KWAME NKRUMAH UNIVERSIYTY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ART AND SOCIAL SCIENCES

KNUST SCHOOL OF BUSINESS

# AN EXAMINATION OF THE PRODUCTS/SERVICES OF MICROFINANCE INSTITUTIONS (MFIs) IN GHANA-THE CASE OF GIFS

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MASTER OF BUSINESS ADMINISTRATION

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By

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## DECLARATION

I hereby declare that this thesis is my own work towards the Master of Business Administration(Finance-Option), and to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the award of any other degree of the University or any other university, except where due acknowledgement has been made in the text.

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## DEDICATION

This work is dedicated to my Mum, Madam Agartha Abrafi for all her support and love throughout my education and, to Mrs. Vesta Adu- Gyamfi for been a mentor and all the encouragement given. May God bless you all.

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## ABSTRACT

The important role played by microfinance in reducing poverty in developing economies cannot be underestimated. However, the extent to which microfinance interventions can help to alleviate poverty depends on the products and services offered. Against this backdrop, the study sought to examine the products and services offered by microfinance institutions and their impact on the livelihood of beneficiaries. The study used a detailed, single case study of a microfinance firm in the Ashanti Region of Ghana. A convenience sampling technique was employed to sample 163 customers of the microfinance institution. In addition, the operations manager of the institution was interviewed. The study established that both financial and non-financial services are offered to customers. The financial services offered can be categorized into savings, loan and money transfer product. The study further revealed that the product of microfinance institutions, especially GIFS, encourages the poor in society to cultivate the habit of savings. However, the major problem confronting individual and SMEs has to do with the delays in loan processing. Also challenges such as high interest rates on loans, demand for collateral security and short repayment periods are were identified by customers. From the perspective of GIFS microfinance, the main challenge affecting the smooth operations of the institution is the high illiteracy rate among their customers. The study recommends, among other things, that Microfinance institutions should constantly review and introduce financial and non-financial services that will help improve the livelihood of customers and the general society as a whole.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 BACKGROUND TO THE STUDY

The important role played by microfinance in reducing poverty in developing economies cannot be underestimated (Gibbons and Meehan, 2002; Armendariz de Aghion and Morduch, 2005). Microfinance happens to be among the few financial innovations that have helped to reduce extreme poverty in developing countries (Morduch, 2000). Indeed it is argued that the achievement of the millennium development goal which seeks to halve extreme poverty and hunger can be realized with the help of microfinance institutions (MFIs). While the rich and the middle class society rely on the commercial banking system for financial services, microfinance institutions are the main sources of financial intermediation for the poor households who otherwise are excluded from conventional financial systems.

Over the past few years, microfinance institutions have become important financial institutions for individuals and businesses in the informal sector of Ghana. Sizeable number of the 70 percent unbanked adult population in Ghana rely on microfinance institutions for their financial services (Ghana banking survey, 2013). These institutions have become the main source of financial intermediation for the poor and small business operators in society. Government  of developing countries, like Ghana is attracted to microfinance as a means of promoting industrialisation, through the provision of start up capital to the proactive poor for the development of small businesses as a major means of job creation and the improvement in the standard of living of the people. It can therefore be deduced the microfinance institutions are helping to develop rural areas in particular and the Ghanaian economy in general. As

Ledgerwood (1999) succinctly put it ―microfinance does not aim at just providing services, it is a development tool‖

In the works of Johnson and Rogaly (1997) they argued that, over the years, policy makers, international development agencies as well as non-governmental organisations have devised various approaches to the attainment of development and poverty reduction in less developed countries. A major approach of the recent recognition is that,  microfinance schemes is considered as a strategy for encouraging savings culture and providing credit opportunities to the economic active people that are financially handicap.

Microfinance institutions engage in the mobilisation of savings and credit provision to the small and medium enterprise in remote areas. According to Basu et al. (200), 6% of the adult population in Ghana utilizes the services of microfinance institutions.
Sixty years after Ghana‘s independence the country‘s quest to be a developed nation has become a struggle for successive regimes, the populace suffer unemployment leading to poverty. Most in rural areas lack adequate food, shelter and health care. Government and other development partners have embarked on various
developmental strategies with specific emphasis on income generation ventures to improve the living standard of rural folks.

Over the years, microfinance institutions (MFIs) in Ghana have actively been involved in the provision of financial services to the poor for business development. These MFIs currently provide financial services like; loans, deposit mobilisation, payment and transfer service and even provide international services to their customers, with the objective of encouraging micro business for the poor in order to raise the income level and improve their standard of living.

The country is challenged with even distribution of resources effectively to attain development and this is mostly affected by the rural people thus causing rural urban migration. Unemployment as a result of lack of industries has a negative effect on the country as emphasised by Shanti (2008), with the threat of poverty causing evils, like dissatisfaction, anger, anxiety, disease and hunger. This has necessitated the government‘s promotion of developmental partners like the rural banks, savings and loans, and other microfinance institutions in its quest to reach out to rural communities.

Microfinance has evolved to become an important economic development tool. It is helping in the transfer of capital resources and the provision of other financial services such as micro insurance, education, simple business record keeping and technical assistance to small scale entrepreneurs and other poor but economically active clients (Zeller & Sharma, 1998). As indicated by Holt and Ribes (1991), access to microfinance raises the incomes and productivity of the rural poor to engage in to engage in micro and small entrepreneurial activities. In the view of the former UN

Secretary General, Kofi Annan, ―*…Sustainable access to microfinance helps alleviate poverty by generating income,creating jobs, allowing children to go to school, enabling families to obtain health care,and empowering people to make the choices that best serve their needs.*‖ *(Kofi Annan,December 2003).*

In spite of the fact that microfinance institutions are important partner in poverty alleviation in rural settings, the concept has been criticised for doing little to alleviate poverty in the rural settings. For instance, Siebel (2003) argue that the main motive of microfinance institutions (MFIs) is to gain high profit through the charges of high interest rate and at times interested in the acquisition of debtors collaterals and not providing financial assistance to the poor‘s development. In light of this, study seeks to investigate the nature of the financial products offered by microfinance institutions and the extent to which these products are helping to improve the livelihood of the poor in society.

## 1.2 PROBLEM STATEMENT

In spite of the important role played by microfinance institutions in poverty alleviation, the concept of microfinance has been criticized by several authors. Some of these authors have sought to question the intentions of these microfinance institutions. For instance Noronah (1997) questions whether microfinance is simply ―a band-aide to hide a gushing wound‖ of poverty and injustice. While the main target group of microfinance intervention is ―the poorest of the poor‖, it has been proven that most microfinance institutions, through the products and services they are offering, are doing little for the most desperate in society. Though various studies have been conducted on the subject of microfinance in Ghana and how it is helping to alleviate poverty and hunger, little is known about the nature and purpose of the financial products offered by these microfinance institutions. The study seeks to bridge this research gap.

## 1.3 RESEARCH OBJECTIVES

- To examine the nature of financial services/products offered by microfinance institutions in Ghana.
- To examine the extent to which these products are helping to alleviate poverty among households.
- To identify the challenges faced by households and SMEs in accessing the services of microfinance Institutions.

- To examine the challenges confronting MFIs in providing microfinance products/ services to the households and SMEs

## 1.4 RESEARCH QUESTION

- What are the nature of financial services and products offered by Microfinance Institutions to household and SMEs?
- Has microfinance products and services helped in the reduction of poverty among households and SMEs?
- What are the challenges households and SMEs face in accessing microfinance?
- What are the challenges, if any, faced by MFIs in providing financial services to the poor in society?

## 1.5 JUSTIFICATION OF THE STUDY

Very few studies explicitly study microfinance interventions through the eyes of the beneficiaries (Marr, 2003). The view of microfinance from below‗, that is service users‗ perception of microfinance not only helps to fill a gap in the microfinance literature but also constitutes an ingredient for making microfinance effective as a development intervention in Ghana.

The research study will provide additional information with respect to the product and services provided by MFIs in Ghana. Thus, the information gathered will provide a better understanding of the various products/services offered by MFIs. This will aid in the formulation and implementation of appropriate microfinance policies and regulation that will inure tot eh benefits of beneficiaries and microfinance institutions

Finally, the findings of the study will contribute to the existing body of knowledge thereby extending the frontiers of knowledge in the field of microfinance in developing countries like Ghana.

## 1.6 SCOPE OF THE STUDY

The study will cover primarily the products and services of MFIs using GIFS microfinance as a case study. Geographically, the study limits itself to beneficiaries of microfinance activities in the Ashanti region of Ghana.

## 1.7 LIMITATION OF THE STUDY

There were various limitations to this study; most of the respondents were illiterate and could not read and answer the questionnaires and most often, the researcher have to fill and translate questions into local language before effective responds could be seek. Most of the respondents were not willing and were afraid to answer questions since they never understood the purpose of the research thesis and thought it was meant to tax their businesses due high illiteracy rate. There was also financial constraint since the researcher travelled long distance to the rural communities to collect data on a daily bases. Also, considering the sample size and research context, the generalization of the findings may need to be interpreted with caution.

## 1.8 ORGANISATION OF THE STUDY

This study is organized into five main chapters. Chapter one outlines the introduction of the research study thereby providing a foundation framework upon which the entire study rests. The chapter presents issues on background of the study, problem statement, research questions, objectives of the research, scope of the study, justification, as well as organization of the of the entire research work.

In chapter two, the study focuses on the literature review on relevant concepts and issues in relation to theme of this study. The specific issues to be discussed in this chapter include products and services offered by microfinance institutions, the nature and intentions of these products, as well as the role of microfinance interventions in the reduction of poverty. The chapter also examines empirical literature by focusing on works that have been done in the subject area.

Having established a conceptual framework for the study, the third chapter highlight the methodological framework within which the study will be undertaken. Issues such as the research design, data collection process, sampling procedure as well as data analytical techniques will duly be examined in this chapter.

