ROLE OF SOCIAL INVESTMENT FUND (SIF) IN POVERTY REDUCTION, A CASE STUDY OF CEDI FINANCE'S MICRO-FINANCE PROGRAMME IN THE ASHANTI REGION.

BY

FRANCIS AMOS WHAJAH

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ABSTRACT

Poverty is one of the most captivating challenges facing most developing countries and Ghana is no exception. There seems to be a wide gap between the haves and the have not. To curb poverty, micro-finance has emerged as an antidote to the problem of poverty. Micro-finance encompasses micro-credit, micro-insurance and micro-savings. The SIF has therefore emerged as an institution that champions poverty reduction in its operation area and has adopted microfinance as one of the vehicles of poverty reduction. In Ghana, there seems to be the over concentration on micro-credit which gives credit to the poor to help them start income generating activities and expand the existing ones which will boost their income levels and lift them above the poverty line. The study explored the causes of the inefficiencies of SIF' s microfinance programme in the Ashanti Region by concentrating on the Cedi Finance Foundation (The Micro-finance Institution). The sample survey was used and data was collected using structured questionnaire and an interview guide. In all, questionnaires were distributed to 120 beneficiaries; the Zonal Officer and Project Officer of the SIF and the Credit Officer of Cedi Finance Foundation were interviewed.

The results from the analysis, show that inappropriate loan repayment arrangement, delays in the release of loans, cumbersome loan application process, and crude and unsavoury methods of loan recovery are among some of the causes of the inefficiency of the programme.

It is recommended that Cedi Finance Foundation should streamline the repayment arrangement, categorization of the poverty levels of beneficiaries and charging interest rates based on the purpose of the loan, proper and strong team put in place to monitor client activities.

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LIST OF ACRONYMS

ADB	Agricultural Development Bank
AFDB	Africa Development Bank
ASS IP	Agriculture Services Investment Project
CBRDP	Community Based Rural Development Programme
CFF	Cedi Finance Foundation
CGAP	Consultative Group to Assist the poor
CMF	Combined Microfinance
ERP	Economic Recovery Program
FINS SP	Financial Sector Strategic Plan
FNGO	Financial Non Governmental Organization
GoG	Government of Ghana
GHAMFIN	Ghana Microfinance Institution Network
GPRS	Ghana Poverty Reduction Strategy
HIPC	Highly Indebted Poor Countries
ICT	Information Communication Technology
IMF	International Monetary Fund
LEAP	Livelihood Empowerment Against Poverty
MDG	Millennium Development Goal
MFI	Microfinance Institution
MFIARN	Microfinance Action Research Network

NGO	Non Governmental Organization
OFID	OPEC Fund for International Development
OPEC	Organization of Petroleum Exporting Countries
PASDEP	Plan for Accelerated and Sustainable Development plan
PRSP	Poverty Reduction Strategy Paper
PNDC	Provisional National Defence Council
RCB	Rural and Community Bank
REP	Rural Enterprise Project
ROSCA	Rotating and Accumulating Savings and Credit Associations.
RPSP	Rural Financial Service Project
SAP	Structural Adjustment Programme
SIF	Social Investment Fund
SPSS	Statistical Package for Social Sciences
UN	United Nations
UNDP	United Nations Development Programme
WHO	World Health Organization

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CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction.

Three billion people representing half of the world's population are considered poor (Sachs, 2005). In Africa however, statistics show that about 380 million out of 955 million people live under the $ 1.25 WHO poverty line. This represents 39. 7% (Schifferes, 2008).

The United Nations Development Programme (UNDP) report (1998) defines poverty as the denial of choices and opportunities that are basic to human development which is leading to long healthy, creative life and enjoying a decent standard of living, freedom, dignity, self-esteem and the respect of others.

The (UNDP) (1998) report assesses poverty from income.iaccess to basic needs and capabilities perspectives. Feurstein (1997) has enumerated inherited, instant, temporal, new, relative, absolute, hidden, endemic, overcrowding and terminal as the types of poverty.

Poverty could be absolute or relative. Absolute poverty is a social condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information according to a UN declaration that resulted from the World Summit on Social Development in Copenhagen in 1995. Additionally, David Gordon in his paper "Indicators Of Poverty And Hunger, 2008" further defines absolute poverty as "the absence of any of two of the following eight basic needs; food, safe drinking water, sanitation facilities, health, shelter, education, information and access to service". (Gordon, 2008) One condition according to Saunders and Tsumoni (2002) for classifying a household as relatively poor is when household’s standard of living falls short of what is generally considered normal or decent or acceptable in that milieu.

The Millennium Development Goals (MDG's) agreed and adopted by 187 nations and signed by 147 Heads of State and Governments during the UN Millennium Summit in September 2000 has presented the World an opportunity to collaborate to fight against poverty. Various strategies have been adopted to deal with poverty across the world. In Ghana, poverty reduction focuses on reducing poverty to the barest minimum if not completely eliminating the various causes of poverty as opposed to poverty alleviation, which addresses mainly the effects of poverty. Poverty reduction should lift as many people as possible over the poverty line.

Ghana has undergone Structural Adjustment Programme (SAP) for a number of years but still faces poverty. According to the Ghana Living Standard Survey (2007), an estimated 28.5 percent of Ghanaians are poor. These are sections of the people who have the capacity to meet their basic nutritional needs but cannot cater for additional needs such as health, shelter, clothing and education. An estimated 6, 178,000 households are described as extremely poor representing about 18.2% percent (Ghana Statistical Service, 2007).

There are variations in the poverty rate between regions; some have a substantially higher rate than others. The Upper West Region is the poorest in the country with 87.9% of its people said to be poor. This is followed closely by the Upper East and Northern Regions with 70.4% and 52% their people considered poor respectively. Poverty level in the Ashanti region stands at 20.3% (Ghana Living Standard Survey, 2005/2006).

Ghana is thus among the poorest countries in the world. Past Governments have adopted several economic reforms such as the Economic Recovery Programme (ERP) of 1983, the Structural Adjustment Programme (SAP) of 1986, the Vision 2020, the Highly Indebted Poor Countries (HIPC) initiative of2002-2003 and the Growth and Poverty Reduction Strategy (GPRS) 1 and 11 to address poverty in all aspects. Thus, while on the one hand trying to fulfil the basic needs of the population, governments also embarked on economic measures conducive for free market consumption and employment creation. They include the promotion of policies that will encourage savings, private investment, increasing income, generating opportunities and promoting of small-scale industries in the informal sector.

The Government's Rural Development Strategy, the Poverty Reduction Strategy Programme (PRSP), Plan for Accelerated and Sustainable Development Programme (P ASDEP) including the most recent Livelihood Empowerment Against Poverty (LEAP), and other documents emphasise among other things, micro-finance as a good entry point in achieving development objectives as well as curbing the dangerous trend of poverty and meeting the United Nations Millennium

Development Goals (MDG's). (Ghana micro-finance policy document, 2006) The implementation of micro-finance programme is one of the strategies identified and designed to achieve the broad objective of poverty reduction. Micro-finance Action Research Network (MFIARN) and the Ghana Micro-finance Institution Network since 1996 have been formed to implement microfinance programmes. Regardless of these interventions, the poverty situation has not changed much. In 1990, when the Human Development Index was first introduced, Ghana ranked 121st among more than 160 countries (UNDP, 1990). In 1996, Ghana again slipped to 174th and 129th in 2003 out of l 79th countries (UNDP, 2003). While the decline in Ghana's position could stem from the number of countries covered within the last decade, it could also suggest a general decline in the wellbeing of Ghanaians.

In Ghana, commercial banks form a greater percentage of formal lenders. However, access to them is highly restricted to just a small proportion of the population who can meet these banks' requirement of high minimum balance for account opening, burdensome collateral requirements for loans and long and costly bureaucratic process. Due to the lack of access to formal credit, the poor mostly rely exclusively on the informal sector. The informal lendeis innovatively seek to solve the problem of the poor in accessing credit from the banks by making credits available to them without burdensome requirements (Nanor 2008). The difficulty of formal banks to adequately serve the poor with regards to finance stems from a combination of factors such as high risks, high cost and consequently low returns associated with such businesses (Nanor 2008).

In Ghana, *susu* collectors provide collection and safe keeping services for the savings of mostly market women vendors and operators of micro enterprises. Out of the savings, they are able to give loans to those who need them. The failure of commercial banks to help the poor get access to credit to assist them out of poverty has brought microfinance into being. The treasury news of The Controller and Accountant General's Department, (2010: 23) quotes that "every government that is committed to the welfare of the populace addresses three cardinal issues: poverty; inequality and unemployment. Arguably there are many tools to address poverty and one of the major ones is micro-finance". During the last decade, microfinance programmes have been introduced in many developing countries. Example is the Grameen Bank of Bangladesh, Banco Sol in Bolivia, Bank Rakyet in Indonesia, Cedi Finance, and Sinapi Aha Trust all in Ghana.

The development of the micro-finance sector has been a result of financial sector policies and programmes such as the provision of subsidised credits and establishment of Rural and Community Banks (RCB). The promulgation of the PNDC law 328of1991 has also allowed the establishment of different types of non-bank financial institutions including savings and loans companies (Ghana Micro-finance Policy Document, 2006).

There seems to be a disagreement about the role of micro credit in development and the overall contribution of micro-credit to the achievement of the Millennium Development Goals in particular. Hulme and Mosley (1996) in their research on micro-finance concluded that most contemporary schemes are less effective than they might be. They contended that micro-finance is not a panacea for poverty reduction and that some poor people in most cases have been made worse-off. On the other hand, Simonowitz and Broody (2004. p 1) also contended that "microcredit is a strategy in reaching the MDG's and in building global financial systems that meet the needs of the poorest people". Inspite of this, micro-finance has emerged globally as a leading and effective strategy for poverty reduction

In Ghana, The Social Investment Fund (SIF) was set up in 1998 by the Government of Ghana (GoG), African Development Bank and the United Nations Development Programme as a rapid, reliable and flexible mechanism for channelling resources and delivering targeted assistance to both urban and rural impoverished communities. The SIF supports economic infrastructure as well as social infrastructure and services. The SIF is currently implementing the Ghana Poverty Reduction Strategy l 1. This project is being sponsored by the Government of the Republic of Ghana (GoG), African Development Bank (AIDB) group and the OPEC Fund for International Development (OFID). The aim is to significantly reduce poverty in the targeted areas through facilitating the poor's access to basic economic and social infrastructure, financial services and strengthening community based organisation in support of the overall goal of poverty reduction. SIF works in partnership with the poor, local government structures, donors and NGOs for sustainable community based development. The SIF micro-finance programme provides the productive poor access to financial services, specifically by increasing the availability of microfinance and improving the capacities of micro-finance institutions.

Reaching the poorest of the poor with different service products is one of the preconditions of poverty reduction. Micro-finance started as a method to fight poverty among the very poor and in some cases the marginal poor. In 2007, a total amount of GH¢ 3,590,860 was disbursed nationwide by the SIF, an increase of about 69.8% over the previous year. In the Ashanti Region however, a total amount of GH¢ 685,550 was invested in micro-finance in 2007 by the SIF (SIF Annual Report, 2007).

1.2 Problem Statement

The need for the economically poor to have access to financial support propelled the microfinance concept in the 1990's, just as the new agriculture technologies spawned the green revolution in the 1970's and 1980's (Berenbach and Churchill, 1997). This micro-finance thinking is underway in many developing countries including Ghana. It is the process through which financial services are made available for the economically poor.

The fight against poverty is a national challenge, as articulated by the Ghana Poverty Reduction Strategy 1l (GPRSl1) document and the UN Millennium Development Goals. The fight against poverty has assumed international dimensions and the micro-finance concept is one intervention that promotes wealth creation, which in the long-run ·leads to· poverty reduction (Ghana Commercial Bank Ltd Quarterly Economic Review, 2007).

In most developing countries, poverty reduction has been top on their development policies and programmes. As a means to reduce poverty, most developing countries have adopted microfinance programmes (Hulme and Mosley, 1996; United Nations, 1997; Copestake et al., 2005; Arnn and Adjei, 2008). It is therefore important to target such policies and programmes at poor people by adopting appropriate development practices if the needed impact is to be achieved. (Zeller et al., 2002).

A key objective of micro-finance programmes is to provide financial services to poor people who are excluded from such services by the formal banking system. It is in this perspective that governments, development partners and donor agencies continue to provide support to such institutions to enable them deepen their outreach. (Adjei and Arnn, 2009).

According to Simanowitz and Broody (2004, p.l), micro-finance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor. Littlefield, Murduch and Hashemi (2003) state in a different way that micro-credit is a critical factor with strong emphasis on the achievement of the Millennium Development Goal (MDGs), national policies that target poverty reduction, empowers women, assists vulnerable groups and generally improving standards of living. It can be seen therefore that micro-credit is unique among development interventions. Again as pointed out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro-credit (2005) that "Sustainable children to go to school, enabling families to obtain healthcare, and empowering people to make the choices that best serve their needs" (Annan, 2005 as cited in Asiamah and Osei 2007). Yunus (1999), an advocate of micro-finance has described it as a revolutionary way to reduce poverty and as an effective and financially sustainable tool for poverty reduction particularly in developing countries.

There is however, a strong demand for small scale financial services such as credit and savings among the economically poor in developing countries. Where these are available (credit and , savings) other financial services help these low income people improve household enterprise management increase productivity, smooth income inflows and consumption costs, enlarge and diversify their micro business and increase their income at large. About ninety percent (90) percent of people in developing countries lack access to financial services from institutions either for credit or for savings. Among them of course, are nearly all the poor of the developing world. Robinson (2001) argues that not all poor people make use of micro-finance but there still remains a massive gap between the extensive demands for such financial services among low income people and the low level of commercial micro-finance available from financial institutions.

Financial services are a necessary precondition for development of the informal sector. Over the years, governments of Ghana have undertaken various financial sector policies and programmes that positively influence development of the informal sector's activities. The Ghanaian financial sector in spite of these policies and programmes, still experiences a gap between the demand for and the supply of financial services.

According to the 2000 population and housing census, about 80% of the working population are found in the private informal sector (Statistical Service, 2005). This group is characterised by higher lack of credit, which constraints the development and growth of that sector and the economy at large (Ghana micro-finance policy document, 2006).

It is estimated that about 3.8 million people at the grassroots require micro-credit services in Ghana. It is against this backdrop that the government introduced the micro-credit scheme in 2001/2002, which has provided over 230 billion cedis to about 150,000 borrowers so far (Ghana Commercial Bank Quarterly Economic Review, 2007).

Again, Government launched the micro-credit and small loans fund on 6[1]h September 2006 with a seed capital of US$ 50 million, to enable people in the informal sector have access to microcredit and small loans (Ghana Commercial Bank Quarterly Economic Review, 2007).

According to the SIF annual report of 2007, SIF has disbursed a total amount of GH¢ 685,550 to beneficiaries in the Ashanti Region with the aim of reducing the poverty levels of the beneficiaries. There appears to be a conscious effort to eradicate poverty in the Ashanti Region. Despite these efforts, the problem still persists and continues to escalate with scores of people still walloping in poverty in the Region with about 20.3% of the population being poor.

The poor are shunned by Commercial Banks and are considered not bankable because of reasons such as lack of collateral, small loan size demand and low savings on their part. It is as a result of this that the Micro-finance Summit of 2003 declared that public funds for micro-finance institutions must carry a mandate to serve the poorest in the community (Yunus, 2001).

Despite this declaration, most micro-finance institutions as observed by Navajas et al (2000) tend to serve not the poorest of the poor but rather those near the poverty line, which is not the mandate pf micro-finance. It must be noted, however, that one of the criteria for judging the performance and benefits of micro-finance institutions is its outreach to the poorest and not those just near the poverty line though they are not excluded from financial services (Zeller and Meyer 2002). To buttress the point made by Navajas et al (2000), Copestake et al 200l; Morduch 1998 and Dugger 2004) all concluded that micro-finance programmes tend not to benefit the destitute rather the moderately poor.

As has been stated, outreach and loan repayments are important elements in any micro-finance programme. It is against this backdrop that micro-finance programmes target women due to repayment rate. Though this is important it can also result in men requiring wives to get loans for them (Goetz and Gupta, 1995).

Despite the tremendous contributions of micro-finance to poverty reduction, most micro-finance programmes have been criticised with regards to low repayment, high interest rates, exploitation of women borrowers, unchanging levels of poverty of beneficiaries, failure to effectively cater for the needs of beneficiaries and general ineffectiveness of micro-finance programmes (Holt, 1994; Dignard and Have, 1995; Chrisen, 1997; Mallick, 2002; Brau and Woller 2004 as in Hassain and Knight, 2008). It is as a result of these criticisms, challenges, and inefficiencies of most micro-finance programmes, that I set forth to empirically investigate *the inefficiency of SIF's micro-finance programme in improving the welfare of beneficiaries in the Ashanti Region.*

1.3 Research Questions

In empirical research, research questions are very important if meaningful data is to be obtained. Puinch (2004:28) has indicated that, research questions must be clearly stated to give an indication of the data needed to answer them.

1.3.1 Main Research Question

i. What are the causes of the inefficiency of SIF's micro-finance programme in improving the welfare of beneficiaries in the Ashanti Region?

1.3.2 Sub research Questions

i. What strategies can be adopted by SIF to improve the efficiency of its s micro-finance programme to benefit beneficiaries in the Ashanti Region?

ii. What are the socio economic effects of micro-finance on beneficiaries in the Ashanti Region?

c. How far could the knowledge and skills of beneficiaries be tapped to enhance the efficiency of SIF's micro-finance programme in the Ashanti Region?

d. What is the nature and level of collaboration among the various stakeholders of the SIF's micro-finance programme in the Ashanti Region?

1.4 Research Objectives

1.4.1 Main Research Objective

i. To investigate the causes of the inefficiency of SIF's micro-finance programme in improving the welfare of beneficiaries in the Ashanti Region.

1.4.2 Sub research Objective

i. To investigate the strategies that can be adopted by SIF in improving the efficiency of its micro-finance programme to benefit beneficiaries in the Ashanti Region.

ii. To investigate the socio economic effects of micro-finance on beneficiaries in the Ashanti Region.

iii. To investigate how the knowledge and skills of beneficiaries can be tapped to enhance the efficiency of SIF' s micro-finance programme in the Ashanti Region.

iv. To investigate the nature and level of collaboration among the various stakeholders of SIF'smicro-finance programme in the Ashanti Region.

