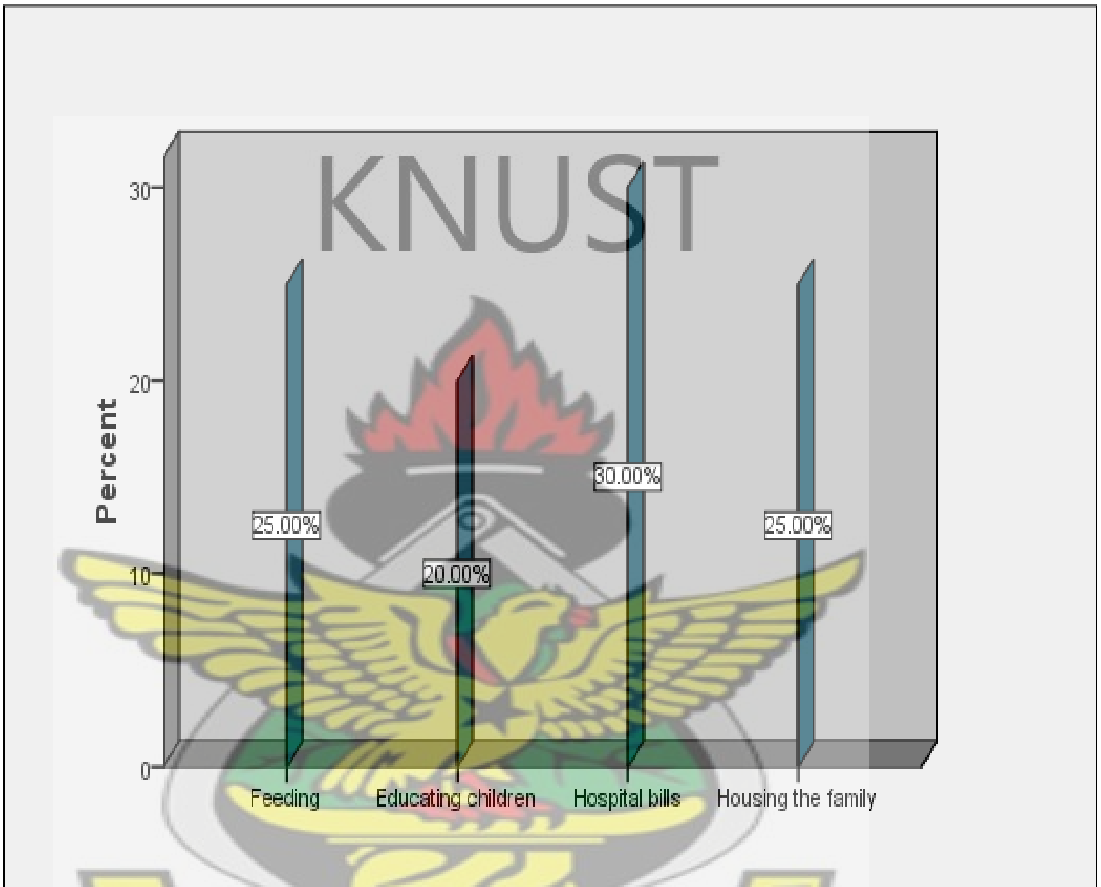


Figure 4.3.3 How Respondents Utilize Profits Gained from their Farming Activities

4.4.1 Determining if the Programme has Alleviated Poverty

From the section of this study, it was realized that the programme has been of tremendous benefits to its members to the extent that some respondents have been able to acquire more farmlands and better their economic standings in their communities. This section sought to find out in respondents' own opinion whether the programme based on all the benefits he claimed to have derived contributed to alleviating their poverty levels.

4.4.2 Determining If the Programme Is Really Alleviating Poverty

All the respondents unanimously agreed that the programme has truly and indeed contributed massively in alleviating their poverty and has rather enhanced their economic statuses. See Table 4.4.1 below for details.

It seems however that some of the respondents do not regard the Masara Programme as a form of microfinance that can alleviate poverty. As can be seen in Figure 4.4.2 below, 30% said they do not consider microfinance as a contributor towards poverty alleviation. 70% of the respondents however strongly agreed that micro finance can be an effective vehicle of alleviating poverty.

