KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KNUST SCHOOL OF BUSINESS

MICRO FINANCE AS A STRATEGY FOR POVERTY ALLEVIATION: PROSPECTS AND CHALLENGES. A CASE STUDY OF OKOMFO ANOKYE RURAL BANK LIMITED

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DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material which has been accepted for the award of any other degree of the University, except for references to other people's work where due acknowledgment has been made in the text.

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ABSTRACT

Today, widespread of poverty is one of the major problems of mankind and its alleviation one of the major agendas. In recent years micro finance has emerged as an important instrument to relieve poverty in developing countries. This micro finance programmes have received increasing attention as an effective strategy to alleviate poverty by providing financial services to the poor who have little or no access to capital and formal financial services, as well as providing additional support services such as literacy training, access to health services, and platforms to organize communities.

Yet, despite the increasing attention and reputation that microfinance institutions have achieved, their contribution to poverty alleviation on a global level remains limited. The question of concern is how microfinance has been able to alleviate poverty in their catchment areas.

This question was addressed through a case study of Okomfo Anokye Rural Limited, a rural bank offering microfinance services to its numerous clients. The research has relied on primary sources from respondents, secondary data from journals, internet search and other sources of published data to enhance the study.

The result of the study from OARB microfinance unit has been able to improve the standard of living among its clients despite the many challenges they faced.

DEDICATION

This write-up is dedicated to the following people: Miss. Lawrencia Oppong Awuah, Mr. Owusu Ansah Debrah and Mr. Isaiah Amankwaah- Ameyaw.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 INTRODUCTION

"The international year of Micro credit 2005 underscores the importance of micro finance as an integral part of our collective effort to meet the Millennium Development Goals". (Kofi Annan, 2005),

By Sustainable access to micro finance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that serve their needs (Kofi Annan, 2003).

The quest to eliminate poverty has been one of the most widely researched areas in both finance and economics since the introduction of Grameen Foundation, Structural Adjustment Programmes, the Millennium Development Goals and many other activities to help combat poverty which has become necklace around our necks. Many people die, people cannot afford to pay their wards' school fees and above all others suffer from malnutrition all due to poverty. The question to be considered in this work is, 'has micro finance been able to eliminate poverty in society?' If it has, then we need to find out the degree it has helped people to solve some of their financial problems. If it has not, we need to find out why it has failed.

1.1BACKGROUND TO THE STUDY

The persistence of poverty worldwide is a major concern of the 21st century. According to the UN (2005), five years after the millennium summit where the objectives of the Millennium Development goals (MDGs) were reached, more than one billion people still struggle to survive on less than one dollar a day.

From the figure quoted, reports indicate that roughly fifty million people are working, but cannot walk their way out of extreme poverty (Hatch, 2001).

Improving the living conditions of poor people is fast becoming the new yardstick by which the advancement of the world is measured. It is measured with the improved conditions of the down trodden and the vulnerable. The world is advancing either towards peace and security or towards conflict and insecurity. Understandably, when poverty is on the increase, the displeasure about the egoism of opulence becomes more widespread. And this is one of the greatest threats associated with social inequality, because helplessness and despair breed violence (Somavia, 1999). Therefore, the world's development attention and priority has been the improvement in the living conditions of the poor. The recent economic growth witnessed in China and India that has lifted some people out of poverty, notwithstanding, the concern is still felt and shared as more people still live in unacceptable poor conditions.

After the 1970s, the number of micro finance institutions around the world proliferated at a faster pace. In view of the dismal performance of the conventional financial sectors, policy makers, practitioners and international organisation advocated micro financing as the tool for poverty alleviation. Today, there are more than 7000 micro lending organisations providing loans to more than twenty five million poor individuals across the world, the vast majority of them are women (Mohammed and Zubair, 2008)

The United Nations Capital Development Fund, declared 2005 as the year of micro credit. The success of Grameen Bank model in Bangladesh which offered loans to the poor people through group collateral has been emulated in many countries worldwide.

Ghana features a predominantly rural agrarian economy with sixty percent of its labour force engaged in agriculture. Within the five decades after its independence in 1957, various strategies have been adopted by the various governments towards achieving rural development. In Ghana, rural development will amount to structural change and transformation symptomatic to growth, wealth creation and poverty reduction not only in the rural areas but also nationwide. Dinye emphasized that majority of rural people lived in poverty although their environment is well endowed with human and material resources. To him these factors of production, capital (finance particularly) must be added for entrepreneurs to take out products for the creation of basic needs and wealth. He revealed that micro finance constitutes an innovative savings and credit delivery mechanism. It emerged as a result of inadequate safety net for the vulnerable segments of society. Micro finance and poverty reduction strategies are therefore intricately related since the former has the potential of linking the formal banking system with the poor through savings mobilization and the promotion of entrepreneurship endeavours (Dinye, 2006).

The current national development frameworks, the Growth and Poverty Reduction Strategy and its predecessors; The Ghana Poverty Reduction Strategy acknowledge the fact that the transformation of the rural economic situation must include the provision of micro credit programmes to promote agro-based industrialization and increased productivity in non-farm business ventures. He explained that, since the inception of the GPRS, twenty percent of the District Assembly Common Fund (DACF) has been designated in support of productivity to increase the income generation, popularly referred to as Poverty Alleviation Fund. Other government micro finance schemes initiated since 2001 include the Ministry of Women and Children's Affairs (MOWAC) fund for the poor women with limited collateral, the Social Investment Fund, HIPC benefits, Micro finance-Loan Schemes and the Emergency Social Relief Project(ESRF) to provide loans to the economically active poor at twenty percent interest rate between 2002 and 2003. According to him, the disbursements of the funds in all cases were made through Rural and Community Banks, Savings and Loans Institutions and Non-Governmental Organisations which evaluate the beneficiaries (Dinye, 2006).

According to World Bank Development Indicators (2004), Ghana had a population of twenty-one million of which 55% were aged between 15 and 65 and around 45% of the people lived on less than US$1per day and 79% of the population also lived under US$2 per day in 1999. In this case, the poorest citizens access credit mostly through informal channel such as moneylenders who charge or lend at a very high interest rate. The result is that the poor therefore remain perennially debt –ridden which ultimately results in them losing dignity. The perpetual dependence of the rural poor on various informal sources of credit, leads to widespread of unemployment, illiteracy and none-availability of technical support to such people. These demonstrate the high level of demand for credit. Micro finance has therefore evolved as an economic development approach intended to benefit low –income people.

1.2 STATEMENT OF PROBLEM

Micro finance programme has been the most favourite intervention for development institutions, due to its unique potential or poverty reduction and financing sustainability. Access to micro finance is expected to enable the poor increase their household, build assets and reduce vulnerability to crisis. An effective poverty alleviation strategy takes into cognizance the socio-economic and political implications of addressing inequality and lack in societies. These different implications impact on one another in a way to either promote or endanger peace and development. Poverty at the individual, household and community levels distorts and diminishes the capacity and capability to attain and live a meaningful life. Its persistence presence and duration is a threat to national stability and global peace. Societies have come to accept this fact and have been taking actions and measures to address it. One particular response has been to use micro finance as a way of walking the people out of poverty. The realization is that, lack of access to assets and credits have constrained the efforts of the poor to achieve meaningful results in the drive to improve their well-being.

Okomfo Anokye Rural Bank Limited has been in existence for the past fifteen years, since the liberalization of the Ghanaian economy. It is worth stating that the micro finance department in the bank started in 2001. Its objective is to help the economically active people in engaging in income generating activities to better their lives. It is against this background the study wants to find out how OARB micro finance has fared in its attempt to alleviate poverty in its catchment areas.

1.3. OBJECTIVES OF THE STUDY

1. To identify and examine the mode or procedure of giving out the micro finance loans to the beneficiaries.
2. To find out the impact of micro finance loan on the livelihood on the beneficiaries.
3. To identify the challenges they face in giving out micro finance loan to their clients
4. To make recommendations aimed at reducing the incidence of loan delinquency in the bank.

1.4. JUSTIFICATION OF THE STUDY

The use of micro finance as a major strategy for poverty alleviation in developing countries which include Ghana is being perceived as an effective tool for poverty reduction among the development of rural communities. This perception has catalyzed much support for the increase of micro finance industry. The justification for selecting micro finance as a strategy for poverty alleviation for this study was also a modest attempt to contribute to the debate about the need for all stakeholders to be the drivers of change and development. It is hoped that the study will illuminate the rationale for state intervention as obvious market failures have triggered poverty and inequality. And that, in a country like Ghana that strives for peace and stability, the role of the retreating welfare state should be recalled to serve the people.

1.5. RESEARCH METHODOLOGY

This section in the work discussed the various methods and procedures used that were applicable to the research. These however, were descriptive methods. Due to the fact that insight or knowledge into the study cannot be adequately gained by single data technique; various methods were employed to gather data. These were the primary and secondary data, sampling procedure tools for data collection, data analysis in which both qualitative and quantitative methods were used.

1.6. SCOPE OF THE STUDY

This study was about micro finance as a strategy for poverty alleviation with evidence from rural bank. The main theme was micro finance as reported by government of Ghana, Ghana Financial Network and selected rural banks providing micro finance service in the country. The period of the investigation span from 2005-2008. The purpose for choosing rural bank was that, they are required by the Bank of Ghana to provide financial assistance to the rural people and help to alleviate poverty.

1.7. LIMITATION OF THE STUDY

Due to material resources, the sample in relation to the entire population was small. Again, not all the questionnaires administered to respondents were retrieved. All these limitations undoubtedly affected the results of the study

1.8. ORGANISATION OF THE WORK

The write-up is organized in five chapters. The first chapter comprises the introduction, background to the study, statement of the problem, objectives of the study, justification of the study, research methods, and scope of the study, limitations and organization of the study.

Literature that was related to the study was reviewed in the second chapter to guide the study. The third chapter which was on research methodology dealt with the arrangement and description of the processes of collecting data, analyzing and interpreting the data in an orderly manner.

Chapter four dealt with the data analysis, findings and discussions while chapter five dealt with the summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter discussed the various views shared by different groups concerning micro finance as a strategy for poverty alleviation. In this chapter, two categories of literature were reviewed to understand the various perspectives and get informed of what others have established prior to this study, the issues that need to be addressed and the methodological concerns to be taken into account. The first type of literature review focused on the various meanings of micro finance from different perspectives, some paradigms or models on micro finance characteristics of micro finance, the historical background of micro finance. The second type of the literature focused on the challenges facing micro finance institutions, micro finance as a poverty alleviation strategy and prospects of micro finance in alleviating poverty. In all, the work was scaled down to the above-mentioned parameters of the literature.

2.1. HISTORICAL BACKGROUD OF MICROFINACE INSTITUTIONS Micro finance arose in the 1980s as a response to doubts and research findings about state delivery of subsidized credit to poor farmers. In the 1970s government agencies were the predominant channel of providing productive credit to those with no previous access to credit facilities – people who had been forced to pay usurious interest rates or were subject to rent- seeking behaviour. Government and international donors assumed that the poor required cheap credit and saw this as a way of promoting agricultural production by small landholders.

