

UNIVERSITY FOR DEVELOPMENT STUDIES

**EFFECT OF MICROFINANCE ON THE LIVELIHOOD OF RURAL WOMEN:
THE CASE OF ZABZUGU DISTRICT**

BY

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DECLARATION

Student's Declaration

I hereby declare that this dissertation is the results of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature..... Date.....

Name.....

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University for Development Studies.

Supervisor's Signature..... Date.....

Name.....



ABSTRACT

The Zabzugu District, one of the deprived districts in the Northern Region, was selected to study the impact of Microfinance Institution (MFI) on the livelihoods of women. A descriptive approach was adopted for the study. Primary and secondary data were used. Two sets of questionnaires were administered in the study; one each for clients of the MFI and the officials of the MFI. Combinations of purposive and convenient sampling methods were used to select the MFI and the clients for the study. The main findings were that the presence of MFIs has contributed to a large extent, an increase in access to credit and savings mobilization. This contributed in women's ability to improve their petty trading, hence increase their income, and subsequently leading to good health and education for their families, acquisition of assets and taking part in household decision making. Based on the findings it is recommended that financial education be intensified by financial institutions to educate women on financial services available and how to access them through meetings and seminars. Also the District Assembly should encourage MFIs to establish their branches in rural areas.



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DEDICATION


To my parents, spouses, children, and my friends who always inspired me in every step to accomplish this study.



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LIST OF ABBREVIATION

AFC	Agricultural Finance Cooperation
ARB	Association of Rural Banks
BoG	Bank of Ghana
BPFA	Beijing Platform for Action
BRAC	Bangladesh Rural Advancement Committee
CUA	Credit Union Association
DECSI	Debit Credit and Saving Institutions
DFID	Department for International Development
FGDs	Focus Group Discussions
GDP	Gross Domestic Product
GHAMFIN	Ghana Microfinance Institutions Network
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activities
ILO	International Labour Organization
MASLOC	Microfinance and Small Loans Centre
MDGs	Millennium Development Goals
MF	Microfinance
MFI	Microfinance Institutions
NGOs	Non-Governmental Organizations
NPART	Non-Performing Asset Recovery Trust
OMO	Open Market Operation
RCBs	Rural Community Bank



RFP	Rural Financial Project
RFSP	Rural Financial Service Project
ROSCAs	Rotating Savings and Credit Associations
SMEs	Small and Medium Enterprise
SAT	Sinapi Aba Trust
TDCs	Town Development Committees
UN	United Nations
UNCDF	United Nations Capital Development Fund
ZRBL	Zabzugu Rural Bank Limited



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Microfinance and sustainable banking for the poor have been in the focus of development debate since the 1990s. This is as a result of the increasing poverty levels, especially among rural women (Hana-Kaisa, 2003). Women have restricted access to wage labour market and have inequitable share of power in the decision-making process. Poverty and the lack of financial support to expand or sustain their sources of livelihood made the majority of poor women, especially those in rural areas, socially and economically disempowered (Ansoglenang, 2006). When a woman realizes her hopelessness and inability to make strategic life choices she may coil into a state of vioclessness, of low need for achievement, a feeling of social alienation and powerlessness. It is important to note that when women are economically disempowered, children are the worst affected (Fayorsey, 2009). In lieu of this, national governments, donor organizations, local and international non-governmental organization (NGOs) and other development partners have presented micro-finance as a crucial ingredient in social and economic development.

Studies conducted by ILO (1997) and Ellis *et al* (2007) showed that the lack of financial capital is the single biggest constraint preventing women from expanding business enterprises. In the words of Yunus (2003: 171), microfinance is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, microfinance is an essential tool in our search for a poverty-free world.



Microfinance continues to be seen as a window of hope by development agencies who largely trail economic development. This is because it can facilitate poverty reduction through improved quality of life on the one hand and women empowerment on the other (Laws, 2006).

According to Simanowitz and Brody (2004), microfinance is a key strategy in reaching the Millennium Development Goals (MDGs) and in building global financial systems that meet the needs of the poorest people. Microfinance is unique among development interventions. It can deliver social benefits on an ongoing, permanent basis and on a large scale. The role of Microfinance is also essential to global economic and social development in the coming decades (Yunus, 2003). Microfinance programs are believed to engender self-confidence, self reliance and a culture of independence such that women are able to believe in their own agency to significantly improve upon their lives through access to small loans. They retrieve poor families from depths of deprivation and despair into hope, self-esteem and a sense of dignity (Fayorsey, 2009).



Microfinance increases the options and the self-confidence of poor households by helping them to expand and add others, to decrease risks, to smooth consumption, to obtain higher returns on investment, and to improve management and increase their productivity and incomes, to store excess liquidity safely and obtain returns on their savings, to escape or decrease exploitation by the locally powerful, and to conduct their business with dignity. Children are sent to school, and child labour decreases. Housing and health conditions improve. In addition, the economically active poor who are able to expand their activities often create jobs for others; among those who gain employment are some of the extremely poor (Amoah, 2008).



Microfinance programs are unique among the development interventions mainly because of its social transformational effects and ability to reach a diverse group of mass poor in rural areas (Dulal, 2007). Income is the most important factor for human well being as well as the living standard, health status, social and political power (Mondal *et al.*, 2009). Microfinance programme creates income earning opportunities for rural poor women by providing small loans to them. With the loans provided, rural women engage themselves successfully in various income generating activities to earn money. They operate numerous small businesses and home-based productive activities to increase their income level. Rural women can use their increased income to meet up treatment expenses, improve quality of sanitation, pay their children's school fees and enhance the nutrition status of household members (Downs, 2007).

Microfinance can also contribute to improve housing condition and accumulate assets needed for their families. By creating income earning opportunities for rural women, microfinance programme helps to increase total household income that improves the consumption patterns and livelihoods of the rural families (Haque and Yamao, 2009; Panda, 2009; Mondal *et al.*, 2009; Hoque and Itohara, 2009). In a study, Kuhinur and Rokonuzzaman (2009) found that small amounts of capital provided to the poor especially women can make the difference between absolute poverty and thriving little business generating enough income to feed the family and improve housing, health and sanitation situation.

Studies conducted to determine the role of microcredit in the creation of gainful employment for women seems to indicate that women beneficiaries do earn more and can become economically independent (Hashemi *et al.* 1996). Economic improvement could strengthen women bargaining power over resources and decisions at the household levels. Beyond the household, it could be

argued that microfinance also increases women's engagement in collective social and political activity (Mayoux, 2001).

1.2 The Problem Statement

Microfinance Institutions (MFIs) ultimately measure their success by the impact they have on their clients and their families, and on the communities in which they live (Sachs, 2009).

The World Bank (2002) as well as the Beijing Platform for Action of 1995 (BPFA, Women and Poverty, Strategic Objective A.3.) acknowledge women's access to financial resources as important strategy in poverty reduction and donors have increasingly been directing microfinance services to women as a way of encouraging productivity. Indeed, the proportions of women especially rural women participating in these programs seem to be high.

Microfinance programmes such as Rural Finance Project (RFP), Rural Financial Services Project (RFSP) and Microfinance and Small Loan (MASLOC.) are among the strategies aimed at the provision of small loans to small and medium scale enterprises (SMEs) in Ghana. We also have so many different models which are geared towards poverty reduction and improved wellbeing of rural women. However, Poverty in Ghana, like in most developing countries, is predominantly a rural phenomenon. The level of dependence of the rural women on agriculture as their main source of income and their reliance on seasonal rain have left the women with high level of vulnerability to external shocks. It is practically seen in some countries that participatory development activities and microfinance interventions have shown a significant results in poverty alleviation activities.



Many Microfinance Institutions and Non-governmental Organizations operate in the Zabzugu district for the goals of poverty reduction. However, the impact of microfinance on the beneficiaries especially women has not been researched in detail.

The issue at stake now is not about how many microfinance programmes are implemented in the Zabzugu district, but are these programmes having any effect on the livelihoods of people, especially rural women in the area? In this regard, the following research questions are formulated.

1.3 Research Questions

1. How accessible is microfinance to rural women in the Zabzugu District of Ghana?
2. How does microfinance contribute to improving the livelihood and well-being of the rural women in the Zabzugu district?
3. To what extent have microfinance services improved income levels of rural women in the Zabzugu District of Ghana?
4. How do microfinance services affect rural women participation in household decision-making?

1.4 Research Objectives

The general objective of the study is to examine the impact of Microfinance activities by Non-Governmental Organizations and other Financial Institutions on the livelihoods of rural women in the Zabzugu District of the Northern Region of Ghana.

The specific objectives are to:



1. Assess the accessibility of microcredit to rural women in the Zabzugu District of Ghana?
2. Analyze the contributions of microfinance to improving the livelihoods and wellbeing of rural women in Zabzugu District
3. Assess the role of microfinance services in improving rural women income in the Zabzugu District of Ghana?
4. Assess the contribution of microfinance services to rural women participation in household decision-making.

1.5 Justification of the Study

Very few studies have been done to establish the link between microfinance and women's economic empowerment in the Zabzugu District. Even the studies conducted earlier have mainly focused on Ghana, and very few on rural communities. Nevertheless, as a matter of fact, the majority of the Ghanaian population lives in rural areas, therefore, research results that do not give adequate consideration to the rural society could not be judged as representative.



This study investigates the impact of microfinance on the livelihood of rural women in the Zabzugu district of Northern Region of Ghana. Thus, the findings on the nature of microfinance offered to rural women will serve as a source of information to non-beneficiaries on the services that they can access from the Microfinance Institutions in the district. This will go a long way to enhance their livelihoods through the acquisition of knowledge on services provided by microfinance Institutions. With this knowledge, their human capital base for the pursuance of sustainable livelihood development is boosted.



The findings on the extent of access to credit from MFIs by rural women in the Zabzugu district will help inform policy makers, policy implementers and other stakeholders on whether or not the level of access is adequate. This will help policy makers and implementers in formulating policies that are aimed at sustaining the level of access to microfinance. A study conducted by Food and Agricultural Sector development Policy, under the Ministry of Food and Agriculture (2008) has shown that about seventy eight percent (78%) of rural households do not have access to financial services. Also many Microfinance Institutions seem to rely mainly on those who are on the government payroll with the neglect of rural women who are found in the informal sector of the economy.

The study on the contribution of microcredit to improving the livelihoods and wellbeing of the rural women in the Zabzugu district will help educate non-beneficiaries on what they are losing or otherwise by not accessing credit from financial and non-governmental organizations. The results from the study will also be relevant to policy makers, Town Development Committees (TDCs), Project Planners, District Assembly and Donor Agencies to be able to identify basic issues of microcredit and its accessibility which tend to impinge, particularly on the income levels of rural women of the study area.

Finally, it will sharpened the skills of the researcher in the field of research and also served as the initiator for further research.

1.6 Scope of the Study

The study is to investigate the effects of microfinance on the livelihood of rural women in the Zabzugu District of Northern Ghana. The research is limited to Zabzugu District because there are various institutions that are into microfinance activities in the rural communities in the district but

the research will cover Zabzugu Rural Bank Ltd and Grameen Ghana and its clients, because Zabzugu Rural Bank Ltd and Grameen Ghana are the only viable financial institutions that has a wider coverage in terms of microfinance activities in the district.

In terms of context, the study covers: access to credit, role of microcredit in improving rural women's income, contribution of microcredit to rural women participation in decision making and the effects of credit on women's wellbeing. In relation to time and scope, the analysis is limited to the period between 2010 and 2014.