The fourth chapter encapsulates the analysis of this research. It is devoted to analyzing empirical data collected from the field. The chapter will set out by first providing a profile of the study institution before analyzing primary and secondary data obtained from the field.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 INTRODUCTION

The previous chapter provided an overview of the entire thesis work. It captured the background of the study, the problem statement, objectives of the study as well as the justification for the study. This chapter provides a review of relevant literature on the subject under study. Specifically, the chapter provides definition to microfinance, distinction between microfinance and microcredit as well as definition of poverty. The chapter further focuses on the history of and evolution of microfinance in developing countries like Ghana and the challenges and contributions of microfinance to the development of individuals and small businesses. The chapter concludes by examining the challenges faced by microfinance institutions in providing services to their clients.

## 2.2 DEFINITION OF KEY CONCEPT

The concept of microfinance has become popular in financial and development circles. The concept has however been defined in various ways. In spite of the variations in the definitions, the key phrase that runs across the various definitions is the ―reduction of poverty among the poor in society‖. CGAP (2010; p1) defines microfinance as a financial services designed for the low-income and the poor in society. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as ―microfinance institutions (MFIs). These institutions commonly tend to use new methods developed over the years to deliver very small loans to the poor unsalaried borrowers, taking little or no collateral. These methods encompasses group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.Robinson (1998) also define microfinance as a development tool for most developing economies for the establishment of small and medium enterprise, of which he emphasized on microfinance as a means of providing financial services and products in a form of small loans and savings in assisting the poor in business establishment. Robinson see microfinance intervention as a means by which small businesses in society can be empowered to expand and grow. In his view, microfinance institutions do not only provide microcredit to businesses but also professional advice on business and financial management.

Though the above definitions provide a vivid understanding of the concept of microfinance, Azevedo (2007) provides another dimension to the definition. According to him, the term microfinance refers to the provision of financial services for low-income households and micro entrepreneurs (both urban and rural) for productive purposes. The key part of this definition is microfinance interventions are solely meant for productive purposes. However, this definition has been described as controversial since others have opined that microfinance is not always provided for productive purposes. For instance some authors have found that microfinance does not only help in productive activities of the poor but it also support school fees of the poor, shelter and other social needs.

Microfinance, according to Gulli (1998), goes beyond mere provision of banking services to the poor in society. According to him, microfinance is also a tool for development of which the approach towards lending to the poor must be a goal of microfinance in reducing poverty and the empowerment of the poor. From the view point of Ledgerwood (1999) microfinance institution enhance support system, from the social perspective aside financial support where microfinance institutions provides social services like intermediation services to target groups like group formation, self development and training of targeted people to instill financial literacy and management development in their businesses. Ledgerwood also identified beneficiaries of microfinance to be self employed low income earners, entrepreneurs like street vendors, small farmers, hairdressers, seamstresses, traders and the like.

The institutions involved in microfinance services ranges from government or non government financial institutions and private financial institution such as rural banks, microfinance companies, savings and loan, financial service companies and cooperate and credit union. According to ministry of finance and economic planning of Ghana; ‗microfinance encompasses the provision of financial services and management of small amount of money through a range of products and a system of intermediary functions that are target at low income clients. Microfinance refers to the provision of small loans to the facilities like savings, insurance, money transfer services to the poor low income households and micro enterprises‟(MOFEP, 2008). This definition thus point out two clear key points, financial service provision and training of business management.

Other definitions portray the common conception that microfinance is financial services provided by formal institutions for the poor in society. However, Wright and Rippey, (1999) have challenged this definitions claiming that the definition is not inclusive enough. According to them, the concept of microfinance should be more inclusive and should take into consideration informal financial arrangements such as moneylenders and financial support from relatives which constitute an important source of financial assistance for the poor. In recent times it is not uncommon to find many essentially non-financial NGOs and commercial banks involved in

microfinance.

From the above definitions by the various researchers, the definition of microfinance is summarized as an economic approach for development which involves the provision of financial services by financial and non-financial institutions and groups that targets the low income earners that are denied financial assistance in the financial market.

Financial institutions that embark on microfinance services has its associate services that include; savings mobilisation, provision of social services like training and education and the provision of health and skill training support to its clients

Microfinance and microcredit are sometimes mistakenly used interchangeably. However, microcredit is considered as a component of microfinance that extends small loans to the proactive poor entrepreneurs that are not able to attract commercial banks loan. Microcredit is essential in the developing countries, since it encourages self employment businesses thus promoting income generation to the poor to improve their standard of living. Hossain et al. (2000) posit that microcredit is the practice of offering small loans which are collateral free to cooperate groups that do not have access to capital for developing of small businesses. Meanwhile, Rallens and Ghazainfour(2005) provide a more simple definition of microcredit by explaining that it is the lending side of microfinance. Thus, it can be inferred from the above definitions that microcredit is a subset of microfinance. For the purpose of this study microfinance and microcredit will be used differently. However, microloans and microcredit are used interchangeably.

## 2.3 POVERTY AND MICROFINANCE

A key part of the definition of microfinance is the financial services provided for the poor. It is therefore important to understand the concept of poverty in order to put the concept in context. Though the concept is relatively simple it is difficult to define.

The distinction between who is poor and who isn‘t is a debate that has ranged on over the years. However, several attempts have been made to define the concept. It is described in relative terms as a condition of deprivation when one individual, community and economy is compared with another. It has also been defined as the conditions of having insufficient resources, income or means to satisfy even basic human needs. Poverty is also described as a deprivation which includes issues such as hunger, lack of shelter and clothing, health care, education and access to policy making processes. Poverty connotes the lack of access to resources necessary to achieving a decent standard of living. It indicates lack of access to food, income, shelter, clothing and land among other physical resources. It is a disincentive to socio-economic development; therefore poverty reduction is a condition for investment and wealth creation (European Foundation for the Improvement of Living and Working Conditions, 1995).

The concept of microfinance, many researchers argue, is making huge impact as far as poverty reduction in developing economies is concerned. For instance Morduch (2000) argue that microfinance is among the few innovations in the financial circles that has helped to improve the living conditions of the poor and vulnerable in society. Mohammed Yunus, a leading voice in the microfinance literaturedescribed microfinance as a ―human right‖ interventions. According to leading advocates in the field, microfinance has the capacity to efficiently and effectively provide sustainable financial services to poor households who are otherwise excluded from the conventional financial systems for lack of collateral.However, Littlefield and Rosenberg (2004), have their opinion that ‗‗microfinance is not the panacea that propels its entire client out of poverty. In fact, some authors have criticized the concept of microfinance as doing little to alleviate poverty among poor. For instance, Siebel (2003) argue that the main motive of microfinance institutions (MFIs) is to gain high profit through the charges of high interest rate and at times interested in the acquisition of debtors collaterals and not providing financial assistance to the poor‘s development.

## 2.4 THE HISTORY OF MICROFINANCE

The concept of microfinance has been in existence since economic activities began but it gain much popularity in the 1970‘s and 1980‘s as a means of improving income levels of the poor by through the encouragement of microenterprises. This was done through the provision of small loans for the poor. Dr. Mohamed Yanus, a professor of economics at the University of Chittagong is credited for making the concept popular. He is also considered the pioneer and the founding father of microfinance in Bangladesh with a noble peace price award winner to his credit in the year 2006 for his contribution towards socio-economic development. Mohammed Yunus‘ idea about microfinance led to the establishment of the Grameen Bank in Bangladesh in 1983, with the aim of providing capital for entrepreneurship development among the poor that suffers collateral security for financial assistance in Bangladesh. Countries that initially provided microfinance services were; India, Indonesia, Vietnam, Sri Lanka and government banks.

According to the research findings of Hague (2006), Bangladesh holds over 1000 NGO‘s that provides Microfinance services to more than 10million households. The works of Thapa(2007), revealed that the Bangladesh Rural Advancement committee, the Proshika and the Association for Social Advancement NGO‘s do account for the 73% of the total outstanding loans in Bangladesh. In Bangladesh the Grameen Bank means rural bank. The Grameen bank have an objective of providing banking facilities to the poor , preventing exploitation of the poor through lending, creating employment for rural people, empowering women to be self sufficient and improve the standard of living of the poor in Bangladesh in a means of building and improving investment and savings behaviour among the poor people .

Yunus‘ microfinance project first started in Jobra in 1976 and became successful thus contributing to the massive ownership of shares by the rural poor in Grameen Bank of 90% with only government share of 10%.

Today, Grameen Banking lending model is worldly practice. In India, microfinance started as far back in the 1980's through the formation of self help groups in providing the much needed banking services on a smaller scale. Microfinance has current influence the economy of India and has led to the establishment of national bodies like the National Bank for Agriculture and Rural Development and small industries Development Bank of India of which are only in microfinance services.

In Ghana microfinance is not considered a new concept for development. There has been a formal traditional system of mobilising funds by groups and lending it out alternatively to group members as a means of helping group members in business or other activity development. Northern Ghana was the first place to establish microfinance by the Canadian catholic missionaries in the year 1955.

Asiama (2007), pointed out that __susu" a type of microfinance scheme is traced back from Nigeria to Ghana in the 25$^{th}$ century. Asiama findings indicated that, the government of Ghana often embark on policies and programmes in microfinance sector as a way of providing subsidized loans since 1950 and the establishment of the

Agricultural development bank in 1965 to provide financial assistance to the rural people, the establishment of rural and community banks as well as the regulation of commercial banks to grant 20% credit to agriculture and small scale industries in the year 1970 and 1980, encouraging flexibility in the financial sector to a liberalised system within the 1986 regime and the enactment of the PNDC law 328 in 1991 , which encourage the privatising of the banking system thus paving way for savings and loans and other microfinance institution establishment. According to Asiama these policies led to the categorisation of microfinance institution into;

- Formal supplies; which include the rural and community banks, savings and loans companies and some development and commercial bank.
- Semi-formal suppliers like financial and nongovernmental organisations, cooperatives and credit unions.
- Informal suppliers which include susu collectors and clubs, savings and loans association, money lenders and other individuals into savings and loans.

In Ghana the regulatory laws governing rural and community banks is the banking Act of 2004(ACT 673) and savings and loans companies are governed under the PNDC law 328 of the non banking financial institution law 1993. Since the introduction of microfinance in Ghana as a development tool, several research findings about the impact of microfinance has been carried out by different researchers but lacks the rural findings thus most of the works are centred in urban areas thus leading to the gaps in the generalisation of the effects of microfinance at
Sekyere South District therefore the need for the study.