In addition to providing to subsidize agricultural credit, donors set up credit unions inspired by Raiffeisen model developed in Germany in 1864. The focus of these cooperative financial institutions was mostly on savings mobilization in rural areas in an attempt to "teach the poor farmers how to save"

Beginning in the mid-1980s, the subsidized, target credit model supported by many donors was the object of steady criticism, because most programmes accumulated large loan losses and required frequent recapitalization to continue operating . It became more and more evident that market-based solutions were required. This led to a new approach that considered micro finance as an integral part of the overall financial system. Emphasis shifted from the rapid disbursement of subsidized loans to target populations toward the building up of local, sustainable institutions to the poor. At the same time, local NGOs began to look for a more long-term approach than the unsustainable income generation approaches to community development.

Since 1980s, the field of micro finance has grown substantially. Donors actively support and encourage micro finance activities, focusing on MFIs that are committed to achieving substantial outreach and financial sustainability. Today, the focus is providing financial services only, whereas the 1970s and much of the 1980s were characterized by an integrated package of credit and training (Ledgerwood, 1999).

2.2 DEFINITIONS OF MICRO FINANCE FROM DIFFERENT PERSPECTIVES

Grameen Foundation (2003), defined Micro finance as "banking for the poor," is an analyzing simple approach that has been proven to empower the very poor people around the world to pull themselves out of poverty. Relying on their traditional skills and entrepreneurial instincts, very poor people, mostly women, use small loans (usually less than US$200), other financial services, and support from local organizations called micro finance institutions (MFIs) to start, establish, sustain, or expand very small, self –supporting businesses".

According to Lidgerwood (1999), micro finance is not simply banking. It is a development tool which involved; small loans, typically for working capital, informal appraisal of borrowers and investment, collateral substitutes, such as group guarantees or compulsory savings, access to repeat and Larger loans, based on repayment performances, streamlined loan disbursement and monitoring.

In addition, Asian Development Bank (2002), defined micro finance as provision of broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro enterprises. In employing this definition by ADB, it gathered financial sector experts, most of whom probably do not follow the literature and the controversies in micro finance

Djan (2002), also defined micro finance as "A financial intermediation mechanism that seeks to enhance savings mobilization and access to credit and other related technical support services for informal sector operators."

Added to the above, Gateway (2008), also defined micro finance as means of providing very poor families with very small loans (micro credit) to help them engage in productive activities or grow their tiny business. These services as stated by Gateway include broader range of services (credit, savings, and insurance as the poor lack accesses to traditional financial institutions).

Finally, Sustainable with the poor (2002), defines micro finance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions".

2.3. SOME MODELS OF MICRO FINANCE

Conroy (2005), identified four main models in his research on micro finance in Bangladesh. According to him, among the proliferation of micro finance institutions (MFIs) in developing and even some industrial countries, a number of distinguishable models have emerged.

The Grameen Bank model, referred to above, has been applied in many countries in a wide variety of settings. The Grameen model requires careful targeting of the poor through means tests, usually with a focus on women and intensive fieldwork by staff to motivate and supervise the borrower groups. Groups normally consist of five members, who guarantee each other's loans. Some compulsory saving requirements are imposed, but in general, quite limited voluntary savings occur. Increasing the scale of operations and by decentralizing control and carefully managing costs achieve sustainability. While some other models have as their goal the creation of autonomous institutions, this is not expected of the individual borrower groups. In Bangladesh, where the greatest number of Grameen-inspired institutions exist, considerable innovation is occurring; only the basic model is described here.

The Village Bank is a widely replicated model, found mainly in Latin America and Africa, but with substantially less total outreach than the many Grameen Bank replications. Typically, an implementing agency establishes individual village banks with between 30 and 50 members and provides capital (called the 'external account') for on-lending to individual members Individual loans are repaid at weekly intervals over 16 weeks, at which time the village bank returns the principal with interest to the implementing agency. A bank repaying in full is eligible for subsequent loans, with loan sizes linked to the performance of village bank members in accumulating savings. Peer pressure operates to maintain full repayment, thus assuring further injections of loan capital, and also encourages savings. Savings accumulated in a village bank can be loaned out to members (the 'internal' account). The standard business plan calls for a village bank to accumulate sufficient capital in its internal account to enable 'graduation' after three years, by which time loan capital has been accumulated entirely from internal sources. Hence village banks are intended to become autonomous institutions.

Credit Unions (CUs). These are democratic, non-profit financial cooperatives owned and controlled by their members. CUs mobilise savings, provide loans for productive and provident purposes and have memberships, which are generally based on some common bond. The memberships of CUs are likely to be more heterogeneous than that of Grameen banks, although various CUs differ in the extent to which they include poorer and low-income households. CUs generally relate to an apex body that promotes primary credit unions and provides training while monitoring their financial performance. In Asia, rural credit unions have been successful in some countries, both in terms of sustainability and of reaching out to the poor (notably Sri Lanka). But they have been less successful in most other countries of the region.

A fourth model, based on 'self-help' groups (SHGs) is somewhat similar to the village bank concept, although less structured. Most prominent in Asia, SHGs have around 20 members who should be relatively homogeneous in terms of income. Their primary principle is the lending of members' savings but SHGs also seek external funding to supplement internal resources. The terms and conditions of loans differ among SHGs, depending on the democratic decisions of members. Typical SHGs are promoted and supported by NGO but the objective (as with village banks) is for them to become freestanding institutions. Some NGOs act as financial intermediaries for SHGs, while others act solely as 'social' intermediaries seeking to facilitate linkages of SHGs with either licensed financial institutions or other funding agencies. The SHG model is a good platform for combining micro finance with other sectoral activities and their implementing agencies (maternal and child health and adult literacy, among others). However, the relatively loose structure of groups makes rapid expansion of outreach and tight monitoring of performance more difficult than, say, with the Grameen Bank model.

2.4 CHARACTERISTICS OF MICRO FINANCE

Micro finance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Micro finance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Micro finance as a discipline has created financial products and services that togtheer have enabled low-income people to become clients of a banking intermediary. The characteristics of micro finance products include :(Murray and Borus 2002)

- Little amounts of loans and savings.
- Short- terms loan (usually up to the term of one year).
- Payment schedules attribute frequent installments (or frequent deposits).
- Installments made up from both principal and interest, which amortized in course of time.
- Easy entrance to the micro finance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the

clients' financial and social status.

- Application procedures are simple.
- Short processing periods (between the completion of the application and the disbursement of the loan).
- The clients who pay on time become eligible for repeat loans with higher amounts.
- The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.
- No collateral is required contrary to formal banking practices. Instead of collateral, micro finance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.
- The poor need variety of financial services, not just loans (but also savings, transfers, insurance etc.).
- Micro finance is a poverty instrument against poverty (access to sustainable financial services - increase income, build assets, reduce vulnerability, better nutrition, health, education etc.).
- Micro finance means building financial system that serves the poor (micro finance should become an integral part of the financial sector)
- Micro finance is about building permanent local financial institutions (building financial systems for the poor means building sound domestic

financial intermediaries that can provide services to poor people on a permanent base).

- ❖ Interest rate ceilings can damage poor people's access to final services (it costs much more to make many small loans than a few large loans; when governments regulate interest rates, they usually set at the levels too low to permit sustainable micro credit; at the same time, micro lenders should not pass on operational inefficiencies to clients in the form of prices– interest rates and other fees - that are far higher than they need to be).
- ❖ The government's role is an enabler, not as a direct provider of financial services. (National government play an important role in setting a supportive policy environment that stimulates the development of financial services while protecting poor people's savings; governments can also support financial services for the poor by improving the business environment entrepreneurs, clamping down on corruption, and improving access to markets and infrastructure) into local financial market.
- ❖ Lack of institutional and human capacity is the key constraint.
- ❖ The importance of financial and outreach transparency (accurate, standardized and comparable information on the financial and social institutions providing services to the poor is imperative; bank supervisors and regulators, donors, investors, and more importantly, the poor who are clients of micro finance need this information to adequately assess risk and returns).

2.5. PROSPECTS OF MICRO FINANCE AS A STRATEGY FOR POVERTY ALLEVIATION

Firstly, micro finance institution can lead to award of loans to joint –Liability groups. The first of the two central innovations in micro finance is joint liability group in which all borrowers are liable for each other's debts. Loans to individuals are usually less successful than cooperatives. Although members may exclude the poorest, allowing self-selected groups can ensure that members screen for risk, trust themselves, and believe that they have power to enforce repayment through social sanctions. Without self selections groups are just mere facades (Dinye, 2006)

Moreover, Khandker (2005), is of the view that access to micro finance is expected to enable the poor increase their households' incomes, build assets and reduce their vulnerability to crises. Financial institutions are only as strong as their clients. Besides strengthening Rural Micro finance Institutions directly, their ability to reach the poor can be enhanced by improving their abilities of households to manage their economic and financial activities and of rural communities to work cooperatively, whtheer for group based micro finance methodologies or to manage their own savings and credit associations.

Hulme and Arun (2003), also argue that micro finance institutions are not a cure for poverty. However, MFIs could create and provide a broad range of micro finance services that would support poor people in their efforts to improve their own prospects and prospects of their families. He believes that effective micro finance makes these agencies designed to help the more likely to achieve the goals that the poor seek to achieve.

Dinye (2006), argues that, promoting access to micro finance is an important strategy towards development in the rural areas in Ghana. According to him, Small credits and micro finance loans allow the rural entrepreneurial poor who are already engaged in viable but low- productivity economic activities or who have good investment opportunities and are constrained principally by lack of access to financing to acquire some capital based. It allows the very poor who have reasonable economic handicap by low skills, poor basic economic infrastructure, lack of social capital, and absence of financial institutions; as well as the extreme poor or destitute in areas with very low economic potential to be up and doing; and communities to form cohesive groups that can intermediate between members and external sources of finance.

The issue of women's empowerment has been at the centre of discussions on planned interventions for poverty alleviation. Micro finance programmes mobilise and organise women at the grass root levels. It is generally argued that micro-credit plays a vital role in bringing about changes in the rural women's standard of living. It is widely believed that an empowered woman would be one who is self-confident, who critically analyses her environment and who exercises control over decisions that affect her. Many women's organizations in developing countries have included credit and savings, both as a way of increasing women's incomes and bringing women togtheer to address wider gender (Sustainable Banking with the Poor, 2002).

Pitt et al (2003), support most literature that agitates that more often than not micro finance can eradicate poverty and hunger in societies when properly given out. According to him a number of mechanisms through which access to micro finance may stimulate wider health and social benefits. Foremost among these, are supporting improvements in household economic well-being, including poverty reduction and an enhanced capacity to meet basic needs such as food security.

Daley- Harris (2006), discusses the evidence of the effects of micro finance on poverty reduction from diverse settings is generally encouraging. For example, longitudinal studies from Ghana have found associations between poverty reduction and greater consumption attributable to micro finance to micro finance participation, particularly among female loan recipients.

Marmot (2005), on his several studies also suggests that micro finance can positively influence nutritional outcomes. For example, longitudinal research in Ghana, comparing both participants and non-participants in the same communities and residents of control communities, report reductions in stunting and wasting in infants. Well –established programmes in the three Northern regions of Ghana have demonstrated similar effects on nutrition, where significant improvements have been noted among micro finance households' relative control.

