Kwame Nkrumah University of Science and Technology

Institute of Distance Learning

REDUCING POVERTY THROUGH MICROFINANCE

(A Case Study of Millennium Development Authority Ghana)

BY

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A thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfilment of the requirements for the degree of

COMMONWEALTH EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

June, 2011

DECLARATION

I Solyce Owusuwaa Peprah hereby daclare that, no part of this thesis which I have submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, has been published, made available or copyrighted before, except in the review of literature quoted from other published journals, sources and the internet.

I, therefore, declare that I am the sole author of this thesis which was supervised by Mr. Samuel Kwesi Enninful.

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DEDICATION

This work is dedicated to my mother, Mrs Grace Peprah, to whom I owe much love.

ACKNOWLEDGEMENTS

I wish to express my sincere appreciation to my supervisor, Mr. Samuel Kwesi Enninful, for his assiduous effort in directing and guiding me throughout the writing of this research work.

I am also grateful to Mr Stephen Appiah, a staff of MiDA, for his enormous contribution to this work. I acknowledge with thanks the encouragement received from Wg Cdr (Rtd) Bright Asamoah.

In regards to all those names I cannot mention who helped me in one way or the other, I wish you God blessings.

ABSTRACT

The practices of microfinance services for the poor have grown immensely since its beginning in the 1970s. It has become one of the most popular poverty reduction strategies in the world. Since, microfinance has proven to be an effective tool for poverty reduction this study seeks to examine Millennium Development Authority (MiDA's) poverty reduction strategy through microfinance. The purpose of this study is to examine poverty reduction through microfinance by MiDA at Savelugu Nanton district of the Northern region. Through a process of conducting interviews and questionnaire administration and gaining access to data on microfinance strategies accomplished at the district, the core and expected data was seen. The findings showed that access and efficient provision of microfinance can enable the poor to smooth their consumption, manage their risks better, gradually build their assets, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development. The literature showed that formal financial sector is not consistent with the needs and requirements of the poor and the existence of informal financial sector is a response to the shortcomings of the formal financial sector. The study showed that it is financially feasible and sustainable to reach those in absolute poverty through innovative and cost-effective designs.

On the basis of the findings and analysis, the following recommendations have been made: Based on the principle that a commercial, market-based approach is most likely to reach large numbers of clients on a sustained basis, the formal financial institutions must be encouraged to

provide rural and agricultural finance. The government must facilitate the establishment of Microfinance Institutions (MFIs) in all poverty zones especially in the three Northern Regions. Realising the important place of microfinancing in achieving the Millennium Development Goals (MDGs), it is recommended that donor support must be increased to open up more Non Government Organisations (NGO) MFIs in poverty endemic zones.

LIST OF TABLES

LIST OF FIGURES

TABLE OF CONTENTS

CHAPTER TWO – REVIEW OF RELATED LITERATURE

CHAPTER THREE – METHODOLOGY

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Poverty is a pervasive problem in our society. Spanning across the world, poverty exists in different levels and various forms. At the current threshold of $1.25 a day, the World Bank estimates that around 25% of the population in developing regions lives below the poverty line (United Nations, 2009). This figure translates to 1.3 billion people living in poverty, or about 20% of the global population (The World Bank Group, 2010).

As the World Bank broadly defines it, poverty is a “pronounced deprivation in well-being,” (as cited in Khandker and Haughton, 2009). The poor are deprived of basic necessities in life, such as food, shelter, clothing, and clean drinking water. They also lack access to health care, quality education, and employment opportunities that are important in improving their human capital and facilitating social mobility. Due to the profound impact that poverty has on the poor’s well-being, efforts have been made by various multilateral organizations, such as the United Nations, to address these problems and combat poverty.

Poverty is a global phenomenon which affects continents, nations and peoples differently. It afflicts people in various depths and levels at different times and phases of existence and development. As a matter of fact there is no nation or people that can be said to be absolutely free from poverty. What is markedly different is the intensity, depth or prevalence of this malaise. Nations in Sub-Sahara Africa, South Asia and Latin America reflect the highest level of poverty and consequently the lowest level of socio-economic development. These regions equally have an attendant higher level of social insecurity, violence, unrest, crime, poor capacity utilization and generally unacceptable low standard of living.

As it has been mentioned earlier, poverty manifests itself in different and various dimensions and hence is susceptible to varying definitions and understanding. Some would like to argue that poverty, like beauty is in the eyes of the beholder. The definition of poverty by the World Bank (World Development Report, 2000/2001), cited in Gobezie, (2004) extended the conceptual dimension beyond the conventionally held ideas of permanent income/consumption to a more comprehensive notion of lack of opportunities, capabilities, sense of voicelessness and vulnerability to external shocks.

The World Bank (2000) utilized inductive approach to uncover various dimensions of poverty such as well-being, psychological, basic infrastructure, illness and assets. One of such definitions is “the lack of what is necessary for material well being… especially food, but also housing, land and other assets. In other words, poverty is the lack of multiple resources that leads to hunger and physical deprivation”. Another of such definitions is “the lack of voice, power and independence that subjects them to exploitation. Their poverty leaves them vulnerable to rudeness, humiliation and inhumane treatment by both private and public agents of the state and the hierarchy of society from whom they seek help”.

Through the years, different poverty reduction strategies and instruments have been developed in order to improve the poor's standard of living and help the people break the vicious cycle of poverty. One such poverty alleviation tool is microfinance, which has gained worldwide recognition since the 1990s and has been proven to have positive effects on poverty levels in developing countries (Hossain and Knight, 2008; Venkataramany and Bhasin, 2009; Chemin, 2008). Microfinance is the provision of financial services to the poor, aiming to empower low-income populations by providing them with access to credit and other financial services. Through microfinance institutions (MFI), the poor can obtain collateral-free loans at relatively low interest rates and use the money for creating microenterprises, funding children's education, and improving homes, among others. Aside from microcredit (small loans to the poor), MFIs have also developed numerous financial products, such as micro-insurance and micro-mortgage that are designed to accommodate the poor's financial needs. Most of these institutions have also required their clients to open up savings accounts, which could be used for emergency and investment purposes (Carr and Tong, 2002). Indeed, microfinance has so much to offer to the poor that it has now become a global phenomenon (Carr and Tong, 2002).

A key factor of microfinance is to respond to the demand for borrowing to support self-employment and small enterprise growth (Khandker, 2005), cited in Kiweu, (2009). Microfinance as a new concept in finance and development has endeavored to develop sustainable enterprises since its birth in the 1970s. For several years, microfinance innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited our understanding and guided the practice of microfinance (Stauffenberg 2001 and Labie, 2001), cited in Kiweu (2009). Given the ongoing developments in microfinance, there is considerable interest for many microfinance institutions (MFIs) in Africa to keep pace with the changing landscape in the industry.

Despite the success of microfinance in including the poor people in the financial sector, critics claim that this antipoverty tool lacks hard data to prove its positive impact on reducing poverty levels. Some researchers also question the real impact of microfinance institutions (MFI) in women empowerment, and argue that assistance from the public and private sectors must be made available to effectively improve the lives of the poor. Others are also concerned at how these institutions would be able to fulfill their social goals while trying to achieve long-term sustainability.

1.2 Profile of MiDA Ghana

In 2002, United States President George W. Bush established the Millennium Challenge Corporation (MCC) as a common sense compact for global development to link the greater contributions from developed nations to greater responsibility from developing nations. President Bush also pledged new resources to fight global poverty via the MCC administered Millennium Challenge Account (MCA), (CDD, 2006). The objective of the MCA is to reduce poverty because it is prosperity and opportunity that help defeat terror. The MCA is in support of the internationally agreed Millennium Development Goals (MDG), which propose to halve poverty around the world and give substantial improvements in health and education in developing countries by 2015.

The MCA is unique in that it aims to reward countries for good policy, thus promoting morality. In addition, once a country is chosen, the MCA seeks to allow the recipients to decide how best to proceed. The MCA focuses on low and lower-middle income countries with an average annual

GDP per capita ranging from $460 to $1965. Eligibility for the MCA compact is based on 16 criteria of which a country must surpass the median in three of the six promoting economic freedom indicators. So far, 23 countries have been selected including Ghana and 11 other African countries (CDD, 2006).

In February 2004, the MCC Board of Directors revealed that Ghana was one of the 63 candidate countries for MCA funding for fiscal year (FY) 2004. The Ghanaian government submitted an approximately USD500 Million MCA Compact proposal on October 26, 2005 which was signed on August 1 2006.

The Millennium Development Authority (MiDA) was enacted by the President of the Republic of Ghana and Parliament of Ghana through act 702 on 23rd March, 2006. An amendment to act 702, hereby called act 709 was assented to on 20th July, 2006.

The objectives of the Authority are three fold:

1. To oversee and manage the implementation of the Ghana Programme under the Millennium Challenge Account of the United States Government for sustainable reduction of poverty through growth as contained in the Compact;

2. To secure the proper and effective utilization of the Millennium Development Fund granted to Ghana under the Compact; and

3. To oversee and manage other national development programmes of similar nature funded by the Government of Ghana, Development Partners or by both.

The Authority may on the expiry of the Millennium Challenge Account Programme undertake programmes of similar nature determined by the President of the Republic of Ghana.

The goal of the MCA in Ghana is the reduction of poverty through economic growth led by agricultural transformation which will be pursued by increasing the competitiveness of cash and food crops in local and international markets and by improving cash and food crop production in three targeted areas of Ghana; the Afram Basin, the Northern Agricultural Area, and the Southern Horticulture Area. To achieve the intended developmental ends, the MCA projects target three specific areas: the commercialization of agriculture, transportation infrastructure development, and rural development.

The MCA Ghana goal to reduce poverty by commercializing agriculture is an integral part of the pre-existing Growth and Poverty Reduction Strategy Phase II (GPRS II) plan (Government of Ghana, 2002). While MCA focuses on generating profit in a few select regions and GPRS II serves as a more wide-spread poverty reduction plan, both share many similar policies and programs. The three interdependent programs and projects to be undertaken under the MCA-Ghana are to work together to bring about a drastic transformation of the agricultural sector and to strengthen the sector in order to achieve accelerated and sustainable growth and poverty reduction as per the GPRS II.

- Agriculture Projects
- Improved Transport Infrastructure
- Rural Development Project

GPRS II identifies agriculture as the backbone of the Ghana's economy as it contributes 40% of

GDP and employs about 70% of Ghana's labor force (CDD, 2006). Consequently, GPRS II identifies agriculture as the basis for the economic growth and structural transformation in Ghanaian society. It places great value on the accelerated development of agriculture, through value addition as the growth pole, which will benefit the rural poor. However, agricultural development has been bedeviled by a series of constraints. GPRS II has suggested various policy interventions to eliminate medium and long term agricultural development bottlenecks including:

- Accelerating the provision of irrigation infrastructure
- Enhancing access to credit and inputs for agriculture
- Promoting selective crop development
- Improving access to mechanized agriculture
- Increasing access to extension services
- Improving agricultural marketing
- Enhancing access to export market
- Facilitating the development of commercially viable export and domestic market oriented enterprise in rural areas
- Providing strategic support services to facilitate improved agriculture and agro industry including transport, energy, science, and technology

The Rural Development Project will support agriculture and agribusiness development under the Commercialization of Agriculture Project and will strengthen existing rural institutions that provide complimentary services.

