THE IMPACT OF MICROFINANCE ON THE LIVELIHOODS OF WOMEN IN RURAL COMMUNITIES: A CASE STUDY OF JAMAN SOUTH DISTRICT, GHANA

BY

ALEXANDER FERKA (B.A MGT STDS, UCC)

A THESIS SUBMITTED TO THE INSTITUTE OF DISTANCE LEARNING, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION

JULY, 2011

CERTIFICATION

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

ALEXANDER FERKA

……………………………. ……………………….. ……………………
Student Name & ID Signature Date

Certified by:

CASSIUS AMOAKO

…………………………….. ………………………….. ……………………..
Supervisor's Name Signature Date

Certified by:

…………………………….. ………………………….. ……………………..
Head of Dept.'s Name Signature Date

ABSTRACT

The Ghanaian economy, like all developing economies, has about 52% of its population being women and mostly found in the rural areas (Asiama and Osei, 2008). Therefore there was the need to extend financial services to the rural communities in Ghana. This idea gave birth to the establishment of the Rural and Community Banks (RCBs) in Ghana. These banks targeted low income clients through the provision of small loans and other facilities like savings, insurance, transfer services to poor low-income household and microenterprises.

The Jaman South District, one of the deprived districts in the Brong Ahafo Region, was selected to study the impact of Microfinance Institution (MFI) on the livelihoods of women in the area. A case study was adopted for the study. Primary and secondary sources of data collections methods were used as two sets of questionnaires were administered in the study; one each for clients of the MFI and the officials of the MFI. Combinations of purposive and convenient sampling methods were used to select the MFI and the clients for the study.

The main findings were; that the presence of MFIs has contributed to large extend increased in access to credit and savings mobilization. This contributed in women's ability to improve their petty trading, hence increase in their income, and subsequently led to good health and education for their families, acquisition of assets and taking part in household decision making. Based on the findings it is recommended that financial education be intensified to educate women on financial services. Also more MFIs should be encouraged to establish their branches in rural areas.

DEDICATION

This thesis is dedicated to God, my Parents, Spouse, Son, family members and my friends who always inspired me in every step to accomplish this study.

TABLE OF CONTENT

LIST OF FIGURES

LIST OF TABLES

ACKNOWLEDGEMENT

First, I would like to thank God Almighty for giving me the grace and the opportunity to study a Masters Programme. I would also like to pass my appreciation, gratitude and thanks to my Supervisor, Mr. Cassius Amoako, S.Poly, for all the help, guidance and effort he put at my disposal to help me complete this work. Again I would like to thank the team at the Drobo Community Bank headed by Osei Kofi Emmanuel for making time to supply me the data for my work. My Auntie Ms Harriet Takyi, Lecturer KNUST, Mum, I am grateful to you for your advice and encouragement which inspired me to purse Masters Programme.

Secondly, I express great gratitude to my lovely wife and son, Leticia Okra and Oswald Kwabena Nyarko Ferka, for the love, support and care offered to me throughout the programme. I am also very much grateful to the following people, Kwaku Amofa S.Poly, Patrick Gyaase, Catholic University College, Dr. Mariwa Simon, University of Cape Coast, who have also contributed a lot in making this piece of work a successful one. I would also like to thank my friend Afful Emmanuel, National Service Person at Sunyani Municipal Assembly, who helped me extract the responses from the questionnaire. My special thanks go to my siblings, Yeboah Stephen Jnr. & Snr. Mrs Lydia Osei-Marfo, Owusu Clement, Evans Takyi Ankomah, Amankwa Francis, Regina Nyarko, Lawrencia Preprah, Tonny Nyarko Acheampong, Catharine Takyi and Manu Samuel for their support.

Finally, I would like to thank my parents, Nana Kofi Nyarko and Mad. Georgina Dapaah,for their support which have seen me to this far. God bless you. I also thank all the clients who sacrificed their time to respond to the interviews.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Microfinance is a broad term that includes deposits, loans, payment services and insurance to the poor. In general, this concept is understood as providing poor families with small loans to help them to engage in productive activities or expand their tiny businesses (Josily, 2006). Similarly, Microfinance as defined by (Asiama & Osei, 2007), encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients through the provision of small loans and other facilities like savings, insurance, transfer services to poor low-income household and microenterprises.

The concept of microfinance is not new in Ghana. Traditionally, people have saved with and taken small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Available evidence also suggests that the first Credit Union in Africa was established in Northern Ghana in 1955 by Canadian Catholic Missionaries. Susu, which is one of the current microfinance methodologies, is thought to have originated in Nigeria and spread to Ghana in the early 1990s. Microfinance has gone through four (4) distinct phases worldwide of which Ghana is no exception (Asiama & Osei, 2007). These stages are described below;

The provision of subsidized credit by Governments starting in the 1950's when it was assumed that the lack of money was the ultimate hindrance to the elimination of poverty;

The second stage involved the provision of micro credit mainly through NGOs to the poor in the 1960's and 1970's. During this period sustainability and financial self sufficiency were still not considered important; the third stage was the beginning of the 1990's formalization of Microfinance Institutions (MFIs) and Since the mid 1990's the commercialization of MFIs has gained importance with the mainstreaming of microfinance and its institutions into the financial sector.

Moreover, the study and practice of Microfinance in Ghana started in the 1970s when people from different occupational backgrounds agriculture, banking, commerce, anthropology, economics, public service, religion and social work decided to move into rural communities to study the dynamics of the local financial market in developing countries and to assess possible operational success of such Financial Institutions (Aglobitse, 2008).

To improve the socio-economic conditions of rural communities in Ghana, the Rural and Community banks were established in 1976 with the first rural bank in central region of Ghana. These banks play very important role in microfinance in the country. They were established specifically to advance loans to small enterprises, farmers, individuals and others within their catchment areas and also provide opportunity for people to save their excess monies.

It is gratifying to note that 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 & Osei, 2007).

Microfinance in no doubt has been beneficial to developing communities. People, with access to savings, credit, insurance, and other financial services, are more resilient and better able to cope with the everyday crises they face. Even the most rigorous econometric studies have proven that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets.

1.2 Problem Statement

Microfinance Institutions (MFIs) ultimately measure their success by the impact they have on their clients and their families, and on the communities in which they live. Despite a multitude of studies devoted to the topic, the impact of microfinance programs on the poor in developing countries remains an intensely debate issue. Taken as a whole, the evidence is not conclusive, for example, Sachs (2009) in his research found that microfinance may not be appropriate in every situation especially as one size fit all strategy in poverty alleviation and empowerment. He explained that the poor governance infrastructure, dispersed population in the rural areas and gender inequalities hinder the potential benefits of microfinance in Africa.

In a study in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Alfred (2007) found that microfinance does not in itself empower women. Rather, it provides a catalyst for women clients to (re)create for themselves acceptable social spaces within their hitherto hegemonic gender relations. Such a contention also stem from the emerging questions on the usual optimism with which development and or microfinance interventions are evaluated by taking beneficiaries as mere recipients of interventions. Yet, they too partake in the transformation of interventions into an acceptable and meaningful life in line with their contextual aspirations.

Moreover, Wright (2000) states that much of the scepticism of MFIs stems from the argument that microfinance projects fail to reach the poorest, generally have a limited effect on income drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from more pressing or important interventions such as health and education (Wright, 2000).

There have been so many attempts in the past to solve or reduce poverty and empower women in rural Ghana. We have had the Structural Adjustment Programme and Economics Recovery Programme all aimed at increasing the welfare of the people in urban and rural areas. We have also had microfinance programmes such as Rural Finance Project (RFP), Rural Financial Services Project (RFSP) and Microfinance and Small Loan (MASLOC.). They all aimed at the provision of small loans to small and medium scale enterprises (SMEs). We have also had so many different models which were geared towards poverty reduction and improve the lot of rural women. However, Poverty in Ghana, like in most developing countries, is predominantly a rural phenomenon. It is one of the millennium developments goals and therefore it is expected to play good role in improving the livelihood of the poor who are mostly women and live in developing countries.

The issues at stake now is not about how many microfinance programmes implemented in Ghana or how many MFIs are found in Ghana, but it is about what they are supposed to do. The issue is, are these MFIs and their programmes having any impact on the lives of people in the areas where they are operating? Has the poverty level reduced in those areas as has been trumpeted to be the miraculous nature of microfinance? What are the answers to these questions? It is for this reason that this study is being undertaken.

1.3 Objectives of the Study

The objectives of this study are;

1. To examine accessibility to micro-credit by rural women.
2. To assess the role of microfinance services in developing women's savings habit.
3. To assess the role of microfinance services in improving women's income.
4. To assess the impact of microfinance on raising women's participation in household decision-making.

1.4 Research Questions

1. Does access to micro-credit facility impact on the businesses of the rural woman?
2. What role does MFI play in developing women's savings habit?
3. What role does microfinance play in improving women's income?
4. What impact does access to microfinance has on raising women's participation in household decision?

1.5 Significance of the Study

With women constituting nearly half of the population of Ghana, this cannot be done without mobilizing the energy, talents and capabilities of this important section of the population and empowering them. In this regard, it is argued that micro-finance as a development strategy is able to give room for women's participation in socioeconomic development. However, very few studies have been done to establish the link between microfinance and women's economic empowerment. Even the studies conducted earlier have mainly focused on Ghana, and very few on rural communities. Nevertheless, as a matter of fact, the majority of the Ghanaian population lives in rural areas, therefore, research results that do not give adequate consideration to the rural society could not be judged as representative.

This study investigates the impacts of microfinance on women's livelihood change in Jaman South which consists of 52 towns and villages. Thus, the study would gather basic pieces of evidence, which shall also serve as inputs for researchers and policy makers who may further wish to consider the subject matter of this investigation in the future. Understanding whether or not microfinance services are really effective in economically empowering women has important policy implication. In this regard, the study made important findings regarding the role of microfinance in the economic and financial empowerment of rural women.

1.6 Scope of the Study

The study is to find out the impact of microfinance on the livelihood of women in Ghana. The research was limited to Jaman South District because the researcher stays and works in the district. There are various MFIs in the District, but the research covered the Drobo

Community Bank and its clients, because the Drobo Community Bank is the only bank established by the people with its headquarters at Drobo the District capital.

In terms of context, the study covers: deposits and access to credit; the effects of credit on women's income and their ability to participate in household decision making. In relation to time scope analysis will be limited to the period between 2006 and 2011. However, where necessary, references would be made to earlier date.

1.7 Organization of the Study

The study is presented in five chapters:

Chapter 1 shows briefly, background and general introduction to the study, the problem statement and objectives of the study. Chapter 2 takes a look at the theoretical framework and reviews related literature concerning the study. Chapter 3 gives an explanation of the research process and the methods adopted for collecting and analyzing data. Chapter 4 deals with analysis of the data. Chapter 5 presents a summary as well as conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter gives the review of definitions of terms in the field of microfinance sector in Ghana various theories in microfinance and structures involved in the delivery of microfinance. It focuses more on rural banks and their role in empowering rural women. Given the international community's commitment to the goal of halving world poverty by the year 2015, it is imperative to understand the ways in which finance contributes to economic growth poverty reduction and women livelihood change and to design effective policies that can make that contribution a reality.

It is therefore worthwhile to develop mechanisms for enhancing economic viability of the rural entrepreneurs through the acquisition of institutional credit and other enabling conditions necessary to achieve socio-economic growth in Ghana and to attain a middle income country status by 2015.This work cannot be complete if literatures on empirical evidence of the impact of microfinance are not review. The scope of the empirical review of existing literature will be based on evidence from outside Africa, evidence from some African countries and finally that of Ghana. Discussions in the chapter also covered the challenges and or constraints of women development in Ghana.

2.1 Definitions and Concepts of Microfinance

Microfinance is the provision of financial services to low income poor and very poor self-employed people (Otero, 1999). These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner, (2001) support this view by defining 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.

Moreover, Microfinance is an economic development approach that involves providing financial services, through institutions, to low income clients. The services provided by the Microfinance Institutions (MFIs) include credit, savings and insurance services. MFIs also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives. Further, Microfinance Institution (MFI) is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self employment activities. An MFI is usually not part of the formal banking industry or government. It is usually referred to as Non-Government Organization (NGO).

Related concepts to Microfinance are micro savings; micro insurance and MFIs. They are briefly explained in the subsequent paragraph.

Micro Savings is also a microfinance service that allows impoverished individuals to safeguard money and other valuables items and even earn interest. It allows a lump sum to be enjoyed in future in exchange for a series of savings made now (Arytery, 2008). Micro Insurance is also a component of microfinance. It is therefore not surprising that Micro Insurance is an important service in every aspect of life. It is the provision of insurance to low income households. Poor households are especially vulnerable to risk, both in the form of natural calamities as well as more regular occurrences of illness and accidents. Microfinance Institutions (MFIs) have played an active role in reducing or protecting the low income earners against this vulnerability. This is done by providing credit for increasing income earning opportunities and through providing savings services to build up resources that can be drawn down in cases of emergencies.

In this literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha(1998) states that "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services such as savings and insurance". Therefore microcredit is a component of microfinance in that it involves the provision of credit to the poor, whilst microfinance add on non-credit financial services such as savings, insurance, pensions and payment services (Ayertey, 2008).

Further, microfinance as a product has several characteristics some of these as identified by Mohammed & Mohammed (2007) are that "they entail little amounts of loans which are given to individuals and groups to help them start some income generating activities". Secondly "they involve little savings over time as it serves as security for poor households and also help them accumulate substantial capital to overcome their capital constraints". Thirdly, "the loans which are given out are a short term loans, usually up to one year. Payment schedules are usually on weekly basis and installments which combine both principal and interest, and are amortized in course of time". Finally, "easy access to the microfinance intermediary saves time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status".

Moreover, in terms of application the clients need not go through the cumbersome procedures which are required in the traditional commercial banks. There is also short processing periods between the completion of the application and the disbursement of the loan. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. The clients who pay on time become eligible for repeat loans with higher amounts.

It is worthy to note that the literature reviewed two main approaches to microfinance as identified by Morduch (1999) and they are explained in subsequent paragraphs.

2.2 Approaches of Microfinance

There are two main diverse approaches of microfinance in the literature. These are the welfarist approach, also called the direct credit approach, and the institutionalist approach also called financial market approach (Morduch, 1999).

2.2.1 Welfarist Approach

The welfarist approach focuses on the demand side, which is to say on the clients. This approach support the idea of subsidizing microcredit programmes in order to lower the cost for the microfinance institutions so they can offer low interest rates on their loans (Morduch, 1999). The performance of the MFI's are measured through household studies with focus on the living standard of the individuals; number of saving accounts, number of loans, productivity improvement, incomes, capital accumulation, social services such as education and health as well as food expenditures (Congo, 2002).

Welfarist argues that MFIs can achieve sustainability without the institutionalist definition of self-sufficiency (Woller, Dunfield, & Woodworth, 1999). They further argue that gifts, for instance subsidies, from donors serve as a form of equity, and as such the donors can be viewed as investors. Unlike investors who purchase equity in a publicly traded firm, MFI donors do not expect to earn monetary returns. Instead, these donor-investors realize an intrinsic return. These donors can be compared to equity investors who invest in socially responsible funds, even if the expected risk-adjusted return of the socially responsible fund is below that of an index fund. These socially responsible fund investors are willing to accept a lower expected return because they also receive the intrinsic return of not investing in firms that they find offensive.