1.5 Justification of the Study

Combating poverty at the national and local level has been a matter of concern to successive governments and Non Governmental Organisations (NGOs). Despite conscious efforts made to reduce the pandemic, the problem continues to escalate especially in the Ashanti Region.

The study is considered important because since the Social Investment Fund started operating in the Ashanti Region in March 2002, no systematic study has been done into how the Microfinance programme is helping to reduce poverty amongst the beneficiaries.

The study would help the SIF to successfully implement the micro-finance programme by examining how helpful or otherwise the micro-finance programme is and whether they should continue with it and how to fine-tune the programme to fulfil its mandate of poverty reduction in the Region. Additionally, the outcome of the study would serve as a benchmark or a source of reference for SIF to implement the programme successfully in other regions and localities. The findings can enlighten the beneficiaries on how they can also contribute to poverty reduction. It would also guide other researchers who are interested in evaluating some of the pro poor programme of the SIF.

1.6 Limitations of the Study

The Kumasi Metropolitan Area is large and most of the beneficiaries, who formed the sample, were dispersed and, getting to them was difficult. Additionally, most of the phone numbers of beneficiaries obtained from the SIF was out of coverage area and most of the beneficiaries had stopped using their numbers or misplaced their phones. This made it difficult to communicate with some of the beneficiaries.

Even though the purpose of the study was explained to beneficiaries, some were still skeptical and gave false information thinking it is a deliberate attempt by the micro-finance institution to victimise them

Memory lapses made it difficult for beneficiaries to recollect important information concerning the number of times they had received the loans, amount of money they had received since joining the programme and the number of years they had been benefiting from the programme.

For the petty traders, it was difficult getting to them since some will leave their wares in the care of their children or other people. Also the times they were available, were those when business was brisk and effective therefore some were reluctant to leave their business and answer the questionnaire.

Notwithstanding the above limitations, I was able to obtain relevant data for the study.

1. 7 Structure of the Study

This work is organised into five chapters. Chapter one deals with the background of the study. In this regard the background of poverty and micro-finance, together with the problem statement were looked at. This chapter also includes the main research question, sub-research questions, the main research objective and the sub-research objectives, why this study is important, the factors that limited the study, the scope of the study and the profile of the study area.

In chapter two, literature related to the study was reviewed'. Literature was organised into theoretical and conceptual framework. The various theories about the variables of poverty, micro-finance, livelihood and empowerment were reviewed.

In chapter three, the various methodological issues ranging from the research design- how the beneficiaries were selected and the sampling method that was used to select those that formed the sample size, how data was collected, the various instruments that were used to collect the data, how the data was analysed and the technique for the analysis.

In chapter four, data was presented and analysed. Data was presented in quantitative form and given qualitative interpretation.

After the data was analysed, the findings, conclusion and recommendations were presented in chapter five.

1.8 Scope of Study

The scope of the study covered Odotobre Rural Bank in the Amansie Central District in the Ashanti Region which has sourced money from the SIF since 2004. The micro-finance institution and the beneficiaries were covered in this study. The study sought to unravel the causes of the inefficiency of SIF' micro-finance programme in improving the welfare of beneficiaries, the strategies that can be adopted to improve the efficiency of SIF's micro-finance programme to benefit beneficiaries, the socio economic effects of micro-finance on beneficiaries, how the knowledge and skills of beneficiaries can be used to enhance the efficiency of SIF's micro-finance programme and the nature and level of collaboration between stakeholders of the SIF's micro-finance programme in the Ashanti Region.

1.9 Profile of Study Area

The city of Kumasi was b'uilt by King Osei Tutu in the 1680's to serve as the capital of the Asante State. Kumasi started with three communities; Adum, Krobo and Bompata. Today, it has about 90 communities. Kumasi has a central location. It is within the transitional forest zone and is about 270km north of the national capital- Accra.

The city has grown in a circular form to cover a land mass of 254sq/km and approximately ten (10) kilometres radius. Given its strategic location and political dominance from pre-colonial days, Kumasi virtually developed into a major trading centre with all the major trade routes converging on it. It is currently one of the main nerve centres of all commercial activity in Ghana. Its attractive layout and greenery accorded it the status of 'Garden City' the only one of its kind in West Africa.

The city is made up of about 2.0 million people (This account for a growth rate of 5.4% as compared to the national average of 2.7%). There is high migration rate as such, the day time population is about 2.3 million. (Kumasi Metropolitan Assembly, 2009).

The employment level is high (86%) with a greater percentage of the people engaged in the informal sector. The economically active population in the region are engaged mainly in agriculture (excluding fishing). The next highest proportion of the economically active population is employed in wholesale and retail (18.4%) followed by manufacturing (12.2%) and community, social and personnel service (9.9%). As a result of this the city has about 28 slum communities. (Kumasi Metropolitan Assembly, 2009). Kumasi has a rich cultural heritage, which is depicted in festivals like the Akwasidae. The Manhyia palace is the traditional seat of the Otumfuo Osei Tutul II, King of Asantes, a monolithic people. Traditional authority is vested in Otumfuo, land ownership is vested in the traditional authority and administrative authority is vested in the Metropolitan Assembly. A variety of landmarks, for example Military Museum, The sword of Komfo Anokye, Pampaso stool house, Ramseyer Presby, Prempeh II.

The Kumasi market is the largest single market in West Africa with over 10,000 stores and stalls. With regards to education, Kumasi metropolis has four tertiary institutions; two (2) public universities, one (1) private university and one (1) public polytechnic. It also has over 83 second cycle and 1,674 basic schools. Forty (40) to fifty (50) percent of the population in the metropolis particularly females, either have no formal education or have only pre-school education. The proportion of the population with basic education is 67.7%. Thirty-five percent (35.0%) of the population, 15 years and older are not literate. A little under half (48.1 %) are literate in both English and a Ghanaian language only, while less than 1.0% are able to read and write in other languages. There are differences between the sexes in terms of literacy. More than half (55.5%) of the males are literate in English and a Ghanaian language compared with two fifth 40.4% of the females.

On the whole, the illiteracy level for the region (35.0%) is lower than that of the national average (42.1%).

The metropolis has one (l) teaching hospital (The Okomfo Anokye Teaching hospital) which also serves as the Regional Hospital , two (2) quasi-government hospitals one owned by the university and the other by the military, five (5) polyclinics, over 200 private clinics, 13 industrial clinics, 9 maternal health posts and 119 outreach centres.

The Kumasi Metropolitan Assembly (KMA) constitutes the highest political authority in the metropolis. It is divided into ten administrative Sub-Metro council areas with 24 Town Councils and 419 Unit Committees. The Assembly itself is made up of 87 members with 60 of them elected and 27 appointed by the state, with the Metro Chief Executive as the Mayor of Kumasi. Kumasi offers a lot of opportunities to potential investors. These include good road networks; reliable electricity power supply; permanent flow of treated water, ICT centres, has high urban population with both skilled and unskilled labour, existence of health and educational institutions; local airport, banks and insurance companies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Framework

The literature on poverty has acknowledged different theories about poverty and has gone further to classify them based on the causes of poverty (Blank 2003; Goldsmith and Blakely 1992; Jennings and Kushnick 1999; Rodger 2001; Schiller 1998; Shaw, 1996 as cited in Bradshaw, 2006). There seems to be a difference amongst these authors based on their ideological disposition. In other words, based on the ideological background of a writer (either conservative or liberal), they may conceptualise the causes of poverty differently. The conservatives are more likely to place/trace the cause of poverty to individual deficiencies while the liberals are more predisposed to blaming it on social phenomena (Bradshaw, 2006). Ryan (1976) who does not either the liberal or conservative position developed a different criterion. What he sought to do is to blame the victim of poverty. Like Ryan who deviated from the conservative and liberal position, Schiller (1989; 2-3) also developed an interesting theory of flawed character and restricted opportunity. According to Schiller people are poor because they have flawed character have limited or no opportunity to resources that will make life better for them. Jennings 99) also gives emphasis on race and political dynamics. Rank (2004) notwithstanding the liberal and conservative argument provides a critique of them and states that "the focus on individual attributes is misplaced or misdirected" (Rank 2004: 50). In Ranks view, the structural lings of the economic political and social systems are the cause of poverty instead (Rank 2004 cited in Bradshaw, 2006).

2.1.1 Individual Deficiencies Theory

This theory takes its underpinnings from the conservative thinking and what it seeks to do is to us on the individual as the cause of poverty. The theory blames the poor person as creating his/her own woes and problems and can change his situation when he/she works hard and makes best choices. This theory has other dimensions and the second dimension seeks to perceive poverty as genetic just as intelligence, hair colour, and complexion are genetic and cannot be reversed. Some people are born to be poor and can do nothing about their situation or poverty s (Bradshaw, 2006). The second dimension of the individual deficiencies theory has its antecedent from religious doctrines that sought to equate wealth with the favour of God. According to Weber (2001) as cited in Bradshaw (2006) this was central to the protestant reformation "the blind, crippled or deformed were believed to be punished by God for either sins or that of their parents.

A book by Hurrnstein and Murray "The Bell Curve (1994) is a modem use of this explanation" Bradshaw 2006: 6). Following the above argument, Rainwater (1970:196) theorised that the pol are "afflicted with the mark of Cain and that they are meant to suffer. He says the reason for r suffering is because of their moral failings and they live in a deserved hell on earth".Gwartney and Mc Caleb, (1985: 15) as quoted in Bradshaw (2006) states that the problem of poverty continues to aggravate mostly because we are doing too much that is counterproductive. A critique of this theory is in Asen (2002, 29-34). According to Asen any individual can succeed by skills and hard work and not because they are born to be poor. In addition to this, motivation and persistence are also required if one wants to succeed and if they do not succeed, then, they ha e themselves to blame. If individuals fail to succeed then it is because they did not try hard enough (Bradshaw, 2006). Fischer et al, (1996) suggest that, it is easy to dismiss this theory because it cannot be proven scientifically. As a result of this theory, there have been efforts to place emphasis on self -help as a strategy of poverty reduction. The poor must engage themselves in form of income generating activity irrespective of the wage level (Moskovsky, 2001).

The strength of this theory is blaming the individual as being responsible for their poverty levels of getting out of poverty on the individual as well. It must be noted that the issue of poverty alleviation is a shared responsibility of all stakeholders and not the individual alone but Government and Non-Governmental Organisations. Government must create the necessary economic environment that will enable the individual to engage in one form of economic activity 01 the other but Governments might not be able to solve the problems all by itself and that is the re reason why other stakeholders such as Non-Governmental Organisations and other individuals must also be involved.

The causes of poverty are legion but advocates of the individual deficiency theory claim that poverty is genetic and an individual born of poor parents is likely to be poor. By its contention the poor are afflicted with the mark of Cain, the individual deficiency theory assumes that poverty is a result of poor moral upbringing. While the number of poor people who go to jail or whose children get pregnant, for example, may be cited by proponents of this theory to buttress their assertion, what they fail to recognise is the Poor's lack of the needed resources in society. In other words, the individual deficiency theory fails to consider social inequalities or injustice. In the Ghanaian context, as a result of the extended family system one's rich relative can help him or her out of poverty by helping him or her engage in an income generating activity. Additionally, one of the tenets of this individual deficiency theory is that an individual is cursed to be poor and there is nothing that individual can do to alleviate him/herself out of poverty. What this theory fails to recognise is that individuals have choices and can choose to remain in their poverty levels and do nothing about it or engage in an income generating activity irrespective of the wage they will receive. According to Asen (2002) such people can succeed by skills and hard work, motivation and persistence. When all these are made available to the individual and they fail to succeed, then they have themselves to blame.

Additionally, the argument that people are poor because they are lazy is also not fair to them. When it comes to doing manual work, it is mostly the poor who do them and obviously, this comes with the lowest of wages. The rich are able to get better education hence better jobs with their higher remuneration. Moreover hard work does not necessarily involve work with mental acumen.

2.1.2 Cultural Belief Systems Theory

The cultural belief systems theory is linked to some extent to the individual deficiencies theory. This theory .postulates that poverty is caused when a set of beliefs, values and skills that are socially generated but individually held is transmitted from generation to generation. (Bradshaw, 2006) describes it as "culture of poverty". This theory roots the cause of poverty not to the individual but rather the culture and the individuals are just victims of such cultures. It is these beliefs, values and practices that have created the condition for them to be poor and that makes the culture of poverty theory different and distinct from those that places the cause of poverty solely on the individual and his/her abilities. Culture is a shared belief, values and practices and such those who find themselves living in poor regions or communities or ghettoes are bound technically share in these shared values, beliefs, practice, norms and behaviour. Notwithstanding the fact that these shared values and behaviours are detrimental and unproductive and thereby leads to poverty amongst the people. One proponent of his theory is Oscar Lewis and he writes "once the culture of poverty has come into existence, it tends to perpetuate itself. By the time slum children are six or seven, they have usually absorbed the basic des and values of the subculture. Therefore they are psychologically unready to take full advantage of changing or improving opportunities that may develop in their lifetime" (Lewis, quoted in Bradshaw, 2006: 8). This particular theory of poverty has generated controversy amongst academicians and scholars. The controversy stems from what causes and constitutes the subculture of poverty. Moyniham (1965) used this theory in his analysis of the Negro poor and concluded that, they are poor as a result of immoral chaos brought, about by the disintegration of the black folk culture under the impact of urbanization. Valentine (1968) in criticizing this theory and providing remedy suggested that "If one thinks of the culture of the poor as a dysfunctional systems of beliefs and acknowledges that the approach will be to replace that culture with a more functional culture that supports rather than undermine productive work investment and social responsibility" (Valentine 1968 as quoted in Bradshaw 2006).

Culture refers shared values, beliefs, practices, norms, expressions and experiences by people in a locality. It is therefore logical that when this culture is unproductive, the members who share in culture will also be unproductive and this position is one of the cardinal principles undermining this theory. It cannot be ascertained however, that people who share in an unproductive set of values will automatically be poor. The people with these sets of values reason and are able to decipher between those values and practices that have been bequeathed to by their older generations that hamper their progress and advancement. This will result critical thinking and evaluation of these beliefs and practices by the younger generation have accepted them. Globalisation will also play a crucial role in this critical examination of the values and practices. As they come in contact with the rest the world, they will be exposed to appropriate and acceptable ways of doing things that does not inhibit progress and wellbeing. It is evident from this theory that, poverty is inherited through culture. In this same vain, when a child born in a community with an unproductive set of values is also expected to share in that culture. In Ghana, cultural practices such as female genital mutilation and trokosi systems have considered injurious to the survival of the people who were practicing them. It resulted critical assessment and evaluation of these practices and their role in development. It must be acknowledged that it will take time for these people to come to the realisation that such aspect of their culture is injurious to their development. This theory does not explain what really consstitute that sub culture of poverty.

2.1.3 Economic, Political, and Social Distortions Theory

This theory is referred to by Bradshaw (2006 p.10) as "progressive social theory". This theory does not look to the individual (individualistic) or the liberal approach but the proponents of this theory look to the economic, political and social systems as the cause of poverty. According to them these factors limit the opportunities and resources with which people need to achieve a decent standard of living. In the 19th century, intellectuals such as Marx and Durkheim in trying explain poverty without taking the liberal or conservative approach, Marx especially explored social and economic systems of capitalism created the reserve army of the unemployed as a conscientious strategy to keep wages low and Durkheim also showed how suicide was a fact mediated by social systems and discrimination and opportunities are also socially mediated (Bradshaw 2006)

The literature of this theory suggests that the economic systems are structured in such a way that people fall behind regardless of how competent they may be (Jencks, 1996). Bradshaw, 06) has intimated that the problem of the working poor is increasingly seen as a wage problem linked to structural barriers preventing poor families from getting better jobs complicated by limited number of jobs near workers and lack of growth in sectors supporting lower skilled jobs (Tobin, 1994 cited in Bradshaw, 2006). Fringe benefits including health care hive all become scarce for low skilled workers as a result, Blank (1997) and Quingley (2003) hive concluded that the system has created difficult problems for those who want to work. There also been a linkage between wealth and power and the fact that the poor are less involved in political discussions, coupled with discrimination has made poor people lack influence in the political system that they might use to mobilise economic benefits and justice and groups of le stigmatised because of race, gender disability, religion or other groupings leads them to limited opportunities regardless of personal capabilities. (Bradshaw, 2006). Radical thinkers thought the system is flawed and needs a radical change. Elimination of structural barriers to better jobs through education and training has been identified as a remedy coupled the acknowledgement that all form of discrimination must stop, equalise income distributions and ensure that political participation by the poor is achieved.

This theory is apt to explain the poverty situation in Ghana. The economic situation is one factor that determines one's poverty level. To a very large extent, the less money one has, the less that person's ability to engage in an economic activity and get for themselves those things that are need to enhance their livelihood. The economic situation prevalent is a critical determinant of individual's poverty level. There is a relation between wealth, power and academics. Wealth give you the financial muscle to pursue higher education and give you control and power over your life. In Ghana and other developing countries, poor people are not able to pursue higher education as most poor do not go beyond the second cycle. The informal sector therefore becomes a safe haven for them. Even in the informal sector, they still need capital to start up an economic activity and it becomes prudent for them to be helped in this regard. It is in this spirit that the SIF and other institutions and bodies are engaged in poverty alleviation programmes.

The poor are not able to educate their children enough for them to get better jobs and to empower them appropriately. Even for those in the middle income groups who are able to educate their Cllj1ldren to some level, are not able to get jobs and this accounts for the high unemployment rate in/Ghana. Coupled with this realisation is the worrying trend of the "who you know system" in Ghana. Basically, people are given jobs not based on qualification and ability or capability but ia_1.er, who you know or who knows you. If people who have better education and qualification not able to get jobs, how much more the poor who are not able to get education hence no qualification? There is therefore a cycle of poverty

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Poverty is also translated to the political system. It is only the rich and in some cases those in the middle class group who are able to participate in the political system. In most developing countries and for that matter Ghana, all those who are into politics are the rich and the poor have le or no chance to participate. In addition to this, they are discriminated against in matters of national interest.

There is little or no consultation with the poor in matters that affects their livelihoods. The poor in Ghana have limited access to resources that are needed to enhance their livelihood. This study has adopted this theory in understanding poverty in the study area.