## 2.5 PRODUCTS AND SERVICES OF MICROFINANCE

Microfinance offers products and service towards the development of individuals and micro businesses in their catchment areas. These products and services are classified as financial and enterprise development services.The financial products and services or intermediation is the provision of financial assistance in the form of loans and savings facilities for the poor. The enterprise development service is more or less the provision of social services to the beneficiaries of microfinance loans and is considered as non financial services. Microfinance aims at providing cost efficient services by impacting knowledge and providing information services that improve the human capacity and ability through training and skills development for effective growth of small businesses. The sections below examine these products/services in much detail.

### 2.5.1 Loans

Microcredit/microloan is an important aspect of microfinance. In fact is has been described as the foundation of microfinance interventions. The importance of loans to the entire microfinance programme is demonstrated in the manner in which the terms ‗microfinance‗ and ‗microcredit‗ continue to be used interchangeably even though microcredit is considered a subset of microfinance. The reason for this confusion is that microfinance industry begun with the provision of loans and in addition most of the literature on microfinance is actually about the provision of credit or loans.

Microloans/microcredit is the provision of loan for the individuals and small business.

The loan disbursement process usually begins with verification of documentation. However, the documents to be provided by the prospective borrowers vary from customer to customer depending on; business or personal customers, new or existing customers, and the purpose of the loan. In most instances, customers are required to officially write to the microfinance institution requesting the credit facility. The application letter must be accompanied by (i) passport photographs of the applicants (ii) current pay slips of application if salaried worker (iii) a letter of guarantee from family and close associates and (iv) an evidence to showing the customer‗s previous loan application record and payment history. Loan officers collect pictures and other personal details to commence the loan application process. In group lending when members in the group have been verified everyone usually received a loan. In some instances, the ability of a applicant to access a loan facility depends on the type of enterprise. Kah (2005) found that applicants who are able provide better business proposal are considered. Subsequent loans required shorter times to process because loan officers did not have to conduct stringent on-site business evaluations. In most instances, subsequent loans are disbursed after the previous one had been repaid fully (Churchill, 2000).

The size of microfinance loan and depends on the individual/business. A number of studies have attempted to estimate the size of microfinance loans. For instance, Buyske (2004) says microloans range between $300 and $1000. Christen, Lyman and Rosenberg (2003) recommend that only an upper limit should be set for a microloan and that loan size decisions should be based on borrower_s character and cash flow. Ledgerwood (1999) also urges microfinance institutions to consider cash flows as well as service users_ability to repay.

Loans granted through microfinance interventions are used for varying purposes. In most cases, these loans are used for investment and wealth generation purposes. In fact this is the promoted purpose of microfinance loans. Most empirical studies have found that, microfinance loans are used for income-generation and a host of other purposes, the most notable being for consumption. A study conducted by Johnson aandRogaly (1997) found that loans were frequently used for other commitments such as payment of school fees, repayment of other loan facilities and consumption. Hulme and Mosley (1996) discovered that loans are used by the poor in developing countries as a means of smoothening consumption. Because money is described as fungible service, beneficiaries of microfinance loans usually divert such monies from income generating activities. In most cases, monitoring what these monies are used for becomes a difficult task for lenders

Beneficiaries of microloans generally repay the credit through the profit gained from investment of the loan. As explained by Rutherford (2000) surplus and savings generated from household_s overall productive strategies tend to be the main source of loan repayment. Thus, Beneficiaries who invest the money in income-generating ventures are more likely to repay the loans that those who divert the facility for other reasons. Other studies have found that beneficiaries of microloans repay loans not only from their productive ventures but also rely on relatives, friends and on their family members. Repayments of microloans usually follow a strict regime. Loans are usually repaid in weekly, fortnightly and monthly installments. In the view of MkNelly and Kevane (2002), this strict regime is usually designed to instill fiscal discipline into beneficiaries. However, in reality the strict repayment regime is aimed at ensuring high repayment rates than for any other reason.

### 2.5.2 Savings

In recent years, various savings products have been introduced into the microfinance intervention program. This has generated a lot of debate and interest in academic circles (Richardson, 2003; Harper and Vogel, 2005). This debate stems from the fact that from a historical perspective, the perception is that the poor is too poor to save any amount of their income. This perception led to the neglect of savings as a financial instrument for poverty alleviation (Wisniwski, 1998). However, the importance of savings a poverty alleviation measure gained prominence in the 1980s when empirical evidence promoted the idea that the poor is capable of saving and therefore should take advantage of saving facilities. (Adams and Graham, 1981). Recent studies have shown that the poor is indeed capable of using schemes such as the *susu*(Rutherford, 2000) to save part of their incomes. Wenner et al. (2003) argues that there is a need for savings facilities for the poor in developing countries especially those in rural communities. He cogently supports this argument by stating that in most developing countries commercial banks, which usually have the mandate to mobilise savings, have not entered rural credit markets on a substantial scale and after financial liberalization most of the commercial banks have actually closed most of their rural branches. It is therefore necessary for microfinance institutions to take care of the savings needs of the poor, especially those in rural communities.

The reasons why the poor save has been is has been copiously examined in literature. Although being poor implies the lack of money, the poor may have to save for a myriad of reasons. According to Johnson and Rogaly (1997), the poor are motivated to save s because they require small amounts of money to finance daily livelihood activities and to smoothen consumption due to seasonality and unemployment. The habit of saving tends to be more important for the financing of subsistence agriculture where investment requirements and the bulk of incomes are generally seasonal
(CGAP, 2001). The poor save to accumulate large lump sums for what Rutherford (2000).

The poor save in different ways. The Savings facilities for the poor can be broadly categorised into two: formal and informal (Yeaboah, 2007). Informal savings include arrangement such as savings in kind, door-to-door deposit collections (*susu*), trade savings among others. They are called informal because they are usually relationshipbased and involve very minimal or no record keeping. Formal savings also known as institutional savings generally refer to regulated and non-regulated financial institutions such as commercial banks and financial NGOs.

### 2.5.3 Enterprise Development Services

Microfinance does not only provide financial services to the poor but also enterprise development services. As explained by Ledgerwood (1999), microfinance institutions are expected provide non-financial services in addition to the financial services they renders. According to him, poverty reduction with both financial and non-financial services is more likely to have positive impact than those without any managerial support. Providing cost efficient services by impacting knowledge and providing information services that improve the human capacity and ability through training and skills development is importance for the successful implementation of microfinance. These services are intended to equip the SME operators with the requisite skills and knowledge to effectively manage their businesses as indicated by

## 2.6 MODELS OF MICROFINANCE

The Grameen bank in 2000a in Bangladesh identified fourteen models on microfinance but for the purpose of this study the three most commonly use models; the rotating savings and credit associations model, the Grameen solidarity group model and the village banking model will be considered as well as the susu model in Ghana.

### 2.6.1 The Rotating Saving and Credit Associations (ROSCAS)

This type of model deals with groups of people having a common fund through regular cyclical contribution, where lump sum amount is given to a group member on a rotational bases to all the members. This model is a form of savings and credit. The group formation is usually form by neighbours or friends and is common among women and thus provides plat form for socialisation as well as providing non financial intermediation services such as healthcare awareness and educating members through vocational and technical skills. According to Fisher and Sriram(2002) the model is also called __Self –Help Groups" or Merry-go-round.

### 2.6.2 Grameen Solidarity Group Model

According to Bereabach and Guzman (1994), this type of model have a specified group formation criteria where groups are formed on the bases of peer pressure of which loans granted to each individual group members is collectively guarantee by all group members for loan repayment. Members to a group range from four to seven. Loan renewals are based on previous loan repayment success. According to Ledgerwood (1999), loans repayments are schedule on weekly basis. Grameen bank applies this model for the avoidance of loan default. Under this model Grameen bank require a number of five people within a group with a savings period of four to eight weeks to qualify for microfinance loan with regular savings contribution over the loan duration period. The Grameen solidarity group model also seeks to ensure that loans are disbursed firstly to two group members for monitoring, towards a successful repayment before the loan is granted in full to all group members.

According to Berenbach and Guzman 2004, the model gained popularity due to its societal benefit and the formation of mutual arrangement network.

### 2.6.3 The Village Banking Model

This model is normally used by NGOs as a means of enhancing and building community empowerment through savings accumulation and building self help groups in communities. It is practice by village banks with members of 25 to 50 people of low income earners as a means job creation. In the report of Grameen bank 2000a, members of a village bank personally manage the bank governs by their owned bye-laws and grant loans to members and as well monitor them for repayment.

The loans are guarantee by group members with a moral collateral security. (Global Development Research Centre, 2005). The village banks can out source funds from microfinance institutions with collective guarantee agreement with 20% deposit as lien to the loan amount. The members of the village banks receives no interest on deposits however, profits generated from loans disbursement are shared to group members.

### 2.6.4 The Susu Model

For this model, the service providers of microfinance moves to locate clients and collect deposits on daily or weekly bases. In most cases there is service charge for the door to door service delivered. The susu model supports SMEs to generate income to expand business in Ghana and in most cases the deposits guarantees for loan qualification after two to three months regular contribution.

## 2.7 THE EFFECTS OF MICROFINANCE ON THE WELLBEING OF INDIVIDUALS AND SMEs

Microfinance Institutions (MFIs) help beneficiaries, especially those with small businesses through enterprise development. Enterprise development can be classified in two categories; enterprise formation and enterprise transformation. Enterprise formation aims at offering practical training for skill acquisition for business establishment. Enterprise transformation deals with the provision of technical and technological assistance for the advancement of business. The provision of microcredit for small and medium enterprise development is supported by government through government subsidies. The effective role of microfinance in the development of businesses is explained by Ledgerwood(1999), of which he differentiated between the performance of business with loans and businesses with both loans and integrated enterprise development services.

Various literatures have indicated the essence of microfinance on small and medium enterprise development. Researches have proved that many SMEs fail to expand as a result of limited financial resources and poor management. The study of Yaron (1997) found that, the failure of SMEs to develop is as a result of lack of access to loans. The provision of credit assistance to SMEs is considered an important factor towards the development of small scale businesses. The benefit of microfinance to SMEs is that it promotes savings culture among entrepreneurs. Most economists are of the view that group lending with education by rural banks is a means of developing SMEs.