2.2.2 Institutionalist Approach

The institutionalist view of microfinance argues that an MFI should be able to cover its costs with its revenues. Institutionalists feel self-sufficiency leads to long-term sustainability for MFIs, which will facilitate greater poverty alleviation in the long-term. The institutionalist argument is consistent with Congo (2002) who discusses historical cases in an attempt to identify the institutional designs that facilitated success and sustainability for 19th century loan funds in the UK, Germany, and Italy.

Secondly, the institutionalist approach criticizes subsidization because it leads to high, unpaid rates and transaction costs, which have led to the failure of many microcredit programmes. They mean that it is not sustainable for the MFI's to be subsidized and that the subsidies lead to an inefficient allocation of the financial resources. The economists supporting this view mean that the welfarists make the wrong assumptions when they say that the repayment interest rate must be low, because the clients are not creditworthy and unable to save and that commercial banks could not survive in rural areas because of the high costs of offering financial services to poor households.

The Institutionalist view of self-sufficiency as a requirement for MFI sustainability seems untenable until one realizes that there appears to be a trade-off between self-sufficiency and targeting. Most MFIs which have proven self-sufficient have tended to loan borrowers who were either slightly above or below the poverty line in their respective countries (Morduch, 1999). These MFIs are able to capture economies of scale by extending larger loans to the marginally poor.

Those who support subsidization tend to put much greater social weight on consumption by the poor, assume highly sensitive credit demand to interest rates, low impacts or perhaps negative impacts of interest rates on returns, moderately high, but not extremely high, returns to investments by poor households, and small or beneficial spillovers onto other lenders. Despite the lack of evidence, experienced practitioners on both sides of the debate hold their views strongly.

2.3 Models of Microfinance Interventions

MFIs employ wide variety of implementation methods to reach their clients. These methods are called models of MFI. The Grameen Bank has identified fourteen different microfinance models of which the research focused on three in the literature. They are; Rotating Savings and Credit Association (ROSCAs), the Grameen Bank and the Village

Banking models, as these are the three microfinance models that are mostly practice in Ghana.

2.3.1 Rotating Savings and Credit Associations

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbours and friends, and the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go-rounds or Self-Help Groups (Yunus, 1999).

2.3.2 The Grameen Solidarity Group model

This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ledgerwood, 1999). According to Berenbach & Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organisations such as the Grameen Bank, who use this type of microfinance model. They also highlight the fact that this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Yunus, 1999).

2.3.3 Village Banking Model

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Hulme, 1999). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The loans are backed by moral collateral thus the promise that the group stands behind each loan (Global Development Research Centre, 2005).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Hulme (1999) the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

2.4 Overview of Microfinance in Ghana

Prior to formal banking systems in Ghana, many of the poor, mainly women, and those in rural communities relied heavily on informal banking services and the semi-formal savings and loans schemes(Egyir, 2010). Cooperatives, especially among cocoa farmers of the 1920s, engaged in thrift and credit. The mission of the informal microcredit organizations or microfinance services in Ghana was to provide social and economic support for the less advantaged, especially rural women and their families (Egyir, 2010). For some, known as Susu, there were weekly meetings, each woman donates a set sum of money to a common pot that is given to one woman each week. When there is an emergency, a participant can withdraw out of turn; otherwise the pot is rotated uniformly until all members are served.

Credit unions were introduced in 1955 when the then Father Peter Poreku Dery, a Catholic priest founded a cooperative credit union in Jirapa in the Upper Region, now Upper West Region, of Ghana. It followed the German concept developed in 1846. The objective of the credit union was to encourage thrift and savings among member farmers, traders, processors and non-agricultural workers for productive ventures to improve the socio-economic lives of the people. Today, there are 28 African countries where the credit union idea operates. A credit union enables the poorest in a community to save and access loans for income generating activities (Egyir, 2010).

Cooperative Credit Unions were expected to take over some of the lending being done by moneylenders. A number of government financed loans schemes were instituted in the late 1950s with the same aim as well as the general aim of making more finance available for local development. Then in the 60s special banks, National Investment Bank and Agricultural Development Bank, were established. Commercial banks, notably the Ghana Commercial Bank, also operated rural credit schemes. But rather than giving credit to rural producers, these banks were draining the rural areas of savings, which were invested in the commercial and housing sectors in the urban areas (Asiama &Osei, Egyir, 2010).

The need for rural banks arose by the turn of the 1970s. It had become clear that existing formal financial institutions, formed with the goal of replacing the perceived harmful informal operators, especially moneylenders, are not meeting the financial need of the rural poor. The intermediating credit to the rural sector of the economy upon which Ghana's agricultural economy depends; currently contributing 38% of GDP had also been failing to achieve their objectives. Therefore the first rural bank in Ghana was founded in July 1976 at Agona Nyaakro in the Central region of Ghana. A rural bank is a community owned and managed bank that is mandated to operate within a catchment area of 25 kilometres from its headquarters (Asiama & Osei, 2007). Rural banks have the following objectives:

1) Mobilizing rural savings;

2) Offering credit and other banking services to rural producers;

3) Being an instrument of rural (local) development; and

4) Contributing towards national development.

As more rural and community banks (RCBs) came into operation, the Association of Rural Banks (ARB) was formed to represent and seek their interest. The RCBs were regulated and supervised by the central bank, Bank of Ghana (BoG), from which they also received technical support through the ARB, until an Apex Bank was established in 2nd July, 2002 to play the role that the BoG had been playing. Up to 2002, the reserve requirement of RCBs was set as high as 62%, to enable them benefit from the high yields on sovereign securities and improve their financial standing. This has subsequently been brought down to the current level of 8% in the form of primary reserves plus 5% deposit with ARB Apex and a 30% secondary reserve (Egyiri, 2010).

Thus, rural banks currently need to have 43% of their assets in the form of liquid assets. With the downturn of the Ghanaian economy in the late 1970s and early 1980s, the government in 1983 started implementing a Structural Adjustment Facility from the International Monetary Fund (IMF) to reform key sectors of the economy. By 1986 it was widely accepted that reforms were needed to encourage the development of the financial sector in order to deepen financial intermediation and create new investment instruments, as well as encourage the establishment of new financial institutions that would all go to make the economy much more competitive in the world economy (Asiama & Osei, 2007). The liberalization of the system therefore could not have come at a more opportune time.

As part of the reform program to strengthen banks, their non-performing assets were taken off their books and turned over to a new body, the Non-Performing Assets Trust (NPART), to pursue and restructure. A number of new banks were established from the mid 1990s, formal and semiformal microcredit institutions including Women's' World Banking and Citi Savings and Loans (Asiama & Osei 2007, Egyir, 2010).

Globally, modern microfinance dates from the mid-1970s. Professor Muhammad Yunus of Bangladesh is widely regarded as the leading innovator. He had the idea of making loans available to the very poor, especially women. He started the Grameen Bank Project in 1976, and transformed it into a bank in 1983. According to the bank, in 2005 it had nearly 6 million borrowers 96% of them women and almost 2,000 branches in some 64,000 villages in Bangladesh. The repayment rate of loans was 95 percent as of 2008, and the bank had earned a profit every year since its establishment 30years ago

(Mohammed & Mohammed, 2007). Given the success of the Grameen Bank approach, it has become a model for most microfinance institutions worldwide. Microfinance institutions in Ghana that employ the Grameen Bank model had over 1.5 million borrowers in 2000 (Egyir, 2010).

2.4.1 Government Involvement in Microfinance in Ghana

In 1959 government instituted loan schemes for rural and agricultural ventures, as these areas were not being served well by commercial banks, such as the Barclays' Bank, Standard Chartered Bank and Ghana Commercial Bank, which focused on the urban areas at the expense of the rural areas. Rural people found the size and bureaucracy of commercial banks, particularly the demand for written documentation, to be unfriendly; they also had difficulty meeting the demand for collateral security. Thus, these banks were regarded as structurally biased against the rural poor. The Bank of Ghana Act (1964) established, among others, the Rural Banking Department. In order to address this state of affairs the Agricultural Credit and Cooperative Bank was established in 1965, and the Agricultural Development Bank was established in 1967. For all banks prior to 1986, the policy was providing low interest rate to the rural and agricultural sector and increase proportion of portfolio to agricultural sector (Asiama & Osei 2007, Egyir, 2010).

Furthermore, the Bank of Ghana drew on the experience of RCBs in the Philippines and the Netherlands and decided to promote the establishment of such banks in Ghana. Consequently, the first rural bank was established in 1976 as stated earlier. Many more have been established since then, with the total number being 126 at the end of 2008 (Egyir, 2010). Over the years RCBs have been used by government and development partners, thus, US, Japan, France, Germany, and the UK, among others for channelling credit to micro and active poor entrepreneurs. Women's groups, particularly those in agro processing and farming, were encouraged to participate in microfinance schemes implemented by the National Commission of Women and Children (governmental) and the 31st December Women's Movement (a non-governmental organization).

The main laws that guide the conduct of financial institutions are the, Banking Law of 1989 and Non-Banking Financial Institution (NBFI) Law of 1993. All formal banks and financial institutions are licensed by the BoG. Whereas banks and RCBs operate under the Banking Law, NBFIs like Savings and Loans Companies and Credit Unions operate under the NBFI Law. Credit Unions, however, are not regulated by the BoG, but by the Credit Union Association (CUA), which acts as a self-regulatory apex body (Egyir, 2010).

As part of the new decentralized local government system instituted in 1992, the district assemblies' common fund was created with one of its aims being poverty alleviation. Women's groups were to be targeted. The Ministry of Women and Children Affairs was created in 2001, and soon thereafter a fund for women's groups was established. It is widely believed that the decision to create the fund was in reaction to the Gender and Agricultural Strategy (1999), the National Gender Policy (1998); and in direct response to the gender mainstreaming agenda of the Ghana Poverty Reduction Strategy (I) and Millennium Development Goal three (MDG3) (Aryeetey, 2008). In 2005, government created the Micro and Small Loans Centre (MASLOC) to intervene in the micro and small enterprise sector to enhance access to credit by groups and individuals for business expansion. Although no official records have been obtained, it is well known that the target of micro entrepreneurs in groups has led to a high level of inclusiveness by women micro service providers, particularly wholesale and retail traders of food and non-food commodities.

2.4.2Microfinance and its Impact on Economic Development

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development; it helps very poor households meet basic needs and protects against risks, is associated with improvements in household economic welfare, and helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999) illustrates the various ways in which microfinance, at its core combats poverty. She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty (Otero, 1999). By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) stated that "the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure". By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

More recently, commentators such as Littlefield, Murduch & Hashemi (2003), Simanowitz & Brody (2004) and the IMF (2005) have commented on the critical role of microfinance in achieving the Millennium Development Goals. Microfinance is a key strategy in reaching the MDGs and building global financial systems that meet the needs of the poorest people (Simanowitz & Brody, 2004). Littlefield, Murduch & Hashemi (2003) again state that "microfinance is a critical contextual factor with strong impact on the achievements of the MDGs". It is unique among development interventions. It can deliver social benefits on an ongoing, permanent and on a large scale basis. Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (Littlefield, Murduch & Hashemi, 2003).

However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty (Hulme & Mosley, 1996). They acknowledged the role of microfinance in helping to reduce poverty, in their research on microfinance, and concluded that most contemporary schemes are less effective than they might be (Hulme & Mosley, 1996). They further stated that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996) finds five major faults with MFIs. He argues that: MFIs encourage a single-sector approach to the allocation of resources to fight poverty; microcredit is irrelevant to the poorest people; an over-simplistic notion of poverty is used; there is an over-emphasis on scale and there is inadequate learning and change taking place.

Wright (2000) states that much of the scepticism of MFIs stems from the argument that microfinance projects fail to reach the poorest, generally have a limited effect on income drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, Wright (2000) says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from more pressing or important interventions such as health and education (Wright, 2000). As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They stated that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.

Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury, Mosley & Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of poverty, how it is measured and who constitute the poor are fiercely contested issues (Sinha, 1998).

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some, such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 dollar a day (World Bank, 2003).

2.4.3 The Impact of Microfinance on Poverty

As argued in the preceding sub-heading, there is a certain amount of debate about whether impact assessment of microfinance projects is necessary or not (Simanowitz, 2001). The argument is that if the market can provide adequate proxies for impact, showing that clients are happy to pay for a service, assessments are a waste of resources. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001).

Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is significant difference between increasing income and reducing poverty (Wright, 1999). He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends on what the poor do with this money, oftentimes it is gambled away or spent on alcohol (Wright, 1999). So focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to sustain a specified level of well-being (Wright, 1999) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murduch & Hashemi (2003) "various studies document increases in income and assets, and decreases in vulnerability of microfinance clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty. For instance, a report on a share project in India showed that three-quarters of clients saw significant improvements in their economic well-being and that half of the clients graduated out of poverty (Murduch & Hashemi, 2003).

Dichter (1999) says microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is generally well below expectation he does however, conceded that some positive impacts do take place. He further explained that from a study of a number of MFIs it emerged that consumption smoothing effects, redistribution of wealth and influence within the household are the most common impact of MFI programmes.

Hulme & Mosley (1996) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the middle and upper poor (Hulme & Mosley, 1996). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (Hulme & Mosley, 1996).

Mayoux (2001) states that while microfinance have much potential the main effects on poverty have been: credit making a significant contribution to increasing incomes of the better-off poor, including women and microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They stated that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

2.4.4 Impacts of Microfinance on Livelihoods

The impact of MF on livelihoods is focused in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. The provision of MF can assist the poor find the means to protect their livelihoods against shocks and to build up and diversify their livelihood activities (Johnson & Rogaly, 1997). Chowdhury, Mosley & Simanowitz (2004) argued that if MF is to fulfill its social objectives of bringing financial services to the poor, it is important to know the extent to which its wider impacts contribute to poverty reduction. Social networks play an important part in helping clients escape from poverty. Access to social networks provides clients with a defense against having to sell physical and human assets and so protect household assets.

A study of 16 different MFIs from all over the world pointed out that having access to MF services have led to an enhancement in the quality of life of clients, had increased their self confidence, and had helped them diversify their livelihood security strategies and thereby increase their income (Robinson, 2001). Health care and education are two key areas of non-financial impact of MF at a household level. Wright (2000) stated that from the little research that has been conducted on the impact of MF interventions on health and education, nutritional indicators seem to improve where MFIs have been working. MF interventions have been shown to have a positive impact on the education of clients' children because one of the first things that poor people do with new income from micro-enterprise activities are to invest in their children's education (Littlefield, Murduch & Hashemi, 2003).

Moreover, women empowerment is a key objective of MF interventions. Women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. MFI cannot empower women directly but can help them through training and awareness rising to challenge the existing norms, cultures and values that place them at a disadvantage in relation to men and to help them have greater control over resources and their lives Kabeer, quoted in (Mosedale, 2003). Littlefield (2003) stated that access to MFI can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

Hulme & Mosley (1996) also made this point when they referred to the naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women. MF projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously (Hulme & Mosley, 1996). However, Chowdhury & Bhuiya (2004) found that violence against women actually increased when women joined the program, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger. The question is whether some constraints affected the accession to the MF program of women or not. By providing material capital to a poor people, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

It helps to empower women by supporting women's economic participation and so promotes gender equity. Based on various case studies, they show how MF has played a role in reducing poverty, promoting education, improving health and empowering women. Concerning financial assets, MF contributes to enhance financial capital of livelihoods assets, which can be converted into other types of capital and be used for direct achievement of livelihoods outcomes (DFID, 1999).