Table 4.4.1 Determining if the programme is really alleviating Poverty

Response	Frequency	Percent	Cumulative Percent
Yes	100	100.0	100.0

Figure 4.4.2 Microfinance Loans as a Contributor towards poverty Alleviation

4.5 Finding out if The Programme Is Replicable

From all indications, it appears the Masara programme is a success and to ensure that this success story is replicated elsewhere, this section of the study sought to identify and sample the opinion of the respondents of this issue.

4.5.1 Ascertaining Beneficiaries' Impression about the Programme

Respondents were asked their opinions about the overall impressions about the performance of the programme. The results were generally encouraging. 55% said it was good. 30% said it was better and only 15% saying it is the best. It can be said that even though only a small percentage of the respondents said the programme was the best, it can be concluded that overall, respondents were very impressed with the programme. See Figure 4.5.1 below for details.

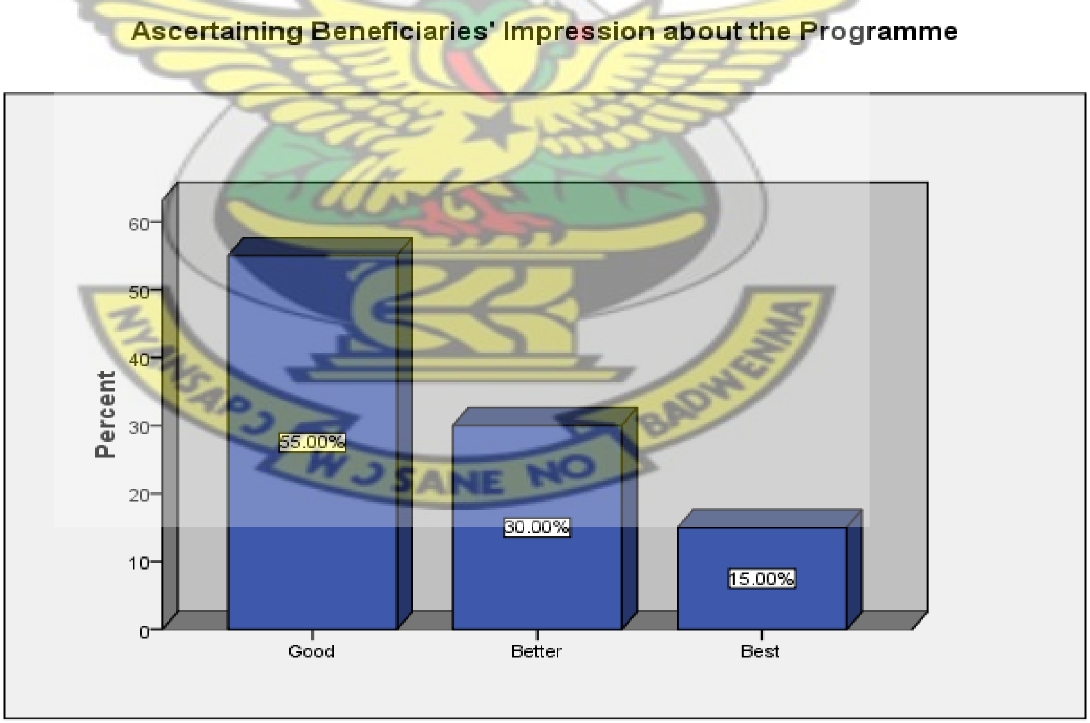


Figure 4.5.1 Ascertaining Beneficiaries' Impression about the Programme

4.5.2 Respondents' Opinions about Farming in Blocks

40% of the respondents said farming in blocks makes work easier and 30% said it encourages teamwork. However, another 30% said farming in blocks was not easy and rather retards progress. See Figure 4.5.2 below for details.