1.7 Limitations of the Study

As with any research, challenges are bound to be encountered during fieldwork and data collection. In the study area, the communities targeted were predominantly konkombas who speak "Likpakpal". As a result of this, the researcher encountered a challenge in the Language. Even though the researcher can speak a little bit of the language, some words in "Likpakpal" do not have direct meaning in English hence translations of some of the questions lost its meaning. Translations also delayed the interview process and more time was required to conduct the interview.

Besides, the inability to record the interviews as most beneficiaries were not ready to be put on tape was a challenge, as the researcher had to respect the informant consent. Doing research in areas that involves people's livelihood seems difficult. Primarily, most beneficiaries were tempted to see the researcher as part of the institutions running the microfinance activities hence trying to tell only the nice stories of the credit scheme.



1.7 Organization of the Study

The study is organized into five Chapters. Chapter one presents the background of the study, the problem statement, the research objectives, justification of the study, scope of the study, Limitations of the study and the organization of the study. Chapter two takes a look at the theoretical framework and reviews related literature concerning the study. Chapter three gives an explanation of the research process and the methods adopted for collecting and analyzing data. Chapter four deals with analysis and discussions of data. Chapter five presents a summary as well as conclusions and recommendations of the study.



CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter presents a review of relevant literature related to the study. The main purpose of any literature review is to find out what has already been done about the subject of study. It focuses more on microfinance institutions (MFIs) and other models of interventions by local and international NGOs in the empowerment of rural women. This is based on empirical evidence of existing literature relevant to the study. The scope of the empirical review of existing literature would be based on evidence of studies of microfinance outside Africa, Africa and finally, Ghana. Discussions in this chapter also covered Overview of Microfinance in Ghana, Government Involvement in Microfinance in Ghana, Microfinance and its impact in Development, Rural Poverty in Ghana, Microfinance and poverty alleviation, Rural women access to credit, Impact of Microfinance on livelihoods and Microfinance and livelihoods of rural women in Ghana.



2.2 Fundamental Concepts of the of the Study

Any scientific research is based on the assumption that the explanation of social phenomena is not dependent on immediate consciousness (Patrice and Elise, 1998). It is therefore necessary to define the fundamental concepts of this study. The key concepts that are considered here are microfinance, livelihood, well-being and income.

2.2.1 Microfinance

Microfinance is the provision of financial services to low income poor and very poor self-employed people (Otero, 1999). Microfinance is a broad category of services, which includes microcredit. Microcredit is the provision of credit services to poor clients.

The UN has defined microfinance as:

“Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial products, training and other services. Microcredit is one of the critical dimensions of the broad range of financial tools for the poor.”

According to IFAD (2001), microfinance covers a package of financial services including loans, savings, insurance, leasing, transfers and social intermediation provided by formal, semi-formal and informal institutions. It is important to note that Edgecomb and Barton (1998) and Sievers and Vandenberg (2007) explain that ‘social intermediation’ includes non-financial support provided to prospective borrowers to help them to acquire skills and values, which they need to initiate and sustain their microenterprises. This involves training in credit norms and procedures, savings discipline, business management, technical skills, business counseling, marketing information and assistance, product development, appropriate technology development and transfer, and the development of organizations of micro-entrepreneurs. Microfinance institutions (MFIs) which encompass a wide range of providers that vary in legal structure, mission and methodology, offer these financial services to clients who do not have access to mainstream bank or other formal financial service providers

(Adjei, 2010).

The new thinking embraces services for women, children, and the poorest of the poor. Steel and Anda (2003), defined microfinance as small financial transactions with low income household and micro enterprises, both urban and rural, using non-standardized methodologies like character based



lending, group guarantees and short term repeat loans. Microfinance refers to loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low-income clients. Microfinance has been changing the lives of people and revitalizing communities worldwide since the beginning of time.

2.2.2 Livelihood

Establishing indicators of outcomes requires a precise answer to the question: what is livelihood? The now burgeoning literature on this subject is not particularly clear on this question. The term ‘livelihoods’ relates to a wide set of issues which encompass much of the broader debate about the relationships between poverty and environment. Yet in the existing literature, there is often little clarity about how contradictions are addressed and trade-offs are assessed. As Carswell et al (1997: 10) point out: “definitions of livelihoods are often unclear, inconsistent and relatively narrow. Without clarification, there is a risk of simply adding to a conceptual muddle.



Drawing on Chambers and Conway (1992) among others for this study, a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood must be sustainable. A sustainable livelihood is when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base.

Five key elements of the definition can be recognized, each relating to a wider literature, in some cases, established ways of assessing outcomes. The first three focus on livelihoods, linking concerns over work and employment with poverty reduction with broader issues of adequacy,

security, well-being and capability. The last two elements added the sustainability dimension of livelihoods and the natural resource base on which they depend.

2.2.3 Well-Being

Well-being has origins in development economics and social psychology. In development economics, well-being reflects a desire to move beyond narrow utility-based assumptions about individual rationality and mono-dimensional poverty indicators, such as the poverty line (Alkire 2002), and to go beyond the concept of quality of life (Costanza et al. 2007). In social psychology, well-being reflects a shift from treating psychological problems to examining the conditions for human flourishing (Ryan and Deci 2001, Gasper 2004).

The synthesis report of the Millennium Ecosystem Assessment (MA 2005), *Ecosystems and Human Well-Being: Current State and Trends*, is one of the first efforts to substantially incorporate considerations of human well-being into how ecosystem dynamics are comprehended. In the MA (2005) approach, human well-being is defined as an aggregation of five components: basic material needs, health, security, good social relations, and freedom of choice and actions. Rather than the MA definition of well-being, the “social conception of well-being” developed by the Research Group on Well-being in Developing Countries (WeD), defined social well-being as “A state of being with others and the natural environment that arises where human needs are met, where individuals and groups can act meaningfully to pursue their goals, and where they are satisfied with their way of life” (McGregor 2008).

A social conception of well-being nests the individualistic and basic needs aspects of well-being within the wider social-psychological and cultural needs required to live well (Deneulin and McGregor 2010, Coulthard et al. 2011). This definition recognizes human well-being as an





outcome and a process, in which three dimensions are taken into account, reflecting both the development and social psychology perspectives (Gough et al. 2007): (1) a material dimension, (2) a relational dimension, and (3) a subjective dimension (Fig. 1). This multi-dimensional perspective is consistent with Sen's (1999) capabilities approach (and sustainable livelihoods approach) and the recognition that development cannot be captured solely in narrow income or commodity ownership terms. Rather, development is seen as the ongoing effort to establish and deepen a wide set of entitlements, including most broadly, the freedom of individuals to make choices based on what they value (Sen 1999).

In that context, the material component of well-being may encompass physical requirements of life, such as income, wealth, assets, or physical health, and the ecosystem services provided by the physical environment. The relational component of well-being emphasizes social interactions, collective actions, and the relationships involved in the generation and maintenance of social, political, and cultural identities. These include relations to the state and to formal and informal societal structures which determine the scope for personal action and influence in the community.

Lastly, the subjective dimension of well-being incorporates cultural values, norms, and belief systems, and importantly, accounts for notions of self; individual and shared hopes, fears, and aspirations; expressed levels of satisfaction or dissatisfaction; trust; and confidence (White 2009).

2.2.4 Income

Throughout history, many have written about the impact of income on morality and society. Some scholars have come to the conclusion that material progress and prosperity, as manifested in continuous income growth at both individual and national level, provide the indispensable foundation for sustaining any kind of morality. This argument was explicitly given by Adam Smith

in his *Theory of Moral Sentiments*, and has more recently been developed by Harvard economist Benjamin Friedman in his book *The Moral Consequences of Economic Growth*.

According to Investopedia, income is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. However, for households and individuals, "income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings received in a given period of time."

Money that an individual or business receives in exchange for providing a good or service or through investing capital. Income is consumed to fuel day-to-day expenditures. Most people age 65 and under receive the majority of their income from a salary or wages earned from a job. Investments, pensions and Social Security are primary sources of income for retirees. In businesses, income can refer to a company's remaining revenues after all expenses and taxes have been paid. In this case, it is also known as "earnings". Most forms of income are subject to taxation (Wikipedia encyclopedia).

In the field of public economics, the term may refer to the accumulation of both monetary and non-monetary consumption ability, with the former (monetary) being used as a proxy for total income Case and Fair (2007).

2.3 Studies of Microfinance in Ghana

A study in Ghana by Afrane (2002) cited in Ferka (2011), indicates that although microfinance programmes' have every potential to improve the conditions of beneficiaries, they also tend to create disturbing negative impacts if necessary counteracting measures are not taken. He found that a comparison of the impact situations in both countries reveals that the impact trends and levels were not all that different. However, both positive and negative impacts observed in South



Africa were more extreme than those of Ghana. For instance, South Africa scored an overall positive impact of 56 percent as compared with 50 percent in Ghana. On the negative side, the figures were 7.6 percent and 3.3 percent for South Africa and Ghana, respectively.

In addition, the level of negative impacts with respect to the social and spiritual indicators was more pronounced in South Africa than in Ghana. He suggested that the trend may be attributed to the different socio-cultural and economic situations in both countries. In South Africa, where level of sophistication and inequalities are higher, more extreme impact results are likely to occur than Ghana. Afrane (2002), concluded that the two impact studies have established that microfinance projects have impacted the businesses and lives of the beneficiaries in several positive ways, particularly in their economic circumstances and access to essential life-enhancing facilities and services.

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



Results of the Freedom from Hunger studies in Bolivia and Ghana indicate that program participation led to increased self confidence in women and improved status within the community. Participants in Ghana played a more active role in community life and community ceremonies, while participants in Bolivia were actively involved in local governments.

Similarly, a report by Hishigsuren, Beard and Opoku (2004) on client impact monitoring, some clients of Sinapi Aba Trust a MFI in Ghana also gave an empirical impact of microfinance. A total of 487 clients were sample. Seventy-one percent were old clients, 25 percent were new clients and four percent were old clients who did not receive credit in their first cycle of loan. Out of the total sample, 87 percent were women. The report showed that there was a significant difference in sales revenue for old clients and new clients. It was reported that there was no significant difference in Net profits, saving and expenditure on children education for old clients and new client. The report showed that remittance had a significant impact on the income of both old and new clients. In another study of Freedom from Hunger clients in Ghana, Mk Nelly and Dunford found that clients had increased their incomes by \$36 compared to \$18 for non-clients .Clients had also significantly diversified their income sources. Eighty percent of clients had secondary sources of income versus 50 percent of non-clients.

Another study conducted by Alhassan and Akudugu (2009) on impact of microcredit on women income generation capacity in the Tamale Metropolis in the northern region of Ghana revealed that women's perception of the impact of microcredit on their capacity to generate income from income generating activities (IGAs) and personal lives is positive. In the study, about 90 percent of the beneficiary women indicated that microcredit has had a positive impact on them. Some of the women indicated that they were not involved in any IGA prior to receiving microcredit. For



those who did, they only undertook IGAs to produce products primarily for household consumption and the surplus if any for sale. For those married to farmers, they helped on their husbands' farms not earning incomes while many others remained at home as housewives with no work to do. It was revealed that access to microcredit have changed all these dynamics with beneficiaries now engaging in IGAs primarily to generate income. From the findings, it is concluded that microcredit has a positive impact on the capacity of women in the Tamale Metropolitan area to generate income to support household livelihoods.

2.4 Studies of Microfinance in Africa

A study in Uganda, although no findings were reported on the level of poverty between client and non-client households, total expenditures on education, business and household assets, remittances to rural households, and agricultural inputs, used a proxy indicator of the relative poverty or wealth level of client and non-client households. Client households on average spent 35 percent more than non-client households. Borrower households spend 38 percent more on education than non-client households and have an average an extra year of education. Again, an impact study of microfinance in Uganda concluded that there is a measurable impact on social development but no impact on economic development (Maggiano, 2006).

Karubi (2006), in a study about microfinance and empowerment of rural women in Nigeria, found that women in southern Nigeria are extensively engaged in economic activities. It also established that microfinance provides finance to enhance market and rural women's participation in production and trade. Littlefield (2005) reports that the opportunities created by credit availability helps a lot of poor people especially to invest in their own businesses, educate their children, improve their healthcare and promote their overall well-being. This is supported by a study by



Karlan and Zinman (2006) in South Africa where recipients of microcredit were shown to be better off than non-beneficiaries.

Driouchi et al. (2005) have noted that the presence of micro credit in women's lives in Morocco has tremendously decreased their submissiveness and empowered them in terms of taking decisions in the household. These results are very significant since they mean that without economic empowerment, women cannot challenge gender ideologies that have long been spinning their environment and hence restricting their social and economic performances to domestic chores. The above-mentioned findings suggest that the potential in empowering women lies in the enhancement of their economic situation and the alleviation of their poverty.

A study conducted on the Debit Credit and Saving Institution (DECSI) in Ethiopia found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements over five years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also concluded that economic empowerment leads to social and political empowerment. On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Borchgrevink et al, 2005).





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

Nevertheless, the study argued that there is a good influence of micro credit on the urban women working groups in terms of income and self-employment generation. Furthermore, it also reflected in many cases in business improvements, decision making process and asset formation at low levels (Padma &Getachew, 2004).

2.5 Other Studies in Microfinance

A comprehensive study on microfinance conducted by the World Bank in the early 1990s on three of the largest programs in Bangladesh-Grameen Bank, BRAC, and RD found that female client’s increased household consumption by 18 takas for every 100 takas borrowed, and that five percent of clients graduated out of poverty each year by borrowing and participating in microfinance programs. More importantly, households were able to sustain these gains over time. Average rural household incomes in program villages increased even for non-program households. One of the programs even influenced village wage rates. Increases in self-employment and subsequent

withdrawals from informal labour pools led to a 21 percent increase in wages in the program villages (Littlefield, Morduch, and Hashemi, 2003).

Another impact assessment study on BRAC (Bangladesh Rural Advancement Committee) in Bangladesh suggested that members who stayed in the program for more than four years increased household expenses by 28 percent and assets by 112 percent. Analysis of household level data demonstrated that access to financial services enabled BRAC clients to reduce their vulnerability through smoothing consumption, building assets, and receiving services during natural disasters (Littlefield, Morduch and Hashemi, 2003).

The results by Coleman (2001) and Madajewicz (1999) have a similar structure in that they show the large influence of wealth. While both authors found negative or insignificant effects if averages are considered, there are significantly positive effects for groups with high wealth (Coleman, 2001) and individual loans or low wealth group loans (Madajewicz, 1999).

According to Madajewicz (2003) the mean profits of this group are higher than those of eligible households in villages without a programme by 280 taka, or 37 percent of the average profits in villages without a programme. The difference suggests that group loans do increase profits; however it is not statistically significant. Mosley (2001), Copestake, Bhalotra, and Johnson (2001) used the sample survey and the case study approaches to assess the impact of micro-loans in Bolivia and Zambia, respectively. Both studies found a positive impact of loans on the clients' economic situation and Mosley also found evidence for poorer clients benefiting less because they prefer low-risk and low-return investments.





In Thailand, Kaboski and Townsend (2005) found the positive impacts of microcredit when they evaluated the impacts of microfinance institutions in rural Thailand. They found out that micro-financing enhances asset growth, consumption smoothing and occupational mobility. The microfinance services as well help in decreasing borrowers' vulnerability, especially if women are the main recipients. Another study by Kaboski and Town send (2005) found that income, consumption and agricultural investment increased among recipients as well as overall wages levels in a village in Thailand. Also, in Mexico a study by Bruhn and Love (2009) identified the positive impacts of microfinance institution as improving business ownership, income and employment.

The positive impacts of microfinance on the economic wellbeing of the people have been documented by researchers who determined the effects through randomized experimental research. In Tegucigalpa and Cholteca in Honduras in 2003, effect assessment studies revealed that 60 percent and 50 percent of the recipients had their sales and incomes increase respectively one year after receipt of credit for working capital. Agricultural Finance Cooperation (AFC) Limited in 2008 in India, assessed development effect of microfinance programmes. Clients reported increase in income from 76% of activities.

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

2.6 Impact of Microfinance



Studies have shown that microfinance plays three key roles in development. It helps very poor households to meet basic needs and protects against risks associated with improvements in household economic welfare, and helps to empower women by supporting women's economic participation and so promotes gender equity. The literature suggests that micro-finance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. By providing material capital to poor persons, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999 as cited in Asiama and Osei, 2007).

The aim of micro-finance, according to Otero (1999), is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). Commentators such as Littlefield, and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of micro-credit in achieving the Millennium Development Goals.

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 meet the needs of the most poor people."

Littlefield and Hashemi (2003) state "micro-credit is a critical contextual factor with strong impact on the achievements 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".

However, some schools of thought remain skeptical about the role of microfinance in development. For example, while acknowledging the role that microfinance can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research on micro-credit that "most contemporary schemes are less effective than they might be" (1996, p.134). The authors argued that micro-credit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off. This notwithstanding, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living.

In the words of 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 health care, and empowering people to make the choices that best serve their needs."* (Kofi Annan, December 2003).

Although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial



investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women.

2.7 Microfinance and Poverty Alleviation

The world is caught in the poverty web. Poverty continues to be a major problem facing both advanced and less-advanced countries. The main objective of microfinance is to reduce poverty. In doing this microfinance provides the opportunity for clients to create wealth (Robinson, 2002). Targeting women in the society, especially rural women who constitute the majority of the poor, microfinance helps to reduce poverty by creating wealth which leads to an increase in the levels of incomes of the vulnerable. Savings services leads to capital accumulation for investment in the short and long terms. With high levels of income women are empowered. They are able to cater for themselves and children, make decisions that affect their household, educate their children and engage in income generating activities. The extent to which rural financial services contribute to the poverty reduction largely depends on access to these services by the poor. Not only this but also it depends on promising investment opportunities and on capacity of the poor to tap into these investment opportunities. Especially if in the rural areas investment opportunities are not expanding simultaneously with rural financial services, not much can be achieved (Robinson, 2002).

In Bangladesh, where about one third of the world's estimated 30- 40 million micro borrowers reside, the growth has come from specialized microfinance NGO's and Grameen Bank. What began with a few small grants and loans from international donors has now provided over 100 million dollars in loans. The most distinctive feature of the credit delivery system is the absence



of middle men between the credit supplier and end user. The bank's cumulative recovery rate is an astounding 98 percent (Yunus, 2001)

Grameen Bank has its own special legal structure, and does not fall under regulatory oversight of the central bank. The bank also aims to raise health and environmental consciousness. Each of its members must plant at least one sapling a year as part of forestation programme. Grameen is perhaps the only bank in the world that encourages birth control, sanitation and a clean environment as part of its lending policy (Yunus, 2001)

In Bolivia the microfinance revolution emerged in the 1990's. Large-scale commercial credit is provided there by BancoSol, a privately owned bank for micro-entrepreneurs and by a number of competitors following hotly on BancoSol heels (and profits). By 1997 BancoSol, financed by a combination of domestic and international commercial debt and investment and locally mobilized voluntary savings, provided loans profitably to more than one quarter of Bolivia's clients (Robbinson, 2002). The Wall Street Journal (15 July, 1997) notes, the real measure of its success is that BancoSol has spawned a slew of competitions

In India, despite the large size and depth of its financial system, the majority of the rural poor do not have access to formal finance and financial services. For this reason, innovative microfinance initiatives pioneered by non-governmental organizations strove to create links between commercial banks, NGOs, and informal local groups to create the 'SHG Bank Linkage' (Development Gateway, 2004). India's approach to microfinance making it profitable and so widely available helped the country to reduce the incidence of poverty from about 40 percent of the population in the mid-1970s to about 11 percent in 1996 (Robinson, 2002). Members of SHG



recognize that several challenges lie ahead, but still believe it has the right ingredients to be scaled-up into offering mass access to finance for the rural poor while improving sustainability' (World Bank, 2003).

The World Development Report for 1990 (World Bank, 1990) found that poverty can be reduced most effectively by a strategy with two equally important elements. The first element is to promote the productive use of the most abundant asset of the poor, labour. Broad-based economic growth through appropriate macroeconomic and microeconomic policies is critical in this respect. There is also an important role for policies targeted at promoting infrastructure development and encouraging income generation activities for the poor. The second element is to provide basic social services to the poor. The World Bank found that primary health care, family planning, nutrition and primary education are especially important in this regard.

In most developing countries, including Ghana, opportunities for wage employment in the formal sector of the economy are extremely limited, and the vast majority of the poor especially women rely on self-employment for their livelihood. Better access to financial services enables the rural women to establish and expand micro-enterprises and thereby improve their income levels and create employment. Even in middle income countries such as Botswana and Egypt, where opportunities for wage employment are greater, many poor households rely on self-employment in micro-enterprises for their livelihood (Peprah, 2009 as cited in Obeng, 2011).

2.8 Rural Women's Access to Credit

Access to financial services can help promote equity and can in this context, be linked to better economic equilibrium and to faster economic growth. Also, research has centered on the impact of access to credit on micro-economic development, suggesting that improving the access of





micro-enterprises to financial services could have an important positive impact on a country's income distribution (Westley, 2010). Surveys of the literature on financial intermediation and poverty reduction conclude that development of the financial sector contributes to economic growth and thereby to poverty alleviation (Holden & Prokopenko, 2001). A World Bank research looking at cross-cutting evidence substantiates the hypothesis that countries with better-developed financial intermediaries experience faster declines in measures of both poverty and income inequality' (Beck, Demiguc-Kunt & Levine, 2004).

Despite this widely accepted notion, Microfinance programmes have been largely designed, crafted and implemented with the urban population especially the urban women as the intended client and fail to recognize that rural women are active, productive and engaged economic agents with their own financial needs and constraints. Women constitute approximately half of the rural labour force and, while not always counted, they are economically active in each subsector of the rural economy. Even though millions of rural women throughout the world contribute to national development, detailed studies from Latin America, South Asia, and Sub-Saharan Africa consistently indicate that rural women are more likely to be credit constrained than men of equivalent socio-economic conditions (Fletschner, 2009 and Diagne *et al.*, 2000).

In many developing countries, rural women face severe constraints when they seek credit from formal lending institutions. Formal financial services such as those offered by banks are often not available to those below the poverty line because of restrictions requiring that loans be backed by collateral. As a result, the rural women usually turn first to informal sources such as friends, relatives, or money lenders, who loan small amounts for short periods, or to informal, indigenous institutions such as savings clubs and lending networks to borrow enough to undertake their

livelihood activities. These informal networks are frequently successful in tiding the rural women over difficult times such as a bad harvest, and they enable rural women to build up savings for investments that can help lift them out of poverty.

Well-designed products that enable rural women to adequately save, borrow and insure against unexpected shocks are therefore essential in any efforts to strengthen rural women's role as producers and expand the set of economic activities they can undertake, the scale at which they can operate and their ability to benefit from economic opportunities(Fletschner and Kenney, 2011).

2.9 Impact of Microfinance on Livelihoods

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

A study of 16 different MFIs from all over the world pointed out that having access to MF services have led to an enhancement in the quality of life of clients, had increased their self- confidence, and had helped them to diversify their livelihood security strategies and thereby increase their





income (Robinson, 2001). Health care and education are two key areas of non-financial impact of MF at a household level. Wright (2000) stated that from the little research that has been conducted on the impact of MF interventions on health and education, nutritional indicators seem to improve where MFIs have been working. MF interventions have been shown to have a positive impact on the education of clients' children because one of the first things that poor people do with new income from micro-enterprise activities are to invest in their children's education (Littlefield, Morduch and Hashemi, 2003).

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

Hulme and Mosley (1996) also made this point when they referred to the naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women. MF projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously (Hulme and Mosley, 1996). By providing material capital to poor people, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999). It helps to empower women by supporting women's economic

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

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



Table 2.1 Economic and social impact of microfinance on the livelihood of women

Financial Service	Economic Results	Social Impacts
Acceptance of Savings	<ul style="list-style-type: none"> ➤ Earned income from savings ➤ Capacity for future self investments ➤ Enables consumption Smoothing ➤ Ability to face external Shocks ➤ Decreased need to borrow money from informal sources at high interest rates ➤ Encourages purchase of productive assets ➤ Improved/balanced allocation of resources ➤ Increased economic opportunities and growth 	<ul style="list-style-type: none"> ➤ Reduced vulnerability due to natural and external shocks ➤ Household consumption more predictable ➤ Higher earned income from interest rates ➤ Feelings of the severity of poverty and desperation reduced ➤ Reduced social exclusion due to improved living conditions and quality of life ➤ Social, political, and economic empowerment ➤ Potential increase in wellbeing of women
Credit Availability	<ul style="list-style-type: none"> • Encourages profitable investment opportunities • Adoption of better technology • Expansion of existing micro-enterprises • Promotes safe risk-taking 	<ul style="list-style-type: none"> • Higher household income • More diversified income sources • Social, political, economic, and personal empowerment

	<ul style="list-style-type: none"> • Enables consumption Smoothing 	
Insurance Services	<ul style="list-style-type: none"> ❖ More financial assets saved ❖ Reduced distress from unpredictable shocks 	<ul style="list-style-type: none"> ❖ Less volatile consumption patterns ❖ Greater income due to more investments ❖ Greater personal and economic security
Payments/Money Transfers	<ul style="list-style-type: none"> ✓ Facilitates more open trade and investments ✓ Reduces dependence on informal money sources ✓ Diversification of household economic activities 	<ul style="list-style-type: none"> ✓ Greater income, cash mobility ✓ Higher overall consumption

Source: Asian Development Bank, 2011



2.10 Microfinance and Livelihoods of Rural Women in Ghana

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

In spite of the participation of rural people in the establishment and administration of these institutions, studies have shown that about 78 percent of rural households do not have access to financial services. This figure appears large, unless it is understood that those who do not have access include those who have never attempted to participate in the financial system as well as those who attempted and failed. These categories of people are considered as having limited access to microfinance services due to certain fears. Their fears were usually based on wrong information or perceptions that they hold about the financial institution. In a survey by CMA (2008) only 11.5 percent of the women respondents who have attempted to borrow have failed.

Those who sought information and made attempts were largely successful (70%). Out of those who were successful, many were given the full amount they applied for (72.5%); only a few were not given the full amount applied for (27.5%). The issue of effectively educating rural women to understand the financial systems becomes critical (Akudugu, 2009). The perceptions people hold about a system has been found to influence the decision to participate in it.



When people are not well informed they can act in ways that are not beneficial to their livelihoods. For instance, a study by Akudugu in (2009) showed that women in the Upper East region who perceived that high education is a requirement for accessing credit from financial institutions were less likely to be successful when they attempt to access credit. Similarly, those who perceived that the application procedure was cumbersome, that there was difficulty in accessing land for cultivating cash crops, that the interest rate was high, the distance to bank was far that banks would refuse credit to women with low income levels, or have small farm sizes, grow no cash crops, have no previous bank savings, and were not members of economic associations, were less likely to be successful with loan application.



This is because such applicants refuse to seek further clarifications on the workings of formal financial institutions, or fail to alter behaviour and therefore resign themselves to their fate. Those who learn from financial information they received are those who are encouraged to save and receive credit later or are given credit and encouraged to save during repayment. The survey results indicate that, many women have received about GH¢500.00 because of the mere fact that they engaged in micro enterprises and participated in financial literacy meetings organized by microfinance institutions. Sometimes the actual financial needs of the micro-entrepreneurs are not adequately assessed and the monies they are given are far below what is needed to spur investment and growth.

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

CHAPTER THREE

METHODOLOGY

3.1 Introduction

According to Mingers (2001), a research methodology is a structured set of guidelines or activities to generate valid and reliable research results. This chapter looks at the research methodology adopted in carrying out the study, namely the study design, study population, sampling procedure, source of data, instruments and the data process and analysis. A brief profile of the Zabzugu District and its population is also provided in this chapter.

3.2 Profile of the Study Area

This section of the study dealt with the research location, demographic characteristics and the economic activities of the study area.



Zabzugu District is situated on the eastern flank of the Northern Region. It shares boundaries with the Republic of Togo to the East; Yendi District to the West; Nanumba North and Nkwanta Districts to the South; and the Saboba and Chereponi districts to the North. Zabzugu, the district capital, where the study was carried out is about 160 kilometers from Tamale, the Northern Regional capital. The district has a land area of 1100 square kilometers with Zabzugu alone occupying one-twelfths (91.67 square kilometers) of the land area.

The Population of the District is 123,854 (PHC, 2010) comprising 61,085 (49%) males and 62,769(51%) females with a growth rate of 2.9 percent. The district has a population density of 53 persons per square kilometer. Households in the district are predominantly male-headed with an average household size of 8.5 people. The proportion of female headed household is 4.6 percent. The smallest household comprised of one member and the largest household comprised of 30 members (PHC, 2010).

About 97 percent of the inhabitants of the district derive their livelihoods from agriculture as the main economic activity. Major crops cultivated are yam, maize, millet, groundnuts, soya beans and cassava. Although fishing is also an economic activity in the district, very small proportion of the population is engaged in it due to the lack of water bodies. Other economic activities that are found in the district are dress making and light industrial works. The strategic location of the district, linking the Northern Region to the Republic of Togo makes Zabzugu a vibrant commercial center and a growth pole of the district that serves the peripheral communities. Some of the youth are also engaged in the making of the Dagomba traditional smock as source of employment in the district.

There are few institutional and financial intermediaries operating in the district. These include Zabzugu Rural Bank in Zabzugu, Grameen Ghana, Special Government Programmes, private money lenders, Susu collectors, distributors of farm inputs, Rotating Savings and Credit Associations (ROSCAs), friends and relatives. All these form sources of credit to the rural women in the district.

3.3 Study Design



The study design adopted in this study is basically descriptive. According to Best (1998), a descriptive design is concerned with the conditions or relationships that exist, such as determining the nature of prevailing conditions, practices and attitudes; opinions that are held; processes that are going on or trends that are developed. Amedahe (2002) also maintain that in descriptive research, accurate description of activities, objects, processes and persons is the objective of the researcher, particularly when exploration is called for.

According to Yin (1984: 23), it is a kind of empirical inquiry which investigates a contemporary phenomenon within its real-life style context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. Added to that, the method is mostly used for intensive study of individual units. By adopting this method, a single entity or phenomenon is explored, bounded by time and activity (Shrestha, 2003).

3.4 Target Population

The target population comprises the 156 microfinance women clients of Zabzugu Rural Bank Limited (ZRBL) and Grameen Ghana. The population encompasses people who have been engaged in microfinance activities for at least four years and live in Zabzugu District, Ghana. People with long experience in microfinance activities were chosen because they are well informed and know much about the pros and cons of microfinance activities, so they can reflect better to the research

3.5 Sampling Procedure

It would have been extremely difficult if not impossible to cover all micro finance institutions, beneficiaries of micro finance programmes and non- beneficiaries in Ghana. As a result, a

combination of both probability and non-probability sampling techniques were used. A multi-stage sampling technique was employed to sample out the district from the region, communities from the district and the beneficiaries from the communities for the study.

Multistage sampling refers to sampling plans where the sampling is carried out in stages. First, a purposive sampling technique was adopted to select the district because of its location and the special interest of the researcher in the district. At the district level, a simple random technique was used to select the communities. This was done by dividing the communities in the district into four (4) clusters. One cluster was chosen at random using the lottery method and a purposive sampling technique was used to sample every client (beneficiaries) of microfinance within the chosen cluster. This was adopted for this study because it has the advantage increasing sampling precision, ensuring that essential areas are represented and lastly guaranteeing that all areas in the populations are adequately represented in a sample.



In order to triangulate and beef up the data collected from the target group, a purposive sampling technique was used to select key informants (service providers of microfinance) and other stakeholders who might hold some vital and relevant information for the study.

3.6 Sample Size

In all, 156 respondents were chosen for the study. The selection of the sample size of 156 women clients of the Zabzugu Rural Bank Limited (ZRBL) and Grameen Ghana was based on the formula below:

$$n = N \div [1 + N(A)^2]$$

Sample Frame (Total Number of Clients) = 258

$$n = N \div [1 + N (A)^2]$$

Where;

n = Sample Size

N = Total Number of Microfinance Women Clients

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

$$\text{Therefore } n = 258 \div [1 + 258(0.05)^2] = 156$$

Therefore total of (156) respondents consisting of the microfinance women clients of the Zabzugu Rural Bank and Grameen Ghana were sampled from the target population. Customers sampled were those at Zabzugu and other communities" closer to the bank. This decision was taken due to time and cost constraints on the part of the researcher.

3.7 Source of Data

The study used both primary and secondary data. Primary data was gathered through field survey to gather information from micro credit programme beneficiaries and some staff in the selected financial institutions in the District. This was done through the administration of questionnaires to the clients of ZRBL Grameen Ghana after the purpose of the research study had been carefully explained to the clients. Interviews were also conducted with the officials of the bank and Grameen Ghana.

Secondary data on Impact of Microfinance and the selected Micro- Finance Institutions was also gathered for the purpose of the study. Among these were books, research literatures, articles,



journals, and thesis. Web pages of some prominent organizations like Grameen Bank, Google, Index mundi, Bank of Ghana were also used as sources of secondary data.

3.8 Data Collection Methods and Tools

Structured and semi-structured interview schedules were prepared to reach the objectives of the study. A structured interview schedule was prepared containing open and closed ended questions. The open questions allowed for the respondents to give answers using their own language and categories (Casley and Kumar, 1998). The questions in this schedule were formulated in a simple and unambiguous way and arranged in a logical order to make it more attractive and comprehensive.

Focus group discussions (FGDs) were held with six groups of women clients to enrich the quantitative data collected. Each of the six (6) groups had twelve (12) members giving a total of number seventy-two (72) women clients.

Another important data collection technique that was considered is the Key Informant interview. A key informant is an individual who has a great depth of knowledge about a specific field and can offer comprehensive information to the researcher. This targeted the top management within the organizations, NGO members, and community leaders selected from three communities for qualitative assessment. This was carried out using semi-structured interview schedules to guide the interview process.

Observation is an important technique use to collect data when the information is considered sensitive and when a high degree of reliability and accuracy is required (Narayan, 1996). Direct observation was used throughout the period of the field survey with information collected and



noted down in a field note book. Participatory observation was also used to record daily time utilization of rural woman. Special observation or field observation was noted while holding discussions with the respondents and key informants (Werner, 1993).

3.9 Data Analysis

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



CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter contains results of analyzed data collected from the field. The main objective of the chapter is to relate the theoretical issue to the actual situation on the ground. Both quantitative and qualitative methods of analysis were used. These were in the forms of descriptive statistics, tables and charts. This highlights the demographic characteristics of respondents in relation to how micro-finance affects the livelihoods of rural women in Zabzugu.



4.2 Socio-Demographic Characteristics of Respondents

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

The demographic characteristics which are presented here are based on the data collected from the sample size of 156 respondents of microfinance beneficiary clients who answered to the questionnaires. The respondents were basically microfinance beneficiaries because they are the target group for the study.



4.2.1 Age distribution of Respondents

Out of the total of 156 respondents, nearly 18 percent were between the ages 16-25 while 10.3 percent were between the ages 46-55. Majority of the beneficiaries were between the ages of 36-45 forming a total of 37.2 percent. Respondents within the ages of 56 and above 5.1 percent. This indicates that the age cohort structure of micro-finance in the Zabzugu District is predominately middle age. The middle age in the society is the economically active population who has the potential to engage in petty businesses and farming activities. The results show that majority of the respondents are those in the economically active bracket and are poised to use microfinance to the advantage of themselves and their family, this is shown in the Table 4.1

Age Distribution	Frequency	Percentages
16-25	28	17.9
26-35	46	29.5
36-45	58	37.2
46-55	16	10.3
56 +	8	5.1
Total	156	100

Table 4.1: Age Distribution of Respondents

Source: Field Survey, 2013

4.2.2 Marital Status of Respondents

From the information gathered on the field, about 27.6 percent of the respondents were single while 64.7 percent were married. Those that were divorce/separated formed 7.7 percent. The marital status of respondents is directly linked to their living conditions as the responsibility to perform certain duties, like housekeeping, children's education and provision of good health for

the family is associated with one's marital status. Divorced/Separated parents mostly performed their roles as single parents which normally affect their living conditions. The single women are also would-be married people and therefore need to be financially independent so as to be useful to themselves and their would-be family. Table 4.2 shows the marital status of respondents.

Marital Status	Frequency	Percentages
Single	43	27.6
Married	101	64.7
Divorced/Separated	12	7.7
Total	156	100

Table 4.2: Marital Status of Respondents

Source: Field Survey, 2013



4.2.3 Educational Status of Respondents

The Educational status of respondents plays a major role in the success of their businesses. Information from the field indicated that 52.1 percent of the respondents had no formal education whereas (39.7 percent) had education up to the basic level, 8.2 percent of the respondents had secondary education as being the highest educational status of respondents. This clearly shows that the level of education among women in the Zabzugu District is low. It is therefore important for policy makers in the district to give priority to girl child education in their planning.

The effects of the poor educational standards on livelihood activities were their inability to keep proper records, misapplication and appropriation of fund among other things. This can be seen in figure 4.1

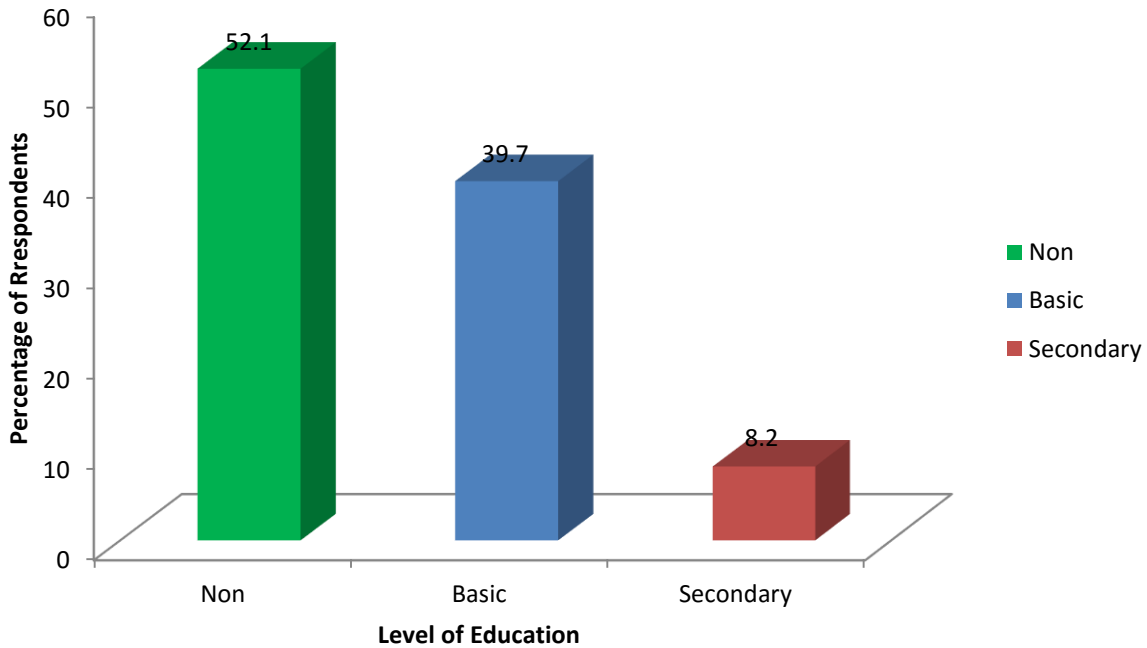


Figure 4.1: Educational Status of Respondents

Source: Field Survey, 2013

4.2.4 Occupational Distribution of Respondents

The major occupations in which the respondents were employed are classified into four groups as shown in Figure 4.2.

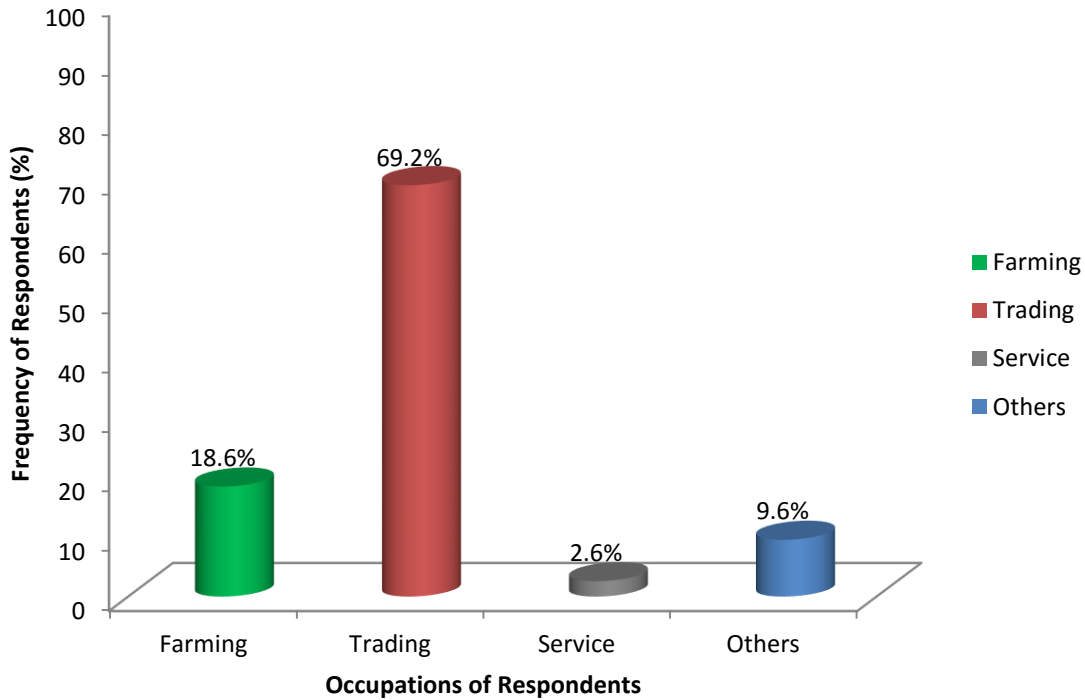


Figure 4.2: occupational distribution of respondents

Source: Field Survey, 2013



From the figure, majority of the respondents 108 (69.2%) were traders who depended greatly on loan from the microfinance institutions in the area to finance their businesses. 18.6 percent (29) were farmers with the service sector employing only 4 (2.6%) while 15 (9.6%) were engaged in other occupations.

4.3 Reasons for Joining MFIs

There were different reasons why women in the Zabzugu District joined Microfinance Programme. This was derived from the information gathered from the field which showed that 39.1 percent joined MF programme for savings purposes. About 46.2 also joined MF programme in order to access credit facilities while those that joined due to payment services were 14.7 percent. Those that joined the MF programme due to saving were to help them accumulate capital to enhance their

living conditions. The other groups were also with the intention of getting credit facilities from the MFIs.

The results indicate that all the reasons stated above are important to the respondents on why they joined the MF programme. This is represented in Table 4.4 below.

Table 4.3: Reasons for Joining Microfinance Institutions

Reason for joining MFI	Frequency	Percentage
Savings	61	39.1
Credit	72	46.2
Payment Services	23	14.7
Total	156	100

Source: Field Survey, 2013



4.4 Duration of Membership with MFI

The duration of membership with Grameen Ghana and Zabzugu Rural Bank showed that about 50 percent of the women have been with the MF programme between one month and one year. Those that have business to do with the MF programme between two years to five years were 23.7 percent while 26.3 percent have been with the MF programme for more than five years. This clearly indicates that the need to join the programme with MF programme has appeared to sound very essential for the past one year. Respondents testified that the current product and service of the MF programme has made access to credit very easy. A typical example is the recovery and disbursement model practiced by Grameen Ghana and Zabzugu Rural Bank.

Table 4.4: Duration of Membership with Microfinance Institutions

Duration of membership	Frequency	Percentage
One Month-One Year	78	50.0
Two Years-Five Years	37	23.7
More than Five Years	41	26.3
Total	156	100

Source: Field Survey, 2013

4.5 Financial Assistance from Grameen Ghana and Zabzugu Rural Bank

Respondents were asked as to whether they have received financial assistance from Grameen Ghana and Zabzugu Rural Bank before. Out of the 120 respondents, 60 percent indicated that they had received financial assistance before, while the rest had not received any financial assistance.

A host of reasons were given by the women on why they had not taken financial assistance from the Microfinance Institutions. Table 4.6 shows the responses gathered from the field on the financial assistance sort by respondents from Grameen and Zabzugu Rural Bank.

Table 4.5: Financial Assistance Received from GRAMEEN and ZRBL

Response	Frequency	Percentage
Yes	72	60.0
No	48	40.0
Total	120	100

Source: Field Survey, 2013



4.6 Reasons for Refusal to Access Credit

Out of a total of 48 beneficiary respondents who refused to access credit from the MF programme, 23 percent indicated that it was due to high interest rate while 48 percent said it was due to inability to meet collateral security requirement. 19 percent of the responses was associated with untimely delivery of credit while bureaucracy in the process of credit acquisition accounted for 10 percent of the responses from the respondents. This is shown in Figure 4.3

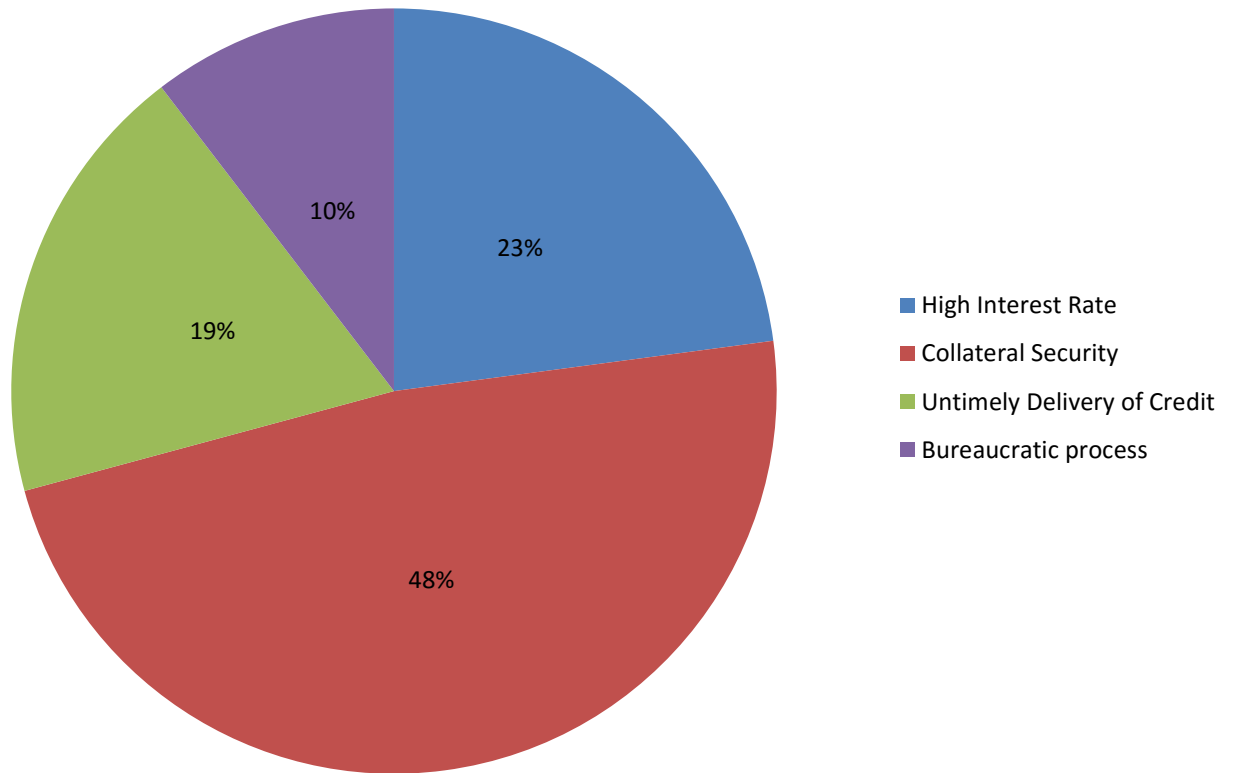


Figure 4.3: Reasons for Refusal of Credit

Source: Field Survey, 2013

4.7 Requirement for Financial Assistance





Credit acquisition from any financial institution is tied to the clients' ability to provide collateral. This study revealed that out of 72 respondents who acquired financial assistance from Grameen Ghana and Zabzugu Rural Bank, guarantors and physical pledge of properties were the main collateral taken by the MFIs. Subject to the recommendation of a committee, the loans are either given or refused. With the basic requirement for the award of financial assistance to the women, 23.6 percent had used physical collateral, 20.8 percent used savings with the bank while 29.2 percent used guarantors to acquire financial assistance from the FIs in Zabzugu. Other types of requirements used are social collateral, group joint guarantee and regular salary earnings forming 26.4 percent of the respondents. Majority in the category above, were mainly the salary workers who took their monthly salary from the bank.

Clients however, lamented over how to come by these securities as most people entertain fears that in the event that the beneficiary refused to repay the loan he or she may have to use the salary as lien. Most of them also lack proper documentation of physical assets which could be used to access the loan. The easiest form was to operate saving accounts with the bank and by periodic accumulation of savings, financial assistance can be accessed. Table 4.6 shows the basic requirement women in rural communities of the Zabzugu District used to access financial assistance from Grameen and Zabzugu Rural Bank Ltd.

Table 4.6: Basic Requirement for Financial Assistance

Requirement for Financial Assistance	Frequency	Percentage
Physical Collateral	17	23.6
Savings	15	20.8
Guarantors	21	29.2
Others	19	26.4

Total	72	100
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Source: Field Survey, 2013

4.8 Purpose of Financial Assistance

The women gave different purposes for utilizing the financial assistance as per the field results. While 22.5 percent used it to start their businesses, 51.7 percent used it to expand existing businesses. Those that used their assistance for the payment of domestic activities such as, health insurance bills, electricity, school fees and housekeeping expenses were 25.8 percent.

Credit facility may be sought to start small scale business and or for farming purposes. Again expansion of existing business may be in the form of an increase in materials as inputs, building kiosks or metal containers, hiring of additional hands and many others. It is clear that majority of the respondents are into various forms of business already and only required credit to expand those businesses. This is shown in the Table 4.7



Purpose	Frequency	Percentage
To start business	27	22.5
To expand existing business	62	51.7
For family up-keep	31	25.8
Total	120	100

Table 4.7 Purpose of Financial Assistance

Source: Field Survey, 2013

4.9 Financial Assistance/Loan Repayment

The ability to pay back loans/financial assistance was factored into the data collection. It showed that about 77.4 percent were able to repay their loans while 22.5 percent were not able to repay their loans. This was buttressed by the information from Grameen Ghana and Zabzugu Rural Bank Ltd which revealed a maximum loan recovery rate as 95 percent with the minimum being 78 percent.

The inability of the women in micro economic activities to repay their financial assistance was mainly due to misapplication of funds. The credit even though sought for a particular purpose were used for different purposes other than the original purpose used to secure the credit.

4.10 Loans received from Grameen Ghana and Zabzugu Rural Bank Ltd

Most of the applicants (68.3%) have received loans once from the MFI's. Those that had received loans for two and three times were 25.8 and 4.2 percent, respectively. Only 1.7 percent had received loans for four times and more. This has therefore revealed that few women are able to take financial assistance apart from their first loans. This clearly indicate that most first time borrowers default and are therefore not able to access the credit subsequently. On the other hand beneficiaries may graduate from poverty as they progress on the ladder. Figure 4.4 shows the number of times loan applicants had received financial assistance from Grameen Ghana and Zabzugu Rural Bank Ltd.



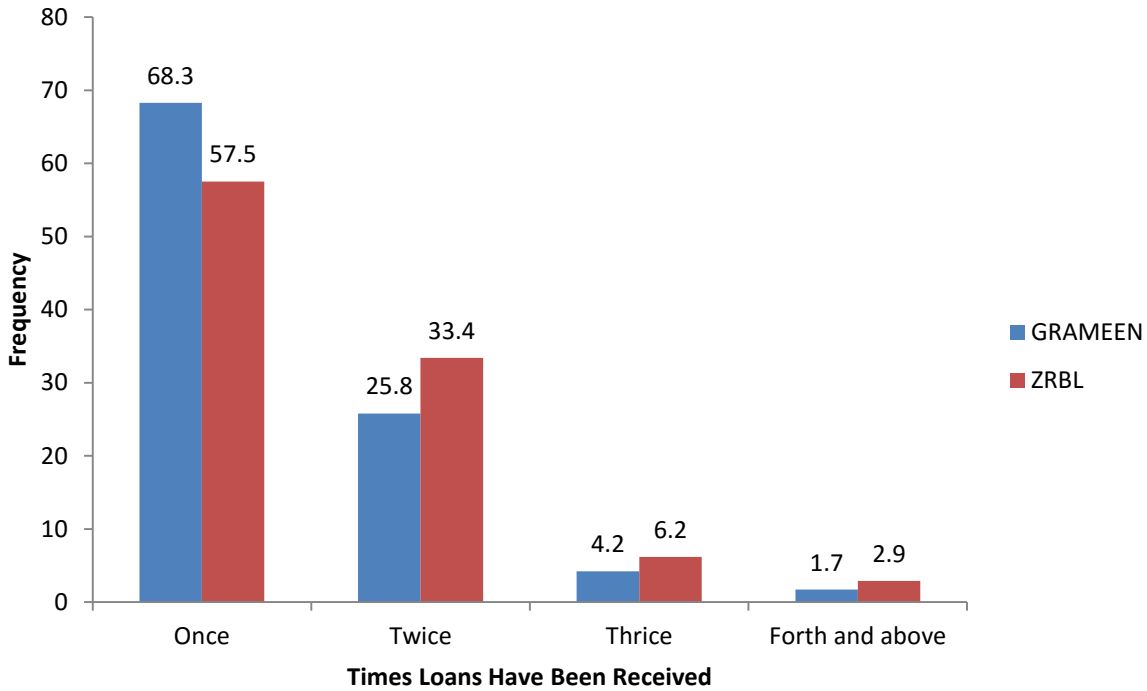


Figure 4.4: Loans received from Grameen Ghana and Zabzugu Rural Bank Ltd

Source: Field Survey, 2013



4.11 Financial Assistance from Grameen Ghana and Zabzugu Rural Bank Ltd

The mean (average) financial assistance given to women in small scale enterprises by Grameen Ghana and Zabzugu Rural Bank for the first time was GH¢100 and GH¢150 whilst second time applicants were granted GH¢200 and GH¢300. The third time applicant had an average of GH¢400 and GH¢500. This implies that the ability to repay loans given for the first time leads to access to greater credit facility for the subsequent times. Table 4.9 shows the average financial assistance given to women in rural communities of the Zabzugu District by Grameen Ghana and Zabzugu Rural Bank Limited

Table 4.8: Average financial Assistance from Grameen Ghana and ZRBL

Time	Average loan	
	Grameen Ghana	Zabzugu Rural Bank Ltd
1ST	100	150
2ND	200	300
3RD	300	500

Source: Field Survey, 2013

4.12 Reasons for Saving by Women in Microfinance

The respondents in the study area saved with the MFIs for different reasons. Some had the intention of saving to accumulate capital for their businesses. Others saved in order to access credit facility from the bank. Added to that some respondents saved for the purpose of mobilizing funds to visit Mecca and perform hajj. Many respondents in the study area saved to the take care of their children's school fees and pay their wards hospital bills.

4.12.1 Type of Savings with MFI's

The intention for opening accounts determines the type of saving one made with the MFIs. About 60.3 percent of the respondent had ordinary savings with the bank while 3.2 percent had fixed savings. Susu savings constituted 36.5 percent of the type of savings with the MFI. Ordinary savings, as the name implied, is meant for the purpose of accumulating deposits to meet future cash demand of the clients. Susu savings is on daily basis which allow the clients access to their money after a month of contribution. Table 4.10 shows the type of savings women in rural communities had with the Zabzugu Rural Bank Ltd.



Table 4.9: Type of Saving with MFIs

Type of Savings	Frequency	Percentage
Ordinary Savings	94	60.3
Fixed Savings	5	3.2
Susu Savings	57	36.5
Total	156	100

Source: Field Survey, 2013

4.13 Rate of Cash Deposit in Savings Accounts

The rate at which cash is deposited differed among the respondents. About 51.9 percent of the respondents were doing daily savings while 7.7 percent were doing weekly savings. Those that deposited on monthly basis were 28.2 percent while other kind of savings, thus, those who do not have pattern of cash deposit, formed 12.2 percent. Other type of savings was mainly farmers and people that have seasonal income. Yam/cereal farmers for example deposited in their saving accounts at the end of the harvest season.

The daily savings was made possible by the introduction of mobile banking where the services are brought to the doorsteps of customers. This daily type of savings was mainly patronized by food vendors and traders usually after their daily sales. Table 4.10 shows how often cash is deposited in the savings account of women in microfinance in rural communities in the Zabzugu District.



Frequency of Deposits	Frequency	Percentage
Daily	81	51.9
Weekly	12	7.7
Monthly	44	28.2
Others	19	12.2
Total	156	100

Table 4.10: Frequency of Deposits

Source: Field Survey, 2013

4.14 The Impact of Microfinance on Women in Study Area

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



4.15 Improvement in Business after Joining MFIs

Most of the respondents (66.7%) attested to the fact that microfinance has contributed positively to their businesses after joining the MFIs. About 20.5 percent however did not see any improvement in their businesses after joining the MFIs. Also 12.8 percent did not know whether it has had positive or negative impact. A notable proportion saw increase in their turnover, stock and assets. For instance some who initially operated from tables built kiosk and those who were in wooden kiosk also moved to metal containers. Some were able to employ extra hands to assist in the day-to-day business activities. Contrary to the arrangement before joining the MFIs, where

husbands cultivate the land and share among their wives, those women who were into farming could now cultivate their own farms without recourse to their husbands. All these contributed to the improvement in their income and their ability to meet livelihood related needs.

Figure 4.5 shows the responses to the impact of MF to businesses of women in rural communities of Zabzugu District.

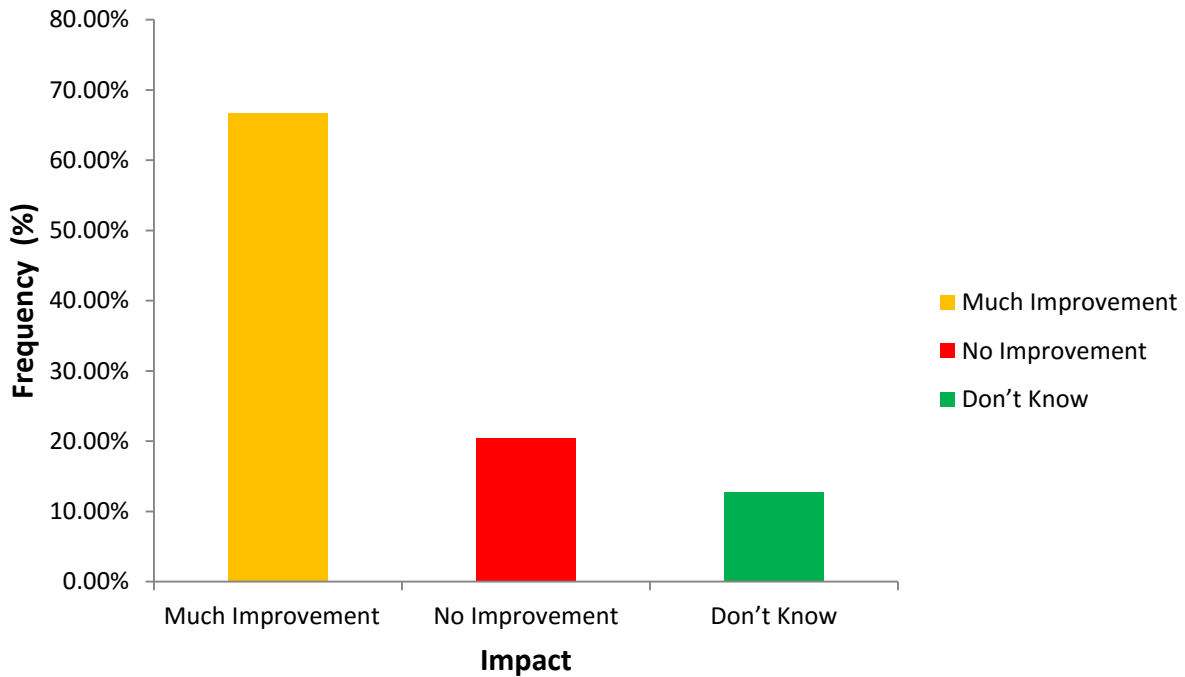


Figure 4.5: Impact of Microfinance on Businesses

Source: Field Survey, 2013

4.16 Acquisition of Assets

The proportion of respondents that saw positive impact in their business, (80.8%) indicated that there been an increase in the purchase of inputs; whiles 19.2% (20) used it to expand the physical assets base of their businesses. This involves building of metal containers, renovation of buildings,

among other things. Table 4.12 shows the type of assets improvement of women in rural communities of the Zabzugu District.

Table 4.11: Acquisition of Assets

Acquisition of Assets	Frequency	Percentage
Increased Purchased of Assets	84	80.8
Increased in Physical Assets	20	19.2
Total	104	100

Source: Field Survey, 2013

4.17 Assets Owned by Beneficiaries and Non-Beneficiaries of Microfinance

Table 4.13 below shows the acquisition of assets by beneficiaries and non-beneficiaries of microfinance for the last three years. Data on assets show that programme beneficiaries added to their assets on yearly basis and that clothes and cooking utensils are the most acquired assets. For the three years that the study covers, farm land owned by respondents who were microcredit programme beneficiaries were 14.3%, 15% and 13.6% for 2010, 2011 and 2012 respectively as against non-beneficiary respondents who owned 5%, 6.2% and 7.3% for the same period. It also shows that while some of the beneficiaries were able to build mud house, others are able to acquire semi-built houses. Responses gathered from the field indicate that both beneficiaries and non-beneficiaries (100%) had acquire clothing and cooking utensils within the period of three years (2010 -2012). This is due to the fact that clothing and cooking utensils are part of the basic necessities considered by most women as valuable assets.



Assets	% of Beneficiaries 2010	% of Non-beneficiaries 2010	% of Beneficiaries 2011	% of Non-beneficiaries 2011	% of Beneficiaries 2012	% of Non-Beneficiaries 2012
Farm Land	14.3	5.4	15	6.2	13.6	7.3
Mud House	6.2	12.6	11.3	14.5	11.7	15.3
Cloths	100	100	100	100	100	100
Cooking Utensils	100	100	100	100	100	100

Table 4.12: Assets owned by Beneficiaries and Non-beneficiaries of Microfinance
Source: Field Survey, 2013

4.18 Income after Joining MFI

Respondents were asked whether their incomes had increased after joining MFI. Responses indicated that 56 percent of the respondents had their income increased by 60 percent after joining MFI from GHC200.00 to GHC320.00. While 32 percent of the respondents said their income did not change (GHC200.00), 12 percent said their income had rather reduced by 20 percent from GHC200.00 to GHC160.00. This is shown in Figure 4.6.



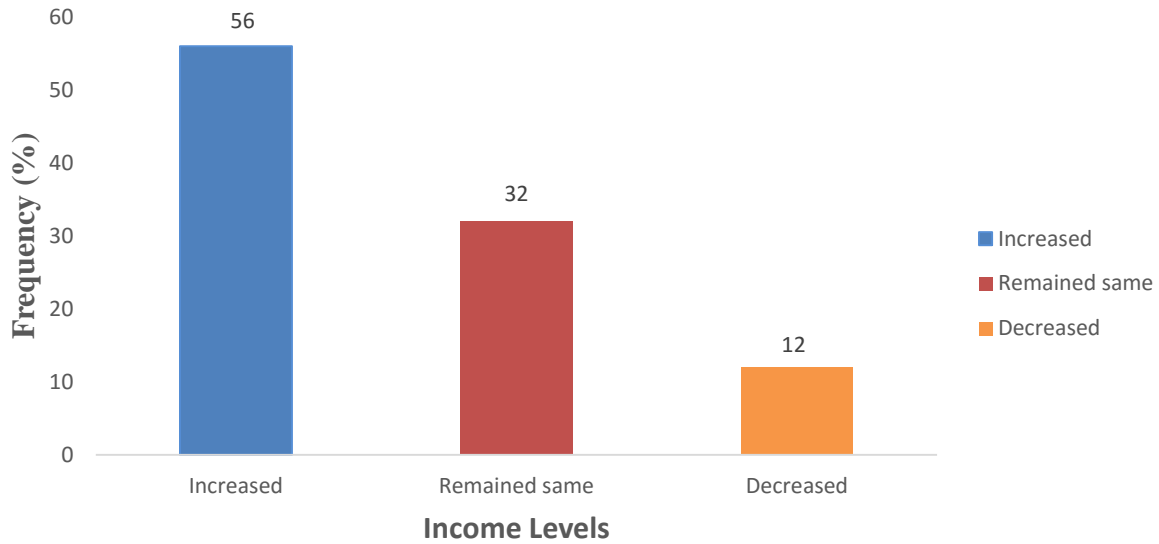


Figure 4.6: Income of Beneficiaries after Joining MFI

Source: Field Survey, 2013

4.18.1 Increase in Weekly Income of Women in MFI

Respondents that had increased in income, were asked of their weekly income before and after joining the MFI, and about 64.2 percent saw a weekly increase of their income from GH¢ 1 - GH¢ 10 before joining MFIs to GH¢ 10 - GH¢ 20 per week. About 28.4% also saw an increase from the range of GH¢ 10 – GHs20 to GH¢ 40 and above. Only 7.4 percent saw an increase from GH¢ 40 and above. This is shown in the Table 4.14 below.



Table 4.13 Increment in Weekly Income of Women in MFI

Increment in Weekly Income	Frequency	Percentage
GHC10-GHC20	43	64.2
GHC20-GHC40	19	28.4
GHC40 and above	5	7.4
Total	67	100

Source: Field Survey, 2013

4.19 The Educational Status of Wards of Respondents after Joining MFI.

Respondents attested to the fact that there has been significant improvement in their ability to give better education to their wards. About 50.6 percent admitted to have very good educational status for their wards before joining MFI. Those that had good and regular educational status for their wards were 37.2 and 12.2 percent respectively. After joining the MFI however, those that had very good educational status for their wards increased from 50.6 percent to 69.2 percent whilst good and regular educational status had reduced from 37.2% to 25.6% and 12.2% to 5.2% respectively.

Good educational status could be measured on households' ability to pay school fees, buy school uniform, buy exercise books, and attend schools with good facilities, effective teachers and good nutrition for children. Table 4.15 shows the educational status of wards of the respondents before and after joining MFI's.



Table 4.14: Educational Status of Wards of Respondents before and after Joining

Educational Status	Frequency	Percentage
Very Good	108	69.2
Good	40	25.6
Regular	8	5.2
Total	156	100

Source: Field Survey, 2013

4.20 Women Participation in Household Decision making after Joining the MFI

The field research revealed that 10.8% of the respondents took part in household decision making before joining the MFI whilst 89.2% did not take part in household decision making. However, 38.3% took part in household decision making after joining the MFI. Yet majority representing 61.7% did not take part in household decision making after joining the MFI.

Though the number of those who took part in household decision making increased from 10.8 percent to 38.3 percent, majority (61.7%) of the respondents were not granted the opportunity to contribute ideas towards management of the households. This is because power is deeply rooted in our social systems and values and it is tilted towards men. Therefore it is unlikely that any one intervention such as the provision of credit may completely alter power and gender relations. Table 4.17 shows women participation in household decision making before and after joining the MFI's.



Table 4.15: Women Participation in Household Decision Making before and after

Participation in		Before		After	
Household	Frequency	Percentage	Frequency	Percentage	Percentage
Decision					
Took part in					
Household					
Decision Making	13	10.8	46	38.3	
Did not take part					
in Household					
Decision Making	107	89.2	74	61.7	
Total					
	120	100	120	100	

Source: Field Survey, 2013

4.21 The role of MFIs in the Livelihood of Women in Rural Communities

The Rural Community Banks play major role the in livelihoods of women in rural communities.

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



4.22 Problems of MFI in Loan Delivery

The survey indicated that the main challenge of MFI's in loan delivery in the study areas was mainly loan default. For instance, in the Zabzugu Rural Bank Ltd, the maximum loan recovery rate was 85 percent while the minimum was 65 percent. The main reasons that accounted for the loan default were; Change in business activity after loan, climate and weather changes and mismanagement of loan/financial assistance, among others.

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



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study. It also provides conclusions, some recommendations and suggestions for further research. To arrive at these, different research tools such as focus group discussions, interviews, observation and questionnaires were employed during the study.

5.2 Summary

The main aim of this study was to examine the impact of microfinance by Non-Governmental Organizations and other Financial Institutions on the livelihood of rural women in Zabzugu District. Two Institutions were chosen namely Grameen Ghana, (NGO) and Zabzugu Rural Bank Ltd (FI) for the study in the district. Also, the study sought to find out the factors that affect access to microfinance and its impacts on businesses, income, education, food and household decision making. Results from the analysis revealed the following findings based on the objectives of the study. The methodology used includes: study design, study population, sampling procedure, source of data, instruments and the data process and analysis.

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



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

The study also revealed that microfinance has contributed significantly to improving the livelihood of women in the Zabzugu District. It was found that majority (64.2%) of the respondent had their weekly and monthly income increased. Majority (64.2%) of the women started their business from personal savings and by dint of hard work were able to access credit from the MFI for the expansion of their businesses. They were able to increase their income steadily and provided not only financial help to their families but also had positive impact on other factors, like improvement in their businesses, acquisition of assets, quality health care for their families, good education for their wards and were able to meet housekeeping expenses. These poor women brought about positive changes to their financial and social conditions thereby improving on their livelihoods and general well-being.



The results obtained from the analysis, regarding women's role in household decision making process in the family, reveals that microfinance schemes were associated with building up social and economic empowerment. It was found that majority of the respondents were not involved in household decision before joining the MFI. Even though the situation improved after joining the MFI, it did not have significant impact on women. The reasons cited for their non-involvement were: because they did not contribute towards the house upkeep; Women were not allowed to take part in decision making because the culture of the society does not allow for that, and that the women's role was to take care of the children and prepare food for the family.

5.3 Conclusions

From the findings, it is concluded that microfinance has a positive impact on the capacity of women in the Zabzugu District to generate income to support household livelihoods. Beneficiary women are more empowered to engage in income generation activities that hitherto were the preserve of men. There are improved gender relations, social cohesion and solidarity among women all of which support them in their income generation activities. Policy makers and implementers must take advantage of the changing dynamics in women's participation in decision making at the household and community levels in the study area which is a male dominated society to formulate and implement policies that will facilitate and sustain this phenomenal socio-cultural transformation made possible partly by access to microcredit. Such policies should be socially acceptable, culturally agreeable, economically viable, politically stable, gender sensitive and environmentally sustainable to the people.



5.4 Recommendations

Noting that microfinance in itself is inadequate to improve clients' well-being individually and collectively, and hence increase their livelihood frontiers, it is recommended that:

- Microfinance policy should focus on women's empowerment as its cardinal goal, provide capacity building in core areas of knowledge and skills, competencies and gender for policy and impact analysis. Gender issues should become not only part of their mission statement but also of their social intermediation packages.
- The institutionalization should go beyond the current MFI financial profitability accounting. It should integrate within MFIs performance assessment for both financial and client satisfaction. MFIs should, therefore, be engaged in conducting routine institutional assessment both for credibility and accountability purposes.

- Again, although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to improve the livelihoods of women. It therefore recommended that microfinance institutions increase their loan threshold. An increase in loan threshold will have a greater multiplier effect on women's income through profits from income generating activities. Even though the current threshold improves profit, the margin is not enough to have the expected impact on the lives of rural women.
- Finally, there is one thing that lacks in the microfinance programs in Ghana. There is no time frame set for client to be sustainable, when on MF programmes after which time no credit will be giving again. MFIs just enjoy having more clients. This only means that, their programs are not having the require impact. If MFIs are able to set this time frame for their clients, the program will have significant impact on the lives of its clients.

5.5 Suggestions for Further Research

The current study was based on small sample size taken from only few villages of Zabzugu District. Therefore, the results cannot be generalized to other districts in Ghana especially in the analytical terms. Further research done on a bigger scale with large sample size could shed light on how microfinance activities affect the livelihood of rural women in Ghana. The current study did not consider the reasons of motivation to join the microfinance program. Another area that has not been investigated is the difficulties that the borrowers face to repay the loan. These areas deserve to be studied by future researchers in the field.

There is also another field, which is neglected in the study that the time set for beneficiaries to be sustainable after which no credit will be given again, thus exits plan for women to move from the



micro level to macro level. Further research could be conducted in this area to determine the reasons for the gap between demand and supply in terms of microfinance services.



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APPENDIX ‘A’

UNIVERSITY FOR DEVELOPMENT STUDIES

**QUESTIONNAIRE FOR BENEFICIARIES AND NON-BENEFICIARIES OF
MICROFINANCE**

UNIVERSITY FOR DEVELOPMENT STUDIES

I am a student at the University for Development Studies, conducting a study to assess the effects of Microfinance on the livelihoods of Rural Women, Case Study of Zabzugu District’’. This is purely an academic work in partial fulfillment of the requirement for an award of Master of Art degree in Nongovernmental Organization Management and Rural Development.

You are humbly assured that the information you provide will be treated as confidential as it desired. Feel relaxed; spend some few minutes of your time and answer the questions as the issues exist in the community. Please tick where appropriate and supply information where necessary.



SECTION A

Demographic Information of Respondent

1. Name.....
2. Sex Male Female
3. Age 16 - 20years 21- 25years 26 - 30years 31- 35years 36years and above
4. Marital Status (1) Single (2) Married (3) Divorced/Separated (4) Others
5. Educational background (1) No Formal Education (2) Basic (3) SHS (4)Tertiary
6. How did you know about Grameen Ghana (MFI)?

(a) From: (1) friends [] (2) Customers [] (3) Relatives [] (4) Advertisements/promotions []

(b) Proximity to: (1) Home [] (2) Business []

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

SECTION B

Credit Acquisition

8. Have you received credit from Grameen Ghana? (a) Yes [] (b) No []

9. If yes, how many times have you received credit from them? Once [] Twice [] Thrice [] Others specify.....

10. If no, why?.....

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

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

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

14. How much did you apply for in the first credit application? (1) GH¢50 to GH¢100 [] (2) GH¢100 to GH¢150 [] (3) GH¢150 to GH¢ 200 [] (4) GH¢ 200 to GH¢ 250 [] (5) GH¢ 250& above []





15. How much were you granted in your first credit from the MFI? (1) GHC50 - GHC100 [] (2) GHC100 - GHC150 [] (3) GHC150 - GHC 200 [] (4) GHC 200 - GHC250 [] (5) GHC250& above []

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

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

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

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

20. How much did you apply on the second loan application? (1) GHC50 - GHs100 [] (2) GHC100 - GHC150 (3) GHC150 - GHC 200 (4) GHC200 - GHC250 (5) GHC250 and above.

21. How much were you granted in your second credit from the MFI? (1) GHC50 - GHC100 [] (2) GHC100 - GHC150 (3) GHC150 - GHC200 (4) GHC200 - GHC250 (5) GHC250 and above.

22. Is credit easily available to you? (1) Yes [] (2) No []

23. Has access to credit been beneficial? (1) Yes [] (2) No []

24. If no to the above question why is credit not easily available?

- i. [] Bureaucratic processing procedure
- ii. [] Inability to meet collateral security
- iii. [] Untimely delivery of credit
- iv. [] Difficulty in repayment of previous facility

25. Do you usually receive exactly the amount you request for? (1). [] Yes (2). [] No

26. If no, why are your requests not met?

- (1). [] Credit amount is tied to a certain percentage of my savings
- (2). [] Insufficient collateral
- (3). [] Difficulty in repayment of previous loan

SECTION C

Effects of Credit on Livelihoods of Women

27. Has access to microcredit improved your livelihood wellbeing? (1) Yes (2) No

28. Have you acquired property (ies) after your association with the MFI? (1) Yes (2) No

29. If yes, what is the property acquired? Please tick as many as applicable:

i. Constructed Rooms

ii. Increased purchase of inputs

iii. Built kiosk

iv. Built metal container

v. Renovate building

vi. Others please specify.....

30. Has there been any improvement in the performance of your business since joining the MFI?

(1) Yes (2) No

31. If “Yes” what is the range of your profit per week now?

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

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

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

.....

35. How would you assess your weekly and monthly income? (1) Has increased (2) Remain

same (3) Has decreased

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

37. If “yes” what was your source of funding?

.....

38. If “No” what is the situation after joining the MFI?





.....

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

40. If “No” what did you do to manage your health problems e.g. sickness (1) Buy from the local drug sellers [] (2) Use local Herbs [] (3) Borrow money to buy drug [] (4) Others.....

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

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

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

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

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

46. If “yes” state the reason(s)
.....

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

THANK YOU

APPENDIX 'B'

UNIVERSITY FOR DEVELOPMENT STUDIES

**QUESTIONNAIRE FOR OFFICIALS OF GRAMEEN GHANA ZABZUGU RURAL
BANK**

I am a student at the University for Development Studies, conducting a study to assess the effects of Microfinance on the livelihoods of Rural Women in Zabzugu. This is purely an academic work in partial fulfillment of the requirement for an award of Master of Art degree in Nongovernmental Organization Management and Rural Development.

You are humbly assured that the information you provide will be treated as confidential as it desired. Feel relaxed; spend some few minutes of your time and answer the questions as the issues exists your institution. Please tick where appropriate and supply information where necessary.

UNIVERSITY FOR DEVELOPMENT STUDIES

1. Name of institution

.....

2. Status of respondent in the institution

.....

3. How many products do you have?

.....

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

.....

.....

.....

5. How do you determine micro-credit amount?



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

6. What are your security requirements?

.....
.....

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

.....

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

.....

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

.....

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

.....

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

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

.....
.....

13. How do you deal with such defaults?

.....
.....

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

.....
.....



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

.....
.....

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

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

.....
.....

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

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

20. If No, why?

.....

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

.....
.....



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

.....
.....

23. How has microfinance help grow the local economy?

.....

THANK YOU