MF also contributes to building up physical assets. According to Marconi & Mosley (2004), clients reflected significant increases in ownership of livelihood assets such as livestock, equipment and land. They stated that this should not be surprising as poorer clients are more risk averse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock (Marconi & Mosley, 2004). MF creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty (Otero, 1999).

Table 2.1 shows the impact of microfinance on the livelihood of women on the basis of economic and social impact

Table 2. 1 Impacts of Microfinance on Livelihoods

Financial Service	Economic Results	Social Impacts
Acceptance of Savings	❖ Earned income from savings ❖ Capacity for future self investments ❖ Enables consumption Smoothing ❖ Ability to face external Shocks ❖ Decreased need to borrow money from informal sources at high interest rates ❖ Encourages purchase of productive assets ❖ Improved/balanced allocation of resources ❖ Increased economic opportunities and growth	❖ Reduced vulnerability due to natural and external shocks ❖ Household consumption more predictable ❖ Higher earned income from interest rates ❖ Feelings of the severity of poverty and desperation reduced ❖ Reduced social exclusion due to improved living conditions and quality of life ❖ Social, political, and economic empowerment ❖ Potential increase in wellbeing of women
Credit Availability	❖ Encourages profitable investment opportunities ❖ Encourages entrepreneurship ❖ Adoption of better technology ❖ Expansion of existing micro-enterprises ❖ Promotes safe risk-taking ❖ Enables consumption Smoothing	❖ Higher household income ❖ More diversified income sources ❖ More predictable income ❖ Better educational opportunities for children ❖ Reduced severity of poverty ❖ Reduced social exclusion ❖ Social, political, economic, and personal empowerment
Insurance Services	❖ More financial assets saved ❖ Reduced risks and losses ❖ Increased investments ❖ Reduced distress from unpredictable shocks	❖ Less volatile consumption patterns ❖ Greater income due to more investments ❖ Greater personal and economic security
Payments/Money Transfers	❖ Facilitates more open trade and investments ❖ Reduces dependence on informal money sources ❖ Diversification of household economic activities	❖ Greater income, cash mobility ❖ Higher overall consumption

Source: Asian Development Bank (2011)

2.4.5 Microfinance and Livelihoods of Rural Women in Ghana

Whether microfinance services have created significant changes in the livelihoods of rural women or not is discussed from two dimensions (Akudugu, 2009). The first dimension is the opportunity created by the microfinance institutions for people to save, borrow or engage in other financial activities such as insurance and money transfer. The second dimension is the application of proceeds due from access to credit into production. A major guiding principle of rural banks, credit unions and microfinance institutions that were established with financial and human capital from rural people is that the rural people would participate in the administering of credit to themselves. Such participation in loan decision-making and repayment is expected to result in efficient and effective intermediation of credit and enables the institutions to serve the microfinance needs of their catchment areas. These institutions do not exclude women from participating. In fact most of them mainstream gender issues are their priority. Many analyse the roles males and females play in communities and target the disadvantaged, who more often than not are women.

In spite of the participation of rural people in the establishment and administration of these institutions, a study has shown that about 78 percent of rural households do not have access to financial services. This figure appears large, unless it is understood that those who do not have access include those who have never attempted to participate in the financial system as well as those who attempted and failed. These categories of people are considered as having limited access to microfinance services due to certain fears.

Their fears were usually based on wrong information or perceptions they hold about the financial institution. In a recent survey by CMA (2008) only 11.5 percent of the women respondents who have attempted to borrow have failed. Those who sought information and made attempts were largely successful (70%). Out of those who were successful, many were given the full amount they applied for (72.5%); only a few were not given the full amount applied for (27.5%).

The issue of effectively educating rural women to understand the financial systems becomes critical (Akudugu, 2009). The perceptions people hold about a system has been found to influence the decision to participate in it. When people are not well informed they can act in ways that are not beneficial to their livelihoods. For instance, a study by Akudugu in (2009) showed that women in the Upper East region who perceived that high education is a requirement for accessing credit from financial institutions were less likely to be successful when they attempt to access credit.

Similarly, those who perceived that the application procedure was cumbersome, that there was difficulty in accessing land for cultivating cash crops, that the interest rate was high, the distance to bank was far that banks would refuse credit to women with low income levels, or have small farm sizes, grow no cash crops, have no previous bank savings, and were not members of economic associations, were less likely to be successful with loan application. This is because such applicants refuse to seek further clarifications on the workings of formal financial institutions, or fail to alter behaviour and therefore resign themselves to their fate.

Those who learn from financial information they received are those who are encouraged to save and receive credit later or are given credit and encouraged to save during repayment. The survey results indicate that, many women have received about

GH¢500.00 because of the mere fact that they engaged in micro enterprises and participated in financial literacy meetings organized by microfinance institutions. Sometimes the actual financial needs of the micro-entrepreneurs are not adequately assessed and the monies they are given are far below what is needed to spur investment and growth.

What is of key interest though is that, whether credit is rationed or not, many of the women who learned and have associated with microfinance institutions have indicated that they have benefited somewhat from their association with the micro-financial system to a large extent. It is noted that the women who said their livelihoods have been influenced are of varied backgrounds: Age, marital status, family size, educational level, occupation, scale of operation, farm size, religion, ethnicity, and location, remote rural versus close to urban. Over 70 percent of women respondents said when they borrowed micro-funds they used most (60%) of it for working capital or investment capital and the gains from investment, albeit small, have increased family food supply, supported child education, medical care and occasionally led to the establishment of new micro enterprises.

2.4.6 The Role of Women in the Ghanaian Society

More than half of the Ghanaian population (nearly 52%)-like elsewhere in sub-Sahara Africa- is made up of women who are responsible for the majority of the household work such as provision of health care, food and water, they also have greater influence on population growth rate, infant mortality and children's education and nutrition, yet, women lack equal opportunity to education, credit facilities, technology, employment, administrative roles and political powers, despite the profound and pervasive effort they have on the well being of their family and community (Aryeerey, 2008). Men's dominant power position over women stems and emanates from the traditional socialization and from their position as the breadwinners for the family. This give men uncompromising power position within the family decision making structure (Aryeetey, Asiama & Osei, 2008).

One of the social problems characterized by these societies/countries, just like any society in the world, is persistent discrimination and marginalization over women by men in all sphere of live such as in the field economic, political, social, and cultural and what have you. Paradoxically, history tells us that, women in Ghana particularly within the Akan traditional system wielded a lot of power through the queen-mother. The Akan traditional Administrative system assign the queen-mother very important political roles; she has the traditional right of nominating the chief for a particular Akan community. In the event of misconduct on the part of the chief, she has the power to 'destoolment', that is to relieve him of his post, upon consultation of other elders of the community. And above all, the system saw women as the traditional 'think tank' which manifest in the role they played by the legendary Old Women. The Legendary Old Woman is believed to be all-knowing and wise and therefore should be consulted in times of deadlock in any social forum. The proactive role of women in this traditional system indeed attracts very high social respect and recognitions.

2.5 Other Studies into Microfinance

In 1991/92 the World Bank surveyed 1769 households from 87 villages that were randomly chosen. They surveyed households within three different microcredit banks; BRAC (Bangladesh Rural Advancement Committee), Grameen Bank and BRDB's

(Bangladesh Rural Development Board) RD-12 project and households that were not participants in any programme. The villages that were randomly chosen had been within the project for at least three years and the survey was made during three different seasons. The same households were used for the follow-up survey made in 1998/99.

During this survey some new households were included and the sample of households reached 2599. The programme participant's poverty level reduced by 20 percent whereas the poverty for the nonparticipants reduced by 15 percent (Khandker, 2003). The overall reduction in extreme poverty was 12 percentage points between 1991/92 and 1998/99. He also looked at the consumption rates and could see that the consumption level had increased for participants in comparison to non-participants.

Secondly, the results by Coleman (2001) & Madajewicz (1999) have a similar structure in that they show the large influence of wealth. While the authors found negative or insignificant effects if averages are considered, there are significantly positive effects for groups with high wealth (Coleman, 2001) and individual loans or low wealth group loans (Madajewicz, 1999).
According to Madajewicz (2003) the mean profits of this group are higher than those of eligible households in villages without a programme by 280 taka, or 37% of the average profits in villages without a programme. The difference suggests that group loans do increase profits; however it is not statistically significant. Mosley (2001) & Copestake, Bhalotra, & Johnson (2001) used the sample survey and the case study approaches to assess the impact of micro-loans in Bolivia and Zambia, respectively. Both found a positive impact of loans on the clients' economic situation and Mosley also founds

evidence for poorer clients benefiting less because they prefer low-risk and low-return investments.

Furthermore, Remenyi & Quinones (2000) found that household income of families with access to credit is significantly higher than for comparable households without access to credit. They further found that in Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non-borrowers (control group).

Similarly, In a Uganda study, although no findings were reported on the level of poverty between client and non-client households, total expenditures on education, business and household assets, remittances to rural households, and agricultural inputs used a proxy indicator of the relative poverty or wealth level of client and non-client households. Client households on average spent 35% more than non-client households. Borrower households spend 38% more on education than non-client households and have an average an extra year of education.

Moreover, a study in Ghana and South Africa by Afrane (2002) indicates that although microfinance programmes have every potential to improve the conditions of beneficiaries, they also tend to create disturbing negative impacts if necessary counteracting measures are not taken. The challenge, therefore, to MFIs is to be mindful of these negative tendencies so that appropriate steps can be taken to minimize these effects as much as possible in the design of credit.

He found that a comparison of the impact situations in both countries reveals that the impact trends and levels were not all that different. However, both positive and negative impacts observed in South Africa were more extreme than those of Ghana. For instance, South Africa scored an overall positive impact of 56% as compared with 50% in Ghana. On the negative side, the figures were 7.6% and 3.3% for South Africa and Ghana, respectively. In addition, the level of negative impacts with respect to the social and spiritual indicators was more pronounced in South Africa than in Ghana. He suggested that the trend may be attributed to the different socio-cultural and economic situations in both countries. In South Africa, where level of sophistication and inequalities are higher, more extreme impact results are likely to occur than Ghana.

Afrane (2002) concluded that the two impact studies have established that microfinance projects have impacted the businesses and lives of the beneficiaries in several positive ways, particularly in their economic circumstances and access to essential life-enhancing facilities and services.

The studies established that 43% and 44% of the enterprises sampled in Ghana and South Africa, respectively, took on new workers. In addition, the total number of people employed by the enterprises surveyed increased by 46% and 49%, respectively, for SAT and SOMED. About 20–25% of these employees comprised unpaid family labor. This applied particularly to the home-based enterprises Afrane (2002) was however quick to point out that microfinance projects in the two countries had some disturbing and unintended effects were observed in the social and spiritual dimensions of the lives of the clients. This implies that although microfinance projects are expected to generate positive impacts, in some cases, such projects tend to have some adverse effects, particularly on the social and spiritual lives of beneficiaries.

A report by Hishigsuren, Beard & Opoku (2004) on Client Impact monitoring some clients of Sinapi Aba Trust in Ghana also gave an empirical impact of microfinance. A total of 487 clients were sample. 71% were old clients, 25% were new clients and 4% were old clients who did not receive credit in their first cycle of loan. Out of the total sample 87% were women. The report showed that there was a significant difference in sales revenue for old clients and new clients. It was reported that there was no significant difference in Net profits, saving and expenditure on children education for old clients and new client. The report showed that remittance had a significant impact on the income of both old and new clients. Most of the clients were interested in the Training programmes offered by SAT. Only 0.4% of the clients complained about interest rate.

In order to make a meaningful research into Microfinance and its impacts on livelihood in Ghana, there is the need to review similar experiences of Microfinance in other countries. The researcher has reviewed the implementation of microfinance in Bangladesh and Ethiopia with specific microfinance institutions.

2.5.1Microfinance Experience in Bangladesh

Bangladesh has been the pioneer in the field of microfinance movement since its interception since 1980s. Today Bangladesh is the home to the most extensive microfinance operations in the world. Starting from the resource of few pennies and with the clients in double digit counts, microfinance movement gained such a momentum that it has not only made great strides in Bangladesh in delivering financial services to the poor , specially women, but also has become a pioneer in the developing world. There are many MFIs working in Bangladesh and in the other parts of world, which have differences in their organizational structure and working methodology, but they all work on the common theory, philosophy and goal. Many studies and surveys have been carried out by different agencies regarding the working of MFIs and their impact on the poor people in Bangladesh.

The agencies like Bangladesh Institute of Development Studies and World Bank have found strong evidence that functioning of MFIs have helped the people in meeting their daily needs and at the same time building their assets. It has been stated in The World Bank Economic Review that microfinance has not only helped people to develop in their material capital but also in the human capital, by better access to health care and education system, and general awareness among the people about their rights and duties towards society. One of the most important features has been the reduction of gender biased in the society. MFIs have helped women acquire assets of their own, educated them and thus gave them the right and power in the household decision making.

2.5.2 The Micro-finance Experience in Ethiopia

A study conducted on the Dedebit Credit and Saving Institution (DECSI); found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements over the last five years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also concluded that economic empowerment leads to social and political empowerment.

On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Borchgrevink et al, 2005).

The other study was conducted on OMO and SIDAMA micro-finance institutions' women clients in Awassa town, Southern Nations and Nationalities Peoples' Regional State. According to this study, a majority of the clients are involved in the making and trading of food, and food-related products. The study also witnessed there is no diversification in their business activity. The reason for this is that the production of food and related items trade involves less risk compared to other activities. The study further found that 92% of them are not very much aware that the savings are more important than credit to build their future. The researchers' explanation of this finding is that MFI's savings policy is only to cover the risk situation rather creating any element of thrift among the clients.

Nevertheless, the study argued that there is a good influence of micro credit on the urban women working groups in terms of income and self-employment generation. Furthermore, it also reflected in many cases in business improvements, decision making process and asset formation at low levels, and it is believed not sufficient (Padma & Getachew, 2004).

The importance of the micro and small enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share of employment and small capital requirement. These are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises (Gebrehiwot & Wolday, 2001).

In line with the development of micro-finance institutions, the Government of Ethiopia set up participatory rules and policies which gave space for women productivity. Padma & Swamy (2003) noted that, government has formulated and issued the Ethiopian Women's Policy to speed up the economic and social advancement of women. This policy gives special emphasis to rural women by 'facilitating the necessary conditions whereby they can have access to basic services and to ways and means of lightening their workload'. Consequently, all development programs at national and regional levels should be able to integrate gender concerns in their plans and programs to ensure that women participate, contribute, benefit, become recognized, and obtain technological support. Rural development programs need to reorient their implementation strategies so that they would target rural women as beneficiaries of development initiatives and programs. Within this framework, anti-poverty and women empowerment could be aspects of the major development strategies.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter pays attention to methods that were employed in the study, the target population, sample size and sampling techniques as well as the various and appropriate sources of data and how the data were collected. Also include the profile of the study area which includes Physical Characteristics, Population Size and characteristics of the study area.

3.2.1 Research Approach

The Case Study design was adopted in the study. This is because this method is mostly used for intensive study of individual unit. By adopting this approach, a single entity or phenomenon is explored, bounded by time and activity. Detailed information was obtained using a variety of data collection procedures during a sustained period of time. This method was used due to the fact that multiple sources of evidence were required.

3.2.2 Target Population

The target population comprises the 1684 microfinance women clients of Drobo Community Bank Limited (DCBL). The population encompasses people who have been engaged in microfinance activities for at least 6 years and live in Jaman South District, Ghana. We chose the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons of microfinance activities, so they can reflect better to our research.