As a further measure to improve the local profitability of agriculture, the Agriculture Project will finance the improvement of over 950 kilometers of feeder roads, which, along with the trunk roads, will benefit a total population of more than 120,000 farming households with over 600,000 members. These activities will increase farm incomes from cultivation by US $450 to about US $1,000. For many of the poor, the compact intervention will represent an increase of one dollar or more in average income per person per day.

1.3 Statement of the problem

About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the “Vicious Cycle of Poverty” (Littlefield, 2004). If people have a limited capacity to invest in capital, productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for poor people to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of their activities are neither financially nor environmentally sustainable (existing for continuing future use).

Assessing the social impact of microfinance is vital in determining whether established microfinance programmes achieve the desired outcome. Thus, for the different stakeholders in the microfinance industry, impact assessment has become a necessity. Microfinance Donor institutions such as MiDA want to be assured that their resources are being used for the intended objective, and emphasize the importance of impact assessment to evaluate the social return on their investment. For microfinance institutions, social impact assessments enable them to draw out strategic management information to better orient themselves for improved financial performance and sustainability in poverty reduction.

What challenges and barriers confront strategies in reducing poverty through microfinance? Is MiDA able to satisfy the requirement or the needs of the people they seek to serve? What is the perculiar problem facing them in discharging their aims? These and many more mind boggling issues have prompted the research.

1.4 Objectives of the study

The main objective of the study is to assess the extent to which MiDA has contributed to poverty reduction and the strategies that it has formulated and implemented since its inception.

Specifically, the objectives of this study are:

1. To identify MiDA's microfinance policies and strategies for poverty reduction.

2. To assess the effectiveness and impact of MiDA's policies on the poor or target group.

3. To establish the approaches to assessing the effect of microfinance.

1.5 Research Questions

In addressing the research study, the following key questions arise:

1. What microfinance policies and strategies is MiDA employing in poverty reduction?
2. What are MiDA's strength and capabilities for poverty reduction?
3. What approaches are MiDA using to assess the impact of microfinance on poverty reduction?

1.6 Significance of the Study

Microfinance is hailed by many as an important tool for poverty alleviation. The potential for reaching and assisting low-income households in meeting their basic financial needs, for protection against risks, and for developing social and economic empowerment on a sustainable basis have precipitated donor funding into microfinance in the late 90's causing the sector to rapidly expand. Most institutions providing financial services to the poor operate under a corporate mission which includes poverty reduction, and donors have allocated increasing amounts of funding to microfinance on this basis. Microfinance programmes have burgeoned in many developing countries as part of their efforts to reduce poverty. The portion of poor clients served by microfinance institutions has been rapidly growing at a rate of 25 to 30 percent annually over the past five years. It is estimated that tens of millions of low-income people now have access to financial services.

Despite its rapid expansion, the effectiveness of microfinance in achieving its potential has always been put into question. Therefore the study will support reliable data on the impact of microfinance through direct access to financial services on income, expenditure or wealth of poor households and indicate challenges which hinder attempts at deriving a clear conclusion on reducing poverty.

1.7 Limitations of the study

Several activities in reducing poverty through microfinance have been developed by MiDA. Therefore the research was limited to poverty reduction policies of MiDA in the Savelugu Nantom District in the Northern Region of Ghana. In this study, the researcher was concerned with how the activities of MiDA have contributed to poverty alleviation in the district in the areas of economic and social empowerment.

1.8 Organization of the study

The study comprises five chapters namely;

Chapter one involves, background, profile of MiDA, statement of the problem, objectives of the study, research questions, significance of the study, limitations of the study and organization of the study.

Chapter two is the literature review, which dealt with a thorough discussions and review of existing literature and relevant research studies related to the issues raised in the study.

The third chapter focuses on the research methods employed for the study. It describes in detail the processes of data gathering, the methods used and the reasons for using them, and the problems encountered on the field.

Chapter four presents results and analysis on data collected. It further presents the patterns of results and interpretations to the research findings.

Chapter five outlines the summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In developing economies and particularly in the rural areas, many activities that would be classified in the developed world as financial are not monetized: that is, money is not used to carry them out. By definition, poor people have very little money. But circumstances often arise in their lives in which they need money or the things money can buy.

In Rutherford's book (1995) *The Poor and Their Money*, he cites several types of needs:

- *Lifecycle Needs*: such as weddings, funerals, childbirth, education, homebuilding, widowhood, old age.
- *Personal Emergencies*: such as sickness, injury, unemployment, theft, harassment or death.
- *Disasters*: such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.
- *Investment Opportunities*: expanding a business, buying land or equipment, improving housing, securing a job (which often requires paying a large bribe), etc.

Poor people find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewelry, and precious metals.

As Robinson (2001) describes in The Microfinance Revolution, the 1980s demonstrated that "microfinance could provide large-scale outreach profitably," and in the 1990s, "microfinance began to develop as an industry". In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive worldwide demand. The obstacles or challenges to building a sound commercial microfinance industry include:

- Inappropriate donor subsidies

- Poor regulation and supervision of deposit-taking MFIs
- Few MFIs that meet the needs for savings, remittances or insurance
- Limited management capacity in MFIs
- Institutional inefficiencies
- Need for more dissemination and adoption of rural, agricultural microfinance methodologies

2.2 What is Microfinance?

Microfinance, according to Bennet (1996) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Scheiner and Colombet (2001) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

2.3 The History of Microfinance

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidised rural credit programmes. These often resulted in high loan defaults, high loses and an inability to reach poor rural households (Robinson, 2001). Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRAC began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term "microcredit" came to prominence in development.

The difference between microcredit and the subsidized rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit. It was now clear for the first time that microcredit could provide large-scale outreach profitably. The 1990s "saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale" (Robinson, 2001). Dichter (1999) refers to the 1990s as "the microfinance decade". Microfinance had now turned into an industry according to Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions when it became clear that the poor had a demand for these other services.

2.4 The Relevance of Microfinance

With 1.2 billion people living in abject poverty worldwide and an internationally accepted goal to reduce that number by half by 2015, sustainable pro-poor strategies are needed as never before (Morduch, 1998) . If the international community seeks to achieve the MDGs, then approaches such as microfinance should be at the forefront of the global agenda. Evidence from the literature demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives (Marcus, Porter and Harper, 1999). Access to financial services also translates into better nutrition and improved health outcomes, such as higher immunization rates. It allows poor people to plan for their future and send more of their children to school for longer (MkNelly and Dunford, 1999). It has made women clients more confident and assertive and thus better able to confront gender inequities. Access to credit allows poor people to take advantage of economic opportunities. While increased earnings are by no means automatic, clients have overwhelmingly demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities.

Many studies show that clients who join and stay in programs have better economic conditions than non-clients, suggesting that programs contribute to these improvements. A few studies have also shown that over a long period of time many clients do actually graduate out of poverty (Littlefield, 2004). By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from "every-day survival" to "planning for the future." Many qualitative and quantitative studies have documented how access to financial services has improved the status of women within the family and the community. In some programs that have been active over many years, there are even reports of declining levels of violence against women (Nussbaum, 2000). Microfinance clients manage their cash flows and apply them to whatever household priority they judge most important for their own welfare. Thus microfinance is especially participatory and non-paternalistic development input. Access to flexible, convenient, and affordable financial services empowers and equips the poor to make their own choices and build their way out of poverty in a sustained and self-determined way. Microfinance is unique among development interventions: it can deliver these social benefits on an ongoing, permanent basis and on a large scale (Robinson, 2001). The ability to borrow a small amount of money to take advantage of a business opportunity, to pay for school fees, or to bridge a cash-flow gap, can be a first step in breaking the cycle of poverty.

The relevance of microfinance was summarised by the former UN Secretary General, Kofi Annan, on 29 December 2003 when he stated:

"The International Year of Microcredit 2005 underscores the importance of microfinance as an integral part of our collective effort to meet the Millennium Development Goals. Sustainable access to microfinance 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 best serve their needs. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives."

2.5 Regulatory Framework and Structure of the Microfinance Sector in Ghana

The main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population (Asiama, 2007).

Essentially, the overall policy framework for microfinance in Ghana is informed by the GPRS, which seeks to balance growth and macroeconomic stability with human development and empowerment in such a way as to positively impact on the reduction of the country’s poverty levels in the medium term. Ghana has a comparatively wide range of formal, semi-formal and informal institutions whose principal line of business is the provision of microfinance services (Bank of Ghana, 2004). The legal and regulatory environment in Ghana have, for many years, permitted the establishment of specialized banking and financial institutions with limited financial intermediation services to geographical areas with defined limits. In more recent years, the government of Ghana has moved forward to articulate a vision and strategy for microfinance and its role in poverty alleviation programs, and made corresponding adjustments in the banking and financial laws and regulations to take advantage of the outreach possibility through MFIs. Financial intermediation and credit activities are under the regulatory jurisdiction of the Bank of Ghana (BOG). The regulatory framework under the Banking Law (1989) and the Non-Bank Financial Institutions (NBFI) Law (1993) accommodate a tiered structure of licensed financial intermediaries and of financial regulation (Bank of Ghana, 2004). The tiered regulatory approach has clearly benefited the development of sustainable microfinance in Ghana, by clearly identifying pathways for non-government organizations (NGOs) and semi-formal MFIs to become legitimate institutions under the regulatory framework (Ministry of Finance, 1999).

2.5.1 The Formal Microfinance Institution

The formal sector institutions providing microfinance services consist of Rural Banks, Savings and Loan (S&L) Companies and Credit Unions. Rural Banks are public companies owned by communities, registered and licensed as unit banks (no branching privileges) under the provisions of the Banking Law, with the Bank of Ghana assisting with capitalization (Bank of Ghana, 2004). The operations of Rural Banks are limited to a clearly-defined geographical area, and are permitted to offer banking services limited to loans and to checking, savings and time deposits. Moreover, the ownership and voting control structures of Rural Banks resemble credit unions because of their one share-one vote structure (Ministry of Finance, 1999). In contrast, private individual parties own the S&L Companies, which are registered and licensed under the Non Bank Financial Institutions (NBFI) Law and are permitted to offer banking services limited to loans and to savings and time deposits. Unlike the Rural Banks, ownership and control structures of S&L companies (which, like commercial banks, have branching privileges) follow cumulative shareholding positions. The minimum capitalization requirements at entry for both Rural Banks (US$20,000) and S&L companies (US$50,000) are significantly lower than the levels set for commercial and development banks (Bank of Ghana, 2004). The Credit Unions which are mutually-owned cooperative associations of individual members are registered under the Law on Cooperatives and subject to regulation by the Credit Union Supervisory Board. They are also required, under the NBFI Law, to be registered and licensed by the Bank of Ghana.

2.5.2 The Semi-Formal Microfinance Institutions

A number of NGOs, organized by private parties as trust entities or charitable institutions under the provisions of the Law on Trusts and Charitable Institutions, provide both micro loans and non-financial services to their clientele without being subject to regulation or supervision by external government agencies (Ghana Statistical Service, 2000). The majority of NGOs involved in microcredit schemes belong to an umbrella organization, Ghana Microfinance Institutions Network (GHAMFIN), which provides staff training and organizational capacity-building assistance and disseminates best practice guidelines and standards for governance, operations and performance efficiency (Government of Ghana, 2002).

2.5.3 The Informal Microfinance Institution

Traders, input-suppliers, money-lenders, rotating savings and credit associations (ROSCAs), and accumulating savings and credit associations (ASCAs) constitute the informal segment of the market for microfinance in Ghana (CDD, 2006). Individual *susu* collectors and *susu* clubs are neither registered nor licensed by any government agency, although there is a rapidly growing number of individual *susu* collectors who belong to cooperative associations of collectors (e.g., the National Association of *Susu* Collectors or the Greater Accra Association of *Susu* Collectors), which have taken steps to establish accreditation and identification procedures for their members as well as a form of deposit protection for the clients of their collector-members (Aryeetey and Harrigan, 2000). *Susu* is a traditional self help group where small self-selected groups of persons donate small amounts of money on a regular basis and allocate the resulting amount to a selected member each time. The women vendors and microenterprise operators have been able to access "loans" from their own *susu* collectors in the form of "advance draw-downs" against the total amount of savings they have contracted to deposit for a set period. In most cases, these advances have been made possible by commercial and development banks, rural banks, and S&L companies with which the *susu* collectors deposit the savings funds they collect and manage (Bank of Ghana, 2004). A variation on the *susu* collection system is the *susu* club, wherein the members – the women vendors and microenterprise operators go to a designated place on a scheduled day of the week to make their savings deposits with the *susu* collector who runs the *susu* club. The set-up allows a *susu* collector to service the savings deposit safekeeping needs of a much larger number of clients.

2.6 The Need for Microfinance in Ghana

According to the 2000 Population and Housing Census, 80% of the working population is found in the private informal sector (Ghana Statistical Service, 2000). This group is characterized by lack of access to credit, which constrains the development and growth of that sector of the economy. The observation was stressed in the International Monetary Fund Country report on Ghana of May 2003 that "weaknesses in the financial sector that restrict financing opportunities for productive private investment are a particular impediment to business expansion in Ghana." Microfinance perceived as a financially sustainable instrument meant to reach significant number of poor people of which most are not able to access financial services because of the lack of strong retailing financial intermediaries (IFAD, 2003).

Access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development (World Bank- Africa Region, 1999). Microfinance as a sector has the potential to reduce poverty by bringing a significant improvement in the lives of the active poor who are largely women.

2.7 Performance of Ghana's Microfinance Sector

Despite a few challenges that need to be addressed, the performance of the microfinance sector in Ghana has been encouraging. In order to highlight the performance, it is important to reiterate that the target clientele has been the vulnerable and productive poor in Ghana (UNDP, 2003). These categories include women in the informal sector, unemployed youth, subsistence and small scale producers in the agricultural sector (World Bank, 2001). In Ghana, the profile describing a significant number of such poor in our rural and urban communities are:

- little or no education
- Lack of access to information and support services for business development;
- Usually lack of access to institutionalized credit; and
- Lack of access to investment opportunities for the diversification of their enterprises.

Decades of experience has shown that progress in development strategies towards the achievement of concrete outcomes in the areas of nutrition, education, health, gender equity, and environment are powerfully affected by other factors in the broader context, such as a functioning government, physical security, economic growth, and basic infrastructure (Otero, 1999). Nevertheless, there is a mounting body of evidence showing that the availability of financial services for poor households (microfinance) is a critical contextual factor with strong impact on poverty reduction. Microfinance, and the impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their micro enterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter (Khandker, 2005).

Studies conducted in Ghana by various researchers have shown significant improvement in the lives of target beneficiaries and their families. For instance, an impact research in the Credit with Education program was conducted by Freedom from Hunger with participants from Lower Pra Rural Bank in coastal Ghana. The focus was on child health, nutrition and household food security. The study was conducted between 1993 and 1996 with 300 mother/child pairs in selected communities (MkNelly and Dunford, 1998). The results indicated that there was a positive and significant improvement in participants' economic capacity, social empowerment and mothers' knowledge and practice relevant to child health and nutrition. These, to a large extent, show the important place that microfinance can have in achievement of the MDGs (Littlefeild, 2003). For instance, it was reported that participants in the programme exclusively breastfed longer. Only 9% of the participants gave newborns water in their first month of life as compared to 56% in the control communities (Ministry of health, 2004). The mean age for introducing water was 4.2 months for participants and 1.7 months in control communities. In terms of diarrhoea prevention, only 1% of the participants did not know a way to prevent diarrhoea as compared to 32% in control communities. Measurements of the same children showed the nutritional status of participants' one-year-olds also significantly improved relative to the children of residents in control communities (Ministry of health, 2004).

Similarly, Researchers from the Noguchi Memorial Medical Institute conducted a dietary intake study of children of Credit with Education members and also non-participants. They found that the dietary quality of the foods given to participants' children was relatively higher (Ministry of health, 2004). Also, the estimated caloric intake was significantly higher. In addition, the program had a positive and significant impact on household food security. Mothers reported that reinforcement from several trusted sources - local health centre staff, the Credit with Education field agent, as well as the other Credit Association members - led them to try exclusively breastfeeding their babies for a longer period.

This experience of Freedom from Hunger indicates that microfinance can be an entry point to reducing extreme hunger, reduce infant mortality, increase adult functional education on health issues and thus achieve development goals (UNDP, 1999).

In addition to the above, Freedom from Hunger has a partnership program called Nsoatreman Women Empowerment Scheme. It is a credit with Education program introduced in 1996 in partnership with Nsoatreman Rural Bank (Bank of Ghana, 2004). This micro-finance portfolio has been growing at an average rate of 41% every half year. The program has become popular with the people and there is a rush on the bank by women in the community to participate in the program due to the positive impact it has had on the lives of the beneficiaries. The programme has been expanded from the bank's own coffers and as of August 2000, the outstanding loan including interest totalled ¢797 million with a beneficiary base of 3,050 from 101 groups. The program is self-sustainable and repayment rate is 100%.

Another impact study by Afrane (1997), on Sinapi Aba Trust (SAT), throws more light on the performance of the microfinance sector in Ghana. The mission of SAT is to serve as the biblical "mustard seed," through which opportunities for enterprise and income generation are provided to the economically disadvantaged especially women. In pursuit of this vision, credit programs are designed to promote positive transformation in the economic, social, spiritual, and political lives of beneficiaries and their communities. Its operations began in October, 1994, and its 16 branches have offered financial services to over fifty thousand clients in all the ten regions in Ghana, supporting SMEs in the trading, manufacturing, services, food industry, and agricultural sectors.

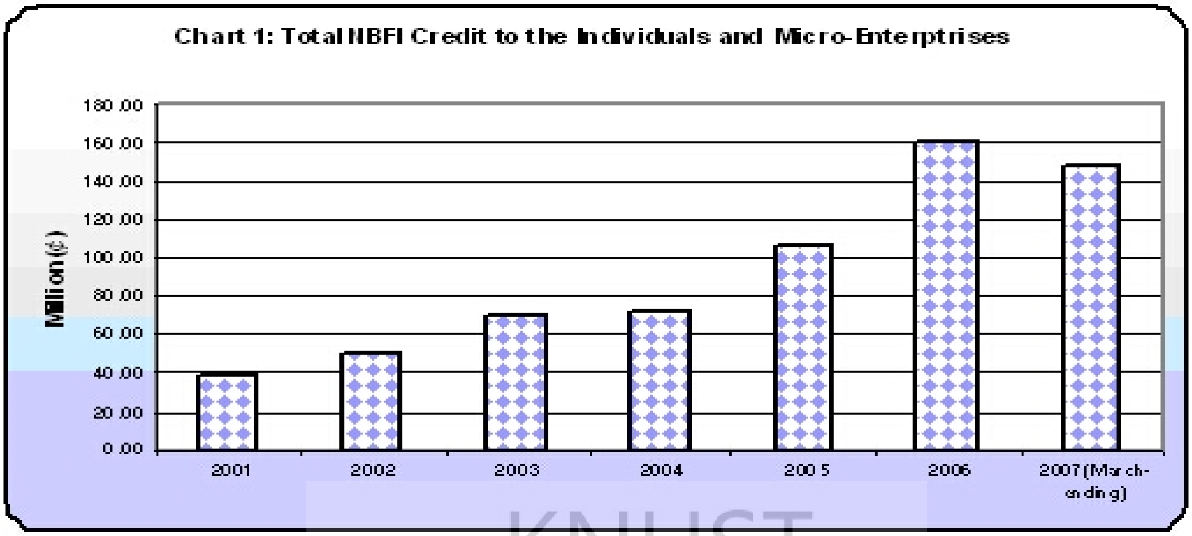
Majority of the beneficiaries saw the financial support they received as a means that had enabled them to gain public respect, acceptance, recognition, and an enhanced involvement in the decision-making and development affairs of their communities (Afrane, 1997). Positive impacts were also recorded in the areas of business turnover, procurement of inputs/raw materials and machinery, creation of additional jobs, acquisition of business skills, marketing outlets, acquisition of domestic assets, increased access to quality food and nutrition intake, water and sanitation facilities, and health services.

Furthermore, SAT's operations are proactive towards improving rural livelihood, a situation that would clearly lead to achieving the MDGs since most of the poor and destitute live in the rural areas (MkNelly and Dunford, 1998). The aim is to transform positively the living conditions of the poor and financially deprived in the rural areas. This would clearly achieve many unintended benefits such as bridging the gap between the rural and urban population and achieving other development goals.

The research revealed that women are not only increasing their income levels but are also being empowered and redeeming their lost identify through the training they are receiving, their leadership role play and skills, as well as the savings culture instilled in them as a result of their membership of SAT scheme (MkNelly and Dunford, 1998). In addition they claimed that their perceptions about the causes and culture of poverty, their attitude and concept towards work and their confidence levels have all increased helping them to better appreciate issues of importance especially their aspirations and ambition for their children's education.

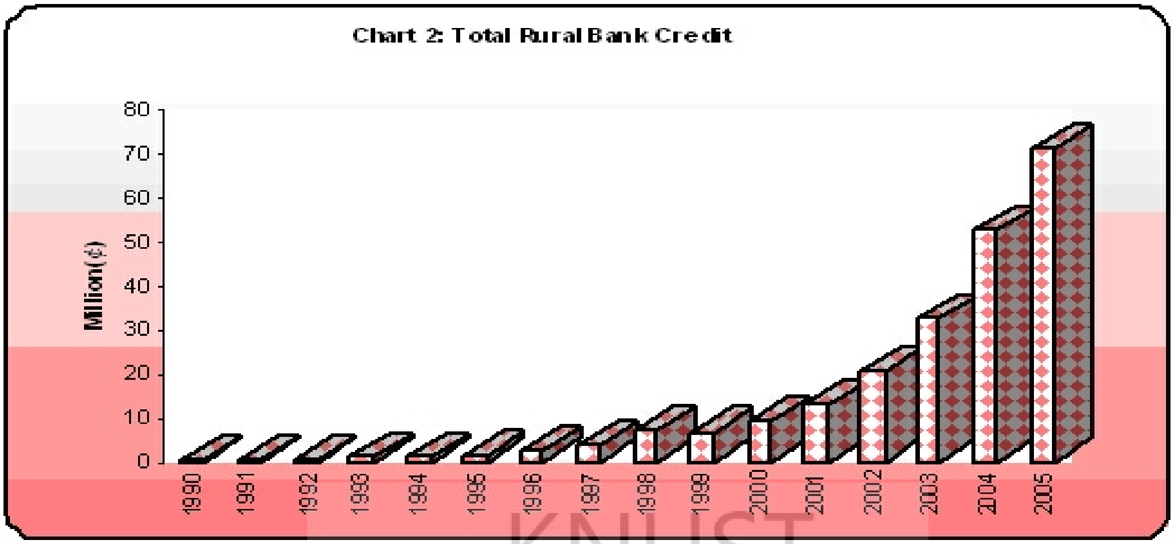
Another microcredit scheme worth mentioning is Accra City Loans and Savings School Fees Account program. These are loans on non-interest earning School Fees Savings Accounts against which a customer can draw a three-month loan of up to three times the average amount saved in the account against any type of collateral offered by the customer (Aryeetey, 1991). Regular savings before and through life of loan is required. School fees are paid directly to school against invoice. The total loan for up to a maximum equivalent of three children is US$205 per term. Although no formal impact studies have been conducted, interaction with a few beneficiaries shows the program has potential for meeting the educational needs of the clients' children because of that component of school fees savings they are encouraging. This aspect of microfinance indicates that the goal of achieving universal basic education and even higher levels could be achieved through increased access to education loans.

In terms of growth in the microfinance sector, trends in loans and advances extended to small businesses, individuals and groups by the Non-Bank Financial Institutions(NBFIs) in Ghana amounted to GH¢50.97 million in 2002 as against GH¢39.64 million in 2001, indicating about 28.6 per cent growth (Asiama, 2007). According to him, the amount of loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, suggesting 3.1 per cent growth. In 2006, a total of GH¢160.47 million was extended to clients, which represents 48.8 per cent higher than the previous year's total loans and advances granted by these microfinance institutions (see Figure 1). The upward- trending NBFI's credit to individuals, small businesses, groups and others indicates marked improvements in level of microfinance in the country.



Source: Asiama, 2007

The Rural and Community banks also play very important role in microfinance in the country (IFAD, 2003). These banks were established specifically to advance loans to small enterprises, farmers, individuals and others within their catchment areas. Total loans advanced to clients by all community and rural banks in Ghana was GH¢20.68 million in 2002 compared to GH¢13.12 million in 2001, suggesting an increase of 28.6 per cent. The amount of loans further increased from GH¢71.63 million in 2005 to GH¢115.10 million in 2006, thus indicating 35.4 per cent respectively (Asiama, 2007). The rate of growth of the microfinance is an indication of its acceptance by the society.



Source: Asiama, 2007

However, microfinance does not go without challenges as indicated earlier. The major challenges facing the MFIs as far as expansion of outreach is concerned are:

- Advocacy and information dissemination. In order for microfinance to be an effective tool for poverty reduction, the poor must first know of the existence of such institutions. Unfortunately, most of the poor are illiterate and ignorant about the existence of such schemes.

- Expansion of access to financial services. Most of the microfinance institutions prefer to operate in densely populated areas because of operational cost. For effective microfinancing, the MFIs must be closer to the poor. However, the three northern regions, which are poverty endemic, are sparsely populated and therefore do not attract the MFIs (Ministry of Finance, 2004).

- To balance outreach with financial sustainability. In order for microfinance to be an effective tool for achieving the MDGs, the poor must be able to access the credit.

However, at the other end of the continuum MFIs are concerned about sustainability and therefore charge commercial rates and require certain prerequisite. Unfortunately, the absolute poor and vulnerable for whom poverty is an ascribed status are still not able to access this poor oriented credit (Bank of Ghana, 2004). This is because they simply do not have the initial sum of money to open bank accounts, pay processing fees and /or to start any businesses which are basic pre-requisite for most of these MFIs. Moreover, by virtue of this ascribed poverty status they are socially excluded from credit group mobilization.

2.8 Challenges of Rural and Agricultural Finance

There are a number of publications on the topic of rural finance and, more specifically, agriculture credit. Some discuss approaches used during the past decades, what worked and where failures occurred. Others present new approaches developed in response to the acknowledged failures of the past and attempt to incorporate lessons learned for the better provision of services in the future. Others still provide useful guidelines or suggestions for practitioners involved in serving rural populations with agriculture credit and other financial products. A review of these publications on agriculture credit and the wider topic of rural finance revealed some challenges practitioners face. This section will utilize some of these publications for discussing the challenges, what is working, and the lessons being learnt in the provision of financial services to rural communities in order to extract some of the valuable practical aspects of the research.

It is recognized that rural areas and populations remain underserved, yet economic development for these areas and populations are key components in the overall development of a country

(Paxton and Cuevas, 1997). The donor community and providers entering the market have shown a renewed interest in economic growth leading to poverty reduction within rural populations. In spite of their renewed commitment, significant challenges to the successful implementation of effective delivery of services and outreach remain (Nagarajan and Meyer, 2005). Given these facts the question remains: what are these challenges and what can institutions do to respond to them to make agriculture credit work? Unfortunately, there is no simple answer to that question nor single approach or method that will work for all practitioners in all areas or countries. However, program and institutional design, methodology, products and delivery of services need to be modified to fit the specific country, region, cultural context, operating environment and even the challenges affecting an institution (Hossian, 1988). Institutions must consider the particular factors present in their different areas of operation and understand that what works on Latin American farms may not be applicable in Sub-Saharan Africa on small holder plots of land (Meagan Andrews, 2006). What is successful in highly populated rural areas of Ashanti Region may not easily be replicable in the more remote rural environments of Upper West or Northern Region.

Identifying the challenges facing an institution providing agriculture credit is the first step in figuring out how to make it work effectively. The various authors categorized their lists differently but they identified challenges both external and internal to the institution. Some challenges faced by rural institutions are similar to those facing any microfinance organisation while others are specific to rural institutions offering loans for farm-based activities. Some factors unique to rural and agricultural markets that constrain both the supply and demand for finance in those areas include:

• High transaction costs for both borrowers and lenders

• Generally lower population density and dispersed demand

• Often limited economic opportunities available to local populations

• High risks faced by potential borrowers and depositors due to the variability of incomes, exogenous economic shocks and limited tools to manage risk

• Seasonality – potentially affecting both the client and the institution

• Heavy concentration on agriculture and agriculture related activities exposes clients and institutions to multiple risks, both idiosyncratic (one household) and covariant (entire region or country)

• Lack of reliable information about borrowers

• Lack of market information and/or market access

• Weak institutional capacity – including poor governance and operating systems, low staff and management skills

• "Crowding out" effect due to subsidies and directed credit

• Increased risks associated with the concentration of a portfolio on agriculture activities that are most prevalent in the area

• Lack of adequate or usable collateral (lack of assets, unclear property rights)

• Risk of political intervention, which can undermine payment morale through debt forgiveness and interest rate caps

• Inhospitable policy, legal and regulatory frameworks

• Undeveloped legal systems, inadequate contract enforcement mechanisms

• Undeveloped or inadequate infrastructure

• Land held may be too small to be sustainable or located too remotely to be reached efficiently

• Individuals may be dependent upon only one crop with no other external sources of income.

(Nagarajan and Meyer, 2005; Christen and Peck, 2005; Meagan Andrews, 2006).

Unfortunately, financial services providers in rural markets are not able to choose which challenges they will face. More often than not the various challenges reinforce and compound each other. For example, the high risk inherent in agriculture means increased importance in screening and monitoring of clients and therefore higher transaction costs for both clients and institutions, which are exacerbated by the dispersion of the client base and small loan sizes (Dorward, 2001).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter seeks to outline the method adopted in carrying out the data collection for the research study. Detailed sections covered are the research design, population, sample and sampling procedure, instruments for data collection and the procedure for analysing the data.

Both primary and secondary data were used to address the specific details under the study in order to obtain relevant data regarding the subject under study.

3.2 Research Design

The research study was conducted to highlight the issues in reducing poverty through microfinance on community members of Saveluugu Nanton District in the Northern Region of Ghana. Quantitative and qualitative research methodologies were used to determine the activities of MiDA in poverty reduction through microfinance. A descriptive survey process of collecting data was also used in testing the research questions concerning the status of the subject under study. For the purpose of this work, this approach was considered an appropriate method of eliciting information needed in making conclusions. Other designs such as interviews were also employed considering the subject under study.

3.3 Population and Sample

The sample population of the research study was made of forty (40) beneficiaries of MiDA's microfinance scheme from the Savelugu Nanton District and the district project officer of MiDA. The fundamental basis was that respondents would be in good position to outline the impact of poverty reduction policies of MiDA in the district. Also the views and opinions from assembly members were also considered to effectively contribute much in the research.

3.4 Sampling Techniques

A simple random sampling technique was employed to select members of the microfinance scheme from Savelugu Nanton District, out of a population of about 1500 made up of thirty (30) FBOs of fifty (50) members each. This technique was used because it ensured that everyone in the population had an equal chance of being selected. The goal of the sampling method used was to obtain a sample that is a representative of the population. The techniques used by the researcher to select the sample size required prior knowledge of the target population which allowed a determination of the size of the sample needed to achieve a reasonable estimate with accepted precision and accuracy of the population.

3.5 Data Collection Procedure

The researcher personally traveled to Savelugu Nanton District in the Northern part of Ghana to conduct the interview with the selected community members from the District. The personal interview was a face to face interaction. This method was purposefully selected so that the researcher could interact on a personal level with all community members from Savelugu Nanton District. The researcher personally administered the questionnaire which contained series of structured questions which were related to the research work and directed to respondents with the aim of gaining first-hand information. The questionnaire consisted of both open ended and close-ended questions. Thus, in some cases, respondents were to choose the option that best reflected their opinions. The questionnaire afforded respondents much flexibility and privacy in answering the questions without any undue influence. The questionnaire was in simple and unambiguous language and as such, did not pose any problem as regards interpretation.

3.5.1 Primary Sources of Data

Primary data for the research study was obtained through direct distribution of questionnaires as well as direct personal interviews with respondents in the Savelugu Nanton District in the Northern Region of Ghana. Qualitative data was collected through systematic fieldwork involving personal interviewing and focus group discussion of relevant stakeholders.

Questionnaires were also used in order to obtain quantitative data, specifically, on the socio-demographic characteristics, access, uses and perspectives on the microcredit. Other aspects of the questionnaire focused on outcomes or effect of microcredit on their lives. Some of the variables to assess outcome of the microcredit interventions were basic needs, savings, and business opportunities, investment in children's education and participation in decision-making among others. The use of both quantitative and qualitative methods ensured complementarities of information.

3.5.2 Secondary Sources

The study collected data from relevant secondary sources. The sources of secondary data for this research consisted mainly of published text books on poverty reduction, microfinance journals, and other MiDA newsletters. Data was also collected from academic journals and papers that featured articles on poverty reduction strategies such as microfinance and its impact on rural development and a number of research works that have been published on the subject in the electronic media to which authors have been duly acknowledged.

3.6 Research Constraints and Problems

- The first major challenge which happens to be a weakness of the study is the paucity of a well-documented baseline data on poverty levels of the program participants. This is because the program was not preceded by a baseline study which captured the conditions of clients before they joined the schemes. In the light of this limitation, respondents were made to compare their conditions before they joined the schemes with their conditions at the time of the survey. The assumption here was that respondents would be able to recall accurately their conditions before joining the programme and be able to compare them with their conditions after joining the schemes. It is obvious that by relying on the memory of clients, some inaccurate reporting may occur. For this reason, the researcher spent a lot of time probing responses.

- The sample is limited to only inhabitants of one district in the Northern Region of Ghana and also limited only to persons who used credit. The researcher appreciated that non-participants should have been a control group. However, experience has shown that the cooperation of such people could not be guaranteed especially when they are unorganized.
- Some respondents, especially the women, declined to offer any assistance to the researcher.

CHAPTER 4

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Design of MiDA Microcredit Scheme

Microcredit schemes have emerged as the much-favoured development intervention for poverty alleviation in recent times (Navajas et. al., 2000). They are mostly non-bank financial institutions that have provided a new paradigm for thinking about social and economic development (Murdock, 1998). Indeed, microcredit has become the 'newest darling' of the aid community, claiming more and more of the aid budget (Navajas et. al., 2000). Over the years, microcredit schemes have developed unique characteristics in terms of unconventional approaches, organizational and lending procedures that have resulted in high rates of repayments, savings mobilization and the ability to nurture a culture of commitment and self-reliance of poor people (Yunus, 2003).

MiDA modeled its microcredit scheme after the Grameen Bank, a practice which is the opposite of conventional banking. Generally, they lend small loans, require no physical collateral and are illiterate-friendly with less paper work and convenient repayment schedules.

MiDA precedes its operations with the social mobilization phase. This involves the identification of potential clients. Those who are already engaged in some form of economic activity are separated from those who are not engaged in any form of economic activity. Identification is done through community sensitization and awareness creation by trained agents of MiDA. Having identified them, potential clients constitute themselves into solidarity groups of between five and ten members. About five of such groups constitute a functional group called farmer-based organizations (FBOs). The groups then have to choose a leader. The solidarity groups must consist of members who trust each other, who are prepared to work as a team and share the responsibility of one another jointly and severally. In addition, the solidarity groups must agree to attend meetings regularly and abide by their own social rules and regulations. A member who deviates from the rules and regulations of the group is socially sanctioned by his/her peers. Sanctions may either be payment of a small fee for lateness or withdrawal from group on account of irregular payment or defaulting of loan installments. The rules and regulations are strictly adhered to because a deviant action by a member may prevent the entire members of a solidarity group from accessing loans in the future. Peer pressure and group guarantee, consequently, ensure high loan repayment.

The clients who are already engaged in some form of economic activities are given initial loan of up to GH¢2000, while each of those who are not engaged in any form of economic activity is given one acre prepared land with seeds and farm implements valued at GH¢500. This package is called ‘starter pack’ and is not refundable. They are subsequently given a loan of up to GH¢1000.

4.2 Profile of Clients in MiDA’s Microcredit Scheme

This section analyzes the socio-demographic characteristics of respondents in the study. The focus is on participants’ age, educational levels, marital and employment statuses, various economic activities for which microcredit loans were taken, household structure and their religious affiliations. Data for this analysis was collected mainly through personal interviews of 40 respondents, using structured questionnaires.

4.2.1 Age Distribution of Respondents

In order to find the categories of clients who access microcredit, their ages were recorded (table 4.1). The results showed that 10% of the respondents were 25 years or less, 67.5% were between 26– 50 years and about 22.5% were above 50 years. It was interesting to note that two of the women respondents were 0ver 75 years of age but they were actively involved in the scheme. Further investigations revealed that they enjoyed the emotional support from other group members in addition to the opportunity to access loans without physical collateral and make some savings.

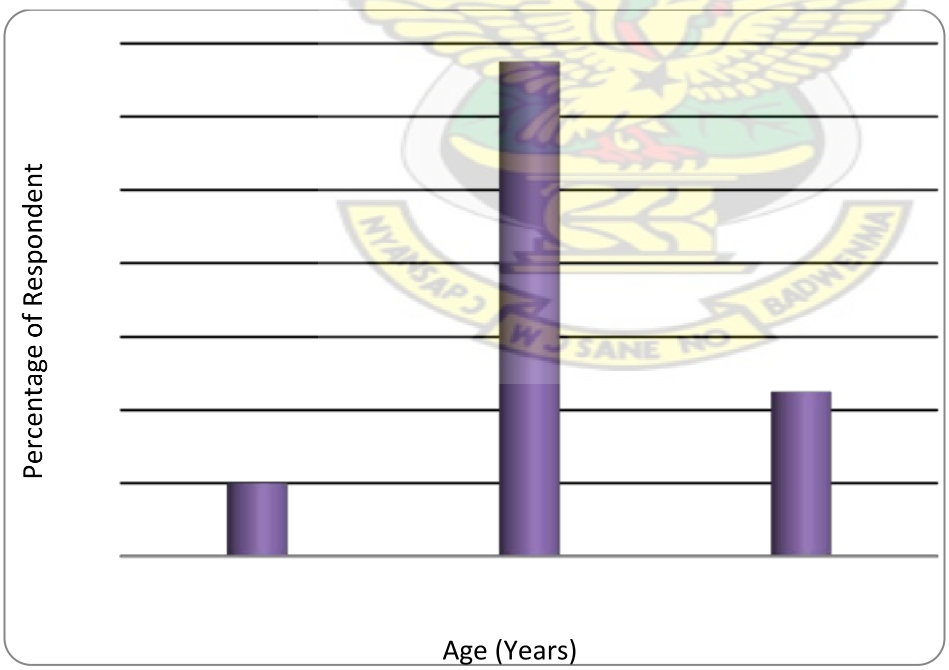
Table 4.1 Age Distribution of Respondents

Age (Years)	No of Respondents	% of Respondents

Below 25	4	10
25 -50	27	67.5
Above 50	9	22.5
Total	40	100

Source: Survey data, March 2011

Fig 4.1 Age Distribution of Respondents



4.2.2 Educational background of Clients

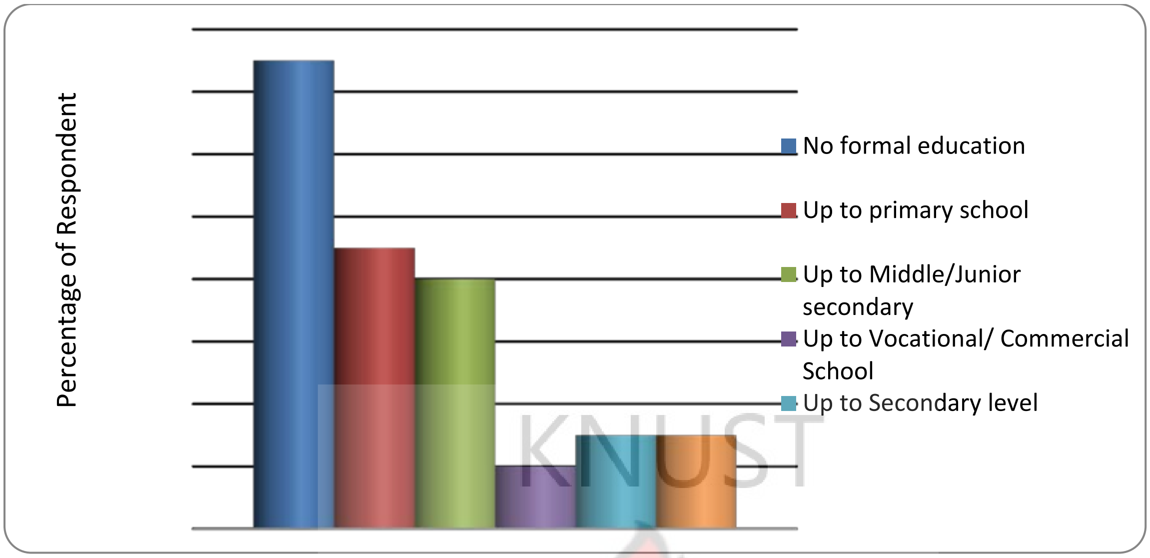
Educational attainment of the clients was generally low; 37.5% of the respondents had no formal education while only 15.0% had received secondary and/or post secondary education (Table 4.2). It is popular knowledge that education is the key to better employment opportunities, especially in the formal sector. Employment in the formal sector automatically links such employees to the banks as regular customers since salaries are paid through the banks. Access to loans is therefore, easier for clients in formal sector employment than for clients in the informal sector. This does not in anyway suggest that those in the informal sector cannot be customers of financial institutions. The issue is that the poor in the informal sector and in the rural areas are less likely to save in the banks than those in the formal sector. This may be due to illiteracy and their inability to make regular savings. Thus, the low educational background and low savings of these respondents possibly explain their lack of access to formal banking services.

Table 4.2 Educational Status of Respondents

Highest level of education	No. of Respondents	% of Respondents
No of Formal education (Illiterates)	15	37.5
Up to primary school	9	22.5
Up to Middle/Junior High School	8	20.0
Up to vocational/Commercial Sch.	2	5.0
Up to Senior High level	3	7.5
Up to post High Sch./Polytechnic	3	7.5
Total	40	100.0

Source: Survey data, March 2011

Fig 4.2 Educational Status of Respondents



Interestingly, during the group discussions most of the respondents realized and identified lack of education as the main cause of their lower status in society. Although it is already late for them to change their educational statuses significantly, they see their ability to educate their children as investment in social capital and self-empowerment since children are seen as a source of security in old age in the Ghanaian setting. There is, therefore, increasing desire on the part of the clients, especially the women to take care of their children's educational needs.

4.2.3 Occupational Status of Respondents

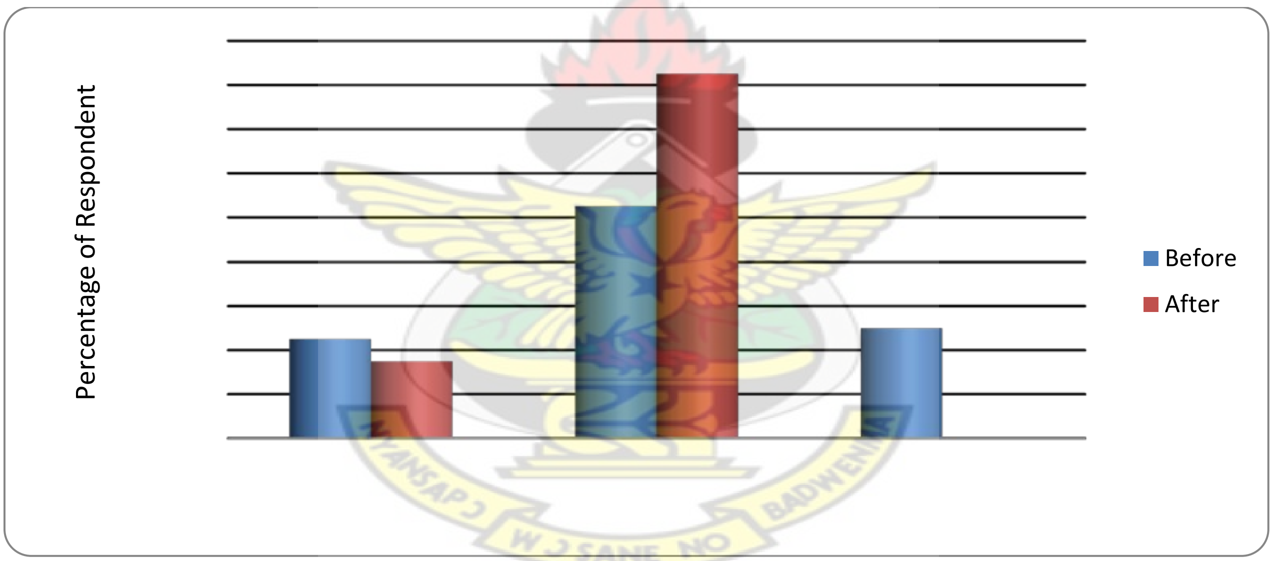
It was important to elicit information on occupational status, the specific economic activities they were involved in and whether there have been any changes since they joined the microcredit schemes. Participants were thus, asked to indicate their main occupation before and after participation in the credit schemes and the specific economic activity for which loans were taken.

Table 4.3 Employment Status of Respondents

Occupation	% of Respondents Before Participation	% of Respondents After Participation
Government Employee	22.5	17.5
Self- Employed	52.5	82.5
Unemployed/ Underemployed	25.0	-
Total	100.0	100.0

Source: Survey data, March 2011

Fig 4.3 Employment Status of Respondents



The responses (table 4.3 and fig 4.3) indicate that 25% of the clients were unemployed or under-employed as they were either assisting other women to process shear butter or as farm labourers before they participated in the credit schemes. Participation in the scheme has helped them to change their previous status to the current self-employed status. The table indicates that self-employment remains the major source of livelihood to the majority of the clients, represented by 52.5% and 82.5% before and after joining the schemes respectively. Only a few of them (22.5), and (17.5%) were government employees with trade as their supplementary economic activity. The data further show that MiDA microcredit scheme does not discriminate against the unemployed as 25% of respondents were either unemployed or under-employed when joining the scheme.

4.2.4 Economic Activities Undertaken By Respondents

This sub-section analyzed the various economic activities (both main and subsidiary) for which the clients invested microcredit loans in order to know the various economic activities in which the clients are engaging in. These were categorized into four economic activities namely petty trading, shear butter processing, farming (crop production), and other artisans. In addition, a few of the clients (5%) engaged in multiple economic activities (table 4.4). Twenty-two (22) out of the forty (40) clients interviewed were also engaged in other subsidiary economic activities. The major economic activities that attracted microcredit loans were shear butter processing, farming and petty trading.

Table 4.4 Distribution of Economic Activities for which Loans were taken

Economic Activity	**Main**	**Main (%)**	**Subsidiary**	**Subsidiary (%)**
Petty Trading	10	25.0	2	9.1
Shear Butter Processing	15	37.5	5	22.7
Farming	13	32.5	12	54.6
Other Artisans	0	0	3	13.6
Multiple activities	2	5.0	-	-
Total	**40**	**100**	**22**	**100**

Source: Survey data, March 2011

4.2.5 Religious Affiliations and Sex of Respondents

All the respondents interviewed were Muslims. The district is predominantly a Muslim community.

According to MiDA Official interviewed, the scheme targets mostly women, however, women constituted only 32.5% of the 40 clients the researcher interviewed two of whom were old ladies. This might be explained by the fact that in a Muslim community women are not permitted to express their opinion in the presence of men.

Table 4.5 Sex of Respondents

Sex	Frequency	Percentage (%)
Male	27	67.5
Female	13	32.5
Total	**40**	**100**

Source: Field Research, March 2011

4.2.6 The paradox of microcredit

The existing knowledge about microcredit is that it is pro-poor. Following this, it is assumed that all categories of the poor, especially, the poorest should be the main targets for micro-financial assistance. However, studies have shown that microcredit schemes deliberately discriminate against people who are not already engaged in any economic venture because the loans are not meant for start-up capital. Nevertheless, this study has provided evidence to support the fact that people can obtain the loans as start- up capital and be able to repay fully. For instance, about 25% of the respondents used their loans as start-up capital (table 4.2) and there was no indication of default in terms of repayment. This implies that if such people are given the opportunity, they can also establish credibility and then improve their lives. There is therefore the need for microfinance organisations to include the less privileged in their programmes and to assist them with start-up capitals to improve their livelihoods.

4.2.7 Microcredit and Economic Empowerment

By economic empowerment the focus was on the performance of the respondents' businesses/farms, using indicators such as working capital, profit, savings and investments made. Generally, there was a very significant upswing in the economic empowerment indicators of the respondents. For instance, the mean monthly profit had more than doubled from the previous GH¢26.00 to GH¢56.00 while the mean monthly turnover had also more than quadrupled from the previous GH¢68.00 to GH¢280.00 (Table 4.6).

Table 4.6 Estimated Monthly Turnover and Profit

Percentage of Respondent	**Average Monthly Turnover (GH¢)**		**Average Monthly Profit (GH¢)**	
	Before	After	Before	After
A. Lowest 30%	35.00	190.00	8.00	32.00
B. Middle 40%	60.00	280.00	21.50	52.00
C. Highest 30%	112.00	370.00	50.00	85.00
Mean of total Respondents = 0.3A+0.4B+0.3C	68.00	280.00	26.00	56.00

Source: Field Research, March 2011

Specifically, the following were found with regards to economic empowerment:

Primarily, the clients, most of whom were engaged in shear butter extraction, petty trading and/or farming activity had significantly increased their working capital and turnover with average percentage changes of between 210 and 450, with those engaged in only farming activities having the lowest percentage increase.

However, although the profit margin had equally increased by a percentage change of 115 [(56-26)/26], it does not correlate with the increases in capital. This is because a number of them ploughed-back profit into their businesses and/or were using it to smooth consumption. This has vital implications for organizations interested in economic empowerment of the poor. It is not enough to consider only 'input-output' relationship, but the socio-cultural and economic milieu which are intervening variables within this relationship, which can impact on the intended beneficiaries, are equally important. For instance, one would have expected that if percentage changes in capital and turnover averages 400% (as indicated in Table 4.8) then automatically, the profit margin, which is the 'output' of the intervention should follow a similar trend if used 'productively' (i.e. using the loans for the intended purpose). Nonetheless, the poor, for whom microcredit is meant to assist, attach more value and priority to the welfare of their children and other close social kinsmen like their parents to the extent that beneficiaries would choose to spend part (or all) of their loan on such relation's if there is urgent need as in the case of ill-health and death. From the perspective of microcredit lenders, such a choice would be described as 'unproductive' but from the social point of view of the clients that would be the most preferred option from which the individual could derive satisfaction. For this reason, interested organizations must analyze the background of their potential clients and perhaps link microcredit with other essential services like healthcare, schools and other social infrastructure to be able to focus micro loan on intended purposes.

In addition, it was found that only 25% of the clients were saving at the bank prior to participation in the schemes compared to the 100% after joining the scheme. This shows that only 25% of them could possibly get access to bank loans among whom only one person was not government employee (as indicated in Table 4.3). Thus, the compulsory savings has enhanced their access to regular credit. This also translates into increased self-confidence and hope of less vulnerability because they could fall on their own savings during hardship.

Table 4.7 Working Capital of the respondents before and after joining the schemes

Amount of Capital (GH¢)	**Percentage of Respondents**	
	Before	**After**
No initial Capital	15.0	0
Less than 50	10.0	0
51 – 100	22.5	0
101 – 200	22.5	5
201 – 500	7.5	35
501 – 1000	17.5	37.5
Above 1000	5	22.5
Total	100	100

Source: Field Research, March 2011

Table 4.8 Percentage change in the working capital of respondents

No. of Respondents	Percentage of Respondents	Percentage Change
0	0	Less than 5%
2	5	5% - 50%
3	7.5	51% - 100%
7	17.5	101% – 200%
23	57.5	200% - 400%
5	12.5	Above 400%

Source: Field Research, March 2011

Furthermore, all of them perceive the growth in their businesses and their financial status as significant improvement of their life as compared to their previous situations, to which they very much appreciate. Also various investments have been made after joining the schemes. It was found that 95% of them had acquired some property (business or personal) in their own names and this gives them a sense of pride and control over those properties. The majority (80%) indicated that they could not have acquired these if they had not joined the scheme.

4.2.8 Microcredit and Social Empowerment

Social empowerment in this study is defined as the enhancement of their social status through improvement in their self-confidence and assertiveness, their ability to contribute significantly to or pre-finance their basic needs and also being highly involved in community decision-making. It connotes a process of positive change in their lives, where the poor are not passive beneficiaries of the benefits of development, but, rather significant actors in that process which operates from the grassroots.

Therefore, in order to find the impact of microcredit on their social empowerment, the focus was on ability to pre-finance and contribute to household basic needs, level of self–confidence, respect and assertiveness, and also involvement in decision-making.

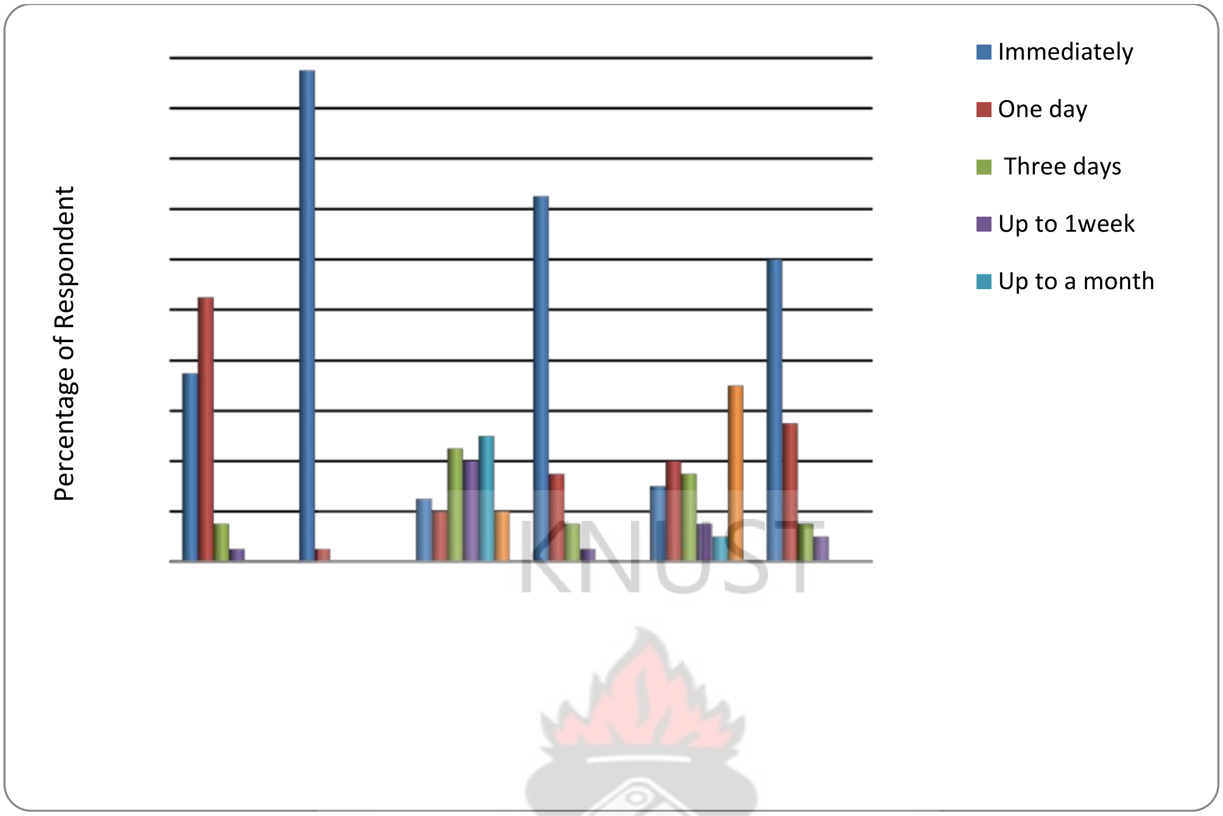
In terms of the ability to pre-finance basic needs, it was found that only 37.5% of them were able to meet their food requirements ‘immediately’ before they joined the schemes compared to 97.5% after joining the scheme. Similarly, only 12.5% of them could attend to their health needs ‘immediately’ before compared to 72.5% after joining the scheme. Regarding children’s education, only 15% pre-financed it ‘immediately’ while about 35% of them had to postpone the payment of their children’s school needs to over a month or never, due to lack of funds. However, after joining the scheme, 87.5% were able to meet that vital need ‘immediately or within a day' (Table 4.9).

Table 4.9 Ability to Pre-finance basic needs

Responsiveness to basic needs	**Food** Percent of Respondents		**Healthcare** Percent of Respondents		**Children's Education** Percent of Respondents	
	Before	After	Before	After	Before	After
Immediately	37.5	97.5	12.5	72.5	15	60.0
One day	52.5	2.5	10.0	17.5	20	27.5
Three days	7.5	0	22.5	7.5	17.5	7.5
Up to 1week	2.5	0	20.0	2.5	7.5	5.0
Up to a month	0	0	25.0	0	5.0	0
Never/ postponed	0	0	10.0	0	35.0	0

Source: Survey data, March 2011

Fig 4.4 Ability to Pre-finance basic needs



Generally, all of them felt financially better-off after joining the schemes than previously. In terms of personal disposition, they enjoyed enhanced self-confidence, assertiveness and respect than before they joined the schemes. For instance, on a scale of zero to ten, to measure assertiveness, 75% of them scored less than 50% before joining the scheme compared to 87.5% of the respondents who scored higher over 60% after joining the scheme.

Similarly, levels of confidence and respect from relatives and other community members had increased after joining the schemes. For instance, while the number of clients who were very confident had increased by 52.5%, those that were earning high respect and recognition from their relations had also increased by 33.5%. This is due to their ability to contribute to household needs and also, in part due to the education they received during their preparatory phase of the schemes.

4.3 Challenges MiDA Faces

MiDA has been in operation since 2006. The microcredit component is part of MiDA's project focused on the same production value chain. This project, which provides extension services and strengthening for marketing and exporting associations as well as linkages to finance institutions, is in its fourth year.

In an attempt to reduce risks associated with lending predominantly for food crop production, the Authority also offers products to serve the credit needs of clients operating rural enterprises and raising cattle. This is a reflection of both the activities which exist in the District and part of the Authority's strategy of portfolio diversification.

MiDA management team identified the following list of key challenges that they face:

Weather challenges:

The Northern Region of Ghana has one raining season which last for a period of four months compared to other parts of the country with two raining seasons. The region also lacks adequate irrigation facilities to facilitate all year farming. Susceptibility to drought, floods and stormy weather which can cause sudden and severe devastation to livelihoods. The District is located in an area of the country with unfavourable natural environmental conditions. It suffers harsh harmattan seasons, which leads to many bush-fires set up by farmers clearing their lands and hunters searching for game. Farming along river courses has also caused vast silting of the few drainage systems which therefore dry up quickly in the dry season and flood easily in the wet season.

Geographic challenges:

The rural population is highly dispersed presenting challenges of monitoring, follow-up and outreach. The population of the district was 91,415 (2000 population census) with a land area of 1790.7 sq. km., the population density is about 59 Persons per sq. km. This low population density makes reaching more people and monitoring extremely difficult.

Cultural challenges:

History of poor repayment culture – Many in the rural populations historically associate poverty reduction efforts with charity from Government and NGO's and view the MFI's in the same way making it a challenge to develop a good repayment behavior. It is sometimes difficult to get the community to accept credit terms (many farmers are used to making one final payment at the end of the loan at harvest time and are reluctant to change or de-link loan repayments from the crop results).

Infrastructure challenges:

The District lacks roads, regular electricity, supply of goods and irrigation. A greater percentage of the District has no access to electricity. This limits the springing up of micro scale employment opportunities in the district such as Agro-processing activities, for example electric powered machines like grinding mills, and other electricity influenced ventures. Except a few communities especially the settler farmer communities, majority of the communities are interconnected with feeder roads. However, over 50% of the roads are seasonally un-motorable. Thus vehicle services to about 80% of rural communities in the district where the bulk of the food crops are produced are poor especially in the rainy season (Ghana Statistical Service , 2001).

Human resources and staff capacity:

The district lacks adequate manpower to administer and monitor the scheme. Due the low level of the educational background of the beneficiaries, it is difficult for them to adopt modern and new ways of doing things. There is therefore the need to build capacity in all positions.

Although these may appear to be separate challenges they do interplay. The drought problem is compounded by the lack of roads, which also serves to compound the isolation of areas already separated from economic centers by geography.

Although the challenges presented in the research are well known, they all may not be present in every area, region or country. It is important for a provider of agriculture credit services to be able to effectively identify those challenges it will face in the areas where it operates as well as work to develop mitigation strategies. From a practical perspective it is useful for an organization to be able to systematically analyze the specific challenges and risks that it faces and be able to modify its responses to fit the local operating environment. It is also important for both management and staff to have an understanding of the general macroeconomic environment as well as specific knowledge of the areas of operation, sectors and economic activities and opportunities available to clients to effectively respond to challenges and risks.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Despite changes in development paradigms in the last half of the 20th century, the promise to bring wellbeing to all human being remained unfulfilled. As it stands more than 1.2 billion people in the world are struggling to survive. In 2005, of the over 2.8 billion workers in the world, nearly 1.4 billion still did not earn enough to lift themselves and their families above the US$2 a day poverty line *(International Business & Economics Research Journal – December 2006 Volume 5, Number 12).*

Microcredit schemes have emerged as the much-favoured development intervention for poverty alleviation in recent times (Navajas et. al., 2000). They are mostly non-bank financial institutions that have provided a new paradigm for thinking about social and economic development (Murdock, 1998). Indeed, microcredit has become the 'newest darling' of the aid community, claiming more and more of the aid budget (Navajas et. al., 2000). They offer small loans to the poor to either initiate or expand income-generating activities in order to improve their livelihood.

Over the years, microcredit schemes have developed unique characteristics in terms of unconventional approaches, organizational and lending procedures that have resulted in high rates of repayments, savings mobilization and the ability to nurture a culture of commitment and self-reliance of poor people (Yunus, 2003). The impact of microfinance on poverty alleviation has recently gained a prominent position on the microfinance agenda. Donors, practitioners, and academics are realizing that microfinance institutions (MFIs) must concern themselves with more than their ability to reach institutional sufficiency. The ability to reach and to demonstrate a positive impact on the poorest is now becoming a core principal in poverty-focused financial institutions. The 1999 Microfinance Summit Meeting, for example, set out a hard-hitting agenda, with key note papers calling on MFIs to meet the challenge of targeting and reaching the poorest (Simanowitz, et al., 1999) and to develop systems for measuring their impact on their clients (Reed and Cheston, 1999).

The literature indicates that over the past few years, donors have begun to express a renewed interest in rural and agriculture finance. This is partly due to a recommitment to poverty reduction internationally and a recognition that the majority of the world's poor live in rural areas. Zeller, in his paper given at conference on rural finance in 2003 identified three principal motivations for the renewed interest:

1. The agriculture sector remains the most important economic sector, especially for the poor in many developing countries;

2. Improved financial markets accelerate agricultural and rural growth, leading to greater economic growth and less poverty and;

3. A growing sense of optimism that donors might learn from the failures of the past.

During the last few decades, organizations have been working in rural areas to reduce poverty or provide access to some form of financial services. In fact, MiDA has demonstrated an example of successful interventions in rural and agriculture finance.

A review of literature on agriculture credit and the wider topic of rural finance further revealed some commonly held opinions regarding the current state of financing agriculture, including:

1. The economic development of rural areas lags behind that of urban ones;

2. Rural areas have not been well served by the microfinance industry nor have they been effectively reached by financial services during the past decade primarily because institutions and donors were focused on the urban markets;

3. Financial institutions that do provide services to rural populations face significant and real challenges;

4. The provision of agriculture credit is inherently risky, and it is difficult to do effectively given geographic dispersion, weak market linkages, higher costs, lack of extension support services and inherent risks;

5. Donors and governments are returning their attention to the rural poor and their needs with respect to a range of financial services;

6. Providing effective agriculture credit and even rural finance remains a challenge to the donor community and development finance sector;

It was evident during the study that access to credit translates into better nutrition and improved health outcomes. It allows poor people to plan for their future and send more of their children to school. It has made clients more confident and assertive. Access to credit allows poor people to take advantage of economic opportunities. Clients have overwhelmingly demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities. Microcredit reduces poverty through increased income, business opportunities, choices and bargaining power. Microcredit programs have been successful in allowing microentrepreneurs to increase both output and income. These improvements in physical living standards, though small, often make the difference between abject poverty and independent subsistence. Many studies show that clients who join and stay in programs have better economic conditions than non-clients, suggesting that programs contribute to these improvements. A few studies have also shown that over a long period of time many clients do actually graduate out of poverty.

There is a mounting body of evidence showing that the availability of financial services for poor households is a critical contextual factor with strong impact on the achievement of the MDGs. Microfinance, and the impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their micro enterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. There were evidence of significant improvement in the lives of target beneficiaries and their families. Thus microfinance to a large extent has a place in the strategies towards achievement of MDGs

Unfortunately, most of the vulnerable are socially and spatially excluded from access to microcredit also. The method employed by most of the MFIs, which is group liability concept, socially excludes the extreme poor from accessing the financial services. Since the group as a whole is liable to any default in repayment, the unproductive poor are not accepted as members in the groups, thus, excluding them from accessing any loan. Moreover, the requirement of initial savings as a prerequisite for accessing the loan is beyond the means of the very poor. The poor are also frequently unskilled and lack the educational opportunities necessary to develop many basic and higher-level skills needed for greater productivity. It has been argued that, the extremely poor, due to their lack of skills, may not be in a position to start businesses even if physical capital funding were readily available. Furthermore, for the sake of cost effectiveness, most MFIs do not establish branches at sparsely populated areas thereby denying this rural poor access to the financial services that could have redeemed them from abject poverty.

However, MiDA has demonstrated that, with strong management and efficient operations, the extremely poor can be reached. Review of analysis show that it is financially feasible and sustainable to reach those in absolute poverty through innovative and cost-effective designs.

5.2 Conclusion

The potential economic benefits of sustainable microfinance in Ghana are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach, as discussed to facilitate the development of the microfinance sub sector and thereby unleash its potential for accelerated growth and development.

Some proponents of microfinance have asserted, without offering credible evidence, that microfinance has the power to single-handedly defeat poverty. This assertion has been the source of considerable criticism. Research on the actual effectiveness of microfinance as a tool for economic development remains slim, in part owing to the difficulty in monitoring and measuring this impact.

The economic benefits of sustainable microfinance in developing are compelling, and its potential effects on the development process are equally promising. In terms of development and social impact, the microfinance industry allows significant improvements in quality of life for those below the poverty line around the world. They can now stabilize the cash flow of their economic activity, bringing security to the enterprise. This allows them to better manage their standard of living through spending, which often generates savings; and this provides better standards of living to their family, and dependents in terms of housing, nutrition, health and education.

Finally, an access to banking and increased security promotes a sense of entrepreneurship, and thus their self-esteem and reputation increase. The initial small loan of usually less than $1000 can eventually reintegrate these entrepreneurs into formal networks of the economy and foster the structural and sustainable development of local communities. Furthermore, estimates indicate that today only 5% of the micro-credit demand is fulfilled, thus, the microfinance industry is expected to grow significantly in coming years. Despite several challenges ahead, this emerging industry, and the process of sustainable microentrepreneurship combine to offer a potential alleviation solution to the poverty crisis of the 21st century, and into a sustainable future.

5.2 Recommendations

Despite the success of MiDA on rural and agricultural finance, and other success stories of microfinance in the literature, actual successful interventions have been few and it is time to refocus efforts through the identification of new approaches based upon lessons learned from past failures. The following recommendations are therefore made:

Based on the principle that a commercial, market-based approach is most likely to reach large numbers of clients on a sustained basis, the formal financial institutions must be encouraged to provide rural and agricultural finance. This new rural finance paradigm takes a financial systems approach with three strategic priorities:

1. Creating a favourable policy environment including macroeconomic stability as well as a reduction in the historical bias against the rural sector;

2. Strengthening the legal and regulatory framework so that rural financial institutions which are performing well can provide a variety of financial services to low-income households;

3. Building the capacity of rural financial institutions to deliver demand driven credit and savings services in a self-sustaining manner.

The idea of social/peer sanctions and of access to repeated loans ensures high repayment and should therefore be employed in all future government credit schemes for the sake of sustainability.

For the poorest of the poor who may be socially excluded from MFI due to initial requirements of such schemes, the government needs to step in as a matter of policy or recommendation to set up a grant for them. This grant could be used to set up group based local businesses that could employ these destitute first as paid labourers and the most serious ones can graduate to form solidarity groups to access their own loans to initiate their own economic ventures.

The government must facilitate the establishment of MFIs in all poverty zones especially in the three northern regions.

Government should be a facilitator through funding and policy monitoring and coordination and should not interfere with disbursement of funds.

Realising the important place of microfinancing in achieving MDGs, it is recommended that donor support must be increased to open up more NGO MFIs in poverty endemic zones.

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APPENDIX

SAMPLE OF QUESTIONNAIRE USED FOR THE SURVEY

This questionnaire is being used for a Postgraduate Programme in Business Administration, at the Kwame Nkrumah University of Science and Technology, Kumasi. Information provided shall therefore, be treated as very confidential and your co-operation is highly solicited. Thanks.

SECTION A

SOCIO-ECONOMIC CHARACTERISTICS OF RESPONDENT

1. Location of respondent (town/village)……………………………………..

2. Age of respondent:…………………………………………………….

3. Religion: a. Christianity b. Moslem c. Traditional d. Others specify

4. Highest level of Education :

a. No Formal Education b. Up to Primary School

c. Completed Middle/JSS d. Vocational/Commercial

e. Secondary school f. Post secondary (Teacher training, etc)

g. Tertiary (Polytechnic ,University etc) h. Non Formal Education

5. Marital Status:

a. Married b. Single c. Divorced/Separated d. Widow

6. Employment status before participating in MC.

a. Gov’t employee b. self –employed c. Unemployed/ Hired Labourer

7a. Main Activity for which Micro-credit was taken.

7b. Subsidiary Activity for which Micro-credit was taken or used?

Pre - financing of Basic Needs

8. How soon (time) were you able to pre/finance these Needs before and after MC?

Type of Need	Before MC	After MC
a. Food/ fuel		
b. Healthcare		
c. Clothing		
d. Rent/Power –shelter		
e. Children's Education		

** (tick from these answers)

1. Immediately (within 1 hour) 2. Within 24 hours (1 day) 3. 72 hours(3 days)

4. Up to 1 week 5. Over a week – a month 6. Never / Postponed

9. Sources of Participants Income per Week (Extrapolated for Month)

Sources	Estimated Amt. / week Before MC After MC

1. Participant		
2. Children/Remittances		
3. Other Relations		
4. Total Income		

10. Amount of Profit earnings from your farm for one farming season .

a. Before Microfinance b. After Micrfinance

SECTION B:

USES & PERSPECTIVES ON MC LOANS

11. Have you received any micro-credit loans yet ? a. Yes b. No

12. If No why? a. under training (New) b. Other reasons…………

13. How many times have you received loans (Frequency of Access) eg 1; 2; 3; . . state

14. How many MC loans have you successfully repaid i.e. finished?

0; 1; 2; 3; 4; 5; 6; 7; 8; 9; 10.

15. How much have you received in all? (Total Size of loan) (calculate with her)?

a. Up to GH¢100.

b. Between GH¢101 - GH¢200

c. Between GH¢201 - 4 GH¢400

d. Between GH¢ 401 - GH¢600

e. Between GH¢601 - GH¢800 f. Between GH¢801 - GH¢1000

g. Between GH¢1001 – GH¢2000 h. Above GH¢2000

16. Comments on the loan :

i. Interest paid a. Ok b. too high c. high d. don't know

ii Start of payment (grace period) a. OK b. short c. too short d. don't know

iii. No. of months for Repayment a. OK b. long c. short d. don't know

iv. Size of loans (amount) a. OK b. small c. too small d. don't know

v. No. of Meeting times/month a. OK b. too many c. can't tell

vi. Credit officers conduct a. flexible/considerate b. too harsh/inconsiderate

vii. Repayment schedule (i.e weekly/biweekly /monthly etc):

a. OK b. Very harsh & stressful c. Don't know

17a. What difficulties were you facing in your farming/business before MC?

a. Inadequate capital for labour and seeds

b. lack of access to land

c. Inadequate market/customers

d. Both 1, 2 & 3

e. Others specify…………….

17b. How far is the difficulties solved after participating in this scheme?

a. Improved working capital /able to buy more goods/ access to bank loans

b. Improved market/customers

c. Both a & 2b

d. little improvement

d. Others specify…………….

18. What is the most important thing you spend your income on?

a. Plough-back into my farm

b. Save in bank

c. Plough-back and save some at the bank

d. Consumption (food, school fees, school needs,)

e. Others multiple use (specify)(eg a & b)……………………

SECTION C.   IMPACT OF THE MICROCREDIT ON PARTICIPANT'S LIVELIHOOD/ SOCIAL STATUS

CAPITAL

19. How much was your initial working capital (cash alone) before MC participation?

a. Less than GH¢50.00 b. GH¢51.00 - GH¢100.00

c. GH¢101.00- GH¢200.00 d. GH¢201.00 - GH¢500.00

e. GH¢501.00 - GH¢1000.00 f. Above GH¢1000.00

20. How much is the working capital Now (after participation) in MC?

a. Less than GH¢50.00 b. GH¢51.00 - GH¢100.00

c. GH¢101.00- GH¢200.00 d. GH¢201.00 - GH¢500.00

e. GH¢501.00 - GH¢1000.00 f. Above GH¢1000.00

21. What is the source of this initial capital?

a. borrowed from bank (Name of Bank)……..……………………..

b. borrowed from husband/relative

c. Free from husband/relative

d, Borrowed from money lender…………Interest paid………..

e. Other sources (specify)………………………………………..

SAVINGS

22a. Were you making any Saving before you became a member of this scheme?

a. Yes b. No

22b. If Yes, where were you saving or in what?

1. Susu 2. Bank 3. Home 4.Others………...e.g buying Assets

23. How much cash were you able to save per month before you became a member of this scheme?

a. Up to GH¢10.00. b. GH¢11.00 - GH¢50.00.

c. GH¢51.00 – GH¢100.00 d. Above GH¢100.00 …………………………state

24. How much was your total cash Saving before you entered this MC scheme?

a. Less than GH¢20.00. b. Up to GH¢50.00.

c. Up to GH¢100.00. d. Above GH¢100.00.

25. How much cash are you able to save per month now?

a. Up to GH¢10.00.

b. GH¢11.00 - GH¢50.00.

c. GH¢51.00 – GH¢100.00

d. Above GH¢100.00 …………………………state

26. How much is your total cash savings now?

a. Less than GH¢20.00. b. Up to GH¢50.00.

c. Up to GH¢100.00. d. Above GH¢100.00.

SELF CONFIDENCE/ ASSERTIVENESS

27a. Before joining the MC group were you able to talk and express your views in public and during social gatherings freely? (score yourself (marks) over 10)

On a scale 0____10

Never had the chance to speak   Had all the freedom to speak

27b. After joining the MC groups are you able to talk and express your views in public and during group meetings freely?

On a scale 0____10

Never had the chance to speak   Had all the freedom to speak

28a. What was your level of confidence to take initiative before participating in the MC?

1. Very confident (70 -100%)
2. Confident (50-69%)
3. Less confident (below 50%
4. No confidence at all (below 10%)
5. Can’t tell/no answer

28b. What is your confidence level after participation in the MC scheme?

1. Very confident
2. Confident
3. Less confident
4. No confidence at all

5. Can’t tell/no answer

29a. What was the level of respect you received from your relation before?

1.Very High 2. High 3. low 4. Very low

29b. What level of respect do you receive from your relation after?

1.Very High 2. High 3. low 4. Very low

NEW INVESTMENTS/ PURCHASES MADE AFTER JOINING MC

30. Investments or property acquired from profits from micro-credit (Indicate estimated money spent)

a. Bought equipments, tools for farming………… …..
b. Built a house materials/plot…………………..…………………….
c. Established new/expanded farms (type crop) ………………
d. Bought personal effects e.g. cloth, TV, Radio set etc, please specify……...
e. Investment in Children’s education/apprenticeship……………………
f. Livestock………………………………..……………………………

31. Could you have made these investments without joining the MC? Yes/ No

Please explain ………………………………………………………

MEASUREMENT OF SOCIAL COHESION & SUPPORT

32. How much do you like this Micro-credit group?

a. very much b. much c. very little d. don't like it

33. If you don't like it why ?

a . Members are not/no more supportive & cooperative

b. Don't have time for meetings again

c. Leaders are too harsh and strict

d. Don't' need group loans again

e. Other reasons specify……………………………………….

34. Then, why are you still in it if you don't like it?

a. Owe some money (repayments)

b. Other reasons specify…………………………………………..

35. How many members of the group were your friends or you could consult for any assistance before you become a member? 1; 2; 3; 4; 5; etc

36. How many have become your friends or you could consult for help now?

1; 2; 3; 4; 5; etc

37. In one sentence how would you describe your current status after participating in MC scheme?

a. Highly improved b. Improved c. Average improvement, d. No improvement

38a. Would you like to leave the group in the next three years? a. Yes b. No

38b. Give reason for your answer…………………………………………………………..