2.1.4 Geographical Disparity Theory

The geographic disparity theory claims that people living in areas that lack resources to generate wellbeing and income are bound to be poor. As Shaw (1996:29) pointed out "space is not a backdrop for capitalism, but rather is restructured by it and contribute to the system's survival" The/ question is asked why certain regions lack the economic base to compete. And the reasons range from a disincentive to investment, its proximity to natural resources and diffusion of innovation. One theoretical perspective on the spatial concentration of poverty comes from economic accumulation theory which is usually used to explain the emergence of strong industrial clusters. This means that areas that are endowed in certain resources tends to attract economic activities and hence the concentration of industries. The economic accumulation shows nearness of similar firms attracts supportive services and markets which further attract more s. In reverse, the nearness of poverty and the conditions leading to poverty or consequence of poverty such as crime and inadequate social services generate more poverty, while competing attract business clusters drawing away from impoverished communities, low housing prices in such locations may also attract poor people. A second perspective of his theory has been ted out by Hensen (1970). According to Hensen, rural areas are often the last stop of technologies, low wages, and lack of infrastructure that allows development of human resources limits economic activity that might use the resources (Bradshaw, 2006). A third perspective is also explained by Wilson (1987). In Wilson's book "The truly disadvantaged", people from ghetto areas with the highest levels of education, the greatest skills, people with wildest worldview and those with extensive opportunities were the ones who migrated out of central city locations to other places. Wilson describes this as "selective out migration". When s happens, the place they migrated from will be impoverished while their destination is enriched (Bradshaw, 2006). Addressing poverty caused by this theory requires that responses be directed at solving the key dynamics which leads to decline in depressed areas while other areas are growing.

It should help these depressed communities identify their assets and address their conditions (Bradshaw, 2006).

The geographical disparity theory is appropriate in explaining poverty disparity in the Northern and Southern part of Ghana. The underpinning principle of this theory is that, regions endowed with resources are likely to be rich as well as people living in these regions. It follows therefore that those living in regions deprived of major resources are likely to be poor. The Northern part of Ghana is considered the poorest in the country, with the Upper West being the poorest with (87.9%) of its people considered poor, followed by the Upper East with (70.4%) and the Northern Region with (52.3%) of its people considered poor, (Ghana Living Standard Survey, 2005/06). This is not to say that there is no poverty in the Southern part of the country but the magnitude is of contention here.

Natural resources are one of the important pillars of economic performance and development. It has been strongly believed from the time of Adams Smith and David Ricardo that countries and for that matter regions that are endowed with natural resources have an edge over countries: or regions that are not. Abundance of natural resources should accelerate economic development.

The major resources of the country are mostly found in the south. Gold is mined at Obuasi, Tarkwa, Prestea, Damang, Aboso, Kenyase, Ntronang, Abriem and Bibiani, Bauxite at Awaso, Kyebi, Nyinahim, and Manganese at Nsuta, Y akan and Himakrom, Iron Ore at Oppon Mansi, Shieni, Pudo and Adum Banso. Cocoa is also mostly grown in the Western, Brong and Ashanti Regions of Ghana. From this theory, people living at these places are not likely to be poor because they attract investment and infrastructure development while regions that do not have these resources are bound to be poor. As a result of the pull and push factor, people are likely to move out of their communities to these areas and perhaps that explains why there is high youth migration to the south thereby deserting the north and resulting in high industrial clusters in the south because nearness to resources attracts firms that uses the resources as raw materials. As a result of the lack of resources in the North, the educated ones are mostly attracted to the South.

2.1.5 Cumulative and Cyclical Interdependencies Theory

The final theory has a little of each of the other components in it. This hypothesize that there is a spiral of problems and opportunities between individuals and the community and these problems have the tendency to dominate and once they do, they close other opportunities and leave a cumulative set of problems that make any effective response nearly impossible and this is the cumulative aspect of the theory (Bradshaw, 2006). The cyclical explanation explicitly looks at individual situations and community resources as mutually dependent with a faltering economy. Example, creating individuals who lack resources to participate in the economy makes economic survival harder for the community since people pay fewer taxes (Bradshaw, 2006: 14). This theory has its origins in economics in the working of Myrdal (1957:23), quoted in Bradshaw, 2006: 14) who developed a theory of "interlocking, circular, interdependence within a process of cumulative causation". The theory helps to explain economic underdevelopment and development. Sher (1977) in his book on rural education explained this theory and the focus was on the cycle by which education and employment at the community and individual level interact to create a spiral of disinvestment and 'decline while' in other advanced communities, these same factors contribute to growth and wellbeing. According to Jonathan, migration, closing retail stores, decline in local tax revenue is as a result of lack of employment opportunities which may lead to poorly trained workers, firm's inability to use cutting edge technology, and inability to attract new firms in the area/community and all these have the tendency to create more unemployment. At the individual level, unemployment leads to a lack of consumption and spending due to inadequate incomes and savings. This means however that individuals cannot invest in training, inability to invest in business or to start their own business. Other explanation of this theory is that people who lack ample income fail to invest in their children's education, their children do not learn, poor quality schools, fall further behind when they go to get jobs, vulnerable to illness and poor medical care. Another explanation is that poor individuals who lack jobs and income leads to deterioration self confidence, weak motivation and depression. This theory is pregnant with some of the earlier ones. It shows how people become disadvantaged in their social context which then affects their psychological abilities at their individual level. Again it shows how multiple problems accumulate and allows speculation that if one of the linkages in the cycle is broken the cycle would not continue but this is easier said than done as the linkages are hard to break because each is reinforced by other parts of spiralling system (Bradshaw, 2006).

As a result of the complex nature of this cycle of poverty, its solution need to be equally complex which buttress the point that poverty is not caused by one factor but multifaceted approach. This theory is quite insightful in helping to explain the phenomenon of poverty in Ghana

2.2 Conceptual Framework

2.2.1 Poverty

The eradication of poverty seems to be on the agenda of most governments in this 21st century (Soma, 1995). "Explaining poverty remains a lucrative field for academics, policy makers, book publishers and ideologues and as a consequence the range of explanation has proliferated"(Bradshaw, 2006: 3) .

Poverty can be defined in many different ways. Poverty in its most general sense is lack of necessities (Bradshaw, 2006.p: 4). Other indicators such as food, shelter, medical care, safe drinking water and general safety are imperative because they are important for human survival and dignity. It must be noted, however, that what is considered a necessity to one individual is not necessarily a necessity to other. There are therefore variations in terms of necessity (Sen, 1999). Some attempt to reduce it to numbers, while others argue that a more ambiguous definition must be used. In the end a combination of both methods will be more appropriate. The view of poverty we ultimately embrace will have a direct bearing on the public policies we pursue (Schiller 1989:4). Poverty it is argued is a very complex social problem with many variants and different roots, all of which have validity depending on the situation (Blank, 2003; Shaw, 1996:28). According to Sida (2005), poverty has a multiple and complex causes. The poor are not just deprived of basic resources; they lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, health, the structure and services of public institution and about their right. They lack political visibility and voice in the institution and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both Governmental and social that could provide them with needed resources and services.

They lack access to information about income-earning opportunities. However, what is a necessity to one person is not uniformly a necessity to others. Needs may be relative to what is possible and are based on social definition and past experience (Sen, 1999). Valentine (1968) says that "the essence of poverty is inequality. In slightly different words, the basic meaning of poverty is relative deprivation". The "poverty line" was initially created in 1963 by Mollie Orshansky at the U S Department of Agriculture based on three times her estimate of what a family would have to spend for an adequate but far from lavish diet. According to Mollie Orshansky, who also developed the poverty measurements used by the U S government, "to be poor is to be deprived of those goods and services and pleasures which others around us take for granted"(Bradshaw,2006)

United Nations Development Program (UNDP) in a report (HDR, 1997) defines poverty as the denial of choices and opportunities that are basic to human development, which is leading a long healthy, creative life and-enjoying a descent standard of living, freedom, dignity, self-esteem and the respect of others. As a multi dimensional phenomenon the report assesses poverty from three perspectives; income, access to basic needs and capabilities. Additionally, Hulme and Mosley (1996) define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered

According to the GPRS (2002), poverty is now recognized as multi dimensional with complex interactive and causal relationships between the dimensions. It is therefore not enough to define poverty in terms of basic needs because it is likely to omit other important components. Therefore to define poverty, one will omit certain important components so it will be appropriate to have a working definition. For purposes of the GPRS, poverty is seen as unacceptable physiological and social deprivation. This may be exacerbated by the lack of capacity by majority of the people to take up their own development. Defining poverty will involve whether it is mostly about material needs which will involve measuring consumption by using income as the main determinant or a much broader set of needs that include factors of wellbeing. (Hulme and Mosley, l 996). Therefore for the purposes of this study, poverty would mean the lack of capacity to meet the basic necessities of life in order to live an acceptable life.

It is as a result of people living in poverty that they need to be empowered to take full charge of their livelihoods. That is why governments all around the world have introduced interventions to curb the spate of poverty, hence the Social Investment Fund (SIF) which seeks to deliver targeted assistance to both urban and rural impoverished communities in Ghana in support of sustainable poverty reduction.

Poverty is a multidimensional problem that goes beyond economic issues; its elements include social, political and cultural considerations. Therefore, its solution cannot be based solely on economic policies but on a comprehensive well-coordinated set of measures. According to Khmer (l998) alleviation of poverty requires diverse measure. The most important being those which expand the income and employment opportunities of the poor enabling them to enhance their living standards. Providing the poor with access to financial services is one of the many ways to increase their income and productivity.

Previously, national strategies for addressing poverty took the form of either vague statements of political aspiration or operational plans focused narrowly on social sector projects and programmes (Driscoll and Evans, 2004). The poverty reduction strategy approach has led to the adoption of plans which are much more comprehensive and multi-sectoral. The poverty reduction strategies form the basis of World Bank and International Monetary Fund (IMF) assistance in the poorest developing countries.

The poverty reduction strategy paper (2002) outlines a national programme for poverty reduction which is the foundation for lending programmes with the IMF and World Bank and for debt relief for heavily indebted poor countries (HIPC) (Marcus, Jensen and Klugman, 2000). According to him, there are five core principles underlying the development of poverty reduction strategies namely:

i. Country driven- involving broad participation by civil society and the private sector in all operational steps.
ii. Results oriented-focusing on outcomes that would benefit the poor
iii. Comprehensive in recognizing the multinational nature of poverty.
iv. Partnership oriented- involving coordinated participation of development partners (bilateral, multilateral and nongovernmental).
v. Based on a long-term perspective for poverty reduction.

The poverty reduction strategy approach has resulted in an unprecedented contribution by civil society organization in poverty policy debates, though NGO's have played a far more active role than other types of organizations to date. Whereas before most NGO's related to government only in a service delivery role, many have now begun to engage in policy activities with clear potential to seek up their contribution to poverty reduction and help challenge non-transparent and unaccountable government behavior (Driscol and Evans, 2004)

Civil society organisations also play a very critical role in a country's 11011erty reduction effort. They are autonomous organisations in terms of formalities and power from the state and are formed around shared interest, purpose and values. They could be charity organisations, faith based organisations, professional organisations, trade unions, self help organisations and women's organisations. Beneficiaries of SIF programme of microfinance form groups based on a shared interest, value and purpose which is to solicit loans from the SIF to engage in an income generating activity for the purpose of alleviating their poverty. The interest of each member of the group is their paramount objective. They are also referred to civil society in this conceptual framework.

Poverty as has been said is a complex and multifaceted phenomenon therefore, understanding its nature is also crucial in the poverty reduction strategy. Tackling poverty requires a comprehensive approach because poverty is more than just the lack of income but that poor people also suffer from a lack of opportunity, security and voice in decision making that affects their lives. The Government, Civil Society (the various groups), World Bank and other Multilateral and Bilateral Donors are involved in understanding the nature of poverty.

Based on the Millennium Development Goal (MDG), a poverty reduction strategy must be chosen. The Millennium Development Goal stipulates that poverty must be halved by 2015.

Governments and other stakeholders involved must choose poverty reduction objectives in the short term that are geared towards achieving this broad Millennium Development Goal in the long run. The various strategies that will be adopted to achieve this broad objective must be clearly defined.

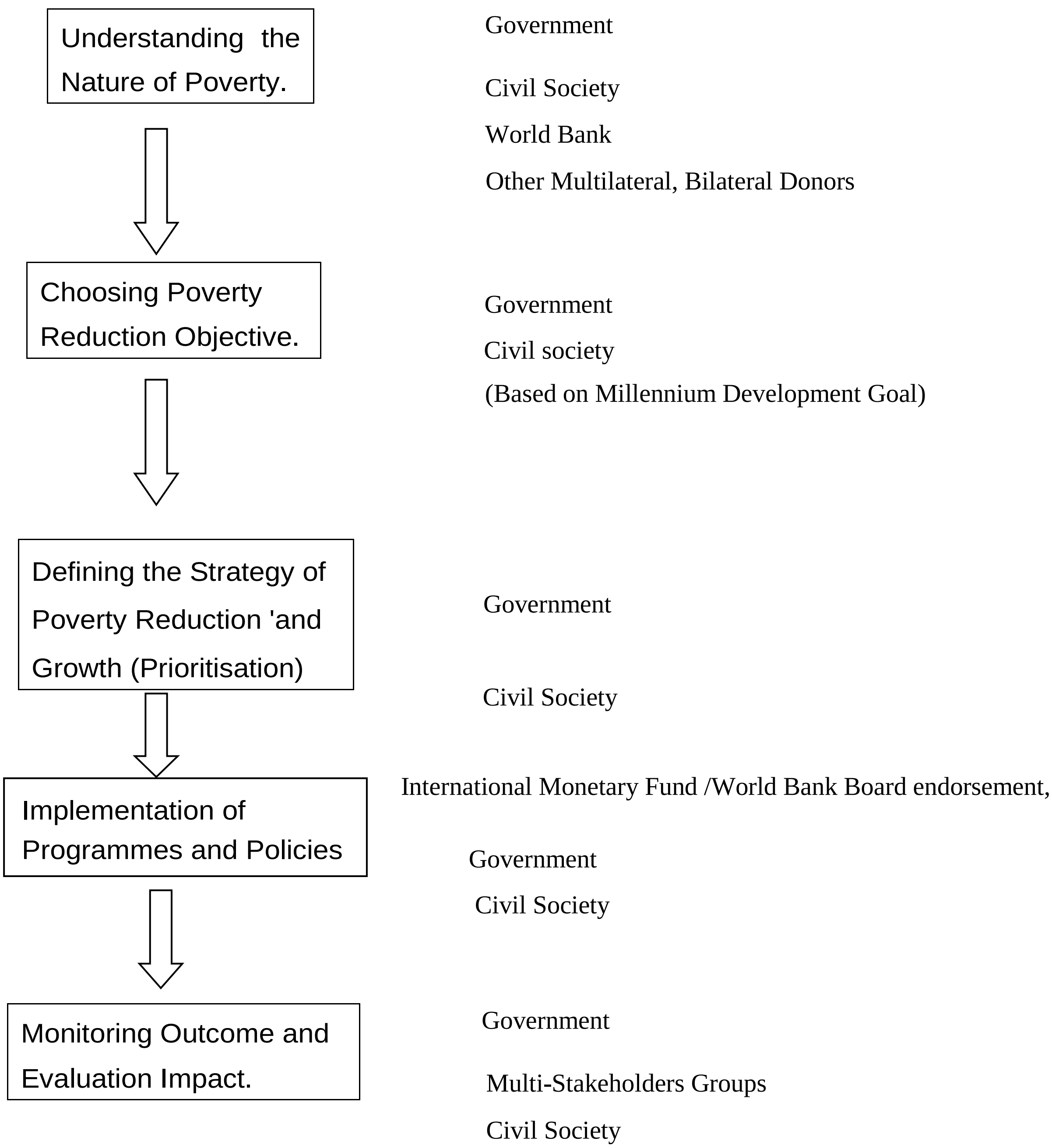
The World Bank provides training, technical and financial assistance to support designing and implementing national poverty reduction strategies.

After the implementation and the various programmes rolled out, it becomes important to monitor outcomes and evaluate the impacts of the various programmes to ascertain how well or otherwise the various interventions are faring and how to fine tune it to achieve optimal results.

This poverty reduction strategy is demonstrated in the diagram below;

-r-

The poverty reduction strategy/framework the study adopted is:



(Klugman, 2007)

2.2.2 Micro-finance

Micro-finance is the term that has come to refer generally to informal and formal arrangements offering financial services to the poor. Throughout the world, poor people are excluded from financial systems. Exclusion ranges from full to partial exclusion. As a result of absence of access to formal financial services, the poor have developed a wide variety of informal, community-based financial arrangements to meet their financial needs. Over the last decade, an increasing number of formal sector organisations (Non-Governmental, Governmental and Private) have been created for the purpose of meeting the poor's financial needs (Brau and Woller, 2004).

Micro-finance according to Otero (1999: 8) is "the provision of financial services to low income poor and very poor self-employed people". According to Ledgerwood (1999), these financial services include savings, credit, insurance and payment services. Schreiner (2001, p.339) defines micro-finance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks", Micro-finance therefore involves the provision of· financial services such as savings, loans and insurance to poor people who are unable to obtain such services from formal financial sector both in the rural and urban areas. Micro-finance has also been perceived by Rutherford (1996) as the means by which poor people convert small sums of money into large sums. In a slightly different way, Roy (2005) thinks micro-finance is the supply of financial services to micro enterprises and poor households. All these definitions of microfinance takes into cognisance the provision of financial services to poor household be it credit, savings or insurance all geared towards improving their welfare. For the purpose of this study, micro-finance will refer to small scale financial services primarily credit and savings schemes (combined micro-finance scheme) provided to people who farm or fish or herd; who operate small enterprises or micro enterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amount of land, vehicle, draft animals, or machinery and tools; and to other individuals and groups at the local level of developing countries, both rural and urban (Robinson, 2001). This understanding of micro-finance is preferred because it includes all the components of microfinance (credit, savings and insurance) and gives the various categories of people who can access micro-finance be it individuals or groups. This definition fits into my conceptual framework of micro-finance. Dean and Nathaneal (2006 p.6), have enumerated certain characteristics that micro-finance must exhibit and these are;

i. Loans for entrepreneurial activity
ii. Group lending.
iii. Collateral free loans
iv. Targets poor clients
v. Targets female clients
vi. Simple application processes
vii. Provision of services in underserved communities
viii. Market level interest rate and
ix. Savings

Ledgerwood (1991) has classified micro-finance institutions into Non-Governmental Organisations (NGO's), savings and loans cooperatives, credit unions, government banks, commercial banks and non- bank financial institutions. These micro-finance, institutions provide services such as training and education, organisational support ~d skill~· development. Cedi Finance Foundation which for this study, is the micro-finance institution, is a savings and loan cooperative which provide such services to its clients.

Micro-credit is often interchanged with micro-finance. There is a distinction however between the two. Micro-credit often times refers to small loans whereas micro-finance is appropriate where NGOs and MFIs supplement the loans with other financial services like savings, insurance and pension payment hence micro-credit is a component of micro-finance in that micro-credit involves providing credit to the poor but micro-finance involves providing credit in addition to non credit financial services such as savings, insurance and pension payment.

Unlike archaeology, anthropology and economics, micro-finance and micro-credit are new terminologies in academia and for that matter in development, coming into the fray in the 1970's (Robinson, 2001 and Otero, 1999). Prior to the 1970's, from the 1950's through to the 1970's, the provision of financial services was mainly in the form of subsided rural credit programmes by donor or governments. This was characterised by high default rate, high losses and low outreach to rural poor households (Robinson, 2001).

Micro-finance institutions such as the Grameen Bank in the 1980’s began to offer small loans and savings services on a large scale. They received no subsidies and thus were financially funded. This made them more sustainable and hence could attain a wide outreach to clients (Robinson, 2001). It was at this time that the term micro-finance came to prominence in development. The micro-credit of the 1960’s, insisted on repayment, charging interest rate, and focusing on clients in the informal sector. These factors accounted for the distinction between the subsidised rural credit programme of the 1950's and the micro-credit of the 1960's.

In the 1990's there was acceleration in the number of micro-finance institutions and outreach was mainly their focus. Robinson (2001, p54) refers to the 1990's as "the micro-finance decade" as a result of this tremendous increase in the number of micro-finance institutions. During this era, according to Robinson (200.1), micro-finance had metamorphosed into an industry. Prior to this era, the provision of-credit was mainly the focus of most micro-finance institutions but the 1990's, which saw an increase in the number of micro-finance institutions also changed dramatically the focus of most micro-finance institutions from just the provision of credit to the poor, to the provision of other financial services such as savings, insurance and pensions (microfinance). It had become evident that the poor had developed the demand for these other services

Perhaps the fundamental question for the motivational underpinnings of micro-finance is whether it is a viable strategy for poverty alleviation. Buckley (1997) concludes that fundamental structural change in socio-economic conditions and a deeper understanding of the informal sector behaviour is needed for micro-finance to prove effective.

The importance of micro-finance cannot be overemphasised in development. According to proponents of micro-finance, it helps poor households meet basic needs and protects against risks, improvement in household economic welfare and helps to empower women by supporting womens' economic participation and so promotes gender equity. Small scale enterprises are not left out of the contributions of micro-finance. As asserted by Abeka and Meyer (1994) in their report on small scale industries they are major creators of employment due to the labour intensive technologies. They are the seedbed for new entrepreneurs, the vehicle to bring development to the rural areas and technologies which are generally more appropriate for them. All these are made available by micro-finance. The aim of micro-finance is not just to provide capital to the poor to combat poverty at the individual level but to play a role at the institutional level. It creates institutions that deliver financial assistance to the poor, who are continuously ignored by the formal banking sector (Otero, 1999). Otero, (1999, p.10) illustrates the various ways in which micro-finance combats poverty. She states that "micro-finance creates access to productive capital for the poor, which enables them move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help empower the person to participate in the economy"

It is commonly asserted that MFIs are not reaching the poorest in the society. However, d~sp1t~ some commentator's scepticisms of the impact of micro-finance on poverty, studies have shown that micro-finance has been successful in many situations. According to a study conducted by Nanor (2008) in some selected Districts in the Eastern Region, micro-finance has had a positive impact on the beneficiary households especially on their income levels.

There have been some arguments in the literature of micro-finance about its impact on the beneficiary as most micro-finance impact mostly relies on income, recognising the fact that poverty is more than just the lack of income. The question has been asked whether an increase in the income levels of beneficiaries is enough to claim that there is an impact on beneficiary. Wright (1999) disagrees with focusing only on increased income as a measure of the impact of micro-finance on poverty. He states that, there is a significant difference between increasing income and reducing poverty and an increase in income does not necessarily mean a reduction in poverty. He further states that by increasing the income of the poor, MFIs are not necessarily reducing poverty but rather deepening what the poor does with the money. According to him, the money is often ambled away or spent on alcohol and so focusing solely on increasing income is not enough.

According to Wright, the focus of MFIs needs to be on helping the poor to sustain a specified level of wellbeing by offering them a variety of financial services tailored to their needs so that their net income security can be improved (Wright 1999).

Over the years, governments have undertaken various financial sector policies and programmes that have influenced the context for development of informal (micro-finance) sector activities. Among them are the provision of subsidised credits in the 1950's, establishment of the Agriculture Development Bank (ADB) in 1965 especially to address the financial needs of the fisheries and agriculture sector, establishment of Rural and Community Banks (RCB's) and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio to promote lending to agriculture and small scale industries in the 1970's and early 1980' s, shifting from a restrictive financial sector regime to a liberalized regime in 1986, promulgation of PNDC law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including 'savings and loans companies and credit unions. The policies have led to the emergence of three broad categories of micro-finance institutions and they are formal suppliers such as savings and loan companies, rural and community banks as well as some development and commercial banks, semi formal suppliers such as credit union, Financial Non-Governmental Organisation (FNGO's) and cooperatives, informal suppliers such as susu collections and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders and other individuals. Programmes currently addressing the subsector in Ghana include the Financial Sector Strategic Plan (FINSSP), the Rural Financial Service Project (RFSP), the United Nations Development Programme (UNDP), Micro-finance Projects, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP) and Agriculture Services Investment Project (ASSIP) (Ghana Microfinance Policy, 2006).

Helms (2006), estimates that, about three billion people worldwide still seek access to basic financial services to manage their lives. They are characterised by inadequate access to credit, savings or to social protection services. It has proved to be extremely difficult to reach the most excluded people in particular the workers of the informal urban and rural economy with adequate assistance and services to break the poverty trap because of low outreach programmes embarked by some MFIs (ILO STEP, 2002 and Labie, 1998).

The ideas and aspirations behind micro-finance are not new. Small, informal savings and credit groups have operated for centuries across the world (Cambier, 2008 and Robinson, 2001). As early as the 151h century, the Catholic Church founded pawnshops as an alternative to usurious moneylenders (Helms, 2006). Today, micro-finance is a field that has received an increased policy attention and donor interest. Recent examples are the 2006 Noble Price for Peace in favour of the Grameen Bank founder M. Yunus as well as the G8 2005 support declaration for micro-finance (CGAP, 2005).

Micro-finance institutions provide similar products and services to their customers as formal sector financial institutions. The method of application and requirements are simple and less cumbersome in the informal sector compared to the formal sector. In addition, the scale and method of delivery also differ, but the fundamental services are the same. Both provide credit, savings, insurance and pension payment (Brau and Woller, 2004). To date most efforts to formalize micro-finance have focused on enterprise lending (loan for enterprise formulation and development) which remain by far today the dominant product offered by MFis (Nourse, 2001). This however has slowly begun to change. Increasingly, MFIs have begun to offer additional products such as savings, consumption or emergency, loans, insurance and business education. Nourse (2001) reviews the context and rise of micro-finance products and argues there is a need for savings and insurance services for the poor and not just credit products because the poor have developed demand for a wide array of services. He goes on to argue that MFIs need to provide tailored lending services for the poor instead of rigid loan products. Similarly Woller (2002), Cohen (2002) and Dunn (2002) argue that MFIs need to be more client focused including offering a mix of financial products tailored to the varied needs and wants of poor consumers. All these goes to confirm the point that credit alone is not enough to take the poor out of poverty and a wide array of products is needed by the poor if they are to be taken out of the poverty trap.

In the last decade, one of the revolutions that have involved the micro-finance thinking and practice is the change from a focus on a credit mono-product to a full array of financial services (Murdoch, 2004 and Robinson, 2001)). Initially, micro-finance and micro-credit was used interchangeably and lending was the focus (Rhyne and Otero, 2006).

The change from micro-credit to micro-finance has brought a change in outlook, a growing realization that low income households can profit through access to a broader set of financial services than just credit (Armendariz de Aghon and Murdoch, 2005).

The new approach to micro-finance includes supply of loans, savings and other basic financial services to the poor (Helms, 2006). People living in poverty like everyone also need a diverse range of financial instruments to run their businesses, build assets, stabilize consumption and shield themselves against risks. Financial services need by the poor include working capital loans, consumer credit, savings, pensions, insurance and money transfer services (Cambier, 2008)

From the literature, one can distinguish three major service areas in micro-finance delivery: micro-credit, micro-savings and micro-insurance products.

Micro-credit is the extension of very small (microloans) loans to the unemployed, poor entrepreneurs and to others living in poverty who are considered non bankable by the formal institutions. This is because these individuals lack collateral, steady employment and therefore cannot meet even the most minimal qualifications to gain access to traditional credit (Labie, 1998; Helm, 2006). Lending to the poor can be delivered individually or through groups (Group lending) and products can be differentiated in function of collateral, repayment instalments and other lending methodologies (Crijns and all, 2006).

The need to save may be more urgent for the poor than for the better-off (Hirschand, 2005). Micro-saving services go hand in hand with the supply of deposit and payment products such as current accounts, small scale investment funds, money transfer services including remittances and various bill payment services (Cambier, 2008).

Savings services offered by MFIs can be divided into forced and voluntary savings, with most micro-finance institutions engaged in forced savings than voluntary savings. In a forced savings programmes, micro-finance participants are required to save a minimum amount each week or other times set by the MFI. Forced savings according to (Brau and Woller, 2004) teaches financial discipline and provides additional information about client's savings habits to the MFI. In practice, forced savings serve primarily as a form of cash collateral for the MFI. In a forced savings, there are stringent rules regulating when and how clients can withdraw these savings and in some cases, withdrawal is impossible.

The second form of savings is voluntary or flexible savings (Nourse, 2001 and Montgomery 1999). Some poor people do not operate enterprises, but they do save often in small amount and at in consistent interval (Beverly and Sherraden, 1999). Savings are integral to poor household. They constitute the first line of defence to help poor households cope with external shocks, emergencies and life-cycle events to which they are vulnerable.

There is a distinction between high and low frequency savings. High frequency savings intends to fund short-term investment and to smooth consumption from mouth to mouth or from season to season, whereas low frequency savings is steadier and deals with the long term accumulation of capital during a person's life (Armendariz de Aghion and Morduch, 2005).

Many MFIs target primarily, or exclusively women. This practice is based on the common belief that women invest the loan in productive activities or in improving the family welfare more than men, who are assumed to consume rather than invest loan funds (Brau and Woller, 2004). Underlying the emphasis on lending to women is the widespread belief that access to financial services empowers women both financially and socially. Mallick (2002) criticizes the impact of micro-finance on women in society and suggest that micro-finance services can result in gender conflict. It can also place them at risk of domestic abuse where they are forced to act as fronts for others who are excluded from access to credit especially their husbands. In some cases loans are used by men to set up enterprises where women have no control over. In other instances, there are fears that women's' small increases in income are leading to a decrease in male contribution to certain types of household expenditure (Mayoux, 1997).

Optimal interest rate is to be charged borrowers, whether in groups or individually. The setting of interest rates in a for-profit financial institution is determined by the rate that will maximise shareholder wealth. MFIs face unique issues in setting an appropriate rate. If MFIs charge too high interest rate, they may hinder their ability to help the poor pull themselves out of poverty as well as price very poor persons out of the market for loans. Excessive interest rate may also lead to MFI losses as borrowers cannot pay, default on loans and in the case of group lending, bog down their solidarity groups. Thus to achieve financial self-sufficiency, MFIs have to charge relatively high interest rate.

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

Combined micro-finance (CMF) can be described as the combination of one of the three described products areas; loans, insurance and savings to the poor in order to deliver a more comprehensive package of service to clients (Cambier, 2008) but for this study, attention is focused on only credit and savings.

Examples exist of combined credits and savings scheme, since the establishment of the German rural cooperation of the 19th century (Helms, 2006). As financial collateral, micro-lenders may even require that borrowers show that they can save regularly for a period before they become eligible to borrow. Another example is the Grameen Bank that, at the end of 2003, required that borrowers holding loans must deposit weekly deposits in obligatory personal savings accounts with the amount depending on their loan size (Armandariz de Aghion and Morduch, 2005).

From a market dynamics point of view, micro-finance can be considered as a response to market failures leading to a lack of access to credit and insurance services for excluded populations. (Combier, 2008).

This study focused on three of the actors or stakeholders, the formal micro-finance provider, which is the Social Investment Fund (SIF), the micro-finance institution (Cedi Finance Foundation) and the individuals. From a market point of view, they can be divided in a supply side (management of the scheme) and the demand side (beneficiaries) (Combier, 2008). The importance of giving greater interest to these two stakeholders or actors lies at the heart of most debate about the real priority of micro-finance schemes: poverty alleviation (focusing on poor clients) or financial sustainability (Servet, 2005; Abdelmoumni, 2005). Though both are not fully mutually exclusive, the trade off towards one or the other objective has considerable implications on the way micro-finance is targeted and managed (Vosconcellos, 2003).

The paramount aim of the micro-finance scheme is· to empower beneficiaries and enhance their livelihood. There is therefore the need for consistent and rigorous evaluation of micro-finance to bring evidence to the question whether micro-finance creates real positive change to poor people (Servet, 2005).

2.2.3 Efficiency of Micro-finance

Efficiency entails making use of available resources to yield maximum output. Efficiency in micro-finance is a question of how well a micro-finance allocates inputs (such as assets, staff and subsidies) to produce the maximum output such as amount of loans, financial self-sufficiency and poverty outreach (Balkenhol, 2007). Efficiency of micro-finance schemes may depend on different external variables such as its geographical location, the legal context, the way products are delivered, the level of subsidies and human resource capacities (Cambier, 2008). Yeboah (2003) has categorised efficiency into three; Allocative, Productive and Technical efficiencies.

Allocative efficiency: Concerned with the allocation of resources. This can refer to the allocation of resources in micro-finance as compared to other projects like the construction of nutritional centres. It refers to how well the package of credit is disbursed across the country based on credit needs.

Productive efficiency: Refers to the use of available resources and involves a comparison of the total and average costs of similar services provided by similar delivery facilities and an analysis of the determinants of these costs. In the case of micro-finance, it is the total benefits achieved in relation to their costs.

Technical efficiency: Looks into the internal working of an organisation. The classical model of a profit organisation is that its prime goal is to maximise profit, which implies producing in a technically efficient manner. This falls into the scheme of the workings of Cedi Finance Foundation which charges interest on the credit. It is argued that technical efficiency is determined by individual characteristics of the entrepreneur. Factors influencing such characteristics may divided into two groups: human capital variable that dominate the decision making process of the entrepreneur, institutional and social economic variables that could influence an entrepreneur's capacity to apply his/her decision at the enterprise level without any constraints. The human capital variables are age of operator, level of education and business experience; institutional variables are training programmes, training experiences and access to credit and socio-economic variables are interest on loan and contact with lender. (Akpalu and Bhasin, 2001). Combining credit with saving schemes has to take into account these elements. Combined micro-finance will depend on how compatible these factors are. It is important to analyse how combining micro-savings with micro-credit influences the efficiency of Cedi Finance's micro-finance programme and should aim at being most efficient, taking into account the different stakeholders. Technical efficiency needs to be achieved at both levels (Both institutional and beneficiary level). At the beneficiary level, technical efficiency will be achieved if beneficiaries are able to apply adequately both human capital variable such as the level of education and business experience and institutional variable such as the skills and knowledge achieved from the various training and education programmes organised in their decision making process which will ultimately enhance their businesses. Technical efficiency at the institutional level entails how frequently and effectively training and educational programmes are organised by the MFI for beneficiaries to enhance their business operations.

2.2.4 Livelihood

Livelihood has been seen in various contexts and there are various approaches to livelihood. Sen (1999) has introduced the capacity approach to livelihood status. The approach focuses on the people's capacity and freedom when trying to access livelihood status. It focuses upon the actual life of the poor, if the people are capable of living an acceptable life. This is described in terms of wellbeing, and wellbeing here refers to the state of being healthy, feeling safe and having full control over ones situation. Sen discusses how improvement in such fields can help the poor towards a better life and therefore can be seen as a major contributor against low livelihood status and poverty.

Sen (1993) again identifies basic capabilities as the ability to satisfy certain crucially important functioning up to certain minimally adequate levels. Having control over ones situation is linked to livelihood empowerment. Sen's approach of livelihood status through capacity is more apt because empowerment is a process of increasing the capacity of individuals or group to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of those assets. When the individual or group is empowered, invariably, it is the capacity of the individual or group that is built for them to live an acceptable life and to take full control of their life and work towards the betterment of their life by ensuring an improvement in their health, providing security for their life in general and their wellbeing.

2.2.5 Empowerment

Empowerment is a multi-faceted construct, shared by many disciplines in the academia and other arenas, example are community development, psychology, education and economics. As a result, how empowerment is understood varies tremendously among these disciplines. Defining the concept of empowerment is subject to debate. Zimmerman (1984) has stated that accepting a single definition of empowerment will mean an attempt to achieve a formula or prescription by which people must follow. This contradicts the very concept of empowerment. Bailey (1992), however is of the view that empowerment should be defined within a context of a programme or project and this will be dependent on the people involved in the project or programme within that context. Rapport (1984) also introduced a new dimension to the definition of empowerment. According to him, since empowerment takes different forms in different people and context, it should be defined by its absence rather than its presence.

Empowerment as a concept is multifaceted but it addresses the question of control over ones situation. In this regard, Sen (1997) describes the phenomena as increasing control over both external factors as well as personal capabilities. One important factor she presents is that empowerment has to be achieved on a personal level and not only accomplished by structural change.

The World Bank (2006) defines the concept of empowerment as the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affects their lives. Narayan (2005) has presented a different attribute of empowerment as a conceptual framework in her book, 'Measuring Empowerment'. According to her, the factors that contribute to empowerment are; access to information which can increase the number of choices available, local organizational capacity, forming associations in which people can get together and find support for common problem.

Another way of describing empowerment is to base it on monetary indicators such as income or consumption (The World Bank, 2002). All these approaches to empowerment are not out of place.

Empowerment entails the need for people especially, the poor and marginalized to expand their assets. They can only do this if they have money to expand their assets. Additionally, if they are able to participate in debates about issues that affects their lives but they can only participate if they have information about the issue. Hence Narayan access to information as a means of empowerment makes a measure of sense. By participation, they are able to make meaningful contribution to the issue to influence decisions. All these understanding of empowerment are not out of place.

However, the concept of empowerment for this study is understood as a multidimensional social process that helps people (mostly poor) to gain control over their own lives. It is a process that fosters power (that is the capacity to implement) in people, for use in their own lives, their communities and their societies, by acting on issues that they define as important.

From this understanding of empowerment, it is evident that empowerment is multi-dimensional, social and a process. It is multi-dimensional in that it occurs within sociology, psychology, economics and other dimensions. Empowerment also occurs at various levels such as individual, group or community and it also occurs in relationship to others, hence a social process. Empowerment as a process must be developed and worked through. One important thing is that both individual and community are connected (Page and Czuba, 2000).

Researchers, organizers, politicians and employers have all recognised that individual change is a prerequisite for community and social change (Wilson, 1996 an in Page and Czuba, 2000). Individual change is a bridge to community and social change. As a result, we can't point fingers at those with less power by telling them that, they must necessarily change to become one of us in order to be successful or powerful because we are successful and powerful.

Change must occur at the individual level before it is translated into the community or society level. Individuals must therefore become partners in solving the complex issues facing the community together, based on mutual respect, diverse perspectives, and a developing vision. This should lead to creative and realistic solutions. Thus, the empowerment process involves a synthesis of individual and collective change (Wilson, 1996; Florin and Wandersman, 1990; Speer and Hughey, 1995 as in Page and Czuba, 2000). I see this inclusive individual and collective understanding of empowerment as a goal. Therefore one of the cardinal reasons people should be empowered is to immune them to some extent against poverty.

2.2.6 Socio Economic Effects

Micro-finance loans are used for different purposes. They are used for agricultural production, trading and processing. For agricultural production, microfinance helps in increased output of agricultural production, enhanced employment opportunities in the agricultural sector, a reduction in the prices of agricultural produce due to increased supply. Trading activities financed by micro-finance leads to an increase in the income of traders and establishment of new marketing links. These benefits associated with micro-finance can lead to a reduction in migration as a result of increased employment opportunities in the community. Reduced migration can also lead to an increased family cohesion which greatly improves child upbringing. Impacts of micro-finance projects should not just concentrate on the individual and household level if the true impact is to be assessed but the wider community in a whole because micro-finance has a far wider impact than the individual and household level. Health and education are some of the non-financial impact of micro-finance at the household level. Micro-finance interventions have also been shown to have a positive impact on the education of clients. Littlefield, Murduch and Hashemi (2003: 4) state that one of the first things that poor people do with new income from enterprise activities is to invest in their children's education.

Robinson (2001) is of the view that having access to micro-finance services has led to an enhancement in the quality of life *of* clients; an increase in their self-confidence and has 'helped to diversify their livelihood and thereby increase their income. Littlefield, Murduch and Hashemi (2003, p.4) states that access to MFI loan can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better to confront gender inequities.

Table 2.1 Potential Effects of Micro-finance at the Individual and Community Level

LEVELS OF IMPACT	TYPES OF IMPACT	IMPACT VARIABLE
1. Individual	1. Economic	1. Economic Variable
2. Community	2. Social	➢ Income
		➢ Household assets
		➢ Housing
		➢ Access to food
		2. Human Variable
		➢ Education
		➢ Health
		➢ Confidence
		➢ Skills
		➢ Empowerment
		3. Social Variable
		➢ Social acceptance and recognition
		➢ Social participation

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Empirical research is a careful and purposeful enterprise. Leady and Ormrod (1984: 3) have indicated that, research is not a blind excursion into the unknown with the hope that the data necessary to answer the questions at hand will somehow tum up automatically. Social research demands a careful planning.

According to Mouton (2001:55), research design is a plan or a blueprint of how you a researcher intends conducting the research. It means connecting data to the research questions, and indicating what tools and procedures to use in answering them. (Puinch, 2004:52). Research design could be experimental or survey for quantitative research, or case study or ethnography for qualitative study. Each design has got its own method of data collection and analysis, as well as the strength and weakness.

The study conducted was a case study. In this regard, mainly the qualitative with a little mix of quantitative method of data collection and analysis were employed. According to (Derbile, 2003) in either the natural or social sciences, there seems to be some level of polarisation along the lines of quantitative and qualitative methods of research. Therefore, there is the question of which method is appropriate in conducting social research. Bacho, (2001) as cited in Derbile (2003) is of the view that advocates of quantitative research postulate that human behaviour in the social sciences like the physical phenomenon in the natural sciences can be quantified in attributes. It can therefore be subjected to generalisation. Rist (1975) as cited in Osuala (2001) is also of the view that, there exist definable and quantifiable social facts. However, in the view of Osuala (2001), this position opposes the qualitative viewpoint that reality cannot be subsumed within numerical classification. Again Straus and Corbin (1990) as cited in Haque (2000) concluded that data could be quantitative but its analysis may be qualitative. From the argument both methods are required in the field of research since no one provide insight on all issues. Osuala (2001) concludes that both methods conform to accepted tools of research and can supplement each other and also provide alternative insights into human behaviour. It is from this backdrop that I have used both methods.

Case studies in research can be perceived differently by different writers. An event, entity, an individual or even a unit of analysis can constitute a case study (Yin, 1989). A systematic empirical enquiry that seeks to investigate a phenomenon be it contemporary or old within its real life context using evidence from multiple sources. In this study, the evidences are from the beneficiaries, the micro-finance institution and the SIF. It could also be concerned with how and why things happen that allows the investigation of contextual realities and the differences between what was planned and what actually occurred. In this case, what the SIF planned to achieve with the programme and what has actually occurred over the years and what is happening will be looked at (Anderson 1993).

Case studies become particularly useful where a researcher needs to understand some particular problem or situation in great-depth to inform him/her of the reality from a multi perceptive analysis. It means therefore that the researcher considers not just one perspective of the issue but rather other actors and perspectives involved and how these actors or perspectives interact or deviate. Case studies have the advantage of at least giving the opportunity to the voiceless to be heard. This is consistent with the views expressed by Feagin, Orun and Sjoberg (1991) that case study is an ideal methodology where a holistic in-depth investigation is need for understanding.

According to Yin (1993) there are three broad types of case studies and these are; Exploratory Explanation and Descriptive, however, Stake (1995) has also included Intrinsic- and this is when a researcher has an interest in the case; Instrumental- this occurs when the case is used to understand more than what is obvious to the observer and Collective Case Study- when a group of cases are studied.

This study adopted exploratory-explanatory type of case study because I was interested in enquiring into and having an in-depth knowledge into how SIF's micro-finance programme is helping in eradicating poverty among beneficiaries in the Ashanti Region, also having knowledge about the operations of Cedi Finance Foundation, the role they are playing in SIF’s mandate of poverty reduction and the causes of the inefficiency of the programme in improving the welfare of beneficiaries.

According to Babbie and Mouton (2004: xxvi), research methodology refers to the methods, techniques and the procedures that are employed in the process of implementing the research. It follows that, for a piece of research to be effectively executed, certain defined methods and

Different research design demand different methods and approaches. For example a case study strategy might include interviews and observation, while a survey strategy would likely include a questionnaire. Both methods may use quantitative data, which is data in the form of numbers, or qualitative data which is data in the form of words symbols and pictures, or a combination of both.

3.2 Identification of Target Population

The population for the study was- the SIF, the micro-finance institution (Cedi Finance Foundation) as well as beneficiaries of SIF's programme of micro-finance. The focus of the study was the Ahoboa Scheme in the Kumasi Metropolitan Assembly in the Ashanti Region, which solicited funds from the SIF from 2004 to 2009.

3.3 Sampling Technique

Sampling is the act of drawing a sample from a population. Usually the sample is considerably smaller than the population. However, in the case of a relatively small population the sample may be nearly the same size. An adequate sample must be large enough to provide fairly accurate estimate of the parameters of interest. It should also be representative of the population being studied and not of some atypical, or biased, part of it (Mason and Bramble, 1978). A biased sample will lead to inappropriate conclusions about the population.

It is important to adopt a proper sampling technique as improper sampling could lead to difficulties in the analysis of data and to wrong inferences being drawn (Opoku, 2005).

A simple random technique was employed in order to get the respondents from which data was collected. A simple random is appropriate for this study because the population is homogenous and they possess the same characteristics. A simple random sampling is one in which every member of the population has an equal and independent chance of being selected. (Mc Burney, 2001). "The advantage of randomization lies in the fact that since every respondent has an equal chance of being selected, any extraneous variables to be controlled would be randomly distributed among the various groups in the sample." (Opoku, 2005: 15-16).

There are 600 beneficiaries comprising 414 females and 186 males making up the population. A sample of 120 respondents of the entire population was needed for the study. A list of all the members of the population was obtained; the population for the study was carefully defined and one hundred and twenty (120) respondents were selected using the simple random technique.

For the purposes of this study, a purposive sampling technique was adopted to solicit information from the officials of SIF (the Sub-Project Officer and the Zonal Officer) and the credit officers of Cedi Finance Foundation, operators of the Ahoboa scheme. The Project Officer of the SIF, the Zonal Officer and the Credit Qfficer of Cedi Finance Foundation were interviewed and their opinions were solicited about the microfinance programme. This was guided by the research questions. Osuala, (200 l) contends that, the purposive sampling allows the picking of interview object that fit the focus of the study. According to Kumekpor (1989) and Mensah (1997), with the purposive sampling, the sample units are selected not based on random procedure but intentionally selected for the study. This is based on the fact that they have certain characteristics that suit the study or because of certain qualities that they possess, which is not randomly distributed but necessary for the study.

I ensured that, the design and the administration of the questionnaire met all ethical issues which are recognised and honoured by social scientists. De vos has emphasised that, the fact that human beings are the object of study in social sciences brings unique ethical problems to the fore that would never be relevant in pure clinical laboratory settings of the natural sciences (2009:62).

All ethical issues concerning the respondents, the society and the research profession was duly considered. As stressed by Babbie and Mouton. (2004), the scientist has the right to research for truth and the right to collect data through interviewing people, but this must not be done at the expense of the rights of other individuals in the society.

Ethical issues such as voluntary participation, which requires that people are not coerced into participating in research but willingly opt to participate. Informed consent, which essentially means that prospective research participants must be fully informed about the procedures and the risk involved in research that researchers do not put participants in a situation where they might be at risk of harm as a result of their participation. Participants will also remain anonymous throughout the study.

3.4 Data Collection Methods

Measuring instrument refers to the actual tools needed in collection of desired data. Interview was employed to solicit information from the implementing body and in this regard, the Sub Project Officer of SIF and the Credit Officer of Cedi Finance Foundation in the Ashanti Region (the Sub-Project Officer and Zonal Officer).

A structured questionnaire was administered to the beneficiaries. In addition to this, an interview guide was used. This was done because in the cause of administering the questionnaires, it was realised that issues which were not captured in the questionnaire came up, so the interview guide was used to capture them. For those who could not read or write they were assisted to answer the questionnaire. In order for data collected from these people to be credible and to minimise bias, all attempt was made to enter their responses appropriately. In order to address specific issues based on the research questions the questionnaires for beneficiaries were organised into sections, each section addressing a specific issue. The first part was on the socio demographic characteristics of respondents, the second on conditions for taking the loans and loan repayment arrangements, the third on training and savings habits of beneficiaries. Specific questions were asked under each of the sections.

Babbie and Mouton (2004:259) opine that generally, questionnaires that are delivered or collected or both seem to have higher completion rate than straight forward mail survey.

Secondary data sources such as relevant textbooks, journals, and technical reports were contacted.

3.5 Data Analysis

For data to be meaningful to the people, they have to be organised. Babbie and Mouton (2004: 101) have pointed out that, we interpret collected data for the purposes of drawing conclusions that reflect on the interest, ideas and theories that initiated the enquiry.

Data analysis consists of examining, categorising, tabulation or otherwise recombining the evidence to address the initial proposition (Yin, 1994).

Depending on the nature of the resources, various methods can be used to organize, summarize and illustrate the data that are collected. Opoku (2005:22) is of the view that "tables, diagrams, graphs and maps are perhaps the best known of those methods". Quantitative data was presented in tabular and chart form and supported by qualitative interpretation in order to make interpretation meaningful and clear. In this regard, quantitative data was presented in pie charts, bar charts and histograms. Statistical package for social sciences (SPSS) was used to generate the necessary percentages, frequencies of the various variables for the appropriate interpretation and description to be made. SPSS was chosen because it is user friendly and more manageable for smaller sizes. Its results presentation is simple and easy to understand.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

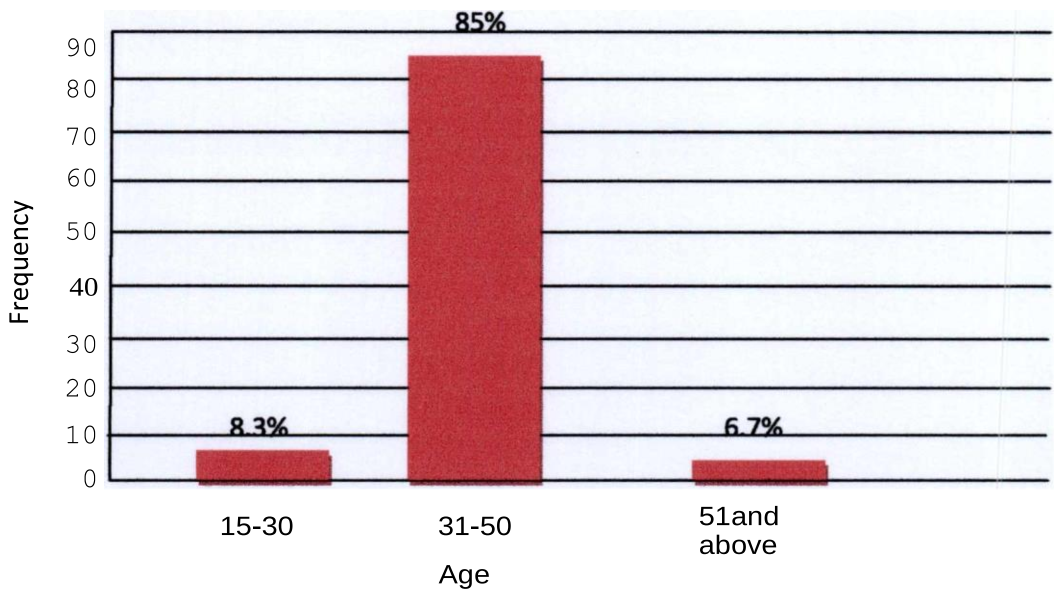
4.1 Introduction

This section of the work deals with the analysis of the data collected from the field.

4.1 Socio demographic Data of Respondents

Figure 4.1 Age Distribution of Respondents

N=120



Source: Field Survey, January 2010

The age of a client has a great influence on their ability to participate and of course their chances of benefiting from the microfinance programme. The age of respondents is very crucial because it gives an idea of the different age groups who are benefiting from the microfinance programme.

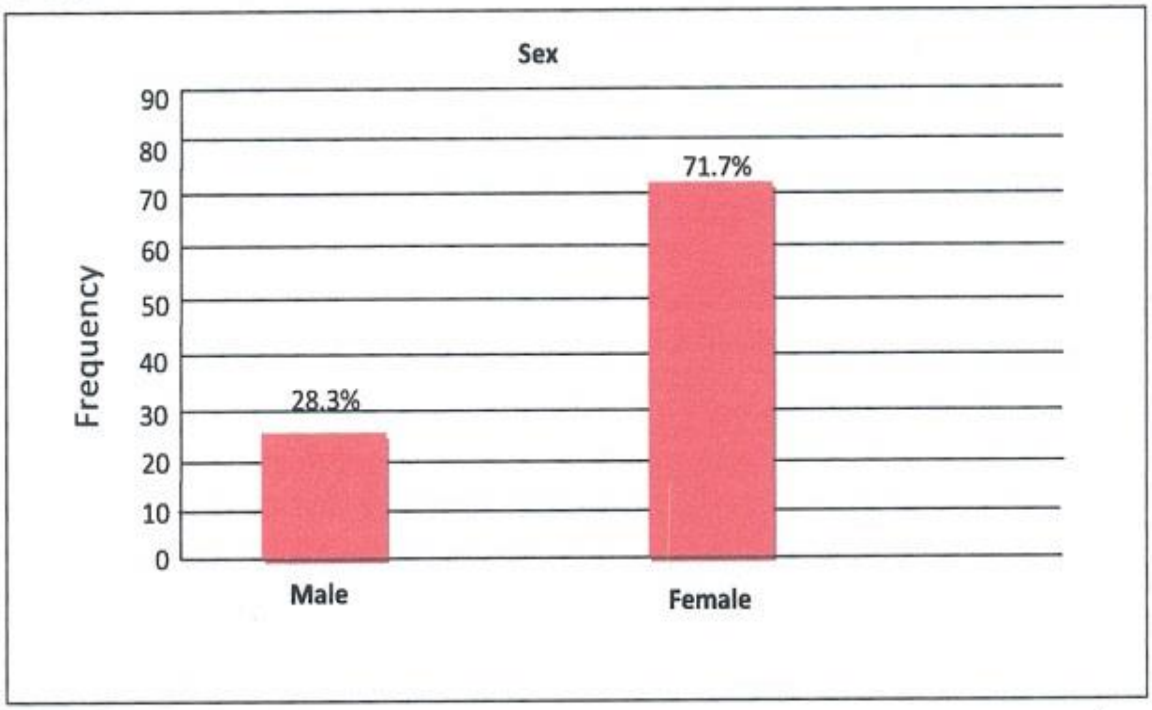
From the histogram above, it is evident that 8.3% of respondents are within the age bracket of 15-30 while 85% are within 31-50. Only 6.7 are 51 and above. This indicates that majority of the beneficiaries are within 31-50 age bracket and further indicates that the youth are engaged in some form of livelihood activity to better their lives. Additionally, it indicates that the economically active people have access to financial services since the SIF microfinance programme provides financial assistance to economic and productive active people who are already in one form of economic activity or the other. This is important if they have to achieve their aim of poverty reduction by making financial assistance available to people of this age bracket who are active.

Ten (10) of the respondents in the age brackets of 15-30 representing 8.3% are benefiting from the micro-finance scheme. This is as a result of the fact that most people within this age bracket are unemployed and will need a substantial amount of money to start their own business and in this case micro-finance is not the avenue. There is hope that if the youth are encouraged to participate in microfinance schemes, youth employment problem will be minimized.

Only eight (8) respondents representing 6. 7% were 51 years and above. These are the categories of respondents who are engaged in multiple businesses and needs the loan to top up other monies they have to expand other businesses. Nung (1996) has noted that as far as the informal sector employment is concerned, it is not age that matters but physical strength and weakness of one that determines the age of retirement: This goes to explain why 6. 7% of respondents are above the age of 51 but still engage in some income generating activity. When a 64 year old woman was asked why she engages in an income generating activity, her response was "my son, I am still strong so why won't I work, rather than stay at home and become weak. Moreover I will earn something to supplement what my children will give me at the end of the month". This seems to suggest that since there is no social security and guarantee pension in the informal sector, its workers are often forced to work as long as their health allows them to do so.

Figure 4.2 Sex Distributions of Respondents.

N=120

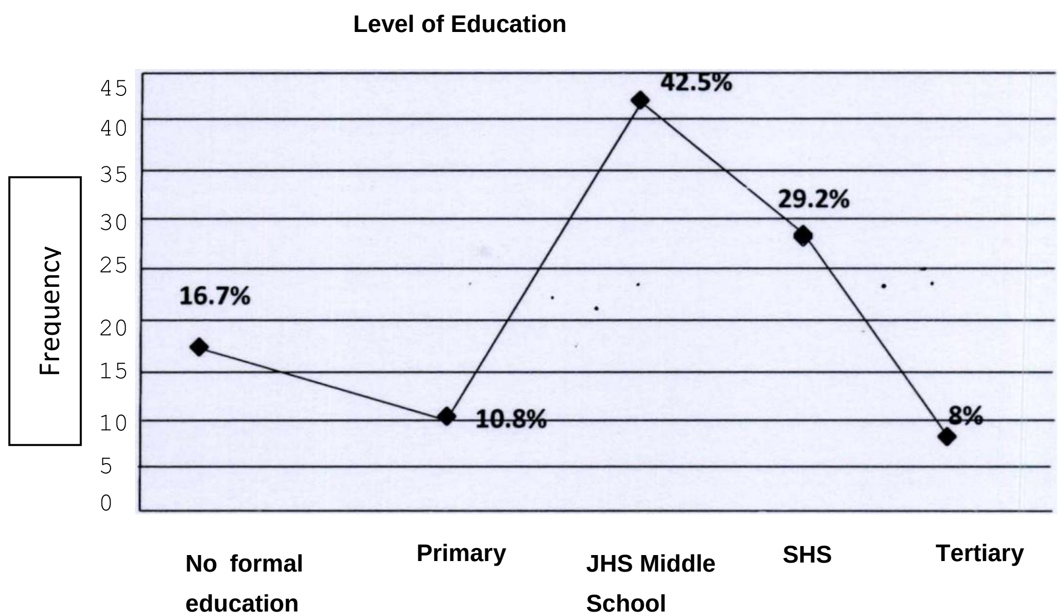


Source: Field Survey, January 2010.

than the males which go to confirm the argument that micro-finance can facilitate the achievement of the Millennium Development Goal (MDG) as well as national policies that target poverty reduction and empower women and assisting vulnerable groups. This further goes to confirm the point made by (Goetz and Gupta, 1995) that micro-finance programme targets women. Additionally, Brau and Woller, 2004 is of the view that most of microfinance programmes benefits women and this is based on the belief that women invest the loan in productive activities or in improving family welfare more than men who are assumed to consume rather than invest loan funds. The reason for this as gathered from the field is attitudinal. Most men feel reluctant borrowing. All the women in the study area have household responsibilities which have compelled them to combine both productive and reproductive roles. The informal sector has therefore become a haven for these women due to its easy entry and low capital requirement. Littlefield, Murduch and Hashemi (2003) is of the opinion that access to microfinance by women empowers them to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequalities. Women's empowerment through micro-finance is key for promoting the 1ntemational Labour Organisation's (ILO's) decent work agenda which acknowledges the central role of work in people's lives as a means of achieving equity, inclusive and sustainable development. By increasing women's access to financial services, micro-finance ultimately contributes to ILO's core values of greater gender equity and non-discrimination.

Figure 4.3 Educational Levels of Respondents.

N=120



Source: Field Survey, January 2010.

Education is key to human resource development. It equips the individual with the skills to read, write, record, receive training and seek information. These skills are necessary and very crucial when seeking formal job. The formal sector is regulated and admission depends on ones skills and qualification. Those with no or little education most of the time find themselves in the informal sector. Data collected from the field indicate that twenty (20) of the respondents representing 16.7% had no formal education, thirteen (13) representing 10.8% had primary education, fifty-one (51) representing 42.5% got up to JHS/Middle school, thirty-five (35) representing 29.2% got to SHS level and only one person representing 8% has tertiary education.

The educational status of respondents are low as most people could not proceed after senior high school level but this in no way accounts for mismanagement of the loan on the part of beneficiaries. Reasons gathered from the field are that beneficiaries know why they take the loan and will put the loan into use to generate profit to enable them pay back the loan with interest. Moreover, they have been in the informal sector for quite some time and have learnt basic managerial skills on the job to equip them with the needed attitude and skills to put the loan into maximum use to generate profit.

The low educational level of respondents could affect daily record keeping and for that matter planning and management of their businesses. Beneficiaries were asked if they keep daily records of their activity and thirty-six percent (36%) answered yes and sixty-four percent (64%) answered no. For those who answered no, fifty-four percent (54%) do not know how to keep records and thirty-four (34%) do not have the time while twelve percent (12%) don't even know the importance of records keeping.

The demand for consumption/emergency loans is evident in developing countries by the thriving business of the local money lenders. They are regarded as people who prey on the desperation of the poor by charging exorbitant interest rates and employing distasteful collection methods. The traditional moneylenders provide a valuable service for the poor people who require quick and flexible infusions of cash to meet immediate and pressing consumption needs or to cope with emergencies. The SIF provides such services to the poor and prevents them from being exploited by these money lenders.

Micro-credit can provide a wide range of benefits that poor households highly value including long term increases in income and consumption. A harsh aspect of poverty is that income is often irregular and undependable. Access to credit helps the poor to smooth cash flows and avoid periods where access to food, clothing, shelter or education is lost. Credit can make it easier to manage shocks like sickness of a wage earner, theft or natural disasters. The poor use credit to build assets such as buying land, which gives them further security. Women participants in micro credit programme often experience importance of self empowerment.

Arun, Adjei and Hossain (2009) noted from their study on Sinapi Aba Trust that there seems to be a correlation between one's level of education and the acquisition of assets. According to them, highly educated members of the groups who normally serve as executives benefits from larger loans and can therefore acquire assets. Their argument is supported by Hossain (l 988) and Coleman (1999) who also noted that "well educated participants are granted larger loans and are therefore in a position to purchase assets" (Coleman, 1999, Hossain, 1988 quoted from Arun, Adjei and Hossain, 2009). This position is not supported by this study. Data gathered from the field indicates that the loans granted to beneficiaries do not take into account ones educational background so those with higher levels of education are not granted larger loans.

Outreach is very important if the qualified people are to be captured in the programme. It is through such outreach programmes that officials will be able to screen and identify potential beneficiaries. Eighty-five (85%) of beneficiaries knew about Cedi Finance Foundation from their friends, while twenty-five (25%) from other means like from advertisements and during the outreach of Cedi Finance Foundation.

When beneficiaries were asked which product attracted them, all one hundred and twenty (120) beneficiaries representing 100% contended that it is the loan that attracted them. This confirms their demand for micro credit. When they were further asked about the other products, about seventy-five (75%) were not aware of the micro insurance. All beneficiaries had knowledge about savings but were not interested in the saving package of Cedi Finance Foundation

All the respondents who took the loan took it to expand their business and that is the purpose of the loan. The loan is not given as start up capital. It is mostly for people who are already in one form of business or the other. Cedi Finance Foundation supports vegetable farmers, petty traders, drinking bar operators, hairdresser, dress makers, provision sellers, material sellers, charcoal and maize sellers, food vendors, second hand cloth dealers, fitters, trunk sellers, cassava and plantain sellers and egg sellers etc.

Beneficiaries were asked whether they use the money for the purpose for which they took it. The beneficiaries had several reasons for taking the loan. One hundred and nineteen (119) of them representing 99.2% said they use the money for the purpose for which they took it while one person took the money for the husband. It is imperative for beneficiaries to use the loans for the purpose for which they took it if profit is anticipated. It is, however, not fruitful if the money is used for other purposes other than what it is meant for. The difficulty here is that if the money is not put into the right venture it becomes difficult to account for it hence ones inability to pay back.

Table 4.1 Business Expansion of Beneficiaries

Responses	Frequency	Percentage
Yes	119	99.2
No	1	0.8
Total	120	100

Source: Field Survey, January 20 l 0.

The expansion of business is the sole aim of every person engaged in a business. About ninety-nine percent (99.2%) of respondents attested to the fact that their businesses has expanded to some extent. This is translated in their levels of income. This realisation points to the fact that the loans are put into judicious use by beneficiaries and the aim of the SIF to reduce poverty amongst beneficiaries will be achieved in the long run. Only one beneficiary gave the indication that since she started taking the loan, her business has not really expanded. She only breaks even.

In as much as most beneficiaries agreed to the fact that their businesses have expanded, only six (6) respondents representing 5.0% have been able to employ others into their business. If poverty is to be reduced or alleviated, more people need to be employed to give them a means of livelihood. One hundred and fourteen (114) beneficiaries representing 95% have not been able to employ others into their business. Their inability to employ others into their business is as a result of their levels of income. They contended that they make profits but the profit margin is not enough to employ others, moreover, most of them are petty traders and don't really need extra hands in their businesses.

4.2 How Beneficiaries Access the Loan

Through Cedi Finance Foundation's outreach programme, they are able to identify potential beneficiaries. These are mostly people in the informal sector who need loans for expansion of their businesses. They are then asked to form groups of about 5-10 people and elect one person to be their leader or contact person. They are asked to make deposits as collateral and depending on the amount of money they deposit as collateral; they are then given the loan.

Group lending is preferred to individual lending because of high collective responsibility amongst group members to ensure that every member of the group pays the loan in order to enable them access the loan next time around. Notwithstanding this laudable rational behind the formation of groups to access the loan, the data gathered from the field indicates that most beneficiaries have fallen out of the groups citing reasons of non-payment of loans by group members. When this happens it affects all members of the group hence their inability to access the loan. The whole *group* 1.s·held accountable for a member's default. As a result, they prefer to take the loan as an individual instead of a group.

According to Dean and Nathanael, 2007, one of the cardinal characteristics of microfinance is group lending. In essence the group takes over the underwriting, monitoring and enforcement of loan contracts from the lending institution. (Wenner, 1995). But evidence from the field does not support this assertion as most of the beneficiaries prefer to take the loans individually. Eighty-five percent (85%) of beneficiaries prefer to take the loan individually. According to them, under group lending, there is joint liability and each group member is made responsible for the loans of all the members of the group. If one member defaults, the other group members are required to cover the loan from their own resources, and if they do not, they lose access to future loans. For those who take the loans individually, they want to be held accountable personally for their loans. They also contended that, most group members are not diligent in paying back their loans and they in tum suffer from inability to access future Joans. As a result of these reasons, they prefer to take the loans individually.

The timely release of funds or loans to beneficiaries is very critical if beneficiaries are to use the loan for the purpose for which they take it.

Asked whether they get the loan on time, eighteen (18) respondents representing 15% answered yes and one hundred and two (l 02) respondents representing 85% answered no. For those who answered yes, it takes about a month to get the loan when application is put forth. One condition for accessing the loan is that beneficiaries must deposit money as a form of collateral and based on the money deposited, one is given the loan. The conclusion drawn from this is that, the amount of money you deposit as collateral, determines the loan amount you get and the frequency with which you deposit the money to a very large extent accounts for the delay or otherwise with which you get the loan. On the other hand for those who responded no, it takes between two to three months for them to get the loan when application is put forth. These are the categories of people who are not able to get enough money to deposit as collateral and do not deposit on time for them to get the loan on time.

Those in the micro-finance industry who assumed formal MFIs would drive the traditional money lenders out of business have been shocked to learn that the demand for money lenders has remained robust, even among clients of microfinance programme (Brau, Woller, 2004). Beneficiaries were asked if apart from Cedi Finance Foundation, they take money from local money lenders. Thirty-five percent (35%) of the respondents answered yes while sixty-five percent (65%) answered no to the question. For those who answered yes, when they were probed further to know their reasons, their reasons were that the local money lenders were readily available and they need not deposit money as collateral before loans are given out to them and the process of receiving the loan is simple. The proximity of the MFI to beneficiaries is important if they will be easily accessible to them. It takes sixty-five percent (65%) of beneficiaries more than one hour to get to Cedi Finance Foundation, thirteen percent (13%) between forty minutes (40) to one hour, five percent (5%) between twenty (20) to forty(40) minutes and only seventeen percent (17%) less than twenty (20) minutes to get to Cedi finance Foundation. All one hundred and twenty (120) beneficiaries use public transport to get to Cedi Finance Foundation. This could perhaps explain why it takes majority of beneficiaries more than one hour to get to Cedi Finance considering the traffic situation in the metropolis.

According to Labie, 1998 and Helm, 2006, micro-credit should be extended to the unemployed, poor entrepreneurs and to others living in poverty that are not considered bankable. These individuals lack collateral and steady employment and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. It is as a result of this that microfinance is more appropriate for them. But if the situation demands that money is demanded as collateral before the issuance of loans, then it defeats the purpose. Evidence from the field shows that, beneficiaries who deposit their monies at CFF, do not get interest on their monies. The application processing time is a source of worry to many beneficiaries and the processing is very cumbersome and long.

Most beneficiaries have sourced money from Cedi Finance Foundation for quite a long time. About thirty-four percent (34.2%) of beneficiaries have been taking money from Cedi Finance Foundation for 5 years, about thirty-one percent (30.8%) for 4 years and the least of just a year is about three percent (3.3%). This shows that the effort to reduce poverty by microfinance in the Ashanti Region is not a new phenomenon and shows the commitment of the SIF to leave by its mandate of poverty reduction in its operational area.

Table 4.2 Number of Times Beneficiaries Have Received Loan

Responses	**Frequency**	**Percentage**
Once	1	0.8
2 Times	9	7.5
3 Times	22	18.3
4 Times	37	30.8
5 Times	41	34.2
6 Times	10	100
Total	100	100

Source: Field Survey, January 20 l 0.

About thirty-four percent (34.2%) of beneficiaries have taken the loan for 5 times, thirty-one (30.8%) for 4 times and eight percent (8%) once. These are the beneficiaries who have sourced the loan for five, four and one year respectively. This indicates that the microfinance programme is ongoing and beneficiaries are benefiting from it and the SLF is fulfilling its mandate of poverty reduction with the microfinance programme

4.3 Loan Size

Table 4.3 Do You Think the Loan Is Small?

Responses	Frequency	Percentage
Yes	119	99.2
No	1	0.8
Total	120	100

Source: Field Survey, January 2010

As has been shown earlier, beneficiaries take the loan for the expansion of their businesses. To a very large extent, the amount of loan you get and all things being equal, determines the extent of expansion of your business. One hundred and nineteen (119) respondents representing 99 .2% responded yes to the question do you think the loan is small? Only one person said the loan size was ok for him and the reason given is that the higher the amount of money you take, the more money you pay as a result of the high interest rate.

The danger in small loans given to beneficiaries is that it is put into different use, defeating the main purpose of the loan. The highest amount of loan given is 35,000,000 old cedis and 2,000,000 old cedis being the lowest amount given by Cedi Finance Foundation to beneficiaries over a period of six and one year respectively.

According to Simanowitz and Brody (2004.p. 1), micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meets the needs of the most poor. Littlefield, Murduch and Hashemi (2003) states Micro-credit is a critical contextual factor with strong impact on the achievement of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale. Small loan size is not capable of achieving such an objective

4.4 Demands for Collateral.

All the one hundred and twenty (120) respondents, representing 100% answered the question in the affirmative when they were asked if they are asked for collateral before loans are advanced to them. It was also found out that money is deposited as collateral before the loan is granted. All the one hundred and twenty (120) respondents responded to the fact that they had to deposit money with Cedi Finance Foundation before they become eligible to access the loan and the loan is also given based on the amount money deposited as collateral. Micro-credit is most often extended without traditional collateral. If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty levels because borrowers do not have physical capital, MFIs focus on using social collateral, via group lending.

4.5 Interest on Loan

Like other financial institutions, microfinance institutions charge interest on the loans they give to clients. The interest rate covers the high cost of taking very small loans, service rendered to each client and the cost of managing the programme.

All respondents attested to the fact that they are charged interest on the loans they take. For every loan taken, beneficiaries pay a 21 % interest. It must be noted that this is just for 6 months and if the loan is to be paid per annum, they are required to pay 42% interest on the loans they take. According to beneficiaries, the 21 % interest charged every six months and 42% interest per annum is on the high side and will want a reduction in the interest rate. The views of respondents pointed to the fact that an interest of between 25 and 30% per annum was more desirable. Dean and Nathaneal, 2007 suggested in their description of microfinance that a market level interest rate must be charged. Beneficiaries also contended that, if they are to pay the existing interest rate, the money they deposit as collateral must also attract interest for them.

A key objective of microfinance programme is to provide financial services to poor people who are excluded from such services by the formal banking system. It is in this perspective that governments, development partners and donor agencies continue to provide support to such institutions to enable them deepen their outreach (Adjei and Arun, 2009).

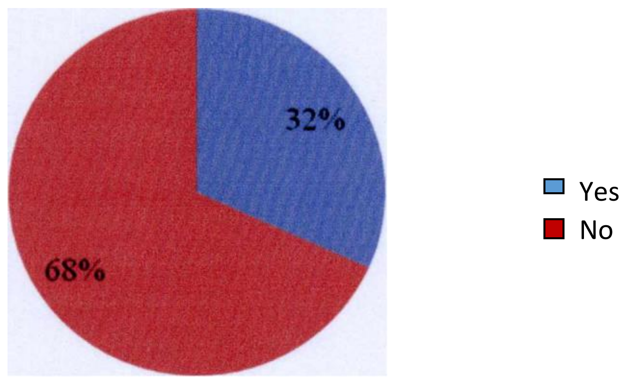
I wanted to know the understanding or beneficiaries about interest rate and whether the interest rate terms are explained to their understanding and whether they know how much interest they pay on the loan they take. Eighty-three (83) respondents representing 69.2% responded yes meaning they know how much interest rate is charged on the loan they take. Additionally, for these categories of respondents they know the terms of the interest rate. They know how much is charged so they are able to calculat1 to know the total money they will pay at the end of the six months or one year. Thirty-seven (37) respondents representing 30.8% said that the interest rate terms are not explained to their [1]understanding. Data gathered indicated that absenteeism accounted for this. The practice is that each time loans are being given out, Cedi Finance Foundation organises a training session for beneficiaries to explain the terms of the loan and the interest rate is one of the things they discuss. Those who answered no to the question, missed such training sessions.

4.6 Ability to Pay Back the Loan.

Figure 4.4 Responses on Ability to Pay Back Loan on Time

N=120

Are you able to pay back the loan you take from cedi finance on time?



Source: Field Survey, January, 2010.

Loans are not for free they are meant to be repaid. Thirty-eight (38) respondents representing 31.7% said they are able to pay back the loan at the stipulated time, Eighty-two (82) respondents representing 68.3% said they are not able to pay back the loan on time.

4.7 Reasons for Inability to Pay Back Loan on Time

For the sustainability programme, it is important for beneficiaries to pay back loans taken on time to enable them re-apply and also allow others to come for the loans. The situation on the field does not support this. Beneficiaries are not able to pay back the loans on time as has been pointed out earlier, about sixty-eight percent (68.3%) of respondents are not able to pay back the loans on time and the reasons ranges from high interest rate, inability to make profit, small loan size and unfavourable repayment terms. According to sixteen (16) respondents representing 19.8%, high interest rate accounts for their inability to pay back the loans on time. According to these people when the interest rate is high, it has the tendency of affecting investment since few investment projects are profitable. For example if they take a loan of GH¢ 1,000 at an interest of 21% for six months, they pay 12,100,000.

Ten (10) Respondents representing 12.3% gave inability to make profit as their reason for their inability to pay back the loans on time. For them because the loan is small, coupled with high interest rate, they are not able to make any meaningful investment to generate profit for them to start repaying the loan on time. As a result of this, they default in their payment. Similar to the above, three (3) respondents representing 3. 7% ascribed small loan size as their reasons for defaulting in their payment and their reason is that the loan is small so they are not able to make any meaningful investment to generate profit to start repayment. Additionally, fifty-two (52) respondents representing 64.2% cited unfavourable repayment terms. The loan is given for a period of six months and beneficiaries have a month grace period to start repayment and have to make one week instalment till the loan is repaid. According to these beneficiaries, these arrangements are unfavourable and not in their interest.

Though majority of beneficiaries are not able to pay back the loans on time, when they were asked if they sell their assets sometimes to repay the loans, only about two percent (2.3%) sell their assets to repay the loans and for those who sell their assets, it is not often. They usually sell their clothing. According to them, this is done only under extreme cases when all avenues have proved futile. It is important for the poor to accumulate assets. Poverty will not be reduced if they have to sell their assets to offset a loan. The loan is meant to be invested in productive activities which will yield profit to enable them accumulate assets.

Thirty two respondent (32) representing 26.7% think the six months given them to repay the loan is enough. For these people, the extension of the repayment time will mean them paying more money and they don't want to owe for that long time. Eighty-eight (88) respondents representing 73.3% thinks the six month is simply not enough and will want an extension of the period.

For those who want extension, seventy (70) respondents, representing 78. 7% wants seven months and nineteen (19) respondents representing 21.3% wants eight months. From this, it is evident that beneficiaries are not satisfied with the six months time given them to repay the loan and will want it extended.

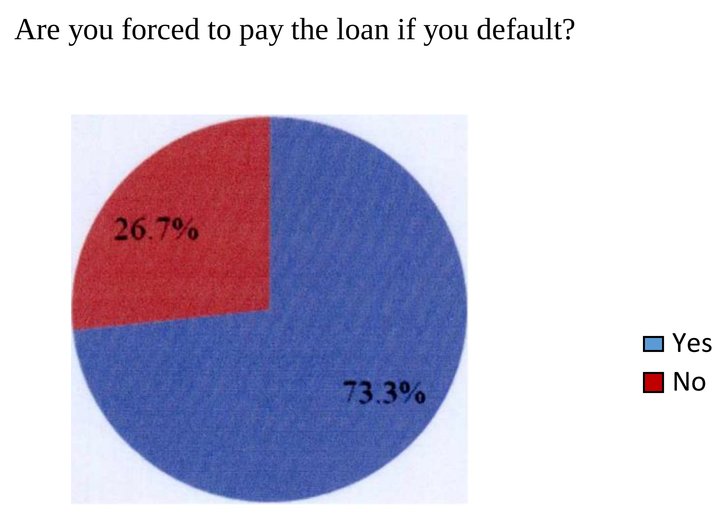
When beneficiaries are given the loan, they are given one month grace period to start making weekly payment. Thirty-two (32) respondents representing 26. 7% are of the opinion that the one month grace period is appropriate. However, eighty-eight (88) respondents representing 73.3 are of the opinion that the one month grace period is not in their interest. The reason they gave was that, the assumption is that

that, the assumption is that within that period they would have worked with the money and have made profit but the reality is that, a month is just too short a period to work with the money to make any substantial profit to start the repayment instead. Instead, what these beneficiaries do is to take the money and give it back to them which defeat the purpose of the loan and the whole rationale of microfinance.

Beneficiaries are required to make weekly instalment till they finish repaying the loan. Thirty-one (31) beneficiaries representing 25.8% thinks the one week instalment is ok with them while eighty-nine (89) beneficiaries representing 74.2% thinks the one week period is not appropriate and will want an extension. They contended that the extension is appropriate in the sense that they would have worked with the money for some time and generated profit to start the repayment

Beneficiaries will want to make instalments but are not comfortable with the one week instalment plan. About eight percent (7.9%) will want to make it in two weeks while thirty-nine (39.3%) will prefer three weeks and about fifty-three (52.8%) opted for four weeks. Their reasons for this is that the extended instalment period with the extended grace period is enough time to work with the money to make profit to start the repayment.

Figure 4.5 Responses on Default of Loan Payment



Source: Field Survey, January 2010

When beneficiaries default in the payment of the loan given them, according to Cedi Finance Foundation, there are certain mechanisms put in place to ensure that the loan is repaid and this ranges from constant reminders, court action taken and by police force. From the pie chart above, about seventy-three (73.3%) of respondents agreed that they default in their payment and are forced to pay back. About twenty-seven (26. 7) do not default. For those who default, their difficulty is with the mode by which they are forced to repay the loan. According to them, the credit officer in charge is rude towards them when she calls to remind them to repay the loan and they are embarrassed when they are not notified before they bring police to drag them to court or compel them to pay. For them these mechanisms are crude, unsavoury, barbaric and unfair to them and go a long way to undermine their credibility and integrity in their community. They would have preferred a more humane manner to compel them to repay the loan.

The Sub Project Officer was asked about the inhumane attitude of the Credit Officer of Cedi Finance Foundation towards beneficiaries who default and her response was "for us SIF we will take our money from Cedi Finance Foundation so they also need to do whatever they need to do to get their money from beneficiaries and it is up to them to decide whatever "method is appropriate for them since they bare hundred percent (100%) risk for the loan"

4.9 Training Package

Table 4.4 Do You Get Professional Advice on Effective Utilisation Of the Loan?

Responses	**Frequency**	**Percentage**
Yes	114	95.0
No	6	5.0
Total	120	100

Source: Field Survey, January 20 I 0

Effective utilisation of the loan by beneficiaries to a very large extent determines how profitable or otherwise the loan will be for beneficiaries. This is to say that when they put the money into good use, it will generate profit to enable them pay back and go for more. The effective utilisation of the loan is a shared responsibility between Cedi Finance Foundation, SIF and the beneficiaries. It is against this backdrop that training packages are put in place for beneficiaries to ensure that they put the money into maximum use lo serve its purpose. Table 4.4 points to the fact that ninety-five percent (95%) of beneficiaries benefits from this training package by Cedi Finance Foundation and only five (5%) of beneficiaries do not benefit from the training. Data gathered from the field indicated that for those who answered no to the question whether they get professional advice on the effective utilisation of the money are mostly absent during such training sessions. When asked for their reasons for being absent, they pointed out that the training session is just repetitive and there is nothing new offered from what they already know. Over the years they have learnt most of the things needed for maximisation of profit on the job and they don't learn anything new from these sessions.

On the issue of training, the training session is organised mainly on governance and leadership, management and operations, record keeping, savings mobilisation and credit management. In my opinion, such training sessions are woefully inadequate since the training is organised only when money is being given. And this is done every six months. The ideal situation would have been that the training is organised 'periodically to equip beneficiaries with the needed skills and knowledge to help them maximise profit. Through participation in these training programs by the poor, they benefit and acquire basic skills in business management. These benefits increase the choices available to them and therefore participation in such programmes provides certain advantages to clients, in terms of the growth and stability of their businesses and improves household wellbeing. (Adjei, Arnn and Hossain, 2009).
On the part of beneficiaries, the maximisation of profit is apt for them to make prompt repayment of loans taken. It is for this reason that the training sessions are organised as and when money is being offered or given out. This training session is in a form of capacity building. Capacity building is required for most projects financed by any sector or government. The process of capacity building must be aimed at both increasing access to resources and to changing the power relationships between the parties involved. Building capacity of beneficiaries means providing activities, resources and support to strengthen the skills, information, knowledge and confidence of beneficiaries (Health Port Talbot: Borough Councils Community, 2001). From this training, eighty-five percent (85%) of beneficiaries acquire enough knowledge that helps them maximise profit while fifteen percent (15%) think what is said at the training has no bearing on how they maximise profit to pay back the loan. According to these beneficiaries, they have already acquired the skill of profit making and so the training will not help them make profit and manage the loans very well.

4.10 Saving Habits of Beneficiaries

It is important to save if future investments are to be made by beneficiaries. All beneficiaries save. The need to save may be more urgent for the poor than the better-off (Hirschand, 2005). Cedi Finance Foundation encourages beneficiaries to save.

In the last decade, one of the revolutions that have involved the microfinance thinking and practice is the change from a focus on credit mono-product to a full array of financial service (Murdoch, 2004). Initially, micro-finance and micro-credit was used interchangeably and lending was the focus (Rhyne and Otero, 2006). The change from micro- credit to micro-finance has brought a change in outlook, a growing realisation that low income households can profit through access to a broader set of financial services than just credit (Armendariz de Aghon and Murdoch, 2005).

It is as a result of this that various services are introduced to beneficiaries, and savings is one. Beneficiaries are engaged in some form of saving. One hundred and twelve (112) respondents representing 93.3% save with a bank and eight (8) respondents representing 6. 7 save with a *Susu* company. The most significant financial services provider to the poor in Ghana is the *susu* (savings collection) system. The *susu* system primarily offers savings products to help clients accumulate their own savings over periods. Notwithstanding this, most beneficiaries save with a bank. For those who save in a bank, they think the *susu* collectors are not trustworthy and can bolt with their monies. Additionally, for those who save with the *susu* company, they think it's too bureaucratic saving in a bank but for the *susu* collectors, they are always with them in the community and they can access their monies in times of emergencies This is encouraging as saving habit of beneficiaries goes a long way to achieve the ideals of the combined microfinance. Beneficiaries save daily, weekly and monthly. About nine percent (9.2%) save daily while twenty-two percent (21.7%) save weekly and sixty-nine percent (69.2%) save monthly

All beneficiaries recognise the importance of saving as they all responded yes to the question whether they save. They save to curb unforeseen circumstances, to get money to buy and repair materials and goods for their businesses; others also save to pay for their debt, their savings constitute the first line of defence to help them cope with external shocks, emergencies and lifecycle events to which they are vulnerable.

Figure 4.6 Purpose of Income Earned

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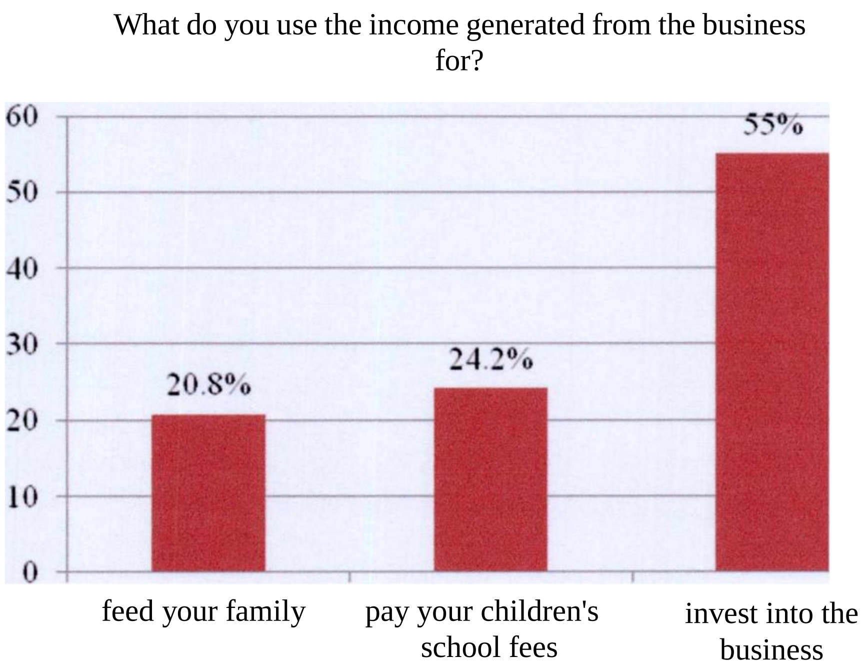

Source: Field Survey, January 2010.

Data gathered from the field indicated that twenty (25) respondents representing 20.8% of respondents use the income generated from the business to feed their families, while twenty-nine (29) respondents representing 24.2% pay school fees with the income from the business and sixty-six (66) respondents invest the income into the business.

When beneficiaries were asked whether they were satisfied with the process of receiving the loan, ninety-nine (99.2%) of beneficiaries were not satisfied with the process of receiving the loan. Their dissatisfaction ranges from a wide array of issues, including delay in getting the loans, high interest rate, small loan size, unfavourable loans repayment terms, use of force to compel beneficiaries to pay back the loan, being held accountable for a group member's default and being asked to pay the money among others.

4.11 The Micro-Finance Institution (Cedi Finance Foundation)

Cedi Finance Foundation is the micro-finance institution tasked with the responsibility of the disbursement of loans to beneficiaries. They also apply for loan from the SIF. The SIF gives out these loans to fulfil its mandate of poverty reduction. The loan is given to Cedi Finance Foundation at the prevailing prime rate and they have to add l 0% to the prime rate and give the loans to beneficiaries at that interest rate. Currently, Cedi Finance Foundation gives out the loans to beneficiaries at 42% interest rate per annum which all beneficiaries agreed that it is on the high side. But for reason such as small loan size, lack of collateral and the general difficulty in accessing loans from the banks, they have no choice than to accept the loan at that interest rate. After giving out the loans, they are supposed to organise training sessions for the beneficiaries on effective utilisation of the loans to yield maximum profit for them to enable them pay back the loans. They are to train them in records keeping, savings mobilisation and credit management. Data gathered from them indicate that for lack of logistics they are not able to organise these training sessions periodically for benefic 1ries. According to beneficiaries these training sessions are organised as and when loans are being given out. This is woefully inadequate. This according to the credit officer in charged, is as a result of lack of logistics. Additionally, inadequate logistics such as vehicles also hampers their monitoring activities.

When asked about strategies being adopted to ensure the efficiency of the micro-finance project, they suggested extension of the repayment time, provision of logistics to ensure proper training and effective monitoring plan put in place, beneficiaries given promise of a bigger loan after repayment, reduction of the number of beneficiaries in a group from 10 to 5. This is critical and important to the sustainability of the programme because the credit officer observed that most beneficiaries use Kumasi as stopover and they form the groups without really knowing themselves very well and when it is time for repayment, they might have moved out of Kumasi and relocated elsewhere. This challenge according to them is being remedied by educating potential beneficiaries that they will be held responsible if one member of the group default. Therefore, there is the need to know themselves very well before forming the various groups.

4.12 Collaboration between stakeholders

There seems to be a level of collaboration between the various stakeholders of the SIF's programme of micro-finance. The stakeholders are the SIF, the bank and for this study, the Odotobre bank the microfinance institution (Cedi Finance Foundation) and the beneficiaries. Effective collaboration between the various stakeholders is important in ensuring co-ordination, which ultimately ensures efficiency of any programme. Collaboration ensures that every stakeholder does not do things arbitrarily which will eventually hamper the progress of the programme and defeats its purpose.

The SIF receives monthly report from Cedi Finance Foundation on their activities for the month and their progress. They meet quarterly to discuss their challenges and the way forward. During such meetings Cedi Finance Foundation brings to the table their challenges and they discuss the report as well especially the loan recovery rate. When there is low recovery rate due to high default rate, they discuss how best to recover these monies from beneficiaries.

Beneficiaries are also invited to such meetings for them to spare their success stories with regard to how their lives and businesses have improved upon accessing the loan. They also voice out their challenges and discuss how best to address them in order to enhance the efficiency of the programme.

The Credit Officer of Cedi Finance Foundation was asked about the dissatisfaction of respondents about the process of receiving the loan and her response was "there are some challenges we can do nothing about and even that, we are trying our very best and others we can. That is the more reason why such a collaboration is such an important element so that we can all meet and discuss how best to address them."

This level of collaboration between the various stakeholders to some extent is effective since the level of participation and involvement is high.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Findings

In improving the welfare of beneficiaries of SIF's micro-finance programme in the Ashanti Region, certain inefficiencies must be addressed.

The micro-finance institution and in this case Cedi Finance Foundation makes an application to the SIF for a loan. SIF gives the loan to them at the existing prime rate and they are mandated to add 10% to the prime rate and give the loans to beneficiaries at that interest rate. It was discovered that Cedi Finance Foundation is not following this directive and are charging exorbitant interest rate of 42% on the loan per annum.

It was also found out that the interest rate terms are not explained to beneficiaries very well to their understanding. What is done is to tel1them how much they are paying without knowing the percentage of interest on 'the .loan. Additionally, most beneficiaries do not pay attention to this and do not ask for clarification. This is due to apathy and ignorance on their part in finding this out. Their educational background is also a factor as most of them did not go beyond second cycle level.

Again, there is no time frame given to beneficiaries to be sustainable after which time they cannot access credit from Cedi Finance Foundation. It seems they can access the facility as long as they want to. The focus of the programme is on getting more clients rather than ensuring that beneficiaries after they have accessed the loan for some time can sustain their businesses on their own. It is important for beneficiaries to be able to sustain their businesses on their own after they have accessed the facility for some time. This is important if the necessary impact of the programme is to be achieved and also to ensure efficiency in alleviating the poverty levels of beneficiaries.

When application is put forth by beneficiaries, it takes between one to two months for them to get the loan. The timely release of funds to beneficiaries is appropriate in improving the efficiency of the programme because when the loans are released on time, beneficiaries are able to put the money into productive use that will generate profit and not divert the use into other avenues that will defeat the purpose of the loan. lt is as a result of the delay in getting the loan that thirty-five percent (35%) of respondents still access loans from traditional money lenders when the need arises for them to do so.

It was also found out that the loans given to beneficiaries are too small. The loan size given to beneficiaries is dependent on the amount of money they deposit as collateral. According to beneficiaries, the monies they deposit as collateral do not attract interest but they are charged high interest on the loans they take.

Beneficiaries use the loans for the purpose for which they took it, which is to expand their businesses. Ninety-nine percent (99.2%) of the respondents attested to the fact that they used the money for the purpose for which they took it and they also agreed that their businesses have expanded to some extent but have not been able to employ others. According to them, this is due to small profit margins and the fact that most engage in petty trading and do not need extra hands.

There is high default rate amongst beneficiaries. Most beneficiaries are not able to pay back the loans on time and this is due to unfavourable repayment arrangement, high interest rate, inability to make profit and small loan size. Notwithstanding this, beneficiaries are forced to pay back the loans by police force and court action taken against them.

Training package on effective utilisation of the loans is organised only when monies are being given out. There is low patronage amongst beneficiaries about the training session as most of the things noted and thought are just repetitive.

The following strategies can be adopted to improve the efficiency of the micro-finance programme; reducing in interest rate, streamlining the repayment arrangement, streamlining the activities of the various groups who source money from Cedi Finance Foundation, using appropriate methods to coerce defaulters to pay back the loans and close monitoring of the activities of beneficiaries and what they do with the loan.

It was also found out that most of the beneficiaries are petty traders, and they have attended various training programmes, which have equipped them with skills in group management, conflict management, guarding against impulse buying and how to invest profits that accrue from their business adequately. These skills and knowledge of beneficiaries are apt and needed to ensure the efficiency of the programme and it was refreshing to know that beneficiaries bring these skills and knowledge to bear in their dealings with the micro-finance scheme.

It was also found out that beneficiaries are engaged in one form of savings or the other. They save in a bank or a *Susu* company and they understand the importance of savings. Data gathered indicated that all beneficiaries are involved in one form of savings or the other. Ninety-three percent (93.3%) of beneficiaries save in a bank and about seven percent (6.7%) save with a *Susu* company. The most significant financial service provider to the poor in Ghana is the *Susu* (savings collection) system. The *Susu* system primarily offers savings products to help clients accumulate their own savings over periods. Regardless of this, it was discovered that most of the beneficiaries save with a bank rather than a *Susu company.* Reasons given for saving include; to pay off their debt, to curb unforeseen circumstances, have money on them to buy goods and repair equipment and tools for traders and mechanics respectively.

5.2 Conclusion

Micro-finance schemes interventions must continue to target the youth to minimise unemployment problems in beneficiary communities. This could also check the drifting of the youth from the rural communities to the urban centres to seek nonexistent jobs.

The eradication of poverty is a shared responsibility of all; Governments, Non Governmental Organisation and individuals must be actively involved. Micro-finance is one of the avenues for poverty reduction. Microfinance programmes provide the productive poor access to financial services, specifically by increasing the availability of microfinance and improving the capacities of micro-finance institutions.

Micro-finance can facilitate the achievement of the Millennium Development Goals (MDOs) as well as national policies that target poverty reduction, women empowerment, assisting vulnerable groups and improving standard of living. As pointed out by the former UN Secretary

General Kofi Annan during the launch of the International Year of Micro-credit (2005) 'Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain healthcare, and empowering people to make the choices that best serve their needs' (Annan, 2005 as cited in Asiamah and Osei, 2007).

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

Like any programme, the SIF microfinance programme also has some challenges. On the part of SIF, their challenges range from their inability to give many loans as demanded by the microfinance institution. They receive several loans applications from different institutions, but they are not able to grant their requests. Their inability to meet regularly with clients to listen to their challenges and devise appropriate means/ways with the clients on how best to address them, and delays in approving loans by the loan approval committee. Usually when SIF (Kumasi Zone) receives the loan application, they in turn forward this application to their head office in Accra and the loan is approved by the loan approval committee. Usually, this process is delayed thereby delaying the granting of loans to the micro-finance institution. Perhaps, this situation explains why the processes involved in accessing loan from Cedi Finance Foundation seems cumbersome to beneficiaries. On the part of the micro-finance institution (Cedi Finance Foundation), their challenges range from delay in loan approval by the loan approval committee, small loan size, regular default by some beneficiaries and regular absenteeism of beneficiaries at various training sessions. According to beneficiaries, the loans granted are small, have high interest rate, and unfavourable loan repayment arrangement. Despite these challenges, mechanisms are in place to address some of them such as appraisal of loan size, the SIF meeting with clients monthly, explaining to the various micro-finance institutions that apply for loan the process involved and the SIF's inability to grant all their loan demands, and the submission of monthly report by Cedi Finance Foundation to the SIF. The scheme therefore has higher prospects of alleviating the poverty levels of beneficiaries in the Ashanti Region.

5.3 Recommendations

The objective of every microfinance programme is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels of beneficiaries. This classification is imperative because the current situation is, the amount of loan given is based on the amount of money beneficiaries deposit as collateral. This situation is injurious to the very poor who do not have enough money to deposit as collateral. This arrangement only benefits a few who are able to deposit money as collateral. Logistical support is always inadequate and a part of the problem. Cedi Finance Foundation needs to be resourced by SIF adequately in terms of its human resource to enable it undertake the various training sessions appropriately. Cedi Finance Foundation needs logistical support such as vehicle for them to undertake monitoring of its clients by the SIF. There is the need for credit officers to offer additional services by going to clients to collect the monies rather than expecting them to come to-them to pay. Due to some unforeseen circumstances, clients may be unable to come to the office to .make payment. Additionally, sub agencies, when established at the communities close to beneficiaries could be useful as they would save beneficiaries the trouble of travelling long distances to make payment.

Cash flow requirements are not the only burden of clients and poor people. It seems there is over emphasis on loans and a little attention is paid to savings and insurance. It is important for Cedi Finance Foundation to pay some attention to the other products since microfinance comprises credit, savings and insurance.

Appraisal of loan size for beneficiaries by Cedi Finance Foundation must be carried out to arrive at realistic credit loans to beneficiaries to forestall the misuse of loans. Most often if the amount of loan applied for is woefully insufficient for the economic activity; it is put into different use such as household expenditure and just a small amount is put into the business defeating the main purpose of the loan. Mohammound (2006) describes such monies as 'chop monies'.

The loan repayment arrangement when streamlined will go a long way to benefit beneficiaries and improve the efficiency of the programme. The six months given beneficiaries to pay back the loan should be reviewed and extended to seven months because majority of the respondents (78%) wants it extended to seven months. Additionally; the one month grace period should also be extended to three months to allow beneficiaries enough time to work with the money to make enough profit to start repayment.

Though the implementing institution believes, frequent repayment (weekly) is one of the most important premises in addition to group lending for successful micro-credit programme, evidence from this study shows that weekly repayment schedules may not suit the income flows of households engaged in certain types of activities. Less rigid repayment schedules should not increase default but may encourage longer term investment. Beneficiaries are more likely to borrow from other group members to repay if they are compelled to make the weekly repayment. Beneficiaries must be made to make monthly repayment instalment.

Loans made available to beneficiaries attract interest rate. The interest charged add up in inflating the total amount beneficiaries must repay. There is the need for interest rate charged by Cedi Finance Foundation to be reviewed downwards to as much as between twenty-five (25%) and thirty (30%) percent per annum as suggested by beneficiaries of the scheme or the money beneficiaries deposit as collateral should also attract interest. Interest rate should also be based on the purpose of the loan. Loans for consumption purposes should attract less interest rate than loans for business. This, however call for classification of loan purposes.

In order to prevent the over exploitation of beneficiaries by the traditional money lenders, there is the need for the SIF in conjunction with the Cedi Finance Foundation to speed up the process of getting the loans ready for successful applicants.

In most instances, public funds for microfinance institutions carry a mandate to serve the poorest (Microcredit Summit, 2003). The vision of the founders of microfinance was to supply formal financial services to poor people, who were shunned by banks because their savings were tiny, their loan demand was small, and they lacked loan collateral (Yunus, 2001). This vision will be achieved if the above is done.

The training on capacity building should be organised at least three times a year to equip beneficiaries with skills on effective utilisation of the loans they take to yield the necessary profit desired other than just when loans are being given out.

The SIF needs to intensify its monitoring of the various microfinance institution and Cedi Finance Foundation in particular, to ensure that they are adhering to procedures and also familiarise itself with some of the challenges they encounter. This will put the SIF in a better position to find appropriate solutions to the problems. Also, the SIF should organise periodic workshops on public relations for staff of Cedi Finance Foundation to enable them foster and sustain mutually beneficial and productive relations with the clients.

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Appendix A

UNIVERSITY FOR DEVELOPMENT STUDIES

GRADUATE SCHOOL-WA CAMPUS

TOPIC: ROLE OF SOCIAL INVESTMENT FUND (SIF) IN POVERTY REDUCTION. A CASE STUDY OF CEDI FINANCES'S MICRO-FINANE PROGRAMME IN THE ASHANTI REGION

QUESTIONNAIRE FOR BENEFICIARIES OF SIF'S PROGRAMME OF MICRO-FINANCE IN THE ASHANTI REGION (AHOBOA SCHEME)

JANUARY 2010

PREAMBLE

The purpose of this study is to ascertain the role of SIF in poverty reduction with emphasis on the microfinance scheme in the Ashanti region with attention on the Ahoboa Scheme given the fact that it has sourced funds from the SIF since 2004

The study is also carried out in partial fulfilment for the award of an MPhil degree in Development Management at the University for Development Studies.

This study is not to find fault with any stakeholder in the implementation process but to find out how the implementation process can be fine tuned and improve its efficiency. It is important to note that any information provided will remain confidential and will be used for academic purposes only.

PART I- General Information

To be completed by beneficiaries of SIF's microfinance programme in the Ashanti Region.

You are assured that the study is for purely academic purposes and your response will be held confidential

Please tick ( ) in the spaces provided where appropriate.

1. Name of Respondent. ....

2 Sex: Male [ ] Female [ ]

3 Age: 15-30 [ ] 31-50 [ ] 51 and above [ ]

4. Occupation .... ……………………………………

5. Educational Status. A No Formal Education [ ] B. Primary [ ] C. JHS/ Middle School [ ] D. S H S [ ] E. Tertiary [ ] F. Others, specify ……………..

6. How did you know about Cedi Finance Foundation?
A. From Advisement [ ] B. From a Friend / Relative [ ] C. Officers came around to talk to you [ ]

7. What product attracted you? A. Loan/Credit [ ] B. Savings [ ] C. Insurance [ ]

8. How far is Cedi Finance Foundation from your business/home? A. Less than 20 minutes [ ] B. Between 20 and 40 minutes [ ] C. 40 to One Hour [ ] D. More than One hour [ ]

9. How do you get to Cedi Finance Foundation? A Walking [ ] B. Public Transport [ ]

C. By own Car [ ]

10. Why do you take the loan? A. Expand your business [ ] B. As start up capital [ ]

C. Take the money for a friend/ relation [ ]

1 l How many years have you sourced money from the SIF?

C. 3 [ ] D.4 [ ] E.5 [ ]

12 How many times have you received money from the SIF? A. Once [ ] B. 2 times [ ]

C. 3 times [ ] D. 4 times [ ] E. 5 times [ ] F. 6 times [ ]

13. Cumulatively, how much have you received from the SIF? ....

14. Do you get the loan on time A. Yes [ ] B. No [ ]

15. Do you think the loan is, small? A Yes [ ]

16 Do you keep daily records of your activity? A Yes [ ] B No [ ]

If No why? A. Don't know how to keep records [ ] B Don't have the time to keep records [ ]

C Don't know it's importance [ ]

17 Are you able to pay back the loan you take from the SIF? A. Yes [ ] B. No [ ]

If no, what reasons are accounting for your inability to pay back the money on time? A. High Interest Rate [ ] B. Inability to Make Profit [ ] C. Small Loan Size [ ]

D. Unfavourable repayment terms E Others Specify……………………..

18. Are you forced to pay back the money? A Yes [ ] B. No [ ] If yes how

…………………………………………………………………………………..

19. Do you at times sell your assets to repay the loan? A. Yes [ ] B. No [ ]

If yes, what assets do you sell A. House [ ] B. Clothing [ ] C. Land [ ] D. Animals [ ]

E. Farm produce [ ] G. Electric Garget [ ]

20. Apart from Cedi Finance Foundation, do you take loans from local money lenders? A Yes [ ] B. No [ ]

21. If yes why? A. During emergencies [ ] B. Delays In getting loans from Cedi Finance Foundation [ ] C. Availability of the local money lenders [ ] D. Flexible process of getting the loans

22. Are you asked for collateral? A Yes [ ] B. No [ ]

23. If yes what form ....

24. Are you charged interest on the loan? A Yes [ ] B No [ ]

25. If yes how much? ....

26. Do you think the interest charged is high? A Yes [ ] B No [ ]

27. Is the interest rate terms explained to your understanding? A Yes [ ] B No [ ]

28. Do you get professional advice on effective utilization of the money you collect? A. Yes [ ] B. No [ ]

29. Do you think the training package on the effective utilization of the loan is enough? A. Yes [ ] B. No [ ]

If no why? A. Inappropriate professional advice [ ] B. Limited training period [ ] C. Inadequate learning material [ ] D. Unable to grasp the concept of what is being thought [ ]

30. How often is the training organised in a year? A. Once every year [ ] B. 2 times a year [C. 3 times a year [ ] D.4 times a year [ ]

31. Do you acquire enough knowledge from the training that helps you maximise profit? A. Yes [ ] B. No [ ]

32. Do you save? A. Yes [ ] B. No [ ]

If no why? A. Inability to make profit [ ] B. Don't have any knowledge about savings [ ]

C. Just don't want to save [ ] D. Others specify………………

33. Where do you save? A. Bank [ ] B. Susu company [ ]

If yes how often do you save? A. Daily [ ] B. Weekly [ ] C. Monthly [ ] D. Yearly [ ]

34 Do you think it is important to save? A. Yes [ ] B. No [ ]

If yes, what are some of the benefits? ……………………………………………………………..

....

35. Do you use the money for the purpose for which you took it? A. Yes [ ] B. No [ ]

If no why? ………………………………………………………………………………………..
…………………………………………………………………………………………………
…………………………………………………………………………………………………

36. Ever since you started taking money from the SIF, has your business expanded? A. Yes [ ]

B. No [ ]

If no why? ………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

37. Do you think the six month given you to repay the loan is enough? A Yes [ ] B. No [ ]

If no how many months should you be given? A 7months [ ] B. 8months [ ] C. 9months [ ]

38 Do you think the one month grace period given you to start paying the loan is enough? A Yes [ ]

B. No [ ]

If no, how many months should you be given? A. 2months B. 3 months C. 4months

39. When payment starts, are you satisfied with the one week instalment payment arrangement?

A. Yes [ ] B. No [ ]

If no, how many weeks instalment do you want to make? A. 2weeks B. 3weeks C. 4 weeks [ ]

40 What is your estimated monthly income? ....

41 what do you use the income generated from the business for? A. Feed your family [ ]

B. Pay you children's school fees C. Invest into the business [ ] D. Others specify ………………………

42 Are you able to employ others into your business? A. Yes [ ] B. No [ ]

43. If yes how many males ....and females .... have you employed?

44. .Are you satisfied with the process of receiving the loan? A. Yes [ ] B. No [ ]

If no, what can be done to improve it? ……………………………………………………………………
……
……

Appendix B

UNIVERSITY FOR DEVELOPMENT STUDIES

GRADUATE SCHOOL-WA CAMPUS

TOPIC: ROLE OF SOCIAL INVESTMENT FUND (SIF) IN POVERTY REDUCTION, A CASE STUDY OF CEDI FINANCE MICRO-FINANCE PROGRAMME IN THE ASHANTI REGION.

QUESTIONNAIRE FOR CEDI FINANCE FOUNDATION OF SIF'S PROGRAMME OF MICRO-FINANCE IN THE ASHANTI REGION (AHOBOA SCHEME)

JANUARY 2010

PREAMBLE

The purpose of this study is to ascertain the role of SIF in poverty reduction with emphasis on the microfinance scheme in the Ashanti region with attention on the Ahoboa Scheme given the fact that it has sourced funds from the SIF since 2004.

The study is also carried out in partial fulfilment for the award of an MPhil degree in Development Management at the University for Development Studies.

This study is not to find fault with any stakeholder in the implementation process but to find out how the implementation process can be fine tuned and improve its efficiciency. It is important to note that any information provided will remain confidential and will be used for academic purposes only.

To be completed by official (Credit Officer) of Cedi Finance Foundation (The Microfinance Institution) of SIF's micro-finance programme in Kumasi. You are assured that the study is purely for academic purposes and your response will be confidential.

Please tick ( ) in the spaces provided where appropriate.

1. Name of Official ....

2. Sex: Male [ ] Female [ ]

3. Age 25-35 [ ] 36- 45 [ ] 46 and above [ ]

4. Position...

5. In your own estimation, do you think the implementation process of the micro-finance programme is the best? A. Yes B. No If no what can be done to improve the process……………………………
………………………………………………………………………………………………….

6. What mechanisms are in place to ensure that beneficiaries pay back the loans they take?
………………………………………………………………………………………………………
………………………………………………………………………………………………………

7. How effective are these mechanisms? A. Very Effective [ ] B. Effective [ ] C. Fairly D. Effective [ ]
E. Not Very Effective [ ] F. Bad
Effective being the highest level and Bad being the lowest rating.

8. In your opinion, what strategies can be adopted to improve the efficiency of the micro finance programme? ……………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………

9 Indicate how effective these strategies are…………………………………………………………….
……….
……….
……….

10. Is there any collaboration between Cedi Finance Foundation and the SIF? A. Yes B No

11. If yes, what is the nature and level of collaboration?...
…………………………………………………………………………………………………
…………………………………………………………………………………………………….

Appendix C n.

MAP OF KUMASI METRO POLIT AN AREA