3.2.3 Sample Size

This selection of Sample Size of the women clients of the DCBL was based on the formula below:

$$n=N\div(1+N\ (\alpha)\ 2)$$

<u>Sample Frame (Total Number of Microfinance women clients)</u>

Sample Frame (Total Number of Clients) = 1684

$$n = \frac{N}{1 + N\ (\alpha)\ 2}$$

Where;

n = Sample Size

N = Total Number of Microfinance Women Clients

A= Level of Confidence is 95 percent, this was chosen because the convenient method reduced the possibility of non-response drastically.

Therefore $n= \dfrac{1684}{1 + 1684\ (0.05)2} = \dfrac{1684}{5.21} = 323$

Therefore total of (323) respondents consisting of the microfinance women clients of the Drobo Community Bank were sampled from the target population. Customers sampled were those at Drobo and other communities' closer to the bank. This decision was taken as a result of the limitations due to time and cost constraints on the researcher.

3.2.4 Data Source

Information from both primary and secondary sources was collected. The primary source of data was obtained through questionnaire administered to respondents, Clients of the DCBL, as well the officials of the DCBL. Questionnaires were administered to clients of the DCBL after the whole purpose of the research study had been carefully explained to them. Interviews were also conducted with officials of the bank.

Secondary source was also required to understand the concepts, definitions, theories and empirical results. We used several books, research literatures, articles, journals and thesis, as secondary sources for the study. Internet source was also used as a secondary source for the thesis. Since the internet sources are less reliable, the researcher limited the use of those sources to the web pages of prominent organizations like Grameen Bank, Google, Apex Bank and Bank of Ghana. Further, the researcher also used handbooks and annual reports of some of the MFIs in Ghana and annual reports for the years 2003 to 2007 as well as Statistical Bulletin (February, 2008) were obtained from Bank of Ghana. All materials used are duly acknowledged.

3.2.5 Sample Methods

Combination of Purposive and Convenient sampling methods were employed in this study as the researcher was constrained by resources and time. Purposive method is a non-random sampling method which was used by the researcher to select the Drobo Community Bank Ltd (DCBL) for the study. The Convenient method was also used to sample the views of respondent who were ready and prepared to answer the questionnaire.

In this regard questionnaires were conveniently administered over a period of 3 weeks from 20th March to 9th April, 2011 to customers of the DCBL who had come to the banking premises to conduct business. Some questionnaires were also administered to some respondents at their various places of businesses as not all customers came to the premises of the bank to conduct business during the period. The population for the study encompasses the people who have been engaged in microfinance activities for at least 6 years and live in Jaman South District, Ghana. We interviewed the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons of its activities, so they can reflect better to the study.

3.2.6 Data Collection Instruments

The instruments used in data collection were Interview, Questionnaire and Observation. Data for the research was collected mainly through the administration of questionnaire to respondents. However due to the peculiarity of the study area the researcher occasionally conducted interview with respondents and also observe the impact of microfinance on clients livelihood. Two types of questionnaire were administered. One was administered to clients of DCBL and the other for the DCBL Officials. All sets of questionnaire contained open and closed-ended questions. The data collection procedure started from Drobo town, from where the microfinance activities started in the District, and continued to other parts of the District.

The questionnaire comprised of background questions about gender, age, education, number of family members and living standards, and questions related to income, saving, capital etc. Structured questions and some dichotomous questions were asked to collect the information from the respondents. The same context of questions were given to all interviewees and was received exactly the same interview stimulus. Questions were very specific with a fixed range of answers. Our structured questionnaire used multiple-choice questions in which the researcher providea a choice of answers and respondents were asked to select one or more of the alternatives, and dichotomous questions that were having only two response alternatives, yes or no.

Unstructured questionnaire were used to seek independent opinion of respondents. The researcher also used observation to find out physically how the microfinance activities have helped shape the livelihood of women with regards to the food they eat, growth in the petty trading and their role in the household decisions. Observational research findings are considered strong in validity because the researcher is able to collect a depth of information about a particular behaviour. However, there are negative aspects. There are problems with reliability. Reliability refers to the extent that observations can be replicated. Seeing behaviours occur over and over again may be a time consuming task. There are also problems with researcher bias. Often it is assumed that the researcher may see what they want to see. Bias, however, can often be overcome with training or electronically recording observations.

3.2.7 Data Analysis

The data obtained during the survey was analyzed using both qualitative and quantitative data analysis techniques. Quantitatively, data were coded, counted, categorized into tables and processed to provide frequency table and percentages using the Statistical Package for Social Sciences (SPSS – PC for windows, version 16.0). Qualitatively, information gathered from the interviews and observations were analyzed using descriptive analysis.

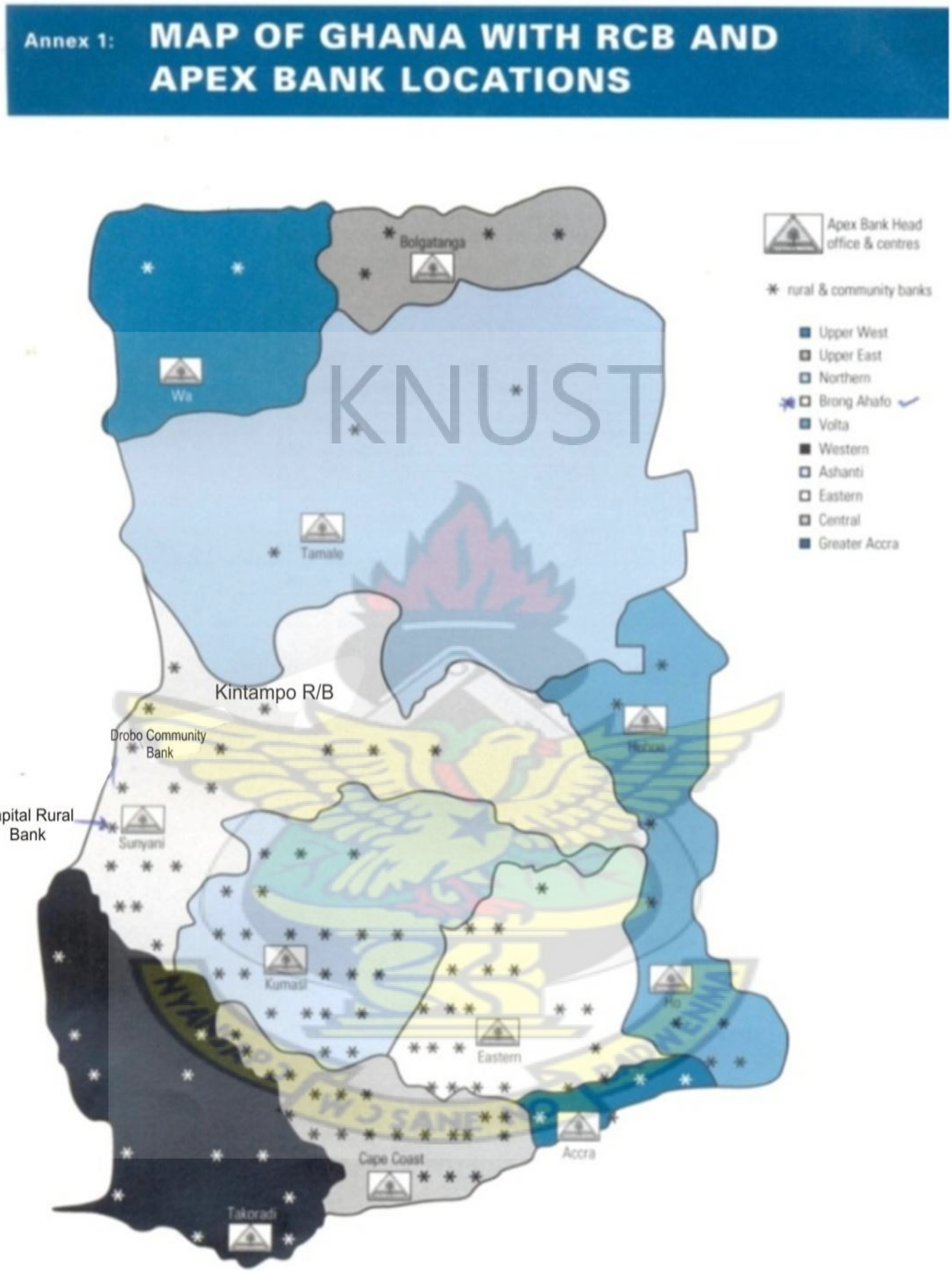
3.3 Profile of the Study Area

3.3.1 Location and Size

The Jaman South District is one of the twenty two administrative districts in the Brong Ahafo Region of Ghana. It shares common borders with Berekum Municipal to the south east, Jaman North, Dormaa Municipal to the south and La Cote d'lvoire in the west.

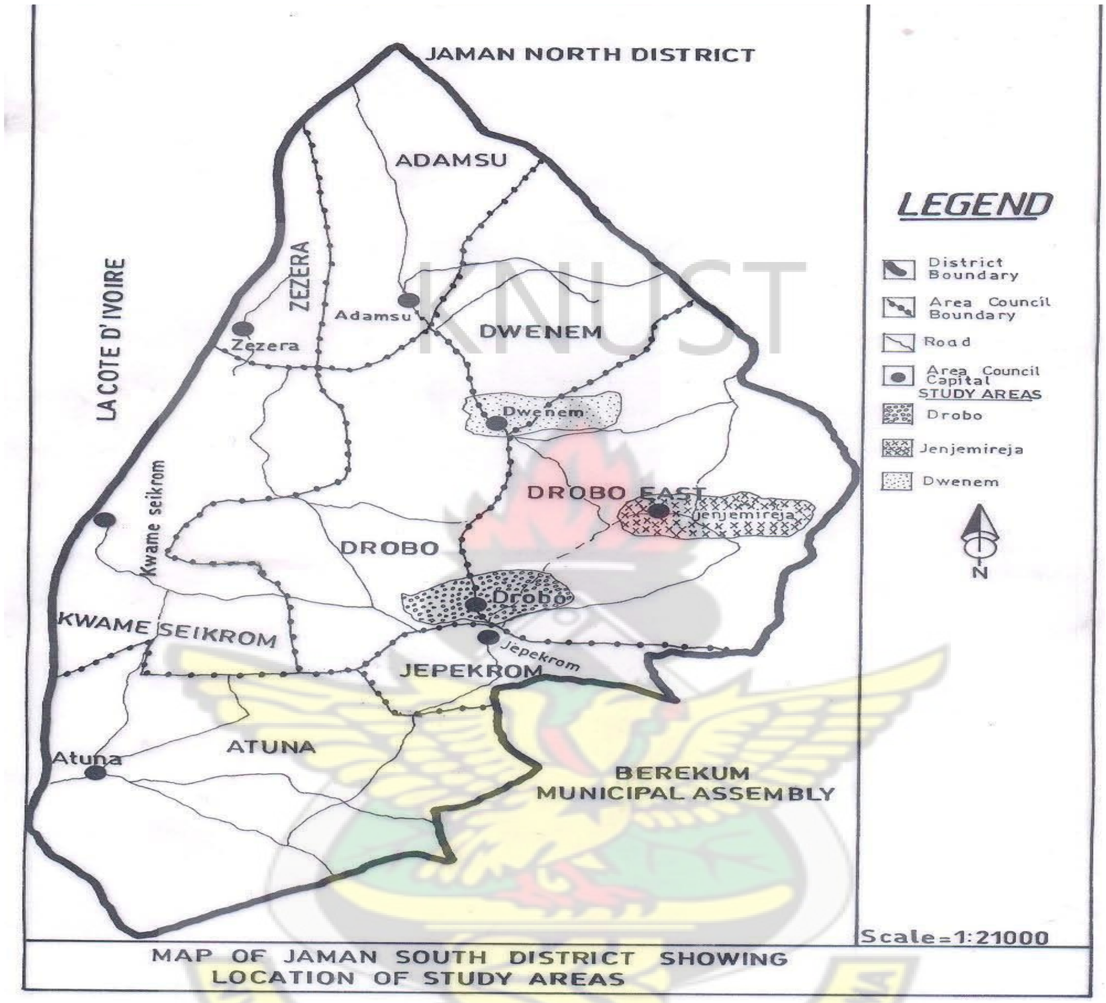
The district with its capital at Drobo, has a total land area of about 700km and about 130 settlements most of which are rural, with women forming about 52% and have a population not less than 75000. It has a total land area of 1,500 square kilometres (Population Census, 2000). The relief of the District is undulating and rises between 60 meters and 588 meters above sea level. There are a lot of water bodies in the Jaman South District among which the major ones are; river Tain, Pru, Baa among others. Some rivers create employment for the people in fishing and dry season farming activities. Most of those who gained employment from the rivers are women who trade in dried and smoked fish. The Map of Ghana with the location of some the banks and the Map of Jaman South District are displayed below.

Figure 3 1: Maps of Ghana with RCB and APEX Bank Locations



Source: ARB Apex Bank Ltd, (2009). End of Year Report on the Performance of Rural and Community Banks (RCBs); by the Efficiency and Monitoring Unit (EMU). Accra.

Figure 3 2: Map of Jaman South District showing major towns and villages



Source: Jaman South District Assembly (2011).

3.3.2 Climate and Vegetation

The vegetation is mainly of the forest-savannah woodland. Grassland forms the major portions of the northern sector, whereas the southern and the western portion is mainly semi-deciduous type. Parts of the original semi-deciduous forest have become secondary type of vegetation because of extensive lumbering and agricultural activities. This secondary type of forest is made up of syrups and grasses with original tree species of

Odum, Wawa and Mahogany. The district has its major rainy season from April to June, experiencing her minor rains in august to October. The month of July experiences a short dry season, with prolonged one in the months of November to March.

The raining season presents opportunity for farming to be done twice every year. This ensures that there is food supply throughout the year. Most women take opportunity of the season to do small substance farming to cater for the food needs of their family and to serve as sources of income as the surplus harvest are sold to raise money.

Agriculture is the main stay of the economy of Jaman South in which about 61.7% of the population is engaged. The farming system can generally be characterized as mixed, and includes the production of arable crops and the raising of livestock. The predominant farming practices are mixed farming, mono cropping, crop rotation and plantation agriculture. Main food crops grown are plantain, cocoyam, maize, eggplants and cassava. Cocoa and cashew are the major cash crops grown. Still women remain the majority in the farming practice in the area.

The level of production for both sectors remains far below its potential, mainly because of adverse climatic conditions due to erratic rainfalls and long standing drought periods. Other reasons include, the relatively small land holdings; which range from 0.25 to 0.75 hectares, and insufficient application modern technology in farming practices such as fertilizers and pest control techniques.

3.3.3 Population Size, Growth Rate and Density

The population of the district is about 75,800 accounting for 15 per cent of Brong Ahafo's total population. Approximately 52 percent of the population are females and 48 percent are males. According to the same source, the average family size of households is estimated to be 5. For the two preceding censuses, population increases were 30.4 percent (1990-2000), 51.4 percent (2000-2010) and growth rate were 2.7 percent and 3.3 percent over the respective periods. The district's population density of 45.9 persons per square kilometre in 2000 is lower than the regional figure of 79.3 persons/km².

The age structure of the Jaman South District is a reflection of the national population structure with a broad base that gradually narrows with increasing population. A large proportion (43.1%) of the district population is under 15 years, with a small proportion (4.5%) older than 64 years. The additional 52.4 falls the working population (15 - 64) which has reduced the dependency ration from 100.8 in 2000 to 90.5 in 2010.

