UNIVERSITY FOR DEVELOPMENT STUDIES

MICROFINANCE AND POVERTY ALLEVIATION AMONG RURAL WOMEN IN THE JIRAPA DISTRICT: THE ROLE OF SONZELE MICROFINANCE SCHEME

ESTHER SHENA NAAGYIE

A THESIS SUBMITTED TO THE DEPARTMET OF PLANNING AND MANAGEMENT, FACULTY OF PLANNING AND LAND MANAGEMENT, UNIVERSITY FOR DEVELOPMENT STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF PHILOSOPHY DEGREE IN DEVELOPMENT MANAGEMENT

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BY

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DECEMBER, 2015

DECLARATION

Student

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

Candidate's Signature …………………………………. Date: …………………………………..

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

Supervisor's Signature …………………………….…. Date: ……………………………..……..

Name: ………………………………………………………………………………………………

DEDICATION

This piece of academic work is dedicated to the Almighty God for his guidance and protection throughout the undertaking of this project work.

It is also dedicated to all loved ones especially my mother and siblings who supported and inspired me throughout this study.

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ABSTRACT

Poverty reduction has been a major concern for successive governments in Ghana over the years because it is believed to be the universally accepted way of achieving economic growth in the country. The purpose of this study was to examine the role of Sonzele Rural Bank Limited (SRBL) in alleviating poverty through its microfinance scheme in the Jirapa District. A total of 550 women purposively selected from credit beneficiaries (CB) and non-credit beneficiaries (NCB). Both qualitative and quantitative data were collected using interview, questionnaires and focus group discussion. Percentages, frequencies and graphs were used to present the data.

The study revealed that, access to micro-credit has led to improvement in the living conditions of beneficiaries in the area of health care, quality education to their wards and acquisition of assets after joining the Microfinance Institution (MFI) group as compared to non-beneficiaries. It was found that, the procedure and security requirements for accessing credit were modest and easier than the conventional banking. However, beneficiaries encountered various challenges in accessing and using the credit from the bank. SRBL used the group lending strategy to ensure higher repayment rate to reduce default.

Despite the enhanced and visible roles assumed by these women due to the credit schemes, there were serious operational lapses: the loans given to the women were inadequate to start and run any viable income generating activity (IGA). In the light of the above, the following recommendations were made: group-based lending which minimizes problem of repayment must be adopted by lending institutions, an appreciable increase in the loans for clients to expand their businesses, training and developing credit officers and clients, need for strong collaboration between the government and microfinance institutions to reduce poverty in rural areas.

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LIST OF ACRONYMS

APED	-	Association of Progressive Entrepreneurs in Development
BoG	-	Bank of Ghana
CB	-	Credit Beneficiaries
CPRC	-	Chronic Poverty Research Centre
CWE	-	Credit with Education
CDP	-	Community Development Programmes
CSO	-	Community Society Organisations
ERP	-	Economic Recovery Programme
FCUBE	-	Free Compulsory Universal Basic Education
FGD	-	Focus Group Discussion
GHAMFIN	-	Ghana Microfinance Institutions Network
GPRS	-	Ghana Poverty Reduction Strategy
GSS	-	Ghana Statistical Service
GLSS	-	Ghana Living Standards Survey

HDI	-	Human Development Index
IGA	-	Income Generating Activities
IFAD	-	International Fund for Agricultural Development
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund
JDCB	-	Jirapa District Composite Budget
MASLOC	-	Microfinance and Small Loans Centre
MDGs	-	Millennium Development Goals
MFI	-	Microfinance Institution
NCB	-	Non-Credit Beneficiaries
NHIS	-	National Health Insurance Scheme
NGO	-	Non-Governmental Organisation
PAMSCAD	-	Programme of Action to Mitigate the Social Cost of Adjustment
SAP	-	Structural Adjustment Programme
SRBL	-	Sonzele Rural Bank Limited
SSA	-	Sub-Saharan Africa
UDS	-	University for Development Studies
UNDP	-	United Nations Development Programme
WDF	-	Women in Development Fund
WDR	-	World Development Report

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The issue of poverty has been a major concern to many nations, particularly developing countries. Finding the most effective ways of alleviating poverty remains the most pressing dilemma in the international development debate. Poverty is a very multifaceted concept that captures a wide range of variables such as; education, income, health, environment, institutions, religion and many others. As a result, a range of definitions exist, influenced by different disciplinary, approaches and ideologies. Hulme and Mosley (1996) define poverty as not purely about material conditions; it also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered. In order to discuss microfinance as a tool for poverty alleviation, it is important to understand the concept of poverty at both the micro and macro levels. The World Development Report (WDR) from the World Bank (1990) notes that conditions could be described as poor if per capita income or consumption of the individual is below US $370 or very poor if it is below US $275.

Balogun (1999) defines poverty as a situation where a population or a section of the population is able to meet only its bare subsistence, the essentials of food, clothing and shelter, in order to maintain a minimum standard of living. More specifically, two questions are at the heart of much of the academic research and public policy for development, namely: what is it that makes Sub-Saharan Africa (SSA) the poorest region in the world and what can be done to deliver the sustainable and broad-based economic growth required to address this?

However, this economic definition has been complemented in recent years by other approaches that define poverty in a more multidimensional way (Subramanian, 1997:35). These approaches include the basic needs approach (Streeton et al, 1981), the capabilities approach (Sen, 1999) and the Human Development approach (UNDP, 1990). Their acceptance is reflected in the widespread use of the United Nations Development Programme's (UNDP) Human Development Index (HDI), which is a composite measure of three dimensions of human development: (i) life expectancy, (ii) educational attainment and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006: 263). It is also reflected in the Organisation for Economic Co-operation and Development's (OECD) conceptualisation of multidimensional poverty, defined as interlinked forms of deprivation in the economic, human, political, socio-cultural and protective spheres (OECD, 2006).

Generally, poverty is understood as the lack of, or inability to achieve, a socially acceptable standard of living, or the possession of insufficient resources to meet basic needs. It is created and perpetuated by different processes and social relations in different locations, and is experienced and conceived differently according to context. Poverty can also be defined by a sense of helplessness, dependence and lack of opportunities, self-confidence and self-respect on the part of the poor. Indeed, the poor themselves see powerlessness and voicelessness as key aspects of their poverty (Narayan et al., 2000).

Many poverty analyses describe the condition of being poor, rather than considering how or why the condition exists. These descriptions typically focus on individual attributes (a lack of assets, of education or of health). However, these attributes are the outcomes of social processes and need to be understood within the context of social institutions and systems. To understand, anticipate or attempt to alter these outcomes, it is necessary to understand the structures and processes that underlie these deprivations.

Poverty therefore needs to be understood as being strongly influenced by the resources that people can claim, under what conditions and with what level of choice. Government structures and other formal and informal processes and institutions govern social relations and power structures, which extend over various spatial, temporal and social scales. These in turn affect people's opportunities, their ability to make choices, their access to resources and therefore the distribution of benefits, costs and risks within and between individuals and groups.

A distinction can be made between absolute and relative poverty. Absolute poverty refers to the inability to meet what are thought to represent the absolute minimum requirements for human survival. The poverty status of any individual or household is considered completely independent of the conditions of other individuals or households. Those considered to be absolutely poor are often identified with reference to poverty lines – those households or individuals that fall below the poverty line (however set). While the $US1.25 per day is perhaps the most well-known poverty line, absolute poverty can also be measured against non-income aspects of deprivation (e.g. food insecurity, malnutrition, lack of access to health care).

Relative poverty considers the status of each individual or household in relation to the status of other individuals, households in the community, or other social groupings, taking into account the context in which it occurs (their position within the distribution of that population). Relative poverty typically changes spatially and temporally, and measures of relative poverty are therefore not necessarily comparable between locations (due to the differing social stratification between communities) or over time. The relative approach examines poverty in the context of inequality within a society, though they should not be conflated.

Poverty can also be viewed objectively and subjectively. It is considered to be objective when observable and measurable (typically quantitative) indicators are used to measure material or non-material dimensions. Subjective measures represent psychological elements and perceptions of poverty, where individuals' judgements are sought about their experience of life and the aspects they value in their lives. The incorporation of subjective measures into the understanding of poverty is recognition that decision making is partially related to individuals' perceptions about their constraints and available alternatives. There has been increasing support for subjective well-being measures to complement assessments using objective indicators.

According to a Ghana Statistical Service (GSS) publication titled Poverty Trends in Ghana in the 1990s (GSS, 2000a), poverty in Ghana has many dimensions. Poor communities are characterised by low income, malnutrition, ill health, illiteracy, and insecurity. There is also a sense of powerlessness and isolation (Chambers, 1983). According to Chambers (1983), the poor are poor because they are poor, their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. Poverty contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services. These different aspects interact and combine to keep households, and at times whole communities, in persistent poverty. As evidenced by actions taken to effectively reduce poverty globally, policies must be comprehensive and based on timely information on the living standards of the population.

GSS (2000a) indicated that in general terms there is a general decline in poverty level in Ghana (except the Urban Savannah). However, it added that poverty is still substantially higher in rural areas than urban areas, so that poverty in Ghana is disproportionately a rural phenomenon (GSS, 2000a: 9; ISSER, 2004; World Bank, 2005). The three northern regions of Ghana are persistently the poorest and the stable economic growth which Ghana has experienced since the early 1990s has not extended to the north. While parts of other regions are also poor, the north comprises the poorest large geographical area, one where economic growth has been difficult to stimulate. Available statistics in the country indicate that the country as a whole is poverty afflicted, but with worse incidence in the Upper East, Upper West and Northern regions (GSS, 2000).

It is an established fact that every nine households out of ten in the Upper West Region live below the poverty line. The situation there is not one of normal poverty but a critically precarious existence. Low life expectancy, low educational standards, high infant mortality rates and the high incidence of emigration especially of the youth to other parts of the country, further entrench a vicious cycle of poverty in the north.

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

1.2 Sonzele Rural Bank Limited (SRBL)

Sonzele Rural Bank Limited (SRBL) was incorporated on 24th November, 1983 as a limited liability company. It is the leading rural bank in the Upper West Region and among the ten best rural banks in Ghana as at the end of year December 2013. SRB has four (4) agencies namely; Wa, Nadowli, Lambussie and Hain with Jirapa as the headquarters.

Mission Statement

SRBL is committed to providing quality and accessible banking services to our customers and the public in rural communities within the Jirapa District and beyond. SRBL believe their first responsibility is to the shareholders of SRBL and the assemblies in which they operate, departments of their valued customers and the public who patronize the services of the bank (Sonzele, 2014).

SRBL conducts its operations prudently and manage its resources efficiently and within the regulatory framework to provide a favourable financial balance and sustainable growth that will assure the ultimate success of the bank. SRBL recruits, develops, motivates, rewards and trains personnel of exceptional quality, ability competence, character and dedication by providing a good working condition, superior leadership, performance-based compensation, an attractive benefit package, opportunity for growth and high degree of job security (Sonzele, 2014).

Vision

Sonzele seeks to become a leading technology-driven rural bank in Ghana and a leader in the provision of attractive, innovative, competitive and timely services to meet the changing needs of our valued customers through a team of well trained developed and highly motivated professionals (Sonzele, 2014).

Goal

To achieve leadership share and profit positions and that, as a result, the bank, their shareholders, their staff, and the community in which we live and work will prosper.

Focus and Target Group of SRBL

To realize its mission, SRBL like the mainstream banks provides a comprehensive range of financial services to the public, particularly the rural poor, both to personal customers and to small-scale enterprises. SRBL therefore has many women's groups in its areas of operation. The groups to be examined in this study are credited to be the long stayed groups that have worked with the bank for over five years. These groups are spread in various communities within the district.

Products and Services

The banking services and products the bank offers to its clients include domestic banking and microfinance. These include:

- **Deposits** (Savings, Current, Fixed deposit and Susu).
- **Loans (**Salary advance, Salary loan, Commercial loan, Agricultural loans, Funeral loans and Dowry loans). These are available to salary and allowance earners, traders, contractors, suppliers, enterprises and all who are engaged in all aspect of agricultural activities.
- **Microfinance** (Suntaa credit with education, Sonzele la kpieo group loans and Susu loans).
- **Overdrafts**
- **Money transfers** (Money gram, Western union, E-zwich and Apex link)

- **Other Services** (Standing order, Bankers draft)

There have been many strategies committed to poverty reduction in the north such as sustainable development, issues management, aligning with the Millennium Development goals of the United Nation, and partnerships with Government/NGOs and microfinance institutions. Microfinance has established itself as an integral part of financial sector policies of emerging and developing countries (Hudon, 2008). As a result, it is now considered as one of the most promising tools in focusing on poverty in different developing countries. The interest with microfinancing derives from the fact that the provision of financial services can contribute to poverty reduction, at the same time, pass the sustainability (Hudon, 2008).

As one of SRBL's product, Microfinance programmes are known to support poor individuals or households' smooth consumption during an adverse shock. Access to credit may help them to avoid distress through sales of assets, and to replace productive assets destroyed in natural disasters (World Bank, 2002). Moreover, provision of financial services helps individuals or households to better manage their existing asset base or to reduce their liabilities. Again, access to loans provides a security or fallback position if difficulties are encountered. Furthermore, access to emergency or consumption loans can enable households or individuals to meet unexpected demands for cash, without having to sell or pawn key income-generating assets or withdraw children from school. Voluntary savings may also lower the risk of savings, increase the absolute amounts saved, and enable lump sum expenditure that otherwise would not be possible (Barnes, 1996).

Financial services provided on a timely basis are a way for poor people to turn many small savings into large lump sums that enable them not only to protect against risks, but also to take advantage of investment opportunities when they present themselves (Rutherford, 1996). According to Ledgerwood (1999), microfinance institutions are beginning to experiment with other products, including insurance. Insurance is a product that is likely to be offered more extensively in the future by microfinance institutions, because there is growing demand among their clients for health or loan insurance in case of death or loss of asset.

According to Haupt (2006), microfinance provides effective support for national poverty reduction strategies in achieving the Millennium Development Goals. Access to microfinance services enables poor and economically active people to:

- invest in new business activities, thereby increasing levels of employment and income,
- build financial assets gradually and keep some of their financial reserves in a profitable, secure and liquid way; and
- compensate better for fluctuations in their income and expenditure and therefore cope more successfully with risks and emergencies (Haupt, 2006).

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

The principal objective of microcredit programmes is to raise incomes and broaden financial markets by providing financial services (principally credit) to small-scale entrepreneurs who otherwise lack access to capital markets. Some of the programs have primary social missions, focusing on outreach to women and measuring success in terms of poverty alleviation. The enthusiasm for microfinance rests on the idea that people who have next to no money deserve financial services just as much as those who have plenty. A lot of the times those people who have next to no money are poor women. So microcredit is often justified by notions of equity or fairness: everyone should have clean water and health care, and everyone should have the right to exploit their talent. For that, access to credit is crucial.

Global campaigns to raise awareness of the microfinance sector, and inspire nations to fund and encourage microfinance goals, have included the path breaking 1997 Microcredit Summit, where nearly 3,000 delegates from 137 nations agreed to set a goal of reaching 100 million of the poorest of the poor with credit for self-employment and other financial services by 2005. The year 2005 was also recognized as the UN International Year of Microcredit (Gail, 2005).

The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.

It is often noted that the financial sector in low-income countries has failed to serve the poor. With respect to the formal sector, banks and other financial institutions generally require significant collateral, have a preference for high-income and high-loan clients, and have lengthy and bureaucratic application procedures. With respect to the informal sector, money- lenders usually charge excessively high interest rates, tend to undervalue collateral, and often allow racist and/or sexist attitudes to guide lending decisions (such as discriminating against women). The failure of the formal and informal financial sectors to provide affordable credit to the poor is often viewed as one of the main factors that reinforce the vicious cycle of economic, social and demographic structures that ultimately cause poverty. As a partial response to this failure, the practice of microcredit has been on the rise in the past two decades. Perhaps the best known microcredit institution is the pioneering Grameen Bank in Bangladesh (Chowdhury et al., 2005).

"What makes microfinance such an appealing idea is that it offers hope to many poor people by improving their own situations through their own efforts", says Stanley Fischer, former chief economist of the World Bank and now governor of the Bank of Israel. That marks it out from other anti-poverty policies, such as international aid and debt forgiveness, which are essentially top-down rather than bottom-up and have a decidedly mixed record.

1.3 Problem Statement

There have been various developmental tools that have been planned by international development agencies, policy makers and non-governmental organizations aimed at reducing poverty in developing countries in the past two decades (Afrane, 2002). Micro-credit has been identified as one of the developmental tools, aimed at reducing poverty by bringing a significant improvement in the lives of the vulnerable groups in our society- especially women without access to the five critical assets including natural physical, social, human and financial capital (MoFEP, 2009). In Ghana, the clients of micro-credit are predominantly women. These women are mostly engaged in income generating activities such as farming, petty trading (including service provision and street vending), food processing, weaving, basket making (MoFEP, 2009; Asiama *et al*, 2007). In spite of the roles that microfinance institutions play in the lives of women over the years, several studies have shown that, women in Ghana are often confronted with challenges.

Poverty in Ghana still remains a disproportionately rural phenomenon, up until now 86 percent of the total population living below the poverty line in Ghana live in the rural areas (GSS, 2007). According to Otoo (2009), women form the about 70 percent of the poor in Ghana, because of the systematic discrimination face in terms of education, employment, health services and control over assets. In addition to this, Oteng-Preko (2007), argued that the socio-cultural ramifications in Ghana (and most parts of sub-Saharan Africa), marginalizes women as crucial partners in decision making, especially at the household level. He further stressed that since headship in households is male dominated, the ability for women to exercise control in decision-making as well as possessing control over a household's land, capital and other valued resources, can be overly limited. Women do not have authority as compared to their men folk/husbands. Women usually contribute to farming activities such as harvesting and storage of farm produce, which are controlled by men. Meanwhile, these women have to provide multiple household welfare needs such as paying children school fees, clothing the children, buying drugs, household provisions, among others. In Sub-Sahara Africa and Ghana in particular, the men/husbands are tied with the responsibility of providing certain household necessities such as, foodstuff, meat, cloth and paying school fees (women with cash income helps with these expenses). They may also save part of their income to make capital expenditures for items such as cement and roofing sheets for housing, and probably bride wealth payments. Such expenses often require that men save for a longer time in order to amass the necessary funds (Nelson, 1981). Women on their part perform most of the domestic and child care duties. They provide a substantial portion of their own and children livelihoods. An increase in women's income often leads to improved living conditions of their children and the household members, which is often seen as an integral part of good mothering. Women's earnings correlate positively to better living standards for their families (Lemire et al. 2001).

Various NGO's and government institutions such as the district assemblies have therefore taken it upon themselves as a challenge to help these vulnerable groups overcome these obstacles confronting them in their non-farm activities. Support is therefore given to them in the form of loans by the concerned institutions to help address their needs. But before these women can be given the support, they would have to form an associated group. Even though these women come together as an association, they go into individual income generating ventures after receiving the credit. The essence of the group formation is to enable the credit officers have access to them collectively and also ensure group liability. "Creation of joint liability is viewed to act as a mutual guarantee mechanism with a particular structure of incentives to ensure high repayment without demanding physical collateral assets to back up loans. It is effective in mitigating the problem of strategic default in particular" (Nissanke, 2002: 5).