Armendariz and Morduch(2010)argued that, microfinance is a solution to market failures to be the evolution of microfinance since it serve as a channel to spread information asymmetrically as well as avoiding moral hazard which affect formal banking systems.

Microfinance has encouraged group development leading to massive business development in rural areas and ensuring group responsibilities by joint liability. Rural banks have laid down standards for achieving the development of SMEs by means of providing flexible products for SMEs operators in the light of offering simplified loan procedures to suit the individual needs. In the works of Hiedhues(1995), increase in production had a link with working capital and credit accessibility leads to increase in income level and employment creation. Diagne and Zeller (2001) was also on the notion that, lack of access to credit facility by the poor have a negative impact on the growth of SMEs. However, the ability to access credit have a positive effect on SMEs by way of increasing SMEs risk bearing capabilities as well as enhancing SMEs to improve upon their risk copying strategies in a way of overcoming their weakness and threats.

The works of Zeller and Sharma (1998), revealed the benefits of microfinance as a means of establishing family business in improving standard of living. However, there is an argument that microfinance rather stabilises income than increase income and Burger was also of the notion that microfinance tends to preserve jobs than job creation.

Meanwhile, Rhyme and Otero (1992) were of the view that, the financial sustainability of microfinance institutions is as a result of spread coverage. The wider courage especially in rural communities has positive effect on the development of SMEs. According to Coleman (1999) research findings identified different opinion on microfinance loans to women in business development. Coleman research find out that loans granted to women were not invested in businesses but was diverted to house consumption and thereby concluded that credit creation was not the sole tool for SMEs development but influencing factors like; access to market, infrastructure and effective managerial practices were key to the development of SMEs.

But in (1997), Buckley research in Kenya, Malawi and Ghana identified the limitations of microcredit programs since the indicators of the success of microcredit was mainly based on the loan repayment rate, the loan outreach and the financial sustainability at the expense of the impact of microcredit on SMEs operations but the microcredit programme focus only on __microfinance evangelism" (Buckley, 1997). Buckley research concluded on the note that, the impact of microfinance service on the development of small and medium enterprise is insignificant and that the problem of low income flows and high rate of unemployment remains unsolved. The studies of Roodman(2009) also supported this argument microcredit makes people worse off with a typical evidence of credit cards and mortgages in developed economies turning its clients poorer. Aguilar‘s study in 2006 in Malawi added that the impact of microfinance loans on farmers were insignificant since microfinance clients were not better off than those without microfinance.

## 2.8 THE CHALLENGES IN PROVIDING MICROFINANCE FACILITIES

Microfinance Institutions (MFIs) are faced with some challenges in delivering microfinance loans to its clients. Most of the clients lack collateral security in support of loan which makes the SMEs operators finds it difficult to provide the credit requirement for the loans such as guarantors, landed properties and in most cases deposits in a form of lien is demanded by the bank. This problem leads the banks in a risk in terms of loan default. In compensating this risk of default, rural banks interest rates are raised high with affront charges like loan commitment fee and loan processing fee. The research findings by the Asian Development Bank revealed that, service providers of microfinance loans within the Asian pacific region charge high interest rates on microloans with a range of 30% to 70% per annum a rate higher than commercial banks rate ( Fernado,2006).Also, Fehmeen (2010), was of the opinion that, microfinance service providers are faced with high transaction cost as against small loan transactions with low returns thus preventing them enjoys economies of scale which forces them charge high interest rate to cover transaction cost. MFIs over the years have identify that most SME operators misapply microfinance loans by diverting loans from the intended purpose, in the end it leads to repayment problems this makes banks spend time through evaluating and appraising SMEs before granting microfinance loan to monitoring, this leads to delays in processing microfinance loans. Thissituation forces the SMEs to take up additional loans thus causing the vicious cycle of debt (Fehmeen 2010).

# CHAPTER THREE

# RESEARCH METHODOLOGY AND ORGANISATIONAL PROFILE

## 3.1 INTRODUCTION

The previous chapter concentrated on the review of relevant literature on microfinance. Key concepts were defined and examined in context of the study. In this chapter, the methods used in collecting and analyzing data are presented. Specifically, the chapter presents the research design, study population, sampling techniques and sample size adopted for the study, sources of data for the study, techniques used in analyzing the collected data, as well as validity and reliability of the study process.

## 3.2 RESEARCH DESIGN

Research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. This study adopted the survey approach by using structured questionnaires in collecting relevant primary data from beneficiaries of microfinance interventions introduced by GIFS Microfinance. The survey approach was used because it is thought of as less time consuming, cost effective, produces both quantitative and qualitative data and allows for easy and precise analysis. The survey approach also allows for researcher independence and help in the collection of empirical data to examine research questions.The research design is a descriptive design since it gives appropriate means of investigating the characteristics of the given population for sampling purpose through systematic use of statistical methods and is considered to be more qualitative.

Descriptive research portrays an accurate profile event or situation (Robinson, 2002).

## 3.3 RESEARCH APPROACH

The research approach used is both quantitative and qualitative approach for analyzing data collected from the field. __There is no one best approach to study management research rather than the approach that is the most effective for resolution of a given problem depends on a large number of factors such as nature of the problems etc.“(Gill and Johnson, 2006). The study adopted both approaches because the questionnaires were analyzed quantitatively while the interview responses were qualitatively analyzed.

### 3.4 RESEARCH POPULATION

The population of a study, according to Busha and Harter (1980) is a set of persons or objects that possesses at least one common characteristic. For the purposes of this study, the population consists of current clients (both business and individual customers) of the bank. Records from the GIFS microfinance indicate that there are about 879 customers dealing with the microfinance. This constitutes the population for the study. Table 3.1 provides a summary of the population.

**Table 3.1 Population of the study**

| **Category of customers** | **Population** |
|---|---|
| SME owners | 478 |
| Individual customers | 401 |
| **Total population** | **879** |

Source: Field Data, 2014

### 3.5 SAMPLING TECHNIQUE AND SIZE

Since the population GIFS customers was deemed too large, the entire population could not be considered. A convenience sampling technique was used to sample customers for the study. Customers who could be reached easily through their visit to the premises of GIFS microfinance were contacted. Those who expressed interest in the study were given questionnaires to complete. Saunders et al. (2009) explains that unlike probability sampling where the sample size is a major issue, in non-probability sampling, there are no rules, and as a result, the sample size decision is dependent on the researcher‘s objectives and questions. Because of time and cost constraint the researcher chose to sample 20% of the total population of customers of GIFS microfinance. Thus, 176 customers were sampled for the study. The population and corresponding sample size is captured in table 3.2.

**Table 3.2 Population and Sample Size of Customers**

| Category of customers | Population | Sample Size |
|---|---|---|
| SME owners | 478 | 96 |
| Individual customers | 401 | 50 |
| **Total** | **879** | **176** |

## 3.6 DATA COLLECTION METHODS

For the purposes of this study, both primary and secondary data were collected. The next sections explain these methods in detail.

### 3.6.1 Primary Data Sources

Primary data constitutes data collected specifically for research in response to a particular problem through interviews, questionnaires or observations. For the purposes of this research, Primary data was derived from responses of customers. Questionnaires were mainly used to gather the primary data for the study. Respondents verbally responded to structured questionnaire and their answers were recorded accordingly be the interviewers. The advantage of this procedure was in two fold. First, the questionnaires were fully completed, thus reducing non-response items.

Second, the collection of the questionnaire was on the spot, no reminders were needed and, hence, time was considerably saved.

### 3.6.2 Secondary Data

According to Saunders, secondary data constitutes data already collected for a different purpose. The secondary data obtained from GIFS microfinance was mainly financial records such as amount of loan granted to individual and SME customers and interest rate amount charged on loans.

### 3.7 DATA COLLECTION INSTRUMENT

Based on the objectives of the study, both questionnaire and interview guide were deemed appropriate instruments to employ. The questionnaires were used to gather data from the sampled customers. In designing the questionnaire, the researcher ensured that each question included was relevant for the researcher to meet the set objectives. Both closed ended and open ended questions were used in designing the questionnaire. The closed ended questions provided several options for respondents to choose from. The open ended questions, on the other hand allowed respondents to provide their own answers to the questions posed by the researcher.

The interview guide allowed the researcher to gather qualitative data to complement the data obtained from the questionnaires. The study used the semi-structured interview to gather the information from the branch manager of GIFS microfinance. This structure was adopted because the researcher was convinced that this was a good structure to gather the relevant data needed to meet set objectives.

### 3.8 QUESTIONNAIRE ADMINISTRATION

In order to obtain the full support of the selected customers, the questionnaires sent out had brief preamble explaining the purposes of the study, those responsible for the study, and a statement guaranteeing confidentiality of respondents. The questionnaires were self-administered to respondents personally by the researcher. This was to ensure that questions that needed clarifications were explained to respondents.

## 3.9INTERVIEW GUIDE ADMINISTRATION

As stated earlier, the branch manager of GIFS microfinance in the Kumasi Metropolis was interviewed. The purpose of the interview was to understand the products and services offered the microfinance and the reasons behind the introduction of each product. In addition, the interview sought to examine the challenges faced by the institution in providing microfinance services to its customers.  Before the interview process, the researcher informed the manager about the purpose of the study. The researcher personally interviewed the manager, using a semi-structured interview guide. To ensure that all information provided is captured, the researcher sought permission from the interviewee to record the interview.

## 3.10 DATA ANALYSIS

According to Saunders et al (2009), data analysis involves breaking down data and to clarify the nature of the components parts in order to establish relationship between them. Data can be analysed qualitatively or quantitatively based on the nature and objectives of the study. A qualitative data analysis enables a researcher to develop a theory from data, whiles a quantitative data analysis enables the researcher to explore, present, describe and examine relationships and trends with a quantitative data (Saunders et al., 2009). The data collected from the questionnaire administration was quantitatively analyses using descriptive statistical techniques such as frequency, mean and standard deviation. The qualitative data collected through the interview process was synthesized and analysed. Statistical Package for Social Scientist (SPSS) was the data analysis software used in the analysis.