3.3.4 Mission and Organizational Objectives Drobo Community Bank Ltd (DCBL)

A major part of the rural credit in the Jaman South District is provided by the Drobo Community Bank Limited (DCBL), a micro-finance institution owned by the people of Drobo and its environs. DCBL started operations in 1997 in Barclays Banks' hired premises with few clients mainly cocoa farmers and petty traders. From modest begin the bank has grown to become one of the largest MFIs in Jaman South. Barclays Bank Ghana closed its Drobo branch in 1997 and handed over its assets to the new bank promoted by the Drobo Traditional Council. Even though there were some bank branches in the district the people decided to establish an indigenous bank which will provide local financial services. DCBL primary mission was to improve the economic situation of low income, productive poor people in the Jaman South District primarily through increased access to lending and saving services.

The institutional objectives of DCBL are: Productivity Objective through which agricultural and non-agricultural economic activities are promoted; Outreach objective for poverty alleviation and stimulating the district's economic growth, giving priority to rural and remote communities, particularly women; Impact objective - which helps to significantly increase the income and asset position of clients; and Institutional sustainability to promote sustainable financial services, both operational and financial (DCBL Policy, 2008).

3.3.5. Operational Modalities, Products and Performance

All respondents in this study are those who have taken loans by either forming a group of borrowers or individuals and have saved with the DCBL for more than 2 years. Regarding the size of loans granted by DCBL, the very poor is introduce to the business world with small, but surely progressive loan sizes between loan cycles, as the client is expected to gain business experience through time.

Related to this, DCBL believes that the smaller the loan size, the shorter would be the repayment period. While this has for long been limited to one year, pursuant to the Board revision of operational document, it has been extended to two years, and up-to three years for specific loans. Currently, the loan interest rate is 28% while the savings interest rate is 5 %.(Board Minutes 2010). As of February 2011, DCBL had an outreach of over 3,600 active credit clients with over GHs 812,700 outstanding loan and advances balance, 35%

of them being poor women. Regarding women access to micro-finance services, one dimension of welfare improvement is its impact on women's empowerment.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS OF RESULTS

4.1 Introduction

This chapter analyses data collected from the field. The main objective of the chapter is to relate the theoretical issue to the real situation on the ground.

4.2 Socio-Economic Characteristics of Respondents

The relevance of any research basically depends on the socio-economic characteristics of the respondents as it forms the basis of decision making. A clearer understanding of the socio-economic characteristics of the group involved can therefore not be over-emphasized. It is in the light of these facts that the socio-economic background of the respondents, in terms of age, marital and educational status was investigated.

4.2.1 Ages of Respondents

Out of the total respondents, 20.1 percent were between the ages 16-25 whiles 28.5 percent were between the ages 36-65. The majority of the beneficiaries were between the ages of 26-35 forming a total of 45.8 percent. 5.6 percent were between the ages of 65 and above. This indicates that the age cohort structure of micro-finance in the Jaman South District is predominately middle age. The middle age in the society is the economically active population who have the potential to engage in petty businesses and farming activities. The results show that majority of the women are those in the economically active bracket and are poised to use MF to the advantage of themselves and their family, this is shown in the Table 4.1.

Table 4. 1 Age Distribution of Respondent

Age	Frequency	Percent
16-25	65	20.1
26-35	148	45.8
36 -65	92	28.5
65 and above	18	5.6
Total	323	100.0

Source: Author's field survey, 2011

4.2.2: Marital Status of Respondents

From the information gathered on the field, about 20.1 percent of the respondents were single whiles 67.5 percent were married. Those that were divorced/separated formed 12.4 percent. The marital status of respondents is directly linked to their living conditions as the responsibility to perform certain duties, like housekeeping, children's education and provision of good health for the family is associated with ones marital status. Divorced/Separated parents mostly performed their roles as single parents which normally affect their living conditions. The single women are also would-be married people and therefore need to be financially independent so as to be useful to themselves and their would-be family. Table 4.2 shows the marital status of respondents.

Table 4. 2 Marital Status of Respondent

	Frequency	Percent
Single	65	20.1
Married	218	67.5
Divorced/Separated	40	12.4
Total	323	100.0

Source: Author's field survey, 2011

4.2.3 Educational Status of Respondents

The Educational status of respondents whether skilled or unskilled plays a major role in the success of their businesses. Information from the field indicated that 53 percent of the respondents were illiterates and some have had their level of education up to the Primary level whilst 39 percent had up to the Junior and Senior High Schools level. About 8 percent had educational status up to the Tertiary level. This clearly shows that the level of education among women in the Jaman South District is low. It is therefore important for policy makers in the district to give priority to girl child education in their planning.

The effect of the poor educational standards on women in small scale enterprises were their inability to keep proper records of business, misapplication and appropriation of fund among other things. This can be seen in the Table 4.3

Table 4. 3 Educational Status of Respondent

	Frequency	**Percent**
Illiterate/Primary	171	53
JHS/SHS	126	39
Tertiary	26	8
Total	323	100

Source: Author's field survey, 2011

4.3 Women in Small Scale Enterprises and Access to Microfinance

The study focuses on the relationship between women in small scale business enterprises and their access to Microfinance from MFIs hence, the data collection sought to find out the rationale behind joining MFI's, source of knowledge about MFI's, the type of benefit derived from MFI's, inter a

4.3.1 Source of knowledge about MFI

From the data collected, it was revealed that 12.1 percent of the respondents knew the Drobo Community Bank Limited through friends whiles 34.1 percent knew the source through their relatives. It means therefore that word-of-month constituted 46.2 percent of how clients get information on the existence of the MFI. The advertisement and promotions of the Bank also informed 14.6 percent of the clients whereas 39.3 percent knew the source through either proximity to their homes and or their businesses.

This was basically the fact that Drobo Community Bank Limited is an indigenous bank with it headquarters at Drobo; Jaman South district capital. Therefore the bank is closer to the people, their homes and businesses. They also feel sense of belongingness as the bank is owned and managed by the indigene. However, from the field results, it emerged that the bank has not taken advantage of the advent of media in the area. Table 4.4 shows the source of knowledge about Drobo Community Bank.

Table 4. 4 Sources of Knowledge about DCBL

	Frequency	**Percent**
Friends	39	12.1
Relatives	110	34.1
Advertisement/Promotion	47	14.6
Proximity to home/business	127	39.3
Total	323	100

Source: Author's field survey, 2011

4.3.2 Reasons for joining MFIs

There were different reasons why women in the Jaman South District joined MFIs. This was derived from the information gathered from the field which showed that 39 percent joined MFIs for savings purposes. About 38.4 also joined MFIs in order to access credit facilities whiles those that joined due to payment services were 12.1 percent. Those that joined the MFIs due to saving were to help them accumulate capital to enhance their living conditions. The other groups were also with the intention of getting credit facilities from the bank whiles the last groups were workers who opened account in order to access their monthly salaries from the bank. The results indicate that all the reasons stated above are important to the respondents on why they joined the MFI. This is represented in the Table 4.5 below.

Table 4. 5 Reasons for joining the MFI

	Frequency	Percent
Savings	126	39.0
Credit	124	38.4
Payment service	73	22.6
Total	323	100.0

Source: Author's field survey, 2011

4.3.3 Duration of Membership with the MFI

The duration of membership with the Drobo Community Bank showed that about 48.9 percent of the women in small scale enterprises have been with the Bank between 1 month and 1 year. Those that have business to do with the bank between 2 years to 5 years were 24.1 percent whiles 26.9 percent have been with the bank for more than 5 years. This clearly indicates that the need to operate account with MFI has appeared to sound very essential for the past 1 year. Respondents testified this situation to the current product and service of the bank which has made banking very easy. A typical example was the mobile banking where customers could operate from their doorstep without necessarily going to the bank. Customers are retained due to the fact that the services of the bank are brought to their door steps and other quality services. Table 4.6 shows the duration of membership with the DCBL.

Table 4. 6: Duration of Members with the MFI

Response	Frequency	Percent
1Month-1Year	161	49.9
2Years-5Years	78	24.1
More than five years	84	26.0
Total	323	100

Source: Author's field survey, 2011

4.3.4 Financial Assistance from Drobo Community Bank Limited (DCBL)

Respondents were asked as to whether they have received financial assistance from the DCBL before. 62.5 percent responded yes whiles 37.5 percent responded no. A host of reasons were given by the women on why they had not taken financial assistance from financial institutions. The reasons for failure to access financial are discussed further in Table 4.7

Table 4. 7: Ever receive Financial Assistance from DCBL

Response	Frequency	Percent
Yes	202	62.5
No	121	37.5
Total	323	100.0

Source: Author's field survey, 2011

4.3.5 Reasons for Refusal to Access Credit

Out of the total 121 respondents who refused to access credit from the MFI, 23.5 percent were due to high interest rate whiles 46.5 percent were due to inability to meet collateral security requirement. Untimely delivery of financial assistance and bureaucracy in the process of loan acquisition also had 18 percent and 12 percent respectively. This is shown in the Table 4.8

Table 4. 8: Reasons for Loan Refusal

Reason	Frequency	Percent
High interest rate	28	23.5
Inability to meet collateral security requirement	56	46.5
Untimely delivery of financial assistance	22	18
Bureaucracy in the process of loan acquisition	16	12
Total	121	100.0

Source: Author’s field survey, 2011

4.3.6 Financial Assistance Acquisition Process

The first step in the loan acquisition process of the Drobo Community Bank Limited was a loan application letter. Guarantors and physical pledge of properties were the main collateral taken by the Rural/Community Bank from borrowers. Subject to the recommendation of a committee, the loans are either given or refused. With the basic requirement for the award of financial assistance to the women, 20.7 percent had to use physical collateral, 22.9 percent used savings with the bank whiles 31.9 percent used guarantors. Other type of requirements, like social collateral, group joint guarantee, regular salary earners, formed 24.5 percent. Majority in the category above, were mainly the salary workers who took their monthly salary from the bank. Applicants however lamented over how to come by these securities as most people entertain fears that in event that the beneficiary refuse to repay the loan he or she may have to use the salary as lien. Most of them also lack proper documentation of physical assets which could be used to access the loan. The easiest form was to operate saving accounts with the bank and by periodic accumulation savings, financial assistance can be accessed. The Table 4.9 shows the basic requirement women in rural communities of the Jaman South District used to access financial assistance from DCBL.

Table 4. 9: Basic Requirement for Financial Assistance

	Frequency	Percent
Physical collateral	67	20.7
Savings	74	22.9
Guarantors	103	31.9
Others	79	24.5
Total	323	100.0

Source: Author's field survey, 2011

4.3.7 Purpose of Financial Assistance

The women gave different purposes for utilizing the financial assistance from the field results. About 22.6 percent used it to start their businesses whiles 51.1 percent used it to expand existing businesses. Those that used their assistance for the payment of domestic activities such as, health insurance bills, electricity, school fees and housekeeping expenses were 26.3 percent.

Credit facility may be sought to start small scale business and or for farming purposes. The bank said it was risky in investing in start-up business therefore they put in place stringent measures to assess the prospect of the business before the loan is granted. Again expansion of existing business may be in the form of an increase in materials as inputs, building kiosks or metal containers, hiring of additional hands and many others. It is clear that majority of the respondents are into various forms of business already and only required credit to expand those businesses.

This is shown in the Table 4.10

Table 4. 10: Purpose of Financial Assistance

	Frequency	**Percent**
To start business	73	22.6
Expand existing business	165	51.1
Domestic Use (To pay health insurance, School fees, electricity and housekeeping money)	85	26.3
Total	323	100

Source: Author's field survey, 2011

4.3.8 Financial Assistance/Loan repayment

The ability to pay back loans/financial assistance was factored into the data collection. It showed that about 75.4 percent were able to repay their loans whiles 24.6 percent were not able to repay their loans. This was buttressed by the information from the Drobo Community Bank Limited which revealed a maximum loan recovery rate as 95 percent with the minimum been 78 percent.

The inability of the women in micro economic activities to repay their financial assistance was mainly due to misapplication of funds. The credit even though sought for a particular purpose were used for different purposes other than the original purpose used to secure the credit. MFIs may step up effective strategy for credit appraisal, monitoring and control to check misapplication of credit. Table 4.11 shows the ability to repay loans by the women in the rural communities.

Table 4. 11: Ability to Repay Loan

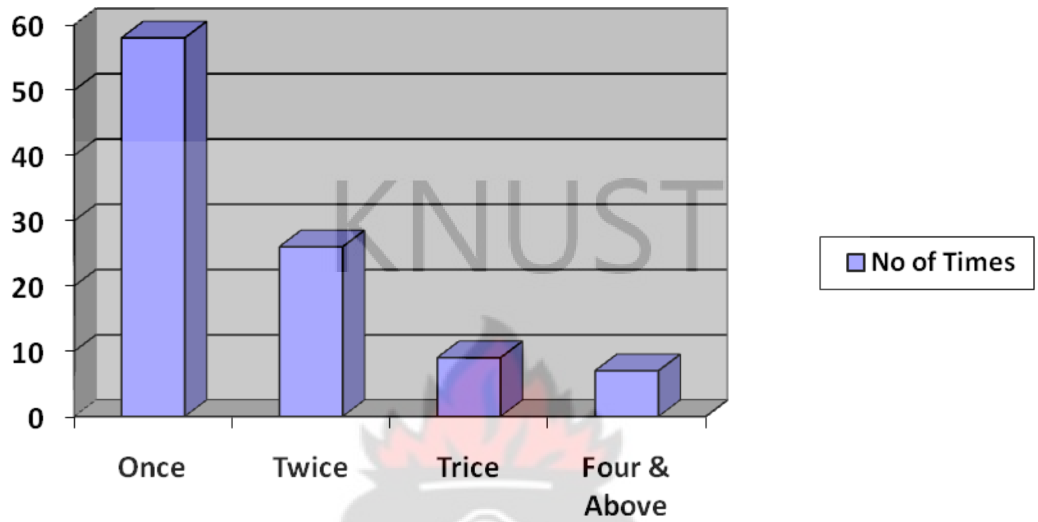
Response	Frequency	Percent
Yes	245	75.8
No	78	24.6
Total	317	100.0

Source: Author's field survey, 2011

4.3.9 Number of Times Loans have been Received from MFI's

Most of the applicants forming 68 percent have received once from the MFI's. Those that had received loans for two and three times were 26 and 4 percent, respectively. Only 2 percent had received loans for four times and more. This has therefore revealed that few women are able to take financial assistance apart from their first loans and follows in that order. This clearly indicate that most first time borrowers default and therefore not able to access the credit subsequently. On the other hand beneficiaries may graduate from poverty as they progress on the ladder. The Figure 4.2 shows the number of times loan applicants had received financial assistance from MFI's.

Figure 4 .1: Number of Times Loans have been Received from MFI



Source: Author's field survey, 2011

4.3.10 Average Financial Assistance from Microfinance

The average financial assistance given to women in small scale enterprises for the first time was between GH 100-150 whilst second time applicants were granted between GH 200-300. The third time applicant had an average of GH 400-500. This implies that the ability to repay loans given for the first time leads to access to greater credit facility for the subsequent times. Table 4.11 shows the average financial assistance given to women in rural communities of the Jaman South District.

Table 4. 12: Average financial Assistance from Microfinance

Time	Average loan (GH)
1st	100-150
2nd	200-300
3rd	400-500

Source: Author's field survey, 2011.

4.4 Saving Habits of Women in Microfinance

Most of the respondents saved with the bank for different reasons. Some had the intention of saving to accumulate capital for their businesses. Others saved in order to access credit facility from the bank.