Microfinance Institutions (MFIs) ultimately measure their success by the impact they have on their clients and their families, and on the communities in which they live. Despite a multitude of studies devoted to the topic, the impact of microfinance programs on the poor in developing countries remains an intensely debate issue. Taken as a whole, the evidence is not conclusive, for example, Hulme and Mosley (1996) indicated that microfinance is not a panacea for poverty alleviation. The poorest people have been made worse-off by MFIs. Sachs (2009) in his research found that microfinance may not be appropriate in every situation especially as one size fit all strategy in poverty alleviation and empowerment. He explained that the poor governance infrastructure, dispersed population in the rural areas and gender inequalities hinder the potential benefits of microfinance in Africa.

Alfred (2007) found that microfinance does not in itself empower women. Rather, it provides a catalyst for women clients to (re)create for themselves acceptable social spaces within their hegemonic gender relations. Such a contention also stem from the emerging questions on the usual optimism with which development and/or microfinance interventions are evaluated by taking beneficiaries as mere recipients of interventions. Yet, they partake in the transformation of interventions into an acceptable and meaningful life in line with their contextual aspirations.

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

Microfinance, just like any other intervention has its advantages and disadvantages but the issues at stake is not about how many microfinance programmes implemented in Ghana or how many MFIs are found in Ghana, but about what they are supposed to do. Are these MFIs and their programmes having any impact on the lives of people in the areas where they operate? Has the poverty level reduced in those areas as has been trumpeted to be the miraculous nature of microfinance? The case is even more dismal, when compared with how women issues are subtly sidelined in discourses on micro-credit and poverty reduction. ***It is against this background that the study was conducted to assess the contribution of SRBL microfinance programmes on the lives of rural women towards poverty reduction in the Jirapa district.***

1.4 Research Questions

- Do women have access to microfinance facility in the Jirapa district?
- How does microfinance support women's businesses and livelihood improvement?
- What challenges confront the poverty drive of SRBL microfinance programme?
- What strategies do MFIs use to recover loans from clients?

1.5 Research Objectives

- To examine accessibility to microfinance by rural women in the Jirapa district.
- To assess the support of MF on women's businesses and livelihood improvement.
- To identify the challenges confronting the poverty drive of SRBL microfinance programme.
- To examine the strategies used by MFIs to recover loans from clients.

1.6 Significance of the Study

Microfinance institutions play an enormous role in the livelihood improvement of women, this study will therefore offer empirical evidence to microfinance institutions of their role in the fight against poverty so as to strategise effectively.

The findings of the study would contribute to the understanding of women participation in micro-credit and how income generating activities make them more dependent and ultimately make them empowered. This is important for the development of the Jirapa district.

The study will contribute to the body of knowledge on the effect of microfinance on their beneficiaries. The findings will help policy makers and MFIs stakeholders in the development of better strategies and policies of participation in micro-credit programs. Hence, this would help stimulate more effective implementation of strategies on women not only in the Jirapa district but also in Ghana and other developing countries.

1.7 Limitations of the Study

About 90 percent of the beneficiaries of SRBL in the Jirapa district are illiterates (SRBL, 2014), so the researcher had to translate the interview guide to them with the help of some credit officers of the bank, to enable respondents understand and provide accurate answers to the questions.

One other problem during data collection was about the difficulty in getting respondents to answer questionnaire. It was during the rainy season and most of them were on their farms during the visit. Some respondents were not willing to disclose their own account, because they are considered private issues to an outsider like me. I had so much trouble getting access to beneficiaries. I visited the bank so many times making arrangement to meet the women. I had to arrange with group leaders to meet members either in the evenings or on market days.

1.8 Scope and Organization of the Study

The focus of the study is rural women and microfinance as a tool for poverty alleviation. The study looks at the effects of microfinance on the income and general livelihood of the beneficiaries. The research was limited to Jirapa District in the Upper West Region. There are various MFIs in the District, but the research covered the Sonzele Rural Bank Limited and its clients, because that is the oldest rural bank within the Upper West Region and the only bank established by the people with its headquarters at Jirapa the District capital.

The study is organised into five chapters. Chapter one deals with the introduction of the study. This includes the background, problem statement, research objectives, research questions, scope, significance and organisation of the study. Chapter two focuses on the definition and explanation of concepts as well as review of relevant studies on the subject matter. Chapter three gives an overview of the methodology for the study. This comprises discussions on the study area, study design, study population, study sample, data collection and method of analysis. Chapter four focuses on results and discussions while Chapter five is devoted to summary, conclusions and recommendations.

1.9 Summary of Chapter

This chapter deals with the introduction of the study. It is an established fact that every nine households out of 10 in the Upper West Region live below the poverty line. There have been many strategies committed to poverty reduction in the north. Microfinance has established itself as an integral part of financial sector policies of emerging and developing countries (Hudon, 2008). As a result, it is now considered as one of the most promising tools in focusing on poverty in different developing countries. The interest with microfinancing derives from the fact that the provision of financial services can contribute to poverty reduction. The aim of the study was to examine the role of the SRBL in the provision of microfinance in alleviating poverty in the Jirapa district. The next chapter reviews literature on the concept of poverty and microfinance.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviews available literature on poverty reduction and microfinance. The review discusses the concept of poverty in relationship to the poverty situation in Ghana. Various poverty reduction strategies as espoused by the International Monetary Fund (IMF) and the World Bank are also examined in relation to microfinance programme interventions. Literature was reviewed on microfinance in Ghana and some approaches and models used by microfinance institutions. The review further examines the impact of microfinance on poverty and challenges confronting the operations of microfinance programmes.

2.2 The Concept of Poverty

Although poverty is one of the most familiar conditions known to humanity, it is a complicated concept and there is no universally accepted definition of poverty. Many people talk and write about poverty globally without arriving at a consensus on a single definition. Definitions are diverse, numerous and are either relating to lack of financial income or low social status. Sen (1985) argues that the philosophical basis of the idea of human welfare as perceived in economics and political discourses is best provided by the concept of capability the ability of people to live the kind of life they value as compared with other concepts such as utility or material possessions.

The Multilateral Development Banks (2000) state that economically the poor are not only deprived of income and resources but opportunities. It emphasises that markets and jobs are often difficult to access because of low capabilities, geographical and social exclusion. Limited education affects their ability to get jobs and to access information that could improve the quality of their lives. Poor health due to poor nutrition and health services, further limits their prospects for work and from realising their mental and physical potentials. This fragile position is exacerbated by insecurity.

The World Bank (2000) observes that the poor live without fundamental freedom of action and choices. They often lack adequate food and shelter, education and health services; and face deprivations that deny them the kind of life everyone values. They also face extreme vulnerability to ill health, economic dislocation, and natural disasters. In addition, the poor are often exposed to ill treatment by institutions of the state and society and are powerless to influence key decisions affecting their lives. The UNDP (2002) gives a different perspective to the concept. It states that poverty fundamentally entails lack of access to income, employment opportunities, and normal internal entitlements by the citizens such as consumption of goods and services, shelter and other basic needs of life.

Social scientists consider poverty as the state of having little or no money and few or no material possessions (Kaul, 2005). Kaul believes that poverty is the most pressing issue facing Africa. Access to job, health care, education, housing and potable water remain inadequate for the majority. In view of the diversity in the definition, it is worth saying that poverty is best looked at from both monetary and non-monetary perspectives. It is a deprivation of important assets and opportunities which every human being is entitled to. It is also associated with insufficient outcomes with respect to nutrition, health and education, vulnerability, low self-confidence and powerlessness. It can therefore be said that poverty is a multi-dimensional phenomenon and requires a multi-dimensional and inter-disciplinary policy and programme interventions to reduce it.

2.2.1 What is Poverty and who Constitute "the Poor"

The definition of what is meant by poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question whether poverty is largely about material needs or whether it is about a much broader set of needs that permit well-being. According to Sida (2005), poverty has a multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities.

Hulme and Mosley (1996), define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered. In order to discuss microfinance as a tool for poverty alleviation, it is important to understand the concept of poverty both at a micro and a macro level. It is not enough to define poverty in terms of basic needs only because this is likely to omit other important components therefore focusing at poverty as a single sided problem. It is necessary for microfinance institutions (MFIs) to embrace broad aspects of economic development.

The United Nations Development Report of (2000) defines poverty as pronounced deprivation which encompasses a wide range of issues including hunger, lack of shelter and clothing, lack of access to health care and education and inadequate or lack of access to policy making (UNDP, 1999, 2001). Being poor connotes lack of access to resources necessary for achieving a decent standard of living. The definition of what is meant by "poverty", how it might be measured and who constitute "the poor" are fiercely contested issues. At the heart of the debate about defining poverty stands the question of whether poverty is largely about material needs or whether it is about a much broader set of needs that permit well-being (or at least a reduction in ill-being). The former position concentrates on the measurement of consumption, usually by using income as a surrogate. Though this approach has been heavily criticized for its reductionism and bias (Chambers, 1995), it has considerable strengths in terms of creating the potential quantitatively and analyzes changes in the access to different people to their most pressing material needs. Despite the criticism, Greeley (1994) admits that there is broad agreement that income is an adequate measure of welfare.

There is no academic consensus on how to define the different levels of poverty. Definitions for extreme poverty can range from landlessness, to earning less than $1 a day, to existing in the bottom half of those living under the poverty line, to income under a certain threshold. Assumptions are usually made as to the level of poverty addressed by a particular study or Micro Finance Institution (MFI). Usually small loan size is used as an indicator for poverty, the smaller the initial loan, the poorer the client is assumed to be. It is assumed that the richer' clients will self-select out of a program that lends only very small amounts.

This assumption that loan size and poverty levels can (to some degree) be equated has not been found to be correct. The clients in the poverty-targeted programme are overwhelmingly situated in the poorest category, while the majority of clients in the non poverty targeted scheme are found in the least poor category.

Poverty can also be defined as being powerless, vulnerable, isolated, physically and economically weak. According to Chambers (1983), isolation and exploitative social relations combine to create alienation among the poor. Limited accesses to training and education result in inadequate social and economic skills and contribute to alienation. This Chambers said, is further compounded where the languages of public administration and commerce which are lien to the poor. Such conditions create a communication gap between the poor and the rest of society. The culmination of this process is the characteristics of low self-esteem or sense of being without identity or lack of confidence that is common among the poor. Another dimension of poverty particularly the rural poor, is alienated from growth processes such as development, adaptation and use of new technology. Evidence of this is provided by the continued high underemployed in the rural areas despite ongoing technological change. This suggests that although improved technology is available, the poor are unable to take advantage of new opportunities.

Poverty is also a state of vulnerability, especially to external shocks and internal social conflicts. The precarious conditions of the poor can quickly result in change in the poverty status of individuals and households at risk. Vulnerability can arise from natural factors such as climatic (e.g. droughts) and environmental change (desertification); economic changes such as reduced output; social changes, for example, in marital status; and also inferior social status, which exposes people to exploitation even by other poor groups. Thus, it is precisely those in society who are least able to deal with risk, namely the poor, who are most exposed to it. Vulnerability also arises from seasonal fluctuations as demonstrated by the fact that there are significant seasonal cycles in occupational activities related. It is important to note that these attributes are, however, not always free standing; they are inter-linked, if one is "powerless", one is vulnerable and consequently physically and economically weak and becomes isolated. These attributes interact with age, ethnicity and socio-economic status to produce highly diverse and complex patterns of poverty in Africa (Adjei, 2010).

2.2.2 Multiple Dimensions of Poverty

In the second half of the 20th century, poverty was explained largely as a result of inadequate economic growth and individual failings, and measured as per capita income or consumption, ignoring structural issues relating to the unequal distribution of wealth and opportunity. The solutions were therefore interpreted as a need for greater economic growth, with a focus on building human capacity/capital.

In recent decades, the conceptualisation of poverty has broadened to include non-economic components. Thus, poverty is increasingly being recognised as multi-dimensional, distinguishing the numerous aspects of people's lives affected by poverty, including economic and non-economic dimensions, and recognising that poverty occurs within – and is affected by – the political, economic, social and cultural contexts (Sen, 1999).

Recognising poverty as being multi-dimensional does not necessarily change who is classified or identified as poor (though it can, depending on the classification criteria), but allows better characterisations of the poor and has significant implications for analysis. A better understanding of poverty and of the interaction between different dimensions allows a more informed choice in the design and implementation of appropriate policies to reduce poverty.

The following five contributory elements of well-being were drawn from the *Voices of the Poor* exercise (Narayan *et al.*, 2000; Narayan & Petesch, 2002), one of the largest studies where the poor themselves defined poverty. Together they are said to provide the conditions for physical, social, psychological and spiritual fulfillment (though they are rather general and do not provide any sense of how they can be achieved). The five elements are:

- the basic material needs for a good life – the ability to have secure and adequate livelihoods, including income and assets, enough food at all times, adequate shelter and access to goods;
- health – the ability of an individual to feel well and be strong, and have a healthy physical environment. This includes the ability to be adequately nourished and free from disease, to have access to adequate and clean drinking water and clean air, and to energy to keep warm and cool;
- good social relations – presence of social cohesion, mutual respect and the ability to help others and provide for children, equitable gender and family relations;
- security – safety of person and possessions, secure access to necessary (natural and other) resources, and security from natural and human-made disasters;
- freedom of choice and action – ability of individuals to control what happens to them and to be able to achieve what they value doing or being. Freedom and choice cannot exist without the presence of the other elements of well-being (MA, 2003).

Furthermore, the acknowledgement of the multidimensionality of poverty is reflected in the range of both quantitative and qualitative methodological approaches adopted to conceptualise and measure poverty. Sub-Saharan Africa (SSA) is afflicted by many forms of poverty. Human Development Index scores in most countries of SSA have stagnated or declined since 1990, leaving this region as the poorest in the world. Indeed, 28 of the 31 low human development countries are in SSA (UNDP, 2006: 265). Analysis of income poverty is similarly disappointing. Since 1990, income poverty has fallen in all regions of the world except SSA, where there has been an increase both in the incidence and absolute number of people living in income poverty. This sees some 300 million people in SSA – almost half of the region's population – living on less that US$1 a day (UNDP, 2006: 269).

2.2.3 Poverty Situation in Ghana

Poverty in Ghana, like in all developing nations, is predominantly a rural phenomenon. The Human Development Index of the UNDP (1990) ranked Ghana among the poorest countries of the world. According to the IFAD (2009) poverty levels are highest in the three northern regions of Ghana namely Northern, Upper East and Upper West where the rate of poverty ranges between 69 and 88 percent. Agriculture is the dominant economic activity in rural Ghana except areas in the coastal belt where fishing is the main stay of the local economy. Poverty is more experienced by food crop farmers who are mainly subsistence farmers than by cash crop farmers. According to the Ghana Statistical Service (2008) poverty among food crop farmers many of whom are women is about 19 percent above the national average of 40 percent. This is due to the high instability of prices of perishable crops they produce.

Poverty in Ghana also has gender dimensions. Various IFAD reports indicate that about 60 percent of small scale subsistence farmers are poor and are mostly women. Rural poverty is more acute in the female population than felt by their male counterparts. Women represent about 51 percent of the total population of Ghana. Gender disparities with respect to access to and control of assets such as land, credit, human capital assets including education, health and social capital assets such as participating actively at various levels of politics as the protection of personal property and physical safety.

Poverty in Ghana is not limited to the rural areas alone but can also be found in pockets of settlements in the urban centers. In cities such as Accra, Tema, Kumasi, and Sekondi-Takoradi large areas have developed into slums where people sleep in shacks, kiosks among other unsecured places.

i. Rural Poverty in Ghana

Poverty in Ghana is prevalently rural. Majority of the country's poor people live in rural areas, where they have limited access to basic social services, safe water, motor able roads, and electricity and telephone services, banking services and other health care facilities. The incidence if poverty is highest in the northern parts of the country. While poverty has a firm grip on the north, there has been a substantial decline in poverty overall. The disparity has widened the income gap between people in the south, where there are two growing seasons, and those in the drought-prone northern plains that have only one growing season within the year.

Poverty is deepest among food crop farmers. Poor food crop farmers are mainly traditional small-scale producers. About six out of ten small-scale farmers are poor and many of them are women. Despite the efforts of the government which works with development partners such as International Fund for Agricultural Development (IFAD) to reduce poverty in the country, small-scale farmers, herders and other rural people in Ghana remain poor.

Women are among the worst affected. More than half of women who are heads of households in rural areas are among the poorest 20 percent of the population are poorest of the poor. The poorest areas of Ghana are the savannah regions of the north, where many rural poor people face chronic food insecurity. In the northern part of Ghana, poverty often has a hold on entire rural communities. Livelihoods are more vulnerable in those regions and all members of the community suffer because of food insecurity for part of the year. According to (Ghana Statistical Service, 2000) the three poorest regions are Upper East, Upper West and Northern. In the Upper East region almost nine out of ten people live in poverty. Nine out of ten people in the Upper West region are poor. In the northern region, poverty affects seven out of ten people and slightly less than half the population of the Central region is poor. Throughout Ghana, rural people cope with poverty in various ways, finding individual solutions to the problem. Men take off-farm employment, women carry on small-scale trading, and families reduce cash spending, which may mean taking children out of school.

Among the causes of rural poverty, according to the government's poverty reduction strategy paper are, low productivity and poorly functioning markets for agricultural outputs. Small-scale farmers rely on rudimentary methods and technology and they lack the skills and input s such as fertilizer and improved seeds that would increase yields. Because of erosion and shorter fallow periods, soil loses its fertility, posing a long-term threat to farmers' livelihoods and incomes. Increasing population pressure leads to continuous cultivation in the densely inhabited Upper East region and a shorter fallow period in the Upper West region, causing further deterioration of the land.

ii. Urban Poverty

Poverty is not limited to the rural settings alone. In most countries including Ghana there is urban poverty which seems severe than rural poverty. Towns and villages around the cities are characterized by high levels of poverty. In the city of Accra, people sleep in kiosks, roadsides, lorry stations, petrol stations, and many other unsecured places. The level of slums in the cities really indicates that there is urban poverty. Migration from the villages to the cities in search of jobs has caused congestion in the cities. Many people in the cities live on less than one or two dollars a day because they do not have jobs. Public places of convenience are congested. Even though it is clear that urban dwellers have advantage as compared to their counterparts in the rural settings, it is also obvious that some rural dwellers are better off than their counterparts in the cities. Poverty therefore is not only a rural phenomenon but also observable in the urban settings (Peprah, 2009). Since poverty can be found in both the rural areas and the urban areas, who therefore is the “poor”.

2.2.4 Causes of Poverty in Ghana

Poverty is a macro problem; the causes are as wide as they are deep also. Some of the key reasons why people all over the world are poor and remain poor are political instability, natural disasters, corruption, socio-economic disparities and prejudice, lack of access to education, lack of infrastructure etc. Some other causes of poverty can be from acute conditions like warfare. The material and human destruction that is often caused by warfare is a major development problem (World Development Report, 2000/2001). An agricultural cycle is yet another cause of poverty. People that rely on fruits and vegetables that they produce for household food consumption often are faced with cycles of relative abundance and of scarcity. The period before harvest is always a hungry period for families that rely on subsistence production for survival. During the scarcity periods, these families lack sufficient resources to meet their minimal nutritional needs. Droughts and flooding can cause poverty as well. Apart from destruction caused by natural events such as hurricanes, environmental forces always cause acute periods of crisis by destroying many crops and animals as well.