## 3.11 QUALITY STANDARD: VALIDITY AND RELIABILITY

Saunders et al (2009) noted that validity and reliability constitute the credibility of a study. Validity refers to the extent to which a measure reflects the concept it intends to measure. According to Trochim (2005) if a study actually measure what they claim to, and if there are no logical errors when drawing conclusions from the data, the study is said to be valid. On the other hand, reliability refers to the extent to which studies can be replicated. The validity and reliability of the study is discussed below.

### 3.11.1 Construct Validity

Construct validity is intended to establish correct measurement of the concepts being studied (Perry, 2001). It is the ability of a measurement instrument to measure a construct or concept. In order to ensure construct validity, the questions in the questionnaire were carefully designed to ensure that they answer the research questions. Also, research supervisors of KNUST School of business validated the research instrument before it was administered.

### 3.11.2 Reliability

Reliability ensures that the same research can be done multiple times with the same result. To ensure a high level of reliability, the data was carefully collected and analysed. In order to ensure that there is internal consistency, a reliability test was performed (Pallant, 2011).

## 3.12ETHICAL CONSIDERATION

Ethics is critical for the success of any research project. According to Saunders et al. (2009), research ethics relates to issues concerning how the research topic is formulated and clarified, data collection procedure, data processing and storage, and how the data is presented and analysed. The researcher ensured that the research was conducted in a morally responsible manner. This is because the researcher adopted the deontological view of business and management research which states that the ends served by the research can never justify the use of research which is unethical (Saunders et a.  2009). Thus ethical considerations were prioritized. In order to ensure that the research does not violate any ethical standards, a number of issues were considered.  First, the researcher tried as much as possible to avoid plagiarism. Second, literature was competently reviewed to product a high quality research. Third, the research avoided shading the result of the research. Fourth, the researcher informed interviewees about the research and avoided coercing respondents to participate in the study. Finally, the interviewees‘ right to privacy was very well protected by keeping the information provided as confidential as possible.

### 3.13 PROFILE OF GIFS MICROFINANCE

GIFS Microfinance Ltd is incorporate and licensed under the Companies Code 1963 (Act 179). It is registered as a Microfinance Institution and Licensed and regulated by bank of Ghana (BOG), primarily to support the financially disadvantaged individuals and Micro, Small and Medium Enterprise (MSMEs) by providing financial and investment solutions to their financial and investment needs.

***Corporate Vision***

The Company‘s vision is to be the customers‘ first choice that best understands and satisfies the investment and financial needs of stakeholders through the delivery of excellent and quality services globally.

***Corporate Mission***

Its mission is to provide first class door-to-door Microfinance Services to financially and investments challenged individuals, Mico, Small and Medium Scale Enterprises (MSMEs) to become economically independent and socially responsible, whiles creating maximum value for all stockholders.

***Corporate Values***

Harmony: It is our corporate resolution to form a connected whole family to and with one another both internally and externally so as to produce unity effect.

Innovation: We conscientiously adopt and adapt to cultural and technological innovation through effective life-long learning orientations.

Integrity: We also strive to maintain a balance between faith and service; so as to provide a quality working life for our employees, deliver customer and employee satisfaction and retain shareholders confidence.

Competence: Competence which is our watch word reflects in whatever we do; from product design and structuring to investor and employee relations management.

Reliability: We can be depended on to perform and deliver a required service under stated conditions for a specified period of time because we have the required abilities.

# CHAPTER FOUR

# DATA ANALYSIS AND DISCUSSION OF RESULTS

### 4.1 INTRODUCTION

The previous chapter examined the methodology adopted for the study and the sources of data employed. This chapter presents analysis of the data collected from respondents. The presentations are in the form of tables and graphs. The analysis is presented in accordance with the objectives of the study.

The study investigates the products and services offered by microfinance institutions in Ghana, using GIFS microfinance as the case study organisation. Out of 176 customers who agreed to participate in the study, 162 successfully completed and submitted their questionnaires, giving a response rate of 92%. Also, the operations manager of GIFS microfinance was interviewed to solicit his views on the products and services offered by the institution as well as the challenges the company faces in its operations. The background characteristics of the customers sampled for the study is examined in the next section.

### 4.2 BACKGROUND CHARACTERISTICS OF RESPONDENTS.

The background of the selected respondents was deemed important because the ability of these respondents to provide satisfactory answers to the questions depends on their background. The background information gathered was categorized into gender, age, education and marital status. Table 4.1 provides a summary this information.

**Table 4.1: Background Characteristics Respondents (N=162)**

| Variable | Classification | Frequency | Percent (%) |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Gender** | Male | 61 | 37.7 |
| | Female | 101 | 62.3 |
| **Age Group** | 18-28years | 45 | 27.8 |
| | 29-39years | 78 | 48.1 |
| | 40-49 years | 24 | 14.8 |
| | 50 and above | 15 | 9.3 |
| **Educational Level** | Primary | 35 | 21.6 |
| | Secondary | 79 | 48.8 14.8 |
| | Tertiary | 24 | 14.8 |
| | Other | 24 | |
| | | | 24.1 |
| **Marital status** | Single | 39 | 63.0 |
| | Married | 102 | 12.9 |
| | Divorced | 21 | |

Source: Field Data, 2014

The demographic characteristics of respondents, as captured in Table 4.1, shows that out of the 127 respondents, 61(37.7%)were males whiles 101 representing 62.3% were females. The result could indicate that majority of microfinance clients are women. Though women are more than men in the sample, the findings represent the views of the two sex groups about the subject under study. Also majority of the respondents are in the age bracket of between 29-39, followed by 40-49, 18-28 and 50+ in orders of 48.1%, 27.8%, 14.8% and 9.3% respectively. Also, majority of the customers sampled for the study are secondary school leavers (48.8%). As far as the marital status of the respondents are concerned, majority (63%) are married while

24.1% are single. The remaining 21% are divorced.

### 4.3 PRODUCTS AND SERVICES OFFERED BY GIFS MICROFINANCE INSTITUTION

Microfinance institutions are set up to provide both financial and non-financial services to the poor in society. The extent to which beneficiaries of microfinance interventions can truly benefit depends to a large extent, on the products and services offered by these microfinance institutions. Against this backdrop, the study sought to examine the products and services (financial and non-financial) offered by GIFS microfinance. Financial products offered are examined first before the non-financial services.

### 4.3.1 Financial Products offered by GIFS Microfinance

The financial Products offered by GIFS microfinance can be categorized into three main groups. These are Savings Products, Loan products and Money Transfer Services. The savings products are further categorized into savings account, Susu account, current account and fixed deposit account. The loan products offered by the institution include Susu loan, microfinance group loan, microfinance credit with education and commercial loan and salaried loans. The money transfer services offered by GIFS Microfinance include but not limited to Apex link, Money gram, Western union and E-zwitch services. The financial products are summarized in Table 4.2

**Table 4.2 Products and Services Offered by GIFS Microfinance**

| Microfinance products offered by GIFS | Categories |
|---|---|
| Savings products | Savings Account<br>Susu Account<br>Current Account<br>Fixed Deposit account |
| Loan Products | Susu Loan<br>Microfinance group loan<br>Commercial Loan |
| Money Transfer services | Apex Link<br>Money Gram<br>Western Union<br>E-switch |
| Non-Financial services | Managerial Assistance for SMEs<br>Education and Support |

Source: GIFS Microfinance, 2014

## SAVINGS PRODUCTS

### *Fixed Deposit Account*

This account gives the customer the flexibility to save whiles you earn attractive interest rates. The rates given are always over and above the government risk free Treasury bill rates. The rates given are usually based on the tenor of the investment and the quantum of the amount; however customers can always negotiate for higher rates for larger sums. This product, according to the operations manager, is intended to benefit customers in the following ways:  it comes with the benefit of returns monthly whiles the principal keeps working for them. Again, when the client needs a facility, their amount invested can be used as a lien to secure the facility. Finally, the product is without account maintenance charges. According to the operations manager of GIFS microfinance, customers to receive good returns on their investment can take advantage of this product to save enough for the future.

### *Savings Account*

Money they say answers all things. This particular product enables to put into the savings account small pieces of the money and make it grow to a required significant sum whiles attracting interest on the small deposits made into the accounts. The most unique identifying factor of this product is that, every individual whether or not; one can still patronize this product. This product comes with the benefits. First, clients can make withdrawal from the accounts without prior notice. Also, customers have the flexibility to gradually make savings at their own convenience.

### *Susu Account*

GIFS susu savings and loans account gives you the flexibility to put into an account to build it to a one third of a facility required by the client. This product is specifically designed for a client that wants to acquire credit facility from the institutions. All the client needs to do is save with the institution for a period not less than three months. The facility to be sought is dependent on the amount contributed for the period not less than three month. This product comes with the benefit of withdrawal from the account. Also, the amount contributed can be used as a lien to secure a loan facility from the institution. Another benefit of the product, according to the operations manager of the company is that client‘s gets three times a facility of the amount contributed for the said period.

***Easy Drive Account***

This product is specifically designed for client‘s that wants to use their own vehicles for commercial purposes. Any clients that want a commercial vehicle for his/her own use will have to open this particular account. The client will only have to save one third of the cost of thevehicle he wants to buy, the company will then proceed to buy the vehicle together with the client. The benefit of this product is that the type of the car purchased is based on the client taste and preference. Again there is flexibility of procuring a car, where as it were a client could not purchase outright.

***GIFS Money Box Account***

This product is uniquely designed to meet the specific need of those clients that cannot regularly walk-in into the offices of the bank to make deposits, but instead the money box is given to the clients where the keys are held by the bank officials. The clients then makes regular savings into the money box for one month where the officials of the bank will then visit the clients and open it for them at the full glare of them all. The amount is removed and recorded in the client‘s passbook. The money box is then locked again for another period of one month.

## LOAN PRODUCT

A number of Loan products are being offered by GIFS microfinance for the credit needs of its numerous clients. These include susu loan, microfinance group loan, microfinance credit with education and commercial loans.

### *Susu Loan*

This is tied to the susu account offered by the institution. An individual who has a susu account with GIFS can access this facility All the client needs to do is save with the institution for a period not less than three months. The amount of loan given under this scheme to be sought is dependent on the amount contributed for the period not less than three month.