4.4.1 Type of Savings with MFI's

The intention for opening accounts determines the type of saving one made with the bank. About 59.8 percent of the respondent had ordinary savings with the bank whiles 3.7 percent had fixed savings. Susu savings constituted 36.5 percent of the type of savings with the MFI. Ordinary savings, as the name imply, is meant for the purpose of accumulating deposits to meet future cash demand of the clients. Fixed Deposits on the other hand is an investment by the clients and with MFI for specified period in future. Susu savings is on daily basis which allow the clients access to their money after a month of contribution. Table 4.10 shows the type of savings women in rural communities had with the DCBL.

Table 4. 13: Type of Saving with MFI

	Frequency	Percent
Ordinary Savings	193	59.8
Fixed savings	12	3.7
Susu savings	118	36.5
Total	323	100.0

Source: Author's field survey, 2011

4.4.2 Rate of Cash Deposit in Savings Accounts

The rate at which cash is deposited differed among the respondents. About 51.1 percent of the respondents were doing daily savings whiles 8 percent were doing weekly savings. Those that deposited on monthly basis were 28.5 percent whiles other kind of savings, thus, those who do not have pattern of cash deposit, formed 12.4 percent. Other type of savings was mainly farmers and people that have seasonal income. Cocoa farmers for example deposited in their saving accounts at the end of the cocoa season.

The daily savings was made possible by the introduction of mobile banking where the services are brought to the doorsteps of customers. This daily type of savings was mainly patronized by food venders and traders usually after their daily sales. The monthly savings were however deducted at source especially, that of monthly salary workers.

Table 4.11 shows how often cash is deposited in the savings account of women in microfinance in rural communities at the Jaman South District.

Table 4. 14: Frequency of Deposits

	Frequency	Percent
Daily	165	51.1
Weekly	26	8.0
Monthly	92	28.5
Others	40	12.4
Total	323	100.0

Source: Author's field survey, 2011

4.5 The Impact of Microfinance on Women

The data collection shows that micro financing generally has a positive impact on the lives of women in rural communities of the Jaman South District. This was based on the enquiry of the type of improvement and the conditions of women before and after joining the MFI. Factors considered in this regard were; improvement in business, acquisitions of assets, increase in income, general health status of clients and their family, educational status of clients children and clients involvement in household decision making.

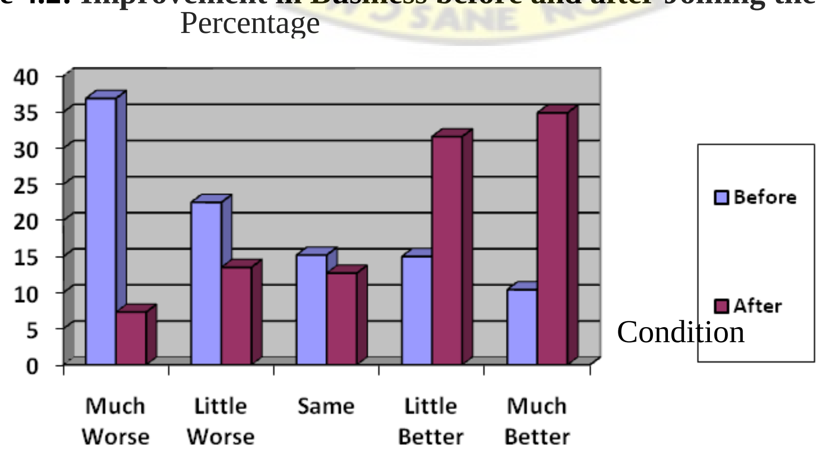
4.5.1 Improvement in Business after Joining MFI

Most of the respondents forming 66.5 percent attested to the fact that microfinance has contributed positively to their businesses after joining the MFI. About 20.8 percent however did not see any improvement in their businesses after joining the MFI. Also 12.7 percent did not know whether it has had positive or negative impact. Significant proportion saw increase in their turnover, stock and assets. For instance some who initially operated from tables built kiosk and those who were in wooden kiosk also moved to metal container. Some were able to employ extra hands to assist in the day-to-day business activities. Contrary to the arrangement before joining the MFI, where husbands cultivate the land and share among their wives, those women who were into farming could now cultivate their own farms without recourse to their husbands. All these contributed to the improvement in their income and their ability to meet livelihood related needs.

On the other hand some said it has negative effects, either it has made their business little worst or much worst. This supports the institutionalist approach which criticizes the welfarest for subsidization of microfinance. The institutionalist approach believes that when microfinance is over subsidies, it may not improve the living conditions of its benefiters but rather will make them worst off.

The Figure 4.3 below shows the responses to the impact of MFI to businesses of women in rural communities of Jaman South District.

Figure 4.2: Improvement in Business before and after Joining the MFI



Source: Author's field survey, 2011

4.5.2 Acquisition of Assets

With the proportion that saw positive impact in their business, 66.5%, 81% saw an increase in the purchase of inputs, whiles 19% used it to expand the physical assets base of their businesses. This involves building of metal containers, renovation of buildings, among other things. Table 4.12 shows the type of assets improvement of women in rural communities of the Jaman South District.

Table 4. 15: Acquisition of Assets

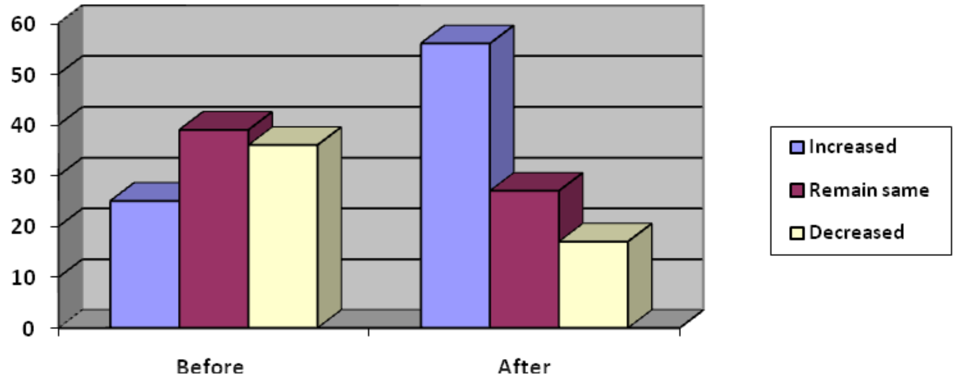
	Frequency	**Percent**
Increased purchased of inputs	174	81
Increase in physical assets	41	19
Total	215	100.0

Source: Author's field survey, 2011

4.5.3 Income before and after Joining MFI

Respondents were asked whether their incomes have increased before and after joining MFI. There was an increase from 25 percent to 56 percent on those who experienced increased income after joining MFI's. Those whose income remained the same reduced from 39 percent to 27 percent whilst those whose income decreased after joining MFI's reduced from 36 percent to 17 percent. This is shown in Figure 4.4.

Figure 4 3: Income Before and After Joining MFI



Source: Authors field survey, 2011

4.5.4 Increase in Weekly Income of Women in MFI

Respondents that had increased in income, 181, were asked of their weekly income before and after joining the MFI, and about 64.7 percent saw an increase of GH¢ 1 - GH¢ 10 before joining MFI to GH¢ 10 - GH¢ 20 per week. About 28.3 also saw an increase from the range of GH¢ 10 – GHs20 to GH¢ 40 and above. Only 7 percent saw an increase from GH¢ 40 and above. This is shown in the Table 4.16 below.

Table 4. 16: Increment in Weekly Income of Women in MFI

	Before		**After**	
	Frequency	Percent	Frequency	Percent
GH¢ 1 – GH¢ 10	87	48	117	64.7
GH¢ 10 – GH¢ 20	81	45.2	51	28.3
GH¢ 40 and above	12	6.8	13	7
Total	181	100	181	100

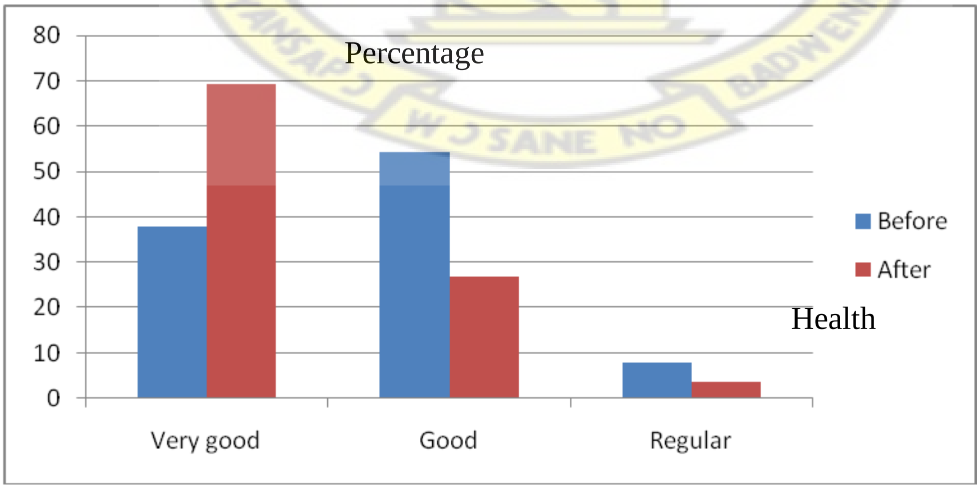
Source: Author’s field survey, 2011.

4.5.5 The General Health Status of Family before and after Joining MFI

The health status of families was categorized into three stages. The data collection showed that 37.8 percent of the respondents had very good status before joining MFI. About 54.2 and 8.0 percent responded to good and regular health status, respectively before joining MFI. However, after joining the MFI, 69.3 percent had very good health status whiles 26.9 had good health status. Only 3.7 percent responded to their health status been regular after joining the MFI.

This clearly indicate that there was an upwards adjustment in the health status of families after joining MFI's. This was derived from the ability of families to meet their basic health needs and hence improvement in their general livelihood. Figure 4.4 shows the general health status of families before and after joining MFI's. The health status of somebody could be said to be the state of one's physical mental and psychological wellbeing. Very good health status may be measured on household access to health care, for example the presences of good food, better and decent accommodation, good hospitals/clinics and effective preventive health education.

Figure 4 4: The General health status of Family before and after joining MFI



Source: Author's field survey, 2011

4.5.6 The Educational Status of Wards of Respondents before and after Joining MFI.

Respondents attested to the fact that there has been significant improvement in their ability to give best education to their wards. About 48.7 percent admitted to have very good educational status for their wards before joining MFI. Those that had good and regular educational status for their wards were 41 and 10.3 percent respectively. After joining the MFI however, those that had very good educational status for their wards increased from 48.7 percent to 68.5 percent whilst good and regular educational status formed 26.5% and 10.3% respectively.

Good educational status could be measured on households' ability to pay school fees, buy school uniform, buy exercise books, and attend schools with good facilities, Effective teachers and good nutrition for children. Table 4.16 shows the educational status of wards of the respondents before and after joining MFI's.

Table 4. 17: Educational Status of Wards of Respondents before and after Joining MFI

	Before		**After**	
	Frequency	Percent	Frequency	Percent
Very Good	157	48.7	221	68.5
Good	132	41	86	26.5
Regular	34	10.3	16	5
Total	323	100	323	100

Source: Author's field survey, 2011.

4.5.7 Women Participation in Household Decision making before and after Joining the MFI

The field research reviewed that 11.1% took part in household decision making before joining the MFI whilst 88.9% did not take part in household decision making. However, 37.2% took part in household decision making after joining the MFI. Yet majority representing 62.8% did not take part in household decision making after joining the MFI.

Though the number of those who took part in household decision making increased from 11.1 percent to 37.2 percent, however the majority representing 68.2 percent were not granted the opportunity to contribute ideas towards management of the households. This is because power is deeply rooted in our social systems and values and it is tilted towards men. Therefore it is unlikely that any one intervention such as the provision of credit may completely alter power and gender relations. Table 4.17 shows Women participation in household decision making before and after joining the MFI's.

Table 4. 18: Women Participation in Household Decision Making before and after

Item	**Before**		**After**	
	Frequency	Percent	Frequency	Percent
Took part Household decision making	36	11.1	120	37.2
Did not take part in household decision making	287	88.9	203	62.8
Total	323	100	323	100

Source: Author's field survey, 2011

4.6 The role of MFI in the Livelihood of Women in Rural Communities

The Rural/Community Banks play major role in livelihood of women in rural communities. The following are some of the programmes / roles played by the MFI; Provision of Micro savings at the door step of women clients, provision of Micro credit at moderate interest rate and flexible terms of repayment, provision of micro insurance to the poor women to cushion them in times of calamities, the provision of financial education to women on how to keep simple financial records and the effective monitoring and evaluation of client's business activities.

4.7 Problems of MFI in Loan Delivery

The survey indicated that the main challenge of MFI's in loan delivery in the study areas was mainly loan default. For instance, in the Drobo Community Bank, the maximum loan recovery rate was 85 percent whiles the minimum was 58 percent.

The main reasons that accounted for the loan default were; Change in business activity after loan, climate and weather changes and mismanagement of loan/financial assistance, among others.

The study revealed that loan defaulters are dealt with in various ways by the Rural/Community Banks. Firstly, the banks resort to persuasion after which the term of payment is rescheduled. The last resort is where legal action is taken against defaulters. Even with all these means to retrieve loan from defaulters, the banks lamented on their inability to retrieve all loans due to the relocation of business activity or the residence of defaulters.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The main aim of this study was to access the impact of microfinance on the livelihood of the rural women in Ghana a case study of Jaman South District. The Drobo Community Bank was chosen for the study in the district. Also, the study sought to find out the factors that affect access to microfinance and its impacts on businesses, income, insurance, education, food and household decision making. After a careful analysis of data collected for the study, the following are the summary of the major findings.

5.1.1 Access to Micro-credit Facility and its Impact on the Livelihood of Rural Women

The study indicates that the procedure and security requirement of obtaining credit from MFIs were easier than with the conventional banking. Based on the first hand experience of women in the communities and the bank, it was found that, the procedure and security requirement of accessing credit were modest. It therefore made it possible for everyone to join the formal monetary process. It was one of the most propitious reasons by the women in accessing loan from MFIs unlike the conventional banking where landed and complex collateral were the prerequisite for loan acquisition. This situation made it easier for the women to obtain or access credit from the MFI.

Again women in the study area mostly use credit facility for the expansion of their businesses. More than half of the women who contracted financial assistance used it for expansion purposes. There were others, who also employed loans contracted into domestic activities like paying of wards school fees, building of houses, housekeeping monies, among other things. Startup capital was the least areas loan contracted were channeled to. This was mainly due to the unwillingness of banks to give start up capitals. It was claimed by the Rural/Community Banks that most of the people were not innovative and proactive in business ideas and there was the fear that loan acquired may be misapplied. Starts up loans were therefore subjected to the presentation of a well documented business plan that spells out detailed plan of achieving set goals. The low level of education of most women made it very difficult for the preparation of such documents.

Another important findings associated with microcredit was clients default rate. Because many of the clients were not educated, they could not keep simple accounting records on their businesses, and also, were not able to put to use the credit on economically viable venture(s), hence higher default rate among borrowers. In event of difficult, the women involved is refused loan by the bank at her subsequent loan application.

The access to credit by the women (clients) led to improvement in their businesses, as many had their sales turnover, stock, fixed assets and profits increased after their association with the MFI.