2.3 Poverty Reduction Strategies

The World Bank and International Monetary Fund (IMF) were established to help in the developing countries. They were created to aid in development after the 1st world war. The task of the World Bank is to help in develop the developing countries by financing. The International Monetary Fund (IMF) introduced the Poverty Reduction Strategy Programs in the 1990's to assist poor nations to fight poverty. This was an initiative that established a poverty fund with the active participation of the countries who voluntarily signed up to it to ensure adequate funding and support for total eradication of extreme poverty as set out in the Millennium Development Goals. The program involved a moratorium on the repayment of a country's debt and the application of the funds accrued from the moratorium to fund specific poverty reduction projects that directly affect the well being of the poor especially in poor marginalized communities. Many countries in Sub-Saharan Africa including Uganda and Ghana signed up to the initiative.

The Ghana Poverty Reduction Strategy (GPRS) program outlines five critical areas to reduce poverty. These are macroeconomic stability, production and employment, human resource development, special programs for the vulnerable and excluded. Most poverty reduction strategies advocate rural development as a priority and identify interventions such as micro-finance for rural development. The Poverty Reduction Strategy Programs (PRSP) requires participation by all stakeholders especially the rural poor in developing and implementing the identified strategies to influence their livelihoods.

Most PRSPs promote education, direct capital injection, and rural health care including nutrition and the provision of affordable housing interventions as measures for improving or reducing poverty. By participating in the processes stake-holders are able to influence and share control over priority setting, policy making, resource allocation and access to public goods and services which require a detailed and systematic plan for monitoring implementation, progress and measurements of program impact.

The GPRS seeks to improve access of the rural poor to safe drinking water and proper sanitation facilities. The Government of Ghana is putting up new health facilities and strengthening existing ones in the rural areas. The National Health Insurance Scheme (NHIS) has also been established to help bring healthcare services to the doorsteps of the rural dweller. Health training institutions are being expanded and Community Health schemes are currently being promoted with the employment of hundreds of community health nurses deployed to the rural areas to complement the efforts of other health workers.

Ghana has made poverty reduction strategies integral part of the national development program with the launching of Ghana Vision 2020 revised to Vision 2015. The intention of the Government of Ghana on the Ghana Poverty Reduction Strategy program was to ensure sustainable, equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded. The GPRS seeks to improve the welfare of the poor especially the rural poor by implementing programs that will bring about increased access to basic needs in addition to developing a strong human resource base to enable the poor to identify and take advantage of existing opportunities; create an enabling condition for the development of new ideas and the application of simple and less expensive methods of production, processing, storage and marketing of goods and services to engender increased levels of production and employment.

It is also to ensure that the interests of women and children who are considered more vulnerable to poverty conditions are adequately considered in all decision making. The intention is to eliminate endemic poverty and growing income inequality, especially among the productive poor who constitute a majority of the working population. The strategy for poverty reduction lays emphasis on economic growth, integrated rural development, and the expansion of employment opportunities for the poor and more specifically an improved access by both urban and rural poor to basic public services such as education, health, water and sanitation and family planning services (Khandker, 1998). It also sought to strengthen the capabilities of both the rural and urban poor and vulnerable to earn income, reduce gender and geographical disparities, and produce a healthier, and better educated and more productive population.

The strategies to achieve these include: accelerating economic growth with equity through the use of sound economic policies which emphasize employment generation, gradually developing firm targets for poverty reduction and improving database on poverty with a view to ensuring a more effective poverty reduction programming. Others are strengthening the agricultural sector by improving productivity through the provision of improved seedlings, subsidized agricultural inputs such as fertilizers, irrigation facilities, increasing productivity in the manufacturing and services sectors, increasing investment in human resources through improving the quality and access to education, health services, nutrition, water and sanitation and, encouraging the development of local entrepreneurial class as well as reducing the isolation of poor communities through strengthening economic infrastructure such as roads and communication networks.

A participatory approach and consultative process are integral in making core policy decisions including health, agriculture and poverty. In order to improve ownership and participation the design of specific poverty reduction programmes are managed by a Technical Committee on Poverty (TCOP) which includes representatives from the District Assemblies and the various Ministries and governmental agencies. The District Assemblies are also encouraged to involve NGOs and other Community Based Organizations in the formulation and implementation of poverty reduction plans and decisions. The objective is to increase responsiveness at the local level, while maintaining coordination and accountability at the central level, that is, the District Assembly level.

2.3.1 The Preference for Women in Microfinance Programmes

Globally, microfinance programmes target the poor; nonetheless, women are the most preferred. According to Armendariz and Roome (2008) seven out of ten microfinance clients are women. In Ghana, 67 percent clients of MFIs are women (GHAMFIN, 2009 as cited in Adjei, 2010). The increasing preference for women in microfinance programmes is informed by certain reported characteristics of women as clients of microfinance programmes. It has been reported that women in microfinance programmes have higher repayment rates than men. By dealing with women, MFIs are noted to have a reduced transaction cost because women are more punctual and assiduous in attending meetings. Women are reported to often spend more of their earnings on their household.

Women in the microfinance programmes are organised in groups. Group formation for the implementation of microfinance programmes is informed by women's solidarity that groups are likely to generate. Women solidarity is expected to help women in the pursuit of their empowerment needs such as decision-making power by supporting their businesses and through information sharing (Armendariz & Roome, 2008; Rahaman, 1998 as cited in Nelson, 2009). However, some critical studies have identified some hidden presumptions of MFIs about women that also tend to make women more attractive to microfinance providers than men. Some of these hidden presumptions border on the personal characteristics of women (Rahaman 1998 & Nelson 2009). These hidden characteristics include the perceptions that women are docile and easier to manage in microfinance programmes than men. Women are said to be vulnerable to peer pressure which makes them do anything to settle their indebtedness to MFIs. Women's fear of shame or disgrace associated with defaults makes them more ready to redeem their obligation to the group and MFI no matter the circumstances. To the critics, these hidden presumptions are the actual motivations that make MFIs to focus more on women than on men. In this case, the critics argue that MFIs benefit more from their microfinance programmes than what the women do.

2.4 Historical Background of Microfinance

A better appreciation of the concept of microfinance requires delving into the historical background. According to Otero (1999), microfinance is relatively a new term in the field of development, first coming to prominence in the 1970s. From the 1950s through to the 1970s, the provision of financial services by donors or governments were mainly in the form of subsidised rural credit programmes. These often resulted in high loan default, high losses and the inability to reach poor rural households (Robinson, 2001).

The 1980s saw the emerging point of microfinance with MFIs such as the Grameen Bank showing that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). The 1990s also saw accelerated growth in the number of microfinance institutions reaching a commercial scale. With the growth in microfinance institutions, attention changed from just the provision of loans to the poor, to the provision of other financial services such as savings and pensions when it became clear that the poor had a demand for these other services (Wrenn, 2005).

Microfinance is the provision of financial services to low-income, poor and very poor self-employed people. These financial services, according to Ledgerwood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services. Microfinance is also defined as the attempt to improve access to small deposits and small loans for poor households neglected by banks. Steel and Andah (2004) share a similar view as they state that microfinance refers to small financial transactions with low-income households and micro enterprises (both urban and rural), using non-standard methodologies such as character-based lending, group guarantees, and short-term repeat loans.

Ghartey (2007) defines microfinance as the provision of financial services: savings, credit, insurance and remittances, to a larger number of the productive but resource poor, in a cost-effective and sustainable manner with the view to creating wealth and reducing poverty. In a separate vein, microfinance is considered a range of innovative financial arrangements designed to attract the poor as either borrowers or savers (Richard, 2007).

In principle, microfinance can relate to the chronic (non-destitute) poor and to the transitory poor in different ways. Lack of access to credit is readily understandable in terms of the absence of collateral that the poor cannot offer conventional financial institutions, in addition to the various complexities and high costs involved in dealing with large numbers of small, often illiterate borrowers. The poor have thus to rely on loans from either money lenders at high interest rates or friends and family, whose supply of funds is limited (World Bank, 2000). However, commercial banks appear not to have proven lending methodologies for the financing, and underestimate businesses' demand for credit because they have not developed techniques for overcoming high transaction costs and risks (Opare, 2001).

Policies with respect to the real goods sector of agriculture and financial markets further scare away formal, private sector entrepreneurs from taking a larger share in rural financial intermediation leaving the arena to moneylenders. The focus on rural finance focal point should be income expansion and poverty reduction, adopting cost-effective alternatives such as increased investment in rural infrastructure or in human development. In this regard, governments play a much more limited and efficient role in the direct provision of rural financial services, concentrated on establishing a favourable policy environment that facilitates the smooth functioning of rural financial markets (Yaron, 2004).

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

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

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

Further, microfinance as a product has several characteristics some of these as identified by Mohammed & Mohammed (2007) are that "they entail little amounts of loans which are given to individuals and groups to help them start some income generating activities". Secondly "they involve little savings over time as it serves as security for poor households and also help them accumulate substantial capital to overcome their capital constraints". Thirdly, "the loans which are given out are a short term loans, usually up to one year. Payment schedules are usually on weekly basis and installments which combine both principal and interest, and are amortized in course of time". Finally, "easy access to the microfinance intermediary saves time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status". Moreover, in terms of application the clients need not go through the cumbersome procedures which are required in the traditional commercial banks. There is also short processing periods between the completion of the application and the disbursement of the loan. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. The clients who pay on time become eligible for repeat loans with higher amounts.

2.4.1 Overview of Microfinance in Ghana

Microfinance activities started as *Susu* collection in Ghana. The word Susu was coined from Nigerian word esusu meaning small amount of money in naira. In the absence of banking facilities and other formal financial sources, the Susu has been a major source of fund mobilization for the unbanked in Ghana, most especially rural Ghana, (World Bank, 1994). Susu is believed to have contributed largely to micro enterprises and small scale businesses, guaranteeing the depositors of Susu companies' loan and advances for their clients after some period of regular deposits normally six months.

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

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

Cooperative Credit Unions were expected to take over some of the lending being done by moneylenders. A number of government financed loans schemes were instituted in the late 1950s with the same aim as well as the general aim of making more finance available for local development. Then in the 60s special banks, National Investment Bank and Agricultural Development Bank, were established. Commercial banks, notably the Ghana Commercial Bank, also operated rural credit schemes. But rather than giving credit to rural producers, these banks were draining the rural areas of savings, which were invested in the commercial and housing sectors in the urban areas (Egyir, 2010). The need for rural banks arose by the turn of the 1970s. It had become clear that existing formal financial institutions, formed with the goal of replacing the perceived harmful informal operators, especially moneylenders, are not meeting the financial need of the rural poor. The intermediating credit to the rural sector of the economy upon which Ghana's agricultural economy depends; currently contributing 38 percent of GDP had also been failing to achieve their objectives. Therefore the first rural bank in Ghana was founded in July 1976 at Agona Nyaakro in the Central region of Ghana.

As more rural and community banks (RCBs) came into operation, the Association of Rural Banks (ARB) was formed to represent and seek their interest. The RCBs were regulated and supervised by the central bank, Bank of Ghana (BoG), from which they also received technical support through the ARB, until an Apex Bank was established in 2nd July, 2002 to play the role that the BoG had been playing. The reserve requirement of RCBs was set as high as 62 percent, to enable them benefit from the high yields on sovereign securities and improve their financial standing. This has subsequently been brought down to the current level of 8 percent in the form of primary reserves plus 5 percent deposit with ARB Apex and a 30 percent secondary reserve (Egyiri, 2010). Thus, rural banks currently need to have 43 percent of their assets in the form of liquid assets. With the downturn of the Ghanaian economy in the late 1970s and early 1980s, the government in

1983 started implementing a Structural Adjustment Facility from the International Monetary Fund (IMF) to reform key sectors of the economy.

By 1986 it was widely accepted that reforms were needed to encourage the development of the financial sector in order to deepen financial intermediation and create new investment instruments, as well as encourage the establishment of new financial institutions that would all go to make the economy much more competitive in the world economy (Asiama & Osei, 2007). The liberalization of the system therefore could not have come at a more opportune time.

Goals of Microfinance Institutions

According to Quaraishi (2007), the goals of MF institutions include but not limited to the following:

- To provide diversified, dependable and timely financial services to the economically active poor.
- To mobilize savings for financial intermediation.
- To create employment opportunities.
- To provide veritable avenues for the administration of the micro-credit program of government and high net worth individuals.
- To render payment services such as salaries, gratuities and pensions on behalf of various tiers of government.
- To involve the poor in the socio-economic development of the country (Egbu, 2006).

2.4.2 Approaches of Microfinance

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

i. Welfarist Approach

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

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

ii. Institutionalist Approach

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

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

2.4.3 Models of Microfinance Interventions

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

i. Rotating Savings and Credit Associations

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

ii. The Grameen Solidarity Group Model

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

iii. Village Banking Model

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

2.5 Impact of Microfinance on Poverty Reduction

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

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

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

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

Hulme and Mosley (1996) argue that well-designed programmes can improve the incomes of the poor and move them out of poverty. They show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save, their vulnerability is reduced and their poverty situation improves. A loan facility is more beneficial to the "middle and upper poor" and not the poorest of the poor. According to them, there is clear evidence that the impact of a loan on a borrower's income is related to the level of income as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor" (Hulme & Mosley, 1996). However, they also showed that when MFIs such as the Grameen

Bank provided credit to very poor households, those households were able to raise their incomes and their assets.

Johnson and Rogaly (1997) also refer to how savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability. According to Dichter (1999), microfinance is a tool for poverty reduction. While arguing that the record of MFIs in microfinance is generally well below expectation, he concedes that some positive impacts do take place. From a study of a number of MFIs, he states that consumption smoothing effects, signs of redistribution of wealth and greater influence of the individual within the household are the most common impact of MFI programmes.

Mayoux (2001) states that while microfinance has much potential, the main effects on poverty have been that, credit is making a significant contribution to increasing incomes of the better-off poor, including women. People with access to savings, credit and other financial services, are more resilient and better able to cope with challenges of everyday life. Microfinance services contribute to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

While the debate goes on about the impact of microfinance projects on poverty, it is clear that when MFIs understand the needs of the poor and work to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

2.5.1 Best Practices in the Provision of Microfinance

Murray and Boros (2002) posit that the characteristics of microfinance products include small amount of loans, and clients who pay on time become eligible for repeat loans with higher amount. Microfinance procedures are simple and processing periods are short. In their literature on "Characteristics of Microfinance", they state that microfinance offers short term loans (usually up to the term of one year) and payment schedules are in frequent instalments.

Yaron (1994) reported on one key factor that contributes to the success stories of Grameen Bank in Bangladesh, BAAC in Thailand and BKK in Indonesia. The time of submission of application and disbursement of loans varied between one and two weeks for the first time borrowers and in the case of repeat borrowers, the period was just about a day. Yaron (1994) argues that best practices of microfinance organisations are reviewed based on the concepts of outreach and sustainability. Outreach and sustainability are expressed in terms of the theory of social welfare. Outreach is the social value of the output of a microfinance organisation in terms of depth, worth to users, cost to users, breadth, length, and scope. Outreach is commonly proxied by the sex or poverty of borrowers, the size or the terms of loan contracts, the price and transaction costs borne by users, the number of users, the financial and organisational strength of the lender, and the number of products offered, including deposits.

The social goal of sustainability is to maximise expected social values and sustainable organisations tend to improve welfare. Most unsustainable microfinance organisations inflict costs on the poor in excess of the gains enjoyed by the poor. Sustainability is not an end in itself but rather a means to the end of improved social welfare (Rhyne, 1998). In line with sustainability, the Oudomxay Community Initiatives Support Project (OCISP, undated) reveals that savings-led projects perform better and their funds grow faster, which makes sustainability objectives easier to achieve. Sustainability needs to be widely discussed and understood among staff and clients, including market interest rates, all expenses and allowance for growth of funds. Full costs recovery calculations should be carefully explained to clients.

Aryeetey et al. (1994) state that most lending institutions do not have experienced personnel capable of developing innovative financial products suitable for SMEs. Andrews (2006) work on weak institutional capacity of MFIs with regard to poor governance, operating systems, low staff knowledge and management skills confirms the earlier assertion. To address this, Asiama (2007) indicated that in order to promote the sub-sector, the various stakeholders organise training programmes and activities with the view to upgrading the human capital in the industry. Nevertheless, the staffing and competency level being achieved with these training programmes is still below what is desired. The human capacity of some key stakeholders and institutions including Microfinance and Small Loans (MASLOC), Ghana Microfinance Institutions Network (GHAMFIN), MFIs, relevant ministries and technical service providers needs to be enhanced for microfinance operations.

According to Steel and Charitonenko (2003), the new paradigm recognises that financial services may need to be augmented by complementary investments that help clients build access and skills through training in both technical and management skills and supporting business development services. Poudyal (2008) adds that it is possible to reach the lowest strata of poverty through financial services, however, special complementary services such as training, technical backstopping and insurance are required to avert the risk of the client.

Wrenn (2005) identifies the Group Peer Pressure model as one of the microfinance models suitable for advancing loans to clients. With the Group Peer Pressure model, loans are given to individuals in groups of four to seven. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Repayments are usually made weekly. These solidarity group methods have proved effective in deterring loan defaults as evidenced by high loan repayment rates attained by organisations such as the Grameen Bank, which used this type of microfinance model.

Asiama (2007) underscores that 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.

2.5.2 Access to Credit and Poverty Reduction

Access to financial services can help promote equity and can in this context, be linked to better economic equilibrium and to faster economic growth. 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" (World Bank, 2004).

In many developing countries, poor rural households 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. Nor do banks welcome the small amounts the poor want to save. As a result, the poor usually turn first to informal sources such as friends, relatives, or moneylenders, who loan small amounts for short periods, or to informal, indigenous institutions such as savings clubs and lending networks to borrow enough to purchase food and other basic necessities. These informal networks are frequently successful in tiding the poor over difficult times such as a bad harvest, and they enable poor households to build up savings for investments that can help lift them out of poverty (Adjei, 2010). The poor gets credit through microcredit and microfinance products. Littlefield (2003) stated that access to microfinance 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.

2.5.3 Support from Microfinance and Poverty Reduction

The impact of MF on livelihoods is focused in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. The provision of MF can assist the poor find the means to protect their livelihoods against shocks and to build up and diversify their livelihood activities (Johnson & Rogaly, 1997). Chowdhury et al. (2004) argue 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 defence against having to sell physical and human assets and so protect household assets.

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

Moreover, women empowerment is a key objective of MF interventions. Women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. MFI cannot empower women directly but can help them through training and awareness rising to challenge the existing norms, cultures and values that place them at a disadvantage in relation to men and to help them have greater control over resources and their lives (Mosedale, 2003).

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 & Mosley, 1996). However, Chowdhury and Bhuiya (2004) found that violence against women actually increased when women joined the program, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger.

The question is whether some constraints affected the accession to the MF program of women or not. By providing material capital to a poor people, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

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

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

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, Akudugu (2009) shows 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 percent) of it for working capital or investment capital and the gains from investment, albeit small, have increased family food supply, supported child education, medical care and occasionally led to the establishment of new micro enterprises.