### *Microfinance Group Loan*

Unlike the susu loan that is given to individuals based on the amount in their susu account, the group loan is designed for a group of individuals pursuing a common business venture. For instance, a group of women undertaking palm oil production can benefit from this facility. This facility, according to the operations manager of GIFS is intended to promote small businesses. The product has advantages for both the company and the beneficiaries. Usually, since the beneficiaries in a group, they may not be asked for any collateral security from individual members. Also, the microfinance institution is able to regularly monitor the group‘s activities to ensure that they are using the loan facility for the intended purpose. One benefit associated with this product is peer monitoring. This reduces the incidence of loan default. Peer monitoring means service users scrutinising or checking their group members to ensure that they do not engage in activities that will jeopardise loan repayment. Stiglitz (1990) says that microfinance institutions need to ensure that service users use loans prudentially so that the likelihood of repayment is enhanced. For service users the incentive to monitor the use of loans stem from the issue of joint liability and the potential loss of access to future loans for all members in the group.

***Commercial Loan***

The commercial loan product is designed for large and medium enterprising wishing to expand their operations or working capital. The amount of credit advanced under this facility is determined by the nature of the business and its cash flow.

**FUND TRANSFER PRODUCT**

Apart from the loan and savings products offered by GIFS, the company also collaborates with well established money transfer institutions such as Money Gram, Western Union and Apex Link to help customers wishing to transfer money locally or internationally.

According to the operations manager of GIFS microfinance, the savings products are intended to mobilize savings from microfinance clients. He explained that most customers are taking advantage of the various savings products to save for the future. He further indicated that contrary to the general perception that the poor do not save, the interest of customers in the afore-mentioned products indicate that the poor can also save. The findings support the empirical evidence by Adams and Graham (1981) that the poor is capable of saving and therefore should be given the opportunity to save. Wenner et al. (2003) argues that there is a need for savings facilities for the poor in developing countries especially those in rural communities. He cogently supports this argument by stating that in most developing countries commercial banks, which usually have the mandate to mobilize savings, have not entered rural credit markets on a substantial scale and after financial liberalization most of the commercial banks have actually closed most of their rural branches. It is therefore necessary for microfinance institutions to take care of the savings needs of their clients, especially those in rural communities.

### 4.3.2 Non-Financial Products Offered by GIFS Microfinance

GIFS does not only provide financial services to individuals and Small Medium Enterprises (SMEs) owners but also non-financial services. According to the operations manager, offering non-financial services to clients improve their living conditions, hence their capacity to repay and access other financial services. Thus, in addition to traditional financial services, the company has developed non-financial products such as credit with education, technical/managerial and community capacity building. These services are discussed next.

***Credit with Education Scheme***

The interview with the operations Manager of GIFS Indicated that new customers (individuals, groups, and SME owners) are taken through a four-week training session on group dynamics, business skills, health and nutrition. Apart from the initial training they were offered periodic education on how to sustain their businesses and other ventures. The purpose of this education, the operations manager indicated, is to provide the customers with the needed capacity repay their credit without much difficulty. With regards to groups who benefit from the services of the institution, subsequent education and training programmes were designed to target the leaders of the various groups. The company believes that by providing the leaders with the needed skills they will be able to positively influence the performance of the group. This result is in agreement with Anyanwu (2004) who indicated that lack of awareness of the beneficiaries emanating from limited education must be addresses through a deliberate education programme.

According to the author, microfinance institutions that are able to effectively train their and educate their clientele base are likely to see improvement in their credit portfolio, that is, the default rate reduces significantly. This is in line with Ledgerwood‘s (1999) assertion that SME businesses with both loans and integrated enterprise development services are more likely to do better than those with loans without any managerial support.

***Technical/Managerial assistance***

This non-financial service is particularly targeted at SME business owners. According to the operations manager of GIFS microfinance, the purpose of this service is to improve the businesses of beneficiaries and make their businesses more viable and profitable. The services provided under this scheme include basic book-keeping skills and basic managerial skills. For instance, customers are taught how to keep basic records of their receipts and payment. In addition they are helped to prepared basic financial statement in order to ascertain the profitability or otherwise of their operation. Providing technical/Managerial assistance to SMEs, according to OECD (1996) is a win-win strategy for MFIs and their customers. The customers are able to improve their businesses and hence their livelihood. Also, there is improvement in the credit portfolio of the MFIs since customers will always have the capacity to repay their loan with any accompanying interest.  Ledgerwood (1999) stated that MFIs that provides both loan and integrated enterprise development services are more likely to do better than those that provide only financial services.

## 4.4 FINANCIAL PRODUCTS AND SERVICES MOSTLY PATRONIZED BY

**CUSTOMERS**

The study also examined the key financial services and products of GIFS mostly patronized by customers. In achieving this objective, the various products offered by GIFS microfinance was presented to customers through the questionnaire to identify the ones they often patronized by them. These products were categorized into savings, loans and money transfer. The result of the findings is captured in table 4.3 below.

**Table 4.3Products and often patronized by respondents (N=162)**

| Microfinance products offered by OARB | products | Frequency | Percent (%) |
|---|---|---|---|
| Savings products | Savings Account | 82 | 50.6 |
| | Susu Account | 56 | 34.6 |
| | Current Account | 16 | 9.9 |
| | Fixed Deposit account | 8 | 4.9 |
| Loan Products | Susu Loan | 41 | |
| | Microfinance group loan | 58 | 25.4 |
| | Microfinance credit with education | 60 | 36.9 |
| | Commercial Loan | 10 | 37.5 |
| | Others | 3 | 6.2 |
| | | | 1.9 |
| Money Transfer services | Apex Link | 0 | |
| | Money Gram | 0 | 0.0 0.0 |
| | Western Union | 2 | 1.3 |
| | E-switch | 0 | 0.0 |
| | None | 160 | 98.7 |

Source: Field Survey, November, 2013

The key savings products often patronized by the SME operators are savings account and Susu account. This is evidenced by the fact that out of the 162 respondents, 82(50.6%) often use the savings account product whiles 56(34.6%) often use the Susu account product. The result however indicates that, few of the respondents often use the current account and fixed deposit account products. This is evidenced by the fact that only 16(9.9%) of the respondents use the current account product offered by the bank whiles 8(4.9%) use the fixed deposit account product.

As far as microfinance loan products offered by the bank are concerned, microfinance credit with education and microfinance group loan and Susu loan are the main products often patronized by the respondents. This is evidenced by the fact that out of the 162 customers sampled, 60(37.5%) often use the microfinance credit with education, 58(36.9%) often used the microfinance group loan and, 41(25.4%) usually patronize the susu loan. Commercial loans however are not often used in by the respondents.

Money transfer services however, are not well patronized by the respondents. Most respondents do business with microfinance institutions in order to save money or obtain loans to improve their operations. Money transfer doesn‘t seem to be the main product of interest to customer

The result above is not surprising since individuals and small businesses use the services of microfinance institutions solely to obtain credit. In order to obtain credit facilities, MFIs often compel them to save with them. It is therefore expected that loan and savings products will be the main products used by these respondents. Also, since most of these custoemrs cannot access commercial loans from the bank, they rely on micro-credit. Most often, they use microfinance products to access microfinance loans. This is supported by the views of Robinson (1998), he defined microfinance as a development tool for most developing economies for the establishment of small and medium enterprise, of which he emphasized on microfinance as a means of providing financial services and products in a form of small loans and savings in assisting the poor in business establishment. Accessing commercial loans require that the customers go through various stages of verification before such facilities are granted.

## 4.5 NON-FINANCIAL SERVICES PROVIDED BY OARB TO SMEs

GIFS microfinance does not only provide financial services it customers but also nonfinancial services. Customer of microfinance institutions needs both financial and non-financial services to enhance their productivity, profitability and growth. To confirm the assertion made the operations manager of the GIFS to the effect that the company vigorously provides non-financial services to customers.The findings are shown in table 4.4 below.

**Table 4.4Non-Financial services provided to SMEs by OARB**

| Non-financial Services | SA | A | N | D | SD |
|---|---|---|---|---|---|
| I receive constant training from GIFS | 68.5% | 26% | 0.8% | 4.1% | 1.6% |
| | 59.8% | 19.7% | 6.5% | 1.6% | 2.7% |
| GIFS organize Frequent monitoring and coachingprogrammes | | | | | |
| Regular Educational Services is offered by GIFS | 38.9% | 29.1% | 19.7% | 1.6% | 11.8% |

Key: SD—strongly disagree (1); D—Disagree (2); N—Neutral (3); A—Agree (4); SA—strongly agree (5),
Source: Field survey, June, 2014

The result, as presented in table 4.6 indicates that managerial training is the main nonfinancial service provided by GIFS. This is because over 68% of the respondents strongly agreed to the fact that this service is provided by GIFS as against 4.6% who disagree that they receive such services. Apart from the managerial training, majority of the respondent (over 79%) agreed that GIFS undertakes frequent monitoring and coaching with only 4.3% of the respondent having a contrary view. The monitoring according to the bank includes checking of loan repayment for performing loans, group visitation and training and phone calls to defaulting clients. It was also observed that custoemrs who engage the services of the company receive technological assistance. In summary, managerial training, monitoring and coaching as well as technological assistance are the main non-financial activities provided GIFS

GIFS aims at providing cost efficient services by impacting knowledge and providing information services that improve the human capacity and ability through training and skills development for effective growth of small business. These services are intended to equip custoemrs with the requisite skills and knowledge to effectively manage their businesses as indicated by Ledgerwood (1999) SME businesses with both loans and integrated enterprise development services are more likely to do better than those with loans without any managerial support.

### 4.6 PURPOSE OF PATRONAGE OF PRODUCTS AT OARB BY SMEs

The main reasons why customersuse the products offered by GIFS is captured in table 4.7

**Table 4.5 Main Reasons for patronizing the products of GIFS**

| Purpose | Percentage of Respondents |
|---|---|
| To access Credit | 79 |
| To cultivate the habit of saving | 68 |
| To Acquire interest on deposit | 54 |
| To obtain non-finacial assistance | 27 |

Source: Field survey, June 2014

From Table 4.5, it is evident that the main reason why customers patronize the services of GIFS is to obtain credit. It can be observed from Table that out of the 162 customers sampled, 79% stated that they patronize the services of GIFS because it affords them the opportunity to access credit. The second most important reason why they use the services of GIFS is to accumulate savings. The result obtained is not surprising since most of the people who use the services of microfinance institutions do so with the aim of acquiring credit for either business expansion or business startup. Again, most of customers patronize the service GIFS to enable them have access to small loans that are normally not offered by formal banking institutions.