Further, UNICEF (2003), support the suggestions made by Pitt on the role of micro finance to increase the number of school enrollment. It revealed that in the sub-Sahara

African region as a whole, nearly one-third fail to enroll in Primary education. In the Sub-Sahara African region, which is not an exception, Ghana nearly one-third of children fail to enroll in primary school and of those who do, nearly 20% do not reach primary five. Although important in its own right, improving access to education also can have lower rate of illness, malnutrition, and child mortality.

Hulme and Paul (2003), also shared their views on the prospects of micro finance as it allows overseer banks to choose beneficiaries. It will be appropriate to award the task of choosing beneficiaries to overseer banks. The major reason here is that they can easily judge the credit worthiness of borrowers based on savings record. In this way, the overseer act like local money lender or store- owner who judges the credit worthiness of a borrower through their knowledge of the character and cash flows of a potential borrower.

Cheston and Kuhn (2002), in the like manner, supports the argument put forward by Daley's work as micro finance also Improve Women's Lives. Participation in micro finance worldwide is predominantly female, which underscores its potential to promote gender equity and empower women. For many Micro finance Institutions, women are considered a better credit risk than men and loan received by women have been found to have wider household-level benefits than those given to men.

2.6. MICRO FINANCE AS STRATEGY FOR POVERTY ALLEVIATION:

There are a number of different versions of definition for Micro finance. For the purpose of this study, one of the common definitions is used. Micro finance is the provision of financial services to the poor who do not have access to capital and financial services (Barnes (2001), financial services include one or any combination of the following: lending, savings, insurance, pension/retirement and payment services. Increasing mature micro finance institutions (MFIs) also provide diverse products, such as housing loans (primarily for improvements, repair and maintenance), insurance (both health and life insurance), and pension. Micro finance is also frequently combined with the provision of social and business development services, such as literacy training, education on health issues, training on financial management or accounting.

According to Gaama (2004), the role of micro finance in development efforts around the world, particularly for poverty alleviation, has been significant. Providing poor people with access to financial services is seen to address capital market distortions that exclude the poor and reduce the vulnerability of the poor by providing them with opportunities for income-generating activities.

Littlefield et al (2003), also reports that availability of financial services has proven to be a critical factor in reducing poverty and its effects, resulting in positive impacts on nutrition, education, health, gender equity, and the environment. The literature on micro enterprise offers a diversity of findings in regard to the type and level of impact.

Jung (2004), identified the key findings from impact assessment studies on UNDP and reported the impacts of micro-enterprise credit service, with special attention on household economics security which include empowerment of women which leads to a social higher status, better education and more independence of women, enterprise stability growth, and individual control over resources. The studies revealed varying degrees of positive impacts on programme participants, most notably increases in household and enterprise income and assets. Mixed effects were found on employment, children's schooling, and women's employment.

On the same note, Patrick (2004), on impact assessment studies on empowerment, especially of women, as an important dimension of impact. Empowerment is typically defined in terms of the ability of people to participate in decisions that affect their lives. The studies on the literature explored the proposition that by increasing an individual's ability to contribute economically to household, participants in micro finance programs strengthen their control over household resources, self-esteem and their ability to deal proactively with the future. By supporting and encouraging women's economic participation, micro finance helps empower, thus promoting gender equity and improving household well-being.

Zamman (2000), emphasizes the issue about 'income smoothing' that is brought about by lessened vulnerability, which also promotes 'consumption smoothing'. He enthused that increase in consumption, even if small coupled with increased regularity of consumption can lead to better health and nutrition. There is also the investment opportunities opened up via additional loans from the micro credit programme and such can bring about stability with far reaching positive effects on participating households. Micro credit programmes also reduce poverty.

However, while micro finance looks as a good option and offers promises of helping to alleviate poverty, there are problems or challenges that threaten its efficacies. These challenges clearly point to the need to re-think micro finance as a strategy for poverty alleviation.

2.7 CHALLENGES OF MICRO FINANCE AS STRATEGY FOR POVERTY ALLEVIATION

Malhotra and Fiddler (1995), identified scaling up as a first challenges to micro finance. The number of clients per loan officer tends to raises as a programme begins to grow since management often sees a high client to loan officer ratio as a clear cut way to keep cost down. They are of the view that rapid expansion will lead to low morale, beginnings of turnover, management information system backlogs, and decline s in portfolio. Moreover, this may result time less spent with each client, a lower quality of customer service for poor clients, and exclusion of high risk difficult to handle clients, which is a sign of mission drift in poverty organizations.

De- Soto (1998), 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 cognisance is too theoretical. His studies in Nigerian 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. 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 produce. To get the produce 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 Ditcher (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 being 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. It is pertinent, however, to understand that micro finance is one of the many instruments of social change and not a panacea.

Rahman (1999), was more assertive in rejecting micro finance as sufficient for poverty alleviation. For him, micro finance is not the key to development, which involves not only massive capital-intensive, state-directed investments to build industries but also an assault on the structures of inequality such as concentrated land ownership that systematically deprive the poor of resources to escape poverty. Micro finance schemes end up coexisting with these entrenched structures, serving as a safety net for excluded and marginalized by them, but not transforming them. Besides having credit, the question of how to turn the loan into profit is very important and necessary for consideration.

Meade (2001), pointed that one of the fundamental problem of micro finance 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.

Mayoux (1997), in a briefing paper to the world micro credit summit organised by the UN alluded to how micro finance 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 resort 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. Another dilemma is the fact that they are used as unpaid family labour and this leads to increased work loads for women. He noted that, this is a major problem for micro finance 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 equipped 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 explanation centered 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 micro finance training programmes, which make the cost of lending even higher. And that as micro finance are pressured to become more self-sufficient, the incentives to lend to such desperately poor borrowers evaporates.

Ghana Micro finance Institution Network (2002), is of the view that specific challenge facing the micro finance operators is, Capacity Enhancement and Funding. Ernst and Young describes the various stakeholders in the sector often organize training programmes and activities with the view to upgrading capacity in the industry. This notwithstanding, the staffing and competency levels are still below what is desired. For example, the capacity of some key stakeholders and institutions including MASLOC, GHAMFIN, MFIs, relevant Ministries, and technical service providers etc. needs to be enhanced for micro finance operations.

According to Anyanwu (2004), the interest rates in the micro finance institutions are much higher than the prevailing rates in the banks. This he said ranges between 32%-42%. During this period the banks are charging 19.5% and 21%. He added that moneylenders at informal sector charges rates of 100% or more. Some of the clients when interviewed by Micro finance Institutions evaluators bitterly complained about the interest rate being too high. Two reflections could be made. First given the fact that, people borrowing at this rate indicate that they are industrious because they do not have collateral to meet the requirements of the formal financial institutions and then remain poor and liability to the economy instead of being assets. Second, the objective of micro finance to combat poverty might be defeated since the clients have to repay back double of what they have received at all cost.

Maria (1999), suggest that inequitable in the distribution of Wealth and Income is a further challenge that faces micro finance beneficiaries. The conventional micro finance in Ghana aggravates the inequitable distribution of income and wealth in the country. This is due to the fact that while interest rate is on borrowing ranges from 30% to 100%, interest rate on both voluntary and mandatory savings for the clients are between 4.5%

and 6% per annum. He again observed that lending at this rate is taking the rewards of poor and redistributes it to the rich. The poor borrowers must pay the amount through group pressure even if it resort them to another borrowing or selling their properties.

Again, Ghana Financial Institution Network (2006), reports that Production and Marketing risk are another major problem with loan recovery depends on the system of administration. In times of unfavourable market conditions or natural disasters, the burden of loan repayment rest solely with the financial service providers. No remedies had been identified for this situation. Low technology resulting in low yield per unit cost of production, poor client education coupled with an attitude that portrays government money to be free and over-reliance on rain-fed agriculture resulting in the huge production risk of the repayment problems for programmes formulators and implementers.

In addition to that, low technology resulting in low productivity yield per unit cost of production, poor client education coupled with an attitude that portrays government money to be free and over reliance on rain –fed agriculture resulting in the huge production risk of the repayment problems for programme formulators and implementers is another challenge facing the micro finance institutions in the country (Snodgrass and Sebsted, 2002).

Djan (2003), attributed low savings rate in most countries as one of the challenges facing micro finance institutions in the country. He said the low-income levels in the country resulting from the factors such as high dependency ratio has led to low savings due to high propensity to consume the limited disposable incomes by such informal sector operators in the majority being women. The considerably high cost of savings mobilization, which is invariably passed on to the consumer, attitude of bankers to micro finance programmes, especially agriculture credit, high transaction cost in advancing credit , corruption and poor supervision are another drawback of micro finance institutions in the country.

Low repayment Rate is another challenge of the State Sponsored Micro finance. This challenge can, however, be traced to the method of choosing beneficiaries. According to him, since choice of beneficiaries is centralized at the District Assembly, credible facts concerning the credit worthiness of borrowers are over looked. If the choice of beneficiaries were left in the care of overseer banks, prerequisites would ensure that guarantors have accounts at the banks and also a beneficiary is engaged in a potentially viable venture before awarding loans (Dinye, 2006).

Similarly, Central Bank of Nigeria (2005), added that a connective obstacle to the above problem is limited monitoring by Overseer Institutions through regular visits to ensure smooth running of businesses and good use of the loans. The banks have failed to do the monitoring because they have no knowledge of the status and location of the beneficiaries. If the banks were in charge of choice of borrowers, the [possibility of monitoring would be stepped up by the banks who would be interested in the profitability of their basic returns on loans awarded.

According to Gonzalez-Vega et al (2005), the strongest repayment for uncollateralized micro loans is not peer pressure, but rather the client's desire to preserve his future access to a loan service he finds very useful to him. Thus, healthy repayment rates are strong signal that the loans are of real value to the clients. As the loans are known to be coming from government, most borrowers claim it is their right to go for these loans and not a privilege making repayment a burden. The timing of the loans also does not arrive from the government coffers in seasons when the loans are critically needed. This phenomenon virtually results in the beneficiaries wasting the monies on other needs rather than the required activity.

Generally, the literature review indicates that there is a common acceptance of micro finance as an important poverty alleviation strategy, and thus, there is the need to pay appropriate attention to the various challenges facing micro finance as a strategy for poverty alleviation.

CHAPTER THREE

METHODOLOGY AND ORGANISATIONAL PROFILE

3.0 INTRODUCTION

The purpose of this research was to understand the issues related to micro finance as strategy for poverty alleviation, its challenges and prospects. In general, the study aim was to find out if OARB as a rural bank offering financial services has been able to reach the target group for the purpose of its creation of Micro finance Unit. The study was addressed through single case study. The chapter dealt with research design, population for the study, sample and sampling procedure, the research instrument and its administration. It also indicated the statistical tools for the analysis of the data. The second part also discussed the bank and its environment, entire profile of the bank, legal capacity of the bank, bank's product and services, background of micro finance operations and the strategic plan for the micro finance department of the bank.

3.1. RESEARCH METHODS

There were mainly two kinds of research methods that were used for the work. These were quantitative and qualitative methods. These two methods differ in terms of the numeric (numbers) or non-numeric. Quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure, such as: graphs or statistics that generates or uses numerical data. On the other hand, qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non numerical data. Therefore, the other difference between qualitative and quantitative data is that, the qualitative data refers to words, such as pictures and video-clips, rather than numerical results. It is not easy to express the effects of micro finance as a strategy for poverty alleviation on the general people in the catchments area with the help of few sentences. On one hand, some effects can be shown only in numerical figures like, savings and income, while on the other hand, other impacts can be expressed only in descriptive ways, like, access to education, business experience etc. When the questionnaire was made, the researcher tried to make it fully structured to get most of the people to find out how far the micro finance has helped them and their entire family. In the questionnaire, the researcher combined the numerical questions as well as some non-numerical questions. Thus, the result of the research depends on numerical and non-numerical analysis, using both quantitative and qualitative methods.