5.1.2 The Role of MFI in Developing Women's Savings Habit

It was found that all the respondents had voluntary savings with the bank in the form of Susu, ordinary, and fixed/time deposits. Many of the clients do pay in on daily basis because the bank run mobile banking services which made it easier for banking services to be closer to clients. This signifies that the presence of the bank has motivated the women in the area to cultivate the savings habit.

Again, as was found in the analysis, savings may have influence on capital accumulation, which implies that if savings increases, the client's ability to raise capital also increases. If the savings increases, then there will be a positive impact on financial situation of the family. Therefore, increase in savings as well as capital is mostly associated with the establishment of economic independence because savings, income and capital are interrelated.

Moreover the study sought to find the impact of savings on the client's ability to manage their health related problems. Some of the respondents said their health status was good before joining the bank and majority said their health status was very good after joining the bank. The findings saw an improvement in the health status of the women after joining the MFI. The general situation was that the women had access to health facilities after joining the MFI. This could be the fact that the assistance from the bank enabled more women enrolled with the National Health Insurance Scheme (NHIS). The insurance took away the burden of health problems from the women as majority accessed the accredited clinics and hospitals of the NHIS.

5.1.3 The Role of MFIs in Improving Women's Income.

It was found that majority 56% of the respondent had their weekly and monthly profits increased. The profit increased after joining the MFI, therefore one can conclude that the presence of the MFI has increased women income.

The analysis of data, demonstrates that most of the clients of MFIs were women and most of them just had up to primary education. Majority of the women started their business from personal savings and by dint of hard work were able to access credit from the MFI for the expansion of their businesses. They were able to increase their income steadily and provided not only with the financial help to their families but also had positive impact on other factors, like improvement in their businesses, acquisition of assets, quality health care for their families, good education for their wards and were able to meet housekeeping expenses. These poor women brought about a positive change to their financial and social situation and started taking active part in the decision making process of the family and society.

5.1.4 Women's Participation in Household Decision Making.

The results obtained from our analysis, regarding women's role in household decision making process in the family, reveals that microfinance schemes were associated with building up social and economic empowerment. It was found that majority of the respondents were not involved in household decision before and after joining the MFI. Even though the situation improved after joining the MFI, it did not have significant impact on women.

The reasons cited for their non-involvement were: because they did not contribute towards the house upkeep; Women were not allowed to take part in decision making because the culture of our society do not allow for that, and that the women's role was to take care of the children and prepare food for the family.

5.2 Conclusion

The study was to identify changes that result from an implementation of a microfinance programme on the livelihood of women in the study area. It is worthy to note that an impact assessment employs methods to establish plausible association between changes experienced and participation in the programme. An example of an impact assessment is: X causes Y or a programme results in changes. In reality, however, other factors intervene to influence the impacts for example, gender, role of enterprise income in the household and location of the enterprise. Also, Y may happen irrespective of X, so it is necessary to pay attention to attribution and rule out plausible rival reasons about why the changes may have occurred.

The study compared changes in impact variables such as income, education and household decision making. In this vein a longitudinal study of six years consisting of a baseline and one or more follow-up studies using the same variables and measures were employed. We also compared the present situation with the previous situation in order to assess changes in the variables.

The findings therefore suggest that the livelihoods of communities within the Jaman South District have been improved as their level of income has increased and are involved in decision concerning households. From the study, the researcher has come to the conclusions that there is a noticeable and positive impact of microfinance activities on the living standards, empowerment and poverty alleviation among the poor in the society.

It should however be emphasized that the use of microfinance alone as a tool for livelihood enhancement cannot achieve much if the fundamental causes of poverty are not directly addressed. Therefore, to achieve the maximum impact of Microfinance programmes by the bank, it is important for the government and stakeholders to focus on developing efficient legal institutions and the necessary infrastructure such as good roads, affordable health care and accessible market centers. Moreover, they should improve macro-economic policies and the regulatory framework which would make the financial system function effectively and efficiently.

Finally, availability and accessibility of Microfinance Institutions (MFIs) is in no doubt a positive way of bringing a revolution not only in their lives of the poor women but also in the society. The dream of a healthy and educated society with no discrimination and biased can be achieved through available and accessible savings and credit. The hope of a life that no one will sleep hungry, no one will die due to lack of medication, and our children can read and write on their own then everyone will be the pillar of the society. If these are done then one can conveniently conclude that there is livelihood improvement.

5. 3 Recommendation of the Study

There is a need for human capital development of rural women so as to improve market access and financial information flows. There should be intensification of the functional literacy programme for adults being run by the non-formal Education Division (NFED) of the Ministry of Education; together with the Association of Rural and Community Banks, the Department of Community Development and agricultural extension services. More illiterate and rural women need to be sensitized and psyched up through financial literacy campaigns so as to change their negative perceptions of borrowing from the MFIs. These agencies should strengthen their collaboration with one another. Financial literacy will empower women as it will make them understand financial service requirements better and improve their ability to obtain full amount of loan applied for and take advantage of savings and other microfinance services.

Similarly, to make the financial literacy more effective, there should be an improvement of the FCUBE policy which seeks to keep girls in school. In addition, there should be implementation of a secondary school policy that encourages more girls not to drop out so as to make more women become and stay literate. To make rural women more credit worthy, the business practices of rural women, particularly record-keeping and planning should be improved. Adequate planning is the key to financial success; women's business practice should change from thinking about subsistence to thinking about expansion.

The project department of the various Rural/Community Banks also needs to be equipped in terms of training and equipment to be able to do proper education, appraisal and monitoring of loans contracted. This is due to the fact that the root of loan default stems from misapplication of loans. This will go a long way to prevent the prevalence of loans default as the people would be equipped in a way that can prevent misapplication and appropriation of loans and eventually reduce the rate of default. Majority of the women had access to first credit but however could not progress to the next stage because of loan default at the first loan.

Again, although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to improve the livelihoods of women. It therefore recommended that microfinance institutions increase their loan threshold. An increase in loan threshold will have a greater multiplier effect on women's income through profits from income generating activities. Even though the current threshold improves profit, the margin is not enough to have the expected impact on the lives of rural women.

Furthermore, Microfinance in Ghana seems to only concentrate on Microcredit. The other aspects like micro-savings and micro-insurance are lacking. The schemes are only interested in giving out credits. Saving play an important role in poverty reduction, in that savings in the absence of proper insurance serves as insurance for household. Saving help improve future consumption for household. It is recommended that MFIs should rather concentrate much resource into savings mobilization. From basic knowledge in economics, capital accumulation has a greater strength to reduce poverty. Savings provides the asset for the economy's investment in future production. Without them, the economy cannot grow unless there are alternative source of investment.

Moreover, there should be an increase in government funding to District Assemblies for road maintenance and supply of social infrastructure (safe water and sanitation facilities as well as provision of health and education facilities). Local and international NGOs should intensify the support of these activities. Accessibility and assurance of good environmental conditions in rural areas is the surest way to attract more MFIs to interact with clients at their door steps. A good policy framework contributes to stakeholder collaboration. Hence, the finalization, acceptance and the prompt and thorough implementation of the Microfinance Policy document for Ghana should be given priority attention by the key ministry, Ministry of Finance, and other stakeholders

Finally, there is one thing that lacks in the microfinance programs in Ghana. There is no time frame set for client to be sustainable, when on MF programmes after which time no credit will be giving again. MFIs just enjoy having more clients. This only means that, their programs are not having the require impact. If MFIs are able to set this time frame for their clients, the program will have significant impact on the lives of its clients.

5.4 Scope for Further Research

The current study was based on small sample size taken from only few villages of Jaman South District. Therefore, the results cannot be generalized to other districts in Ghana especially in the analytical terms. Further research done on a bigger scale with large sample size could shed light on how microfinance activities affect the livelihood of rural women in Ghana.

The current study did not consider the reasons of motivation to join the microfinance program. Another area that has not been investigated is the difficulties that the borrowers face to repay the loan. These areas deserve to be studied by future researchers in the field.

There is also another field, which is neglected in the study that the time set for beneficiaries to be sustainable after which no credit will be given again, thus exits plan for women to move from the micro level to macro level. Further research could be conducted in this area to determine the reasons for the gap between demand and supply in terms of microfinance services.

REFERENCES

Afrane, S. (1997) “Transformation Research: An Assessment of the Impact of Micro Enterprises Financing on Clients of Sinapi Aba Trust, Kumasi”, A report prepared for Sinapi Aba Trust, A Micro-Financing Agency in Ghana.

Afrane, S. (2002) “Impact Assessment of Microfinance Interventions in Ghana and South Africa”: A Synthesis of Major Impacts and Lessons, Journal of Microfinance, Volume 4 No. 1

Aglobitse, B. (2008) “Microfinance a Tool for Achieving the Millennium Development Goals”, Proceedings from the Third Microfinance Conference, University Of Cape Coast, Ghana p81-91.

Aguilar, V. G. (2006) “Is Micro-finance reaching the Poor? An Overview of Poverty Targeting Methods” www.globalnet.org (accessed on 01/07/11).

Asiama, J.P. & Osei, V. (2007) “Micro finance in Ghana: An Overview’, Research Department Working Paper Bank of Ghana 07/01. Accra.

Aryeetey, E., Hettige, H., Nissanke, M. & Steel, W. (1997) “Financial Market Fragmentation and Reforms in Ghana, Malawi, Nigeria, & Tanzania”, the World Bank Econ, Rev. 11(2)

Aryeetey, E. (1994) “Supply and Demand for Finance of Small Scale Enterprises in Ghana”, World Bank Discussion Paper No. 251

Aryertey, E. & Nissanke M. (1998) “Financial Integration, Development Libralisation and Reform in Sub-Saharan Africa”, Routledge: London.

Aryeetey, E. (2008) “From Informal Financing to Formal Financing in Sub-Saharan Africa”: Lessons from Linkage Efforts, Paper presented at the African Finance for the 21st Century High-Level Seminar organised by the IMF Institute in collaboration with the Joint Africa Institute, Tunise,Tunisia, March 4-5.

Ayertey, M. N. (2008) “Microfinance and its impact on selected Districts in Eastern Region of Ghana”, a thesis submitted to the department of economics for the degree of Mphil, KNUST, Kumasi, Ghana

Brau, J. C. & Woller, G. M. (2004) “Microfinance: A Comprehensive Review of the Existing Literature”, Journal of Entrepreneurial Finance and Business Ventures, 9(1), 1-26.

Chowdhury, M. J. A., Ghosh, D. & Wright, R. E. (2005) “The impact of microcredit on poverty”: Evidence from Bangladesh, Progress in Development Studies, 5(4), pp 6-20.

Chowdhury, M. J. (2000) ‘The Role of Micro-credit in Alleviation of Poverty”: A study of the Grameen Bank in Bangladesh. University of Stirling, Scotland.

Coleman, B.E. (1999) “The impact of group lending in Northeast Thailand” Journal of Development Economics, vol.60, pp.105-141
Coleman, B.E. (2001). “Measuring impact of microfinance programs” Finance for the Poor, Asian Development Bank, December 2001, Vol.2 Number 4, pp.5-7

Coleman, B.E. (2004) “Microfinance in Northeast Thailand”: who benefits and how much?, World Development forthcoming Summit, Thailand.

Congo, Y. (2002) “Performance of Microfinance Institutions in Burkina Faso”: Discussion Paper No. 2002/01, UNU World Institute for Development Economics Research (UNU/WIDER), Helsinki, Finland Conning.

Dunford, C, (2006) “Watson, April A., From Microfinance to Macrochange: Integrating Health Education and Microfinance to Empower Women and Reduce Poverty”, Joint Publication of the United Nations Population Fund and the Microcredit Summit Campaign, New York, USA.

Dichter, T. W. (2006) "Hype and Hope”: The Worrisome State of the Microcredit. http://conservationfinance.wordpress.com (Accessed on 30/04/11)

Egyir, I. S. (2010) “Rural Women and Microfinance in Ghana: Challenges and Prospects” Contributed Paper presented at the Joint 3rd African Association of Agricultural

Economists (AAAE) and 48th Agricultural Economists Association of South Africa (AEASA) Conference, Cape Town, South Africa, September 19-23, 2010.

Goldberg, N. (2005), *“*Measuring the Impact of Microfinance: Taking Stock of What We Know” Grammen Foundation USA Publications Series

Grameen Bank (2000). [Online] Available at: www.grameen-info.org. (Accessed on 16/4/2011)

Harper, M. (2003) “Microfinance – Evolution, Achievements and Challenges”, ITDG Publishing, UK

Hashemi, S. & Rosenberg, R. (2006) “Does microfinance reach the poorest?, Graduating the Poorest Into Microfinance: Linking Safety Nets and Financial Services”. CGAP focus Note No.34, Washington, DC USA.

Hollis, A., & Sweetman, A. (1998), “Microcredit: What can we learn from the past? World Development” pp 26, 1875-1891.

Hollis, A., & Sweetman, A. (1998), “Microcredit in prefamine Ireland, Explorations in Economic History” Ireland pp 35, 347-380.

Hulme, D. (1997) “*Impact Assessment Methodologies for Microfinance: Theory, Experience and Better Practice”*. Finance and development research programme, Working paper series, Paper n°1, University of Manchester, Institute for Development Policy and Management.

Johnson, S. & Rogaly, B. (1997) "*Microfinance and Poverty Reduction. London*": Oxfam and ActionAid
Josily S. (2006) "Women empowerment through micro finance in Dindigul District of Tamil Nadu, An economic analysis", *M.Sc. (Agri.) Thesis*, Univ. Agric. Sci., Dharwad (India).

Khan, M. A. & Rahaman, M.A. (2007) "Impacts of Microfinance on Living Standards, Empowerment, and Poverty Alleviation and Poor People: A Case Study on Microfinance in the Chittagong District of Bangladesh". http://www.essays.se. (Accessed on 24/06/11)

Khandker, R. S. (2003) "Micro-finance and Poverty: Evidence Using Panel Data from Bangladesh", World Bank Policy Research Working Paper 2945, Washington, USA,

Ledgerwood, J. (1999) "Microfinance Handbook: an Institutional and Financial Perspective, The World Bank: Sustainable Banking with the Poor", Washington D.C.

Littlefield, E., Morduch, J., Hashemi, S. (2003) "Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?", Focus Note No. 24, CGAP, Washington, USA,

Madajewicz, M. (1997) "Capital for the Poor: the Role of Social Collateral", Paper prepared for the October 1997 meeting of the International Atlantic Economic Society.

Madajewicz, M. (1998) "Capital for the Poor: The Effect of Wealth on the Optimal Credit Contract and the Implications for Growth", Job Market Paper

Mayoux, L. (2002) "Women's Empowerment Versus Sustainability? Towards a New Paradigm in Microfinance Programs": In Lemire, Beverly, Pearson, Ruth, & Campbell, Gail. (eds.). *Women and Credit: Researching the Past, Refiguring the Future.* New York: Berg, 245-269

McNelly, B. (1998) "Practitioner-led Impact Assessment: A Test in Mali. AIMS Project. Management Systems International", Washington, D.C.

MIX, Market (2009). [Online] Available at: http://www.mixmarket.org (accessed on 26/5/11).

Mohammad, A. K. and Mohammed, A. R. (2007) "Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of Poor People: A Case Study of Microfinance in the Chittagong District of Bangladesh", Umeå School of Business (USBE).

Morduch, J. (1999) "The Role of Subsidies in Microfinance: Evidence from the Grameen Bank Journal of Development Economics", 60:1, 229-48.

Moser, C. A., & Kalton, G. (1971) "Survey Methods in Social Investigation", London: Heinemann.

Morduch, J. (1999) "The Microfinance Promise" Journal of Economic Literature", XXXVII December, pp1569-1614

Mosley, P. (2001) "Microfinance and Poverty in Bolivia", Journal of Development Studies, vol37, no 4, pp 101-132.

Mosley, P. (1999) "Microfinance and poverty: Bolivia case study", Paper prepared for the World Bank as a part of the World Development Report 2000/01.

Mosley, Paul. (1994) "The Use of Control Groups in Impact Assessment for Microfinance." Paper submitted by ILO for the 1997 CGAP Virtual Meeting on Impact Methodologies.

Murray, U. & Boros, R. (2002), "A Guide to Gender Sensitive Microfinance, the Socio-Economic and Gender Analysis (SEAGA) Programme", FAO.

Nagarajan, G. (1998). "Microfinance in the Wake of Natural Disasters: Challenges and Opportunities." prepared for the Microenterprise Best Practice (MBP) project funded by USAID.

Natarajan, K. (2004) "Can Group Lending Overcome Adverse Selection Problems?" School of Oriental and African Studies, University of London.

Navajas, S., Schreiner, M., Richard, L. Meyer, C. G. & Jorge R. M. (2000) "Microcredit and the poorest of the poor: Theory and evidence from Bolivia", World Development 28, 333-346.

Otero, M. (1999). "The Evolution of Nongovernmental Organizations toward Financial Intermediation." ;West Hartford, CT: Kumarian Press

Owusu, A. M. (1999). "Nsoatreman Rural Bank – Ghana: Case Study of a Microfinance Scheme," Washington, DC: World Bank, Africa Region Studies in Rural and Micro Finance No.6.

Population and housing census, 2000. Ghana Statistical Service records, Jaman South, Drobo.

Quainoo, A. A. (1997) "A Strategy for Poverty Reduction through Micro-Finance: Experience, Capacities and Prospects," Accra: draft report of a study commissioned by Government of Ghana, UNDP, African Development Bank, World Bank, August 1997.

Remenyi, J and Quinones, B. (2000), "Microfinance and Poverty Alleviation: Case Studies from Asia and Pacific", Manohar Publishers.

Rogaly, B. (1996) "Microfinance evangelism, 'destitute women' and the hard selling of a new antipoverty formula", Development in Practice 6 (May): 100–112.

Robinson, M. (2001) "The Microfinance Revolution: Sustainable Finance for the Poor", World Bank, Washington.

Rutherford, S. (1996) "A Critical Typology of Financial Services for the Poor", ACTIONAID Working Paper No. 1.

Schreiner, M. (2001) "Aspects of Outreach: a Framework for Discussion of the Social Benefits of Microfinance", Center for Social Development.

Schreiner, M., Morduch, J. (2001) "Replicating Microfinance in the United States: Opportunities and Challenges". In: James H. Carr and Zhong Yi Tong (Eds.). Pp. 19-64. Washington D.C: Fannie Mae Foundation.

Sinha, S. (1998) "Micro-Credit: Impact, Targeting and Sustainability", IDS bulletin, Vol. 29, No.4.

Simanowitz, P. & Brody, S. (2004) "Realising the potential of microfinance, id21 insights", December, Issue -51

Todaro, M. P. & Smith, S. C. (2003) "Economic Development", Pearson Education Limited, Harlow, England.

Wright, G. A. N. D., Kasente, G., Semogerere, L. et al (1999) "Vulnerability, risks, assets, and empowerment: The impact of micro-finance on poverty alleviation", a report prepared for Micro-Save Africa and Uganda Women's Finance Trust as a contribution to the World Development Report 2001.

Wright, G. A. N. (2000) "Microfinance Systems: Designing Quality Financial Services for the Poor", Zed Books Ltd. London & New York, and The University Press Limited, Dhaka.
Woller, et al (1999) "Where to Microfinance", International Journal of Economic Development. 1(1), pp. 29-64.

World Bank (2000) "World Development Report 2000/01: Attacking Poverty", World Bank,Washington.

World Bank, (2004) "Brazil Access to Financial Services", Brazil Country Management Unit. Report N°27773-BR

World Bank, (1996) "Sustainable banking with the poor: A worldwide inventory of microfinance institutions", Washington, D.C

Yunus, M. (1999), "Banker to the Poor: Micro-lending and the Battle against World Poverty", New York: Public Affairs

APPENDICES

Appendix 'A'

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI. INSTITUTE OF DISTANCE LEARNING. SCHOOL OF GRADUATE STUDIES, KUMASI.

QUESTIONAIRE FOR BENEFICIARIES/CLIENTS OF MICROFINANCE

I am studying for a Masters Degree Program at the Institute of Distance Learning (IDL) of School of Graduate Studies Kwame Nkrumah University of Science and Technology KNUST, Kumasi Ghana. I have designed the following questionnaire for the study of the **''Impact of Microfinance on the livelihood of Women in the rural communities, Case Study of Jaman South District'',** which required for the thesis work as an integral part of the study.

It would be highly appreciated if you fill this five-page questionnaire. It will take approximately 20-25 minutes. I expect your kind cooperation in this respect. All information provided in this study will be treated as confidential and your anonymity is assured.

A. DEMOGRAPHIC INFORMATION

1. Respondent's Name……………………………………………………………………

2. Sex Male [ ] Female [ ]

3. Age 16 to 20years [ ] 21 to 25years [ ] 26 to 30years [ ] 31 to 35years [ ] 35years and above [ ]

4. Marital Status (1) Single [ ] (2) Married [ ] (3) Divorced/Separated [ ] (4) Others [ ]

5. Educational background (1) illiterate [ ] (2) Primary [ ] (3) JHS [ ] (4) SHS [ ] (5) Post Secondary [ ] (6) Tertiary [ ] (7) Others specify…………………………………

6. How did you know about the Drobo Community Bank Ltd (MFI)?
(a) From a: (1) friend [ ] (2) Customer [ ] (3) Relative [ ] (4) Advertisements/promotions [ ] (b) Proximity to: (1) Home [ ] (2) Business [ ]

7. Which of these products attracted you to join the MFI? (1) Savings [ ] (2) Credit [ ] (3) Insurance [ ] (4) Payment Services [ ]

B. CREDIT ACQUISITION HISTORY

8. Have you received credit from the above mentioned MFI? (a)Yes [ ] (b) No [ ]

9. If yes how long have you been a member of the MFI? (a) 1month -1year [ ] (b) 1year- 2years [ ] (c) 2years – 3years (d) More than three years [ ]

10. If no did you apply for the loan again? (1) Yes [ ] (2) No [ ]

11. How long did it take for you to receive your first loan from MFI? (1) 1month – 3months [ ] (2) 4months -6months [ ] (3) 7months – 9months [ ] (4) 10months – 12months [ ] (5) 12months and above

12. What was the purpose of the loan? (1) To start a business [ ] (2) To pay ward school fees [ ] (3) To pay Health Insurance [ ] (4) Expand existing business (5) To serve as housekeeping money [ ] (5) others, please specify……………………………………

13. Which of these basic requirements did you have to satisfy before the loan was given to you?
(1) Physical collateral [ ] (2) Social collateral [ ] (3) Savings [ ] (4) Guarantors [ ] (5) Others, Please Specify…………………………………………………………………

14. How much did you apply for in the first credit application? (1) GHs1 to GHs100 [ ] (2) GHs101 to GHs200 [ ] (3) GHs201 to GH¢ 200 [ ] (4) GH¢ 201 to GH¢ 300 [ ] (5) GH¢ 400 & above [ ]

15. How much were you granted in your first credit from the MFI? (1) GHs1 - GHs100 [ ] (2) GHs101 - GHs200 [ ] (3) GHs201 - GH¢ 200 [ ] (4) GH¢ 201 - GH¢ 300 [ ] (5) GH¢ 400 & above [ ]

16. Were you able to repay the loan on schedule? (1) Yes [ ] (2) No [ ]

17. If No what was the reason for your failure to honour the loan on time? ……………

18. What was the effect of your failure to repay the loan on time? ………………………..

19. If Yes did it automatically lead to another loan from the MFI (1) Yes [ ] (2) No [ ]

20. How much did you apply on the second loan application? (1) GH¢ 1 - GHs100 [ ] (2) GH¢ 101 - GH¢ 200 (3) GH¢ 201 - GH¢ 200 (4) GH¢ 201 - GH¢ 300 (5) GH¢ 400 and above.

21. How much were you granted in your second credit from the MFI? (1) GHs1 - GHs100 [ ] (2) GH¢101 - GH¢200 (3) GH¢201 - GH¢ 200 (4) GH¢ 201 - GH¢ 300 (5) GH¢ 400 and above.

22. How many times have you received credit from the MFI? (1) Once [ ] (2) Twice [ ] (3) Three times [ ] (4) More than three times [ ]

C. SAVINGS HISTORY

23. Do you have voluntary savings with the MFI? (1) Yes [ ] (2) No [ ]

24. If ‘yes’ what type of savings do you have? (1) Ordinary Savings [ ] (2) Fixed Savings (3) Susu Savings (4) Combination of the three above [ ] (5) others please specify ………………

25. How often do you deposit cash into your account? (1) Daily [ ] (2) Weekly [ ] (3) Bi-Weekly [ ] (4) Monthly [ ] (5) Others ……………………………………………..

26. Do you earn interest on the savings? (1) Yes [ ] (2) No [ ]

27. If yes, is it a motivational factor for your continuous deposit with the bank? (1) Yes [ ] (2) No [ ]

28. If ‘NO’ what other factor(s) motivates your savings? ………………………………….

D. LIVELIHOOD IMPROVEMENT

29. Have you made recently improvements to your property (ies) after your association with the MFI? (1) Yes [ ] (2) No [ ]

30. If ‘yes’ what is the property acquired? Please tick as many as provided below;

i. Constructed Rooms [ ]

ii. Increased purchase of inputs [ ]

iii. Built kiosk [ ]

iv. Built metal container [ ]

v. Renovate building [ ]

vi. Others [ ] please specify………………………………………………………………

31. Has there been any improvement in the performance of your business since joining the MFI? (1) Yes [ ] (2) No [ ]

32. If ‘Yes’ what is the range of your profit per week now? ....

33. What was your range of profit before taking part in the microfinance? ……………….

34. What is your profit per month now?...

35. What was your profit per month before joining Microfinance?

....

36. How would you assess your weekly and monthly income? (1) Has increased [ ] (2) Remain same [ ] (3) Has decreased

37. Were you able to send your children to school before joining the MFI? (1) Yes [ ] (2) No [ ]

38. If 'yes' what was your source of funding?

……………………………………………………………………………………….…………

39. If 'No' what is the situation after joining the MFI?

………………………………………………………………………………………..………

40. Did you register for the National Health Insurance Scheme before joining the MFI? (1) Yes [ ] (2) No [ ]

41. If 'No' what did you do to manage your health problems eg sickness (1) Buy from the local drug sellers [ ] (2) From local Herbs [ ] (3) Borrow money to buy drug [ ] (4) Others…………………………………………………………………………………………

42. Have you registered with the National Health Insurance Scheme after joining the MFI? (1) Yes [ ] (2) No [ ]

43. How do you deal with health problems after joining the MFI? (1) I go to the NHIS's public hospitals [ ] (2) I sold out a household asset [ ] (3) I use my savings [ ] (4) I use part of my credit from the MFI [ ] (5) Ask for a credit to informal agent (family, friend and moneylender) [ ] (6) I ask money from my relatives living abroad [ ]

44. How was the General health status of your family before joining MF? (1) Very good [ ] (2) Good [ ] (3) Regular [ ] (4) Bad [ ]

45. How is the General health status of your family after joining the MFI? (1) Very good [ ] (2) Good [ ] (3) Regular [ ] (4) Bad [ ]

46. Were you consulted in making household decisions before joining the MFI? (1) Yes [ ] (2) No [ ]

47. If 'No' what could be the reason(s) for your non- involvement in household decision making?

....

48. If 'yes' state the reason(s)

……………………………………………………………………………………………

49. Where you consulted in making household decisions after joining the MFI? (1) Yes[ ] (2) No [ ]

Thank You

Appendix 'B'

QUESTIONNAIRE FOR OFFICIALS OF THE BANK.

I am studying for a Masters Degree Program at the Institute of Distance Learning (IDL) of School of Graduate Studies Kwame Nkrumah University of Science and Technology

KNUST, Kumasi Ghana. I have designed the following questionnaire for the study of the **‘’Impact of Microfinance on the livelihood of Women in the rural communities, Case Study of Jaman South District’’,** which required for the thesis work as an integral part of the study.

It would be highly appreciated if you fill this five-page questionnaire. It will take approximately 20-25 minutes. I expect your kind cooperation in this respect. All information provided in this study will be treated as confidential and your anonymity is assured.

1. Name of institution

…………………………………………………………………………………………

2. Status of respondent in the institution

…………………………………………………………………………………………

3. How many products do you have?

…………………………………………………………………………………………

4. How many of them are linked to microfinance? Please list them

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

5. How do you determine micro-credit amount?

(a) Turnover ( ) (b) Cash flow/ Credit worthiness ( ) (c) Applicant past record ( ) (d) All the above ( )

6. What are your security requirements?

…………………………………………………………………………………………

…………………………………………………………………………………………

7. What are your maximum/minimum loan limits for first time borrowers?

…………………………………………………………………………………………

8. What are your maximum/minimum loan limits for subsequent borrowers?

…………………………………………………………………………………………………

9. What is your maximum/minimum recovery rate with first time borrowers?

……………………………………………………………………………………………………

10. What is your maximum/minimum recovery rate with Subsequent time borrowers?

……………………………………………………………………………………………………

11. Are you satisfied with your micro-credit recovery rate? (a) Yes ( ) (b) No ( )

12. What are the common reasons for micro-credit default in your bank?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

13. How do you deal with such defaults?

……………………………………………………………………………………………………

…………………………………………………………………………………………………..

14. What are the major constraints to expanding access of credit to women?

……………………………………………………………………………………………………

…………………………………………………………………………………………………..

15. In your opinion, what can be done to improve accessibility to credit by Women in your catchment area?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

16. Do you operate mobile banking? (a) Yes ( ) (b) No ( )

17. If 'yes', how is helping your clients in terms of savings mobilization and loans repayment?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

18. Do you do loans monitoring? (a) Yes ( ) (b) No ( )

If yes, how often is it done? (a) Daily ( ) (b) weekly ( ) (c) monthly ( ) (d) quarterly ( )

If No, why?

………………………………………………………………………………………

…………………………………………………………………………………………………
19. How do you monitor the various policies (Microfinance) on your women clients?

....

…………………………………………………………………………………………………
20. What are the effects of microfinance activities on your women clients?

……………………….……………………………………………………………………………

…………………………..…………………………………………………………………………
21. How has microfinance help grow the local economy?

....………………………………………………………

Appendix C

Calculation of Sample Size

$$n = N \div (1 + N (\alpha) 2)$$

Sample Frame (Total Number of Microfinance women clients)
Sample Frame (Total Number of Clients) = 1684

$$n = \frac{N}{1 + N (\alpha) 2}$$

Where;

n = Sample Size

N = Total Number of Microfinance Women Clients

A= Level of Confidence is 95 percent, this was chosen because the convenient method reduced the possibility of non-response drastically.

Therefore $$n = \frac{1684}{1 + 1684 (0.05)2} = \frac{1684}{5.21} = 323$$

Appendix D

MAP OF JAMAN SOUTH DISTRICT