## 4.7THE IMPACT OF MICROFINANCE PRODUCTS THE LIVELIHOOD OF CUSTOMERS

The essence of any microfinance intervention is to improve the living conditions of its beneficiaries. Against this background, the study sought to examine the how the financial and non-financial services offered GIFS microfinance is impacting on the living conditions of beneficiaries. Respondents were given critical variables that can be used to measure those benefits to rank on a 5 point Likert scale. Their opinions are captured in Table 4.6

**Table 4.6: Impact of GIFS Products**

| Effects of Microfinance on Individuals/ SME Development | SA | A | N | D | SD |
|---|---|---|---|---|---|
| GIFS products have helped to improve my Business | 84(51.9%) | 35(21.6%) | 19(11.7%) | 15(9.3%) | 9(5.6%) |
| I have been equipped with basic financial management skills | 82(50.6%) | 44(27.2%) | 18(11.1%) | 11(6.8%) | 7(4.3%) |
| GIFS has given me the opportunity to own bank account | 81(50.0%) | 49(30.2%) | 12(7.4%) | 5(3.1%) | 15(9.3%) |
| Products of GIFS has made me more financially disciplined | 90(55.6%) | 50(30.9%) | 13(8.0%) | 3(1.9%) | 6(3.7%) |
| GIFS products encourages savings | 57(37%) | 64(42.5%) | 24(11.0%) | 11(7.1%) | 5(2.7%) |

Key: SD—strongly disagree (1); D—Disagree (2); N—Neutral (3); A—Agree (4); SA—strongly agree (5).
**Source: Field Survey, November 2014**.

### 4.7.1 Business Improvement

The result, as captured in Table 4.3, shows that products and services offered by GIFS microfinance is impacting positively on the lives of beneficiaries. For instance, majority of the respondents (73.5%) agree that the products offered by GIFS have helped in the improvement of their businesses. However, 14 percent of the respondents disagree that the products have helped to improve their business. 11.7 % of the respondents however took a neutral position. When asked to explain the ways the products have improved their business, some of the respondents cited increased working capital and improvement in managerial skills as some the improvements. The result clearly shows that the products are helping to improve the businesses of beneficiaries. For instance, individuals and SMEs who benefit from credit facilities of GIFS are able to expand their business due to increases in their working capital. This is in line with Ledgerwood‘s (1999) assertion that SME businesses with both loans and integrated enterprise development services are more likely to do better than those with loans without any managerial support.

### 4.7.2 Improvement in basic financial management skills

Through the managerial skills offered by the microfinance institution, most of the customers, 77.9% stated that there has been improvement in their management skill. Most of the beneficiaries of MFIs services who own SMEs do not have the required managerial skills to properly manage their businesses. They may lack basic bookkeeping skills to properly manage their finances. However, the credit with education scheme introduced by GIFS microfinance ensures that beneficiaries are provided the needed skills to effectively manage their businesses. it is therefore not surprising that majority of them cited this as a major impact on their businesses in particular and their livelihood in general.

### 4.7.3 Ownership of a 'bank" Account

In most instances the poor do not keep bank accounts since they are unable to meet the requirement by commercial banks. Maintaining bank accounts in commercial banks is a tall order to some people, especially the poor. However, the products of GIFS afford them the opportunity to maintain a bank account that under normal circumstances wouldn't be able to maintain. Through the savings and current account products offered by GIFS microfinance, customers are able to own an account with a financial institution. For instance the result in Table 4.3 shows that over 80% of the customers stated that they are afforded the opportunity to own a bank account. Even though the services of microfinance institutions are described as non-bank services, the current and savings account offered by these MFIs can be equated to those of the formal banks.

### 4.7.4 Financial Discipline

Over 86% of the respondents also agreed that the products and services offered by GIFS have made them financially disciplined. For instance, the susu savings products compels customers to regularly save portions of daily, weekly or monthly incomes. This has made some customers more financially responsible. Also, the monitoring of customers by GIFS ensures that beneficiaries do no misappropriate the funds they are given.

## 4.8CHALLENGES FACED BY RESPONDENTS IN ACCESSING THE SERVICES OF GIFS MICROFINANCE.

Customers of microfinance institutions often complain about the challenges they encounter in accessing credit facilities. These challenges sometime prevent them from enjoying financial services. In an attempt to identify these challenges, the opinions of the customers of GIFS microfinance were sought. The result of the findings is presented in table 4.7 below.

**Table 4.7Challenges faced by Individuals/SMEs in accessing microfinance Products**

| Challenges | SA | A | N | D | SD |
|---|---|---|---|---|---|
| Delays in loan processing by GIFS | 98(60.5%) | 25(15.4%) | 15(6.3%) | 8(4.9%) | 6(3.7%) |
| Demand of collateral security | 58(35.8%) | 33(20.4%) | 24(14.8%) | 24(14.8%) | 13(8.2%) |
| Short term of loan repayment | 77(47.5%) | 15(6.3%) | 32(19.8%) | 22(13.9%) | 8(4.9%) |
| High commitment fee charges | 35(21.6%) | 54(33.3%) | 18(11.1%) | 36(22.2%) | 9(5.6%) |
| High interest rate | 54(33.3%) | 43(26.5%) | 17(10.5%) | 26(16.0%) | 12(7.4%) |
| High loan processing charges | 91(5.6%) | 15(6.3%) | 16(9.9%) | 23(14.2%) | 89(54.9%) |
| Insufficient loan amount granted | 69(42.5%) | 45(27.8%) | 6(3.7%) | 7(4.3%) | 25(15.4%) |
| Poor customer service | 5(3.1%) | 12(7.4%) | 15(6.3%) | 21(13%) | 96(59.3%) |

Key: SD—strongly disagree (1); D—Disagree (2); N—Neutral (3); A—Agree (4); SA—strongly agree (5), n=Sample size Source: Field survey, November 2013.

### 4.8.1 Delays in Loan processing

The result presented in Table 4.4 indicates that a key challenge facing individual/SMEs in accessing credit from GIFS has to do with delays in loan processing. It can be observed that almost 76% of the respondents agreed that there are delays in loan processing at GIFS microfinance. These delays may affect the purpose of the loan. For instance a customer who needs an emergency loan to settle pressing needs may be denied due to delays in loan processing.

The delays in loan processing, though unfavorable for SME operators is intended to ensure that the bank minimizes the risk of giving out loan. Failure on the part of the bank to do due diligence on the loan portfolio granted to SMEs operators will increase default risk and thereby reduce the profitability of the bank. However, in as much as the bank will want to scrutinize applicants, they must be mindful not to unduly delay the process since that can discourage prospective clients from accessing credit facilities

**4.8.2 Demand for Collateral security**

Most of the clients lack collateral security in support of loan which makes the SMEs operators finds it difficult to provide the credit requirement for the loans such as guarantors, landed properties and in most cases deposits in a form of lien is demanded by the bank. Most of the beneficiaries are unable to access credit facility because they do not have any property to guarantee for a loan. It is therefore not surprising that majority of the respondents (56.2%) cited demand for collateral as a major challenges confronting their quest to access credit facilities from GIFS microfinance. The findings are consistent with (Umoh, 2006) who found that inadequate collateral security makes it difficult of individuals and SMEs to access credit facilities from
MFIs.

**4.8.3 Short term repayment and insufficient loan amount**

In their quest to reduce high default rates, microfinance institutions are forced to give short term credit. This short term credits demands that beneficiaries pay the loan as early as possible. However, majority of the respondents (53.8%) are of the view that the short-term loan repayment schedule is a major challenge facing them as far as access to credit is concerned. Most of the customers collect the credit for long term purposes (ie business expansion). As a result, short repayment schedules really affect their repayment plans. Also majority of the respondents (70.3%) identified insufficient loan amount grated as a major challenge confronting them. Most of the respondents are unable to secure the actual amount of loan requested from the institution. In most cases they are denied the required loan amount because the MFIs do not believe that they will be able to repay. Also, some MFIs do not have enough working capital to

### 4.8.4 High Interest Rate

Respondents also identified high interest rate as a major challenge confronting their quest to access financial products from GIFS microfinance. The high interest rate, sometimes over 50%, makes it difficult for some customers to repay the loan and the corresponding interest chargers. The reason for high interest charges by microfinance institutions is not clearly known but Fehmeen (2010) attempt to provide a justification for the trend. According to him, microfinance service providers are faced with high transaction cost as against small loan transactions with low returns thus preventing them enjoys economies of scale which forces them charge high interest rate to cover transaction cost. High Interest rate, according to Dehejia et al (2005), leads to the erosion of the profit of SME operators and thereby makes it difficult for SME operators to repay the interest rate and the corresponding principal. It is therefore not surprising that majority of the respondents identified high interest rate as a major challenge.

The findings are consistent with (Umoh, 2006) who found that income constraints, inadequate collateral security, difficult loan processing procedures, high-interest rate, value of initial capital, minimum balance requirements are the main challenges facing SMEs and individuals in their quest to accessing credit facilities from rural and commercial banks.

## 4.9 CHALLENGES CONFRONTING MFIS IN PROVIDING MICROFINANCE PRODUCTS/ SERVICES TO THE HOUSEHOLDS AND

SMES

In trying to assess the challenges faced by GIFS microfinance in providing microfinance service to its clients, the researcher conducted an interview with the operations manager of the institution. The key challenges identified in the course of the interview are high default rate, poor educational level of customers, inadequate funds to lend more credit, time constraints in training and educating customers, diversion of loan facilities as well as the inability of customers to provide collateral security to access credit facilities. The key challenges are discussed next

### 4.9.1 High Default Rate

A major challenge identified by the operations manager of GIFS is high default rate. He explained that most beneficiaries of credit facilities refuse to repay the loan and its associated interest. This has made it difficult to for the institution to operate efficiently. He explained that though measures have been instituted to monitor customers, the rate of default is still high. For instance to reduce the default rate customers are given some form of incentives. For instance those who repay on time receive incentives in form of differentiated interest rates to encourage them to repay subsequent credit. He further explained that final payment made on time attracts
100% increment in over previous loan amount.