Figure 4.5.2 Respondents' Opinions about Farming Blocks

4.5.3 Should The Programme Be Replicated In The Same Manner Or Modified?

Respondents were asked whether the programme should be replicated in the same manner or modified. The responses were very encouraging. An overwhelming 90% agreed that the programme should be modified before replicating it in other areas. Only 10% said it should not be modified before replicating in other areas. See Table 4.5.3 below for details.

The finding implies that even though the programme is successful, meaningful and accepted by the respondents, there are some knotty areas that need tightening.

Table 4.5.3 Should The Programme Be Replicated In The Same Manner Or Modified?

Response	Frequency	Percent	Cumulative Percent
Yes	90	90.0	90.0
No	10	10.0	100.0
Total	100	100.0	

4.5.4 Aspects of the Programme that Needs Modification

It seems the respondents are not happy with the marketing of the programme. 60% of the respondents are of the opinion that the programme can do better in order to enable them maximize the benefits of joining the programme. 40% of the respondents said the programme should avoid the use of rock phosphate? See Table 4.5.4 below for details.

Table 4.5.4 Aspects Of Masara Which Needs Modification As Outlined By Respondents

Response	Frequency	Percent	Cumulative Percent
Marketing	60	60.0	60.0
Avoid use of rock Phosphate	40	40.0	100.0

Table 4.5.4 Aspects Of Masara Which Needs Modification As Outlined By Respondents

Response	Frequency	Percent	Cumulative Percent
Marketing	60	60.0	60.0
Avoid use of rock Phosphate	40	40.0	100.0
Total	100	100.0	

4.5.5 Reasons for the Programme's Replication

The reasons given by the respondents for the programme's replication in other areas were varied. As can be seen in Figure 4.5.4 below, 45% were of the opinion that replication will make the programme grow and attain higher heights. 40% of the respondents said by replicating the programme in other areas of the country especially in the three northern regions, those farmers will also benefit from the assistance being enjoyed currently by the farmers. See Figure 4.5.5 below for details.

Figure 4.5.5 Reasons for the Programme's Replication

4.5.6 Can the Programme be replicated elsewhere?

70% of the respondents generally were of the view that the programme can be replicated elsewhere. However, 30% disagreed and rather were of the opinion that circumstances such as land tenure systems, poverty levels, crops etc differs and as such the company will have to do a need identification of an area before implementing the programme. See Table 4.5.6a below for details.

75% of the respondents even said that the programme can be replicated in areas where land is limited. See Table 4.5.6b below for details.

Table 4.5.6a Can The Masara Programme Be Replicated Elsewhere

Response	Frequency	Percent	Cumulative Percent
Yes	70	70.0	70.0
No	30	30.0	100.0
Total	100	100.0	

Table 4.5.6b Can Masara Be Replicated In Areas Where Land Is Limited?

Response	Frequency	Percent	Cumulative Percent
Yes	75	75.0	75.0
No	25	25.0	100.0

Table 4.5.6b Can Masara Be Replicated In Areas Where Land Is Limited?

Response	Frequency	Percent	Cumulative Percent
Yes	75	75.0	75.0
No	25	25.0	100.0
Total	100	100.0	

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0 *Introduction*

5.1 Summary of the Study

This research sought to identify how MFs and for that matter, Masara N'Arziki, is contributing to poverty alleviation among the rural folks, especially, those found in the northern parts of Ghana. The opinion and impressions of 100 respondents sampled and analyzed in chapter four. The summary of the findings of this study are as presented below:

- Most of the respondents (45%) fell between the ages of 18 to 35.
- 70% of the respondents own houses whiles 15% were staying in rented premises.
- When the respondents were asked if they find it easy educating their children, 70% answered yes and 30% said no.
- About 40% of the farmers had been farming for between 5 to 8 years.
- About 25% of the respondents said they finance the harvesting of their produce on their own; 20% said they self-finance the ploughing of their fields. 15% of the respondents each self-finance the weeding and spraying of their lands.
- 65% of the respondents cultivated maize because it was the most popular crop.
- 45% of the respondents said they got to know about the programme through friends, 35% said they got to know through radio adverts and 20% said they became aware of the programme through interactions with the Masara staff.

- As high as 85% of the respondents said they faced serious challenges prior to joining the programme.
- 60% of the respondents were of the view that Masara N'ariziki was not different from other programmes.
- All the respondents unanimously agreed that it was very lucrative and profitable doing business with Masara. 40% percent said there has been an improved yield; 30% said they now have sustainable income; 20% said they were experiencing better economic lives and 10% said they now have access to quality seeds
- 30% of them said they use their profits to pay hospital bills.
- 70% of the respondents strongly agreed that micro finance can be an effective vehicle in alleviating poverty
- An overwhelming 90% agreed that the programme should be modified before replicating it in other areas
- 70% of the respondents generally were of the view that the programme can be replicated elsewhere but must be modified

5.2 Recommendations

Although micro finance services are not a panacea for poverty and that poverty situation in Africa seems to be on the increase, MFIs and other organizations and interventions such as that of the Masara N'Arziki Programme can be able to do more than they are currently doing in order to deepen and increase outreach among the poor households sustainably. This will however require the concerted efforts of the Government, the financial institutions and other stakeholders. The following recommendations could serve to improve the micro and rural finance sector so as to enable it have a more effective role in reducing poverty in Ghana.

5.2.1 Effective Needs Identification

It was realized from the findings in the previous chapter that as high as 60% said the programme was not very different from other programmes.

This stems from the fact that the programme has not done an effective and comprehensive needs analysis on the situation of the farmers to get first hand information of what it is that they really need. By embarking upon a needs analysis exercise the programme will be equipped with the right information to make the programme even more successful and effectively differentiate itself from other programmes.

5.2.2 Proper Education and Communication

It came out from the study that some of the respondents did not regard the Masara Programme as a form of microfinance that can alleviate poverty. The programme should as a matter of urgency educate its policies, intentions and methods properly to the farmers so as to be able to collaborate with them to achieve a "win-win" situation for all parties involved. Interviews with some of the respondents suggest that some farmers think the programme does not give them fair pricing and that they were being cheated.

5.2.3 Masara N'ariziki Should Improve Upon its Service Delivery

On the respondents' impressions about the overall performance of the programme, it was realized that 55% said it was good. 30% said it was better and only 15% saying it is the best. For a programme that has focused on alleviating and bettering the lives of peasant farmers, the above responses are not very encouraging. There should be more farmers saying the overall performance of the programme is "the best" instead of only 15% saying so. It means that managers of the programme as has been said earlier should review the programme and tighten all loose ends to render better services to its partners and by so doing, engendering massive participation and better enthusiasm from the farmers.

5.2.4 *Improving Upon the Block Farming Policies*

About 30% of the respondents were not very happy about farming in blocks. IT is suggested that the company should sit with such dissatisfied farmers, identify their worries and proffer better solutions to ensure that all members are happy with arrangements put in place.

5.2.5 *Need to Modify the Programme before its Replication in order Areas.*

The company needs to modify its strategies, policies and practices as suggested by respondents. For instance, as high as 90% of respondents said the company needs to modify its marketing strategies and also avoid the usage of rock phosphate before replicating it elsewhere.

5.2.6 *Other Suggestions*

i. Changes in Policy and Environment

Many MFIs face real difficulties in raising adequate funds to widen and maintain outreach among the poor especially with the dwindling donor funds. The government policies on the Legal framework and Banking Act of most African countries restricts MFIs from mobilizing and using deposits from the general public to lend to the poor. This includes even the forced savings collected as part collateral for credit issued to the clients.

Governments need to create a supportive and favourable environment (legal, socio-economic, political and fiscal) that will promote the development of the micro finance industry. Some of the policy and environment issues that require urgent attention include for instance: a review of the existing legal and regulatory framework to permit the mainstreaming of micro finance into the country's financial system.

Again, the government should also define the priority areas to fight poverty and provide incentives for micro finance institutions that would be willing to work in those areas. For example, they could improve on the infrastructure – road networks, communication systems as well as providing the part of the funds required for lending and program support. This will however only happen if the governments will take the front-line responsibility of fighting poverty if they assess and show appreciation for the work undertaken by the micro finance institutions.

ii. Meeting the clients' needs

One of the biggest challenges in the provision and expansion of financial services to micro and small entrepreneurs remains that of designing appropriate financial products and delivery mechanisms that reflects an understanding of the reality of this market. Micro finance institutions that desire growth will need to understand the financial needs of both their existing and potential clients. This will enable them develop and match the products and delivery methodologies to the diverse needs of these clients.

iii. Networking and Development of Strategic Alliances

Micro finance institutions and other programmes such the Masara N'Arziki Programme should enhance their information sharing and largely become more transparent in their reporting especially on their performance. This could be the first step towards the development of strategic partnerships with other financial and non-financial actors especially the commercial banks and other development partners.

The MFIs will also need to speak in one voice if they are to lobby the government, development partners and financial institutions to become more involved in supporting their programs.

iv. Expanded outreach through Commercial Banks

Majority of commercial banks in Africa still lack the mission and capacity to support the informal sector. This coupled with lack of knowledge and skills, appropriate organization design structures and capacity to work directly with the MSEs, has kept the custodians of too much liquidity out of the development process, a rather unfortunate situation. Some of the ways that this status could be changed include:

1. Commercial banks could contribute towards the reduction of poverty through liaison and working with complementary organizations such as MFIs/NGOs and other

community organizations that are more used to working with this type and level of clientele. The formal banks could extend wholesale funds to these institutions using the program performance yardstick as the collateral.

2. Commercial banks also will need to continue to reduce the minimum balances required to open and maintain a bank account to attract the small savers and especially women. Equity bank has for example increased their deposit base due to the low balances the bank requires to open an account.

v. Role of Donor Investment in Microfinance

The demonstrated role of micro finance in reducing poverty among low-income groups of people points to a role for continued donor investments in the micro finance programs. As this study and many others have confirmed, micro finance services contribute to building of assets, diversifying income sources, and strengthening copying mechanisms for clients at different poverty levels. Sebstad et.al (2000) concludes, *"While micro finance is not a magic bullet that can eliminate poverty, it can contribute to the process of reducing poverty and play an important role in improving the lives and livelihoods of the poor".* Thus, it is safe to recognize that governments, development partners and donors have a role to play in poverty reduction in the country and they should double their efforts to help halt the impoverishment of Ghanaians, especially the rural folks and farmers.

vi. The association should establish true farm sizes using GIS mapping so as to avoid losses.

vii. The Masara concept should be modified so that the farmer owns part of the produce; this will enhance household food security.

viii. Date of harvesting should not be uniform as planting is not uniform but based on planting time to avoid post harvest losses.

ix. Field staff should be properly trained to understand the concept and protocol of the programme. Their business skills should also be enhanced.

5.3 Conclusions

In all, the potential economic benefits of sustainable microfinance in Ghana are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach, as discussed to facilitate the development of the microfinance sub sector and thereby unleash its potential for accelerated growth and development. From the foregoing, it is safe to say that micro finance institutions and other interventions such as the Masara N'ariziki can be more viable strategy for sustainable poverty alleviation. As was seen in the chapter on data analysis, the lives of the farmers have seen tremendous improvements due to participating in the Masara programme. However, it is suggested that the Masara Programme should modify certain aspects of its operations in order to encourage more participation.

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APPENDIX A. QUESTIONNAIRE

Dear Sir/Madam

Hello, my name is Leticia Abaluk and I am a Masters' degree student of Business Administration at Kwame Nkrumah University of Science and Technology. My masters' thesis research work is to look into Microfinance and alleviation of poverty. I would deeply appreciate your filling out this questionnaire to help me make vital analyses. Your privacy would be protected. You do not need to write your name or contact. Only the general results, conclusions and recommendations drawn from these analyses would be included in the final report and not the individual questionnaires.

SECTION A: (BIO DATA)

1. What is your age?

a. 18-35 b. 36-45 c. 46-60 d. Above 60 e. Don't know

2. Marital status

   a. Single/never married b. Married

   c. Widowed d. Divorced/separated

   e. Other (specify) __________________

3. Type of marriage

   a. Monogamous b. Polygamous c. Other (specify) ______________________

House hold level: Basic information

4. Are you the head of the household?

   YES _________ NO ______________

5. How many people are in your household? (Number of Persons) _____________________

   a. Adults over 18 years b. Children under 17 years

6. How many persons in your household are actively active (generating some income)?

   _______________________________ Nobody _______________________________

7. How many are dependents? ____

8. What is your status of accommodation? Owned house ______ Rented______ Sharing __________________ Other (specify) ____

9. Children education How many children in your household (4-17 years of age) are

   Boys___________ Girls ___________Total __________________?

10. How many of these attend school?

    Boys ____________ Girls _________ Total ______

11. How many of your children are of school age, but do not go to school? ---.

12. Why are they not going to school? ____

13. Are you able to educate your children? Yes No

    If no why?

Health and medical services

14. Where do you get treatment when a member of the household falls sick? ______________

15. Are you able to pay the medical expenses every time a member of the household falls sick

    YES ____________________________ NO __________________________________

16. If NO, what do you do? ____

17. What is your total cost of your daily diet? __________________________________

SECTION B: THE EFFECT OF THE MASARA N'ARZIKI PROGRAMME

18. How long have you been in the farming business?

19. Are you into other business alongside farming? Yes No

20. If yes what business? ---

21. What has been your experience as a farmer?

22. Were there any challenges you experienced as a farmer before joining the Masara N'Arziki programme?

23. What were some of those challenges?

24. Were you able to overcome them? Yes No

    If no, what did you do?

25. How did you know about the Masara N'Arziki programme?

26. Why did you join the programme?

27. How long have you been a member of the programme?

28. Have you ever been granted a loan/assistance under any microfinance scheme for your farming business before joining Masara N'Arziki programme?

    a. Yes b. No

29. If Yes, how different is Masara N'Arziki from others and where?

30. How much have you received in terms of monetary assistance?

31. How did you repay the loan? Cash/Kind

32. What is the repayment period?

33. After harvesting b. 3 Months c. 6 Months d. 1 Year e. 1 year and above

34. Do you have any problems paying back?

35. How do you solve this problem?

36. Has the advent of the Masara N'Arziki programme enabled you increase your productivity
37. Has the advent of Masara N'Arziki programme enabled you increase your profitability?
38. Would you therefore say the programme has improved your economic position before joining the programme?
39. How would you define your economic position in relation to other farmers in Tumu who have not joined the programme?
40. What other benefits have you enjoyed since joining the programme?
41. Do you perceive microfinance loan/assistances (such as Masara N'Arziki) to be an important contributor towards alleviation of poverty?
42. If yes or no please explain your answer
43. Would you encourage other farmers to join the scheme?
44. Do you have any regret for joining the programme?
45. Any recommendations for the programme?

A.YIELDS AND ECONOMIC IMPLICATION

1. What crop were you cultivating before joining Masara N'ariziki programme?

   a) Maize b) Sorghum c) Rice d) Soya beans e) others

2. How were you acquiring your inputs

   a) Buying b) Credits from NGOs c) Support from friends

3. How do you finance your inputs

   a) Personal saving b) Credit scheme c) Borrowing from friends

4. Were you able to afford for the inputs? Yes No

If No why? ---

5. Were your inputs available at the times you needed them? Yes No

   If No why? ---

6. What was your acreage before joining Masara?

   a) 1-2 acres b) 3-4 acres c) ≥5 acres d) others

7. Why this acreage? --

8. Is the yield good? --

9. Why did you join Masara N'ariziki

10. How much do you spend on an acre of maize? ---

11. Do you get your inputs in time? YES NO

    If yes how? ---

12. Are the inputs good in tems of efficacy? YES NO

    If No why? ---

    If yes how? ---

13. Do you get better yields with these inputs? YES NO

14. What is your yield from an acre of maize cultivated?

    Specify--

15. How much do you use to repay for the inputs for an acre? ------------------------------------

    ----

16. Do you get enough yields to repay for your credit? ---

    ---

17. Do you make profits from doing business with Masara? YES NO

18. How much profit do you make from an acre?

a) 210 b) 280 c) 350 d) others

19. What do you use the profit for?

a) Feeding b) Educating children c) Hospital bills d) Housing the family

20. With the yield you get from Masara, are you able to repay your credits? ---------------------
---

21. Do you make profits after repaying your credit? ---
----

22. How much profit do you make? --
---

23. Have you under stood the Masara concept? YES NO

24. If No what do you not understand? ---
---

25. Have you asked to be clarified on what you do not understand? -------------------------------
---

26. How do you finance other operations on the farm? ---
----

27. Are you able to get money for these operations? ---
----

28. What operations do you finance yourself? ---
---

29. Do you apply all the inputs on your field? YES NO

If No why? --

---

30. What type of inputs do you receive as credit? ---

----

31. Can you get these inputs on the market? ---

---

32. What was your yield from an acre before you joined Masara?

a) 2 bags b) 3 bags d) 4 bags d) 5 bags e) others

33. After joining Masara, what is the yield you get from an acre of maize farm? -------------

34. How do you repay your credits?

a) Cash b) in kind with maize c) both

35. When do you do the repayment after harvesting?

a) After re-bagging b) A month after harvest c) At farm gate

36. What has been the benefits acquired since joining Masara? -------------------------------------

37. 38. Are you satisfied with these benefits? --

----

38. Do you wish the benefits were more?

a) Yes b) No

If Yes specify--

---

39. Has your life improved since you joined Masara? ---

---

40. What aspect of your life has improved? --

----

41. Have you been able to convince other farmers to join Masara? YES NO

If Yes how? ---

B. TO ASSESS THE SUSTAINABILITY OF THE PROGRAMME

1. Have you benefited from any credit scheme before? YES NO
2. If yes how is it different from this? --
3. Were you able to repay the credit given you from the other credit scheme? YES NO
   a) If No why? --
   -
   b) If yes how? ---
   --
4. Comparing Masara to other credit facilities which one will you prefer and why? -----------
   ----
5. What variety of maize seeds do you use?
   a) Pan 53 b) Yellow maize c) Pro seed obatampa d) others
6. Which of them is very high yielding?
   a) Pan 53 b) Yellow maize c) Pro seed obatanpa
7. Are the prices different from what they sell on the market? YES NO

   If Yes what is the price variation?
8. How many bags of fertilizer are you given?

a) 5 bags b) 6 bags c) 7 bags d) others

9. .Do you think the quantity of fertilizer applied on an acre is enough or too much?

   a) Enough b) Too much c) Not enough

10. Do you apply the rock phosphate during land proparation? YES NO

    If No why? --
    ----

11. What do you think about the inclusion of the rock phosphate? -----------------------------------
    ---

12. Did you use the rock phosphate during the last season? YES NO

13. Were there any benefits? --
    ---

14. Would you want the quantity of the fertilizers reduced? YES NO

    a) If Yes why? ---
    ---

    b) If No why? ---

15. Do you know why Masara gives you this quantity of fertilizer per acre? ---------------------
    ----

16. Do you think you can produce an acre of maize cheaper than what you are currently spending? YES NO

    If Yes how

17. Can you buy all the inputs given you on the market? YES NO

    If Yes where? --

18. Why are you into maize production?

a) Most cultivated b) market c) staple food

19. Are you guaranteed market after harvesting? YES NO
20. Are you allowed to negotiate the price? YES NO

If No why? ---
----

21. Is it your representatives that negotiate the price or it is done individually? -----------------
----

22. Is the negotiation an open process? YES NO
23. If yes how is it done? --

If No why? ---

24. How do you find the prices of the produce at the end of the season?

a) Good satisfactory b) A lot needs to be done

25. Is the price a reflection of the market price of the produce at the time? YES NO
26. After repaying your credit is the remaining maize sold to Masara? YES NO

a) If Yes why?

b) If No why?

27. Is the price of the remaining maize determined by you? YES NO

a) If Yes why?

b) If No why?

28. Do you declare your entire yield at harvest? YES NO

a) If No why?

b) If Yes why?

29. Will you encourage other farmers to join Masara? YES NO

a) If Yes why?

b) If No why?

30. 29. Has this farm of credit impacted positively on your life? YES NO

31. Have you acquired some knowledge with regards farming since join Masara? YES NO

32. If yes how is this different from what you already know about farming? ------------------------

33. What aspect of your knowledge has been improved?

a) Marketing b) Production c) Processing

34. How has if affected your productivity? --

35. What do you now do differently in terms of farming? ---

36. Do you see more farmers joining the progremme with time? YES NO

a) If yes why? --

b) If No why? ---

37. Would you personally encourage other farmers not on programme to join? YES NO

38. Do you foresee the progremme staying for long with regards its operation and farmers experience with it? YES NO

a) If Yes why?

b) If No why?

39. Is this programme good? YES NO

If yes how? ---

If No why? ---

----

40. Is the programme really helping farmers come out of poverty? YES NO

a) If Yes why?

b) If No why?

C. TO FIND OUT THE CONCEPT IS REPLICABLE IN OTHER AREAS

1. Is it a requirement to have your farms in block? YES NO

   If Yes why? --

2. How do you find farming blocks? ---

   ---

3. In the agreement do you have group collateral? YES NO

   If Yes why? --

4. Is group collateral beneficial to the group? YES NO

   a) If Yes how?

   b) If No why?

5. Is this concept of working with farmers in a group beneficial? YES NO

   a) If Yes how?

   b) If No why?

6. How do you have your farms?

a) In blocks b) scattered

7. Do you have difficulty acquiring land for your farming? YES NO

8. How do you own land in your community?

a) Inheritance b) Buying c) Lease

9. How is the method of land ownership affecting your production in Masara? ---------------

10. What do you think are the benefits of working a group? ---

11. Has working in the group help increase your efficiency? YES NO

If Yes how?

12. Should this programme be replicated in other areas? YES NO

a) If Yes why?

b) If No why?

13. Do you think there are other areas that this programme would not work? YES NO

a) If Yes how and where?

b) If No why?

14. What aspects of Masara do you want changed or modified? ----------------------------------

15. What is the maximum acreage a group can cultivate? ---

16. Is there any restriction with regards the number constituting a group? YES NO

If Yes why?

17. Do you think Masara should be replicated in areas where land is limited? YES NO

18. If No what modifications should be made so that it can be replicated in other areas? -----

If Yes why? ---

19. Can this programme be replicated in other areas? YES NO

20. Should the programme be repeated the way it is currently runned or there should be some modifications? --

21. What recommendations do you have to make which will help the programme grow? -----

22. What do you want Masara N'ariziki to do differently? --

23. What is your impression about this programme? ---

SECTION B

1. What necessitated the conception and operationalization of the Masara N'Arziki programme?
2. Why the focus on maize farmers especially when the agricultural sector in Ghana has been bedeviled with countless challenges?

3. What is the criterion for the selection of farmers into the programme?
4. What is the impact of the microfinance intervention on the rural poor by Masara N'arziki?
5. How well has the programme performed in terms of the following (please explain):
    i. Gaining the trust and confidence of farmers
    ii. Poverty reduction
    iii. Outreach programmes
    iv. Increased output (yield) compared with other farmers not with the programme
    v. Other (please specify)
6. Is the programme sustainable?
7. Getting the farmers credit facilities is one aspect of the farming chain. How is the organization dealing with the aspect of helping farmers get ready and fair markets for their produce?
8. Getting the cooperation of farmers in terms of repayments has always been a challenge to financial institutions. How has the programme fared in this regard?
9. What measures has the programme instituted to forestall non payments?
10. Are they working?
11. Has the company achieved its goals and objectives?

    a. If yes, How?

    b. If No, Why
12. Can the programme be replicated in other area of the country and with other crops?
13. What are the challenges hindering the smooth operations of the programme?
14. What changes has taken place since the implementation of the programme?

15. Were these changes anticipated?

16. What is the future of the programme?

Thank you very much