3.1.1. RESAERCH DESIGN

The primary research objectives have been ''has the micro finance being able to positively affect the standard of living of its clients in the form of alleviating poverty in the catchments area? And if yes, what have been its challenges and prospects? A descriptive survey design was used because it dealt with questions and opinions of existing issues. In this part both qualitative and quantitative information were required to answer the research questions mentioned. Both primary and secondary data were consulted.

On the literature, related topics on micro finance were used in line with questions raised. In this case, it was about the Micro finance as a Strategy for Poverty alleviation, the Challenges and Prospects.

This design involves the collection of data in order to understand research objectives on the subject of the study.

Awoyemi and Quartey (2002), also indicate that the descriptive survey design does more than merely uncover data for its synthesis but integrates data and points to implication and interrelationships. They further stated that this design focuses on people – the vital facts of people and their beliefs, opinions, attitudes, motivations and behaviour. The study was basically a fact finding exercise and so the researcher drew samples from the populations of interest and made generalizations, taking into consideration the responses. The research design helped the researcher to collect evidence to describe the issue, which was micro finance as a tool for poverty alleviation, the challenges and prospects in the case of Okomfo Anokye Bank Limited.

3.1.2. POPULATION

The population for the study encompasses the people who have been engaged in micro finance activities for at least five years and lived in the catchments areas of Okomfo Anokye Rural bank at Wiamoase, Pankrono and Ashanti Newtown Town all in Ashanti region. These included traders, farmers, artisans, seamstresses and kente weavers. It also included management and the entire staff in the micro finance unit in the bank. The researcher chose these categories of people because, most of them have a long experience in micro finance activities because they are well informed and know much about the pros and cons about the OARB micro finance activities, so they could respond better to the questionnaires.

3.1.3 SAMPLE AND SAMPLING PROCEDURE FOR DATA COLLECTION

The people for the study were randomly selected. The data collection procedure started from Wiamoase, where the bank started its micro finance operations, and continued to Pankrono and Ashanti Newt Town. The sample size of 30 clients for each group was selected from an individual household basis. The household level is relatively easy to identify. The selection of these beneficiaries was done in consultation with these loan officers and the selection of the interviewee clients were done by random sampling as already mentioned. The researcher did not use an interpreter because the two personnel who assisted me to interview the various clients could speak the local language or for accuracy and reliability the researcher used the local dialect to interpret everything to those who neither could read nor write in responding to the questionnaire.

3.1.4. RESEARCH INSTRUMENTS

The questionnaire comprised background questions about gender, age, and questions related to were used. Structured questions and some dichotomous question were asked to collect the information from the respondents. The same contexts of questions were given to all interviewees so as to exactly the same interview stimulus. Questions were specific with a fixed range of answers. The structured questionnaire was multiple-choice questions in which the researcher provides a choice of answers and respondents are asked to select one or more of the alternatives, and dichotomous questions that had only two response alternatives, yes or no to measure the respondents' perceptions based on few statements to perceive the impact of micro finance on their overall living standards. The points of the scale indicate the degree of satisfaction or agreement level of the household or a person after he or she has received questionnaire. Though the entire management and staff in the MF office or department are few in the bank; an attempt was made to cover all such categories of staff. The distribution of questionnaires was aimed at covering at least 70% of all staff within the micro finance department for both the head office and the above branches mentioned. The selection of clients for both interviews and questionnaire were randomly selected from the identified groups in order to give each member of each group equal and an independent chance of expressing their views on the subject. Most of the clients were visited at their shops and market centres and questionnaire were administered to them. Most of the clients were visited at their various places and (30) item questionnaire were given to them to respond to. Also appointment was booked for interviews with some of the clients and collection of the responded questionnaires.

INTERVIEW- the most common type of interviewing individual is face to face verbal communication through self administered questionnaire. The purpose of employing interview was that it allows participant to probe for more detailed information (Saunders et al, 2007). Although the result of the research was highly dependent on the primary sources that were gathered from the structured interview, yet, it also required some secondary sources to understand the various views that were shared by respondents. The researcher used, Financial Times, country reports, Government publications, Magazines and Articles that have written about micro finance research literatures, articles and thesis, as secondary sources for the study. Internet sources were used as a secondary source for the thesis. Since the internet sources were less reliable and limited the use of other sources to the web pages of prominent organizations like Grameen Bank was consulted. A further, annual report of some of the MFIs is acceptable everywhere were used. Even though, it was not easy to find out the appropriate research materials for the thesis, many studies have been conducted on micro finance over the last few decades. Nevertheless, from them, the researcher chose the most appropriate literature for the thesis. For this reason, the researcher went through numerous references related to the topic, to find the suitable materials. These materials were mainly collected from the university library and available search tool. Besides these, Google Scholars were used to find the suitable research material. The keywords used when searching for scientific articles and literatures were; micro finance and Bangladesh, poverty reduction and micro finance in Africa, Muhammad Yunus micro finance in Bangladesh, living standards and micro finance were consulted.

3.1.5 PROCEDURE FOR DATA COLLECTION

The data gathering done by the researcher included selecting, identifying and gathering documents and interview conducted with the help of people selected by researcher to assist him in his work. The design questionnaires were pre-tested with (15) people to enable the researcher iron out any problem that could cause the results to be failure. It was aimed at finding out whether respondents needed further classification or re-statement of some of the items.

3.1.6 DATA COLLECTION

The management of the three branches was informed of the study and permission was sought to grant management and staff interviews. Introduction letter from the researcher's department explaining the rationale of the research was sent to the management, officers in charge of the Micro finance unit in the bank. This was to establish an initial cordial relationship with the stakeholders involved in the research. The researcher personally, arranged and met the management. But for the various clients it took the form of visitation. The distribution of the prepared questionnaires to clients was sent to the bank officers in MF unit.

3.1.7 DATA ANALYSIS

The responses from the questionnaire for various clients as well as the staff and management were coded. Statistical Package for Social Sciences (SPSS) and Excel were used to analyze data from which frequency table were separately constructed for each item alongside graphs.

3.2 ORGANIZATIONAL PROFILE

3.2.1 THE BANK AND ITS ENVIRONMENT

Okomfo Anokye Rural Bank(OARB) Limited was incorporated as a limited liability company and issued a certificate of incorporation (No 21,793) under the Companies

Code 1963(Act 179) on January 18, 1983. On February 7, 1983 the bank of Ghana issued the license to operate Business of Banking to OARB. The bank received its Certificate to Commence Business on July 6, 1983 from the Registrar of Companies.

The bank has its Head Office at Wiamoase in the Ashanti Region and four other branches at Ashanti Newtown (Kumasi), Boamang, Pankrono, Tetrem and Agona. The bank has two mobilization centres located at Bepoase and Asaman. The bank has plans to establish five more additional branches in Suame, Mamponteng, Kronum and Asokwa all in the Ashanti region. (OARB Five Year Strategic Plane, 2008 – 20012)

3.2.2 BANK'S CORPORATE VISION AND MISSION

The bank's corporate vision is to be the world class rural Bank for Wealth creation

OARB's mission is to "facilitate socio-economic and development of its clients in the catchments area through the provision of customer –oriented and innovative financial products and services through well-motivated and competent personnel to meet the interest of stakeholders.

3.2.3 BANK'S PRODUCTS AND SERVICES

The bank provides the following products and services to its numerous clients; savings accounts fixed deposits accounts, current accounts, door to door Susu deposit accounts, overdraft, Susu loan, Salaried Worker loan, Micro finance loan and Credit Relief scheme loan. Other financial products of the bank include, self-employed business loan, funeral loan and ARB Apex Bank Money Transfer.

3.2.4 BRIEF BACKGROUND OF MICRO FINANCE OPERATIONS IN THE BANK

The micro finance unit of the bank started in 2004. Its objective was to help the economically active people in engaging in income generating activities to better their lives. The micro finance product target petty traders, cash crop farmers, kente weavers, service (drinking and food bars) operators, dressmakers, hairdressers and small-scale farmers. The unit's products and services are Group Loans, Individual loans Susu Savings and Susu loans.

Under the group loans, clients are horizontally grouped, trained and offered loans to support their businesses. The loan term is twelve months and beneficiaries pay monthly installments. Beneficiaries of individual loans also have a loan term of 12 months. The OARB has mobile bankers who identify customers and mobilize savings from them. Susu loan is available for customers of OARB who have contributed or saved for three months or more. The bank offers such customers' loan sizes twice their savings and the loan term is six month. According to them this approach has been used to inculcate the culture of savings in the people. OARB has collaborated with Ministry of Women and Children's Affairs and the JICA to provide micro finance services to its clients. The bank's success stories under the micro finance unit include positive impact on the lives of clients and immediate family, improved savings habit, improved knowledge in banking, increased ability to pay school fees of wards, improved access to health care facilitates and emerging micro and small enterprises(MSEs).

3.2.5 EXISTING PRODUCTS AND THEIR PERFORMANCE

The bank has problems with micro finance products such as Special Farmers' Loans (Group Loans) and MOWAC funds. Loan recovery rate has been 55% because of political label on loans, weak monitory and inappropriate timing in recovery by staff.

3.2.6 STRATEGIC PLAN FOR THE MICRO FINANCE DEPARTMENT/UNIT

The Government of Ghana (GOG) is implementing the Rural Financial Services Project (RFSP) that seeks to broaden and deepen financial intermediation in rural areas to improve access to financial services by expanded number of the rural poor.

The programme which seeks to build the capacity of RCBs, aims to strengthen the rural and Community Banks for effective intermediation through technology enhancement, human resource development and the development and testing innovative financial instruments and products respond appropriately to the changing financial needs of the majority of Ghanaians who live in the rural areas.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.0 INTRODUCTION

Poverty remains a matter of growing concern in many parts of Ghana especially in the Sekyere South part of Ashanti region. Today, as the country continues to register sustainable economic growth and development and try to reach middle income status by the year 2020, the people of Wiamoase and her catchments areas are not only lagging behind but is also trapped in a vicious circle of poverty. The area has perpetually failed to focus its development efforts on the optimum utilisation of human resource that is endowed with to turn it into wealth to propel their economies and people towards a high level of economic and social development and as a consequence eliminate pervasive poverty.

Today, the solution to the poverty problem has been oversimplified in the development studies despite being a broad complex concept that requires a deeper analysis. The proponents of micro finance argue that when you help the poor with micro finance, then, the problem of poverty is gone forever. However, one has to be very careful with this type of argument because it ignores the fact that capital as a resource is just one factor of production which must be combined with other factors like entrepreneurial skills, well functioning markets, good feeder roads to transport products and good communication among others in order to add value to it. The study was designed to assess micro finance as a strategy for poverty alleviation in the case of Okomfo Anokye Rural Bank Limited in Wiamoase. The result of the study which is based on its objectives are presented, analyzed and discussed in this chapter. This part discusses responses and findings from both management and the clients.

TABLE.4.1 BANK'S MEETING THE OBJECTIVE OF MICRO FINANCE TO CUSTOMERS

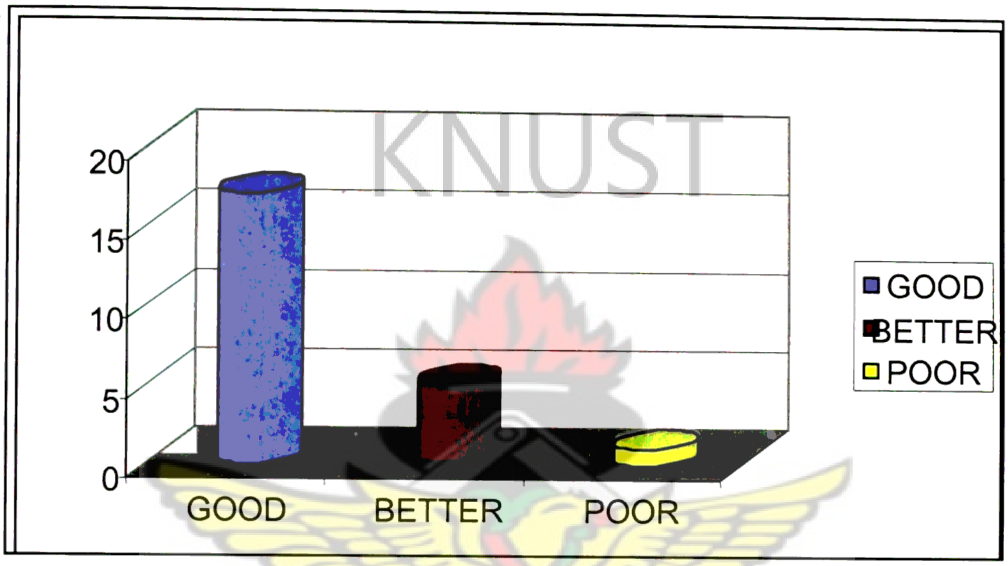
A question was posed to the management to find out whether the micro finance scheme in the bank has been able to achieve its objectives of poverty alleviation in the area. This has been presented in the below diagram.

	FREQUENCY	PERCENTAGE	VALID PERCENTAGE	CUMMULATIVE PERCENTAGE
VALID				
YES	8	34.8	34.8	34.8
NO	15	65.2	65.2	100
TOTAL	23	100	100	

Source: Field Survey, 2008.

The research responses indicate that, out of 23 respondents which represent 100 percent, (65.3%) responded that the bank micro finance unit has not been able to meet its objectives towards their clients. 34.7% responded that the bank has been able to meet its objectives to the customers. The percentage difference is significant as the OARB micro finance department has to do more work in order to meet its objective of reducing poverty in the catchments area. Mohindra (1995), argued that inadequate human resource and scaling up are the major challenges facing many micro finance institutions to meet their objectives. The above analysis indicates that OARB micro finance has not been able to achieve the objectives for which it was set up.

CHART 4.2 ATTITUDES OF CLIENTS TOWARDS LOAN REPAYMENT



Source: Field Survey, 2008.

In addition, the chart above explains the attitudes of clients towards loan repayment. The responses from the questionnaire demonstrate that ,out of the 23 respondents (100%), 17 which represent 73.9% said that loan repayment from the clients are good, whereas 21.7% responded that attitudes of clients towards loan repayment is better.4.4% responded that attitudes of clients towards loan repayment are poor. It is also clear from the analysis that loan repayments in the micro finance unit are good and better.

Dinye (2006),in his work identified low repayment rate as one of the major challenge facing micro finance institutions in Ghana especially state sponsored micro finance institutions . However from the above analysis, the attitudes of clients to loan repayment in the Okomfo Anokye Rural Bank limited has been good and thus, has been supported by Moll (2005), who said, "the desire of most clients to repay the loan is to have and preserve their future access to loan services they find very useful to them. Thus a healthy repayment rate is strong signal that the loans are of real value to the clients".

4.3 DOES MICRO FINANCE HELP TO INCREASE INCOME, BUILD ASSETS AND REDUCE VULNERABILITY TO EXTERNAL PROBLEMS?

Risk and shocks are common features among the poor. Therefore households have to deal with this challenge. It was in this vain that a question was put to the management as to how their micro finance has been able to reduce clients' vulnerability to external problems, build assets and increase income. The following were the responses from the various interviewees. Out of the 23 respondents, everybody answered 'yes' which represent 100%. Risk and shocks are common features among the poor. Therefore households have to deal with this challenge. This analysis is supported by Khander (2005), "that access to micro finance is expected to enable the poor increase their households, income, build assets and reduce their vulnerability to crises. He added that the ability to reach the poor can be enhanced by improving households' abilities to manage their economic and financial activities. The above analysis has shown that micro finance is a tool for building asset, reducing risk and shock which are prevalent among the poor.

TABLE 4.4. RETRIEVING PAST LOANS FROM CLIENTS

Retrieving past loans from the clients was another major question and the majority of the management interviewed responded in the ways this presented below. 87% positively answered that the bank retrieves past loans from the clients through court action and seizure of client's collateral represent 8.7%. Finally 4.3% also responded that they sell clients collateral to recover debt.

RETRIEVING OF PAST LOANS FROM CLIENTS

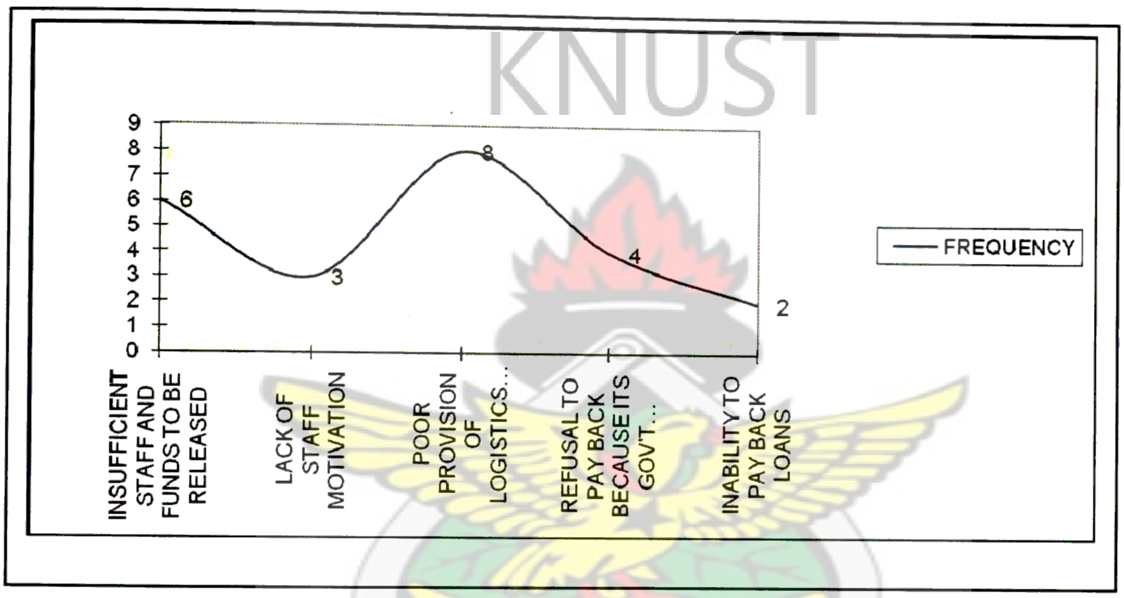
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	THROUGH COURT ACTION	20	87.0	87.0	87.0
	SEIZURE OF CLIENTS COLLATERAL	2	8.7	8.7	95.7
	SELLING OFASSETS TO RECOVER THE DEBT	1	4.3	4.3	100.0
	Total		100.0	100.0	

Source: Field Survey, 2008.

The above statistics has clearly indicated that retrieving past loans from the clients has been difficult since management did indicate that, the most appropriate way through which the bank collect its loan is the use of court action which in one way or the other, may deter many people from accessing a loan which can worsen their plight. The above table demonstrates that many of the beneficiaries pay their past loans when court action is taken against them.

CHART 4.5 MAJOR CHALLENGES FACING OARB MICRO FINANCE SCHEME

Concerning the major challenges facing Okomfo Anokye Rural Bank micro finance scheme, a question was asked to find out from the management and the responses were very positive and authentic because they have the first hand information concerning the operation of the micro finance.



Source: Field Survey, 2008.

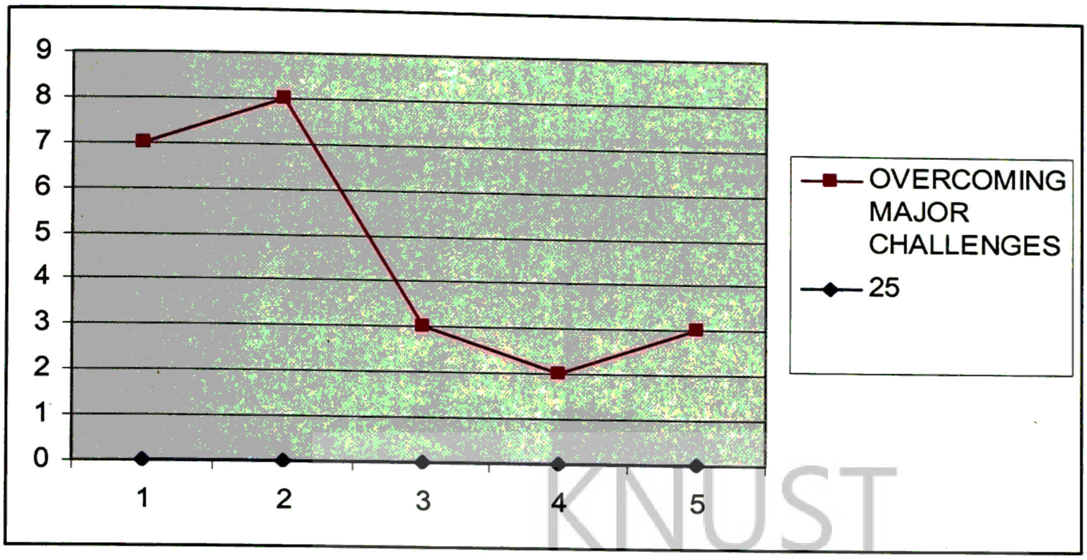
From the chart, respondents identified several key challenges. 26% identified inadequate staff and funds to be released by the stakeholders especially, the government. 35% out of 100% responded poor provision of logistics such as cars for effective monitoring. 17% also responded that beneficiaries refuse to pay back micro finance loan because they have the perception that it is government money 9% also responded that most clients are unable to pay back loans due to business failure, and 3% also answered that there is lack of staff motivation. The above analysis is being supported by Ernest and Young (2002) also identified lack capacity enhancement and funding as one of the major problems facing micro finance institutions.

Again, Ghana Financial Institution Network (2006), also identified production and marketing risk as another major problem facing micro finance institution. The above points support the facts that the major problem facing OARB micro finance unit is universal in many micro finance institutions.

CHART 4.6 OVERCOMING THE MAJOR CHALLENGES FACING THE OARB MICRO FINANCE SCHEME

In an attempt to answer the above question, the researcher formulated items to elicit information on how the above challenges could be solved. The diagram explains how the major challenges facing OARB micro finance scheme could be overcome as indicated in the diagram. Eight (8) out of the questions 23 answered (which represent 34.8%) are of the view that government should release enough funds, (7) which represent 30.4% also indicated that interest rate should be reduced to enable people to access the loan.

In addition, (3) which represent 13% of the respondent said that there should be staff motivation to enable those in the unit to work effectively. (2) Also represents 8.7% believe that management should provide proper education on the use of the micro finance loan to the clients.



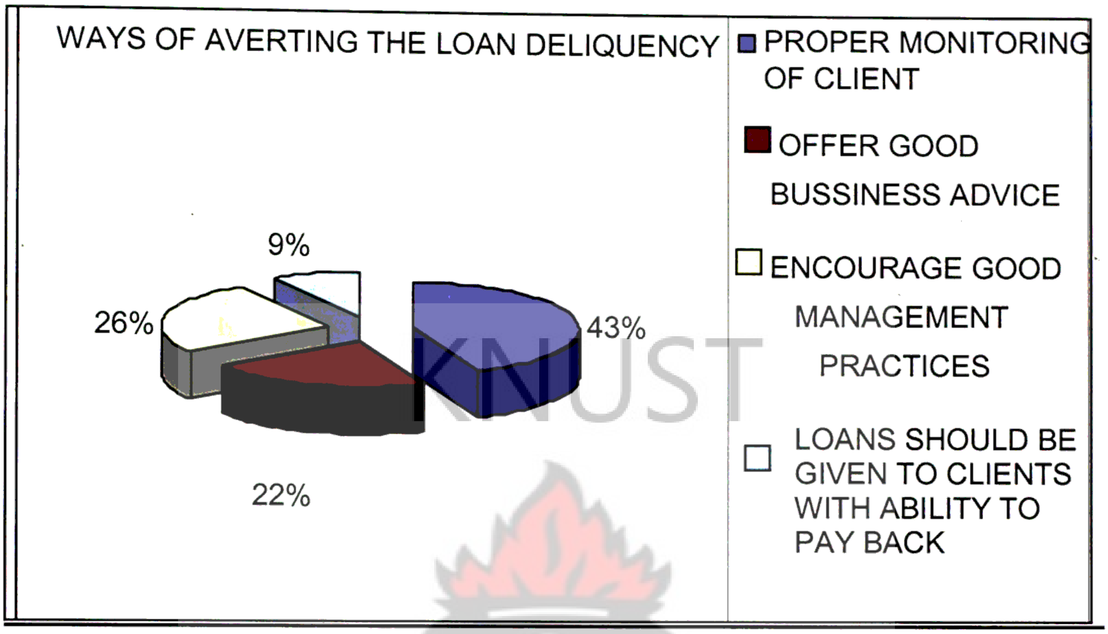
Source: Field Survey, 2008.

Finally, provisions of logistics such as cars to monitor clients' activities also constitute (3) which represent 13.0% of the respondents. It is reasonable to assume that the above problem has many mechanisms to deal with as stated by the various respondents.

CHART 4.7. WAYS OF AVERTING LOAN DELIQUENCY IN THE MICRO FINANCE UNIT

To gain more in-depth knowledge on how to avert loan delinquency in the bank, management was asked strategies that can be used to solve the above problem. These following were the responses from the respondents. 43% of the respondents indicated that there should be proper monitoring of clients when micro finance loans are given to them; 22% of the respondents also listed that management should offer good business advice to the Clients. In addition 26% the respondents also mentioned that management should encourage clients on good financial management practices and

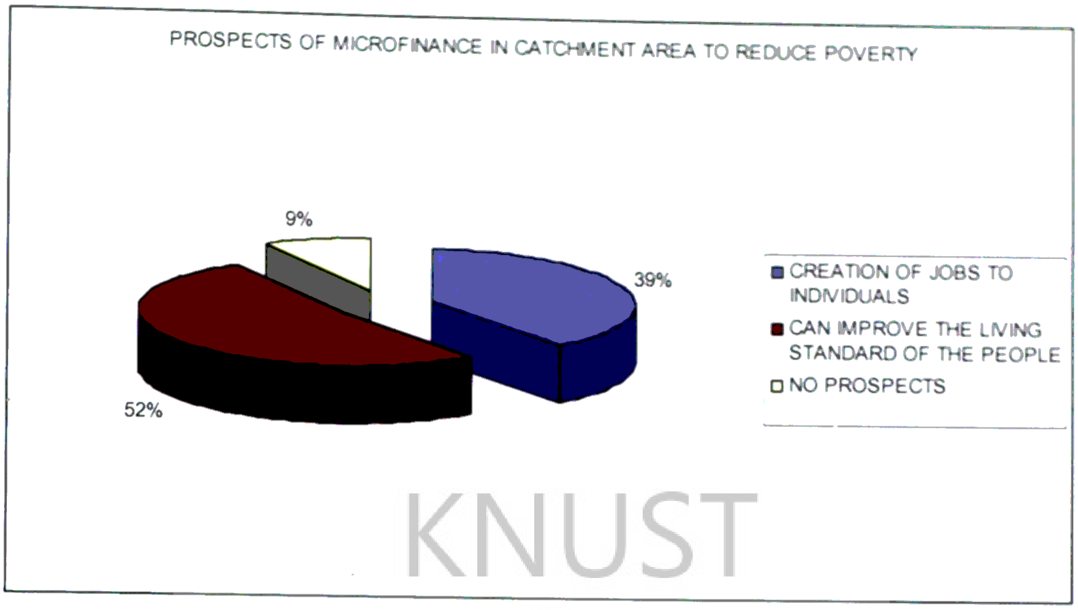
9% of the respondents also said that loans should be given to clients demonstrate with the ability to pay back.



Source: Field Survey, 2008

CHART4.8. PROSPECTS OF MICRO FINANCE IN THE CATCHMENT AREAS TO REDUCE POVERTY

A further question was asked to enquire from the management of Okomfo Anokye Rural Bank the prospect of micro finance in the catchment area as a tool or strategy to reduce poverty. The analysis of the study is discussed here. 39% of the respondent said that micro financing can lead to creation of jobs to individuals, 52% of the respondents also said that micro finance can improve the living standard of the people in the catchment area , whereas 9% responded that it has no prospects in the area as a way of alleviating poverty. The above response indicates that micro finance can reduce poverty in the area if not totally eliminated thereby improving the living standard of the people.



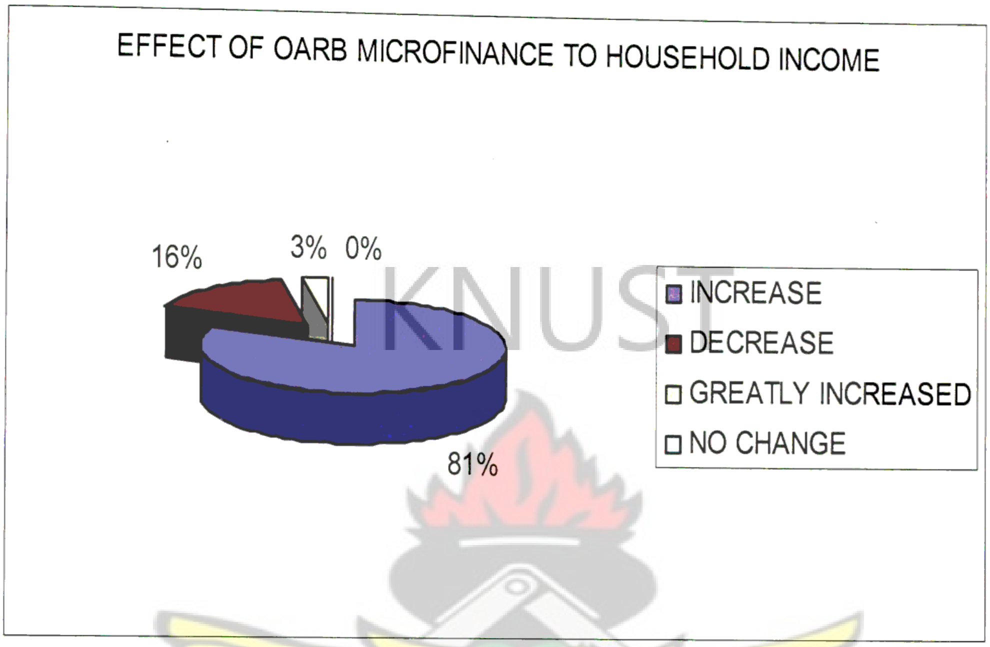
Source: Field Survey, 2008.

Gaama (2002), in his work attributed that, the role of micro finance is an opportunity and development effort around the world particularly for poverty alleviation has been significant as poor people have access to get financial assistance from Non-Traditional Financial institutions.

CHART 4.9. EFFECTS OF OARB MICRO FINANCE LOAN TO CLIENTS HOUSEHOLD INCOME

The generation of income is another ingredient in the lives of people and the majority of the Clients responded positively to the question. The Clients were asked if their incomes had increased, greatly increased or no change. 81% of the clients responded that micro finance loan has helped to increase household income while 3% indicated greatly increased in their household income and 16% also noted that there hasn't been any change in their household income.

Majority responded that their incomes have increased as a result of the micro finance loan they obtained from Okomfo Anokye Rural Bank to run their businesses. This is presented in the chart below



Source: Field Survey, 2008.

TABLE 4.10 DO YOU BELIEVE THAT OARB MICRO FINANCE LOAN HAS HELPED IMPROVE YOUR CHILDREN'S EDUCATION?

Members were asked specific questions related to how micro finance has helped them to improve their wards education. The table below answered questions asked by the

DO YOU BELIEVE THAT OARB MICROFINANCE LOAN HAS HELPED IMPROVE CHILDREN'S EDUCATION?

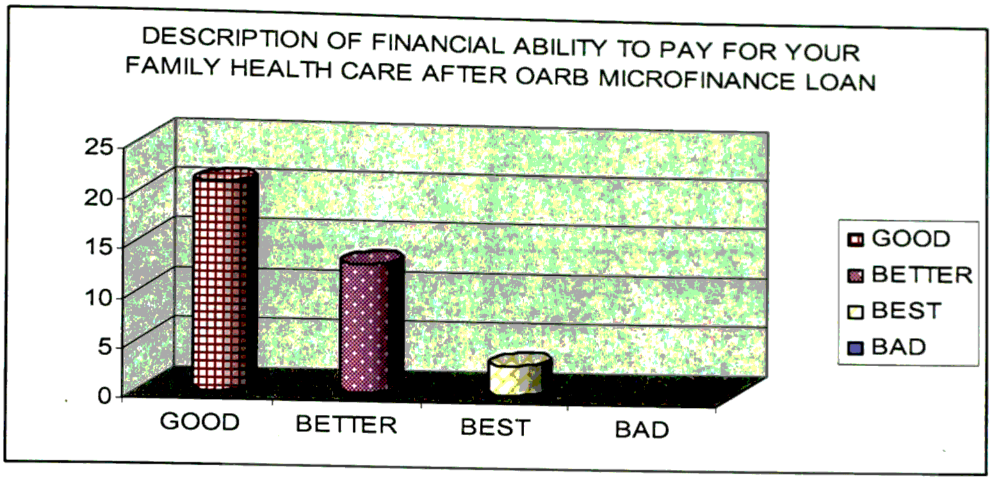
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I BELIEVE	29	78.4	78.4	78.4
	I DON'T BELIEVE	2	5.4	5.4	83.8
	STRONGLY BELIEVE	6	16.2	16.2	100.0
	Total	37	100.0	100.0	

Source: Field Survey 2008

researcher on the degree to which the micro finance loan has helped them to improve on their children's education. These were the responses from the various clients. 78.4% which represent 'I believe' of the responded answered that micro finance loan has helped them to improve on their children's education, 5.4% also responded that it has not helped them to improve on their children's education. Whilst 16.2% interviewed responded they strongly believe that micro finance loan has helped them to improve on their children's education. The findings are that most of the respondents interviewed have been able to send their wards to school even though there is free compulsory universal basic education; they have been able to cater for the other expenses that are not borne by the government. It was also revealed that only few households have not been able to cater for their wards education. This means that there is significant improvement in their wards' education.

CHART 4.11. DESCRIPTION OF FINANCIAL ABILITY TO PAY YOUR FAMILY HEALTH CARE AFTER OARB MICRO FINANCE LOAN

Health is an important ingredient for protecting the productivity of households for effective use of household resources. Poverty Alleviation Strategy (PAS) like micro credit programmes may pilot to help benefit the poor. There is a growing recognition that poor health is a dimension of poverty; therefore, one potential result of poverty reduction is progress in the health of the poor for their well being.

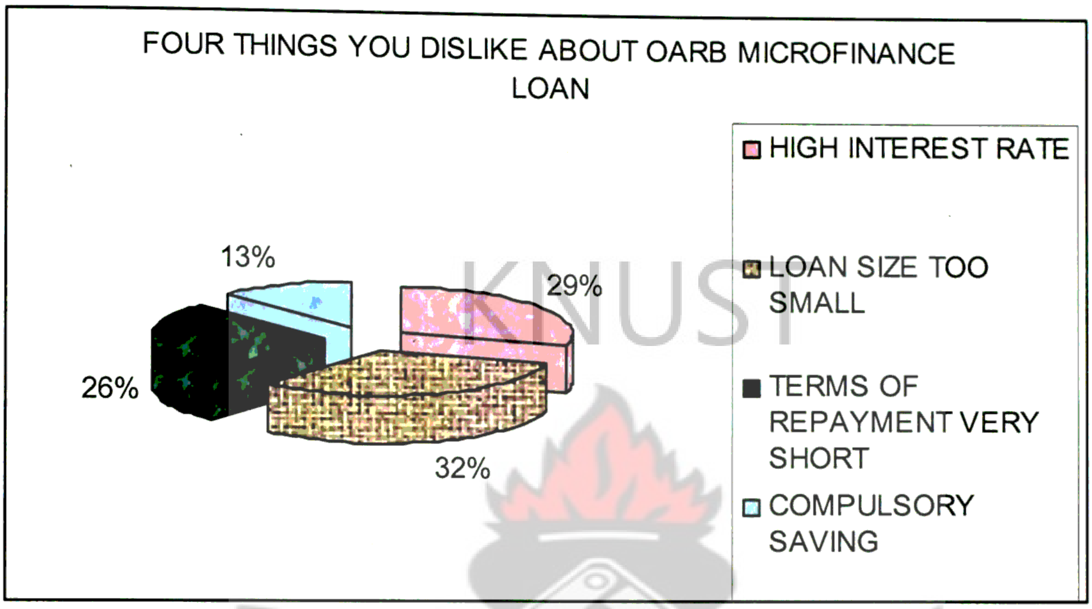


Source: Field Survey, 2008.

To answer the above question, the researcher asked clients on their ability to pay for their family health care. (21) of the respondents which represent 56.8% admitted that micro finance from Okomfo Anokye Rural Bank has helped them to pay for their family health cases and (13) which also represent 35.1% also admitted that micro finance has improved their family health care, (3) which represent 8.1% also admitted that micro finance programme in the bank has helped them a lot to provide sufficient health care for their families. This indicates that all the clients could afford to visit health clinics and hospitals and also are able to pay their medical bills anytime family a member falls sick. This means that majority of the respondent believe that the micro finance programme has been of greater help to them in the area of family health care.

CHART 4.12 FOUR THINGS YOU DISLIKE ABOUT OARB MICRO FINANCE LOAN

In the same way, a question was asked to explore about things clients dislike about Okomfo Anokye Rural Bank micro finance loan and this is shown on the chart below. It was revealed from the study that 29% of the respondents do not like the bank's high interest rate. When asked to give reasons for the dislike, some respondents wrote "we find it difficult to pay the principal and the interest charged and this affects our businesses"



Source: Field Survey, 2008.

In addition, another group of clients also indicated that the loan size is too small which represent 32%. This is an indication that most clients giving any alternative would avoid the loan. Another group of clients which represent 26% of the respondents indicated terms of repayment of loan are too short. The study again revealed that 13% of the respondents which represent smaller proportion do not like the compulsory savings demand by the bank.

From the above table it is seen that high interest rate, Smallness of loan size, terms of repayment and high processing fee were the major concerns raised by clients.

The above analysis is supported by Ditcher (2006), who noted that one of the major problems facing micro finance clients is the size of the loan which are too small and that affects the use of the loan for its purpose.

Added to that, Anyanwum (2000), also wrote that, one of the major problems facing micro finance clients is a high interest rate charged by banks and micro finance institutions. This he said ranges between 32% to 42% as in the case of Nigeria and the objective of the micro finance to combat poverty might be defeated since the clients have to pay back double of what they receive at all cost.

In addition, Djan (2002), also identified that most banks in Ghana charges high interest rate which ranges from 45%-65% which is too high for the poor micro entrepreneurs who need capital to break even in their small entrepreneur ventures. This confirms the various literatures cited.

TABLE 4.13 THREE FACTORS THAT CAN HELP IN THE REPAYMENT OF LOANS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MARKET OPPORTUNITY FOR THE GOODS	13	35.1	35.1	31.5
	SUSU SAVINGS WITH THE BANK	12	32.4	32.4	67.6
	EXTENSION OF REPAYMENT PERIODS	12	32.4	32.4	100.0
	Total	37	100.0	100.0	

Source: Field Survey, 2008.

Different questions were asked from the clients about how they can repay the micro finance loan collected and these were the views given out and it has been illustrated by the table above. 35.1% of the clients indicated that there should be market opportunities for their goods, 32.4% also indicated that clients should be encouraged to at least open Susu savings account with the bank.

Furthermore, 32.4% also responded that the repayment of the loans should be within the time clients can pay. The above analysis is being supported by Ghana Fin (2006) which identified production and marketing risk as a major problem with loan recovery from clients and therefore should be market for product of goods for the clients so as to enable them to repay the loans back.

TABLE 4.14 ACTIVITIES OARB CAN DO TO IMPROVE ON ITS MICRO FINANCE LOAN SCHEME.

		Frequency	Percent	Valid Percen	Cumulative Percent
Valid	USE THE INFORMATION MEDIA TO CREATE AWARENESS ABOUT THE LOAN	10	27.0	27.0	27.0
	FORMATION OF GROUPS IN THE PRODUCTION SECTOR	10	27.0	27.0	54.1
	HIGH STAFF AND CLIENTS MOTIVATION PACKAGES	10	27.0	27.0	81.1
	USE RELIGIOUS BODIES TO SPREAD THE BANK'S PRODUCT	7	18.9	18.9	100.0
	Total	37	100.0	100.0	

Source: Field Survey, 2008.

The following were the responses from the clients (10) 27% of the respondents wrote that Okomfo Anokye Rural Bank can use the media to create awareness about the loan and also another 27% (10) responded that there should be group formation among the clients. In addition to that another 27% (10) also emphasized the need for the bank to provide motivation packages to the staff and clients of the micro finance unit. 18.9% (7) also expressed their view that the bank micro finance unit can use religious bodies to spread the banks product to the people in the catchment area.

The findings report that, clients had increased incomes which enable them to save and to buy property. The savings enables clients to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property could be sold also to deal with the crises; savings can be used to acquire another micro finance cycle and also to start and expand the existing economic activities.

Finally, the study revealed that micro finance has helped beneficiaries to get capital to start their businesses it is however to note that it depends on a number of other factors if it is to play a meaningful role in the catchments area. It should be noted that micro finance is just only one factor and requires the support of other factors. These include basic accounting and managerial skills such as elementary book-keeping, efficient functioning of markets since they play an important role in the economy and rural development.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

As means to respond to the needs of the poor and tackle poverty, micro finance has come in recent times as a dominant form of strategy intervention. Arguments have been canvassed for its desirability, efficacy or otherwise. Clearly, capital and assets are needs the poor desire to engage in productive activities. And ways of making these available without promoting a culture of dependency would be a progressive way to approach poverty. This is more so with respect to people who do not have rights and opportunities to possess and obtain assets and capital easily. Their participation in the labour market and productive activities is further curtailed as they are saddled with more responsibilities without corresponding remuneration. And when poverty is prevalent and its duration too long, peace and stability can be threatened. This is so as people are bound to respond to deprivations and seek means to alleviate them. The world's reaction to fight poverty can be assumed to mean its acceptance that it is theically unacceptable and politically untenable. Poverty coupled with unemployment is the principal source of human insecurity and social instability.

Somavia (1999), recounts, "We can only continue to hold the trust of the people of the world only if we make their needs our priority". We know that poverty, lack of productive employment and social disintegration are an offence to human dignity. We also know that they are negatively reinforcing and represent a waste of human resources and a manifestation of ineffectiveness in the functioning of the markets, economic and social institutions and processes". Therefore, the challenge to alleviate poverty amongst society has assumed a global challenge. This is eloquently encapsulated in the UN Millennium Development Goals (MDGs).

The overall intention of the study has been to found out whether micro finance is a strategy for poverty alleviation that would seek to strengthen the capacity of the poor to protect their consumption and support household investment in the assets required to manage and overcome their situation. The strength of the case for broader strategy for alleviating poverty rests on the observation it brings with respect to the behavioural reactions of the poor to their situation. These reactions may include not sending their wards to school so as to conserve resources for consumption; increasing the workload of women through employment in family businesses to shore-up family income. It may also include even recruiting children as members of the household income earning teams or adopting safer but lower return production techniques.

5.1. SUMMARY OF FINDINGS

The subject of this study was descriptive one to find out the impact of micro finance as strategy for poverty alleviation: as a case study of Okomfo Anokye Rural Bank. Respondents identified several key challenges facing OARB micro finance unit. These include poor repayment of loans by customers, lack of staff motivation, lack of logistics, inadequate competent human resource personnel to monitor the disbursement and retrieval of loans, late release of funds on the part of government and loan diversion.

According to the findings, it is apparent that majority of clients had registered increased incomes. It is these incomes that can help them to solve some problems of poverty like; isolation, physical weaknesses, good diet, can deal with vulnerability, crises management, ability to send children to school, accessing health care which are critical for their continue well-being and as a consequence break the poverty trap.

5.2. CONCLUSION

In general, the main types of impacts can be measured as a result of providing the poor with access to micro finance services: economic (such as income and productive assets); well-being (sometimes, referred to as social such as access to education, health, food, clean water, etc.) access to social networks, participation in collective actions to take control over resource that affect their live.

Even though, most of the beneficiaries have resisted increased in income build assets and change in their consumption pattern, micro finance per se, is not a panacea to poverty eradication, but an instrument for social and economic change that will need holistic understanding. It's a new and already tested means of finding new solution to old and intractable problems. Helping to alleviate poverty by promoting entrepreneurial initiative through increased access to credit by those living in poverty is a path breaking idea.

However, to improve the effectiveness of micro finance would require enabling policy environment of government and cooperation of other stakeholders. The use of micro finance to address poverty in the informal economy will need complementary services like training, market access and space. Others will include the inclusion of micro insurance and opportunities for technology transfer.

RECOMMENDATIONS

In the light of the findings of the study, the following recommendations are made, with the hope that they will minimize some of the major problems facing the micro finance unit in the bank and to enhance brigther prospects. It should also be noted that one programme for financial services is not applicable for financial institutions operating micro finance. However, certain criteria can be adopted in the technical and socio-economic areas.

- OARB Micro finance operators should accept that most loan delinquency is not caused by bad borrowers but by Micro finance Institutions that have not implemented an effective methodology. Management in the micro finance Department should create the image that does not consider late payment acceptable. The benefit of creating disciplined borrowers is critical to the success of the micro finance in the bank.

- Also, clients must value the credit service .Officers in micro finance unit should provide loan products that suit's client's needs, the delivery process should be convenient, and clients should be made to feel that the bank respects and cares about them. Incentives won't work if the clients do not value the access to the credit. On the other hand, management should develop effective delinquency follow-up procedures. Officers should develop policy that lists the steps one takes when a loan becomes past due. These may include visiting clients, holding frequent staff meetings to deliberate on problems on loans.

- In addition, OARB micro finance department should award loans to Joint-Liability Groups. One of the most important pivots in the arena of micro finance is the group guarantee which every borrower is liable for each other's debts. It is important to know that loans to individuals are often less successful than those of groups. Because members are allowed to select their own group members, they will be able to do proper screening when choosing members for the loan because they have power to enforce repayment.

- To top it all, Effective Credit Risk Management Policy should be instituted in the department. Management should devise credit policies, procedures and proper analytical capabilities should be instituted. This would help the department to ensure the origination, approval and proper monitoring and delinquent loans are managed properly.

- Moreover, OARB should organise training programmes for the micro finance staff. Training could take the following forms. These include understudying experience persons in the industry, attachments and exposure to other Micro finance institutions through field and visits, workshops, seminars, conferences and community sensitization programmes.

- More often than not, OARB should develop Capacity Building and Human Resource Management Policy. The greatest assets of any institution are its human resource and in a competitive sector such as this, well qualified and highly motivated personnel are a must. Officers in OARB micro finance department must have good personnel policies and procedures to ensure that staff development and continued staff loyalty are ensured. This would foster an effective and successful micro finance culture that ensures the inculcation of requisite attitudinal and behavioural changes in consonance with micro finance institutional sector vision.

- In like manner, OARB micro finance unit should institute proper product research and development policy. For micro finance institution to do well in offering loan products to their clients, a lot depends on how effective they research into products. Research into the loan products must therefore be developed and tailored to meet the needs of clients.

- To sum up, management should develop a well defined loan administration system to ensure efficient loan recovery. The capacity to administer funds effectively should depend on the readiness of the clients to define effective demand for credit. Loans should be given to clients based on the level of production and productivity, marketing of products and clients ability of repaying loans.

- In conclusion, OARB should introduce proper and effective management information system. This will help to generate information on both clients and management staff to monitor their operations and provide better services to an increasing client and also enable supervisors within the bank monitor their areas of responsibility thereby helping to identify areas of concern that requires necessary attention.

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APPENDIX 1

Okomfo Anokye Rural Bank LTD

Staff and Management Questionnaire

QUESTIONAIRE ON MICRO FINANCE AS STRATEGY FOR POVERTY ALLEVIATION: PROSPECTS AND CHALLENGES – ACASE STUDY OF OKOMFO ANOKYE RURAL BANK LIMITED-WIAMOASE

Dear Sir/Madam,

I am a student from the above mentioned school undertaking Master of Business Degree and undertaking research on the above topic in the your institution as part of my course.

I would be grateful if could please, respond to this questionnaire

This questionnaire is part of a research project to find out about the challenges and prospects of micro financing as a strategy for poverty alleviation in Ghana.

Please answer the questions in the space provided. Your answers are essential in building an accurate picture of the issue that is important to improve our support for clients and micro finance unit. The information you provide will be treated with strictest confidence.

Thank you for your help

(Evans Asare Bediako)

The manager

Okomfo Anokye Rural Bank Ltd

Wiamoase-Ashanti

APPENDIX 2

QUESTIONNAIRE FOR MANAGEMENT AND STAFF OF OARB MICRO FINANCE UNIT

1. Which of the micro financing approaches do you offer?

(a) Financial intermediation only

(b) Social and financial intermediation only

(c) Social intermediation

2. Which of the following financial services do you offer for your clients?

(a) Credit and savings

(b) Savings and insurance

(c) Payment and credit services

3 Which categories of clients you prefer micro finance loans to?

(a) Farmers

(b) Traders

(c) Artisans

4. What is the reason for your choice?

----

5. Do you agree that micro finance is strategy for poverty alleviation in your catchments area?

(a) Agree

(b) Strongly agree

(c) Disagree

6. Has micro finance provided by your bank been able to reach its numerous customers for which it was set up?

(a) YES [ ]

(b) NO [ ]

7. If yes, what has been the general life of your people?

(a) Has improved

(b) No change

(c) Other specify

8. Do you require your clients to provide collateral before loans are given to them?

YES [ ]

NO [ ]

9. If yes, what are reasons for such collateral?

----

10. If no, what do you normally require of them before loan is given out?

----

11. Do you think that micro finance can help the poor in the catchments area to increase, income, build assets, and reduce their vulnerability to external problems?

YES [ ]

NO [ ]

12. If a client is able to meet all your requirements for the micro finance loan, how long will it take the client to receive the loan?

(a) Months

(b) Days

(c) Weeks

(d) Other specify

13. Do you care about what your clients use the loan for?

YES [ ]

NO [ ]

14. If yes how do you monitor the use of the loan by your clients?

----

15. Do you provide training for your clients before loan is given to them on how to use the loan?

YES [ ]

NO [ ]

16. If yes what type of training(s) do you provide for them?

----

17. What do you think are the major causes of loan delinquency among your clients?

----

18. What do think can be done to improve loan delinquency in your unit?

----

19. What are the attitudes of your clients towards loan repayment?

(a) Good

(b) Better

(c) Poor

(d) Other specify

20. How do you retrieve past loans from clients?

(a) Through court action

(b) Seize clients' collateral

(c) Selling of clients' collateral to recover the debt

21. Do you also have staff incentive scheme to motivate credit officers to work effectively?

YES [ ]

NO [ ]

22. If yes what staff incentive schemes do you have in place?

----

23. What is the role of government in supporting your unit in eradicating poverty in your catchments area?

----

24. What are the major challenges facing your micro finance unit?

----

25. What do you think can be done to improve the above mentioned challenges in your unit?

----

26. Do you provide community sensitization programme to clients on the need for micro finance?

YES [ ]

NO [ ]

27. Do your clients see credit as necessary factor to facilitate their business and must be paid back for other members of the society to benefit?

YES [ ]

NO [ ]

28. What are the prospects of micro finance in your catchments area as strategy for poverty alleviation?

----

29) Has your micro finance programme achieved financial sustainability and viability?

YES [ ]

NO [ ]

APPENDIX 3

QUESTIONAIRE FOR CLIENTELES

1. Have you ever applied for a micro finance loan from Okomfo Anokye Rural?

YES [ ]

NO [ ]

2. If yes what specific business did you use the loan for?

(a) Trade

(b) Agriculture

(c) Consumption

(d) Other specify

3. Did the loan from Okomfo Anokye Rural Bank Micro finance unit help your business?

YES [ ]

NO [ ]

4. If yes how did it help?

(a) Expand my business

(b) Pay my wards school fees

(c) Improve my household

(d) Pay business expenses

(e) Start a business

5. Which service(s) are you enjoying from OARB micro finance Unit?

(a) Loan /credit

(b) Savings

(c) Social intermediation

(d) Other specify

6. Do you agree that OARB micro finance loan has helped you to participate in some of its activities such as loans, savings and building asset?

(a) Agree

(b) Disagree

(c) Strongly agree

(d) Strongly disagree

7. Do you again agree that due to access of micro finance loan from the OARB you have been able to increase your income and have improved upon your households?

YES [ ]

NO [ ]

8. Do you believe that OARB micro finance loan has helped to improve children school fees?

(a) I believe

(b) I don't believe

(c) Strongly believe

9. Have you been able to provide enough food for your family through the help of OARB micro finance loan?

YES [ ]

NO [ ]

10. How would you describe your financial ability to pay for your family health care?

(a) Good

(b) Better

(c) Best

(d) Bad

11. Would you say that your total income from your business has……………due to assistance from the micro finance loan?

(a) Increase

(b) Decrease

(c) Greatly increase

(d) No change

12. What about income to the household?

(a) Increased

(b) Decreased

(c) Greatly increased

(d)No change

13. Have you been able to increase your business assets to expand your investment since you became member of OARB micro finance unit?

YES [ ]

NO [ ]

14. Do you have voluntary savings in addition to the compulsory one in the bank?

YES [ ]

NO [ ]

15. If yes what do you think has accounted for that increase?

(a) Good financial management training

(b) Business income has increased

(c) Education on savings have increased

(d) Reduction in business expenses

16. Has your role in terms of income contribution in the household after joining micro finance programmes increased?

YES [ ]

NO [ ]

17. In which area in your community activities you have been involved after achieving financial gains from OARB micro finance loan?

(a) Local government participation

(b) Training other community members

(c) Infrastructure development

(d) Other specify

18. How would you describe the services you have been receiving from your credit officers of OARB micro finance unit?

(a) Good

(b) Better

(c) Best

(d) Poor

19. What do you think about the products and variety of service that is provided by OARB micro finance unit?

(a)Good

(b) Better

(c)Worsened

(d) Other specify

21. Select any four things you don't like about OARB micro finance loan.

(a) High interest rate

(b) High processing fee

(c) Loan size two small

(d) Terms of repayment very short

(e) Compulsory saving

(f) High application form

22. Base on Question 25, state at least four items you want OARB to improve on its micro finance loan?

(i)…………………………………………………………………………………………

(ii)………………………………………………………………………………………..

(iii.) ……………………………………………………………………………………..

(iv)………………………………………………………………………………………

(23). State three factors that you think can help you in repayment of your micro finance loan?

(i)…………………………………………………………………………………………..

(ii)…………………………………………………………………………………………

(iii)…………………………………………………………………………………………

24. What do you think are the major challenges facing the OARB micro finance loan?

i)--

ii) --

i)--

iii) --

25).Do you think micro finance is important strategy for poverty alleviation?

YES [ ]

NO [ ]

26). If yes what do you think OARB can do to improve its micro finance activities in order to reach the unmet people who have no access to any financial assistance?

(i) --

(ii) --

(iii) --

(iv) --