2.5.4 Challenges in Microfinance Operations

According to Rahman (2004), in order to increase access to microfinance services for poor households, major current constraints on financing microfinance will need to be addressed. He enumerated four constraints which are lack of institutional capacity, an unfavourable environment, lack of capital for small and emerging MFIs, and inadequate financial infrastructure. Providing financial services to the rural population has always constituted a challenge to governments due to the inherent difficulties associated with providing such services to rural clientele, often characterised by low population density, isolated markets, seasonality, and highly covariant risk such as widespread regional crop failures and commodity price fluctuations.

Servicing the clientele results in high transaction costs and limited opportunities for risk diversification due to lack of adequate rural physical and human infrastructures and asymmetric information, which often dissuade profit-oriented formal financial institutions from entering these markets (Yaron, 2004). In another dimension, Conteh and Braima (2003) state that reliance on donor grants encourages a "social lending" syndrome (providing subsidised loans), discourages savings mobilisation, or hinders the formation of desired values of thrift, self-reliance, and responsible borrowing among the target clientele. In this regard, Rahman (2004) acknowledges that strengthening MFIs' institutional capacity will help diversify funding sources as commercial banks and investors gradually substitute donors as resource providers. Kuroda (2007) explains that one of the biggest challenges to micro-finance is the enabling policy environment. For example, interest rate ceiling on small loans by banks remain a major issue in a number of countries, where those not served and underserved market for financial services for the poor is still massive. Many countries also continue to operate highly subsidised government microcredit programmes through state-owned financial and non-financial institutions. These programmes fail to adequately deliver financial services to the poor and undermine growth in commercial microfinance. Some countries have shown a tendency to introduce interest rate ceilings for microcredit, thus increasing policy risks and making the investment climate less attractive.

Interest rates can be defined as the premium received by the lender after a stated period of time (Amonoo et al., 2003). From the borrower's point of view, it is the cost of capital at the time of obtaining a loan. There are several schools of thought regarding interest rates. According to the Classical school, the rate of interest is the main determinant of savings and investment. The Neo-Classical school maintains that interest rate is determined by supply (savings) and demand (marginal efficiency of capital). Autonomous increase in savings reduces the interest rate and the additional cost of capital.

The economist, Keynes, believed that quantity of money played a key role in determining the rate of interest. He viewed the equilibrium interest rate as that rate which equates the supply of money with the demand for money. In a more fundamental sense, the equilibrium rate of interest is determined by factors affecting the supply of money and the money demanded. The modern view of interest rate is based on the imperfect information paradigm as explained by Hoff and Stiglitz (1990). Operationalising interest rate in the context of the demand for credit by the SMEs shows the interplay of several factors. According to Funkor (2000), a key factor includes high treasury bill rates. The average Ghanaian business operator in the private sector views interest rate as a measure of the price paid by a borrower to a lender for the use of financial resources for a time interval.

One other challenge is the inadequacy of rural infrastructure which hinders access to markets and to technology (Conteh & Braima, 2003). Road networks are in a state of disrepair. Power, water supply, and communication facilities are grossly inadequate in some urban areas and absent in most rural areas. All these factors increase the costs of doing business or result in the production of low-quality, uncompetitive products. They also reduce potentials for expansion and for attaining rapid rural economic recovery.

According to Kuroda (2007), another challenge is building of adequate retail capacity to provide a broad range of services in demand by the poor. This is particularly true in countries where those not served and underserved markets continue to be very large. In such countries, massive efforts are necessary to establish retail institutions, reform the existing rural credit cooperatives and build the capacity of domestic banks to become dynamic players in the microfinance industry. Transaction costs are a critical challenge in microfinance and there is the need for microfinance institutions to significantly reduce the transaction costs of providing a broad range of services. Reducing transaction costs will therefore have a positive impact on both the supply and the demand for services, creating a win-win situation for all.

Loan repayment is seen as one of the challenges that MFIs face. Amonoo et al. (2003) observe that lenders of funds in the formal financial sector use the deposits of their clients while lenders operating in the informal sector use mainly their own funds to advance money to borrowers. In either case, the transactions are expected to lead to recouping the financial capital. If this does not happen, borrowers benefit at the expense of lenders. Assuming this continues, bankruptcy will be the ultimate result and this will reduce financial intermediation.

According to Stiglitz and Weiss (1981), high interest rates lead to adverse selection of loan seekers that affect loan repayment. Besley and Coate (1995) however add that repayment rate will not be 100 percent at a positive interest rate. Assuming the project's returns are very low, borrowing at zero interest rate will still not make the borrower capable of repaying the loan. Thus, a positive interest rate increases cost of production, reduces returns from a productive activity and promotes loan default among borrowers.

Empirical evidence indicates that higher loan repayment performance occurs in Asia as compared to Africa (Amonoo et al., 2003). High loan repayment performance of 80 percent to 98.6 percent was reported for four successful rural finance institutions in Asia. According to Yaron (1994), three main factors contributed to the success story of the institutions. Firstly, the time of submission of application and disbursement of loans varied between one and two weeks for the first time borrowers and in the case of repeat borrowers, the period was just about a day. Secondly, the banks use existing peer groups to ensure prompt payment. Thirdly, there was in place rigid structure of loan repayment, that is, routine meetings of group members in which social pressure was applied to achieve prompt payment and flexible loan repayment terms that were tailored to cash flow patterns of income earning activities of beneficiaries.

Available reports indicate that loan repayment is poor in Africa. For example, repayment was estimated at 14 percent to 20 percent for commercial banks in Tanzania (Bagachwa, 1996), and 45 percent for small agricultural loans in Ghana (Aryeetey & Nissanke, 2000).

Besley (1994) asserts that enforcement of loan repayment constitutes a major difference between rural credit in developing countries and credit market in developed countries. Most lending institutions do not have experienced personnel capable of developing innovative financial products suitable for SMEs (Aryeetey et al., 1994). The repayment of loans by the poor and SMEs was recognised as one of the most troublesome problems facing rural financial institutions in Africa. Collateral, access to local information and appropriate local mechanisms to enforce loan repayment are important issues.

Loan misapplication and its consequences for loan repayment have been recognised by several authors as a challenge to microfinance. In this vein, several factors have been identified. For example, the delay in the release of funds to burrowers is identified as a major contributing factor to poor loan repayment. This viewpoint was brought up vividly by Armah (2001) when she posed this question: "of what use is a loan to a woman who cultivates groundnuts after the farming season is over?" In a second instance, the percentage of the amount of loan granted tends to be lower than expected by the borrowers and this affects the working capital of SMEs (Armah, 2001, Aryeetey et al. 1994). Eventually, the low amount granted affects the returns and the repayment of loans. Andrews (2006) recommends that loan terms and conditions are adjusted to accommodate cyclical cash flow and bulky investments. Thus, successful institutions track the cash flow cycles of their clients more closely.

Aryeetey and Nissanke (2000) remark that high interest rate may encourage borrowers to use the loan to settle previous loans rather than finance working capital or investment. Again, several lending practices showed that, the grace period for repayment of loans have been too short to serve their intended purpose, especially for start-up phase of the businesses.

According to the International Fund for Agricultural Development (IFAD) report (2006) on "Emerging Lessons in Agricultural Microfinance: selected case studies", delivering small-scale loans and savings mechanisms can be particularly challenging in areas of low population density where the distance between clients is great and transportation network are often poor.

Amoono et al. (2003) note that conflicts in society lead to political instability and fuel risk and uncertainty because they can contribute to different signals given to actors in the financial sector. SMEs get caught in the uncertainties and this affects their ability to pay back loans. Steel &Webster (1989) and Dzamboe (2001) add that the success of SMEs credit programmes is contingent upon a minimum level of economic and political stability. Political instability induces changes in political orientation leading to changes in policy paradigms that undermine SME projects (Steel & Webster, 1989).

Political pressure for loan disbursement has been the bane of all SMEs credit programmes initiated by governments. Political pressure for disbursement without knowledge about borrowers' working environment has been recognised by McGregor (1994) to be among the major causes of poor loan recovery. This is the adverse selection outcome. Andrews (2006) underscores that political intervention can undermine payment moral through debt forgiveness and interest rate ceilings. The author recommends that microfinance must be insulated from political interference since it is difficult to survive government moratoriums.

Evidence in Ghana and several countries indicate that, subsidised schemes are not self-sustainable due to political pressure in the disbursement of loans. For example, out of GH¢24,570 disbursed under the Poverty Alleviation Fund (PAF) by the Ho District Assembly, only 16.4 percent was been paid back (Agbelie, 2001). In the Bawku West District in Ghana, GH¢6,212 out of a total of GH¢12,700 disbursed to beneficiary groups and individuals for income generation activities was recovered. This amount represents less than 50 percent of the total loan disbursed (Seini, 2001). Amonoo et al. (2003) contend that the low rate of recovery can be attributed to the poor strategy used in the project appraisal. Many beneficiaries acknowledge such loans as government's appreciation to communities and therefore do not see the need to pay back such loans.

2.7 Summary of Chapter

In summary, this section reviewed available literature on poverty reduction and microfinance, taking into consideration the objective of the study. Various writers such as 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. The literature also showed that MF contributes to building up physical assets and according to Marconi and Mosley (2004), clients reflected significant increases in ownership of livelihood assets such as livestock, equipment and land. Finally the literature indicated that providing financial services to the rural population has always constituted a challenge to governments due to the inherent difficulties associated with it. The next chapter discusses the methodology used for the study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter focuses on procedures adopted to gather data relevant for the study. The procedures include research design, population, sample and sampling techniques research instrument, data collection procedure and method of data analysis. It also gives the profile of the study area which includes physical characteristics, population size and other characteristics to serve as background to the study.

3.2 Research Design

This study is a descriptive survey, which according to Babbie (1990) and Gay (1992), is useful for investigating a variety of problems including assessment of attitudes, opinions, conditions and procedure. Descriptive study is concerned with relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing (Best, 1970). Descriptive data are usually collected through questionnaires, interviews and observations. The descriptive survey design was considered by the researcher as the most appropriate for analyzing the improvement or otherwise in the poverty levels of the rural dwellers before and after the introduction of microcredit interventions in the community.

The case study design was adopted in the study. This 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). Based on the above, Sonzele Rural Bank Limited (SRBL) was chosen for an indepth study. A case study strategy is mostly used in exploratory and explanatory research (Saunder et al, 2007). Explanatory research requires personal contact, so questionnaires (both closed and open ended semi-structured) were administered and face-to-face interviews conducted to gather and systematically track the client's responses on the contribution of microfinance to their socio-economic well-being.

3.3 Population and Sampling

3.3.1 *Study Population*

A study population is that aggregation of elements from which the sample is actually selected (Earl, 2002). It is the aggregate or the totality of all members or units from which information could be obtained (Rubin and Babbie 2001). According to David and Chava (1976) a population could be defined in terms of content, extent and time. Cooper and Sciendler (2001) define population as the total collection of elements about which we wish to make some inferences. Therefore a population for this study included all women beneficiaries and non beneficiaries of microfinance and the officials of the SRBL.

3.3.2 *Target Population*

Target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions. The target population for the study comprised of microfinance groups of Sonzele Rural Bank Limited (SRBL). As at 30 April 2014, SRBL had a total of thirty-nine microfinance groups (39) groups constituting eight hundred and ten (810) women engaged in various business activities (SRBL, 2014).

The target population therefore comprised twenty (20) groups consisting of four hundred and fifty (450) beneficiaries of SRBL in the Jirapa district. These are women groups that have been engaged in SRBL microfinance activities for at least 5 years and have lived in Jirapa district of the Upper West Region. People with long experience in microfinance activities were chosen because they are expected to be well informed and know much about the pros and cons of microfinance activities. To be able to make comparison of the impact of microfinance activities on rural women, one hundred (100) non beneficiaries were also selected for the purpose of the study. Table 3.1 contains the names of microfinance groups operating with Sonzele Rural Bank Limited (SRBL) from which the respondents were captured.

Table 3.1: Selected beneficiary groups and their locations

S/N	GROUP NAME	COMMUNITY	MEMBERSHIP
1	Titetaa Women	Karni	20
2	Katime-Nele Women	Karni	28
3	Suntaa Nutaa Women Farmers	Ulkpong	28
4	Takyenzala Women	Jirapa	15
5	Dangbala Women Credit Association	Jirapa	22
6	Langtaa Women	Jirapa	15
7	Watiemakanlienea	Karni	28
8	Gbiedumee Areminee Group	Tizza	25
9	Gbare Try and See Society	Gbare	15
10	Suntaa Nuntaa Women Group	Ulkpong	25
11	Market Women	Jirapa	30
12	Sunti Women	Jirapa	20
13	Kangtienu Women	Tizza	28
14	Hairdressers Association	Jirapa	25
15	Katimenmonye Women	Karni Mwofo	26
16	Tieroge-Nyene Women	Karni	26
17	Tazingzala Women	Jirapa	20
18	Danbolo Langtaa	Zaghe	20
19	Langyele Women	Jirapa	19
20	Zaavoro Women	Jirapa	15
Total			**450**

3.3.3 *Sampling Procedure/Technique*

Considering the huge numbers of Microfinance Institutions in Ghana, it would have been extremely difficult if not impossible to cover all microfinance institutions, programme areas and beneficiaries of microfinance programmes in Ghana.

Purposive sampling, which is a non-random sampling method, was used to select SRBL for the study. Purposive sampling allows the picking of interview objects that fit the focus of the study (Osuala, 2001). Also, according to Kumekpor (1989) with purposive sampling, the sample units are selected not based on random procedure but intentionally selected for the study. This is based on the fact that they have certain characteristics that suit the study or because of certain qualities they possesses, which are not randomly distributed in the universe but necessary for the study.

The selection was on the basis that, SRBL is the oldest microfinance institution in the district and has the largest number of women clients. SRBL is the only MFI in the district that provides credit to only women on group basis. This sampling procedure was applied in selecting women who are direct beneficiaries and have been with SRBL for 5 years, project officers of SRBL and some officials of the District Assembly.

Some of the reasons for selecting Jirapa district are that, northern Ghana is one of the areas where the incidence of poverty is very high. As stipulated in the Ghana Poverty Reduction Strategy (GPRS, 2003-5) document, 7 out of 10 are poor in the Northern Region, 8 out of 10 in the Upper East Region and 9 out of 10 are poor in the Upper West Region. Apart from that, women have been marginalized in terms of resource allocation and household decision making process in the study area. It was for this reason that women who are beneficiaries of the microfinance scheme were chosen to investigate their involvement, the impact on the businesses they do and reflections on their socio-economic statuses.

For the purposes of informed consent, an introductory letter was obtained from the UDS to enable me solicit information from the bank and other institutions concerned. In this regard, questionnaires were conveniently administered from 13th June – 1st August 2014 to customers of the SRBL who were present at their official meeting days.

3.4 Data Sources

A suitable methodology enables a researcher to collect valuable data for his/her study, analyze and present them in a chronological manner. In the light of this, various sources of data were consulted to obtain reliable data aimed at achieving the objectives of the study.

3.4.1 Primary Source

This source was obtained through the use of interview (see Appendix A), focus group discussions (see Appendix B) and questionnaire (see Appendix C). The purpose of these techniques was to allow probing to ascertain the impact of the microcredit on poverty reduction in the study area. This also allowed open discussion, which enabled me obtain information about women income generating activities. The high rate of illiteracy among my respondents calls for use of the open ended and semi-structured interview guide. In short, both quantitative and qualitative methods of data collection were employed in order to gather the data. But the qualitative method was the main focus in the presentation and analysis process of the data collected.

3.4.2 Secondary Source

Notwithstanding the advantages of primary source of data, secondary sources were also used. Secondary data are data already collected for some other purposes. This source was required to understand the concepts, definitions, theories and empirical results. The researcher used several books, research literature, articles, journals and thesis as secondary sources for the study. Further, the researcher used handbooks and annual reports of some of the MFIs in the Ghana and Statistical Bulletin of February, 2008 obtained from Bank of Ghana website and SRBL. The essence is to review literature about poverty, women empowerment and micro-finance. These sources are generally used in the literature review chapters to develop the arguments that serve as the basis for the empirical study.

3.5 Instruments for Data Collection

The instruments used for data collection were interview, focus group discussion and questionnaire.

3.5.1 Interviews

The main instrument for collecting data from the respondents was the use of semi-structured interview guide. This technique is generally used with participants who have experience of a particular situation and who can make contributions to the research being undertaken. The interview guide had a preamble introducing the purpose of the study, promised confidentiality of all data and soliciting the response of the subjects (see Appendix A).

The purpose of the research interview is to explore the views, experiences, beliefs and motivations of individuals on specific matters. Interviews are, therefore, most appropriate where little is already known about the study phenomenon or where detailed insights are required from individual participants. They are also particularly appropriate for exploring sensitive topics, where participants may not want to talk about such issues in a group environment. Interviews provide in-depth information pertaining to participants' experiences and viewpoints of a particular topic (Creswell, 2007).

According to Kirsch (2001), interviews with individuals provide the opportunity to learn about their personal circumstances and perspectives in detail and to discuss issues that would be difficult (or inappropriate) to address in-group situations. Kvale and Brinkmann (2009), further argue that, knowledge produced in interview research can be said to be about people's experiences, desires and opinions. To this end, the interviews offered me the opportunity to delve into how microfinance is affecting the livelihoods, economic circumstances, and poverty reduction strategies of the women.

The interview guide had four sections with themes classified according to the various specific objectives of the study. These sections were subdivided into open-ended items and format consistent with issues to be addressed in the study. The sub-divisions were also structured and tailored to the various stakeholders (beneficiaries and the Bank). Section 'A' covered the background information on all respondents. Section B covered the accessibility and adequacy of credit to beneficiaries, Section C contained questions about support and livelihood improvement from microfinance and Section D looked at the challenges in accessing credit for SRBL.

3.5.2 *Focus Group Discussion*

A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs and attitudes towards a product, service, concept, advertisement, idea, or packaging (Henderson, 2009). Focus groups are preferred when the researcher wants to gain insight into group perceptions, attitudes, opinions, behaviours and experiences. Questions are asked in an interactive group setting where participants are free to talk with other group members. In the social sciences, focus groups allow interviewers to study people in a more natural setting than a one-to-one interview. According to Kirsch (2001) group discussions allow "participants to build on the remarks of others and may encourage one another to contribute more…" In combination with participant observation, they can be used for gaining access to various cultural and social groups, selecting sites to study, sampling of such sites, and raising unexpected issues for exploration.

Thus a focus group discussion is an interaction with a small group of people on a specific topic. The participants are typically a relatively homogeneous group of people who are asked to reflect on questions asked by the interviewer. Participants get to hear each other‘s responses and make additional responses beyond their own initial responses as they hear what other people have to say. It is not necessary for the group to reach any kind of consensus nor is it necessary for people to disagree. The object is to get high quality data in a social context where people can consider their own views in the context of the views of others. The researcher arranged with credit officers to meet groups at their suitable time and venue for the focus group discussion to elicit the right information that in order to make valid conclusions. FGD was used for groups with smaller membership (see Appendix B). This is consistent with the position of Babbie (1990) who noted that in a focus group; typically 12 to 15 people are brought together in a room to engage in a guided discussion of some topic. He added that the subjects are selected on the basis of relevance to the topic under study.

3.5.3 *Questionnaire*

Babbie, (2010) defines a questionnaire as "a document containing questions and other types of items designed to solicit information appropriate for analysis" It is used for the purpose of asking questions to ascertain people's thoughts and opinions about their feelings, towards various issues that affect them. Questionnaire is a well established tool within social science research for acquiring information on participant social characteristics, present and past behaviour, standards of behaviour or attitudes and their beliefs and reasons for action with respect to the topic under investigation (Bulmer, 2004). It is mainly made up of a list of questions for collecting and recording information about a particular issue of interest. Questionnaires are a useful method to investigate shifts in user attitudes and opinions, patterns, frequency, ease and success of use. The use of questionnaire requires that questions and instructions are written extremely clearly or respondents will answer in incorrect ways and there is little ensuring participants finish a survey, meaning they may return it half finished and therefore useless. This notwithstanding questionnaire avoids bias of the researcher in asking or recording responses and allows for minimal contact between researcher and respondents. Considering the busy nature of credit officers, questionnaire was necessary to enable the researcher get the needed responses in a short time.

Unstructured questionnaire were administered to the credit officers of SRBL. Open-ended questions were used to elicit more information. The use of questionnaire allows the researcher to collect large amount of data in a relatively short time. The questionnaires were designed by the researcher based on the research objectives (see Appendix C).

3.6 Data Analysis

The data collected were edited to ensure that responses were suitable. The editing also helped to exclude questionnaires which were not completely answered and some other responses that were not properly recorded. Figures, frequencies, percentages and tables were used to describe the responses and make the necessary comparisons of the existing data.

3.7 Profile of Study Area (Jirapa District)

A predominantly Christian community, the Jirapa-Lambussie district established by LI 1902 was later in 2007 splitted into the current Jirapa and Lambussie-Karne Districts as part of efforts to deepen Ghana's decentralization process. The Jirapa districts' capital is Jirapa, the administrative hub of the district. It is 62 km away from Wa, the Upper West Regional capital. The mission of the district is to ensure the satisfaction of essential needs of the people, equitable access to education and reduction of illiteracy and to provide an enabling environment for the private sector participation in development activities so as to alleviate poverty in the district. Its mission is to achieve the development of the district through strategic, efficient, effective mobilization and utilization of resources with the participation of the people in a friendly environment and on sustainable basis as contained in Jirapa District Composite Budget (JDCB, 2012) document.

i. Location and Size

The Jirapa district is located in the north west of the Upper West Region of Ghana. It lies approximately between latitudes 10.25º and 11.00º North and longitudes 20.25º and 20.40º West.

It covers a total land area of 833.8 sq. km. It is bordered to the south by the Nadowli/Kaleo District, to the north by the Lambussie-Karni district to the west by Lawra district and to the East by the Sissala West district. The district capital, Jirapa, is 62 km away from Wa, the Regional capital. Its location in the heart of the Region presents a comparative development advantage in the Region. The total area of the Jirapa district is 1,667 square kilometers. This constitutes about nine per cent (9 percent) of the region's area of 18,476 square kilometers. Other major towns in the district include; Tizza, Duori, Sabuli, Ulllo, Han, Piina (JDCB, 2012).

ii. Population Structure

The 2000 National Population and Housing Census results put the Jirapa District's population at 62,493 persons, comprising 33,125 females (53 percent) and 29,368 males representing (47 percent). The Estimated population of the district in 2006 was 62,493 persons. Between the period 2006 – 2009 the district population increased by 10 percent. The population density stood as high as 52-person/sq km as compared to the regional density of 31.2 in 2006. Given the population growth rate of 1.8 percent, the 2010 projected population for the district is 93,738 persons comprising 48,929 females and 44,809 males representing 52 percent and 48 percent respectively. With a land size of 833.8 Km square, the population density stands at 112 persons/sq km. The increasing population demands the provision of more infrastructure in areas like education, water and sanitation, health, housing, transport and energy (JDCB, 2012).

iii. Age and Sex Composition

The district population is fairly an active one with the ages of 15-64 years accounting for 51.7 percent. The remaining proportion of the population is distributed among the aged (above 64years) and children (0-15years) at 7.9 percent and 40.5 percent respectively. This pegs the dependency ratio of the district at 1:98. The dominant population of women requires that concerted effort should be made involving women at all levels of decision-making and for that matter the need to make adequate provision for the education of the girl child (JDCB, 2012).

iv. Ethnicity

The largest ethnic group in the district is the Dagaaba. They speak Dagaare and represents about 99.5 percent of the district's population. However, there are pockets of Sissala, Fulani, Wangara and Moshie ethnic groups settled in the district.

3.8 Summary of Chapter

This chapter in effect looked at the procedures for gathering relevant data for the study. The study was descriptive and employed a case study approach to select SRBL for the study. The target population for the study included four hundred and fifty (450) beneficiaries that have been engaged in SRBL microfinance activities for at least 5 years or more and have lived in Jirapa district, and hundred (100) non-beneficiaries within the district. Primary data were obtained through the use of interview, focus group discussion and questionnaire. Data were analysed using frequencies and percentages.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails analysis and presentation of results from the research. The first section covers the demographic characteristics of the respondents. The second covers respondents' accessibility to credit. The third section discusses improvements in businesses and general household living conditions of respondents and ends with the analyses of the challenges in accessing and disbursement of credit to beneficiaries and some strategies in retrieving loans from beneficiaries.

4.2 Socio-Economic Characteristics of Respondents

The respondents had diverse socio-economic backgrounds located across the district. A total of 550 (450 beneficiaries and 100 non-beneficiaries) respondents were contacted. Due to operational challenges in data collection, purposive sampling method was adopted for the study.

4.2.1 Age Distribution of Respondents

Data from the field revealed that out of the total beneficiary respondents, 6.7 percent were between the ages 18-25 whiles 22.2 percent were of age 35 and above. The majority of the beneficiaries were between the ages of 26-35 forming a total of 71.1 percent. This indicates that the age cohort structure of microfinance beneficiaries in the Jirapa District is predominately middle age. The middle age in the society is the economically active population with the potential to engage in petty businesses and farming activities. The results show that majority of the women are those in the economically active bracket and poised to use MF to the advantage of themselves and their families. The responses from non-beneficiary also indicated that majority forming 50 percent were within the ages of 26-35 which is termed as the active population and can engage in income generating activities. 40 percent was recorded for age 35 and above. Non-beneficiary respondents within the ages of 18-25 recorded 10 percent as shown in table 4.1.

Table 4.1: Age Distribution of Respondents

	Beneficiaries		Non-beneficiaries	
Age	**Frequency**	**Percentage**	**Frequency**	**Percentage**
18-25	30	6.6	10	10
26-35	320	71.1	50	50
35 and above	100	22.2	40	40
Total	**450**	**100.0**	**100**	**100**

Source: Researcher's Field Survey, 2014

4.2.2 Marital Status of Respondents

Marriage is a social institution which re-organizes society, leading to the formation of kinship ties and membership in descent groups. In other words, marriage leads to the creation of new and entrenchment of old social relationships. From the information gathered on the field, about 66.7 percent of beneficiary respondents were married. Those that were divorced recorded 24.4 percent, those who never married formed 8.9 percent (as shown in *Table 4.2*). Non-beneficiary respondents recorded 80 percent married, 10 percent divorced and 10 percent single.

Table 4.2: Marital Status of Respondents

	Beneficiaries		Non-beneficiaries	
Marital status	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Married	300	66.7	80	80
Divorced	110	24.4	10	10
Others	40	8.9	10	10
Total	**450**	**100.0**	**100**	**100**

Source: Researcher's Field Survey, 2014

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 perform their roles as single parents which normally affect their living conditions. Marriage as confirmed by some respondents in the rural communities is a social institution and highly cherished for social, economic and sociological reasons. So girls who get to the age of 20 are mostly required to marry in order to fulfill their reproductive roles. The unmarried according to some respondents, are often shunned, making marriage look as if it is compulsory. It was therefore not surprising to have majority of the respondents as married women. In the Jirapa district, it is only women who choose to join the Catholic religious vocation as Reverend Sisters who are spared this community pressure.

4.2.3 Educational Background of Respondents

The educational status of respondents whether literate or illiterate plays a major role in the success of their businesses. Education affords the individual the opportunity to access formal, government or white color jobs. It equips the individual with the skills to read, write, record, receive training and seek information. The mentioned skills are very necessary when seeking a formal job. The formal sector is regulated and has assured public pension.

Information from the field indicated that 64.4 percent of beneficiary respondents were illiterates and some have had their level of education up to the primary level while 26.7 percent had up to the Junior and Senior High Schools level. About 9 percent had educational up to the tertiary level. Majority of non-beneficiary respondents (60 percent) were illiterates, 40 percent had primary, Junior and Senior High School education as indicated in *Table 4.3*.

Table 4.3: Educational Status of Respondents

	Beneficiaries		**Non-beneficiaries**	
Level of education	**Frequency**	**Percentage**	**Frequency**	**Percentage**
No formal education	290	64.4	60	60
JHS/SHS	120	26.7	40	40
Tertiary	40	8.9	-	-
Total	**450**	**100.0**	**100**	**100**

Source: Researcher's Field Survey, 2014

This clearly shows that the level of education among women in the Jirapa 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 women in small scale enterprises is the inability to keep proper records of business activities, misapplication and appropriation of fund among other things.

4.2.4 Economic Activities of Respondents

Respondents were involved in various economic activities. Out of the total, 48.9 percent of beneficiary respondents were into "pito" brewing, 22.2 percent sell cooked food, 15.6 percent in petty trading, 8.9 percent into hairdressing and dress making, and the remaining 4.4 percent in other activities such as weaving, shea butter processing and farming as shown in *Table 4.4* below. It was a similar trend for non-beneficiaries as pito brewing recorded the highest with 45 percent. 20 percent was recorded for petty trading and food selling whiles hairdressing and dress making recorded 10 percent and 5 percent into other activities.

Table 4.4: Economic Activities of Respondents

	Beneficiaries		Non-beneficiaries	
Occupation	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Pito brewing	220	48.9	45	45
Petty trader	70	15.6	20	20
Hair dresser/seamstress	40	8.9	10	10
Food selling	100	22.2	20	20
Others	20	4.4	5	5
Total	**450**	**100.0**	**100**	**100**

Source: Researcher's Field Survey, 2014

From the foregoing results, the majority of the women (both beneficiaries and non-beneficiaries) were "pito" brewers who brewed in large quantities for sale in turns since they target the same market. This also indicates that pito is the core business of most women in the district. Those into cooked food selling engage in various kinds of foods including "koose" frying, banku, kenkey, waakye, rice among others. In the case of petty traders, respondents traded in a variety of goods such as smoked fish, grains (beans, rice, maize and groundnuts), cosmetics, hair products, provisions, and many other assorted consumer goods.

4.3 Access to Credit and the Adequacy of Credit to Beneficiaries

The section focuses on access to credit by beneficiary women groups and how adequate the credit was to the businesses they engage in. The data collection sought to find out the rationale behind joining MFIs, source of knowledge about MFIs, the type of training received, how long it takes to receive credit, the adequacy of the credit for intended purpose and the repayment period.

4.3.1 *Sources of Knowledge of MFI*

From the data collected, it was revealed that 26.7 percent of respondents knew about SRBL through friends/relatives, 40 percent through customers of the bank. It means therefore that word-of-month constituted 66.7 percent of how clients get information on the existence of the bank as recorded in *Table 4.5*. Advertisement and promotions of the bank also informed 15.6 percent of the clients whereas 17.8 percent through either proximity to their homes and or their businesses.

Table 4.5: Sources of Knowledge of MFI

Source	Frequency	Percentage
Friends/Relatives	120	26.7
Customer of the bank	180	40
Advertisement/Promotion	70	15.6
Proximity to home/business	80	17.8
Total	**450**	**100.0**

Source: Researcher's Field Survey, 2014

This was basically the fact that SRBL is an indigenous bank with its headquarters at Jirapa district capital and the bank is closer to its customers, as they feel a sense of belongingness. SRBL is the bank owned and managed by the indigenes. However, from the field results, it emerged that the bank has not taken advantage of the advent of the media in terms of advertisements and promotions.

4.3.2 *Knowledge of Training*

The study looked at training of the beneficiaries before the disbursement of the loan. All the beneficiaries received some form of training in record keeping, banking culture, credit management, and savings mobilization (as shown in *Table 4.6*). They also had training in group dynamics to promote group cohesion and development. The training programmes were conducted by the staff of the Bank. The facilitators were the credit officers of the Bank. The venues of the programme were the various communities of the beneficiaries. All the groups had training for one day before they were certified for loans. The approach for training was participatory and adult learning oriented.

Table 4.6: Knowledge of Training

Type of training	Frequency	Percentage
Leadership	80	17.8
Loan processing	20	4.4
Starting a business/trade	10	2.2
Credit management	210	46.7
Loan repayment	40	8.9
Savings moblisation	50	11.1
Group dynamics	40	8.9
Total	**450**	**100**

Source: Researcher's Field Survey, 2014

The purpose of the training activities was to build the capacities of the beneficiaries to be able to operate their businesses efficiently and pay back the loans. This is consistent with Steel and Charitonenko's (2003) position that new paradigm recognises that financial services may need to be augmented by complementary investments that help clients build access and skills through training in both technical and management skills and supporting business. Poudyal (2008) adds that it is possible to reach the lowest strata of poverty through financial services. However, special complementary services such as training, technical backstopping and insurances are required to avert the risk of the client. The training was also to ensure that the right framework and system were put in place by both the bank and beneficiaries to ensure the success of the microfinance scheme. The training was financed by the Bank. However, the scheme lacked the extension of business development support services for the beneficiaries.

The Bank stopped at training and did not provide any business advisory and counselling services to address the operational challenges of the beneficiaries. The absence of these services was a gap in the operations of the Bank. This is consistent with the position of Datar et al. (2008) who note that MFIs must provide far greater services than traditional financial institutions do. They must offer not only financial product and services, but also financial education, management training, value chain support and social services. They should track how their clients use their loans and how they allocate their profits. They should monitor poverty alleviation using measures of not just income, but also health, nutrition, housing and education.

There were no additional group development interventions to strengthen the beneficiary groups to remain united and active for the loan repayment. As a result, a number of the groups collapsed making the mobilisation or repayment a difficult task. The bank only offered financial products and services, but ignored financial education, management training, value chain support and social services.

Records keeping activity is vital in every business activity but unfortunately the women groups under the SRBL microfinance scheme are at a disadvantage. Proper records enable one to determine the cash inflows and outflows of the business. About 90 percent of these women do not keep written records on their business apart from the few educated ones. However a respondent at Dangbala explained,

Even though we do not keep written records on our business, we keep track of our businesses transactions. Since record keeping is not only about paper work we rather practise mental record keeping. I sometimes tie my monies with grains to be able to identify from what sales those monies were made.

From the explanation above, it is clear that the respondent only kept unwritten records which is not an effective method for businesses. Eventhough written records requires great skills and competencies in language and vocabulary use, tedious and time-consuming, the importance of keeping accurate written records cannot be overemphasized. There is the need to keep written business records because one cannot remember all the details in the head. It will help one identify sources of income because you will receive money or property from many sources. Written records will help identify the sources of income to enable respondents separate business money from nonbusiness money. Also written records will enable one keep track of all expenses and all credit sales. It will help one to know whether the business is making a profit or a loss, whether the business will do better or worse, provide basic information for planning future business and make informed decisions about the business. Whatever the nature of a business, good record keeping is vital for its survival.

Training forms a component part of the SRBL microfinance scheme, and that is why it is termed as credit with education. Before loans/credit is given to the group, the credit officers take women through various forms of training. Apart from that, women have contacts with credit officers weekly and during such meetings they are educated on how to manage the credit efficiently. They are also educated on the benefits of savings and therefore being encouraged to save and also pay back the loan taken on time. Aside the following, these women are educated on family planning, personal hygiene, health care, exclusive breastfeeding among others The benefits of the training component according to the women is very helpful in the sense that, it motivates members to pay back their loan promptly; it helps them acquire business skills, enhances their economic activities and the ability to meet the welfare needs of their children.

Out of the total, 390 clients constituting 86.7 percent confirmed they have had some form of training from the bank before the disbursement of loans. The other 13.3 percent either did not part-take in the training or they were not members at the formation of the group.

The inability of the women in micro economic activities to repay their financial assistance was mainly due to misapplication of funds. Credit management as a form of training recorded the highest score (35.6 percent) because the bank believes that when women are given the needed training on how to manage their credit efficiently (investing in viable businesses), it will go a long way to prevent loan default. However, training on start up business recorded the lowest score (2.2

percent). This the bank explained that it was risky investing in start-up business therefore only give business advisory services to women who may want to start a new business.

When asked what kind of training beneficiaries received one respondent had this to say:

They (credit officers from the bank) always advise us (beneficiaries) on how to diversify the businesses we do and not just invest all the credit in one activity. This has helped because I sell grains and ingredients, so I always get money to pay every week.

This means that, beneficiaries not only concentrate one business because some businesses are seasonal and there is therefore the need to diversify. They study the seasons and are well versed with what business is viable for a particular season.

4.3.3 *Credit Received from SRBL*

The study also appraised group savings before loan disbursement. Data available at the Bank showed that beneficiary groups were supposed to make savings before the loan was disbursed. From the records, the minimum and maximum group savings made were one hundred Ghana Cedis (GH¢100.00) and two hundred and fifty Ghana Cedis (GH¢250.00) respectively depending on the amount the group is requesting. The policy of the Bank also required applicants to save for a minimum period of two months prior to any request for loan. The Bank revealed that savings-led projects perform better and their funds grow faster, which makes sustainability objectives easier to achieve. This is also consistent with the practice of Grameen Bank that uses savings as a tool to prepare the borrowers to manage their credit (Wrenn, 2005).

Respondents were asked as to whether they have applied for loan/credit from SRBL before. This recorded a 100 percent positive response. They explained that every member of the group is entitled to credit once you are able to contribute towards the 10 percent demanded by the bank and have no bad records in the group. The culture of savings has been emphasised as one way for sustainability of the microfinance scheme.

4.3.4 *Loan Acquisition Process*

The first step in the loan acquisition process of the SRBL is the formation of a group. Individual members of each group contribute monies together to open a bank savings account using the group name which serves as a collateral in securing the loan. The bank indicated that, the amount contributed by group members must be up to 10 percent of the intended loan amount. Individual members contribute towards this collateral in unequal basis since their capacities are not the same. An application letter is then written to the bank stating the amount the group collectively needs. The loan according to respondents is disbursed to members based on the capacity of the individual to pay back (this includes the size of the business and past records of the member).

About 95 percent of the beneficiary respondents testified that they are given the amount they apply for as a group but at the individual level some are denied certain amounts demanded. Those denied the intended amounts at the group level constituted the other 5 percent. A group leader at Tizza explained that:

We live in this community and we know ourselves better than the credit officers, so we sometimes deny some group members certain amounts for fear of default and mismanagement of credit. Some members are also lazy and do not want to engage in any economic activity and we (group *members) had in many instances contributed to defray debts of our defaulting members in order to access loans again.*

It is clear from this explanation that eventhough the amount applied for by the group would be granted, the individual credit request are granted based on the credibility and ability of the individual to pay back. Group leaders therefore have an upper hand in determining individual loan amounts.

4.3.5 *Adequacy of Credit*

The study revealed that out of 450 valid beneficiary respondents, 120 respondents (26.7 percent) indicated that the amount was inadequate while 330 representing 73.3 percent indicated that the amount was adequate. Information from the Bank also underscored that the loan amounts for beneficiaries were determined based on the type of trade and their capacities to utilise and pay back. This then restricted many first time applicants. This is consistent with Murray and Boros (2002) findings on loan size. According to them, the characteristics of microfinance products include small amount of loans and clients who pay on time become eligible for repeat loans with higher amount. The group leaders would also not give large amount of loans to first time beneficiaries who do not pass the credit worthiness criteria, which state that clients who pay on time are eligible for repeat loans with higher amounts.

Sometimes, beneficiaries would always request extra amounts in order to have some excess funds to take care of other domestic demands. If the loan does not meet this extra demand, then it is perceived as inadequate by beneficiaries. And beneficiaries somehow divert these loans into other activities such as payment of school fees, rent and bills. Yaron (1994) posited among many things that the worth of a microfinance facility to users is commonly proxied by the size of the loan. Deriving from the foregoing discussions, the worth of the loan to the beneficiaries is low.

From the field results, the women gave different purposes for utilizing the financial assistance. About 13.3 percent used it to start their businesses whiles 64.4 percent used it to expand existing businesses. Those that used their credit for the payment of domestic activities such as, health insurance bills, electricity, school fees and housekeeping expenses were 22.2 percent (Table 4.7). The respondents explained that they requested for credit based on their capacity and so the credit given by the bank was able to solve the intended purpose. Credit facility may be sought to start small scale business and/or for farming purposes. The bank said it was risky in investing in start-up business therefore they put in place stringent measures to assess the prospect of the business before the loan is granted. Again, expansion of existing business may be in the form of an increase in materials as inputs, building kiosks or metal containers, hiring of additional hands and many others. It is clear that majority of the respondents are into various forms of business already and only required credit to expand those businesses as shown in Table 4.7.

Table 4.7: Purpose of Credit

Purpose	**Frequency**	**Percentage**
To start business	60	13.3
Expand existing business	290	64.4
Domestic Use (To pay health insurance, School fees, electricity and housekeeping money)	100	22.2
Total	**450**	**100**

Source: Researcher's Field Survey, 2014

4.4 Impact of Microfinance

The data collection shows that micro financing generally has a positive impact on the lives of women in the study area. This was based on the enquiry of the type of improvement and the conditions of respondents for the five-year period. Factors considered in this regard were; improvement in business, acquisitions of assets, general health status, educational status of wards and respondents' involvement in household decision making.

4.4.1 *Improvement in Business*

Most of the beneficiary respondents (80 percent) attested to the fact that microfinance has contributed positively to their businesses. About 20 percent however did not see any improvement in their businesses after joining the MFI. Significant proportion saw increases in their turnover, stock and assets after accessing credit. For instance some who initially operated from tables built kiosks and those who were in wooden kiosks also moved to metal containers. Some were able to employ extra hands to assist in the day-to-day business activities. All these contributed to the improvement in their income and their ability to meet livelihood related needs.

On the other hand some said it had negative effects, either it has made their businesses a little worse or much worse because the expectations on them had increased. This supports the institutionalist approach which criticizes the welfarest for subsidization of microfinance. The institutionalist approach believes that when microfinance is over subsidised, it may not improve the living conditions of its beneficiaries but rather will make them worse off.

There was however a different trend for non beneficiaries. Respondents were asked to describe their businesses five years ago and current situation, most of them (95percent) indicated that their businesses were booming and they were able to make enough sales five years ago and made a lot of profit in the past but due to economic hardship, competition and other factors now, they are not able to get their capital back. Business expansion according to them is difficult in recent times as compared to the past. The other 5 percent attested that their businesses are flourishing now as compared to the past five years when they just started new in the market. They indicated that they now know and understand the demands of their clients and are able to supply accordingly.

In comparison, beneficiaries were comparatively confident and were more hopeful for the future of their businesses than non-beneficiaries because beneficiaries were sure of getting credit from SRBL to support their businesses anytime they needed.

4.4.2 *Acquisition of Property*

Out of the total, 91.1 percent of beneficiary respondents indicated they had acquire some form of assets after joining the microfinance group. The rest of the 8.9 percent did not acquire or make any improvement to their properties after joining the group.

Table 4.8 shows the type of assets of beneficiary respondents after joining the MFI. With the proportion that saw positive impact in their properties/business, 88.9 percent recorded an increase in the purchase of physical assets. These include building or renovation of rooms, metal containers, cooking utensils, benches/tables/chairs, means of transport, clothes among other things whiles 42.2 percent of respondents used the credit to either support the family upkeep or expand their business capital (trading stock). The table reveals a total absolute value above the usual 450 respondents who were interviewed. This is due to the fact that some women acquired more than one asset.

Table 4.8: Properties Acquired by beneficiaries after joining the MFI

Properties	Frequency	Percentage
Increased physical assets	400	88.9
Improved family's status and business trading assets	190	42.2

Source: Researcher's Field Survey, 2014

Data on assets show that beneficiaries acquired assets after joining the MFI as shown above as against non-beneficiary respondents who were able to acquire some assets 5 years ago. Responses from non-beneficiaries indicated that 98 percent were able to acquire some assets in the past five years as compared to only 40 percent who are able to acquire or make improvements in their properties now. 2 percent could not purchase or make any improvement in their assets as against 60 percent who cannot purchase any property now as shown in *table 4.8.1* below.

Table 4.8.1: Properties acquired by non-beneficiaries within the past 5 years

	5 years ago	Currently
Acquired properties	98	40
Did not acquire properties	2	60
Total	**100**	**100**

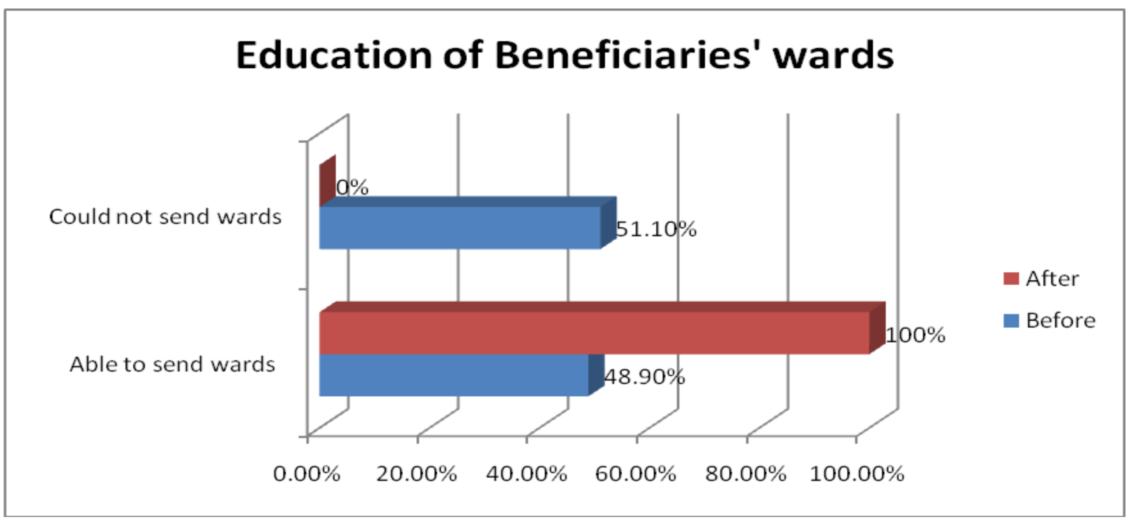
Source: Researcher's Field Survey, 2014

4.4.3 *Educational Status of Respondents' Wards*

Beneficiary respondents attested to the fact that there has been significant improvement in their ability to give education to their wards. About 48.9 percent admitted they were able to send their wards to school before joining MFI. These women indicated they had some form of support from their husbands and sales from the businesses they engaged in or the sale of farm produce and livestock. A greater percentage of 51.1 attested to the fact that they could not afford to send their wards to school before joining the MFI.

However, after joining the MFI, all respondents who had wards of school going age were able to send their wards to school. This, according to respondents, is measured on households' ability to pay school fees, buy school uniform, buy exercise books, and good nutrition for children. Those who could afford education for their wards before joining the MFI mentioned they had improved in their wards' education by taking them to better schools within and outside the district. Figure 1 shows the educational status of wards of the respondents before and after joining MFI.

Figure 4.1: Educational Status of Beneficiaries' Ward



Source: Researcher's Field Survey, 2014

Non-beneficiaries were asked to state whether or not they were able to send their wards to school. All respondents attested to the fact that they were able to send their wards to school five years ago but currently only 60 percent are able to send their wards to school as shown in *table 4.9*.

Respondents indicated that they had some support from their businesses and other relations. The other 40 percent who cannot afford education for their wards now said their businesses are not performing as compared to those days (five years ago). When asked what their wards do at home if not in school, they mentioned early marriages, farming, helping with house chaos and helping traders sell on market days.

Table 4.9: Education of Non-beneficiaries' wards

Education	5 years ago	Currently
Can afford	100	60
Can not afford	-	40
Total	**100**	**100**

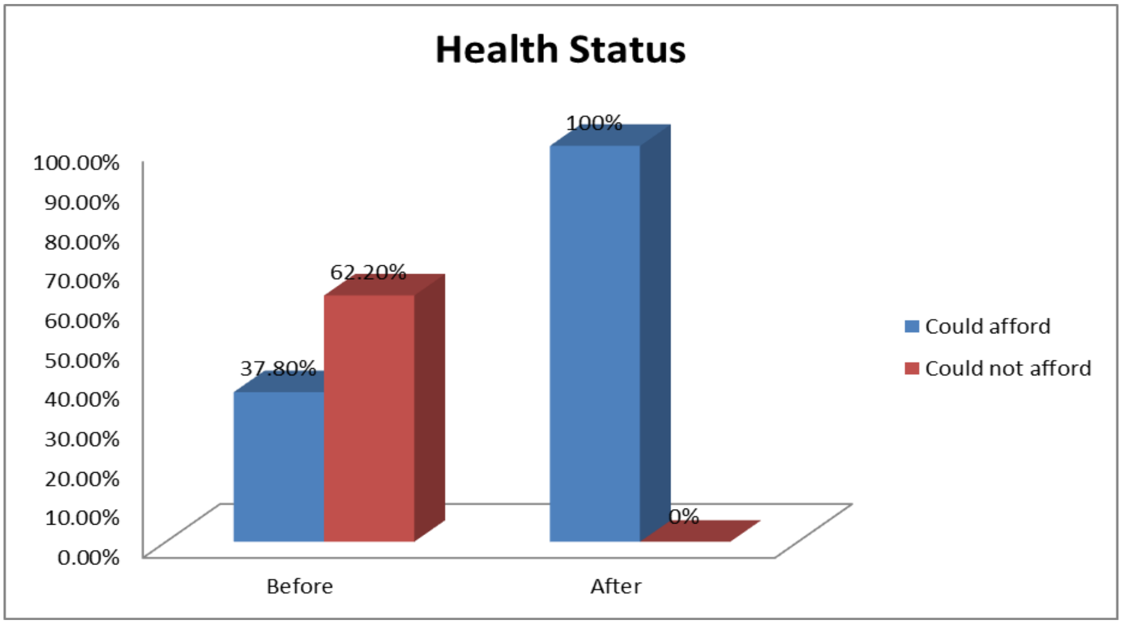
Source: Researcher's Field Survey, 2014

4.4.4 *General Health Status of Respondents' families*

The data collected showed that 37.8 percent of the beneficiary respondents were able to access health care before joining MFI. The remaining 62.2 percent could not access health care and therefore resorted to the use of herbal medicine. However, after joining the MFI, respondents attested they could all now access health care. They explained that the credit received from the bank helps them to register with the National Health Insurance Scheme and subsequent renewals.

This clearly indicates that there was an upward adjustment in the health status of families after joining MFIs. This was derived from the ability of families to meet their basic health needs and hence improvement in their general livelihood. Figure 4.2 shows the general health status of beneficiaries' families before and after joining MFIs. The health status of somebody could be said to be the state of one's physical mental and psychological wellbeing. Very good health status may be measured on household access to health care, for example the presences of good food, better and decent accommodation, good hospitals/clinics and effective preventive health education.

Figure 4.2: General Health Status of Beneficiaries



Source: Researcher's Field Survey, 2014

When asked whether they were able to access health care five years ago, non-beneficiaries respondents attested to the fact that they had all registered for the national health insurance which serves as a guarantee to health care. They mentioned that family heads were responsible for registering all household members. They enjoyed the privilege of belonging to a family. Respondents indicated that they also got support from other relations to pay annual premiums because their businesses are not sustainable. Some indicated that if not for the support of their family heads they would not have been able to register.

4.4.5 Respondents' Participation in Household Decision making

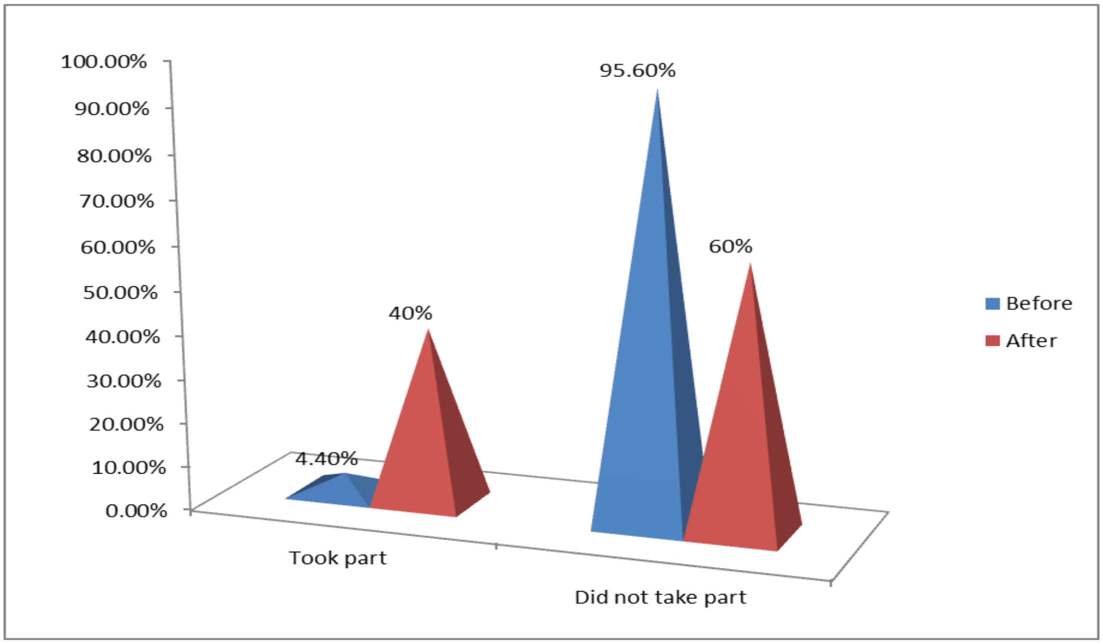
The field research revealed that 4.4 percent took part in household decision making before joining the MFI whilst 95.6 percent did not take part in household decision making. However, 40 percent took part in household decision making after joining the MFI. When asked why the change in trend after joining the MFI, they mentioned the financial support given to their families. Yet majority representing 60 percent did not take part in household decision making even after joining the MFI.

Though the number of those who took part in household decision making increased from 4.4 percent to 40 percent, the majority representing 60 percent were not granted the opportunity to contribute ideas towards the development and management of their households (as shown in figure 4.3). A respondent had this to say:

Power is deeply rooted in our social systems (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. We are not consulted in decision making even after helping pay our children's fees through the credit we receive from the bank.

At the individual family household level, women do not have the opportunity to play a major role in decision-making process with respect to agricultural production (what to grow, when to harvest and how to manage the foodstuff after harvest), which serve as the main source of livelihood. Women are also excluded from land ownership which constitutes a major source of rural work and collateral for loan. Figure 4.3 shows beneficiaries participation in household decision making before and after joining the MFI.

Figure 4.3: Beneficiaries' household decision making



Source: Researcher's Field Survey, 2014

Similarly, 98 percent of non-beneficiary respondents indicated that they were not consulted in household decision making eventhough they helped their partners take care of their wards and pay other expenses at home. A non-beneficiary at Tizza had this to say:

I don't have a say, I only get the news of my husband's decisions from outsiders or when there is a problem. He takes his decisions alone without consulting.

Women are not consulted in the development and growth of the family. This is therefore to state that whether one access credit or not, that had no significant impact on respondents' decision making at the household level.

4.4.6 *Role of MFI in improving the lives of Rural Women*

The Rural/Community Banks play major role in livelihood of women in rural communities. The following are some of the programmes/roles played by the bank; 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.

4.5 Challenges of the Poverty Alleviation Drive of SRBL Microfinance Programme

The challenges of the microfinance scheme are in two phases. First, the challenges confronting the bank and second, the challenges posed by beneficiaries. This section discusses both challenges with emphasis on constraints in securing the loan, loan repayment, time of disbursement, rate of interest, time of repayment, and institutional capacity. The section also looks at the dispersed nature of rural population, inadequate capital of banks, low business knowledge and skills of beneficiaries, seasonality of products, and political interference.

4.5.1 *Constraints in Accessing Loan*

In investigating whether beneficiaries had constraints in securing the loan, 380 out of the 450 respondents indicated that they had difficulties securing the loan while 70 expressed they did not have any difficulties. Respondents who had difficulties provided reasons for this experience. These included compulsory savings/high initial cost, delay in the disbursement of credit and too many meetings before credit is given. Prospective beneficiaries also had to go through formalisation procedures before they had access to credit. These practices are inconsistent with tenets of microfinance as reported by Murray and Boros (2002). They opine that microfinance procedures are simple and processing periods are short. However, credit officers at SRBL explanined that, accessing credit from microfinance at Sonzele was the modest as compared to other formal financial institutions. They added that the initial deposits were a way of registering some level of commitment from the women.

From the data gathered, 34.2 percent of the respondents complained about the delay in the release of credit, 13.2 percent were worried about several meetings and followed-ups, and 52.6 percent were unhappy about high processing cost (as shown in Table 4.10). As a policy of the Bank, a minimum of six months was required for a client of the bank to operate and get certified to apply for loan. With the Sonzele microfinance scheme, the period was reduced to two to four weeks. Yaron (1994) reported on one key factor that contributed to the success stories of Grameen Bank in Bangladesh, BAAC in Thailand and BKK in Indonesia. The time of submission of application and disbursement of loans varied between one and two weeks for the first time borrowers and in the case of repeat borrowers, the period was just about a day or two.

Table: 4.10: Constraints in Accessing Loan

Problems encountered	Frequency	Percentage
Compulsory savings/high initial cost	200	52.6
Delay in disbursing credit	130	34.2
Several meetings	50	13.2
Total	**380**	**100**

Source: Researcher's Field Survey, 2014

Beneficiaries paid some fees for the processing of their applications. This money was used by their leaders to finance activities such as transportation to the banks for administrative reasons and other secretarial services accessed by the leaders in preparation for the loan. These factors contributed to the high processing cost reported by beneficiaries.

This practice conforms to the opinion of Kuroda (2007) that transaction cost is a critical challenge in microfinance and there is the need for microfinance institutions to significantly reduce the transaction costs of providing a broad range of services. Some poor people are unable to access formal financial services due to high costs. Reducing transaction costs will therefore have a positive impact on both the supply and the demand for services, creating a win-win situation for all. The prediction is that the next revolution in modern microfinance will be brought about by a series of process innovations that will significantly reduce transaction costs and significantly expand the currently limited scope of services.

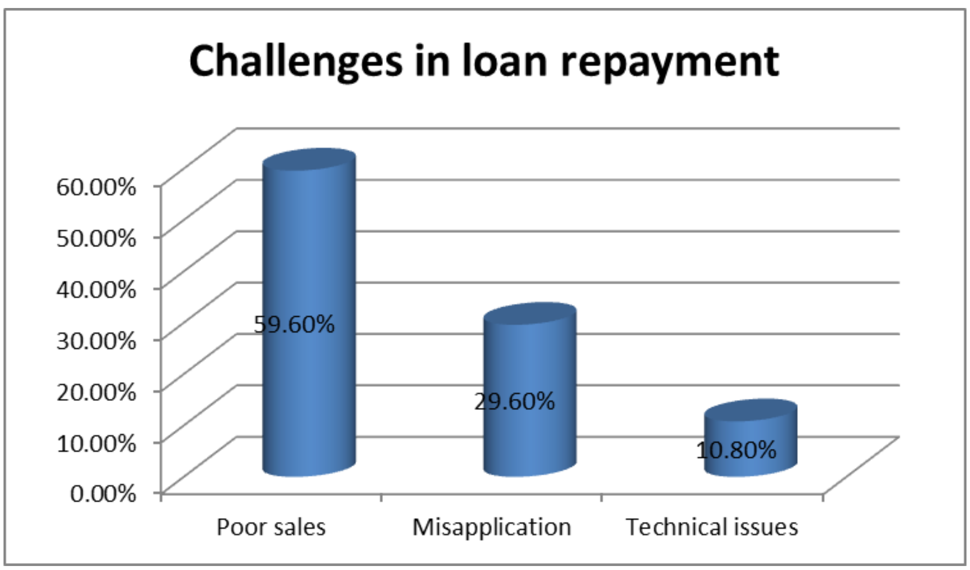
4.5.2 *Problems in Loan Delivery*

Reacting to the foregoing findings, credit officers at the Bank indicated that beneficiaries first had to be trained before the credit was given. Again, they needed to go through some formalities to ensure that there were adequate data to track and monitor their activities. These were routine operational procedures designed to ensure that the loans were given to well organised and prepared groups. The bank also indicated that the major constraint in expanding access to credit by the women has always been loan default. When asked the causes of loan default, the bank mentioned that clients who default most at times attributed it to poor market for business, stolen money among others. According to the credit officer, the bank needs continuous monitoring of beneficiaries to be able to give the necessary business advisory services.

4.5.3 *Challenges in Credit/Loan Repayment*

The study further investigated whether beneficiaries had problems paying back the loans. Out of the 450 responses obtained, 250 said they had problems paying back the loan, while 200 said they did not have problems paying back the loan. As shown in the Figure 4.4, the problems identified with the loan repayment were no regular income or poor sales of products (59.6 percent), misapplication of loan (29.6 percent), and technical issues encountered during repayment period (10.8 percent). Some of the women explained that a number of businesses were not generating sufficient revenue to pay back the loans. Loan repayment was therefore a challenge for these businesses. They explained technical issues to include children school fees, medical bills, funeral expenses, husbands taking part of the money and many others.

Figure 4.4: Challenges in Loan Repayment



Source: Researcher's Field Survey, 2014

The beneficiaries complained that sales were slow and low. As a result, some entrepreneurs ventured into other businesses in a bid to diversify and generate additional sales to pay the loan. This is similar to the work of Parker (1996). She notes that women-run businesses in Zambia showed the shortest life cycle, averaging exactly four years. Sometimes women lack business acumen to grow their businesses and so access to credit may not necessarily produce exponential growth. In some cases, studies have shown that these businesses de-capitalise and hence start having difficulties paying the last installments of the loan (Musonda, 2006). In some cases, husbands negotiated and collected the loans from their wives with the promise to use them and repay but reneged on the promise, leaving the burden of repayment on the women. This conforms to Goetz and Gupta's (1996) report that women have been seen redirecting loans to men right in front of their Bank officers. Women also have been asked to join groups by their husbands. So, women are often not the end user of the loans.

The time of disbursement of a loan facility is crucial to how useful the loan is applied. Crop farmers require their loans at the beginning of the farming season which is May to July each year. The survey sought to establish whether the loan was disbursed at the right time. The results indicated that 72.1 percent of beneficiaries were very happy about the time of disbursement, 22.7 percent were not happy, and 5.2 percent said the time was not good at all. As majority of beneficiaries were pito brewers and food sellers, the time was very suitable. This finding conforms to Armah's (2001) position on timely loan disbursement. The author argues that, "of what use is a loan to a woman who cultivates groundnuts after the farming season is over?"

It is expected that with the right time of disbursement, beneficiaries should have been able to pay back their loan easily. The repayment schedule covered small flexible installments for four months. As such, the revenue made after sales was expected to be reinvested and managed while payment of the loan was made as and when the date was due. The study however, identified that, some beneficiaries could not manage the money prudently and this partly resulted in default. This affirms Datar et al.'s (2008) recommendation that MFIs must provide far greater services than traditional financial institutions do. They must offer not only financial product and services, but also financial education, management training, value chain support and social services. They should track how their clients use their loans and how they allocate their profits.

4.5.4 *Interest Rate*

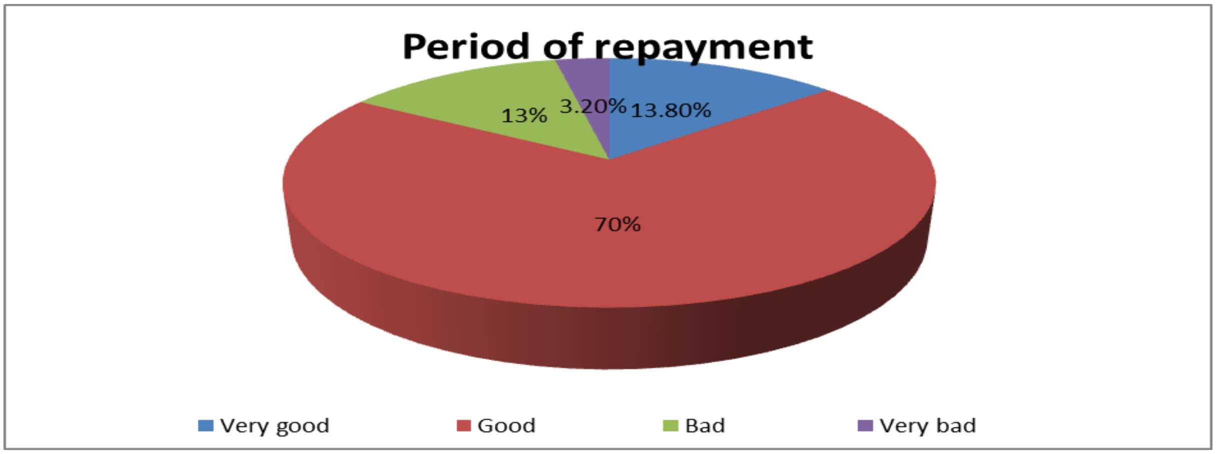
The study examined the role of interest rate in the success of the microfinance scheme. The interest rate according to the bank was within the range of 8-10 percent for five months. Out of the 450 beneficiary respondents, 50 were of the opinion that the rate was very good, 380 said it was good, 20 said it was bad and five said it was very bad. Majority of beneficiaries representing 84.4 percent felt that the interest rate was appropriate. Respondents indicated that there were no additional charges on loans. This finding is consistent with the work of Stiglitz and Weiss (1981) which recommends low interest rates for microfinance. According to them, high interest rates lead to adverse selection of loan seekers that affect loan repayment.

The interest rate of SRBL falls within the standard or benchmark interest rate for microfinance of between 25 and 28 percent per annum whiles that of commercial banks between 25 and 35 percent per annum. SRBL kept their interest rate lower than the prevailing market rates to enable the poor afford to borrow, invest productively and pay back loans. This underscores the position of Wrenn (2005) that, well-designed legislation to ensure secured transaction, and increased supply of credit at lowered interest rates would produce gains estimated at several percentage points of gross domestic product.

4.5.5 *Period of Loan Repayment*

Reviewing the time of repayment of the loans, the study examined the suitability of the repayment time to the beneficiaries. The Bank offered beneficiaries a one month moratorium and four months for repayment. Out of the 450 respondents, 13.8 percent indicated that the time of repayment was very appropriate for their businesses and 70 percent indicated it was just good. However, 13 percent indicated the period was bad and 3.2 percent indicated it was very bad. The high responses in favour of the suitability of repayment time endorsed the schedule designed by the Bank for the beneficiaries to repay the loan. This implied that beneficiaries had the space to invest to yield income to repay their loan. Thus, loan repayment was flexible and tailored to the needs of beneficiaries. This finding affirms the work of Murray and Borod (2002). In their literature on characteristics of microfinance, they stated that microfinance offers short term loans (usually up to the term of one year) and payment schedules are in frequent installments.

Figure 4.5: Period of Repayment



Source: Researcher's Field Survey, 2014

The study researched the beneficiary population and the location of their communities in the district. The beneficiary communities were dispersed. To reach them, there was the need to travel over long distances. According to the bank, this contributed to high operational cost. For example, communities like Karni-Mwofo and Ulkpong are very far from the Bank and costs a lot of time and fuel to get there. The dispersed nature of settlements was therefore seen as one of the challenges confronting the operations of the scheme in the district. This conforms to IFAD (2006) position that states delivering small-scale loans and savings mechanisms can be particularly challenging in areas of low population density where the distance between clients is great and transportation networks are often poor. One of the focus areas of the study was to appraise the essence of capital in the micro-finance scheme. According to the Bank, 39 groups were qualified to receive the credit. Out of this number, 20 groups were able to access. In reaction to this the Bank only served 20 out of the 39 groups, information obtained implied that, after screening the applicants, 11 groups did not pass the eligibility criteria. A substantial number of clients must be women and/or handicapped persons. The economic activities considered include farming, agricultural marketing/food security, trading and micro-services among others. The criteria also considers, scale of operation, size of loans and location of target beneficiaries.

The finding is however, inconsistent with the work of Rahman (2004). Rahman posits that lack of capital for small and emerging MFIs is one of the main challenges of increasing access to microfinance services for poor households many of whom live in rural areas.

The business knowledge and skills of beneficiaries in relation to the effective use of the loan was investigated. The study identified low level of business knowledge and skills as challenges of microfinance operations in the district. As reported by the Bank, some beneficiaries lacked adequate knowledge on sound basic business principles needed for the effective use of credit. Good business practices and ethics such as record keeping, separating business issues from private affairs, business planning and marketing were not well practised by beneficiaries and they were informal in their operations. Beneficiaries were given training on some of these concepts of management in the orientation preceding the disbursement of the loan, yet they did not put the knowledge into practice.

Further investigations revealed that adequate time was not spent in helping the beneficiaries to internalise the concepts during the training programme. A number of beneficiaries were also illiterate and thus could not keep records and take notes of important issues needed for business development. Low business knowledge and skills of beneficiaries were therefore identified as a key factor affecting the operation of the scheme.

This practice is inconsistent with Datar et al.'s (2008) review of activities of two MFIs offering enterprise-specific training to beneficiaries. The Tanoba Laise Manekat (TLM) not only helps poor cattle farmers in East Nusa Tenggara, Indonesia to buy cows, but it also teaches them best practices in cattle husbandry and offers them support services, such as vaccinations. In another programme in East Nusa Tengrara, TLM teaches seaweed farmers cultivation methods and better seaweed cultivation methods. Some 87 percent of TLM clients in the seaweed cultivation programme stated that their profit increased. In a different review the Bangladesh Rural Advancement Committee (BRAC) field staff strongly support the educational programmes and believe that there is a strong correlation between clients' preparation in the programme and their successful use of credit.

4.6 Strategies used by SRBL to Recover Loans

The finance model used for the programme was examined. The Bank used the Group Solidarity Model to advance loan to the beneficiaries (SRBL, 2014). With this model, the group members served as collateral for the loan. They mobilised their members to receive and repay the loan. The beneficiaries were put in groups of a minimum of 11 and a maximum of 28 members. Each group had leaders who were responsible for ensuring that the groups functioned effectively.

The leaders comprised the chairperson, secretary, financial secretary and treasurer. The leaders were responsible for inviting members to meetings and moderating at the meetings. It was their duty to ensure that beneficiaries had gathered on repayment days in readiness for the credit officers who came to collect the monies. The leaders could also collect the monies due for repayment from the members and go to pay at the bank. Group payment was supposed to be done weekly.

However, the groups on some occasions delayed for a month before going to pay. In the case of a member defaulting in payment, it was the duty of all the group members to ensure that the member paid or they contributed to cover the defaulting member’s portion. This practice is similar to the Group Peer Pressure Model of the Grameen Bank. The Grameen Bank (Wrenn, 2005) identifies the Group Peer Pressure model as one of the microfinance models suitable for advancing loans to clients. With this model, loans are given to individuals in groups of four to seven. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Repayments are usually made weekly. The solidarity group method has proved effective in deterring loan defaults as evidenced by high loan repayment rates attained by organizations such as the Grameen Bank.

An interview with the Loan Officer at SRBL showed that the major problem with their microfinance operation was loan recovery. In trying to overcome this challenge the bank used the group lending model, this is because group members are held severally responsible for repayment of group loans. According to the bank, it is easier for groups to pay loans than individual clients. This is followed by regular monitoring and demand notices.

Though group-lending has long been a key part of microfinance, microfinance initially began with the principle of lending to individuals. Despite the use of solidarity circles in 1970s Jobra, Grameen Bank and other early microfinance institutions initially focused on individual lending. Indeed, Muhammad Yunus propagated the notion that every person has the potential to become an entrepreneur. The use of group-lending was motivated by economies of scale, as the costs associated with monitoring loans and enforcing repayment are significantly lower when credit is distributed to groups rather than individuals. Many times the loan of one participant in group-lending depends upon the successful repayment of another member, thus transferring repayment responsibility off the institutions to the loan recipients. This answers the question what strategies the microfinance institutions use to recover loans from beneficiaries.

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

4.6.1 *Continuity of Membership*

In conclusion, the beneficiaries were asked to express their interest in continuing with the microfinance scheme. Overall, 95.6 percent of the beneficiaries indicated their interest to continue with the scheme while 4.4 percent expressed their disinterest. Respondents who showed interest declared that, the loan was a good source of capital for financing their businesses. They added that, there was joy in belonging to a group and the support it offers was immense. Outstanding among the reasons for discontinuity of the scheme had to do with some ageing clients who could no longer engage in income generating activities and some whose husbands had advised them to stop with the microfinance. This is evidence of husband's influence in the decision making of their wives. Some men control the main sources of cash income because since they are in paid jobs and their income is the most likely source for repayments if the woman receives credit and uses it on household basic necessities. The woman's ability to access loan is often dependent on the quality of her relationship with the husband. In this way, social norms operate in ways that leave women vulnerable in such a relationship, rather than in one where she has the power to claim the money for repayment. Goetz and Gupta (1996) also add that women have been seen redirecting loans to men right in front of their bank officers. Women also have been asked to join groups by their husbands. So, women are often not the end users of the loans. They conclude that the problem is difficult to measure or solve, but it is one that the development community needs to be wary of.

4.7 Summary of Chapter

This chapter presented results from the field and discussed the implications. Beneficiaries are into various economic activities with the aim of making profit. These profits according to respondents are used to reinvest in business (expand business), purchase household provisions, access healthcare and pay wards school fees and other bills. Beneficiary respondents mentioned compulsory savings, delay in disbursement of credit and several meetings as challenges in accessing credit from the SRBL. SRBL used the group lending model as a strategy to reduce loan default among beneficiaries. They expressed their desire to continue with SRBL microfinance because the credit is a good source of capital for financing their businesses and acquiring other assets. Non-beneficiaries indicated that they were able to acquire properties, take care of their wards in school and accessed health care 5 years ago as compared to present situation. This they attributed their inability to access credit from financial institutions, economic hardship, competition in the market and irregular inflow of cash. The next chapter gives a summary and conclusions of the study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the key findings drawn from the analysis and their implications in relation to the research objectives. It also outlines recommendations to improve the implementation of the SRBL microfinance scheme and draws conclusion from the study. The study focused on the contribution of the SRBL microfinance programme towards poverty alleviation in the Jirapa district. It reviewed the impact of microfinance on the livelihood of beneficiaries and challenges associated with the scheme. Also, the study suggests some strategies in managing the operation of the scheme. The study also compared the conditions of women within the same context who did not access credit from the bank. After analysis of the data collected for the study, the following are the summary of the major findings.

5.2 Summary of the Study

The major findings of the study are provided along the lines of access to credit, benefits from the loan and challenges associated with the programme. The study also looked at the strategies to help minimize the prevailing challenges of the programme.

All the beneficiaries received training in record keeping, banking culture, credit management and savings mobilization. They also had training in group dynamics to promote group cohesion and development among others. The training period was too short to promote quality delivery. Training was offered and aimed at building capacities of beneficiaries to be able to operate their businesses efficiently and pay back their loans. Beneficiaries formed groups between 11 to 30 members in a group. The groups were screened before loan approval and disbursement. The Group Solidarity model was used to advance loans to the beneficiaries. This is similar to the Group Peer Pressure model of the Grameen Bank.

5.2.1 Access and Adequacy of Credit

From the analysis it was found that, the procedure and security requirement of accessing credit were modest and easier than with the conventional banking which made it possible for everyone to join the formal monetary process. Most respondents knew of the microfinance through bank customers and friends. It was found that all beneficiary groups made some group savings with the bank before the loan was disbursed. All respondents have accessed credit from the bank; 73.3 percent of respondents indicated the credit was enough for the intended purposes. Beneficiaries were given a period of one month after the disbursement to start paying back loans. Repayment period was sixteen (16) weeks. Beneficiaries were content with the rate of interest and the time of repayment.

5.2.2 Support and Livelihood Improvement

The analysis demonstrates that majority of respondents started their business from personal savings and by dint of hard work. Beneficiaries were able to access credit from the MFI for the expansion of their businesses. Non-beneficiaries were limited to expansion because they could not access credit from any source. More than half of the beneficiaries (56.7 percent) used the loan for expansion purposes. There were others (22.9 percent), who also employed loans contracted into domestic activities like paying wards' school fees, building/renovating houses, housekeeping monies among other things. Startup capital (20.4 percent) was the least area in channelling loans contracted from the bank. This was mainly due to the unwillingness of banks to give start up capitals. The Bank complained that most clients are not innovative and proactive in business ideas and therefore the fear that loan acquired may be misapplied and repayment might pose a challenge.

Data on assets ownership shows that programme beneficiaries added tangible and non-tangible assets after joining the microfinance group as compared to their non-beneficiary counterparts who could not afford. There is therefore a positive correlation between credit and assets acquisition. Beneficiaries were able to afford enamel cooking utensils, clothing and many other assets after accessing credit from the bank. About 80 percent of the beneficiary respondents indicated that access to credit led to improvement in their businesses, as many had their sales turnover, stock, fixed assets and profits increased after their association with the MFI. The story was however different for non-beneficiaries as 95 percent indicated that they were either breaking even or making losses in recent times as compared to 5 years ago. This clearly shows that access to microcredit helps reduce poverty. This again confirmed what Robbinson (2002) said, that microcredit helps to reduce poverty by creating wealth which leads to an increase in the levels of incomes of the vulnerable. It was also found that there has been significant improvement in beneficiaries' ability to give education to their wards after joining the MFI as compared to non-beneficiaries who could only afford education of their wards in the past.

5.2.3 Improvement in Health Status

The findings also saw an improvement in the health status of beneficiary respondents and their families after joining the MFI. The general situation was that the beneficiaries could access health care after joining the MFI. Non-beneficiaries on the other hand could afford health care in the past as compared to present situation. They attested that they could not afford the annual premium. Beneficiaries' situation could have worsened if not for the assistance from the bank. The credit enabled them to enroll with the National Health Insurance Scheme (NHIS) and renewed their annual premiums. This took away the burden of health problems as majority accessed the accredited clinics and hospitals with their NHIS card.

5.2.4 Challenges in Microfinance Operation

The study found that majority of the beneficiary respondents (84.4 percent) had some form of constraints accessing credit. The challenges included delay in the release of credit, several meetings and followed-ups and high processing cost.

Another important finding associated with microcredit was clients' default rate. The bank indicated that because many of the clients are not educated, they do not keep simple records of their businesses, and also, are not able to put to use the credit on economically viable ventures, hence higher default rate among borrowers. In the event of default, the group is entirely held liable for repayment and in most cases are denied loan by the bank at their subsequent loan application.

It was found that beneficiaries had some challenges paying back loans contracted. They attributed their inability to poor sales or irregular income, misapplication of loan and technical issues. They explained technical issues to include children school fees, medical bills, funeral expenses, husbands taking part of the money and many others.

The dispersed nature of settlement is another challenge confronting the operations of the scheme in the district. Monitoring of beneficiaries is lacking because the bank is constrained in transportation and other logistics. The bank does not have adequate cars and motor bikes to facilitate the movement of credit officers.

5.2.5 Strategies in Loan Recovery

It was found that group lending is a major strategy the Bank uses to ensure higher repayment rate and therefore reduce default. The use of group lending was motivated by economies of scale, as the costs associated with monitoring loans and enforcing repayment are significantly lower when credit is distributed to groups rather than individuals. Group lending leads to solidarity amongst groups by building strong cohesion among group members and gives beneficiaries some social status in their communities. Many times the loan of one participant in group lending depends upon the successful repayment of another member, thus transferring repayment responsibility off the microcredit institutions to loan recipients.

5.3 Conclusion of the Study

Due to women's involvement in the credit schemes, they cultivate the habit of savings and develop business skills. They are compelled to save because it is conditionality for accessing loan at SRBL. They are also encouraged by the credit officers to save and pay back the loan collected which many women would not have done if it were not compulsory; having money on hand makes them more vulnerable to demands for money by their husbands and other relations.

Access to micro credit by the rural poor, be it through direct lending or inventory credit, increases agricultural productivity in rural areas and enhances food security. It facilitates access to health centers, develops community leadership, and promotes positive perception of beneficiaries in terms of their social standing in their communities. Direct access to credit is the ideal active stake in organizing and developing themselves. It also encourages faster mobilization of local resources such as land, labour, and assets. Again direct access to credit helps build the capacity of local institutions to effectively plan and implement projects. It promotes greater self-reliance and increases community control over resources and development while enhancing the sense of individual ownership. It can be said that the study has diffused the common myth that the poor are not credit worthy, that women represent greater risks than men.

The poor best understands poverty and therefore it is the poor who can escape from poverty. What then can motivate the poor to improve their own condition depends on the appreciation for the opportunities opened to them like access to credit. It can be concluded that, to assist the poor will only be as good as it is perceived when credit is taken into consideration. Thus, no matter how much is being invested in a school or a health post if the poor has no money, access to these facilities will be a problem and the investment will be for naught. Thus, for poverty reduction strategies to be effective and sustainable, they must reflect a systematic change in the living standard of the poor.

Non-beneficiaries expressed their desire to have access to credit as some indicated they had applied for individual loans from the bank but were not granted due to lack of collateral. A good number of them had savings account with either SRBL or the Credit Union but their account balance was inadequate to serve as collateral for a loan. They believed their living conditions could have improved if they had little loans or some form of support in their businesses.

5. 4 Recommendations of the Study

Sustainable poverty reduction requires actions and policies that will improve both the productive and the human capital of the poor. Policy interventions must be well targeted if the benefits are to reach the poor. To achieve this, group-based lending which minimizes problem of repayment must be adopted by both formal and informal lending institutions. The peer influence from group members can cause defaulting members to pay back their loans.

Also, there is the need to have a strong collaboration between the government of Ghana and the microfinance institutions to reduce poverty in rural areas. Microcredits to the rural people promote rural development and therefore, there is the need for government support in the activities of microfinance institutions through supply of funds for on-lending to the poor. In this direction, the Bank of Ghana should abolish the secondary reserve requirements of banks (especially rural banks) to enable them channel those funds to the rural poor to reduce the incidence of poverty. Moreover, there should be an increase in government funding to District Assemblies for road maintenance and supply of social infrastructure (safe water and sanitation facilities as well as provision of health and educational facilities and access to market centres). Local and international NGOs should intensify the support of these activities. Accessibility and assurance of good environmental conditions in rural areas is the surest way to attract more MFIs to interact with clients at their door steps.

Furthermore, the projects department of the Rural banks needs to build the staff technical and skill capacity in microfinance through systematic training to enhance staff with the necessary skills and the capacity to design, implement (through training of beneficiaries), monitor and evaluate microfinance projects. This is due to the fact that most loan defaults stem from misapplication of loans. This will go a long way to prevent the prevalence of loans default as the people would be equipped in a way that can prevent misapplication and appropriation of loans and eventually reduce the rate of default. Majority of the beneficiaries had access to first credit, but could not progress to the next stage because of default at the first loan. It will also enable MFIs to tailor microcredit to meet the needs and demand patterns of applicants and ensure satisfaction of beneficiaries. Training should therefore be given before, during and after loans have been disbursed.

Microfinance in Ghana seems to only concentrate on microcredit; the other aspects like micro-savings and micro-insurance are lacking. Savings play an important role in poverty reduction, in that it serves as insurance for household. Savings help improve future consumption for household. It is therefore recommended that MFIs should rather concentrate more resources on savings mobilization. Information from basic economics indicates that, capital accumulation has a greater strength to reduce poverty. Savings provide the asset for the economy's investment in future production. Without them, the economy cannot grow unless there are alternative sources of investment. There is the need for rural banks to intensify education on the need to save. This can also serve as a form of collateral for loans and will go a long way to reduce loan default.

The study revealed that though SRBL microfinance activities have increased beneficiaries' household income as well as increased access to social services such as health and education, more has to be done in terms of increasing the loan amount to enable beneficiaries expand their businesses and also provide the necessary logistics for the programme to be carried out efficiently and effectively. An increase in loan threshold will have a greater multiplier effect on women's income through profits from income generating activities.

To make rural women more credit worthy, the business practices of rural women, particularly record-keeping and planning should be improved. Adequate planning is the key to financial success; women's business practice should change from thinking about subsistence to thinking about expansion.

The study showed a noticeable and positive impact of SRBL microfinance activities on the living standards, empowerment and poverty alleviation among the poor in the district. To improve the well-being of women and their positions in the district, it is really important for stakeholders of development to listen to them. A comprehensive and holistic approach must be adopted by governments and their development partners, as well as women themselves to eliminate the social and economic constraints imposed on them by society.

Finally, the District Assembly in collaboration with financial institutions and non-governmental organizations that operates within the district must organize periodic training and business advisory services to women in the district. This will enable them (not just beneficiaries alone) manage their businesses very well and deal with the competition and other challenges within the market. Other stakeholders in their fight against poverty should ensure that the processes and requirements for individual loans are modest to enable non-beneficiary women access small loans to support their businesses.

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APPENDIX A1

INTERVIEW GUIDE FOR BENEFICIARIES OF SONZELE MICROFIANCE

This Interview guide is designed to assist the researcher make an assessment of "**Microfinance and poverty alleviation among rural women in the Jirapa District".** The exercise is basically academic and your answers will be treated with the utmost confidentiality they deserve. Your maximum co-operation is highly anticipated.

A. BACKGROUND INFORMATION

1. Age 18-25years [ ] 26-30years [ ] 31-35years [ ] 35years and above [ ]

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

3. Educational background (1) Illiterate [ ] (2) Primary [ ] (3) JHS [ ] (4) SHS [ ] (5) Post Secondary [ ] (6) Tertiary [ ] (7) others, please specify

4 What economic activity do you engage in?

5. Do you have children? (1) Yes [ ] (2) No [ ] If Yes, how many?

6. Do you have other dependants? (1) Yes [ ] (2) No [ ] If Yes, how many?

7. How many of your children/dependants go to school?

B. ACCESS TO CREDIT

8. How did you know about the MFI? (1) Friend/Relative [ ] (2) Customer [ ]

(3) Advertisements/promotions [ ] (4) Proximity to home [ ] (5) Proximity to business [ ]

9. How long have you been with the MFI?

10. Have you receive any training from the bank about MFI? (1)Yes [ ] (2) No [ ]

If Yes, what was the training about?

11. Have you applied for credit/loan from the bank? (1)Yes [ ] (2) No [ ]

If Yes, how long did it take for you to receive the credit/loan?

12. Were you given the amount you applied for? (1)Yes [ ] (2) No [ ]

If No, what was the reason?

13. Was the credit enough for the intended purpose? (1)Yes [ ] (2) No [ ]

What was the purpose?

14. What was the period for repayment?

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

If No, what were the reasons for your failure to honour the loan repayment?

C. SUPPORT AND LIVELIHOOD IMPROVEMENT

16. How would you describe your business before joining the MF group?

17. How does the credit support your business after joining the MF?

18. Did you purchased and/or made any improvements in your property (ies) before joining the MF group? (1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons.

19. Have you purchased and/or made any improvements to your property (ies) after joining the MF group? (1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons..

20. Were you able to send your children/wards to school before joining the MF group?

(1) Yes [ ] (2) No [ ]

If Yes, what was your source of funding?

If No, what were they doing?

21. Are you able to send your children/wards to school after joining the MF group? (1) Yes [ ] (2) No [ ]

If Yes, what is the source of funding?

If No, what do they do?

22. Did you register for the National Health Insurance Scheme before joining the MFI?

(1) Yes [ ] (2) No [ ]

If Yes, how did you get the premium?

If No, what did you manage your health problems?

23. Have you registered with the National Health Insurance Scheme after joining the MFI?

(1) Yes [ ] (2) No [ ]

If Yes, how did you get the premium?

If No, what do you manage your health problems?

24.Were you consulted in making household decisions before joining the MFI?

(1)Yes [ ] (2) No [ ]

If No, please explain why?

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

If yes, what is the reason?

If No, please explain why?

D. CHALLENGES FACED IN ACCESSING CREDITS

26. Do you have problems accessing loan? (1) Yes [ ] (2) No [ ]

If Yes, what problems do you encounter?

27. What are the challenges in repayment?

28. What collateral/securities does the bank require before granting loans?

29. Were you able to provide such collateral? (1)Yes [ ] (2) No [ ].

If No, explain

30. Would you like to continue with the bank? (1)Yes [ ] (2) No [ ]

If No, give reasons

APPENDIX A2

INTERVIEW GUIDE FOR NON-BENEFICIARIES OF MICROFIANCE

This Interview guide is designed to assist the researcher make an assessment of "**Microfinance and poverty alleviation among rural women in the Jirapa District".** The exercise is basically academic and your answers will be treated with the utmost confidentiality they deserve. Your maximum co-operation is highly anticipated.

A. BACKGROUND INFORMATION

1. Age 18-25years [ ] 26-30years [ ] 31-35years [ ] 35years and above [ ]

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

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

4. What economic activity do you engage in?

5. Do you have children? (1) Yes [ ] (2) No [ ] If Yes, how many?

6. Do you have other dependants? (1) Yes [ ] (2) No [ ] If Yes, how many?

7. How many of your children/dependants go to school?

B. ACCESS TO CREDIT

8. Do you know of any Bank/MFI in the Jirapa District? (1) Yes [ ] (2) No [ ]

If Yes, please name those you know.

9. Do you save with any Bank/MFI? (1) Yes [ ] (2) No [ ]

10. Have you ever benefited from Microfinance? (1) Yes [ ] (2) No [ ]

If Yes, when?

11. Have you applied for any credit in the past 5 years? (1) Yes [ ] (2) No [ ]

If Yes, were you given the amount you applied for?

If No, why?

C. LIVELIHOOD IMPROVEMENT

12. How will you describe your business 5 years ago?

13. How will you describe it now?

14. Did you purchase and/or made any improvements to your property (ies) in the past 5 years? (1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons.

15. Have you purchased and/or made any improvements to your property (ies) now?

(1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons.

16. Were you able to send your children/wards to school 5 years ago? (1) Yes [ ] (2) No [ ]

If Yes, what was your source of funding?

If No, please explain?

17. Are you able to send them now? (1) Yes [ ] (2) No [ ]

If Yes, what is your source of funding?

If No, what do they do at home?

18. Were you able to register for the National Health Insurance Scheme (NHIS) 5 years ago?

(1) Yes [ ] (2) No [ ]

If Yes, how did you get the premium?

If No, how did you manage your health problems?

19. Are you able to register for NHIS now? (1) Yes [ ] (2) No [ ]

If Yes, how do you get the premium?

If No, how do you manage your health problems?

20. Were you consulted in household decisions making in the past 5 years? (1)Yes [ ] (2) No [ ]

If No, please explain why.

21. Are you consulted in household decisions making now? (1)Yes [ ] (2) No [ ]

If Yes, what is the reason?

If No, please explain why.

CHALLENGES IN THE BUSINESS

22. How much was your initial working capital?

23. How did you come by your start-up capital?

24. Is it a joint business? (1)Yes [ ] (2) No [ ]

If Yes, what percentage do you contribute?

25. What challenges do you face in doing your business?

26. How does your business support your family?

APPENDIX B

GUIDE FOR FOCUS GROUP DISCUSSION WITH BENEFICIARY GROUPS

This guide is designed to assist the researcher make an assessment of "**Microfinance and poverty alleviation among rural women in the Jirapa District".** The exercise is basically academic and your answers will be treated with the utmost confidentiality they deserve. Your maximum co-operation is highly anticipated.

A. BACKGROUND INFORMATION

1. Name of Group

2. Location of Group

3. Membership of group

4. Type of group

   a. Joint [ ]

   b. Individual [ ]

5. Purpose of group?

6. What economic activity do you engage in?

7. How many of your dependants are in school?

B. ACCESS TO CREDIT

8. How did you know about the MFI? (1) Friend/Relative [ ] (2) Customer [ ]

(3) Advertisements/promotions [ ] (4) Proximity to home [ ] (5) Proximity to business [ ]

9. How long have you been with the MFI?

10. Have you receive any training from the bank about MFI? (1)Yes [ ] (2) No [ ]

    If Yes, what was the training about?

11. Have you applied for credit/loan from the bank? (1)Yes [ ] (2) No [ ]

If Yes, how long did it take for you to receive the credit/loan?

12. Were you given the amount you applied for? (1)Yes [ ] (2) No [ ]

If No, what was the reason?

13. Was the credit enough for the intended purpose? (1)Yes [ ] (2) No [ ]

What was the purpose?

14. What was the period for repayment?

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

If No, what were the reasons for your failure to honour the loan repayment?

C. SUPPORT AND LIVELIHOOD IMPROVEMENT

16. How would you describe your business before joining the MF group?

17. How does the credit support your business after joining the MF?

18. Did you purchased and/or made any improvements in your property (ies) before joining the MF group? (1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons.

19. Have you purchased and/or made any improvements to your property (ies) after joining the MF group? (1) Yes [ ] (2) No [ ]

If Yes, what property (ies)?

If No, please give reasons..

20. Were you able to send your children/wards to school before joining the MF group?

(1) Yes [ ] (2) No [ ]

If Yes, what was your source of funding?

If No, what were they doing?

21. Are you able to send your children/wards to school after joining the MF group?

If Yes, what is the source of funding?

If No, what do they do?

22. Did you register for the National Health Insurance Scheme before joining the MFI?

(1) Yes [ ] (2) No [ ]

If Yes, how did you get the premium?

If No, what did you manage your health problems?

23. Have you registered with the National Health Insurance Scheme after joining the MFI?

(1) Yes [ ] (2) No [ ]

If Yes, how did you get the premium?

If No, what do you manage your health problems?

24.Were you consulted in making household decisions before joining the MFI?

(1)Yes [ ] (2) No [ ]

If No, please explain why?

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

If yes, what is the reason?

If No, please explain why?

D. CHALLENGES FACED IN ACCESSING CREDITS

26. Do you have problems accessing loan? (1) Yes [ ] (2) No [ ]

If Yes, what problems do you encounter?

27. What are the challenges in repayment?

28. What collateral/securities does the bank require before granting loans?

29. Were you able to provide such collateral? (1)Yes [ ] (2) No [ ].

If No, explain

30. Would you like to continue with the bank? (1)Yes [ ]   (2) No [ ]

If No, give reasons

APPENDIX C

QUESTIONNAIRE FOR LOAN OFFICERS OF THE BANK

This questionnaire is designed to assist the researcher make an assessment of "**Microfinance and poverty alleviation among rural women in the Jirapa District".** The exercise is basically academic and your answers will be treated with the utmost confidentiality they deserve. Your maximum co-operation is highly anticipated.

A. BACKGROUND INFORMATION

1. When was Sonzele Rural Bank established?

2. When did you start operating as a Microfinance Institution (MFI) in the Jirapa district?

3. What microfinance model do you use?

4. Why do you prefer this model to others?

5. What were the main objectives for your establishment in the district?

6. Have you been able to achieve them? (1) Yes [ ] (2) No [ ]

If Yes, what is the evidence?

If No, what strategies are put in place to achieve them?

7. What products do you provide?

8. Which category of people serves as your target market?

B. CHALLENGES IN OPERATION

9. What are the challenges in doing business with your clients?

10. How do you determine loan/credit amount?

11. Do you require collateral? (1) Yes [ ] (2) No [ ]

12. What collateral do you require?

14. Do you collaborate with other agencies/institutions in credit delivery? (1) Yes [ ] (2) No [ ]

If Yes, what are the challenges associated with such collaborations?

C. STRATEGIES IN RETRIEVING LOANS

15. Why do you give credit to only women?

16. Do you organize training for the women on how to manage the credit? (1) Yes [ ] (2) No [ ]

If Yes, is it before or after the credit has been given?

17. How long does it take them to start paying back the loans?

18. Do they pay back with interest? (1) Yes [ ] (2) No [ ]

If yes, what is the interest rate?

19. Are you satisfied with your loan/credit recovery rate? (1) Yes [ ] (2) No [ ]

If No, what can be done?

20. What are the common reasons for loan/credit default?

21. How do you deal with such defaults?

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

23. What can be done to improve accessibility to credit by women in your catchment area?

24. Do you do loans monitoring? (1) Yes [ ] (2) No [ ]

If Yes, how often is it done?

If No, why?

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

26. How has microfinance helped in the growth of the local economy?

How, in your own estimation, has the microfinance program of the bank improved the livelihoods of the participants?

Thank you