### 4.9.2 Diversion of Loan Facility

The study also revealed that most customers diversify the loan for other purposes, making repayment difficult. For instance it was revealed that most of the customers use the credit facility meant for business expansion for consumption purposes. This makes it extremely difficult for them to repay the loan when it falls due. MFIs over the years have identify that most SME operators misapply microfinance loans by diverting loans from the intended purpose, in the end it leads to repayment problems this makes them spend time through evaluating and appraising SMEs before granting microfinance loan to monitoring, this leads to delays in processing microfinance loans.

### 4.9.3 High Illiteracy Rate among customers

Whenever a company provides credit to individuals and groups such individuals and groups are expected to have some level of education to understand the liability of returning the loan and also understand the terms and conditions of the credit facility. This will enable such customers to make informed decision. Unfortunately, most clients of MFI institutions are illiterate, making it difficult for them to understand the terms and conditions associated with the services they receive. The challenge was identified by personnel of GIFS microfinance as a major challenge confronting their operations. For instance according to the operations manager, the poor education level of respondents makes it difficult for them to understand the terms and conditions associated with the facility. This he explained; sometimes affect the relationship the company has with some of the clients.

### 4.9.4 Inadequate personnel

The operations manager of the company admitted that the company's inability to recruit enough qualified personnel to effectively monitor customers is a major challenge confronting its operations. He explained that the few workers available to the company may not have the time to regularly do effective monitoring. He opined that this has helped to increase the loan default rates since customers who are not monitored do not see the need to repay their loan. Also, it was revealed that the company lacks the funds to employ an internal auditor to regularly audit the books of the company. This sometimes result in financial malpractices among the mobile bankers of the firm

### 4.9.5 Lack of collateral security

Another challenge facing GIFS microfinance has to do with the inability of customers to provide collateral security. The company, according to the operations manager, is sometimes forced to refuse some customers because they do not have any form of collateral security to secure their credit. He explained that as a result of this challenge, the customer base of the company has reduced.

## CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 5.0 INTRODUCTION

The previous chapter dealt with the analysis and discussion of the result of the study. This chapter provides a summary of the key findings as well as conclusion and recommendations.

### 5.1 SUMMARY OF KEY FINDINGS

The financial Products offered by GIFS microfinance can be categorized into three main groups. These are Savings Products, Loan products and Money Transfer Services. The savings products are further categorized into savings account, Susu account, current account and fixed deposit account. The loan products offered by the institution include Susu loan, microfinance group loan, microfinance credit with education and commercial loan and salaried loans. The money transfer services offered by GIFS Microfinance include but not limited to Apex link, Money gram. These products are introduced with aim of helping the poor in society to have access to financial services. Apart from the financial support provided by the company, nonfinancial services such as skills training and managerial assistance are offered to beneficiaries.

The study further established that the products offered by GIFS microfinance have helped in the improvement of their businesses through financial and technical support. Most of the customers of the institution also stated that some of the products of GIFS have made them more financially responsible. Also, it was established that the products of GIFS afford customers the opportunity to maintain a bank account that under normal circumstances wouldn‘t be able to maintain with commercial banks.

The study identified high interest rate, demand for collateral security and delays in processing loans as some of the major challenges confronting customers of GIFS microfinance in assessing financial services with the institution.

From the perspective of GIFS microfinance, the stud established that the key challenges affecting the company in delivering financial services to the poor are high default rate, poor educational level of customers, inadequate funds to lend more credit, time constraints in training and educating customers, diversion of loan facilities as well as the inability of customers to provide collateral security to access credit facilities.

## 5.2 CONCLUSION

The study examines the product and services offered by microfinance institutions, by using GIFS microfinance as case study organisation. The study establishes that microfinance institutions provide both financial and non-financial services to their clients. The research find out that through microfinance interventions, individuals and SMEs are able to improve their livelihood Most of them are able to access credit to expand their businesses. Also the study establishes that the product of microfinance institutions, especially GIFS, encourages the poor in society to cultivate the habit of savings. However, the major problem confronting individual and SMEs has to do with the delays in loan processing at GIFS. Also challenges such as high interest rates on loans, demand for collateral security and short repayment periods are were identified by customers. From the perspective of GIFS microfinance, the main challenge affecting the smooth operations of the institution is the high illiteracy rate among their customers.

## 5.2 RECOMMENDATIONS

Based on the findings arrived at in this study, the following recommendations is considered appropriate. First, though the product offered by microfinance institutions are helping to eradicate poverty, the products should constantly be reviewed and new ones introduced to improve the well-being of beneficiaries

Secondly, the interest rate of GIFS microfinance should be reduced to make credit affordable to the poor. In addition, the institutions should prolongthe repayment period of loans, improve loan processes as well as increase loan amount to attract more customers to the institution

Furthermore, local authorities and other non-governmental organizations should collaborate with microfinance institutions to give more training on business management to the participants to enable them apply the loan to their business to result in their expansion which would ultimately lead to improved businesses and well-being for their households.

Finally, since this study concentrated on only one microfinance institution, generalizing the findings could be problematic. Future studies should examine the products and services of microfinance institutions across the country to determine whether variations exist in the findings.

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**APPENDICES**

**APPENDIX 1**

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KNUST SCHOOL OF BUSINESS

Dear Respondent

I wish to introduce myself as a final yeas student of the above mentioned school pursuing a Master of Business Administration Programme. As part of the Programme, I am required to undertake a study captioned ―products and services offered by microfinance institutions in Ghana‖. You can contribute to make the study a success by responding to the questions below. All answers provided will be treated with the utmost confidentiality. Thank You

**SECTION A: DEMOGRAPHIC DATAOF RESPONDENT**

1. Age : 18-28 years [ ] 29-39 years [ ] 40-49 years [ ] 50 and above [ ]

2. Sex: male [ ] female [ ]

3. Educational level: primary [ ] secondary[ ] tertiary[ ] other, ( specify)………

4. Marital status: married [ ] single [ ] divorce [ ]

5. Which type of business venture area you operation? a. manufacturing b. commerce [ ]

c. service [ ] d. others ( specify)………………………………………………

6. How many employee do you have?……………………………………………..

7. By what means did you get to know GIFS microfiance? a. media [ ] b. bill post [ ]

c. GIFS official [ ] d. friends [ ] others ( specify)………………………

APPENDIX 2

**SECTION B: FINANCIAL AND NON FINANCIAL SERVICES AND PRODUCTS OFFERED BY GIFS MICROFINANCE**

**1. What type of microfinance loan have you benefited?**

a. Susuloan [ ] b. microfinance group loan [ ] c. credit with education [ ]

d. salary loan [ ] e. commercial loan [ ] f. others (specify)

.......................................

**2. What type of deposit prodeucts do you engage in at GIFS microfinance?** a.

Susu account [ ]

b. Savings account [ ]

c. Current Account [ ]

d. Fixed deposit account [ ]

3. Please indicate the forms of non-financial assistance you receive from GIFS Microfinance. Please tick all that apply

Managerial Training [ ]

Frequent Monitoring and Coaching [ ]

Provision of Educational services [ ]

**SECTION C: Impact Of Microfinance Intervention**

Please indicate the extent to which you agree or disagree with the statements below.

Please indicate by ticking the appropriate boxes.

| No. | IMPACT | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|
| 1 | **GIFS products have helped to improve my Business** | | | | | |
| 2 | **I have been equipped with basic financial management skills** | | | | | |
| 3 | **GIFS has given me the opportunity to own bank account** | | | | | |
| 4 | **Products of GIFS has made me more financially disciplined** | | | | | |
| 5 | **GIFS products encourages savings** | | | | | |

**SECTION C: CHALLENGES FACED BY CUSTOMERS IN ACCESSING MICROFINANCE PRODUCTS AT GIFS**

Please indicate the extent to which you agree or disagree with the statements below.

Please indicate by ticking the appropriate boxes.

| No. | PART D (CHALLENGES FACED IN ACCESSING MICROFINANCE SERVICES AT GIFS) | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|
| 1 | I encounter delays in loan processes | | | | | |
| 2 | GIFS microfinance demand for collateral security hinders me from accessing loans regularly | | | | | |
| 3 | Short repayment period hinders me from accessing loans | | | | | |
| 4 | High interest rate charge hinders me from accessing loans | | | | | |
| 5 | High commitment fee charges hinders me from accessing | | | | | |
| 7 | I receive poor customer service at GIFS | | | | | |
| 8 | The company does not grant the microfinance loan to be insufficient | | | | | |

APPENDIX 3

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KNUST SCHOOL OF BUSINESS

**Interview Guide**

Dear Respondent

I wish to introduce myself as a final yeas student of the above mentioned school pursuing a Master of Business Administration Programme. As part of the Programme, I am required to undertake a study captioned ―products and services offered by microfinance institutions in Ghana‖. You can contribute to make the study a success by responding to the questions below. All answers provided will be treated with the utmost confidentiality. Thank You

1. Please kindly explain why GIFS microfinance was set up

…………………………………………………………………………………………

2. Do you think you are achieving the objectives of the company?

…………………………………………………………………………………………

…………………………………………………………………………………………

3. What are the products offered by GIFS microfinance?

…………………………………………………………………………………………

4. Are these products/Services benefiting customers? Please explain your answer

…………………………………………………………………………………………

…………………………………………………………………………………………

5. Are customers patronizing more in savings and loan products? Can you explain why

………………………………………………………………………………………

6. Please indicate the amount of savings mobilized and loans given out since over the past 5 years

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Savings mobilization | | | | | |
| Loans Disbursed | | | | | |

7. Please explain in details the challenges confronting the GIFS in offering both financial and non-financial services to the poor

………………………………………………………………………………………………

8. Are these challenges affecting the operations of GIFS

………………………………………………………………………………………………

9. What is being done to overcome these challenges

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

Thank You: