

AN ASSESSMENT OF THE EFFECTIVENESS OF SINAPI ABA
MICROFINANCE ON THE LIVELIHOOD OF RURAL WOMEN: THE CASE OF
THE EAST GONJA DISTRICT OF THE NORTHERN REGION OF GHANA.

UNIVERSITY FOR DEVELOPMENT STUDIES

AMIDU AWUDU



AN ASSESSMENT OF THE EFFECTIVENESS OF SINAPI ABA
MICROFINANCE ON THE LIVELIHOOD OF RURAL WOMEN: THE CASE OF
THE EAST GONJA DISTRICT OF THE NORTHERN REGION OF GHANA

BY

AMIDU AWUDU

(M.Phil.Development Management)

(UDS/MDM /0322/14)

DISSERTATION SUBMITTED TO THE DEPARTMENT OF GOVERNANCE
AND DEVELOPMENT MANAGEMENT, FACULTY OF PLANNING AND
LAND MANAGEMENT, UNIVERSITY FOR DEVELOPMENT STUDIES, IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF PHILOSOPHY IN DEVELOPMENT MANAGEMENT

SEPTEMBER, 2017



Student

I hereby declare that this thesis is the result of my own original work and no part of it has been presented for the award of another degree in this University or elsewhere.

Signature..... Date

Name

Supervisor

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.

Principal Supervisor Signature..... Date.....

Name.....



ABSTRACT

Microfinance is currently being promoted as a key development strategy for promoting poverty reduction and empowerment of women economically. This is because of its potential to effectively address poverty by granting financial services to households who are not served by the formal banking sector. The thesis' central focus is to examine the effectiveness of Sinapi Aba microfinance on the socio-economic livelihood of the rural women in East Gonja District of the Northern Region of Ghana. The work provides valuable insights into microfinance in a developing economy context. The study was guided by the philosophical ideas underlying the sustainable livelihood approach and the theoretical framework was based on the agent theory. It used the mixed method research design to carry out its scientific investigation and employed multi – stage sampling technique to select 470 respondent. The overall results suggest that loan beneficiary enterprises have expanded while their socio-economic status improved while non- loan beneficiary enterprises and their socio-economic status have declined. This was based on the inquiry into the socio-economic living conditions of women loan beneficiary of Sinapi Aba microfinance and non loan beneficiary. It is however recommended that, future research must focus on a deeper understanding of the sensitivity of the service users and amplify their concerns and appreciation is required. Poor people are usually of the impression that interventions are doing them favour so they seldom complain about the interventions and therefore studies that pick up the faintest of murmurings of service users are required to make interventions suitable for service users.



ACKNOWLEDGEMENT

I am very grateful to the Almighty Allah for His grace and mercy throughout my course of study at the University and for the strength and life given to me to undertake this research work. I am also thankful to all those who in one way or the other contributed to the successful completion of this work. My heartfelt gratitude goes to my project supervisors and lecturers Dr. Mohammed Sulemana and my hard working Co- supervisor Mr. Stephen Ameyaw for their directions, suggestions, pieces of advice and sharing of knowledge to make this project a success. My gratitude also goes to staff and lecturers of the Faculty of Planning and Land Management, University for Development Studies, for their useful suggestions and encouragement in the face of difficulties and challenges in the course of this project work. I cannot fail to acknowledge the support and contribution of the management, staff and women clients of Sinapi Aba Trust in East Gonja District for their cooperation and support. Special thanks go to Mr. Mohammed Awal Rashad and Mr. Musah Mohammed for their contributions toward this work.



www.udsspace.uds.edu.gh
DEDICATION

This thesis is dedicated to God, Son Awudu Ridwan, Mother, family members and my friends who inspired me throughout my academic life.

UNIVERSITY FOR DEVELOPMENT STUDIES



DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
TABLE OF CONTENTS	v
LIST OF TABLES	xii
LIST OF FIGURES	xiii
ABBREVIATIONS	xiv
CHAPTER ONE	1
BACKGROUND TO THE STUDY	1
1.0 Introduction	1
1.1 Problem Statement	4
1.2. Research Questions	7
1.2.1. Main Research Question	7
1.2.2. Specific Research Questions	7
1.3. Research Objectives	8
1.3.1 Main Research Objective	8
1.3.2 Specific Research Objectives	8



1.4. Justification of the Study	8
1.5. Limitations and Delimitations	10
1.6. Scope and Organisation of the Study	11
CHAPTER TWO	13
LITERATURE REVIEW	13
2.0 Introduction.....	13
2.1. Microfinance Definitions, Evolution and Historical Development	13
2.2.1 Before and During the 1980s	15
2.2.2 Beginning of the 1990s	15
2.2.3 The end of the 1990s	16
2.3. Main microfinance practitioners.....	17
Microfinance Institutions (MFIs),	17
MFIs' Clients,.....	17
Institutional Environment,	17
2.4. Policy Framework Regulating Microfinance Institutions	18
2.5. Microfinance Target Population	19
2.6. Why Do Most Microfinance Institutions Target Women?	20
2.7.1. Welfarist Approach	24
2.7.2 Institutional Approach	25



	www.udsspace.uds.edu.gh	
2.8. Microfinance and Development.....		27
2.9. Difference between Microfinance and Microcredit		30
2.9.1 The concept of livelihood		31
2.9.2 Impacts of Microfinance on Livelihoods		34
2.9.3 Empowerment		39
2.9.3.1 Economic Empowerment		42
2.9.3.2 Increased well-being		42
2.9.3.3 Social and political empowerment		43
2.9.4 The Supply of Microfinance Services to Clients		44
2.9.5 Theoretical framework		46
2.9.6 Agency Theory		47
2.9.7 Sustainability.....		49
2.9.8 Sustainable Livelihood Framework.		51
2.9.9.1 The Conceptual Framework.....		56
2.9.9.2 Conclusion		64
CHAPTER THREE		65
METHODOLOGY.....		65
3. Introduction		65
3.1 Profile of the Study Area.....		65



	www.udsspace.uds.edu.gh	
3.2. Population Size and Distribution		66
3.3. Climate and vegetation.....		67
3.3.1 Climate		67
3.3.2 Vegetation		67
3.4.1 Strategic Sector of the Local Economy.....		67
3.4.2 Agricultural Sector		67
3.4.3 Tourism		68
3.4.4 Industry		68
3.4.5 Transportation system		69
3.5. Research Design		69
3.6. Target Population		70
3.7 Sample Frame		71
3.8 Sample Size		71
3.9. Sampling Techniques		72
3.9.1 Source of Data.....		76
3.9.2. Primary Data		76
3.9.3. Secondary Data		77
3.9.4. Data Collection methods.....		77
3.9.5. Questionnaire Administration		78



3.9.6. Focus Group Discussion www.udsspace.uds.edu.gh	79
3.9.7. Interview	79
3.9.8. Observation	80
3.9.9. Pre-Testing of Questionnaires and Training of Field Assistants	82
CHAPTER FOUR.....	88
DATA ANALYSIS AND DISCUSSIONS OF RESULTS	88
4.0 Introduction	88
4.1. Socio-Economic Characteristics of Respondents	88
4.1.1 Ages of Respondents.....	88
4.1.2 Marital Status of Respondents	89
4.1.3 Educational Status of Respondents	90
4.2. The Major Economic Activities Women Clients Invest in.	91
4.3. The Extent to Which the Provision of Financial Services Influence the Livelihood of the Rural Woman	92
4.3.1. How Microfinance Interventions Influence clients Businesses.....	93
4.3.3 General Health Status of Clients and their Family before and after Joining MFI	100
4.3.4 Non-Loan Beneficiary Basic Health Status.	101
4.3.5. The Educational Status of Wards of Clients Before and After Joining MFI .	103



4.3. 7 Income Generation www.udsspace.uds.edu.gh	106
4.3.9. Women Participation in Household Decision Making Before and After Joining The MFI	110
4.3.9.1 Non-Loan Beneficiary Participation in Household Decision-Making Process.	111
4.4. The Major Constraints Encountered by the Micro-Finance Institution in Poverty Alleviation among the Rural Women.....	113
4.4.1 Capacity Enhancement and Funding	113
4.4.2 Illiteracy	114
4.4.3 Credit Delivery and Management	114
4.4.4 Relocations of Clients	115
4. 5. Strategic Measures to Address Constraints.	116
4.5.1. Capacity Building and Funding	116
4.5.2 Illiteracy	117
4.5.3 Credit Delivery and Management	117
4.5.4 Relocations of Clients	118
4.5.5. Conclusion	119
CHAPTER FIVE.....	120
SUMMARY, CONCLUSION AND RECOMMENDATION	120



www.udsspace.uds.edu.gh

5.0 Introduction 120

5.1. Summary of Findings 120

5.2. Conclusion 122

5.3 Recommendations 124

REFERENCES 127

APPENDIX 1 145

APPENDIX II 154



Table 1: Impacts of Microfinance on Livelihoods	37
Table 2: Summary of the Distribution of the Sample Across the Geographical Area	75
Table 3: Business Outcomes of Microfinance Intervention.....	93
Table 4: Business Outcomes of Non- loan Beneficiary	99



Figure 1: Summary of the evolution of microfinance concept	16
Figure 2: Microfinance stakeholders.....	18
Figure 3: The impact of microfinance on women empowerment	44
Figure 4: Minimalist and integrated approaches to microfinance model.....	46
Figure 5: Sustainable Livelihood Framework.....	52
Figure 6: The conceptual framework	61
Figure 7: District Map East Gonja District	66
Figure 8: Respondents age	89
Figure 9: Respondents Marital Status	90
Figure 10: Respondents educational status	91
Figure 11: Economic Activities These Women Clients Invest In.....	92
Figure 12: The Health Status of Clients and their Family before and after Joining MFI.....	101
Figure 13: The Health Status of Non loan Beneficiary	102
Figure 14: Educational Status of Wards of Respondents before and after joining microfinance.....	103
Figure 15: Non loan beneficiary ability to afford basic education.....	105
Figure 16: Income Generation of Respondent	107
Figure 17: Non loan beneficiary income trend	109
Figure 18: Women Participation in Household Decision Making Before and After	111
Figure 19: Non loan beneficiary Participation in Household Decision Making.....	112
Figure 20: Major Constraints by the Micro-Finance Institution in Poverty Alleviation among the Rural Women	116



MTL - Mid-Term Loan

MFIs –Micro Finance Institutions

CGAP - Consultative Group to Assist the Poorest

MDGs-Millennium Development Goals

GSS-Ghana Statistical Service

UN –United Nations

UNIFEM – United Nations Development Fund for Women

GSS –Ghana Statistical Service

BOG-Bank of Ghana

RFP - Rural Finance Project

RFSP - Rural Financial Services Project

MASLOC- Microfinance and Small Loan.

SMEs - Small and Medium Scale Enterprises

UNDP –United Nations Development Programme

NGOs-Non- Governmental Agencies

ACCION –Americans for Community Co-operation in Other Nations

UNFPA – United Nations Population Fund

FINCA – Foundation for International Community Assistance



ILO – International Labour Organisation

RCBs – Rural and Community Banks

FNGOs - Financial Non-Governmental Organizations

ROSCAS - Rotating Savings and Credit Associations

NBFI- Non-Bank Financial Institution.

ASCAs- Accumulating saving and credit Association.

FINSSP- Financial Sector Strategic Plan.

RFSP- Rural Financial Services Project (RFSP),

SIF- Social Investment Fun.

CBRDP- Community Based Rural Development Programmes.

REP- Rural Enterprise Project.

WEDTF - Women's Entrepreneurship Development Trust Fund

BRAC- Grameen Bank and Bangladesh rural Advancement Organization.

ASIP- Agricultural Services Investment Project.

ARB- Association of Rural Banks (ARB)

CUA - Ghana Cooperative Credit Unions Association

MDA - Ministries, Departments, Agencies

MMDAs -Metropolitan, Municipal and District Assemblies

GHAMFIN- The Ghana Microfinance Institutions Network



www.udsspace.uds.edu.gh

MMF- Malawi Mundzi Fund

GCSCA -Ghana Cooperative Susu Collectors Association

SLF - Sustainable Livelihood Framework

SEND - Social Enterprise Development

OHRP - Office of human research protection

FGD- Focus group discussion



BACKGROUND TO THE STUDY

1.0 Introduction

Generally microfinance is known as a provision of a wide range of financial services such as credit, insurance, savings, deposit and payment services to poor and low-income households who are excluded from conventional financial services for lack of collateral (Johnson & Rogaly, 1997; Ledgerwood,1999; Littlefield et al, 2003; Robinson, 2001).The underlying logic is that by offering financial services, poor and low income people will be able to participate in economic market through forming and developing their micro and small enterprises. Consequently, they will be able to improve their households, manage their businesses and make their decisions independently. The microfinance concept has become a popular and fashionable concept in financial and development circles. The Consultative Group to Assist the Poorest (CGAP) - the apex association of international donors who support microfinance - defines microfinance as follows:

Microfinance is the financial services for poor and low-income clients. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as microfinance institutions (MFIs).These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly (CGAP, 2010:1)





Azevedo (2007) adds the rationale for the provision of microfinance services by defining the concept as, “the provision of financial services for low-income households and micro entrepreneurs (both urban and rural) for productive purposes”.

The definitions above represent the common conception of microfinance, namely: financial services that formal institutions provide for the poor. Seibel (1994) and Wright and Rippey (1999) challenge these definitions and argue for a more inclusive view of microfinance. They contend that microfinance should be more inclusive and should take into consideration informal financial arrangements such as moneylenders and financial support from relatives which constitute an important source of financial assistance for the poor. Rutherford and Stuart, (1995) on the other hand, perceive microfinance as the means by which poor people convert sums of money into large lump sums. Ledgerwood (1999:1) provides a more comprehensive definition of institutional microfinance as follows:

The term [microfinance] refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit; however some microfinance organisations provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self-confidence and training in financial literacy and management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a developmental tool. Microfinance activities usually involve:

- Small loans typically for working capital
- Informal appraisal of borrowers and investments

- www.udsspace.uds.edu.gh
- Collateral substitutes, such as group guarantees and compulsory savings
- Access to repeat and larger loans, based on repayment performance
- Streamlined loan disbursement and monitoring
- secure savings products

The practice of modern microfinance started with the establishment of Grameend Bank by Mohammed Yunus in 1976 which successfully demonstrated that extending credit to the very poor especially women improved their fortune tremendously (Cocoman et al, 2009). On recognising the invaluable benefits of microfinance delivery, a resolution (53/197) was adopted by the United Nations and the year 2005 was declared as the international year of micro credit and called for special observation of the year as an important occasion which will serve as a stimulus to the growth and performance of micro credit programmes throughout the world (UN, Resolution, 53/197, 1998).

Also, at the Beijing Declaration and Platform for Action which was espoused in 1995 at the fourth Conference of Women, emphasis was put on improving rural women situation through equal access to productive resources such as land, capital and technology (UN General Assembly, 1995). Since the advent of microfinance women have always been the target and in extreme case in fragile states where institutional structure and social norms are rigid (Armendariz, 2005). The result for focusing on women has been found to be quite impressive. According to Cheston and Kuhn (2002), although microfinance does not tackle all the barriers confronting women it makes valuable contribution towards empowering them if properly designed. With the exception of land, microfinance has increased women asset holding which is a



crucial determinant of overall household expenditure set; (Pitt et al; 2006). This assertion is confirmed by Waheed (2009) when he noted that perhaps the most outstanding contribution of microfinance is the fact that it brings about improvement in the income and asset level of borrowers which in turn leads to better education, health, nutrition and self-esteem. Also, according to the World Women day report (2012), which states among other things that, rural women's access to financial services increases their level of autonomy and self confident. Credit in any form played an important role in the economic, political, religious, educational and social transformation of women globally. This has led to an impressive expansion in non-farm income generation activities alongside their traditional agricultural production.

According to Simanowitz et al; (2007), microfinance was a key strategy in reaching the Millennium Development Goals (MDGs). It is against this backdrop that this study seeks to analyse the effectiveness of Sinapi Aba Microfinance on the livelihoods of rural women in the East Gonja District of the Northern region of Ghana.

1.1 Problem Statement

The people of East Gonja District depend primarily on rain-fed agriculture for their livelihoods. Low output and incomes especially among the vulnerable groups, therefore contribute to seasonal hunger, which characterizes the lives of the people (SEND Ghana, 2010). Culturally, women do not have authority over land as compared to their male counterparts. They cannot take decisions on their own without the consultation of their husbands; neither do they have control over productive activities such as farming, fishing and properties. But these women usually contribute to farming activities such as harvesting of farm produce, planting,



www.udsspace.uds.edu.gh

weeding, fertilizer application and transportation of the farm produce, which are then controlled by the men. In addition, these rural women support their men or husbands to provide some household needs such as buying of kerosene, paying children school fees, clothing the children, buying drugs, household provisions, and house maintenance among others. Once these women are married they have no financial independence but have a duty to find the resources to support their husbands to be able to fulfil their household needs, as well as their gender based responsibilities.

In sub-Saharan Africa and for that matter Ghana, the husbands are tied with the responsibility of providing certain household necessities such as foodstuffs, meat, cloths, providing shelter and paying school fees. Women on the other hand, perform most of the domestic and child-care duties (Egyir,2010). Therefore, it is deemed that an increase in women income often leads to improved living conditions of their children and household members, which is often seen as an integral part of good mothering (ibid).The above notwithstanding, developing literature in micro-finance industry has established that women throughout the world, particularly in developing countries have little command over productive resources, as asserted by Fletcher and Charter (2008). The most affected have been rural women who are restricted with respect to their access and control over important productive resources such as land, capital and entrepreneurial activities in which they can engage, given their household role and social norms (ibid). Dinye and Deribile (2004:46) noted that “the women entrepreneurs have contributed to investment in household agricultural production from non-farm enterprise production”. When food crop production fails and seed for the next production season are not available from household production, women have contributed to the purchase of seeds. However, the extinction of institutional systems such as the extended family which provided food and care for



www.udsspace.uds.edu.gh

all members, climatic and seasonal changes, as well as-ecological considerations have brought in their wake undesirable situations which have deepened the plight of the rural women (Egyir,2010). Discrimination against woman, bad cultural practices (female genital mutilation, “trokoshie” and widower rites), women abuse, polygamous marriages, sex abuse, and physical assaults of family members; undesirable declining household of food insecurity and a rising number of households headed by women in rural areas are handy examples worth citing.

The main objective of microfinance schemes or programmes is to provide opportunity for the poor to access financial services in order to engage in income generating activities and to make them financially independent. This is expected to lead to economic empowerment of the poor rural women. According to Moser (1998), all over the world, women form majority of the poor because they are deprived of the paid job. However, despite many international agreements affirming their human rights, women are still much more vulnerable than men in all spheres of life either economically, socially, religiously and politically. It is argued that microfinance programmer have the potential to initiate a series of virtuous spirals of economic empowerment, increased well-being of women and their families and in wider spectrum, social and political empowerment (Mayoux, 2005).

United Nations Development Fund for Women (UNIFEM) provides credit to women as a way of strengthening them economically and politically. There have also been so many attempts in the past to solve or reduce poverty and empower women in rural Ghana. We have had the structural adjustment programmes and Economic Recovery Programmes that aimed at increasing the welfare of the people in urban and rural areas. We have also had microfinance Programmes such as Rural



www.udsspace.uds.edu.gh

Finance Project (RFP), Rural Financial Services Project (RFSP) and Microfinance and Small Loan (MASLOC scheme). They all aimed at the provision of small loans to small and medium scale enterprises (SMEs). We have also had so many different models which were geared towards poverty reduction and improved the lot of rural women. The question to ask is that, are these women empowered socially, politically and economically as a result of microfinance services they have benefitted?

These issues raise serious but urgent questions as to whether the financial institutions and the various interventions provided by the government and international organizations to empower women in Ghana have had any positive impact. These deserve an in-depth scientific investigation so as to assess the effectiveness of micro-financing on women empowerment in Ghana particularly those in the East Gonja District of the Northern Region. It is against this backdrop that this study seeks to analyze the effectiveness of Sinapi Aba microfinance on the livelihoods of rural women in the East Gonja District of the Northern region of Ghana.

1.2. Research Questions

1.2.1. Main Research Question

The general research question is to what extent has Sinapi Aba microfinance interventions improved the livelihoods of the rural women in the East Gonja District?

1.2.2. Specific Research Questions

1. What major economic activities do these women clients invest in?
2. How have these services affected the livelihoods of the beneficiaries?



www.udsspace.uds.edu.gh

3. What are the major constraints encountered by the micro-finance institution in poverty alleviation of the rural women in the District?

4. What measures can be instituted to address these constraints encountered by the micro-finance institution in poverty alleviation of the rural women in the District?

1.3. Research Objectives

1.3.1 Main Research Objective

The general objective is: To investigate the extent to which Sinapi Aba interventions have improved the livelihoods of the rural women in East Gonja District.

1.3.2 Specific Research Objectives

1. To investigate the major economic activities in the informal sector that these women clients invest their services into.
2. To evaluate how these services affected the livelihoods of the beneficiaries.
3. To examine the major constraints encountered by the microfinance institution in poverty alleviation of the rural woman in the District.
4. To explore some management strategies that will help address these constraints encountered by the microfinance institution in the District.

1.4. Justification of the Study

The microfinance industry and research is increasingly focusing on institutional sustainability (Hulme and Arun, 2009). Strategies aimed at ensuring the sustainability of microfinance institutions and ending their dependence on subsidies and external finance have preoccupied microfinance discourse. The idea of striving for financial sustainability is to promote institutions which do not depend on external support or subsidies to grow and achieve wide outreach and





have the maximum and [positive impact](http://www.udsspace.uds.edu.gh) on service users (Robinson, 2003). Therefore, microfinance research rarely emphasizes the perspective of the users of the financial services. Impact assessments have tried to assess microfinance using objective indicators such as income which can be quite problematic, especially in the rural context in developing countries like Ghana. Given the current trend of research in microfinance, this study is deemed important because;

First, it intends to put the understanding of microfinance activities and its effects on the rural woman in East Gonja District in the Northern region on the spotlight. These will enable Government, Non-Governmental organization international bodies and other development agency to focus their attention into the operation and activities of Sinapi Aba microfinance in the District.

Second, it will also enable micro finance institutions to draw out strategic and tactical plans and information management systems to better orient themselves to improve on their financial performance and sustainability. These will provide a clear avenue for the financial institution to evaluate their operational performance, which will help them know whether their activities and programs are reaching the target groups hence better position themselves to improve their efficiency and effectiveness.

Third, studies that try to systematically link the components of microfinance interventions to poverty outcomes (household and business effects) from the perspective of service users and taking contextual information into consideration are fewer in the microfinance literature and it is deemed worth addressing.

Finally, it will help the microfinance institutions to know whether their products and services are having any positive impact on women empowerment in the District.

1.5. Limitations and Delimitations

One of the most striking problems in research in West Africa and for that matter Ghana is the inadequate responses from clients. This emanates from illiteracy among respondents. It is very difficult for people who cannot read and write to appreciate the need to supply relevant research information. Effective communication, therefore, becomes a difficulty and there exists an apparent inability to complete research questionnaire. The inability of respondents to read and understand the questions correctly is the root cause of unsatisfactory response which affects findings. Kahn and Cannel (1957), for instance identified five principal forms of inadequate responses as, partial response, non-response, irrelevant response, inaccurate response and verbalised response problems. To overcome this problem of illiteracy and thus unsatisfactory responses, questions were translated into the mother tongue of the respondent by the researcher for better understanding and the analysis of questions for accurate answers. Also, supplementary questions were formed on the spur of the moment to address any omission.

It is also important to mention that research in the area of Non- Governmental Organisations microfinance schemes and rural livelihood in Ghana is still in the infant stage (Romanus, 2012). As a result, most of the background data were not readily available. Basic statistics that form the bed rock of studies are often not available and even if available; they are not reliable (ibid). This undoubtedly has been a major bottleneck in carrying out empirical research. To overcome this drawback, the study relied extensively on the scholarly researched literature relevant to the topic under investigation. Moreover, most Ghanaians will not like to disclose full details on their of financial stand to any third party or anybody trying to probe their financial matters, and the rural women in East Gonja are no exception.



www.udsspace.uds.edu.gh

Information that otherwise would be considered for public consumption is deemed “secret” not only within the rural communities but also within the urban communities. Rural folks like keeping information to themselves for their lives will be endangered if such information is released for public consumption. Issues relating to ones income are considered “secret” because they do not want others to know how much they are earning in order to run away from financial responsibilities and witch-hunting. However, sensitization programs were carried out to educate respondents that whatever information they give out will be treated confidentially. This is the surest ways to win respondents confidence in giving out information.

1.6. Scope and Organisation of the Study

This study is divided into five interrelated chapters which are subdivided into series of sections.

The first chapter sets the background to the study. It provides the research problem, the research questions and objectives, the justification for the study, scope and organization of the study and its limitations. This chapter is significant because it guides and puts the study into a solid footing.

Chapter two focuses entirely on literature review on the topic. Conceptual and theoretical issues of microfinance vis-a-vis rural women’s livelihoods are reviewed in this chapter. It lays a solid foundation to carve the methodology for the study.

The methodological framework is dealt with in chapter three. The various research methods and tools are looked at in this chapter. The profile of the district and the strategic sector of the local economy of the district are discussed in this chapter. This chapter provides a guide for conducting field survey.





Chapter four presents and analyzes the results of the study. The chapter also takes care of the discussion of the results. This chapter is significant to the study since it provides answers to the research questions and forms the basis for conclusions and recommendation for the study.

The summary of the principal findings, conclusion and recommendations are presented in chapter five. It discloses important information which hitherto was unknown, hence adds to knowledge or existing literature on the topic.

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of related relevant literature on microfinance from published and unpublished sources. The chapter reviews the existing literature on the topic in order to identify the gaps in literature in this subject matter. The review has been categorized into the following headings, microfinance definitions, evolution and historical development, microfinance practitioners, policy framework regulating microfinance institutions, microfinance target population, why microfinance targets women, approach to microfinance, microfinance and development, difference between microfinance and microcredit, the concept of livelihood, the impact of microfinance on livelihood, empowerment, the agency theory, sustainability and conceptual framework. This review helps place the study clearly within a larger context and provides a framework for establishing a benchmark for comparisons with other findings (Creedy, 2008; Creswell, 2009).

2.1. Microfinance Definitions, Evolution and Historical Development

Microfinance encompasses the provision of financial services and the management of small amount of money through a range of products and a system of intermediary functions that are targeted at low income clients. It thus consists primarily of providing financial services, including savings, microcredit, micro-insurance, micro- leasing and transfers in relatively small transactions designed to be accessible to micro enterprises and low income households (Asiama et al., 2007). Robert et al. (2004), also refer to microfinance as a movement that envisions a world in which as many poor and near poor households as possible have permanent





www.udsspace.uds.edu.gh
access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfer. In another development, Robinson (2001) asserted that microfinance schemes usually lend small short-term loans to very poor micro entrepreneurs. Loan repayment is usually guaranteed by group members collectively and access to future credit or loans is contingent on successful repayment. Hence peer monitoring and the prospect of subsequent larger loans act as strong incentives for repayment.

In 1973, Americans for Community Co-operation in other Nations International (ACCION), a Peace Corps-like group started to switch their focus toward providing economic opportunity to poor people instead of working on construction and infrastructure projects in order to create lasting improvements in the lives of those they were helping. Their plan first appeared in Recife, Brazil in 1973 when ACCION staff began to offer microloans to poor people eager to start small businesses, ACCION offered an exciting alternative to the under-served population that were ineligible for traditional loans and wanted to avoid the exploitative lending practices of loan sharks. Within four years, the experiment had shown its success in having provided 885 loans with a repayment rate of over 90%, (ACCION International, 2010). The loans also helped to create or stabilize 1,386 new jobs. This success has helped in making a positive and lasting impact in peoples' lives. Since this modest beginning, ACCION has expanded its micro lending operation to countries throughout South and Central America, the United States, Africa and India. ACCION claims (and recorded dates seem to indicate) that these loans were the first modern pioneers of microcredit (ibid).

The practice of modern microfinance started with the establishment of Grameend Bank by Mohammed Yunus in 1976 which successfully demonstrated that extending

credit to the very poor especially women improved their fortunes tremendously (www.udsspace.uds.edu.gh; Cocoman et al; 2009). From the past to the present, the microfinance evolutions have been divided into three periods of time: before and during the 1980s, beginning of the 1990s, and the end of 1990s (Glaubitt et al., 2006).

2.2.1 Before and During the 1980s

During the 1950s to 1980s, the microfinance service was restricted to the microcredit programmes subsidized by governments and donors with a focus on the agricultural sector (Glaubitt et al, 2006; Hamada, 2010). The success of the microcredit programme in this period was outreach to the target clients, poor households and microenterprises, by not requiring collateral. However, this programme encountered the following shortcomings (Glaubitt et al., 2006):

- The microfinance service was limited to microcredit.
- The number of target clients was small, covering only clients in the agricultural sector.
- Lacking a systematic approach posed by a high transaction cost problem.

2.2.2 Beginning of the 1990s

From the shortcomings in the last period, gradual integration into mainstream financial sector, which builds cost-efficient operations and expands the customer base, was applied by many microfinance programmes. In other words, microfinance programmes were transforming themselves into microfinance models by imposing financial sustainability as one of their objectives and extending their clients as generally poor people, not just the poor in the agricultural sector (Glaubitt et al., 2006; Hamada, 2010). The prominent example is Grameen Bank. It should however be noted that governments and donor partners were still two important sources of



capital for microfinance models in this period. www.udsspace.uds.edu.gh

2.2.3 The end of the 1990s

Microfinance models in the last period have been transforming into microfinance institutions (MFIs) since operating in the form of microfinance models subsidized by governments and donors was incompatible with the mainstream financial sector. This occurrence has resulted in a large scale of clients and qualified financial products; moreover, there has been the creation of networks that link MFIs together like commercial banks (Glaubitt et al., 2006). It is said that in this period (and presently) the border between MFIs and commercial banks are blurred. In conclusion, microfinance evolution is summarised in figure 1

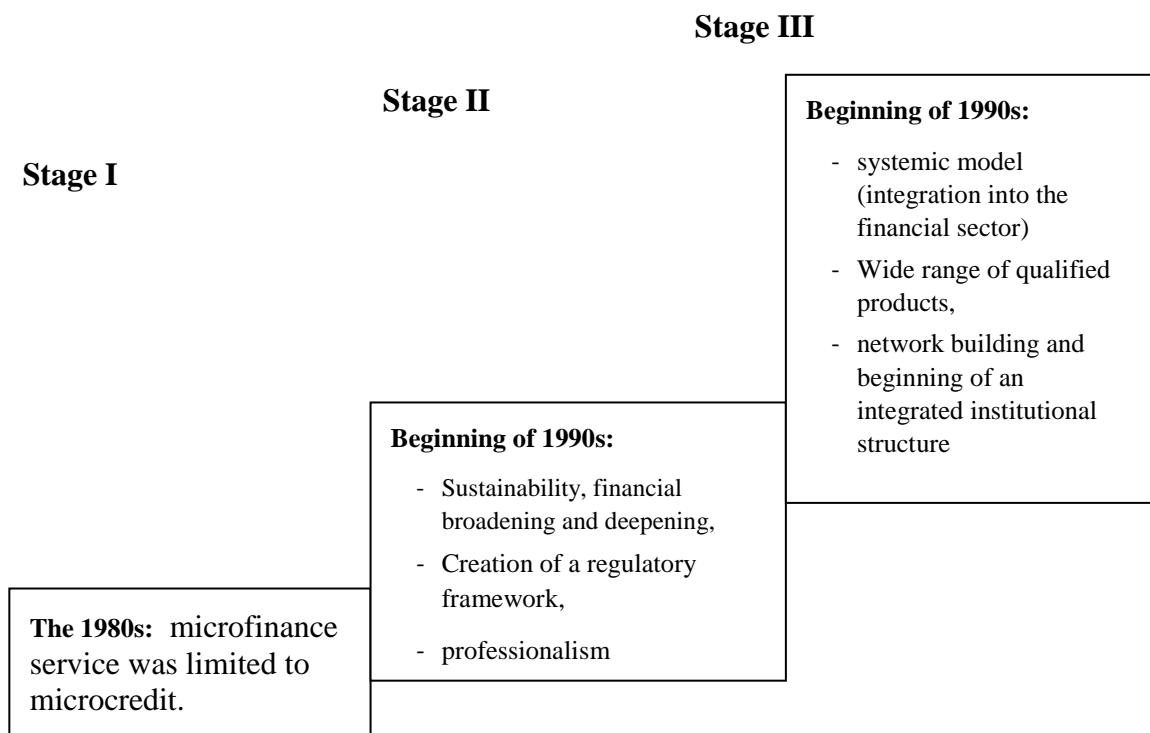


Figure 1: Summary of the evolution of microfinance concept

Source: Glaubitt et al. (2006)



2.3. Main microfinance practitioners

Microfinance Institutions (MFIs), they are the financial organization that provides financial services to underprivileged clients, which mostly are the poor (, Consultative Group to Assist the Poor, 2011). The MFIs can be divided into two broad groups: formal and informal, (CGAP, 2011). Formal MFIs are those MFIs which operate under two regulations stipulated by the government and by the group members, for example, commercial banks which target the poor, the government's specific-purposed banks, credit unions and credit cooperatives. For informal MFIs, their operation is under only group member-stipulated regulations, for instance, self-help groups and rotating savings and credit associations (ROSCAs)

MFIs' Clients, a number of people have usually adhered to a thought that MFIs' clients are only those who incur poverty and are excluded from conventional banking. Indeed, MFIs' clients have also included vulnerable non-poor people who become more vulnerable to external shocks and easily fall into poverty; (Fernando, 2007). In other word; those who fall in or have a possibility to incur poverty are all MFIs' clients. Particularly, in Islamic countries in which social class has been characterized by gender, the majority of MFIs' clients have been women who have had lower social class than men.(ibid)

Institutional Environment, Governments and regulations are two vital environments surrounding microfinance, particularly after transforming to microfinance industry of MFIs (Arun, 2005). Governments on behalf of the policy maker and the regulator will frame microfinance direction and enact regulations by which MFIs have to comply with. For this reason, we can say that MFIs'



development depends in part on [appropriate regulatory frameworks](http://www.udsspace.uds.edu.gh) enacted by the visionary government. (Steel et al ;2003)

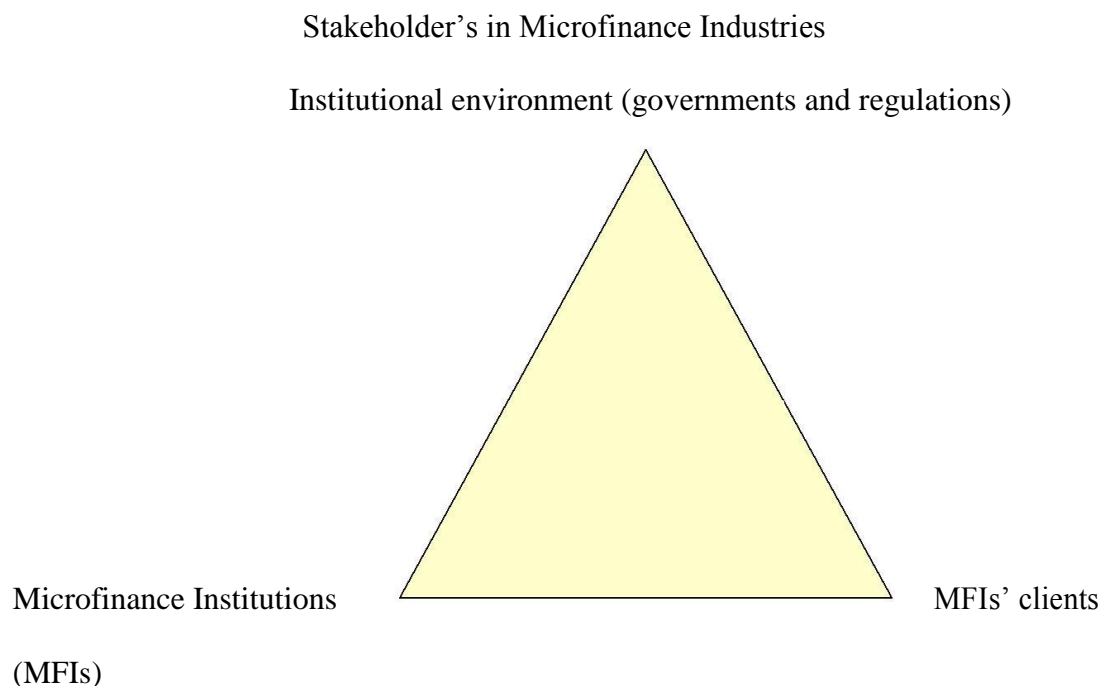


Figure 2: Microfinance stakeholders

2.4. Policy Framework Regulating Microfinance Institutions

In terms of the regulatory framework, rural and community banks are currently regulated under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328). On the other hand, the regulatory framework for credit unions is still being developed to reflect their dual nature as cooperatives and financial institutions. The rest of the players such as Financial Non Governmental Organisations (FNGOS), Rotating Savings and Credit Associations (ROSCA) and Accumulating Saving and Credit Association (ASCAs) do not have explicit legal and regulatory frameworks, and are largely unregulated In terms of the regulatory framework microfinance are regulated under the Non-bank Financial Institutions Act, 2008 (Act774) and the Banking Act, 2004 (Act 673) as amended by

www.udsspace.uds.edu.gh

Act 738. In terms of current policy programs that affect the microfinance sub-sector, a number of ongoing projects can be cited. These include, the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programs (UNDP). Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programs (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP). Sinapi Aba Savings and Loans (SASL) Limited is a Non-Banking Financial Institution licensed under the Non-Bank Financial Institutions Act 2008 (Act 774), authorized to carry on their business of Savings and Loans on 28th March, 2013 as a company limited by Shares.

2.5. Microfinance Target Population

The main focus of many MFIs is to empower women by increasing their financial power and position in the society so as to have equal opportunity as men (Moyoux, 2001). The poorest people in the society are known to be women and they are responsible for the child upbringing including education, health, and nutrition (Mayoux, 2007). There are cultural barriers that exist between men and women this makes women to stay at home constraining them to have access to financial services. Some banks are unwilling to lend to women because their access to property is limited and they also have fewer sources of collateral. Based on experience, women generally are very responsible and are affected by social forces (Moyoux, 2001). When the income of a woman is increased, the effect is noticed throughout the household and to the community than when that same amount is increased to a man. They also have a high repayment loan and savings rate than their male counterparts (Ledgerwood, 1999). A study carried out by the World Bank's sustainable banking for the poor with the title of the project "Worldwide Inventory of Microfinance



www.udsspace.uds.edu.gh

Institutions” found that female programs are group based with the characteristic of having small loan size and short loan term (Paxton, 1996).

Poverty alleviation is the focal point of microfinance institutions and the poorest form a majority of the population. The outreach of MF services to the poor is measured in terms of scale, the number of clients that are reached, (Ledgerwood, 1999). Institutions that are contributing in the fight against poverty are very effective in the improvement of the welfare of those under and those just above the poverty line (Hulme and Mosley, 1996). MFIs serve both urban and rural areas but their focus is more in the rural areas. Products and services offered by the MFIs are aimed towards meeting the expectations of the target location or area. Those in the rural areas are different from those in the urban areas and the infrastructural development in these areas also matters. Markets are very important for microenterprises irrespective of the area where the firm is located. The difficulty to produce and distribute or deliver the goods because of lack of infrastructure will hinder or retard the growth of businesses thus limiting the financial services that will be demanded. An example of a reduced transaction cost will be the availability of good road network. Grameen Bank is a typical MFI that is successful and it has branches in the same geographical areas where their clients live (Ledgerwood, 1999).

2.6. Why Do Most Microfinance Institutions Target Women?

Emphasis on women in microfinance was initially based on practical considerations of ensuring that loans were paid back rather than any other reason. (Johnson and Rogaly, 1997). The Grameen Bank of Bangladesh was one of the first microfinance institutions to experiment with women. Recounting their experience with women, Armendariz and Morduch (2005) said, Grameen initially did not have such a strong emphasis on women when it began business in the 1970s. Grameen shifted their



www.udsspace.uds.edu.gh

focus onto women in the early 1980s when women showed better loan repayment records than men.

The initial idea was to have an equal number of men and women but women's records showed so remarkable a repayment rate that by the end of 2002, 95% of Grameen clients were women (ibid). The practice of targeting women has since been emulated by most microfinance institutions. Cheston and Kuhn (2002), summarise the rationale for targeting women as ensuring efficiency and sustainability of microfinance institutions. Microfinance schemes run efficiently due to women's cooperation and good repayment records.

Their lower arrears and loan loss rates have an important effect on the efficiency and sustainability of the institution. Women are more likely than men to self-select into microfinance institutions with some conditions attached: namely training sessions, small loans, weekly meetings and joint responsibility (Armendariz and Morduch, 2005).

Johnson and Rogaly (1997) also confirmed the foregoing argument that women are usually targeted to ensure better loan repayment rates and efficiency in implementation of microfinance services rather than any other concern. Empirical evidence supports the above arguments for targeting women. For example, Rahman's (1999), observations at the village-level in Bangladesh revealed that Grameen Bank preferred to target women for strategic reasons of investment and recovery of loans than for the benefit of the women themselves. Women were found to be more compliant and easier to discipline than the men.

Hulme (1991) found in Malawi that timely repayment rates for women clients were 92% against that of 83% for men in the Malawi Mundzi Fund (MMF). Rhyme and Holt's (1994) review of World Bank projects revealed that repayment data of the



www.udsspace.uds.edu.gh

majority of projects reported a higher rate of repayment by interventions that concentrated on women than in mixed gender projects. Thus, targeting women ensure efficiency, sustainability and improvement in financial performance. Apart from good repayment performance and ensuring the sustainability of microfinance interventions, women have later come to be targeted for other reasons. Two major factors have driven the increasing involvement of women in microfinance activities. The first has to do with promoting gender equity. Khandker (2001) and Pitt et al. (2006) argue that many microfinance interventions specifically target the women based on the perception that they are poorer than men, they participate less in the labour market and have an inequitable share of power in household and community decision-making.

The second reason for targeting women relates to the benefits that accrue to households compared to targeting men. Using microfinance as a tool to foster gender equity is justified by studies conducted by the United Nations Development Programs (UNDP), UNIFEM and World Bank which indicate that gender disparity in developing countries result in stagnation in economic growth and development. Indeed a strong and positive relationship has been found between gender-related development indicators and the human development index (Chester and Kuhn, 2002).First, women are targeted because they are more likely to be marginalised with regard to access to conventional forms of financial services than men and are faced with difficulties in accessing credit for productive activities, especially in rural areas. Legerwood (1999) says women face cultural barriers that often restrict them to the home (for example Islamic purdah) making it difficult for them to access financial services. Women suffer inequities with regard to access and ownership of productive inputs like credit and land. As a result,





women are likely to be [poorer than men](http://www.udsspace.uds.edu.gh) and this constitutes a justification for microfinance institutions to reach out to them. Cheston and Kuhn (2002) contend that women are targeted because they are over represented amongst the world's poorest people. According to Ledgerwood (1999), women entrepreneurs have been targeted by microfinance institutions because they almost always constitute the poorest segment of society. In 1995, Human Development Report of the UNDP stated that 70% of the 1.3 billion people living on less than \$1 per day were women (Cheston and Kuhn, 2002). Second, providing women with microfinance is said to facilitate the process of empowering women because they are usually in a subordinate position relative to men. Kabeer (1999) has defined empowerment as the process of women taking control and ownership of their lives through expansion of their choices. In a survey carried out in rural Bangladesh in 1998-1999, Pitt et al. (2003) discovered that women's involvement in microfinance led to a greater role in household decision-making; gaining more access to financial and economic resources; having improved social networks; having more freedom of movement; and increasing their bargaining power in the household. A study in Nepal to assess the empowerment effect of microfinance interventions by Ashe and Parrot (2001) found that 68% of women had experienced an increase in most areas of decision-making traditionally dominated by men. In the Philippines, Ashraf et al. (2009) used randomised control trials in a study that examined whether access to individually held commitment savings empowered women. The study found that access to goal-setting and savings resulted in a significant increase in empowerment for women. It is noteworthy that employing microfinance for ensuring gender equity has not been hugely successful mainly due to the fact that microfinance

www.udsspace.uds.edu.gh

rarely challenges the socially embedded and seemingly intractable structures that perpetuate gender inequity (ibid).

Ledgerwood (1999), argues that an increase in women's income benefits the household to a greater extent than a commensurate increase in the income of men. For instance, in a study of the Grameen Bank in Bangladesh, Khandker (2003) estimated that microfinance contributes to household consumption at the rate of 18% for lending to females and 11% in the case of male borrowing. Women have been observed to spend more of their income on their households and were more likely than men to spend their profits on household and family needs (Chester and Kuhn, 2002). Thomas (1994) found that enabling women to access credit resulted in an increasing share of the household budget spent on education, housing, and on health. Chester and Kuhn (2002), concluded that several studies had confirmed the well-documented observation that women were more likely to spend their incomes on the household. Further evidence of benefits of microfinance on women is provided by Khandker (2005), who found evidence of positive impact of loans on women with the impact being more pronounced for those in extreme poverty.

2.7. Approaches of Microfinance

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

2.7.1. Welfarist Approach

The welfare approach focuses on the demand side, which is to say, on the clients side. This approach supports the idea of subsidizing microcredit programs in order to lower the cost for the microfinance institutions so that they can offer low interest



rates on their loans (www.udsspace.uds.edu.gh Morduch, 1999). The performance of the MFIs is 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 argue 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.

2.7.2 Institutional Approach

The institutionalist argue that MFIs should be able to cover their costs with it revenues. (Alexander.,2011). Institutionalists feel that 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 programs (Alexander, 2011). This means that it is not sustainable





www.udsspace.uds.edu.gh
for the MFIs to be subsidized and that the subsidies will lead to an inefficient allocation of the financial resources. The economists supporting this view mean that the welfarist make the wrong assumptions when they say that the repayment interest rate must be low, because the clients are not creditworthy and unable to save and that commercial banks could not survive in rural areas because of the high costs of offering financial services to poor households (ibid).

The Institutionalist view of self-sufficiency as a requirement for MFI sustainability seems untenable until one realizes that there appears to be a trade-off between self-sufficiency and targeting (Congo, 2002). Most MFIs which have proven self-sufficient and have tended to loan borrowers (Morduch.,1999). These MFIs are able to capture economies of scale by extending larger loans to the marginally poor. Those who support subsidization tend to put much greater social weight on consumption by the poor, assume highly sensitive credit demand to interest rates, low impacts or perhaps negative impacts of interest rates on returns, moderately high, but not extremely high, returns to investments by poor households, and small or beneficial spill over's onto other lenders (Congo, 2002). The activities and operations of Sinapi Aba microfinance is consistent with the welfare approach, as they try to subsidise microcredit programs, which lower their cost of operation. The performance of their client are measured through groups, individual, household studies with focus on quick loans repayment and lower loan default rate, improved living standard of their clients, consistent saving and improvement in capital accumulation which support social services such as education , health as well as improvement nutritional status of client. Which in a long aim at improvement in the economic and social welfare of clients.

2.8. Microfinance and Development

Generally, microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients (Robinson, 2001). It includes loans, savings, insurance, transfer services and other financial products and services as stated earlier.

According to Johnson (2007), microcredit is one of the critical dimensions of the broad range of financial tools for the poor and its increasing role in development has emanated from a number of key factors that include the following:

- It helps very poor households to meet basic needs and protect against risks,
- It is associated with improvements in household economic welfare,
- It helps to empower women by supporting women's economic participation and so promotes gender equity.

Indeed, empirical studies (Johnson & Rogaly, 1997; Littlefield et al., 2003; Robinson, 2001) have shown that microfinance helps very poor households to meet basic needs and protects against risks, and is thus associated with improvements in household economic welfare. Gender activists also argue that microfinance helps in empowering women by supporting women's economic participation and so promotes gender equity (Kabeer, 1999). Other strands of the literature suggest that, microfinance creates access to productive capital for the poor, which together with human capital addressed through education, training, social capital, through local organization which enables people to move out of poverty (Ledgerwood, 1999). By providing material capital to a poor person, their sense of dignity is





strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999). The aim of microfinance, according to Otero (1999), is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at the institutional level and seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy, so MFIs have emerged to address this market failure. By addressing this gap in a financially sustainable manner, MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). More recently, commentators such as Littlefield et al. (2003), Simanowitz and Brody (2004), and the International Monitoring Fund (IMF, 2005) have commented on the critical role of micro-credit in achieving the Millennium Development Goals. According to Simanowitz and Brody (2004), micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of most poor people. Littlefield et al. (2003) stated that "...micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale". However, some schools of thought remain sceptical about the role of micro-credit in development. For example, while acknowledging the role microcredit can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research on microcredit that "...most contemporary schemes are less effective than they might be". The authors argued that microcredit is not a

www.udsspace.uds.edu.gh

panacea for poverty-alleviation and that in some cases; the poorest people have been made worse-off. This notwithstanding, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far reaching impact in transforming the lives of many poor people. It is again stressed that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living (Kofi Annan 2005).

As pointed out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit, "...Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs" (Kofi Annan, 2003). Clearly, there is broad consensus among academia and policymakers that although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can indeed make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women and the vulnerable.

In a nutshell, microcredit is a necessary but not a sufficient condition for micro-enterprise development. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, basic infrastructure and sometimes regulatory approvals of authorities are needed to make it efficient and vibrant. In the absence of these, micro-credit by itself



will only work for a limited set of activities (www.udsspace.uds.edu.gh small farming and petty trading) and will remain micro.

2.9. Difference between Microfinance and Microcredit

Microcredit and Microfinance are two terms which are used interchangeably without realising the difference between them. Essentially, these are two terms which are used for describing the activities which are aimed at helping the people living under poverty line or below the poverty line and the unemployed. They are also used for describing activities which are aimed at funding social programs in various countries. Microcredit, also known as banking for poor, is a new approach which aims to bring people above the poverty line and improve their lives by strengthening their financial status and boosting their confidence by providing employment to them. Microfinance covers many financial services which include savings, housing loans, insurance, and remittance transfers and providing guidance to the poor which will help in the uplifting of the poor to live good and productive live. Training, imparting knowledge and skills which can help the poor in income generating, improve health and hygiene and ways to live a better life are all part of activities covered under microfinance.

It is realized that traditional skills are not capable of getting the required income and this is why training the people to adapt to the new technology helps them in increasing their income level. Microcredit or small loans have helped people to get the required tools and material for their work. Microfinance aims to help communities to work together to improve their lives. Just a little help can aid the people in boosting their work and eventually increase their income. A little help in small enterprises like sewing, fishing, weaving, poultry production, etc. can help people grow on their own. Microcredit aims at providing financial help while Microfinance takes care of all other factors influencing financial activities.



www.udsspace.uds.edu.gh

Microfinance has many characteristics due to its broad nature. Some of the features suggested by Mohammed and Mohammed (2007) include the following:

- The extension of small loans to individuals and group to enable them go into income-generating activities.
- The loans are given at short terms for at least one year at a schedule of weekly payment
- No collateral is needed in giving out loan as in the case of the formal financial sector.
- It involves little saving over time to serve as an insurance for the poor households in terms of emergencies and also enable them amass capital to overcome the capital constraints.
- The period for the processing and disbursement of loans are short.
- The use of tapered interest and decreasing interest rate over several loan cycles serves as an incentive to repayment on time.

2.9.1 The concept of livelihood

The general consensus about livelihood is that it is about the way and means of making a living. Academics and development practitioners have, however defined the concept in several ways based on their own opinions and the situation at hand for instance, Chambers & Conway (1991), defined livelihood as the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base. Livelihood thus comprised all assets (natural, physical, human, financial and social capital).



www.udsspace.uds.edu.gh

They are the institution and social relationship that together determines the living gains by the individual or household (Coin et al., 1988). Appendini (2001:21-25) quoting Long (1997), states that “livelihood best expresses the idea of individual or groups striving to make a living, attempting to meet their various consumption and their economic necessities, coping with uncertainties, responding to new opportunities, choosing between different value positions....” What the study finds in the later is an indication that the understanding of livelihood has extended beyond the economic or material objectives of lives. Wallman (1984), notes that, livelihood is never a matter of finding or making shelter, transacting money, getting food to put on the family table or exchange on the market place. It is equally a matter of ownership and circulation of information, the management of skills and the relationship and the affirmation of personal significance and group identity. The tasks of meeting obligations, security identity and status and organising time are crucial to livelihood as bread and shelter. This is not to deny the fact that livelihood does not concern material wellbeing but it also concerns non-material wellbeing. Livelihood should be visualised as a dynamic and holistic concept which is best demonstrated by Bebbington (1999:2022) “A person’s assets, such as land, are not merely means with which he or she makes a living: they also give meaning to a person’s world. Assets are not simply resource that people use in building livelihoods: they are the assets that give them capability to be and to act. Asset should not only be understood only as things that allow survival, adaptation and poverty alleviation: they are also the basis of agents power to act and to reproduce, challenge or change the rules that govern the control, use and transformation of resources.”



www.udsspace.uds.edu.gh

The best understanding of holistic meaning of livelihood is how the underprivileged see it themselves. It manifests itself not only in its view of livelihood outcomes, but also in its attention to variety of capital upon which the poor draws to influence their livelihoods. Besides the conventional assets like natural resources, various elements of human capital are included as well as social capital. The accent is on the flexible combination of, trade – off between capitals, that is if the rural poor woman do not have cultivable land, she will try to acquire a plot through her social networking which is also social capital labours which is human capital become physical capital that will be used for the cultivation of land. This, however, has been criticized.

The first critique is that the inventive focuses of capital trade-off, many researchers do not know how to go beyond material motives and aims. According to Acre (2003), questionable is the lessening of livelihood to the mobilization and deployment of social and organizational resources for the search of economic and environmental goals. The second critique is the question of suppleness of these interchange of capitals. They are bordered by properly relation and configuration of power; very possible the same arrangement that brings about poverty in the first palace. Even through structures transformation, process mediation, institution and organisation appear in livelihood, it trends overlook these structural characteristic and focus more on capital and it activities. A livelihood approach looks beyond indices of income and aggregate household consumption which is particularly valuable. However, its value is diminished if the focus is only on productive processes and if the significance of consumption, reproduction and social associations in securing livelihoods is ignored.



2.9.2 Impacts of Microfinance on Livelihoods

The impact of MF on livelihoods is focused in terms of the changes in livelihoods assets and the use of livelihood assets to cope with vulnerability. The provision of MF can assist the poor find the means to protect their livelihoods against shocks and to build up and diversify their livelihood activities (Johnson & Rogaly, 1997). Chowdhury, Mosley & Simanowitz (2004) argued that if MF is to fulfil 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 is to invest in their children's education (Littlefield, Murdoch & Hashemi, 2003). Moreover, women empowerment is a key objective of MF interventions. Women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. MFI cannot



www.udsspace.uds.edu.gh

empower women directly but can help them through training and awareness raising to challenge the existing norms, cultures and values that place them at a disadvantage in relation to men and to help them have greater control over resources and their lives Kabeer(1999), quoted in (Mosedale, 2003). Littlefield (2003) stated that access to MFI can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities. Hulme & Mosley (1996) also made this point when they referred to the naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women.

MF projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously (Hulme & Mosley, 1996). However, Chowdhury & Bhuiya (2004) found that violence against women actually increased when women joined the program, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger. The question is whether some constraints affected the accession to the MF program of women or not. By providing material capital to a poor people, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999). It helps to empower women by supporting their economic participation and so promotes gender equity. Based on various case studies, they show how MF has played a role in reducing poverty, promoting education, improving health and empowering women. Concerning financial assets, MF contributes to enhance financial capital of livelihoods assets, which can be converted into other types of capital and be



used for direct achievement of livelihoods outcomes (DFID, 1999). MF also contributes to building up physical assets. According to Marconi & Mosley (2004), clients reflected significant increases in ownership of livelihood assets such as livestock, equipment and land. They stated that this should not be surprising as poorer clients are more risk averse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock (Marconi & Mosley, 2004).

Table 1 shows the impact of microfinance on the livelihood of women on the basis of economic and social impact.

Financial	Economic Results	Social Impacts
Acceptance of Savings	<ul style="list-style-type: none"> <input type="checkbox"/> Earned income from savings <input type="checkbox"/> Capacity for future self investments <input type="checkbox"/> Enables consumption smoothing <input type="checkbox"/> Ability to face external shocks <input type="checkbox"/> Decreased need to borrow money from informal sources at high interest rates <input type="checkbox"/> Encourages purchase of productive assets <input type="checkbox"/> Improved/balanced allocation of resources <input type="checkbox"/> Increased economic opportunities and growth 	<ul style="list-style-type: none"> <input type="checkbox"/> Reduced vulnerability due to natural and external shocks <input type="checkbox"/> Household consumption more predictable <input type="checkbox"/> Higher earned income from interest rates <input type="checkbox"/> Feelings of the severity of poverty and desperation reduced <input type="checkbox"/> Reduced social exclusion due to improved living conditions and quality of life <input type="checkbox"/> Social, political, and economic empowerment <input type="checkbox"/> Potential increase in wellbeing



Credit Availability	<input type="checkbox"/> Encourages profitable investment opportunities <input type="checkbox"/> Encourages entrepreneurship <input type="checkbox"/> Adoption of better technology <input type="checkbox"/> Expansion of existing micro-enterprises <input type="checkbox"/> Promotes safe risk-taking <input type="checkbox"/> Enables consumption smoothing	<input type="checkbox"/> Higher household income <input type="checkbox"/> More diversified income sources <input type="checkbox"/> More predictable income <input type="checkbox"/> Better educational opportunities for children <input type="checkbox"/> Reduced severity of poverty <input type="checkbox"/> Reduced social exclusion <input type="checkbox"/> Social, political, economic, and personal empowerment
Insurance	<input type="checkbox"/> More financial assets saved <input type="checkbox"/> Reduced risks and losses <input type="checkbox"/> Increased investments <input type="checkbox"/> Reduced distress from unpredictable shocks	<input type="checkbox"/> Less volatile consumption patterns <input type="checkbox"/> Greater income due to more investments <input type="checkbox"/> Greater personal and economic security
Payments/Money	<input type="checkbox"/> Facilitates more open trade and investments <input type="checkbox"/> Reduces dependence on informal money sources <input type="checkbox"/> Diversification of household economic activities	<input type="checkbox"/> Greater income, cash mobility <input type="checkbox"/> Higher overall consumption

Table 1: Impacts of Microfinance on Livelihoods

Source: Asian Development Bank (2011)

It is imperative to mention at this point that not all commentators are so passionate about the role that microfinance plays in development and caution that it is not “*magic bullet*” when it comes to poverty alleviation. Findings from Hulme and Mosley (1996), imply that credit is only one factor in the generation of income or output. There are other complementary factors for making credit more productive.

www.udsspace.uds.edu.gh

Among them is an entrepreneurial skill. According to Vijay, (2005), “Microfinance is a necessary but not a sufficient condition for micro-enterprise promotion). Other inputs, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs ,business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and regulatory approvals are required to make it more efficient and vibrant. In the words of Professor Yunus (2003: 171; emphasis added), micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people’s potential, micro-credit is an essential tool in our search for a poverty-free world. Thus, there is broad agreement about the need for complementary factors for microfinance to have some positive impact on poverty reduction.

The supply of microcredit does not necessarily ensure the availability of complementary factors in adequate quantities and quality. Some microfinance institutions and non-government organizations (NGOs) seem to have understood the need for such factors and, therefore, also offer training to build management and entrepreneurial skills. There are also some microfinance schemes which provide basic education in rural areas using innovative methods. These are all potentially positive developments for poverty reduction efforts. But it must be stressed that the focus of most microfinance has been generally on supply side chain factors with very little attention paid to the demand side. Pollin (2007: 2), notes that micro-enterprises “need a vibrant, well-functioning domestic market itself that encompasses enough people with enough money to buy what these enterprises have to sell”.

In sum, microfinance is not a panacea for livelihood improvement, but it needs both complementary supply-side and demand-side factors. Supply-side factors such as



www.udsspace.uds.edu.gh

good infrastructure and entrepreneurial skills are needed to make micro-enterprises more productive. The potential for increased productivity will remain mostly unrealized in the absence of demand-side factors. It must be emphasized that without a supportive macroeconomic, trade and industry policy framework, micro-enterprises will remain micro, with no backward or forward linkages on livelihood enhancement.

2.9.3 Empowerment

One of the attractions of the microfinance movement is the possibility of a more fundamental “empowering” effect that goes beyond increased economic returns. According to Deshmukh et al, (2005), the stimulus for empowerment as a process comes when something alters in a person’s life that expands spaces. Empowerment refers to increasing the spiritual, political, social and economic strength of individuals, households, societies and communities. Proponents of village banking and similar group-based lending were intrigued by the possibility that success with their groups could help members transform an attitude of “I can’t” to “I can” (Amankwaa et al., 2012). Empowerment, in its broadest sense, refers to an individual’s or group’s increased “power”. In a development context, it refers both to “internal” change within an individual’s sense of self and autonomy, and “external” change in social status and basic power relationships in society (ibid).

Women empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices. It often involves in developing confidence of the individual in his/her own capacities (Krishna, 2003). It indicates the expression of self-strength, control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one’s values, capable of fighting for





www.udsspace.uds.edu.gh
one's rights, independence, own decision-making, being free, awakening, and capability (Kabeer, 2001).

(Kabeer,1999),states that women need empowerment as they are constrained by “the norms, beliefs, customs and values through which societies differentiate between women and men”. She also states that empowerment refers to the “process by which those who have been denied the ability to make strategic life choices acquire such an ability”, where strategic choices are “critical for people to live the lives they want (such as choice of livelihood, whether and who to marry, whether to have children, etc)” (Kabeer, 1999). Therefore, MFIs cannot empower women directly but can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater control over resources and their lives. By offering poor households access to formal or semi-formal financial services, microfinance has the potential to empower its clients in a variety of ways (Amanewaa et al, 2012).

First, income-generating opportunities can provide greater economic security and power to clients. Second, group formation and management can link clients with networks beyond their neighbourhood or community. Microfinance programs that target women in particular are thought to have the greatest empowering potential because women are less likely to have had access to financial services and because, in general, they tend to be more marginalized. Through financial services, women have greater potential to increase their earnings, which fosters internal attitudes (self-reliance, self-confidence and self-worth) which can translate into external changes (greater bargaining power within the household and leadership in the community).

www.udsspace.uds.edu.gh

Microfinance services that foster group formation and self-management by women have additional potential to empower women through exposure to new ideas, mutual support, fostering an identity beyond the family and the opportunity to cultivate leadership roles and responsibilities (ibid). Mosedale (2003) states that if we want to see people empowered it means we currently see them as being disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. Littlefield et al (2003) state that access to MFIs 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. However, they also state that just because women are clients of MFIs does not mean they will automatically become empowered.

Hulme and Mosley (1996) also make this point when they refer 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”. However, with careful planning and design, women’s position in the household and community can indeed be improved. According to Littlefield et al. (2003), Women’s Empowerment Program in Nepal found that 68% of its members were making decisions on buying and selling property, sending their daughters to school and planning their family, all decisions that in the past were made by husbands. They refer to studies in Ghana and Bolivia, which indicated that women involved in microfinance projects had increased self-confidence and had an improved status in the community. Hulme and Mosley (1996) state that microfinance 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 wasn’t there previously. From studies of the Grameen Bank and Bangladesh Rural Advancement Organization (BRAC),



www.udsspace.uds.edu.gh

they show that clients of these programs suffered from significantly fewer beatings from their husbands and helped improve women's lives, control over fertility, sustainable environment, decreased mortality, decreased morbidity and increased nutritional status (Chowdhury and Bhuiya, 2004).

Empowerment is relevant at the individual and collective level, and can be economic, social, and political empowerment. Hence, microfinance programs have significant potential for contributing to the above. Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing 'virtuous spirals' of empowerment. Women can use savings and credit for economic activity, thus increasing incomes and assets and control over these incomes and assets.

2.9.3.1 Economic Empowerment

Women's access to savings and credit gives them a greater economic role in decision-making through their decision about savings and credit (see Figure 3). When women control decisions regarding credit and savings, they will optimize their own and the household's welfare. The investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect. This economic contribution may increase their role in economic decision-making in the household, leading to greater wellbeing for women and children as well as men. Their increased economic role may lead to change in gender roles and increased status within households and communities.

2.9.3.2 Increased well-being

Access to savings and credit facilities and women's decision about what is being done with savings and credit strengthens women's say in economic decisions of the household (Figure 3). This enables women to increase expenditure on the well-being of themselves and their children. This is the main concern in the poverty alleviation



www.udsspace.uds.edu.gh paradigm. Women's control over decision-making is also seen as benefitting men through preventing leakage of household income to unproductive and harmful activities. Other welfare interventions are advocated in addition to microfinance, typically nutrition and health, and literacy campaigns to further decrease vulnerability and improve women's skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women's economic activities and incomes.

2.9.3.3 Social and political empowerment

A combination of women's increased economic activity and control over income resulting from access to microfinance with improved women's skills, mobility, and access to knowledge and support networks (Figure 3). Status within the community is also enhanced.

These changes are reinforced by group formation, leading to wider movements for social and political change. The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels.

By contrast, the feminist empowerment paradigm advocates explicit strategies for supporting women's ability to protect their individual and collective gender interests at the household, community and macro-level.



www.udsspace.uds.edu.gh

The minimalist approach offers only financial intermediation but they can sometimes offer partial social intermediation services. This approach is based on the fact that there is a single “missing piece” for the growth of enterprises and it is assumed to be the lack of affordable, accessible, short-term credit which the MFIs can offer.

The integrated approach takes a more holistic view of the client. This approach creates an avenue for a combination or range of financial and social intermediation, enterprise development and social services. MFIs take advantage of its nearness to the clients and based on its objectives, it provides those services that are recognised as most needed or those that have a comparative advantage in providing those services.

The demand and supply of these services will determine the approach that an MFI will choose and also the circumstances in which it is operating (Ledgerwood, 1999). Figure 4 is a minimalist and integrated approaches to microfinance model which depicts what approach a financial institution will adopt in order to provide its intermediation services



Minimalist Approach

Integrated Approach

One's missing piece-credit

Financial and Non-Financial Service

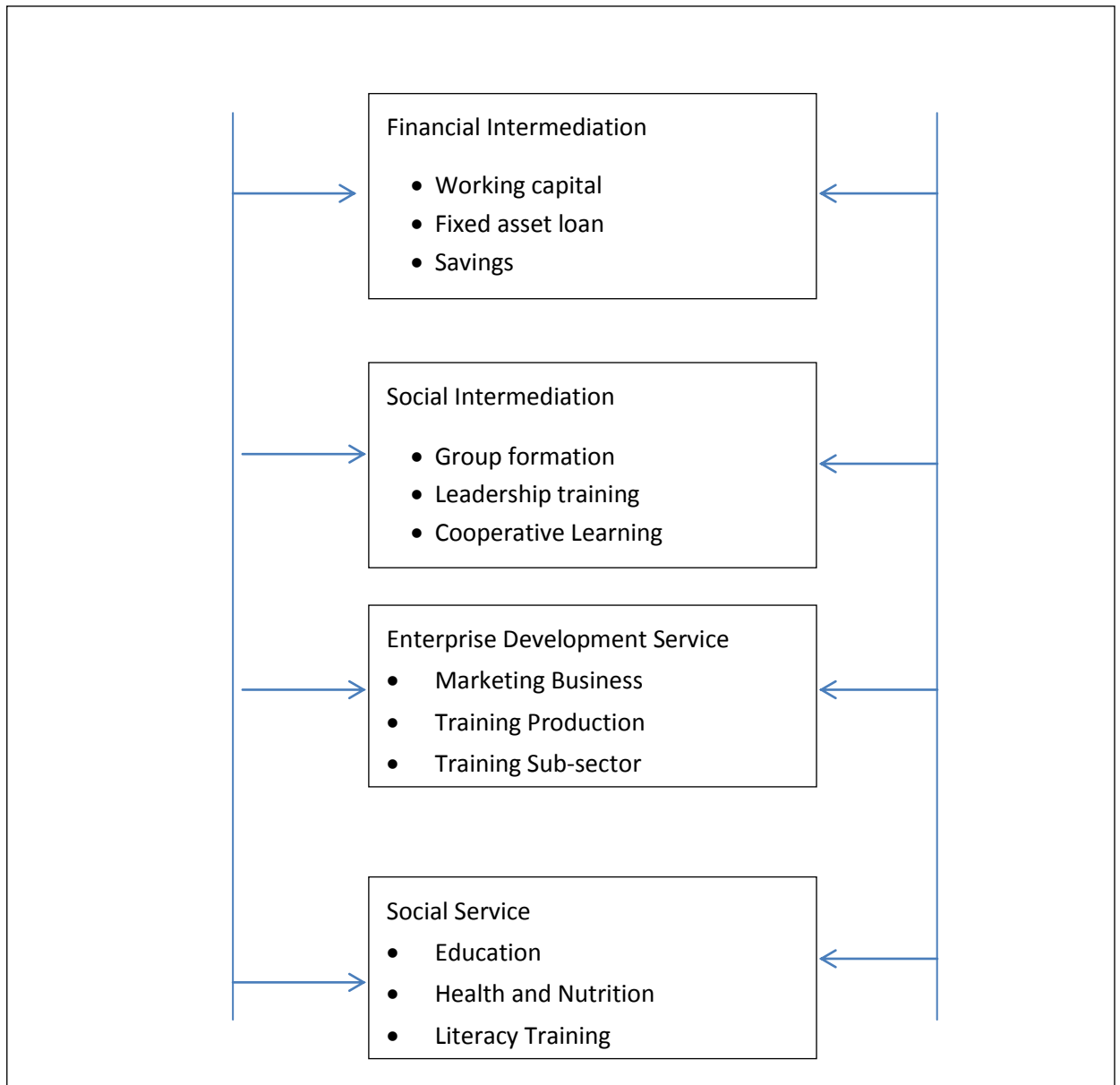


Figure 4: Minimalist and integrated approaches to microfinance model

2.9.5 Theoretical framework

All research problems have a theory as well as a history that help us understand and explain the occurrence of the problem. The theoretical background shows how the problem came about and why it continues to exist, hence informs a

www.udsspace.uds.edu.gh solution (Kwabia, 2006). The study therefore explores some theoretical basis by examining the agency theory.

2.9.6 Agency Theory

Agency theory is the supposition that explain the relationship between the principal (employer i.e. Sinapi Aba micro finance) and the agent (i.e. women client) in business. Agency theory has been used to examine an agency relationship (Greenwood, 2003). Jensen and Meckling define an agency relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some functions on their behalf which involves delegating some decision making authority to the agent” (Jensen & Meckling, 1976). Often, an agency relationship will pose the agency problem which results from the goal conflict between the principal and the agent (Eisenhardt, 1989; Huarng, 1995; Saam, 2007). In other words, the principal’s utility negatively correlates with the agent’s utility, or we can draw an equation as follows (Saam, 2007).

The principal’s utility will depend on returns, whereas the agent’s utility will depend on income. The principal and the agent want to maximize returns and income respectively. As a consequence, there is a trade-off between the utility of the principal and the utility of the agent (ibid.). Consequently, the focus of the agency theory is to design the optimal contract for resolving the agency problem (Eisenhardt, 1985 & 1989; Bergen et al., 1992), or aligning the goals between principals and agents (Johnson & Droege, 2004). There are two types of contracts used to solve the agency problem: Behavior-based contracts and outcome- based contracts (Eisenhardt, 1985 & 1989; Bergen et al., 1992; Greenwood, 2003; Johnson & Droege, 2004). Under a behavior-based contract, the principal will directly monitor, assess, and reward the agent on the basis of information about the agent’s





actual behavior (Bergen et al., 1992). The principal will observe the agent's behavior by investing in information systems, for example, budgeting systems, cost accounting measures, and additional layers of management (Eisenhardt, 1985 & 1989). Indeed, the principal cannot completely supervise the agent's behavior because of informational asymmetry between the principal and agent (Bergen et al., 1992).

The implication of informational asymmetry between the principal and the agent is that the principal is unable to observe the characteristics (hidden characteristics), intentions (hidden intentions), information (hidden information), and actions (hidden actions) of the agent (Saam, 2007). For the outcome-based contract or the incentive-based contract (Greenwood, 2003; Johnson & Droege, 2004), the agent will be rewarded on the basis of realized outcome (Bergen et al., 1992). Logically, the agent will put the maximum effort to gain a high level of outcome since the remuneration paid to the agent will depend on the actual outcome. It is worth noting that under this contract the principal will not monitor and assess the agent (this is different from the behavior-based contract), but he/she will pay attention only to performance outcome (e.g., sales).

The principal needs to design the outcome-measuring systems. This contract can induce the agent to pursue the goals that are directly associated with the principal's goals (Johnson & Droege, 2004; Bergen et al., 1992), but on the other hand, this contract shifts risk from the principal to the agent (Eisenhardt, 1985 & 1989; Bergen et al., 1992). The issue of risk arises because the outcome is partly a function of uncontrollable variables, for instance, government policies, economic climate, competitor actions, technological change, and so on – called as the outcome uncertainty (Eisenhardt, 1989), These variables are out of the agent's capability. If

www.udsspace.uds.edu.gh

the outcome uncertainty is low, the costs of shifting risk borne by the principal will be low (ibid.). In essence, the outcome-based contract will not only motivate the agent's behavior, but also change risk sharing patterns between principals and agents (Eisenhardt, 1985). However, we should realize that in the agency theory the principal who is assumed to be risk neutral is in a better position to bear risk than the agent who is assumed to be risk averse (Eisenhardt 1985 & 1989; Bergen et al., 1992; Saam, 2007). This is because the principal can diversify his/her investment, but the agent cannot (Eisenhardt 1985 & 1989; Bergen et al., 1992).

Interestingly, both the behavior-based contract and the outcome-based contract have been mainly designed to maximize the principal's utility, rather than maximizing the joint utility of both the principal and the agent (Bergen et al., 1992). Employing either the behavior-based contract or the outcome-based contract will depend on comparing the cost of measuring behavior and the cost of measuring outcomes and transferring risk to the agent (Eisenhardt, 1985 & 1989).

2.9.7 Sustainability

Sustainability has been defined differently by researchers and therefore there is no single authoritative definition of the term. Sustainability in microfinance literature has been narrowly defined to mean financial sustainability. Navajas et al (1998:5) defined "sustainability as reaching a goal in the short – term without harming your ability to reach long – term". Rosenbgard (2001) also defines sustainability as a development of the product of delivery systems that meet client needs at a price that cover all cost of providing these financial services independent of external subsidies. Rosenberg (2006) refers to sustainability of micro finance institutions (MFI) as those that are profitable enough to maintain and expand services without continued





www.udsspace.uds.edu.gh
injection of funds. The definitions suggest that an MFI that relies on capital injection from government or any other source might be unsustainable in the long run.

Marulanda et al (2010), assert that financial sustainability is measured in terms of growth, efficiency, control of default and profitability. According to Schreiner (2000) sustainability is the ability of micro finance institutions to repeat performance over a long period of time. Schreiner (2000), assert that sustainability has two facets; the sustainability of the transaction and the sustainability of the MFI. The perception about how sustainable the transactions are or the sustainability of the MFI is of essence as it could influence the attitude of the clients toward the activities of the MFI. Sustainability is therefore about permanence (Schreiner 2000, Kanawari, 2004). The financial sustainability definition reduces sustainability to mean the ability to generate operational income sufficient to cover all the operational costs.

Sustainability could therefore be seen as a desirable and ideal position that MFIs should attain and sustain. Shah (1999) suggested an integrated definition and argues that sustainability must be broadened to include, among other things, such as loans, repayment rates, market rate of interest and portfolio quality. For instance, Dzene and Aseidu (2010), posit that loans repayments are indicators of portfolio quality and quality of MFIs portfolio are critical for their sustainability. An institution with low loans repayment rate ((high loan default) is unlikely to achieve sustainability. This implies that it will reduce the chance of survival of any MFI (ibid). The achievements of these determinants of sustainability such as the high loan repayment rate, charging of market rates of interest and having a portfolio quality depends on the microfinance institution or scheme to adhere to the key principles of microfinance (Adongo and Stork, 2005). In this thesis, sustainability refers to the effectiveness or degree to



which Sinapi Aba Trust adheres to the [principles](http://www.udsspace.uds.edu.gh) and best practices of microfinance and how loans repayments are enhanced therefore leading to low default rates and better clients satisfaction.

2.9.8 Sustainable Livelihood Framework

The sustainable livelihoods framework (SLF) helps improve the understanding of the livelihood of the poor people. It draws on the main factors that affect poor people's livelihood and typical relationship between the factors. The approach according to Moser (2008), is probably the best known analytical framework to incorporate many of the common concepts of assets, capabilities, and entitlement of assessing local people livelihood and vulnerability. In Carney (2002), the SL framework is credited as underpinning the success of major national and multi-national developments approaches and research methodologies. The framework is presented in schematic form in fig .5 and it shows the main components and how they are linked. It does not work in a linear manner and does not attempt to provide the exact representation of reality. But rather it seeks to provide the way of thinking about the livelihood of the poor people that will stimulate debate and reflection about the many factors that affect livelihood. The way they interact and their relative importance within a particular setting. Like all models, it is a simplification and does not represent all the facts and richness of livelihood, which can only be understood by qualitative and participatory analysis at the local level. It posits that households possess different levels of resources endowments and capabilities, and endures different scales of exposure to the institutions and policies that condition the environment in which they operate. The interactions of these factors determine their livelihood choices and the consequent differences in welfare outcomes. Therefore, in the different

applications of the SLF, considerable emphasis has been placed on the core issues of individual and household endowments.

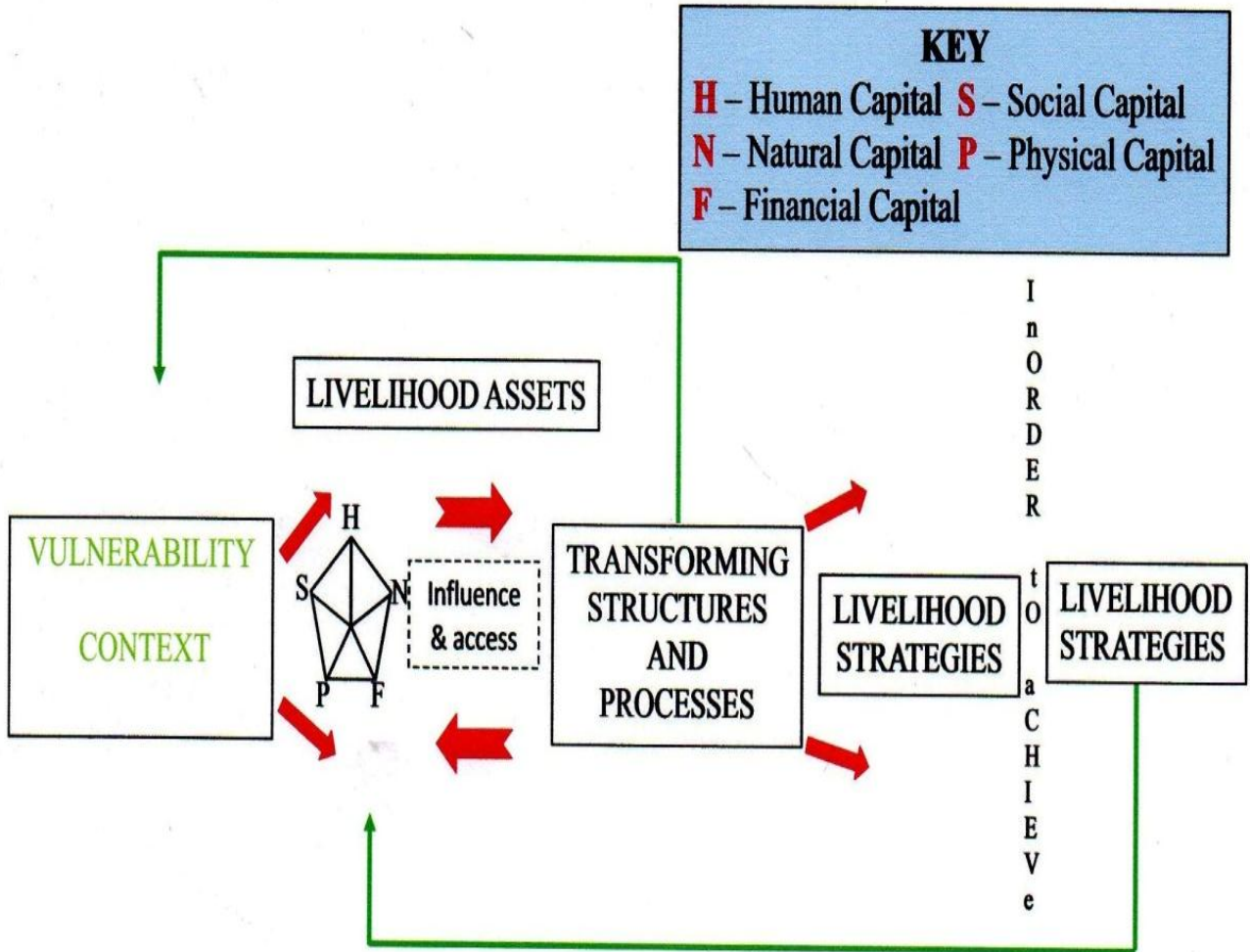


Figure 5: Sustainable Livelihood Framework

Source: Sustainable Livelihoods Guidance Sheet (DfID, 1999,p.1)

According to Ashley and Carney (1999), DfID (1999) and Scoone (1998), the SLF maintains individuals and households as the main focus of analysis. The different uses and adaptations of the framework, identify the vulnerabilities of the poor in society as the core challenge in the design and implementation of development interventions. In so doing, SLF identifies five broad categories of resources from which individuals may determine their production possibilities,



especially within the www.udsspace.uds.edu.gh context of the shocks, trends and seasonality. These resources are grouped into the following:

- Natural resources which include soil, water, biodiversity, as well as their environmental services.
- Social capital, which embodies the social networks and claims, affiliations, etc;
- Human capital such as labour resources, skills and knowledge.
- Physical capital including infrastructure and production equipments; and,
- Financial capital, encompassing cash, credit and debts, savings and such economic assets.

Depending on the levels of endowments in these resource groups, individuals construct and identify possible livelihood strategies that would yield optimal returns in welfare outcomes such as increased income and well-being, reduced vulnerability to economic shocks and natural disaster, improved food security and sustained use of available natural resources. However, decisions on such choices of livelihood strategies are not independent on the institutional processes and structures that dictate the order of economic interactions. Some of these include formal laws and social expectations, cultural and societal sensitivities, legislative regimes and rules of economic exchange.

In fact, beyond own endowments, the framework observes that these institutional arrangements, political organizations and power relations may generate on their own different levels of access to these livelihood resources, which in turn will determine different combinations of livelihood activities to be pursued and their



possible outcomes. The www.udsspace.uds.edu.gh key roles of institutional and policy factors in the framework are therefore the extent of their influence on access to livelihood resources, construction of livelihood portfolios and the eventual determination of livelihood outcomes (Scoone, 1998). Therefore, on the merit of the SLF, the welfare of household groups are postulated to be a function of the household assets, the trends, conditions and context of the livelihood formation processes as well as the institutional and policy environment that condition the economic and social exchanges. It must be noted that an important missing link in the SLF provided above, is the role of households in the validation of institutions that govern society. It is contended that this role by households, constitutes the principal driver of institutional evolution and the development path that a society may follow. In this dynamic economic environment it is extremely important to establish a cogent link between financial sustainability and livelihood. Financial sustainability ensures that client and their jobs are saved and these make them relatively stable which improved their livelihood and better enhance their economic and social wellbeing, enhance job security and improve productivity.

The strength of a given livelihood in a financial arena is not only measured by its productive outcomes, but equally by its resilience to shocks, seasonal changes and trends. Shocks might include natural disasters, wars, and economic downturns. Availability of resources, income-generating opportunities, and demand for certain products and services may fluctuate seasonally. More gradual and often predictable, trends in politics and governance, technology use, economics, and availability of natural resources, can pose serious obstacles to the future of many livelihoods. Chambers et al (1991).



www.udsspace.uds.edu.gh

In order to better understand how people develop and maintain livelihoods, the UK Department for International Development (DFID), building on the work of practitioners and academics, developed the Sustainable Livelihoods Framework (SLF). This framework is an analytical tool, useful for understanding the many factors that affect a person's livelihood and how those factors interact with each other.

2.9.9 Why is Sustainability an Important Issue in Microfinance

Sustainability is essential in micro finance because all the choices we pick and all the actions that we make today will affect everything in future. We need to make sound decisions at present to avoid limiting the choice of generations to come. Today, we painfully begin to learn that resources are limited and quite sensitive to everything that we do, and are starting to experience the effect of financial fraud, financial embezzlement, financial corruption and loans default in our financial institutions. To make sure the future generation will not experience the worse, we need to be aware of the ideals and requirements of sustainability. On the contrary, it means sustaining the supply of microfinance resources so that we can in turn sustain human development and progress. Sustainability, especially financial sustainability, of MFIs is a huge issue in microfinance circle and industry across the developing world. The International Monetary Fund (IMF) estimated that only 1% of MFI are financially sustainable globally (IMF, 2005). Admittedly, sustainability is a broad concept but in the context of this study, it is only looked at in terms of financial sustainability. It does not encompasses other sustainability issues in developing circle. MFIs should strive for sustainability in any sort to be able to achieve its vision and mission. Sustainability is consciously working to have a better quality of life while at the





www.udsspace.uds.edu.gh

same time being mindful of the future generations to do same. It is conventional wisdom that programs for the poor should be sustainable (Snow, 1999).

Snow noted that sustainability is not achieved if programmes do not meet the needs of people they are supposed to help. Schreiner (2000), tried answering the question of why sustainability is important by quoting from book of Mark in the bible “*the poor you will have always with you and whenever you wish May do them good*” (Mark 14:7). Since the poor will always be around, it is necessary to have sustainable MFIs that will always satisfy their needs. Sustainable MFIs is what the poor needs. Unsustainable MFIs might even hurt the poor (Krishnan and Schmidt, 1994; Schreiner, 2000). Giving the huge gap between demand and supply of microfinance services in Ghana, there are many reasons why an MFI should be sustainable. Aside the primary parties in credit transaction (the lender and the borrower); society in general will get some benefits from the operation of sustainable MFIs.

For MFIs, sustainability ensures that employees and their jobs are saved and these make them relatively stable which reduces staff turnover. This is important for at least one reason: when an employee has a sense of job security; productivity is enhanced than when there are doubts about their jobs. It is also important with MFIs where the stock in trade is money. It may lead to reduction in corrupt practices which can enhance the activities of the MFI. Schreiner (2000), conceded that sustainability is difficult to measure and that no single number cracked out of a machine can measure sustainability, not even the subsidy dependency index (SDI).

2.9.9.1 The Conceptual Framework

Conceptual frameworks are the type of intermediate theory that have the potential to connect all aspects of inquiry (e.g., problem definition, purpose, literature review,



www.udsspace.uds.edu.gh) methodology, data collection and analysis). Conceptual frameworks act like maps that give coherence to empirical inquiry. Because conceptual frameworks are potentially and so close to empirical inquiry, they take different forms depending upon the research question or problem.

Shields and Tajalli (2006) have identified several types of conceptual frameworks (working hypotheses, descriptive categories, practical ideal type, models of operations research and formal hypotheses). The frameworks are linked to particular research purposes (exploration, description, gauging, decision making and explanation). In the case of this research a descriptive category was adopted because the descriptive approach was used to assess the effectiveness of Sinapi Aba microfinance on the livelihood of the rural women in East Gonja District.

The conceptual framework looks at two key definitions of effectiveness and empowerment and focus mainly on a model developed by Zeller (1995), Scones (1998), AIMS (2001), Schreiner (1997) and Marr (2002) which is adopted and modified to suit the purpose of these studies. They used their model to analyse the scope, domains and causations effects of microfinance on their clients. Their scope of analysis centre on individual and household levels with the assumption of pooled income.

In general, “effectiveness” means the capability or success in achieving a given goal. Across fields, the definitions of effectiveness are quite similar, for example:

Social research: "effectiveness" is the extent to which an activity fulfils its intended purpose or function" (Harvey, 2004).

Education: "...a measure of the match between stated goals and their achievement" (Fraser, 1994).

www.udsspace.uds.edu.gh

Medicine: "A measure of the extent to which a specific intervention, when deployed in the field in routine circumstances, does what it is intended to do for a specified population" (Wojtczak, 2002).

The concept of effectiveness used in this study is consistent with the definitions above. In particular, the term "*effectiveness*" in this study refers to the way Sinapi Aba microfinance interventions will achieve their desired outcomes. The effectiveness analysis shall investigate the whole intervention process of mobilisation of inputs, production of outputs, organisation of necessary activities, and the achievement of desired outcomes. Based on the definition of effectiveness above, to the best of my knowledge, no previous study has analysed the effectiveness of microfinance based on the content domain which the researcher has defined.

A few studies of effectiveness in microfinance have been conducted, including Chua and Llanto (1996), Schreiner (2003), and Maertens (2003). However, their definitions of effectiveness were different from that stated in this study. In particular, Chua and Llanto (1996), defined effectiveness as the ability of service providers to design and deliver financial products that meet the needs of the target clients. The measurement of effectiveness in their study was based on financial ratios and descriptive statements. Meanwhile, Schreiner (2003), compared the present- value social costs with the output of Grameen bank to analyse its cost-effectiveness, thus, effectiveness in his study referred to the unit cost of output. He argued that cost effectiveness analysis is cheap (compared to cost benefit analysis) and it is a reliable way to measure the performance of microfinance. Finally, Maertens (2003), used standard regressions to estimate the impact of microfinance on asset accumulation and income growth of client households. The author also descriptively argued that



www.udsspace.uds.edu.gh

microfinance created other impacts such as reduction of vulnerability to poverty. In short, analysing the effectiveness of an intervention helps one to identify the right decision to make (i.e. the best intervention to achieve the desired outcomes).

In general, “empowerment” refers to increasing the spiritual, political, social and economic strength of individuals, households, societies and communities. It indicates the expression of self-strength, control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one’s values, capable of fighting for one’s rights, independence, own decision-making, being free, awakening, and capability (Kabeer, 2001). Women Empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices. It often involves in developing confidence of the individual in his/her own capacities. Empowerment, in its broadest sense, refers to an individual’s or group’s increased “power”. In a development context, it refers both to “internal” change within an individual’s sense of self and autonomy, and “external” change in social status and basic power relationships in society.

The concept of empowerment used in this study is consistent with the definitions above. In particular, the term "empowerment" in this study refers to the relationship between power, who owns the power and how the power is used. The logical linkages among elements of microfinance intervention (see Figure 6) are as follows:

- If inputs such as set-up funds and workers are available then some activities can be organised.
- If activities such as group formation and member training are organised, then some outputs can be produced.



- If outputs such as www.udsspace.uds.edu.gh number of clients, number of borrowers, and loan portfolio are realised then the desired outcome, mainly livelihood enhancement can be attained.
- Microfinance may create other impacts on clients such as empowerment of the women, improvement of the health care, and changes in rural financial policies.

Apart from the above relationship, elements from microfinance interact through inverse linkages (i.e. inputs can be affected by activities such as outputs and outcomes). For example, outputs such as the number of saving accounts and saving portfolio created can determine the availability of loanable funds (i.e. one input) for the next round of operation. In addition, all elements of an intervention (i.e. inputs, activities, outputs, and outcomes) and their interactions are influenced by environmental factors such as the legal frameworks, locations, demography and infrastructure. For example, the number of poor households participating in microfinance would tend to be higher in communities located closer to markets (i.e. more off-farm job opportunities). The diagram (figure 6), below the various linkages in the whole intervention process of measuring effectiveness of Sinapi Aba microfinance in the East Gonja District of the Northern Region of Ghana.



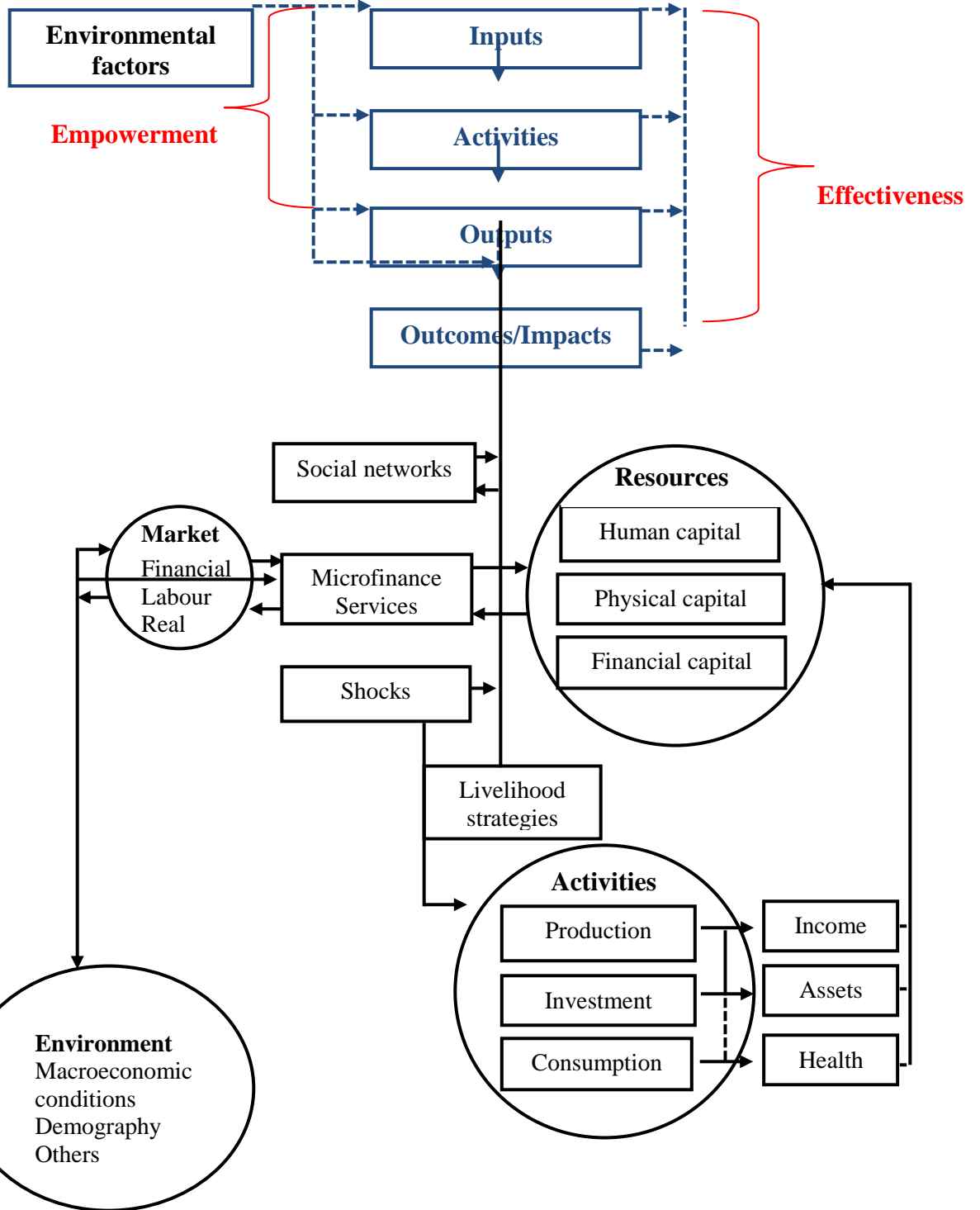


Figure 6: The conceptual framework

Source: Adopted from Zeller,(1995) Scoones,(1998)
AIMS, 2001 And modified for the purposed of this thesis





www.udsspace.uds.edu.gh

The scope of analysis again focuses on individual and household levels with the assumption of pooled income. Household resources are classified into three groups: human capital, physical capital and financial capital. This resource pool includes the household endowments that are mobilised from external sources, such as microfinance and social networks. Households use their resources pool for three sets of activities: consumption, production and investment (see Figure 6). Consumption includes activities to satisfy needs and wants using items such as food, clothing, health care, education, and entertainment. Consumption activities often do not contribute directly to the accumulation of physical and financial capital of households. However, consumption is important to maintain and increase productivity of human capital by ensuring good education and health status. Production activities of households can be classified into two groups: income-generating activities (including crop cultivation, animal husbandry, small business and wage labour), and activities to generate goods and services that are for consumption within the households. Investment includes activities to build up resources and the asset base of the households for future periods. Products of investment may be tangible items such as real properties (e.g. land, houses), physical stores of wealth (e.g. jewellery), financial stocks (e.g. savings account), and productive assets (e.g. machinery). Investment may also be available in an intangible form such as social capital (e.g. strengthen social networks) and human capital (e.g. pursuit of further education).

The distribution of resources among activities depends on the household livelihood strategies which were built based on resources available environmental conditions, and shocks. Household resources and activities are recursively related. In particular, household resources are used for income

generating activities, www.udsspace.uds.edu.gh housework and investment. In return, production and investment generate income and additional resources that flow back to the household. Consumption activities, although not expected to contribute directly to income and asset growth, play a crucial role in ensuring a healthy workforce for the household. Overall, resources play both roles (i.e. as inputs and as outputs) of household activities. In order to analyse the effects of microfinance on individuals, it is necessary to examine the interactions among household members in the decision-making process and activities which can be conducted jointly or individually.

Likewise, resources may or may not be shared among individuals in the household, - For example, farm work is often shared equally between men and women while housework is mainly the sole responsible of women. In addition, members become involved in bargaining during the decision-making process on resource mobilisation, organising and conducting activities, - For example, household heads are responsible for important decisions such as big investments, purchasing durable goods and marriage of children.

These facts enable detailed investigations of the effects of interventions, such as microfinance services on individual household members. However, investigating all details of intra-households effects of microfinance are possible only by utilising mixed methods. In order to investigate the effects on individuals using this technique, some assumptions may need to be made, for example, in this study it is assumed that individual women client cooperate in all activities so that consumption per client equivalent can be used as a proxy measure of economic effects of microfinance on individuals.



2.9.9.2 Conclusion

From the literature review, it is very clear that microfinance is not a new concept and that the practice of modern microfinance started with the establishment of Grameend Bank by Mohammed Yunus in 1976. Historical development of the industry, the industry policy framework, sustainability and the concept of livelihood are all clearly outlined in this chapter. The impact of microfinance on the livelihood, microfinance and development and women empowerment are equally given due consideration. There exist divergent views with regard to the role that microfinance play in development in relation to meeting development goals whereas some scholars are of the view that microfinance cannot tackle all the barriers to development, others have argued that if properly designed can reduce poverty and empower women economically and socially, thereby bringing about sustainable development for the benefit of the marginalised majority who are living below the poverty line.



METHODOLOGY

3. Introduction

Research work can only be completed and meaningfully fit for effective decision making if its data can be well processed into useful information. This section is conceptualised as the blueprint of the thesis. It spells out the empirical framework of the proposed study. The relevant concepts are operationalised with a clear indication of the sources of the requisite data. It presents two broad issues. The first issue discussed the profile of the study area focusing on population size and distribution, climate and vegetation with key focus on the strategic sector of the local economy. The second issue discussed the methodology adopted and used for the study. These include the research design, sampling, data collection and analysis among others. Therefore the chapter presents a clear scientific and analytical framework for the study

3.1 Profile of the Study Area

The East Gonja District was created by a legislative instrument, LI 1938 in 2007. It is located at the south-eastern section of the Northern Region of Ghana. The district lies within Latitude 8°N and 9.29°N and Longitude 0.29E and 1.26°W. It shares boundaries with Mion district and Tamale Metropolitan to the North, Central Gonja District to the West, Nanumba-North, Nanumba-South and Kpandai Districts to the East, and the Brong-Ahafo Region to the South. The total land area of the district is 8,340.10 square kilometres, occupying about 11.95% of the landmass of the Northern Region making it the largest district in the country (Ghana Statistical Service, 2013).





Figure 7: District Map East Gonja District

3.2. Population Size and Distribution

The district has a total population size of 135,450 covering an area of about 8,340.1 km square. This gives a population density of about 16 persons per square km. The total number of males (69,721) is higher than the females (65,729). This gives a sex ratio of 106.1. The population of the district is predominantly rural constituting 81.3 percent of the total population of the district (GSS, 2013).

3.3. Climate and vegetation

3.3.1 Climate

The East Gonja District lies in the Tropical Continental climatic zone. Temperatures are fairly high ranging between 29°C and 40°C. Maximum temperature is usually recorded in April, towards the end of the dry season with minimum temperatures recorded from December to January, during the Harmattan period. The area experiences a single rainy season (May to October), and a long dry season (November to March/April). Average annual rainfall varies between 1,112.7 mm and 1,734.6mm.

3.3.2 Vegetation

The natural vegetation in the district is the Guinea Savannah Woodland. There are few grooves, which have been preserved over the years. The tree cover is relatively dense, compared to the rest of the Northern Region. However, intensive harvesting of the trees for fuel wood and charcoal and also activities of the Fulani herdsmen are fast reducing the tree cover, particularly in areas close to the Tamale Metropolitan District.

3.4.1 Strategic Sector of the Local Economy

3.4.2 Agricultural Sector

Agriculture is the mainstay of the country's economy and the situation is no different for East Gonja district. Ghana's agricultural sector comprise mainly of crops, livestock, fisheries and forestry. According to Seini (2002), the country has about 57 percent of total land area being productive. The major crops produced in Ghana include maize, rice, millet, yam, cassava, plantain, oil palm, tobacco, and cocoa. These are grown purposely to provide food and raw materials for industries as well



www.udsspace.uds.edu.gh

as for export. Nevertheless, this sector is dominated by smallholder subsistence farmers and mostly dependent on rainfall. Agriculture plays a vital role in the socio-economic development of East Gonja District. The district's economy is mainly rural and dominated by the agricultural sector. The key agricultural sub-sectors include crops, livestock, fisheries, agro forestry and non-traditional commodities. This chapter presents analysis of data on the agricultural activities in the district, with a main focus on households in agriculture and types of farming activities.

3.4.3 Tourism

Salaga, the district capital was the hub of slave trade in the West Africa Sub-Region and had one of the biggest slave markets in Ghana and the sub-Saharan region as a whole. The district also has the highest density of hand-dug wells used for the bathing of Slaves and the Slave Raiders in the world because of its role in slavery. Though slavery is no longer practiced, the wells and other slave artefacts of the slave trade are kept for tourism purposes

3.4.4 Industry

Agriculture, forestry and fishery industry engage the highest proportion of the employed population in the district with more than three-quarters of the employed population being 15 years and older. The proportion of male (85.6%) engaged in this industry is higher compared to that of females (65.8%). The manufacturing industry engages the second highest (9.5%) of the employed population followed by the wholesale and retail –repair of motor vehicles and motorcycles - which constitutes 6.6 percent. About 17 percent of the females are into manufacturing against three percent for the males



3.4.5 Transportation system

The district's major means of transportation is road transport with motor vehicles and bikes as the major transportation units. The district has an air strip which is located at Nkwanta near Salaga. This supports some level of air transport, including helicopter and Fokker 8 to Salaga. There is also a water transportation system that plies the Volta Lake from Makango to Yeji in the Brong-Ahafo region. There are outboard motors that navigate the same route on daily basis. The district is span by 612.2km of roads network which links the district capital to other communities as well as other neighbouring districts. Out of this, 435.6km are engineered and only 135.10km partly engineered. The non-engineered roads are 45.50km. The others are farm tracks, which are accessible only during the dry season,(ibid).

3.5. Research Design

In order to conduct research successfully and to obtain accurate and valid result, it is required that an appropriate research design is selected for the study. Research design serves as a model for research work which helps researchers to seek information and analyse their evidence (Twasmasi, 2001). Many researchers adopt qualitative and quantitative research design to investigate both small and large population, and when trying to discover relative incidence, distribution and interrelationship of variables (Yin,1993 ;Brown, 1996).The research design involves the general plan that is used by a researcher to obtain answers to the research questions and for the testing of hypothesis formulated, if any (Agyedu et al., 2007). In the views of Sarantakos (2005), a research design is used to structure the research and show the main component of the study, samples, measures treatments and methods put in place to answer the research questions. In most cases these designs





www.udsspace.uds.edu.gh include the specification of the universe to be investigated, treatment to be administered and the supposed dependent variable to be measured.

Considering the nature of this study, it was more appropriate to adopt the mixed method result for this investigation. According to Johnson et al. (2007:123) “ mixed research design is a design where the researcher or team of researchers combine element of both qualitative and quantitative research approaches for both broad purposes of breadth and depth of understanding and collaboration’’. The justification to adopt this design is that, it tries to illustrate a decision or set of decisions: why they were taken, how they were implemented, and with what results achieved (Schramm, 1971), again it has several advantages as compared to a single method as it provides across data base interpretation which was used to explain research finding.

Basically, the methods that were used for data collection are observation, questionnaires, interview and Focus Group Discussion. The instrument allows the researcher to get detailed inspection of the effectiveness of the microfinance on the livelihood of women client. It generated answers to questions such as why, what and how, which helped the researcher in answering the research questions. The gathered information was largely analysed by Microsoft excel sheet.

3.6. Target Population

The population of a study, according to Babbies (2005), is “the aggregation of elements from which the sample is actually selected to obtain the most relevant answers’’. The target population encompasses women who have been engaged in Sinapi Aba microfinance activities for at least 5 years and live in East Gonja District and non loan beneficiary who live in the study area for at least 5 years. The

www.udsspace.uds.edu.gh

researcher chose the people with long experience because they are well informed and know in detail the operational activities of the microfinance so they can reflect better to the research.

3.7 Sample Frame

Statistically, a sampling frame is the list of tables consisting the sum total of the population from which the sample is drawn. For the purpose of this study the sample frame consists of 900 female clients of the microfinance institution in the District. However it included staff of the microfinance.

3.8 Sample Size

How to obtain adequate sample size that will give a true representation of the population is one of the outraged challenges that researchers in social sciences are confronted with. The quality and accuracy of research is influenced by inappropriate or excessive sample size. The bone of contention has always been the choice between small and large sample size. The question of how small or large a sample must be is not a simple one. Each situation presents its own problem.

According to Kothari (2004), whenever a sample study is made, there arises some sampling error which can be controlled by selecting a sample of adequate size and that the researcher will have to specify the precision that he wants in respect of his estimates concerning the population parameters. In view of this, the researcher used an error of 5% at 95% level of confidence to determine the true population value within the range of allows margin of precision indicated. The total sample size for the study for loan beneficiary is 270. The study made use of Cochran's (1977) formula for the determination of sample size for categorical variables. In order to obtain an adequate sample size devoid of the two most consistent flaws of sampling



identified by Wunsch (1986) namely, error in the process of determining the size and also the disregard for response and non response and non – response bias. The formula below was therefore used to calculate the sample size.

$$\underline{n} 1 = \left\{ \frac{N^0}{(1+n^0 / \text{population})} \right\}$$

Where

$\underline{n} 1$ =required sample size

$n0$ = required return sample size according to cochran's formula = 384

$n0$ is determined using the formula

$$n0 = \frac{(t) (t)* (p)(q)}{(d)(d)}$$

Were t = value for selected alpha level of 0.25 in each trail = 1.96

$(p)(q)$ = estimate of variance =.25

d = acceptable margin of error =.05

Population size =900

$$\underline{n} 1 = \left\{ \frac{384}{(1+384 / 900)} \right\} \left\{ \frac{384}{(1+0.42)} \right\}$$

$\underline{n} 1 = 270$.

However purposive sampling was use to select 200 respondent for non- loan beneficiary. Therefore the total sample size for the study was 470 respondents

3.9. Sampling Techniques

Baker (1994:148), defines a sample as a selected set of elements or units drawn from a larger whole of all the elements of the population. Sapsford and Jupp (2006), stress the fact that a sample is “an element selected from a population for a study by studying which we hope to understand the nature of the population as a whole”. By this definition, the researcher underscores the basic point that a sample is always smaller than the population and reflective of it. The Selecting of a sample is



www.udsspace.uds.edu.gh
dependent on a number of factors, and key among them is the choice of sampling method. Sapsford and Jupp (2006:29), suggest that balancing accuracy against cost and feasibility are the issues that are brought into question when considering the choice of the sampling. Moreover where the researcher aims at validity and generalization of the finding, it is important that the representativeness of the sample and the fairness in their selection become paramount. Having given due consideration of the above issues multi – stage sampling technique was used for the research work. According to Canette, (2010), multistage sampling refers to a sampling plans where the sampling is carried out in stages using smaller and smaller sampling units at each stage. Base on the understanding of the concept of multistage sampling outline above, the researcher provided a notation of three stage designs as follows.

In the first stage, a stratified sampling technique was used to put the study area into strata. According to the Ghana Statistical Service 2010 Population and Housing Census (G.S.S) report, the East Gonja has a total of two hundred and ninety four communities which are grouped into six area councils. They include

- Bunjia area council, 29 communities.
- Kparaba area council, 58 communities.
- Kpembi area council, 36 communities.
- Kulaw area council, 84 communities.
- Mankango/Kafaba area council, 74 communities and
- Salaga area council 13 communities

Source: GSS,(2010).





www.udsspace.uds.edu.gh

It was on this basis that stratified sampling was used in grouping the communities into six area councils.

In the second stage, purposive sampling was used to select four (4) communities from each respective area council. The selection process was based on the number loan beneficiary in each respective area council. The higher the number of client in each respective area council, the higher the chance of being selected. The researcher was guided by the fact that the population is heterogeneous and to reduce sampling bias and ensure equal representation, the above sample strategy was employed.

The strategy was also employed to select non-loan beneficiary respondents in each of the selected communities in each of the respective area councils.

Sarantakos, (2005), argues that in purposive sampling the choice of respondent is guided by the judgement of the investigator.

In the third stage, going by the dictates of stratified sampling, the researcher further performed simple random sampling in each of the stratum (communities) to determine which loan beneficiary from the membership list to be interviewed. The process of sampling at random in each of the stratum guarantees equal opportunities for all the names on the list to be selected. To facilitate ease in the simple random sampling, each name on the membership list was assigned a specific unique number and no number repeated anywhere on the stratum. A computer algorithm was then used to generate random numbers from each stratum. From Table 2; the researcher obtained the calculation devoid of bias. These numbers were inputted into the algorithm along with their respective stratum total.

A command prompt requested the system to generate 27 random numbers out of 45 in the four stratum in Bunjia area council, for Kparaba 45 out of 82, Kpembu 56 out of 93, Kulaw 77 out of 128, Mankango/Kafaba, 56 out of 94, Salaga, 34 out of 59. The



name that corresponded with the number appeared in the random list generated by the algorithm automatically become the researcher's respondents. These individuals were contacted and interviewed using questionnaires designed for the respondents of the survey. The researcher provided a brief explanation in response to questions raised by most clients who were not captured in the list of random numbers and were not being interviewed. This strategy was employed by the researcher because it offers each respondent in the study area equal opportunities of being selected hence try to reduced sampling bias.

Table 2: Summary of the Distribution of the Sample across the Geographical Area

Names of area council	Number of communities	Names of selected communities (stratum)	Total number of loan beneficiary in each area council	Unit of analysis of loan beneficiary	Unit of analysis of non - beneficiary
Bunjia	29	<ul style="list-style-type: none"> • Deba • Kabachi • Latinkpa • Kasawupe 	45	6 7 8 6	3 4 3 5
Kparaba	58	<ul style="list-style-type: none"> • Fuu • Daboshie • Kpalbushie • Janton 	82	15 9 14 7	7 6 5 10
Kpembi	36	<ul style="list-style-type: none"> • Kitoe • Kpolo • Kayeriso • Naamu 	93	14 11 21 10	7 8 9 6

Kulaw	84	<ul style="list-style-type: none"> • Abrugasa • Buma • Akamade • Gbatotitoe 	128	19	10
				21	11
				22	9
				15	13
Mankango/ Kafaba	74	<ul style="list-style-type: none"> • Mankango • Accrape • Gbetekpo • Lamasah 	94	10	9
				16	12
				21	10
				9	8
Salaga	13	<ul style="list-style-type: none"> • Salaga • Kalande • Sisipe • Nwampe <p>(Dagbambia)</p>	59	15	18
				10	9
				6	11
				3	7
				Total = 270	Total=200

Source: Field Survey, May 2016

3.9.1 Source of Data

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

3.9.2. Primary Data

Primary data consist of data obtained for the specific purpose at hand (Saunders et al., 2000). The method used to gather primary data was survey which relied on such tools as survey questionnaire, interview guide and observation through the techniques of data collection such as interviews, indirect observation and focus



group discussion. In that regard, www.udsspace.uds.edu.gh questionnaires were administered to sampled women beneficiaries.

3.9.3. Secondary Data

Secondary data consist of information already in existence, having been collected for some other purpose (Saunders et al., 2000). The secondary data obtained from Sinapi Aba microfinance was mainly client financial records, microfinance brochure, online information, microfinance books and journals. The use of this type of information was beneficial in two ways

First, it was less expensive to collect, in terms of time and money and second it afforded the researcher the opportunity to collect high quality data which would not have been of the same quality if the researcher was to collect it in its primary form. Stewart and Kamins,(1993) cited in Saunders et al.,(2007), stated that, secondary data are likely to be of higher-quality than could be obtained by collecting it in the empirical form. The data collected provided very useful information needed for the literature review and proved a clear bench mark which the researcher uses to confirm other findings from other scholars.

3.9.4. Data Collection methods

Creswell (2003), places the data collection process into four categories, namely observation, interview, document and audio visual material. Data collection is the process of gathering data and accounts from either or both primary and secondary sources on variables of interest, in an established systematic fashion that enables one to carry out analysis and measurements to answer stated research questions, test, hypothesis, if any, and evaluate the outcome of research findings. The data collection component of research is common to all fields of studies including physical and



www.udsspace.uds.edu.gh social research, humanities, businesses etc. While methods vary by discipline, the emphasis on ensuring accurate and honest data collection remains the same. The goal of the data collection is to capture quality evidence that then translates into rich data analysis and allows the building of convincing and credible answers to the research questions that have been posed. Regardless of the field of study or preference accurate data collection is essential to maintaining the integrity, validity and reliability of the research. The methods used to collect the necessary data for this study are discussed next.

3.9.5. Questionnaire Administration

Both structured and semi-structured questionnaires were used in the data collection process. While the structured questionnaires were used to elicit mostly quantitative part of the data required from respondents, the semi-structured enabled the researcher to gather the qualitative aspect of the data required, like the opinions of respondents on their experiences relative to services they enjoy from the Company. However, there were follow-ups and probing questions to clarify unclear issues and confirm result finding from respondents which provide consistency. Practically, it will not be possible to be physically present to administer the questionnaires to all respondents and conduct the interview by myself. Therefore, some of the questionnaires were given to educated friends, who were equally trained on questionnaire administration, to gather data on my behalf. Respondents were allowed to schedule the interview time and dates that were convenient for them. This arrangement facilitated the data collection process smoothly.



3.9.6. Focus Group Discussion

A focus group discussion (FGD) is a form of qualitative research data collection approach in which a group of people are asked about their perceptions, opinions, beliefs and attitudes towards a product, service, concept, advertisement, idea or packing (Escalada,1997). Questions are asked in an interactive group setting where participants are free to talk to other group members and are usually 10 -12 people. In order to gain insight knowledge of the activities and programs of Sinapi Aba in East Gonja and the extent of impact created, it was appropriate to employ this method of data collection. The technique used was a direct open questioning and discussions, with various client-women groups which centred on the effectiveness of Sinapi Aba microfinance on their lives in the East Gonja District. Perceptions of the program, associated prospect and challenges and ways that the program can be improved were given equal attention.

3.9.7. Interview

An interview is a purposeful discussion between two or more people (Kalm and Cannell, 1957). There are basically two types of interviews and they include structured and semi-structured interviews. According to Twumasi (2001), the difference between the two types of interview is the way the structured type of interview is used. A strict procedure and a guide to acquire exact information are followed during a structured interview. However, the semi-structured interview follows a minimal specific guide to acquire exact information hence allowing flexibility, open discussion and spontaneous response, where necessary.

In conducting interviews, Neuman (2007) identifies that the interview tone of voice, question, wording, appearance among other things may affect the respondent. Also





www.udsspace.uds.edu.gh
the language barrier between the interviewer and the interviewee emasculate effective communication resulting in inadequate responses and distortion of information. More so, speaking quickly or too slowly, not smiling, talking too much or too little, not listening, not making eye contact and directing questions may all have a direct bearing on the outcome of the interview session. A face-to-face interview is one of the techniques employed in the survey methods to gather both primary and secondary data. The two types of the interview styles used were structured and semi-structured. While the semi-structured interview was used to support the questionnaire administration among the sampled women clients to cross-check responses as well as secure information to clear some unclear issues that the questionnaire could not answer from the field, structured interview was conducted to collect secondary data from the staff of the Sinapi Aba microfinance company, in the course of this study. Using these techniques of interviewing enabled the researcher to elicit reliable and valid data which was relevant to answer the research problem and questions.

It also provided first hand information which produced quick result, and help to also strengthen the interaction between the interview and the respondent on the field of data collection. The disadvantages of the interview are that it was time consuming and relatively expensive in terms of transport and other expenditures. Respondents for the study were mostly illiterate, face to face interview were thus conducted in local language (Gonja, Hausah, Twi, English and Likpalpa).

3.9.8. Observation

It has been established that observation plays a vital role in carrying out social research. It has been the hallmark of both anthropology and social research for decades now. Observation according to Marshall and Rossman (1989), is the



www.udsspace.uds.edu.gh
systematic description of behaviour, events, as well as object and art in the chosen social setting of the study. Observation enables the researcher to describe existing situations using the five senses (hearing, seeing, touching smelling and tasting) and providing a “written photograph” of the situation under study (Erlandson et al; 1993). Shenual et al (1999), suggests that participant observation is the process of acquiring ideas through the active involvement in everyday activities of the participant in the research setting. Adding to this understanding, Bernard (1994), indicated that observation demands some amount of deception and impression management. There are a number of observation strategies, namely direct, indirect and participant’s observation, from which the researcher adopted the participant and indirect in the context of the research study. The choice of these observation strategies was motivated by the assertion of Demunch and Sobo (1998), which suggested that observation is a primary method extensively used by anthropologists in carrying out field work. This is because these study, primarily, involved fieldwork. Dewalt and Dewalt (2002), observed that field work involves a lot of processes. They include formal interviewing, active looking, improving memory, documentations of field notes and above all patience. Participant observation offers the researcher the opportunity to naturally study the activities of people under investigation through simple process of practically observing the people as the researcher engaged with them in their working activities whilst as well interacting freely with them hence was used. This approach was relevant in obtaining data during preliminary visit to obtain the type of support offered to women clients. The important of these observation strategies is the fact that it easily facilitates report building with the target community, through which the researcher is able to understand what actually exists on the ground, concerning the respondents under

www.udsspace.uds.edu.gh

investigation and be able to write about it as well as triangulate or crosscheck earlier responses.

Key observations were made on the nature of activities the client were into and how they relate to their employers. It was also observed that training and capacity building were provided to client to better enhance the prudent and effective use of their product and services. The researcher was also keen in the body language, demeanour and decorum of various respondents. Information gathering using observation provides a trigger for discussion and also provided a basis for “proxy” validation.

3.9.9. Pre-Testing of Questionnaires and Training of Field Assistants

A pre-testing activity of the data collection tools was carried out to test the adequacy of the questionnaire in eliciting the needed responses. Issues that were focused on were the correction of simple grammatical mistake, the removal of ambiguous texts, validity and reliability of the questions. The training of field assistants took two forms. On one hand, they were trained on how to administer questionnaires, and on the other hand, how to make a follow up interview to clear doubt over a particular question which has been answered unclearly, as they interact with the respondents. Afterwards, a pilot activity was operationalised to test the tools as well as the capacity of these assistants to deliver credible information.

However, it must be made clear that this process was not part of the actual data collection exercise. The pilot study was useful to the researcher because a couple of ambiguities relating to the construction of the questions were identified and subsequently modified to be clearer and able to meet the objectives of this



www.udsspace.uds.edu.gh

study. Some of the respondents were given the opportunity to make some input in the revised questions to suit their situation but not compromising on the research ethics in questionnaire administration. Therefore this gave the researcher the confidence that the questions designed in the questionnaire will eventually elicit the needed responses required for the study. It also gave an indication to the researcher that there were going to be follow-up questions aimed at clarifying some answers. This made the researcher to anticipate and prepare for possible questions which made the whole data collection process very successful.

3.9.9.1. Validity and Reliability of Instruments

The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials by different people. The tendency towards consistency found in repeated measurements is referred to as reliability (Mile & Hubberman, 1994). The reliability of research is closely related to its repeatability. The researcher formulated appropriate instrument for data collection in the context of this study. The instruments were pre-tested in the study area on some respondents in the sampled unit which enabled revisions and modifications of the instruments so as to ensure the validity and reliability of the instruments, specific to this study.

Moreover to ensure reliability and validity, the mixed method approach as well as a multiple data collection methods and tools were adopted to triangulate issues. In addition, daily recap of the main issues and follow – up controversy on the field as well as validation of main findings after the data analysis of the study was done. Similarly, the researcher repeated a number of similar questions at different times, in different ways to determine the consistency of responses. This is done to ensure that questions are clearly and accurately answered by respondents and to ensure validity and reliability of data. Cresswell (2007), suggests eight strategies for



www.udsspace.uds.edu.gh

validity which have been used by different qualitative researchers. He advises to stick with two of them at least in any given study. These strategies are: 'prolonged engagement and persistent observation in the field'; 'triangulation'; 'peer review or debriefing'; 'refining hypotheses as the inquiry advances'; 'clarifying researcher bias from the outset of the study'; 'the researcher solicits participants' views of the credibility of the findings and interpretations'; 'rich and thick description' and 'external audits'. Prolonged engagement and persistent observation were the strategies adopted in this research.

3.9.9.2 Ethical Consideration

Almost all the financial institutions have strict policy on confidentiality and one can pay the ultimate price for the breach of this duty of confidentiality. For the purpose of minimizing the fears of the respondents and also to have access to the respondents, consent was sought from the National and District manager of Sinapi Aba microfinance. Divulging of information by employees to a third party can expose the institution to potential legal tussle and therefore being mindful of this ethical issue, the respondents were sometimes apprehensive in the disclosure of information.

This genuine apprehension was addressed by first explaining the essence of the study to the respondents and also in the preamble to the questionnaire, the respondents were made to understand that the study was meant for academic purpose only with the assurance that the data will be handled professionally and that their identities are not going to be revealed. Respondent were also made to understand their role in the data collection process.

To avoid imposing the interviews on respondents, they were given the choice to opt out if the interview would affect them in anyway or if for some reasons they



www.udsspace.uds.edu.gh

were not comfortable with participating in the study. They were therefore urged to be frank in the responses to the questionnaire. The confidentiality of the information collected from interviewees was preserved by ensuring that their names and other information that could bring out their identities were not disclosed in the data collected. Therefore, the study was not fault finding, but to assess the effectiveness of Sinapi Aba microfinance on the livelihoods in the study area. The methods and procedures explained above were used in seeking the needed data for the analysis which are captured in the next chapter.

3.9.9.3. Data Analysis

Analysis means a critical examination of materials in order to understand its parts and relationship and discover its trends Twumasi (2001:86). Sarantikos (1998:347) concluded that data analysis is a dynamic process which incorporates several elements of research process, and is certainly not deferred after data collection is fully completed. Maxwell (1998) pointed to three different main strategies in data analysis, namely: categorising strategies (such as coding and thematic analysis); contextualising strategies (such as narrative analysis and individual case studies analysis); and memos and displays.

Powell and Renner (2003) listed the following steps in data analysis which were adopted in this research: get to know your data; focus the analysis; categorise information; identify patterns and connections within and between categories; interpretation or bringing it all together. Maxwell (1998), supports these categorisation strategies. In order to combine the ideas of Powell and Renner (2003), Maxwell (1998), Twumasi (2001:86) and Sarantikos (1998:347), the concept of triangulation as a technique was applied to enable the researcher obtain



www.udsspace.uds.edu.gh

appropriate data because it is a better technique which provided forms which the researcher can construct meaningful propositions about the social world. The process ensures maximum utilization of respondent answer to each question. Qualitative data has been transformed into quantitative forms by quantifying qualitative issues and perceptions. However, much more emphasis has been placed on the concepts they convey (Laws et al., 2003, Willis, 2006). As earlier on stated, both qualitative and quantitative research methods were employed in this study. Quite apart from the qualitative research design, the study equally used the Excel spread sheet to analyze the qualitative data. Finally tables were created to present the static analysis of the data. It must be stated that although it was a tedious process, the gains from the experiences far outweigh the labour.

3.9.9.4. Conclusion

This chapter gave an overview of the geographical features and economic and demographic characteristic of the district. The district is located in the East Gonja District of the Northern Region of Ghana. The geographical location is very important since it assist in the identification of the development potentials and constrains that the District is endowed with. There exist a number of economic activities with farming being the major occupation of the inhabitants. With regard to population, the district population is not only uneven but also sparsely populated as compared to national figures. Also on the case of tourism, Salaga, the district capital was the hub of slave trade in West Africa Sub-Africa and had one of the biggest slave markets in Ghana and the sub-Saharan region as a whole. The various research methods, techniques and tools for the study were also outlined in this chapter. In the collection of primary data, focus group discussions, interviews, observations were employed. The analysis and presentation of the field data was equally not left out in



the discussion. Quantitative data was analysed using the Excel spread sheet. The output of the analysis was presented in tables and figures. Qualitative data was merely described in its natural setting.



DATA ANALYSIS AND DISCUSSIONS OF RESULTS

4.0 Introduction

The chapter captures the presentation, analysis and discussions of the data used in this research work. The central focus of the study is to determine the effectiveness of Sinapi Aba microfinance on the socio economic livelihoods of the rural women in East Gonja District. This chapter thus, depicts the findings which seek to answer the related research questions against the background of the core objectives of the study. It discusses statistical analysis of responses from clients, interpretation and discussion of the research findings. Generally, the chapter plays a very key role in the entire research work since it relates empirical data to secondary data reviewed in the previous chapters.

4.1. Socio-Economic Characteristics of Respondents

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

4.1.1 Ages of Respondents

Out of the total respondents of 470, 22 per cent were between the aged 20-29 and no respondent was below aged 20. The majority of the beneficiaries were between the ages of 30-35, forming a total of 47 per cent. Meanwhile, 22 per cent were between



the ages of 65 and above. This indicates that the age cohort of microfinance beneficiaries in the East Gonja District is predominately middle age. The middle age in the society is the economically active population who have the potential to engage in petty businesses and farming activities. The results show that majority of the women are those in the economically active bracket and are poised to use microfinance to the advantage of themselves and their families. This is shown in figure 8

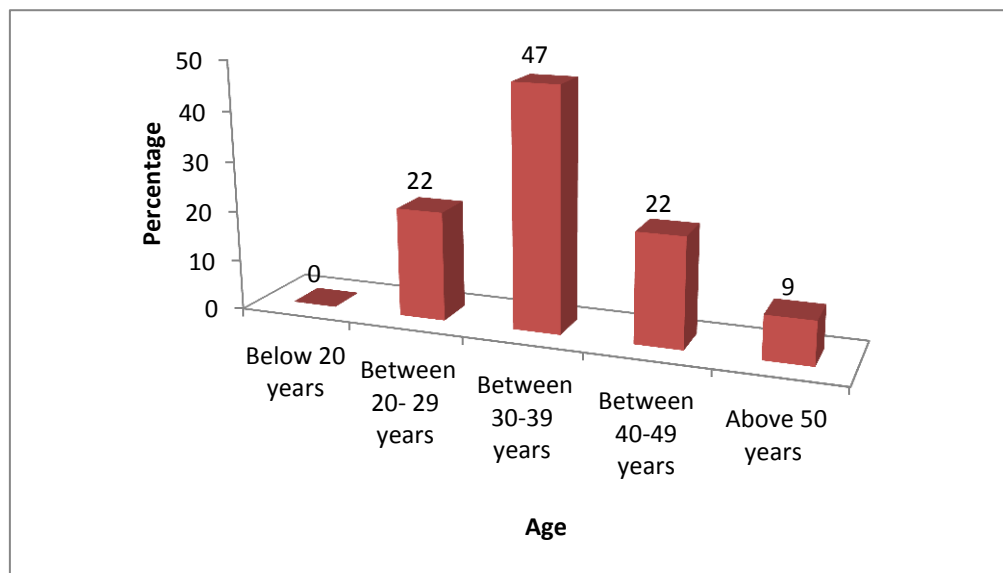


Figure 8: Respondents age

Source: Field survey, May, 2016

4.1.2 Marital Status of Respondents

From the information gathered on the field, all the respondents were either married, divorced or widowed and none was single as of the time of the study. About 8 per cent of the respondents were widow whiles 87 per cent were married. Those that were divorced/ separated formed 4 per cent of the total population. The marital status of respondents is directly linked to their living



conditions, as the responsibility to perform certain duties, like housekeeping, children's education and provision of good health for the family, is associated with ones marital status. Divorced/Separated parents mostly performed their roles as single parents which normally affect their living conditions. The married women therefore need to be financially independent so as to be useful to themselves and their families. Figure 9 shows the marital status of respondents.

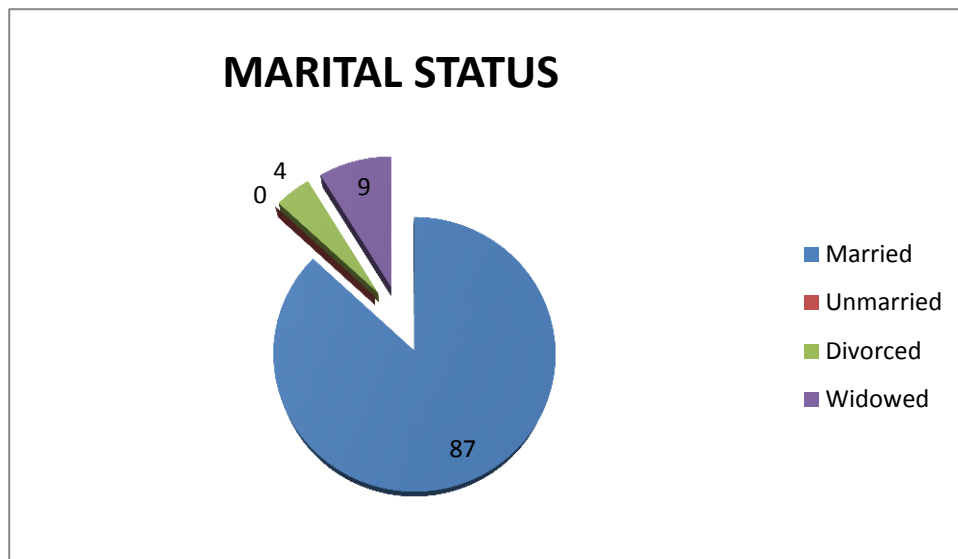


Figure 9: Respondents Marital Status

Source: Field survey, May, 2016

4.1.3 Educational Status of Respondents

The educational status of respondents, whether skilled or unskilled, plays a major role in the success of any businesses. Information from the field indicated that 66 per cent of the respondents were illiterates and 30 per cent had education up to the basic level. Only, 4 percent had up to the senior high school level. None of the respondents had educational status up to the tertiary level. This clearly shows that the level of education among women in the East



Gonja District is very low. It is therefore important for policy makers in the district to give priority to girl child education. Figure 10 shows the educational status of respondents.

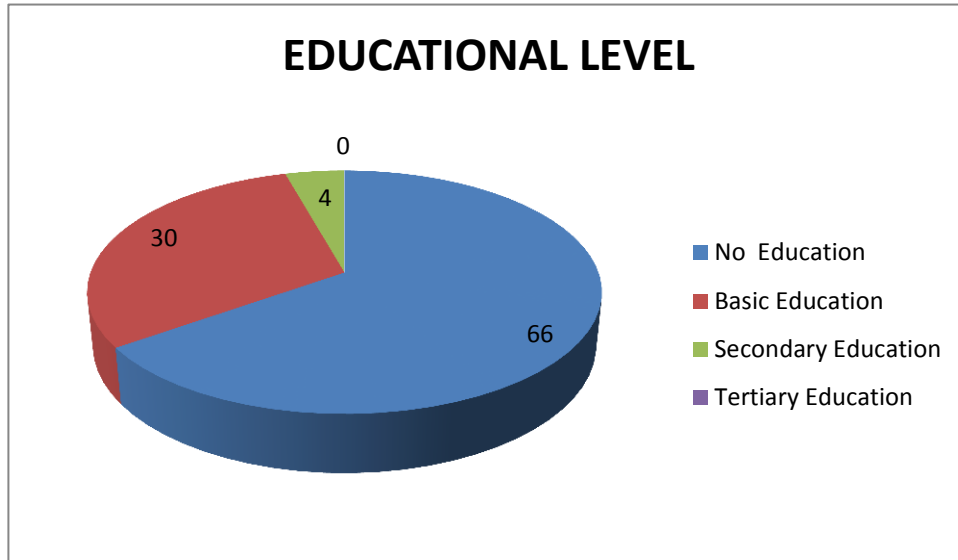


Figure 10: Respondents educational status

Source: Field survey, May, 2016

4.2. The Major Economic Activities Women Clients Invest in

It is also instructive to note that among the sectors or sub-sectors where the institution concentrates its lending activities, farming recorded the highest incidence. In this regard, as high as 41 percent of respondents were into agriculture. This was followed by petty trading (33%). Pito brewing, dress making and soap making accounted for 11%, 10% and 5% of respondents, respectively. It can therefore be concluded that women clients of the MFI in the study area were mainly farmers. Figure 11. shows the major economic activities in the informal sector where these women clients invest their services into.



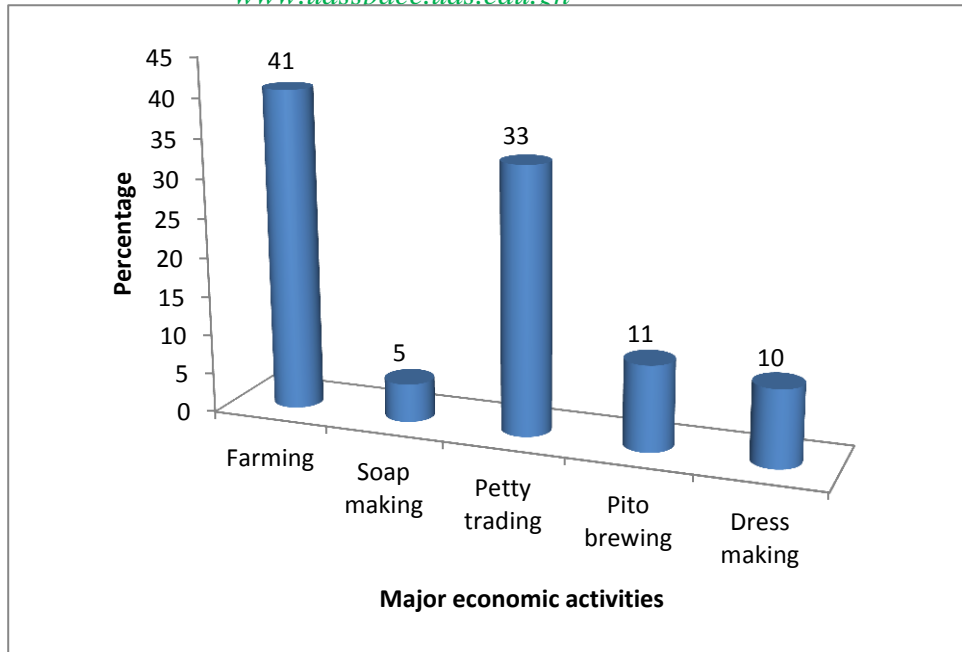


Figure 11: Economic Activities These Women Clients Invest In

Source: field survey, May, 2016.

4.3. The Extent to Which the Provision of Financial Services Influence the Livelihood of the Rural Woman

The scientific investigation shows that, the financial service provided by the microfinance generally, has a positive effect on the lives of the rural women in the district. This was based on the inquiry into the socio-economic living conditions of women before and after joining the MFI. Factors considered in this regard were: users' businesses, health status of family, educational status of clients' children and clients' involvement in household decision making and income generation activities.



4.3.1. How Microfinance Interventions Influence clients Businesses

Seven variables were selected to assess the effect of the interventions on the various dimensions of businesses of service users which were termed as business outcomes. (See table 3). The study assessed changes in business outcomes since service client joined the intervention using the three-category ordinal response shown in table 3.

Variables	Not at All	Marginal	Very Much	Percentage (%)
Expanded size of business	8.3	41.7	50.0	
Added new products	43.3	31.7	25.0	
Hired more workers	81.7	11.7	6.6	
Reduced cost by buying in greater quantities	15.0	43.3	41.7	
Improved quality of business	23.3	35.0	41.7	
Developed new business	46.7	35.0	18.3	
Increased business assets	21.7	41.7	36.7	

Table 3: Business Outcomes of Microfinance Intervention

Source: field survey, May, 2016.

Regarding whether clients have been able to expand their businesses as a result of being with the microfinance, 50 percent of service users said they had expanded their businesses very much. Data from the interviews revealed that most of the





expansion in businesses www.udsspace.uds.edu.gh occurred at the initial stages. This finding supports Hulme and Mosley's (1996) assertion that informal businesses were unlikely to experience continuous growth. They claim businesses were more likely to reach a peak in growth after one or two cycles and thereafter remain in a steady state. About 41.7% of Service users responded a marginal increase in their business. This reflects the norm: businesses expansion fluctuated with seasonal changes in demand for goods and services in the respective communities under study. In total, the quantum of expansion in business was rather small due to the perennial low demand for goods and services in the area of study, as the other variables will indicate.

The addition of new products refers to adding other products similar to that of the existing income-generating activity. For instance, a seamstress claimed to have started selling tailoring products (buttons, sewing thread, sewing machine parts, etc.) in addition to her normal sewing work. Adding new products was an important livelihood strategy for the poor women; it essentially enabled them to reduce risk. When asked whether they had been able to add new products to their business, about a quarter of clients responded in the affirmative much. In Table 3 about 43 percent of service users said they had not added any new products to their businesses. The addition of new products to an existing business was usually a sporadic activity dictated by seasonal ebb and flow of economic activity.

Does access to microfinance services help to create employment opportunities? The question in Table 3 is aimed at determining the extent to which microfinance resulted in the increase in direct paid non-family labour (part- and full-time) in the income-generating activity of service users. The study did not assess indirect



www.udsspace.uds.edu.gh
employment creation in the study area. Did the expansion of service users businesses result in the creation of employment opportunities? Business expansion was not very substantial and was limited to the initial stages or tended to fluctuate with seasonal fluctuations in demand and therefore as shown in Table 3 most service users (87.5 percent) were unlikely to have hired workers for their businesses.

On the other hand when there was the need to employ some workers, interviews showed that wages were so low that, very few people were willing to work for the micro entrepreneurs. Some clients complained of the lack of labourers because few people were willing to work for the very low wages they paid. Interviews and observations indicated that if there was any need for labour service users, clients mostly rely on members of their households, a finding confirmed by Hulme and Mosley (1996), that rural microfinance hardly resulted in employment openings in informal micro enterprises. Buckley (1997), explains that in rural areas few informal businesses actually employ people on a consistent full-time basis.

Other findings that support the reason why employment generation capability of microfinance interventions was modest were the limited rural markets which inhibited continuous business growth and the widespread use of loans for purposes other than income-generating activities. Buying in greater quantities in order to reduce cost was an often-used business strategy by interviewees. A service user who traded in venison, for instance, claimed that as a result of the loan she no longer had to buy on credit at high prices from the middlemen: she could now afford to buy directly from the hunters at relatively low prices. Severe fluctuations in prices of agricultural products meant that food vendors and other



service users who used www.udsspace.uds.edu.gh agricultural products in their income-generating activities or traded in them could reduce cost by buying cheaply in bulk during the harvest season. While it is difficult to increase revenue due to poor markets, by buying in bulk, service users were able to reduce their input costs thereby increasing their profit margins. Over 80 percent of service users had employed this strategy intermittently (marginal) or consistently (very much) in their income-generating activities.

Quality of business products was concerned with making products and services more hygienic, safe and presentable. Some service users reported that initial training they received enabled them to improve the quality of their business products. Food vendors, for example, were schooled on how to make their food hygienic, safe and presentable. The majority of members said the quality of their business products had improved very much (see Table 3). Although business or occupational diversification is considered an important livelihood strategy for the poor, close to half of service users had not developed a new business. Over 30 percent of service users had developed new businesses but intermittently. An average of 18 percent of service users answered very much to development of new businesses. Service users were more likely to add new products to existing businesses than establish new businesses altogether because of the small size of the loans and the poor markets. Some service users claimed they were reluctant to establish new income-generating enterprises because they could not find reliable people to assist them to manage their businesses.

The final variable examined how microfinance had enabled service users to increase their business assets. About 37 percent of service users claimed to have

consistently increased their business assets as a result of being with the interventions. Close to half of service users said they increased business assets intermittently. Like expansion in size of business, consistent increase in business assets were mostly limited to the initial stages of joining the intervention. Mknelly and Kevane (2003), observed a similar pattern in Burkina Faso where women made a one-time investment in productive capacity (buying larger cooking pots, improving market stall etc.) in their first years with the intervention and thereafter invested very little in asset accumulation. Salient conclusions can be drawn from the discussion of the effect of microfinance interventions on businesses of service users. Seasonal economic fluctuations seem to significantly influence income-generating activities of service users. Microfinance services did not engender much business expansion nor did it culminate in significant increase in business assets. Income-generating activities of service users had a negligible effect on employment generation. These including other factors, discussed suggest that it is not a very good strategy to use microfinance as a means of generating direct employment opportunities in rural areas. Finally, service users 'businesses seem to benefit from microfinance primarily through being able to buy in bulk at lower prices including buying agricultural products at cheaper prices during the harvest period.

4.3.2 Non-Loan Beneficiary Business Outcome

The researcher probed non-loan beneficiaries in relation to their business outcomes. This allowed the researcher to compare the business outcomes of non-loan beneficiaries on one hand as against loan beneficiaries on the other hand within the same time period loans were disbursed and applied in various business activities using the same standard.





www.udsspace.uds.edu.gh

Emanating from the survey, it became evident that, 61 percent of respondents indicated their inability to expand their businesses with the reason that they do not have enough capital to expand their businesses. They pointed out clearly that, their source of funding are from three sources, thus their own savings, families and friends. Accordingly, the money received from these sources is inadequate for expanding their businesses. The stated emphatically that these sources are not reliable since the lender could demand for the money anytime without prior notice. *“Each time a family member gives me money to invest in my business, they fellow comes back later demanding for the money without given me reasonable time to pay back. You see, with this development at hand, how I can expand my business”* trader, Naamu. This revelation is in tandem with the findings which shows that 75 percent of respondents said they were unable to increase business assets as indicated in table 4. Clearly, so long as business assets were unable to increase in size, ability to increase businesses remains insignificant. This is further supported by the fact that 71 percent of respondents were unable to improve the quality of their businesses as revealed in the survey. Again, the study further showed that, a large proportion of non-loan beneficiaries could not hire labour. They attest to the fact that their profit margins are relatively very low and in most cases non - existent. They engage the services of their families and friends to take care of their businesses any time they are absent. However respondents who were involved in farming said, the normally use the services of cooperative groups who usually help them in the planting, weeding and harvesting of their produce as they cannot afford they services of hire labour.

Regarding whether non-loan beneficiaries have been able to reduce cost by buying in bulk, 67 percent of respondents answered not at all, 20 percent said marginal



www.udsspace.uds.edu.gh

and 13 percent said very much. A respondent at Lamasah had this to say “*I need more capital to be able to buy in greater quantity in order to reduce cost. Better still, it is even a very good strategy to buy in bulk and store them when prices are low and sell them later during the lean season when prices goes up. My son where is the capital?*” she asked. From the empirical data obtained from the field it can be concluded strongly that, non-loan beneficiary’s business status is relatively worse-off as compared to loan beneficiaries within the study period. Table: 4 show the business outcomes of non-loan beneficiaries.

Variables	Not at all %	Marginal %	Very much %
Expanded size of business	61	29	10
Added new products	57	30	13
Hired more workers	80	11	9
Reduced cost buying in greater quantities	67	20	13
Improve qualities of business	71	17	12
Develop new business	59	21	10
Increase business assets	75	13	12

Table 4: Business Outcomes of Non- Loan Beneficiary

Source: Field survey, May, 2016

4.3.3 General Health Status of Clients and their Family before and after

Joining MFI

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, the presence of good food, better and decent accommodation and effective preventive health education. It is an important ingredient for protecting the productivity of household resources. It was evident that most clients interviewed took household health as a critical issue for their continued well being. The field data show that client had a sick person in their household in the last two weeks of the interview. The most prevalent illness in the household was malaria. This could have been attributed to the rainy season. All the clients interviewed could afford to visit health clinics and hospitals and could afford to pay their medical expenses.

A question was asked to clients if they could afford to pay their medical expenses? All the respondents said they had the capacity to meet their medical expenses as majority of the respondent attends NHIS's public hospitals. The general health status of respondent family was general bad before the join the microfinance, since most clients could not access good health facility but relied on traditional treatment. The data collected showed that 59.3 per cent of the respondents had very good health status before joining MFI. About 25 and 15.7 per cent responded to good and regular health status, respectively before joining MFI. However, after joining the MFI, 63.5 percent had very good health status while 27 had good health status. Only 9.5 per cent responded to their health status being regular after joining the MFI. This clearly indicates that there was an upwards adjustment in the health status of families after joining MFI. This was



derived from the ability of families to meet their basic health needs and hence improvement in their general livelihood. Figure 12 shows the general health status of families before and after joining MFI.

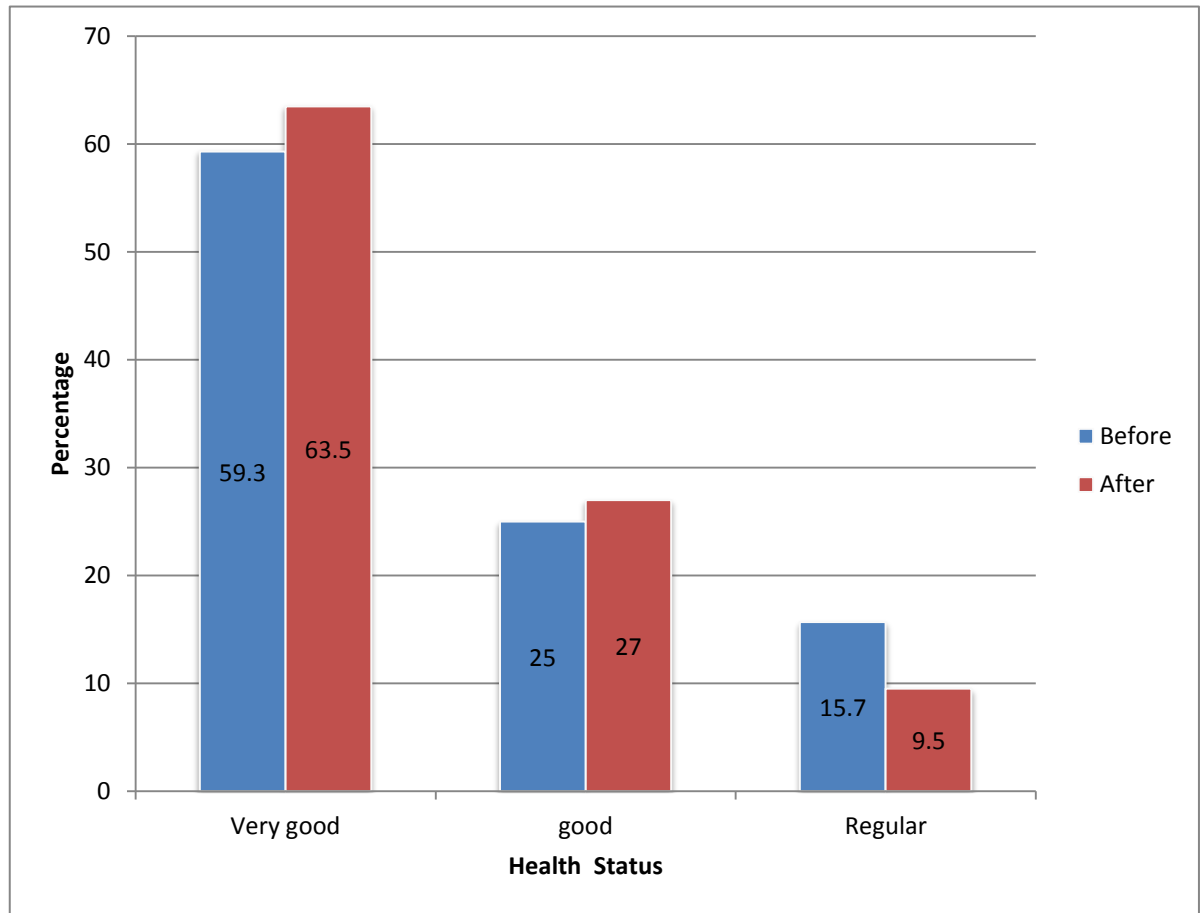


Figure 12: The Health Status of Clients and their Family before and after Joining MFI

Source: Field survey, May, 2016

4.3.4 Non-Loan Beneficiaries Basic Health Status.

The primary approach of obtaining medical care in the study area is through government hospitals, CHPS compounds, and traditional herbal medicinal centers. With National Health Insurance (NHIA) service covering all the government health facilities and CHPS compounds across the study area, the data collected and analysed showed that 21.7 percent of the respondents had access to very good



healthcare, whilst 23 percent had fairly good access to healthcare. However, 53.3 percent of the respondents are hugely disadvantaged in accessing basic health care. The 21 percent of respondents who have access to good health care, believe that physicians and other medical care providers are not willing to effectively treat them with their national health insurance cards. However the majority of respondents who indicated poor access to health care attest to the fact that, despite the presence of health insurance service coverage, the problem of obtaining the cards remains very difficult due to cost. They believe that poverty is a contributory factor to their predicament. Other causal factors besides poverty include ignorance and high illiteracy rate among respondents. As indicated in Figure 13 below, the result predicted a decline in non-loan beneficiary's general health Status against the backdrop of loan beneficiaries health status.

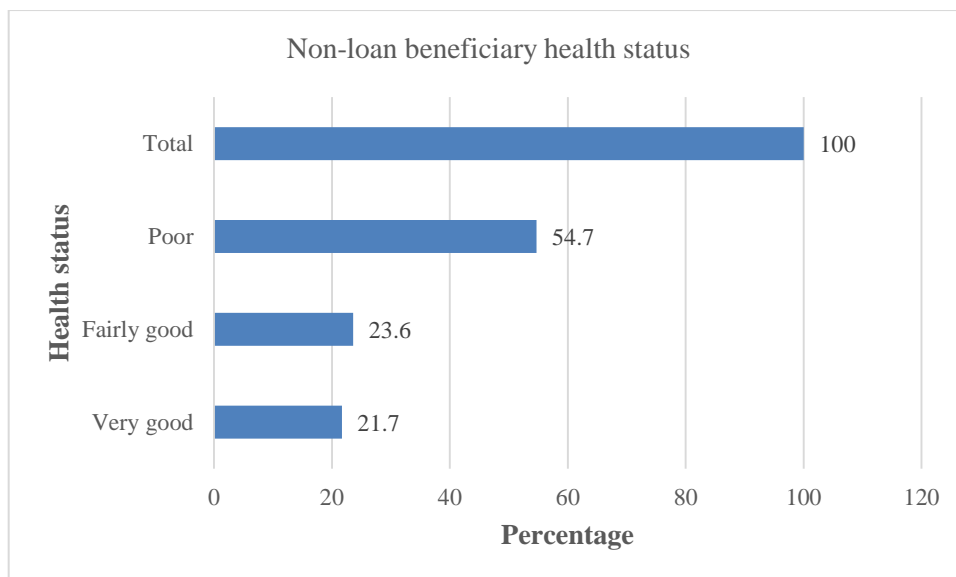


Figure 13: The Health Status of Non loan Beneficiary

Source: Field survey, May, 2016

4.3.5. The Educational Status of Wards of Clients Before and After Joining

MFI

Good educational status could be measured in terms of household's ability to pay school fees, buy school uniform, buy exercise books, and attend schools with good facilities, effective teaching and good nutrition for children. Respondents attested to the fact that there has been significant improvement in their ability to give best education to their wards. About 46 percent admitted to have very good educational status for their wards before joining MFI. Those that had good and regular educational status for their wards were 29 and 25 percent respectively. After joining the MFI however, those that had very good educational status for their wards increased from 46 percent to 55 percent whilst good and regular educational status formed 33 percent and 12 percent respectively. Figure 14 shows the educational status of wards of the respondents before and after joining MFI.

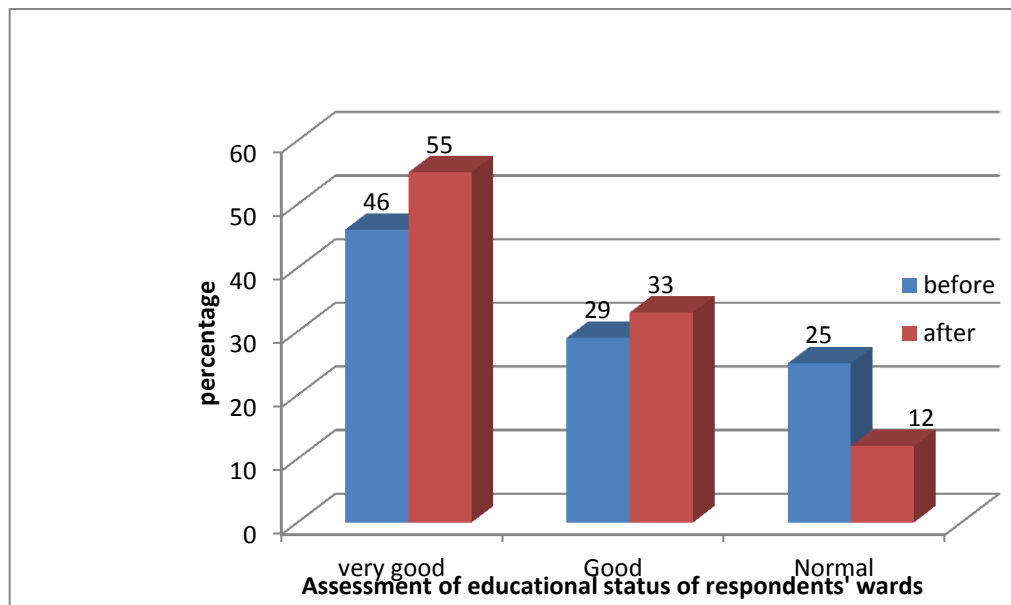


Figure 14: Educational Status of Wards of Respondents before and after joining microfinance

Source: Field survey, May, 2016.



4.3.6 Non-loan Beneficiary Educational Status

The choice of indicators to measure quality education of non-loan beneficiaries is crucial in this study for two reasons. Firstly, such probe allowed the researcher to compare the educational standard of loan beneficiaries on one hand against non-loan beneficiaries on the other within the same time period loans were disbursed. Secondly, the right of education is universal, therefore the researcher went beyond loan beneficiaries to include non-loan beneficiaries for a holistic approach in measuring educational status. In recent years, much discussions of educational quality are centred on system inputs such as infrastructure, pupil-teacher ratios, teacher motivational packages, curricular content and free education. Researchers agree that there are so many indicators that can be used to assess quality of educational status among which includes purchasing power and easy access. On this basis, this study focused on the ability of non-beneficiaries ability to pay school fees, buy school uniform, buy exercise books, attend schools with good facilities, effective teaching and good nutrition for their wards. This is to allow the researcher assess educational status of non-loan beneficiaries. The study points out that 31 percent of non-loan beneficiaries can afford good quality education for their wards, 10 percent never answered in the course of the research, while 59 percent of respondents indicated their inability to afford quality education within the time-period of this study. Meanwhile, the proportion that could afford the good education said that they struggle to do so. Also, majority of respondents (59 percent), who are unable to afford quality education for their wards, attributed their inability to worsening economic situation. They pointed out clearly that their daughters need to stay at home to help take care of their siblings, collect water and do domestic households chores. The boys on the other hand, are seen as another source of income





www.udsspace.uds.edu.gh and are forced into manual labour at a younger age. In many situations these children must either work or go hungry, the study further revealed. However respondents were quick to add that it is the responsibility of government to provide infrastructure, teacher motivational packages and free education. For instance, a respondent at Salaga stated emphatically that “*quality educational programs should offer support to children and families while seeking to involve parents and chiefs in the educational process and governance of the school*” .Based on the survey results, it can be concluded that *non-* loan beneficiary’s children educational status is relatively worse-off as compared to loan beneficiary’s within the study period. Figure 15 shows the educational status of wards

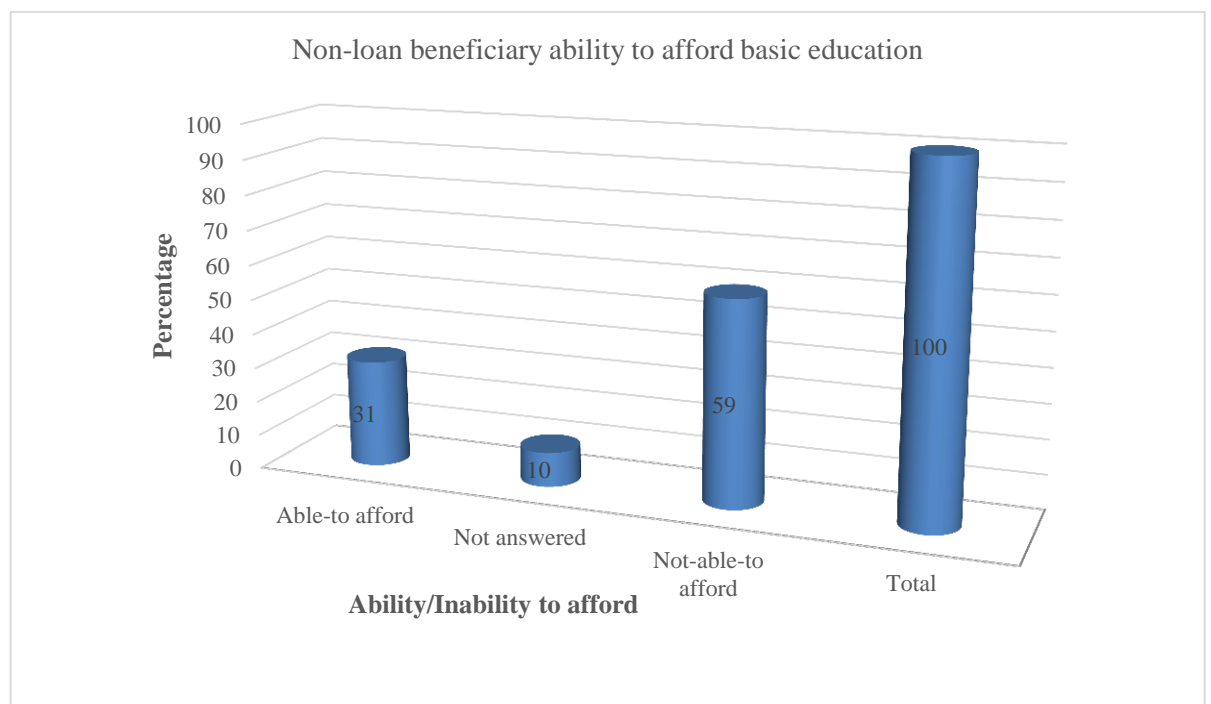


Figure 15: Non loan beneficiary ability to afford basic education

Source: Field survey, May, 2016

4.3. 7 Income Generation

The generation of income is another indicator used to examine the socio – economic livelihoods of respondents. The majority of the clients interviewed responded positively and indicated that they had registered 77% increment in incomes as shown in the figure 14, while 11% noted a decrease, 7% remained the same and the 5% never answered to this question or gave another answer. The clients were asked if their incomes had increased, decreased, or remained the same. The majority responded that their incomes increased. Business profits are an important income source for all groups. Those who run businesses like farming have higher incomes than for example women evolved in petty trading. These incomes have helped clients to solve some basic household problems. They saved and now were able to deal with crises and as a consequence they could break the poverty trap. Much as the clients argue that there was an increase in their incomes, the problem however is that researcher was not told to was what extent. They could not also tell by what percentage their incomes rose. One cannot be sure whether income measured in this manner is credible. The clients are often exposed to fluctuating incomes, which means that they move in and out of poverty. The issue that can attract debate is the duration of this income, as to how long it can last. Such pervasive fluctuations affect savings and investment. As already mentioned the clients lack proper written records and how they separate business incomes from their private resources is also a tricky issue which is difficult to measure. In the informal sector it is usually difficult to separate enterprise activities from household economics. It becomes complicated to measure incomes based on perception and not written records. However the above findings agree with the work of Remenyi et al (2000), when they team of researchers



carry out their work on the impact of microfinance in Asia and the Pacific and have the following to say

“Household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non- borrowers (control group). Remenyi notes that, in Bangladesh, a 29.3 per cent annual average rise in income was recorded and 22 percent annual average rise in income from no-borrowers. Sri-Lanka indicated a 15.6 rise in income from borrowers and 9 per cent rise from non- borrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers with 24 per cent increase reported from non-borrowers. The effects were higher for those just below the poverty line while income improvement was lowest among the very poor.”

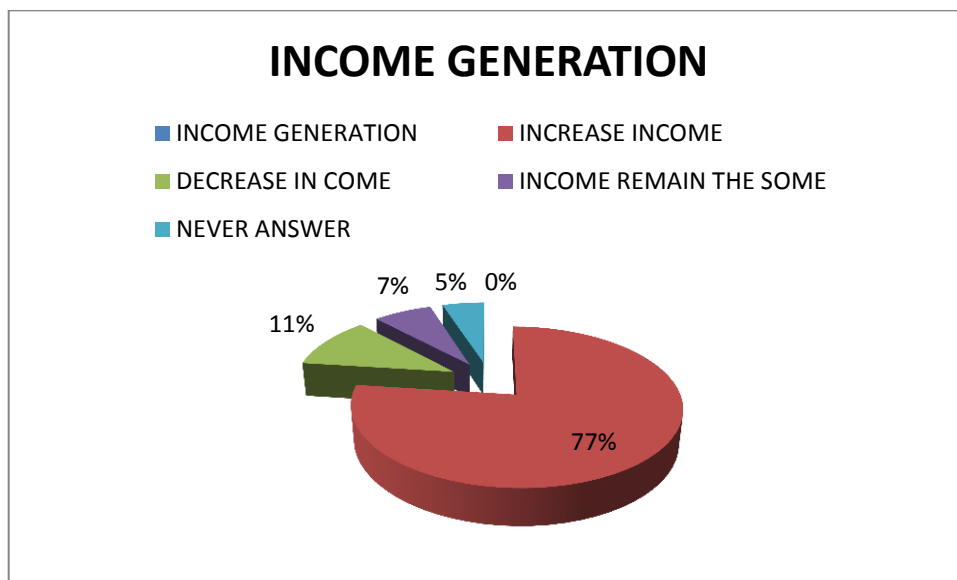


Figure 16: Income Generation of Respondent

Source: Field Survey, May, 2016.

4.3.8 Non – Loan Beneficiary Income Level

The analysis and empirical results shows that more than half of the respondents (79%) noted a decrease in their income level, while only 15% noted an increase in their income level. However, 6 % remained the same. Respondents who indicated a decrease in their income level attributed their situation to unstable inflationary trend, and unstable weather pattern. Majority of traders believe that prices of goods and service keep on increasing periodically at relatively higher rate. This in their view reduce their client purchasing power hence affecting the smooth operation of their businesses. A trader at Kafaba market said this *“my shop used to be full with provisions and I used to sell close to two hundred Ghana (GH¢200) on ordinary days and close to four hundred and twenty Ghana on market days (Gh¢420), today I can no longer buy in the same quantity I used to due to price hikes of goods and services in the market and clients can no longer buy the same way they used to. Look today, I sold only twenty Ghana (GH¢20). Can I feed my family with twenty Ghana (GH¢20) and still be in business? She asked”*. Many of the business women shared similar concerns. The famers also complained of climatic and seasonal changes as a major problem affecting the smooth operation of their farming activities. The claim they can no longer predict the weather making their farming operation very technical and complex. What the study find interesting is the 15% of non–loan beneficiaries who indicated a rise in their income level within the period under study. They are not involved in one enterprise activity. The change businesses according to seasonal demands. A respondent said, *“One has to be smart these days .I was involved in watermelon business during the fasting season, business was good and fast moving. I buy relatively cheap from the hinterland and hence have higher*



profit margins. I am thus assured of cash when needed, however business started to decline when the fasting ended and the raining season set in, I have therefore spread my tentacles to yam and maize business where turn over is relatively good now. This strategy has helped me sustain my business as I am now able to hold my head up high in my community. I am better able to take care of my children, help my husband pay their school fees. I no longer have to go round seeking for help exposing issues in my life to the outside world". I now feel more accomplished and in full control of my life" trader Abrumasa. Based on the survey results, it can be concluded that the non-loan beneficiary income have not improved as compared to loan beneficiary category. However this finding is in sharp contrast with Okurut et al 2013 were the team of researchers reported a positive impact on non-loan beneficiaries against microfinance beneficiaries in Botswana, they cited high interest rate and misapplication of funds for microfinance beneficiaries as key contributory factors to this predicament.

Figure: 17 show the income trend of non- beneficiary.

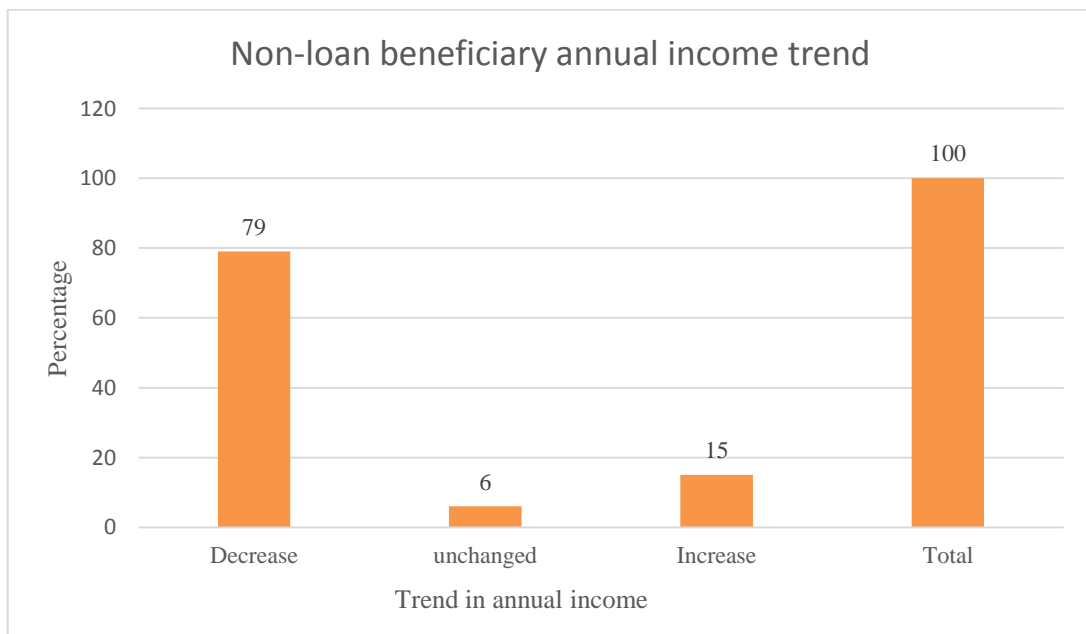


Figure 17: Non loan beneficiary income trend



4.3.9. Women Participation in Household Decision Making Before and After

Joining The MFI

Studying decision-making is not straightforward as there are no clear-cut definitions, indicators and measures that are routinely used. Despite the fact that decision-making patterns differ among the respondents, the researcher opted to explore overall decision-making processes taking place within the household. This explicitly includes the possibility of decision-making with men and women adopting local norms. The field research data shows that 11.1 percent of client took part in household decision making before joining the MFI whilst 88.9 per cent did not take part in household decision making. However, 37.2 per cent took part in household decision making after joining the MFI. Yet majority (representing 62.8 per cent) did not take part in household decision making after joining the MFI. The women clients were asked whether participation in microfinance programmes has empowered them. The majority who answered to this question felt that their position in the family had been strengthened, and that they had attained a real change in their lives and self-esteem when they compare themselves to that period before they joined microfinance. They believe that the microfinance improved their bargaining position within and outside the household.

Though the number of those who took part in household decision making increased from 11.1 percent to 37.2 per cent, however the majority representing 68.2 per cent were not granted the opportunity to contribute ideas towards management of the households. This is because power is deeply rooted in our social systems and values are tilted towards men. Therefore, it is unlikely that only one intervention such as the provision of credit may completely alter power and practical gender relations.



Figure: 18 shows Women participation in household decision making before and after joining the MFI.

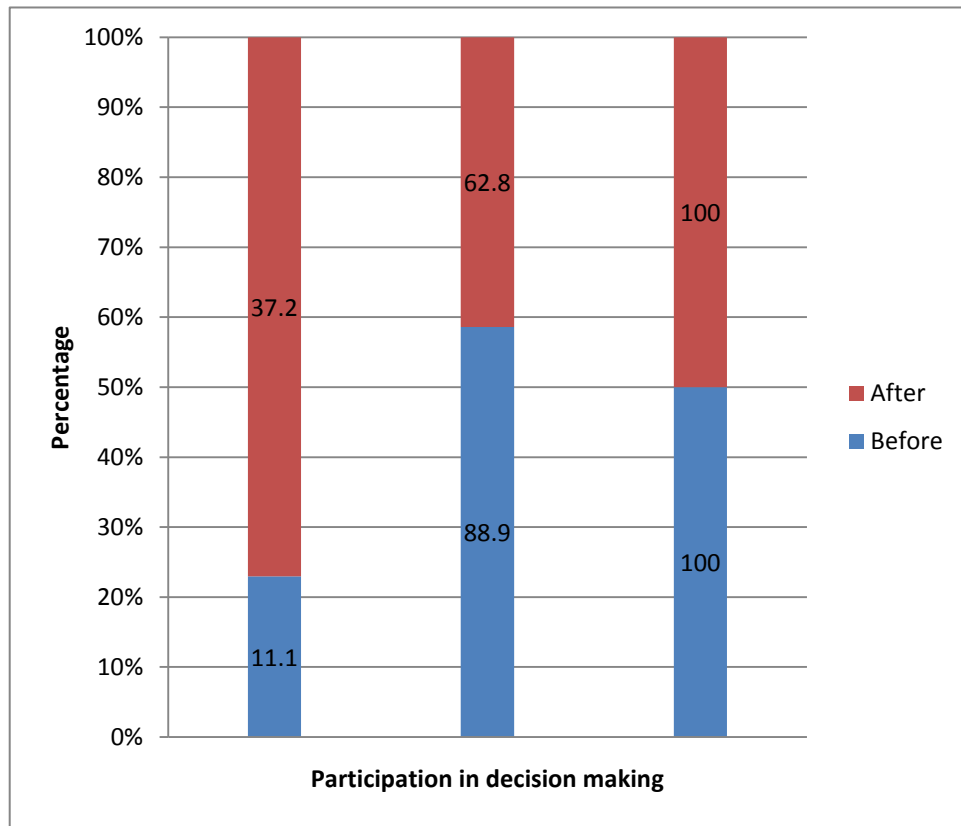


Figure 18: Women Participation in Household Decision Making Before and After

Source: Field survey, May, 2016

4.3.9.1 Non-Loan Beneficiary Participation in Household Decision-Making

Process

Analysis of participating in decision making shows that 19.8 percent of non-loan beneficiaries in the study participate in household decision-making, 7 percent never answered in this regard, whilst majority of the respondents representing 73.2 percent, do not take part in household decision-making process. Despite the importance of women participation in family decision-making process as revealed in many previous works, decision making power in the study area is limited to a large extent to men.





Empirical evidence on www.udsspace.uds.edu.gh the field shows that women decision making power is strongly correlated with their ethnicity, economic empowerment, and discriminatory social norms. Decision making in family life in the study area shows that males usually have power in the use of family resources with traditional norms and values favouring them. Males often decide how to manage the general affairs of their families with permission sort from men by women in matters relating to household decisions. To conclude, it can be stated from the findings that, non-loan beneficiaries in the study area do not enjoy a high degree of participation in household decision making as compared to their counterpart loan beneficiaries within the study period. Figure:19 shows non- beneficiary participation in household decision making

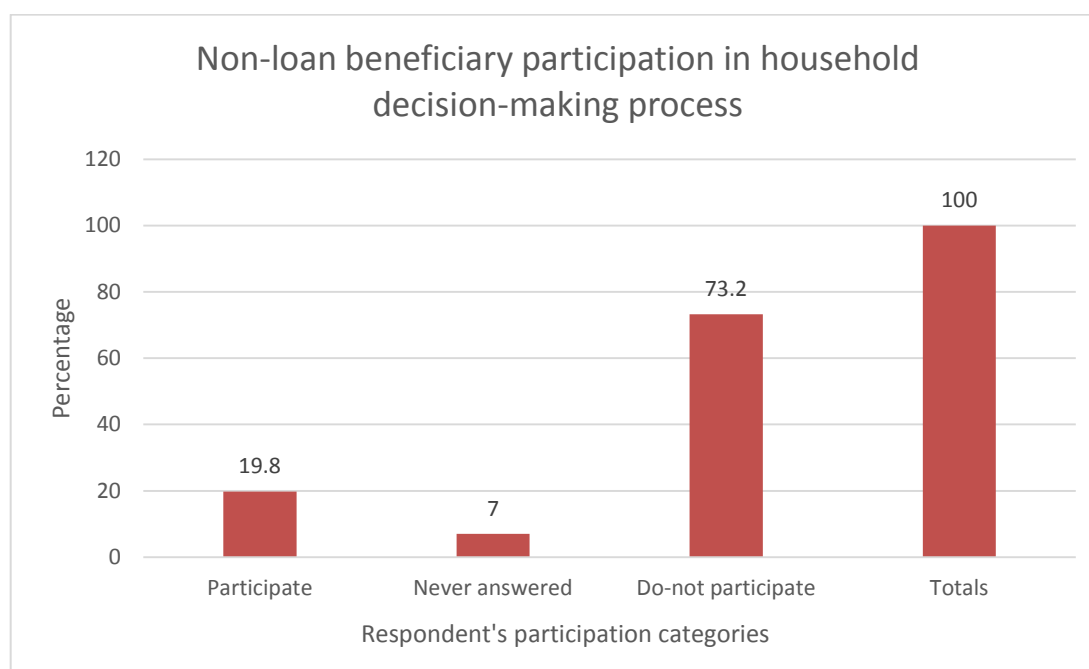


Figure 19: Non loan beneficiary Participation in Household Decision Making

Source: Field survey, May, 2016

4.4. The Major Constraints Encountered by the Micro-Finance Institution in Poverty Alleviation among the Rural Women

Sinapi Aba microfinance is nevertheless without problems. The study therefore sought to find out the major constraints encountered by the microfinance institution in poverty alleviation among the rural women in the District. The field research revealed that the company is faced with four major constraints which are outlined in the following priority; Capacity Enhancement and Funding, Illiteracy, Credit Delivery and Management and Relocations of clients.

4.4.1 Capacity Enhancement and Funding

The data gathered from the field indicate that various stakeholders in the sector often organize training programs and activities with the view to upgrading capacity in the industry. This notwithstanding, about 38 percent of staff of the microfinance institution agree that staffing and competency levels are still below what is desired. For example, with the exception of the General Manager and other two line managers, all the other staff of Sinapi Aba microfinance in the District do not have their level of education up to tertiary level. This brings into serious question the level of professional competence of staff. Also, respondents were of the view that, the current microfinance apex bodies lack an adequate cadre of in-house trainers or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. They were of the view that funding for the sub-sector has been from three sources - the institutions themselves, government, and development partners. They believe that the available funds have not been adequate, and secondly, the different sources come with their associated conditions, and thus distort the



equilibrium of the market in some cases. The respondents were of the view that there is the need for a central microfinance fund to which MFIs can source funds.

4.4.2 Illiteracy

From the demographic analysis, a larger number of clients can neither read nor write. It was therefore not surprising that, 27 percent of respondents held the view that illiteracy is one of the many problems affecting the smooth operation of microfinance. The respondents believe that effective communication with customers is an important component in any financial transaction and that most of their communication is in written form. They were of the view that with the high illiteracy rate, most directives and initiatives are misunderstood. Clients also misinterpret orders, causing inaccurate filling of orders or delays. If clients are unable to read simple instructions from staff, the end result will be costly mistakes and poor customer service delivery. The company missed no words when they stated emphatically that “ *every serious business compete in a global environment and any business that operates with this high illiteracy rate among its clients in this high technological age will threatens the ability of the businesses to compete on a global scale*”. They maintained that the high illiteracy rate puts their operations at a serious disadvantage. They concluded by saying that more time is spent on educating client at service delivery and that loan officers have less time to serve a greater number of borrowers , a key indicator of their operational inefficiencies.

4.4.3 Credit Delivery and Management

Again, 21 percent of respondents held the view that the current strategies for credit delivery are not adequately diversified or efficient, and therefore are unable to fully meet the varying demands of their market. They were of the opinion that there





www.udsspace.uds.edu.gh is no framework for categorizing and upgrading some of the emerging microfinance institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. They believe the objective of microfinance is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual MFI clients and other forms of support that may be more appropriate for such groups.

4.4.4 Relocations of Clients

The data gathered from the fields further indicate that, 14 percent of respondents agree that one of the many challenges that distort the equilibrium position of their operation is the relocations of clients. They are of the view that quite a number of their clients periodically relocate from one geographical area to another in search of greener pastures. These developments have grown steadily and considerably. This issue mostly occurs in the fishing communities where clients have to relocate in search of bigger harvest. This makes it absolute difficult in tracing clients, the company lose a lot credit resulting in bad loan hence making the company balancing sheet not in the perfect shape. The companies say their customer targets have declined sharply as a result of this. Coordinating the activities of affected clients is extremely difficult. Business has really slowed down in these fishing communities while the operational cost of the microfinance institution had increased. As the manager rightly puts it, *“it is difficult to provide a comprehensive, executive-level management services that is feasible and practical to address this annual occurring social canker”*.

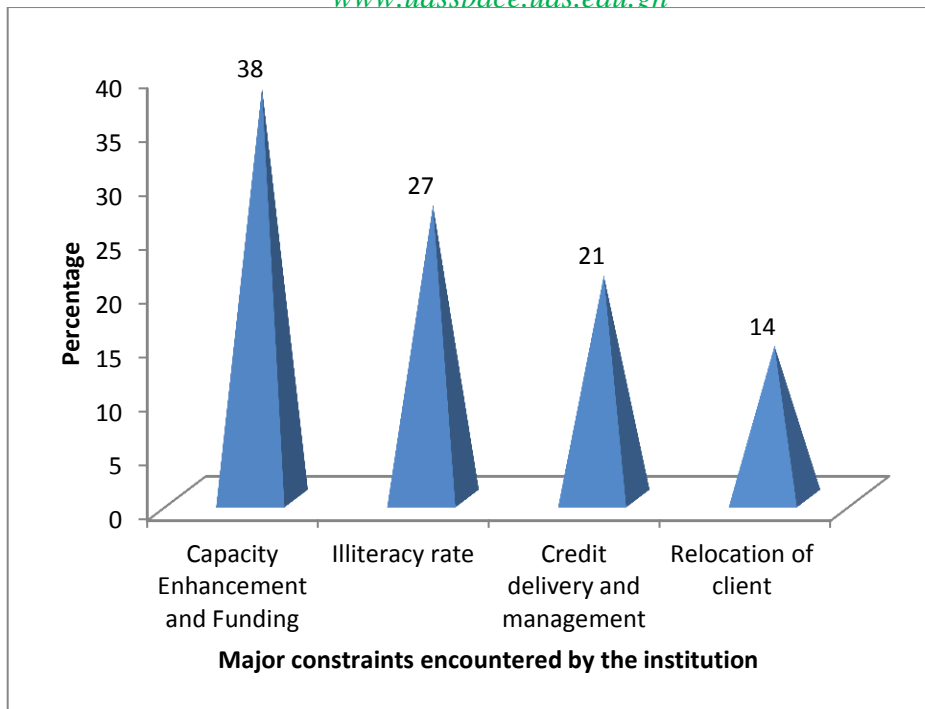


Figure 20: Major Constraints by the Micro-Finance Institution in Poverty Alleviation among the Rural Women

Source: Field survey, May, 2016

4. 5. Strategic Measures to Address Constraints

It gratifying to note that Sinapi Aba microfinance has adopted the provision of credit facilities as an important strategy for poverty reduction and wealth creation among its client in the East Gonja District. Having being confronted with the above challenges there is the need to quicken up pace of reforms in the sector in order to unleash its full potential for accelerated growth and poverty reduction. The specific reform for the microfinance to unleash its full potential for accelerated growth and poverty reduction are discussed next.

4.5.1. Capacity Building and Funding

In order to promote the sub-sector, the various stakeholders should intensify training programmes and activities to upgrade the human capital in the industry. Better



www.udsspace.uds.edu.gh

coordination and collaboration among key stakeholders including the development partners, government and other agencies including MASLOC, GHAMFIN, relevant ministries, and technical service providers must be on centre stage. In term of funding, there should be central microfinance fund to which MFIs can apply for on-lending. Building on experience such as the training fund under the rural financial services project as a perfect example.

4.5.2 Illiteracy

Rural women need to be sensitized and psyched up through financial literacy programmers so that they will be able to understand better the smooth operation of the activities of the MFIs. The functional literacy programme for adults should be run by the non-formal education division (NFED) of the ministry of education; together with the association of microfinance institutions, rural and community banks, the department of community development and agricultural extension services. These agencies should strengthen their collaboration with one another. Financial literacy will empower client as it will make them understand financial service requirements better and improve their service utilisations

4.5.3 Credit Delivery and Management

Addressing issues regarding credit delivery systems (access to loans, interest rates, and repayment), the categorization of institutions as well as classification of potential beneficiaries are key to the operations of the sub-sector. MFIs should be encouraged to develop and provide diversified and efficient credit delivery systems that will meet the varying demands of the market. There should be minimum standard requirements which all MFIs will be expected to meet. PNDC Law 328 in 1991 that allows different categories of financial institutions should be enforced by



Bank of Ghana. This will make the [current strategies](http://www.udsspace.uds.edu.gh) for credit delivery to be adequately diversified and more efficient and prudent.

4.5.4 Relocations of Clients

In terms of relocation of client, the micro finance should encourage more group – based lending to the affected communities, this will enhance "collateral" substitute. This group base- lending will elicit several types of group dynamics that may increase repayment rates. For instance, peer pressure from other group members can act as an effective repayment incentive, since members do not want to let down the other members of their group or suffer any social sanctions imposed by the group as a result of defaulting in repaying their loans. In other cases, the group may recognize a legitimate reason for the arrears of a certain member of the group and offer to help until the problem is resolved amicably. In most cases, the mandatory savings of group members may be used to pay off the loan of a "defaulter". Another advantage of group-based lending is that it may reduce certain transaction costs to the micro finance institution by shifting screening and monitoring costs to the groups. This will go a long way to solve this perennial social canker. The above notwithstanding, developing literature in micro finance industry has also established that a pragmatic microfinance approach in dealing with such a serious challenge involves, engaging in group lending, character referencing, and continuous building up of customers' credit history, in order to establish realistic and workable loan arrangements (Oguntoyinbo 2011).



4.5.5. Conclusion

The chapter depicts the research findings which seek to answer the research questions against the background of the core objectives of the study. The overall results suggest that loan beneficiary enterprises have expanded while their socio-economic status improved while non- loan beneficiary enterprises and their socio-economic status have declined. This was based on the inquiry into the socio-economic living conditions of women loan beneficiary of Sinapi Aba microfinance and non loan beneficiary. The socio-economic characteristics of respondents were also discussed and analysed. The chapter identified four major constraints encountered by the microfinance institution in poverty alleviation among the rural women in the District and suggested measures in addressing these constraints.



SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter summarizes the research findings based on the analysis of both primary and secondary data obtained from the field. The chapter further entails the conclusion of the study and offers some recommendations in line with the objectives of the study.

5.1. Summary of Findings

The journey of this study was meant to investigate the effectiveness of Sinapi Aba microfinance operations on the socio-economic livelihood of the rural women in East Gonja District of the Northern Region of Ghana. The main objective was to determine the extent to which Sinapi Aba microfinance interventions improved the livelihoods of the rural women in the East Gonja District. The field survey indicated that majority of women clients had registered increase incomes, which have improved their standard of living. They now have the capacity to send their children to school and to pay for their health which is critical for their continued wellbeing. They are able to set up their own business which has made a real change in their lives than when they compare themselves to the period before the programmer.

The second objective, which provided an answer to the related research question, was equally achieved through the result of the study. It sought to find out the major economic activities clients invest their services into. Farming recorded the highest incidence, as high as 41 percent of women client respondents were into agricultural. This was followed by petty trading (33 %). Pito brewing, dress making and soap



www.udsspace.uds.edu.gh

making accounted for 11%, 10% and 5% respectively. It can therefore be concluded that women clients of the MFI in the study area were mainly farmers.

This led the researcher to the third objective, which was meant to identify the challenges that are militating against the smooth operation of the microfinance in poverty alleviation among the rural women in the District was addressed. It must be stressed that, the microfinance company faces a lot of constraint but the field research specifically highlighted four major ones as follows, capacity enhancement and funding, illiteracy, credit delivery and management and relocations of clients. Respondents were also of the view that, the current microfinance apex bodies lack the adequate monitoring and evaluation units to continually measure progress of their activities consistently over time. It must be stressed that in the gospel of free market forces and globalisation the impact of high illiteracy cannot be taken for granted. The company missed no words when the stated emphatically that *“every serious business competes in a global environment and any business that operates with this high illiteracy rate among its clients in this high technological age will be threatened by the ability of the businesses to compete on a global scale”*.

The relocation of clients climax this categories of my third objective, the companies say their customer targets have declined sharply as a result of this. Coordinating the activities of affected clients is extremely difficult. As the manager rightly puts it, “it is difficult to provide a comprehensive, executive-level management services that is feasible and practical to address this annually occurring social canker”. The full benefit of the programmer cannot be realized if the encountered challenges are not checked.



www.udsspace.uds.edu.gh

The final objective provided answer to the related research problems. In terms of capacity building and funding, the various stakeholders should intensify their training programmes to upgrade the human capital in the industry. In terms of funding, there should be a central microfinance fund to which MFIs can apply for on-lending. Rural women need to be sensitized and psyched up through financial literacy programmes. Financial literacy will empower client as it will make them understand financial service requirements better. This led to the next challenge, credit delivery and management. It was suggested that PNDC Law 328 in 1991 that allows different categories of financial institutions should be enforce by Bank of Ghana. This will make the current strategies for credit delivery to be adequately diversified and more vibrant. Group base – lending was suggested to address the problem of relocation of client in the affected communities.

5.2. Conclusion

A more detailed analysis on microfinance and the experience gained from the field made the researcher to come up with the following general conclusions. Microfinance institutions are asset to the developing and transition countries. The services they provide are tailored to meet the needs and aspirations of the local Inhabitants and most especially the rural poor. It should be noted that microfinance does not serve or solve all the problems of the poor, but it serves as a means of helping them to boost their economic activities or augmenting their status. According to Hume et al (1996), microfinance schemes are of paramount importance when the targeted problem is in its initial stage and not when it has emanated.

Microfinance is only a portion of what is needed to boost an enterprises activity in the rural areas who are incapable of getting the necessary assistance from a



commercial bank. They [develop new markets](http://www.udsspace.uds.edu.gh), increase income, create and accumulate assets and promote a culture of entrepreneurship. It is noticed that microfinance have a main target to the poor and not the poorest. Sinapi Aba and its network can be considered as targeting the poor but not the poorest. The requirements needed by the microfinance to become a client are not easy to be met by these poorest individuals.

In sum, microfinance is not a panacea for livelihood improvement, to become more efficient and prudent it needs both complementary supply-side and demand-side factors. Supply-side factors such as good infrastructure, entrepreneurial skills, education, policy framework and technological advancement are needed to make micro-enterprises more productive and efficient. The potential for increased productivity will remain mostly unrealized in the absence of demand-side factors. *It must be emphasized that without a supportive macroeconomic, trade and industry policy framework, micro-enterprises will remain micro, with no backward or forward linkages on livelihood enhancement.* The significance of the study has therefore been achieved in terms of the objective setup. The overall results suggest that the women's enterprises have expanded, health status of families improved with a corresponding improvement in education and a significant improvement in their socio-economic status respondent. This was based on the living conditions of women before and after joining the microfinance intervention. Thus the outcome of the whole intervention process portrayed a positive and effective outlook. Equally important is the fact that, the study has provided a stepping stone for further research that will focus on a deeper sensitivity to service users and amplified their concerns and appreciations.



5.3 Recommendations

In order to tackle some of the major social and economic barriers confronting women in their development, there is the urgent need for government and other development partners to adopt a more holistic approach and pragmatic measures that will take into consideration these constraints. Experience gained from the field and the review of the related literature coupled with the objectives of the study make it possible to make the following recommendations for policy planning with regards to Sinapi Aba microfinance in the study area.

- Data from the field confirm that, large majority of respondent had an increase in their incomes. To better improve on their economic livelihood there is the need for human capital development of rural women so as to improve market access and financial information flows.
- A more detailed analysis of the data shows that illiteracy is one of the many problems affecting the smooth operations of the microfinance institution. It is therefore recommended that, more illiterate and rural women need to be sensitized and psyched up through financial literacy programmes so that they will be able to understand better the smooth operations of the activities of the MFIs. The functional literacy programme for adults should be run by the non-formal education division (NFED) of the ministry of education; together with the association of microfinance institutions, rural and community banks, the Department of Community Development and agricultural extension services. These agencies should strengthen their collaboration with one another. Financial literacy will empower women as it will make them understand financial service requirements better and improve their service utilisations.



- It has been established from the scientific data from the field that, www.udsspace.uds.edu.gh clients lack proper written records and how they separate business incomes from their private resources is very difficult. It is therefore recommended that 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 practices should change from thinking about subsistence to thinking about expansion, commercialisation, and industrialisations.
- Furthermore, the project department of Sinapi Aba microfinance also needs to be equipped in terms of training and capacity building. These will enhance proper appraisal and monitoring of loans contracted, since relocation of clients forms a major obstacle to the smooth operation of the financial institution. 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.
- More so, it must be stressed that microfinance institutions seem to only concentrate on Microcredit. The other aspects like micro-savings and micro-insurance are lacking. The scheme is only interested in giving out credits. Savings play an important role in poverty reduction and proper savings serve as insurance for clients. It is recommended that Sinapi Aba microfinance should rather concentrate much on savings mobilization. From basic knowledge in *economics, capital accumulation has a greater strength to reduce poverty*. Savings provides the asset for the economy's investment in future production.



- Finally, future research that focuses on a deeper sensitivity to service users and amplify their concerns and appreciations are required. Poor people are usually of the impression that interventions are doing them a favour so they seldom complain about the interventions and therefore studies that pick up the faintest of murmurings of service users are required to make interventions suitable for service users.



- Acre, M (2003). A Challenge to the Orthodoxy Concerning Microfinance and Poverty
- Adongo,J.and stork,C.(2005). *Factors Influencing the Financial Sustainability of Some Selected MFIS in Namibia*. The Namibian Economic Policy Research Unit, UEPRU, Report No.39 .
- Agyedu ,T, Johnson, K and Marr, A,(2007) Teach Yourself Research Methods, UCEWK.
- AIMS. (2001).“*Conceptual Framework for Assessing the Impacts of Microenterprise Services.*” Assessing the Impact of Microenterprise Services ,USAID, Washington D.C.
- Alexander, (2011) “*Microfinance and its impact on selected Districts in Eastern Region of Ghana*”, a thesis submitted to the department of economics for the degree of Mphil, KNUST, Kumasi, Ghana.
- Amankwaa, S., Asafo-Adjei, S., Badu ,C., Croffie F. E and kumah,M .(2012). *Empowerment of rural women: the role of microfinance institutions* .A Dissertation submitted to the Department of Business Studies, Christian Service University College in partial fulfilment of the requirements for the award of the degree of Bachelor of Business Administration.
- Appendini; R.(2001) Land and Livelihood: what do we know, and what are the issues?.A Zoomer,ed; *Land and sustainable livelihood in Latin American*. Pp.23-38 Amsterdam: Royal Tropical intititute/vervurt Verlas
- Armendariz de Aghion, B. & Morduch, J. (2005). *The Economics of Microfinance*.



Arun, T. (2005). www.udsspace.uds.edu.gh. *Regulating for Development: the case of Microfinance*. The Quarterly Review.

Ashe and parrot (2001). "Empowerment of Women Through Microfinance: ARDCI's Experience." Catanduanes, Philippines

Ashley and Carney (1999). *Sustainable Livelihoods: Lessons from Early Experience*. Department for International Development, London.

Asiamah, J.P. and Osei, V. (2007), *Microfinance in Ghana; an Overview Research* Department Bank of Ghana, Accra.

Asian Development Bank (2011) Sustainability Report on Promoting Environmentally Sustainable and Inclusive Growth

ACCION International (2010), FINCA, Grameen Foundation, Opportunity International, Unit us, Women's World Banking. *Measuring the Impact of Microfinance*

Babbie, E. (2005). *The practice of social research* (11th ed.). Belmont, CA: Wadsworth Thomsom.

Baker, T.L. (1994). *Doing social Research*, 2nd ed Mc –Graw Hill: New York

Barnes, C. (1996). "Assets and the Impact of Microenterprise Finance Programs." AIMS

Bebbington, A.J. (1991). *Institutional Options and Multiple Sources of Innovation. A Case Study from Ecuador*. Overseas Development Institute Network Paper 11. London. Overseas Development Institute.



www.udsspace.uds.edu.gh
Beijing Platform for Action. (1995), Fourth United Nations World Conference on Women, China.

Bergen, M., Dutta, S., & Walker Jr.(1992). Agency Relationships in Marketing: A review of the Implications and Applications of agency and Related Theories. *Journal of Marketing*, Vol. 56. p. 1-24.

Bernard,H.R.(1994).*Research methods in Anthropology: Qualitative and Quantitative Approaches*.2nd Edition. Thousand Oaks,CA:Sage publications.

Brown,P;(1996). *An Introduction to Research*, Landon: Ash Gate Limited.

Canette,I (2010) Analysis of complex survey data in strata. *Paper Presented at The 2010 Maxican Strata Users Group Meeting ,Aprill 29,2010*.

Carney and Diana (2002). *Sustainable Livelihoods Approaches: Progress and Possibilities for Change*. Department for International Development (DfID), UK.

CGAP .(2004). Is Microfinance an Effective Strategy to Reach the Millennium Development Goals? *Focus Note 24, January CGAP*, Washington, D.C.

CGAP,(2011).Andra Pradesh 2011,Global Implication of The Crisis in Indian Microfinance, Focus Note 67, Washington Dc:GAP.

CGAP.(2010). Challenging Times: *Do MIVs need a new investment strategy?* Brief.

Chamber,R (1991). Sustainable Livelihoods, Environment and Development: Putting Poor Rural people first.*IDS Discussion paper 240*.Sussex:IDS



Chambers,R, Conway www.udsspace.uds.edu.gh and Graham.R.(1991) *Sustainable Rural Livelihoods. Practical concept for the 21st century* .suxsax:IDS.

Charles and Ann Duval, (1996). *Care Saving and Credit Sourcebook*. Atlanta, Ga. CARE.

Cheston, and Kuhn. (2002). “*Measuring Transformation: Assessing and Improving the Impact of Microcredit, Part II: Implementing Impact Assessments and Monitoring Systems: A Practitioner Perspective from Zambia.*” Washington, D.C.: Microcredit Summit.

Chowdhury & Bhuiya (2004) “The Wider Impacts of BRAC Poverty. CIDA and Microfinance: *A Poverty Reduction Approach, Policy Branch,* October 2002.

Chua, R.T. and G.M. Llanto. (1996).“Assessing the Efficiency and Outreach of Microfinance Schemes.”Working paper No.15, Enterprise Development Department, International Labour Organisation, Geneva.

Chua, R.T.and G.M. Llanto.(1996).“Assessing the Efficiency and Outreach of Microfinance Schemes.”*Working paper No. 15, Enterprise Development Department, International Labour Organisation,* Geneva.

Cochram,W. G. (1977). *Sampling Techniques* (3rded).New York:John Wiley and Sons .

Cochran, W. G. (1977) *Sampling Techniques* (3rd ed) New York: John Wiley and son.



Cocoman, A. & Murray, J. (2009). www.udsspace.uds.edu.gh Recognizing the evidence and changing practice on injections sites. *British Journal of Nursing*, 19(18), 1170-1174.

Commitment Savings Product in the Philippines. *World Development*, 38(3), 333-344

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

Corn ,G.A R.Jolly and F Stewart(1988) Adjustment With Human Face. *Protecting the Vulnerable and Promoting Growth*. Oxford: Clarendon Press.

Creswell, J. W. (2003). *Research Design: Qualitative Quantitative and Mixed Methods Approaches*. Second Edition. Thousand Oaks, CA: Sage Publication.

Creswell, J. W.(2009). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. (3rd ed.). Thousand Oaks, CA: SAGE.

De Walt ,K.M and Dewalt ,R.(2002). *Participant Observation: A Guide to Fieldworker*. Walnut Creek, CA:Alta Mira Press.

DeMunch,V.C.and Sobo,E.J.(1998).*Using Methods In The Field. A Practical Introduction and a Case Book*. Walnut Creek, CA: Alta Mira Press.

Derbile,E.k. (2013) ‘ *Women In Non – Farm Enterprise Development And Poverty Reduction In The Kasina Nakana – Nankane District Of Northern Ghana*’..Kwame Nkrumah University of Science and Technology, Department of Planning.

www.udsspace.uds.edu.gh
 DfID, (1999). *Sustainable Livelihoods Guidance Sheet*. Department of International
 Development (DfID), London.

Dinye, R..D And Deribile,E.R (2004).Reducing Rural Household Poverty in Ghana;
 A Case Study Of Women In Non. Farm Enterprise Activity in The Kassana –
 Nankana District.Journal of Science and Technology Volume 24 Number

Dzene,R Aseidu,,K.F .(2010). Gender Composition, Competition And
 Sustainability of Microfinance in Africa; *Evidence From Ghana's
 Microfinance Industry, GIMPA.*

Egyir,I.S.(2010). Rural Woman And Microfinance In Ghana :*Challenges And
 Prospects Contributed Paper Presented At The 3rd African Association Of
 Agricultural economist (AAAE) And The 48th Agricultural Economist
 Association Of South.*

Eisenhardt, K. M. 1985. Control: Organizational and Economic Approaches.
Management Science, Vol. 31, No. 2, P. 134-149.

Eisenhardt, K. M. 1989. Agency theory: An assessment and review. *Academy of
 Management Review. Vol. 14, No. 1, p. 57-74.*

Erlandson, D.A.; Harris, E.L.; Skipper, B.L and Allan, S.D. (1993).*Doing
 Naturalistic inquiry: A Guide to Methods.* Newbury Park, CA: Sage

Escalada, M. (1997). *Focus Group Discussion Handout7.*

Fernando, N. A. (2007). *Microfinance Industry: Some Changes and Continuities:*
 Proceedings of the Japan Microfinance Symposium Held At the Asian
 Development Bank Institution in Tokyo.



- Fletcher, D; and Carter, www.udsspace.uds.edu.gh (2008). Construction And Reconstruction Gender: Reference Group Effects and Women's Demand for Entrepreneurial Capital. *The Journal of Socio- Economics*, 37,672-693.
- Fraser, M. (1994). "Quality in Higher Education: An International Perspective." In *what is Quality in Higher Education?* Edited By D. Green. Buckingham: Open University Press and Society for Research into Higher Education.
- Ghana Statistical Service (2013). *Population and Housing Census: National Analytical Report (2013)* Accra: Ghana Statistical Service.
- Glaubitt, K., Hagen, H. M. & Schutte, H.(2006). Mainstreamin microfinance – Quo vadis Microfinance investments (213-226) in Matthaus, M. I. & Pischke, J.D. V. (eds). *Microfinance investment funds*. Springer, Heidelberg
- Greenwood, R.(2003). Commentary on: "Toward a Theory of Agency and Altruism in Family Firms". *Journal of Business Venturing*, 18, P. 491-494.
- Hamada, M.(2010). Financial Services to The Poor: An Introduction to The Special Issue On Microfinance. *The Developing Economies*, 48, Issue 1, P. 1-14.
- Harvey, L.(2004). "Analytic Quality Glossary." Vol. 2005: Quality Research International.
- Holt's, K (1994) *The Future of Microfinance*.
- Huarng, A. S. (1995). System Development Effectiveness: *An Agency Theory Perspective*. *Information & Management*, 28, P. 283-291.
- Hulme, D (1991) *Research Design, Successful Design for Social and Economic Research* .2nd Edition, Union Hyman Limited, London and New York.



Hulme, D and Mosley, P.-(1996) www.udsspace.uds.edu.gh .Finance for the Poor or the Poorest? *Financial Innovation, Poverty and Vulnerability.Humanistic Perspective (2nd Ed.)*. Philadelphia: Lippincott Williams & Wilkins.

Hulme, D,And Arun,(2009),Finance Against Poverty,Vol.1 and 2 Rutledge.

IMF (Internal Monetary Found), (2005) “ Uganda – Selected Issues and Statistical Appendix” IMF Country Report No.05/172 Washington,D.C

International Economic Review 44 (February): 87–118.

Jensen, M. C. & Meckling, W. H. 1976. Theory of the Firm: Managerial Behavior, *Agency Costs and Ownership Structure. Journal of Financial Economics, Vol. 3, No. 4, P. 305-360.*

Johnson P. A (2007) ,microfinance in Ghana: an overview Research Department - Bank of Ghana and Victor Osei, Research Department, Bank of Ghana.

Johnson, S. & Droege,(2004) . FINCA-Malawi Impact Assessment Research-Final Report. Bath Centre for Development Studies, University of Bath.

Johnson, S. & Rogaly, B. (1997). *Microfinance and Poverty Reduction*. London: Oxfam.

Jorgenson, D,Yan, T & Lutz, R.J (2007). Participant Observation: A Methodology for Human Studies, Newbury Park, CA, Sage

Kabeer, N. (1999). "Money Can't Buy Me Love? Re-evaluating Gender, Credit, and Empowerment in Rural Bangladesh." Brighton, University of Sussex: *IDS Discussion Paper No. 363*.–. 2003.

"Assessing the "Wider" Social Impacts of Microfinance Services:



- Kabeer, Naila. 2001. www.udsspace.uds.edu.gh "Reflections on the measurement of women's empowerment." In *Discussing Women's Empowerment-Theory and Practice*. Sida Studies No. 3. Novum Grafiska AB: Stockholm.
- Kahn, R.L And Cannel C.F (1957).The Psychological Basis O F Interviews. *The Dynamic of Interviewing Theory, Techniques, Cases*. New York, John Wiley: 22-64.
- Khandker, S.R. (2001). Does Micro-Finance Really Benefit The Poor? Evidence from Bangladesh. Asia and Pacific Forum on Poverty: *Paper presented at Reforming Policies and Institutions for Poverty Reduction held at the Asian Development Bank, Manila*.5-6.
- Khandker, S.R. (2003). Micro-Finance and Poverty: Evidence Using Panel Data from Bangladesh. *Policy Research Working Paper No. 2945*, Washington D.C: World Bank.
- Khandker, S.R. (2005)..*Development Finance as an Institution Building*. Boulder: West view.
- Khawari, A. (2004). Microfinance: Does it Holds it Promises? *A Survey of Recent Literature*. Hamburg Institute of International Economic. *Discussion Paper*.
- Kofi ,A. (2003), Cited in microfinance in Ghana: Research Department of the Bank of Ghana by Johnson P. A (2007)
- Kofi, A. (2005) International Year of Micro Finance. Cited in 'The Daily Graphic', Wednesday November 17, 2004, # 149283, Pg. 33.



Kothari, C. R. (2004), www.udsspace.uds.edu.gh Research Methodology: Methods and Techniques, (Second Edition), New Age International Publishers.

Krishna, H (2003)_*Research Methods and Techniques of Social Research*.
Son life Press and Service Accra, Ghana.

Kwabia, K ;:(2006). Theory in Social Research. *The Link between Literature and Observation*. Woeli Publishing Service, Accra Ghana.

Laws S, Harper C and Marcus R... (2003). *Research for Development*,Sage Publications.

Ledgerwood (1999), *Microfinance Handbook: An Institutional and Financial Perspective*, Washington, D.C World Bank.

Ledgerwood, Joanna. (2002). *Microfinance Handbook: an Institutional and Financial Perspective*, Washington, D.C.: World Bank, Sustainable Banking with the Poor project.

Littlefield, E., Morduch, J. and Hashemi, S. (2003). ‘*Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?*’*Focus Note, 24*. In Proceedings of the National Conference on Undergraduate Research.

Maertens, M. (2003)."*Operational and Institutional Obstacles for the Efficacy of Microcredit*"

Marconi & Mosley, (2004) .*Research Design and Social Measurement*. Sage Publication Newbury Park, California

Marshall. and Rossman,G.B .(1989).*Designing Qualitative Research*. Newbury Park, a Sega Massachusetts: Massachusetts Institute of Technology.



Marulanda H, Patton ,A and Miller D.C (2010), www.udsspace.uds.edu.gh, “Microfinance – Evolution, Achievements and Challenges” ITAG Publishing, UK.

Massachusetts: Massachusetts Institute of Technology.

Maxwell. (1998). *Laws of Leadership*, Thomas Nelson Publication.

Mayoux Linda (2001), Tackling The Down Side: “Social Capital, *Women’s Empowerment And Microfinance in Cameroon*”, *Development and Change*, 32:3, 2001, 435-464.

Mayoux, L. (2005). *Women Empowerment through Sustainable Microfinance: Rethinking the Best Practices*, World Bank, Washington D.C. Mosley’s (1996) ‘Questioning Virtuous Spirals: *Microfinance and Women’s Empowerment in Africa*’, *Journal of International Development*.

Mayoux, L. (2007). *The Magic Ingredient? Microfinance & Women’s Empowerment*. Microcredit Summit Campaign (2012). *State of Microcredit Summit Campaign Microfinance Investment Funds*. Springer, Heidelberg.

Microfinance. CGAP Focus Note 50, Washington D.C.

Mknelly, B. & Kevane, M. (2003). Improving Design and Performance of Group Lending: *Suggestions from Burkina Faso*. *World Development*, 30, 2017-2032.

Mohammed ,A.K and mohammed A.R(2007) .Impact of Microfinance on Living Standards Empowerment and Poverty Alleviation of Poor People. A Cases of Microfinance in The Chittagong District of Bangladesh, Umea School of Business (USB)



- Morduch, J. (1999) www.udsspace.uds.edu.gh *The Role of Subsidies in Microfinance: Evidence from the Grameen*
- Mosedale,(2003).*Microfinance and the Empowerment of Women.*
- Mosedale,D (2003). *Microfinance and Poverty Alleviation Uganda.* A Case Study of Uganda Finance Trust. Master Thesis Submitted to School of Global Studies African An International Development Cooperation.
- Moser, C, (1998), *Assets, Livelihood And Social Policy: New Frontiers Of Social Policy.* The World Bank, Washington DC.
- Mosley, P. And D. Hulme (1998) *Microenterprise Finance: Is There a Tradeoff Between Growth And Poverty Alleviation, PRUS Working Paper No 3.*
- Muhammad,Y (2003) *Expanding Micro Credit Outreach To Reach Millennium Development Goals,* International Seminar On Attacking Poverty With Credit, Dhaka, Bangladesh.
- Navajas S., Conning J., Gonzalez-Vega C.(2008).Lending Technologies, competition and Consolidation in the Markets for Microfinance in Bolivia. *Journal of Institutional Development 15,747-770.*
- Neuman, W.L. (2007).Social Science Research Methods: *Qualitative and Quantitative Approaches.* Eason International Edition.3rd Edition .
- Oetoro. (1999).World Bank-Africa Region, *Studies in Rural and Micro Finance: Financial Services for Women Entrepreneurs in the Informal Sector of Ghana.* World Bank, New York



Oguntoyinbo M. (2011) www.udsspace.uds.edu.gh Credit risk assessment of the microfinance Industry in Nigeria: An application to Accion Microfinance Bank Limited. [Online] Available: <http://scholar.sun.ac.za/handle/10019.1/21643>. Accessed: 19 February, 2014.

Okurunt F.N ,Narayana, N and Mohefe E(2013). Microfinance and Household Welfare in Botswana, A Case Study, IJEL, VOL.(VI): 71-80

Paxton, J (1996) "*A Worldwide Inventory of Microfinance Institution*" World Bank.

Pitt, M.M., Khandker, S.R. & Cartwright, J. (2006). *Empowering Women with Micro Credit*

Pitt, Mark, Shahidur Khandker, O. Choudhury, and D. Millimet.(2003). "Credit

Pollin , K (2007),Rural women empowerment and entrepreneurship development. Master's Thesis .Gandnigram institute, Dindigul District

Powell and Renner (2003).Research Decisions: Qualitative and Quantitative Perspective. *Project report, USAID, Washington D.C.Publication Sponsored by UNIFEM.Programs for Poverty Reduction in Rural Vietnam."* Working Papers, Catholic University of Leuven, Belgium.

Programs for the Poor and the Health Status of Children in Rural Bangladesh."

Rahman, E .(1999).*Case Study Research Design and Methods*. Saga Publications London. Fourth Editions

Ray, D. (1998) Development economics, Princeton University press, *New Jersey, pp578-584 Reduction. Journal of Microfinance, 5(2), 7-42. Reduction. Journal of Microfinance, 5(2), 7-42.*



www.udsspace.uds.edu.gh

Reis, H .T; and Judd, C.M. (Eds.) (2000), Hand Book of Research Methods in Social and Personality Psychology. New York: Cambridge University

Press. *Report 2012. Washington, D.C.Report. Bath Centre for Development Studies, University of Bath.*

Remenyi, Joe and Quinones, Benjamin. 2000. *Microfinance and Poverty Alleviation: Case studies from Asia and the Pacific. New York. 79. p. 131-134, 253-263.*

Robert, W.F. And Andah, D.O. (2004). Rural and Microfinance Regulation in Ghana: *Implications for Development and performance of industry, Africa Region working paper series, June No.49,*

Robinson, M. (2001). *The Microfinance Revolution, Sustainable Finance For The Poor*, World Bank, Washington D.C.

Robinson, M. (2003). *The Microfinance Revolution: Sustainable Finance for the Poor. Vol. 1.* Washington D.C.: World Bank

Romanus, Z. (2012). *Microfinance and Women Livelihood Send Ghana Eastern Corridor Microfinance Livelihood Programmer.* University for Development Studies Department of Planning and Land Management.

Rosenberg, R.(2006). *UNDP Microfinance Portfolio Review*, CGAP.

Rosengard, J.K.(2001). *Kinks In The Links: Financial Intermediation For Africa's Poor. African Economic Policy Discussion Paper No.84*, Boston;J.F Kennedy School Of Governance, Harvard University.



www.udsspace.uds.edu.gh
Rutherford, Stuart.(1995). *The Savings of the Poor: Improving Financial Services in Bangladesh*. Binimoy, Dhaka.

Saam, N. J. 2007. Asymmetry in information versus asymmetry in power: *Implicit assumptions of agency theory?*. *The Journal of Socio-Economics*, Vol. 36, p. 825-840.SAGE.

Sapford,R; and Jupp, V.(2006).*Data collection and Anaysis*,22nd ed; Saga publication

Sarantakos S.(1998) *Social Science* (2nd ED).Palgrave Macmillan, New York.

Sarantakos,S.(2005), *Social Research*,(3rd ed).Palgrave Macmillan Publishers

Saunders M, Lewis P and Thornhill A.(2007), *Research Methods for Business students*(4th Edition)

Saunders, M, Lewis, P. & Thornhill, A. (2000).*Research Methods for Business Students*,

Schensul,S.L;Schenul, J.and LeCompte, M.D.(1999).*Essential Ethnographic Methods: Observations, Interview, And Questionnaires* (Book 2 In Ethnographer's Toolkits).Walnut Creek, CA: Altamira Press.

Schramm,(1971)*Basic of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park ,Ca:Saga Publication,Inc.

Schreiner, M. (2000), *Ways Donors Can Help The Evolution Of Sustainable Microfinance Organizations*, Centre For Social Development ,Washington University ,USA.



Schreiner, Mark.(1997). www.udsspace.uds.edu.gh "A Framework for the Analysis of the Performance and Sustainability of Subsidized Microfinance Organisations." PhD Thesis, Ohio State University.

Schreiner.(2003)"A Cost Effectiveness Analysis of the Grameen Bank of Bangladesh."

Scoones, I. (1998). "Sustainable Rural Livelihoods: A Framework for Analysis." Brighton Institute of Development Studies: IDS Working Paper 72 .UK

Seibel, H. D.(1994). *From Cheap Credit to Easy Money*. In Bouman and Hospes

Seini (2002). Micro Capital Story.

SEND Ghana Annual Report, (2010)

Shah, D.P; (1999) Agricultural Development Bank Of Nepal (ADBN) And It Experience In Rural And Microfinance Attitude .*Quarterly Development Review, Vol.XVI, No 20. 1*

Shields and Tajalli (2006) *Interpreting Qualitative Data: Methods for Analyzing Talk, Text and Interaction*, Sage Publications, London, UK.

Simanowitz ,A Singh ,T.K and Bajpai,A.B (2007). Research Methodology: *Techniques and Trends*. APH Publishing Corporation Student 4th Edition, Prentice Hall.

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



- Snow,T (1999) www.udsspace.uds.edu.gh *Commercialization of Microfinance*. Bloomfield, Conn.: Kumarian Press.
- Steel,W.F. and Andah, D.O. (2003) *Rural and Microfinance Regulation in Ghana: Implications for Development and performance of industry, Africa Region working paper series, June No.49,*
- Stewart and Kamins,(1993) *A micro policy for poverty eradication through structural change*, United Nations University, *World institute for Development Economics Research (WIDER), Discussion paper.*
- Twumasi, P.A.(2001)*Social Research In Rural Communities*.Ghana universalities press, Accra
- Vijay (2005). *Qualitative Methodology*, Beverley Hills, Sage Publication.
- Waheed, J, (2009) *Understanding and & Designing Marketing Research*. The Dryden Press, London.
- Wallmann,s (1984). *Eight London households* London:Routlege.
- Water Field, Charles And Ann Duval.(1996) *CARE Saving And Credit Sourcebook*. Atlanta, Ga. CARE.
- Willi, S (2006) *Mainstreaming Microfinance*. Bloomfield, Conn.: Rumarian Press
- Wojtczak, A.(2002). "*Glossary of Medical Education Terms.*" Vol. 2005:
- Woller, D.W (1999) "*Where To Microfinance*", *International Journal Of Economic Development*. 1(1), Pp. 29-64.
- World rural women day (2012) give credit to the rural women



- Wright, A., and Rippey P.(2009) www.udsspace.uds.edu.gh “The Competitive Environment in Uganda: Implications for Microfinance Institutions and Their Clients.” MicroSave,.
- Wright, G. A. N. (2000) “Microfinance Systems: *Designing Quality Financial Services for the Poor*”, Zed Books Ltd. London & New York, and The University Press Limited, Dhaka.
- Wunsch, D. (1986) survey research :*Determining Sample Size and Representative Response*. Business Education Forum.
- Yin, R. K. (1993). *Case Study Research: Design and Methods* (4th Ed.). Thousand Oaks, CA:
- Zeller,M,(1995). "The Demand for Financial Services By Rural Households: Conceptual Framework And Empirical Findings." *Quarterly Journal of International Agriculture* 34:



UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF GRADUATE STUDIES

QUESTIONNAIRE FOR BENEFICIARIE AND NON BENEFICIARIE OF
MICROFINANCE (SANAPI ABA TRUST) IN EAST GONJA DISTRICT

Introduction

I am a student of University for Development Studies pursuing an MPHIL program in development management. As part of the requirement of the award of the degree, I am supposed to carry out a research work in my area of interest. In this regard, I decided to undertake a study on microfinance and its effect on the livelihood of the rural women a case of Sinapi Aba Trust in East Gonja district. I will be very grateful if you could spare some few minute of your time to answer these question for me.

I want to assure you that any response to these questions will be treated confidentially and is for academic purpose.

A. Demographic Information

1. Age (A) below 20 [] (B) 20 – 29 []
(C) 30 – 39 [] (D) 40 – 49 [] (E) above 50 []
2. Marital status: (A) Married [] (B) Unmarried []
(C) Divorced [] (D) Widowed []
3. Number of children (A) 1 – 2 [] (B) 3 – 4 [] (C) 5 – 6 [] (D) 7⁺ []



4. Educational Attainment (A) No formal education [] (B) Basic []
 (C) SHS [] (D) Tertiary [] (E) Professional qualification []

Credit Acquisition History

5. Have you received any loan from your microfinance? (A) Yes [] (B) No []

6. If yes, how long have you been receiving loans from this microfinance? (A) 1 month -1year [] (B) 1year- 2years [] (C) 2years – 3years (D) More than three years []

7. What was the purpose of the loan? (A) To start a business [] (B) To pay wards school fees [] (C) To pay Health Insurance [] (D) Expand existing business (E) to serve as housekeeping money []

Others, please specify.....

8. Which of these basic requirements did you have to satisfy before a loan is given to you? (A) Physical collateral [] (B) Savings [] (D) Guarantors []

Others, Please Specify.....

9. How much did you apply for your first loan?

- (A) GH¢1 to GH¢100 [] (B) GH¢101 to GH¢200 [] (C) GH¢201 to GH¢300 []
 (D) GH¢301 to GH¢400 [] (E) GH¢400 & above []

10. How much were you granted in your first loan application?

- (A) GHs1 - GHs100 [] (B) GHs101 - GH¢200 [] (C) GH¢201 - GH¢300 []



GH¢301 to GH¢400 [] (www.udsspace.uds.edu.gh) (E) GH¢400 & above []

11. Were you able to repay the loan on schedule? (A) Yes [] (B) No []

12. If no, what was the reason for your failure to honour the loan?

.....

13. How much did you apply for the second loan? (A) GH¢ 1 - GH¢100 [] (B) GH¢ 101 - GH¢ 200 (C) GH¢ 201 - GH¢ 300 (D) GH¢ 301 - GH¢ 400 (E) GH¢ 400 and above.

14. How much were you granted in your second loan? (A) GH¢1 - GH¢100 [] (B) GH¢101 - GH¢200 (C) GH¢201 - GH¢ 300 (D) GH¢ 301 - GH¢ 400 (E) GH¢ 400 and above.

Savings History

15. Do you have savings with the microfinance? (A) Yes [] (B)

No []

16. What type of saving do you have with the Microfinance? (A) Flexi Savings account [] (B) premium investment account (C) Susu account [] (D) Susu loan account []

Others please specify

17. How often do you deposit cash into your account? (A) Daily [] (B) Weekly [] (C) Bi-Weekly [] (D) Monthly []

Others



www.udsspace.uds.edu.gh

18. Do you earn interest on your savings? (A) Yes [] (B)

No []

19. If yes, is it a motivational factor for your continuous deposit with the microfinance? (A) Yes [] (B) No []

20. If No what other factor(s) motivates you to save with the microfinance?

.....

21. Do you need to have some saving with the microfinance before you are granted loan (A) Yes [] (B) No []

22. The more money you have in your saving account the huge loan amount that you can be granted (A) Yes [] (B) No []

Beneficiary Economic Activities

31. Do you invest your loan in farming (A) Yes [] (B) No []

32. Do you invest your loan in soap making (A) Yes [] (B) No []

33. Do you invest your loan in petty trading (A) Yes [] (B) No []

34. Do you invest your loan in pito brewing (A) Yes [] (B) No []

35. Do you invest your loan in dress making (A) Yes [] (B) No []

36. Do you get profit in your investments? (A) Yes [] (B) No []

37. Will you encourage other women to invest their money in this business?

(A) Yes [] (B) No []



38. Do you invest your loan in other business apart from the above listed (A) Yes []
(B) No []

If NO specify.....

39. How will you assess the savings scheme of the microfinance overall?

(A) Satisfactory [] (B) moderately satisfactory [] (C): not satisfactory []

Other (specify).....

40. How do you rate the scheme?. (A) Very beneficial [] (B) beneficial []; (C) not beneficial []

Other (specify).....

Beneficiary and non beneficiary

Livelihood Improvement

41. What kind of business enterprise are you engaged in? (A) Petty trading [] (B) Dressmaking [] (C) Hair dressing [] (D) Restaurant (eg Chop bar) [] Other (specify).....

42. No of years in the business

(A) Under one [] (B) 1 - 2 [] (C) 3 - 4 [] (D) 5 - 6 []

(E) 7⁺ []

43. If yes, what are the properties acquired? Please tick as many as provided below; i. Constructed Rooms [] ii. Increased purchase of



inputs [] iii. Built kiosk [] iv. Built metal container [] v.

Renovate building []

Others please specify.....

44. Have there been any improvement in the performance of your business since joining the microfinance? (A) Yes [] (B) No []

45. If yes, what is the range of your profit per a (A) week now.....
(B) month(C)Three month.....(D)six month
.....(E) one year.....

46.. How would you assess your weekly and monthly incomes? (A) Has increased [] (B) Remain same [] (C) Has decreased [] (D) unknown []

47. Are you able to send your children to school after joining the microfinance? (A) Yes [] (B) No []

46b. if yes, are you to pay their school fees, buy school uniform and provide them with exercise books. (A) Yes [] (B) No []

46C. If NO are you able to provide very good education to your wards before joining (A) Yes [] (B) No []

48. If yes, what was your source of funding? (A) Farming [] (B) Petty trading []
(C) Dressmaking [] (D) Hair dressing [] (E) Restaurant (e.g. Chop bar) []

49. If no what is the situation after joining the Microfinance? (A) Good [] (B) Quit satisfactory [] (C) The same [] (D) Bad []



www.udsspace.uds.edu.gh

50. Did you register with the National Health Insurance Scheme before joining the microfinance? (A) Yes [] (B) No []

51. If No how did you do to manage your health problems e.g. sickness (A) Buy from the local drug sellers [] (B) From local Herbs [] (C) Borrow money to buy drug []

Others.....

52. Have you registered with the National Health Insurance Scheme after joining the microfinance? (A) Yes [] (B) No []

53. How do you deal with health problems after joining the microfinance? (A) I go to the NHIS's public hospitals [] (B) I buy my own drugs [] (C) I use traditional herbalist []

54. How was the general health status of your family before joining microfinance?
(A) Very good [] (B) Good [] (C) Regular [] (D) Bad []

55. Have the loans decreased your business outputs? (A) Yes [] (B) No []

56. Have you been able to pay water and electricity bills? (A) Yes [] (B) No []



55. Business Outcomes of beneficiary and non beneficiary the Microfinance

As a result of being with the scheme, did you make any of the following changes so	Very much	marginal	Not at all	Other (specify)
Expanded size of business				
Added new products				
Hired more workers				
Reduced costs by buying in greater volume or at				
Improved quality of				
Developed new				
Increased business assets				

56. What reason can you attach to the above variable you have tick.

.....

.....

.....



Household decision making process of beneficiary and non – beneficiary

57. Which of the following personal take decision taking at home (a) women (b) men (C) children (d) family members

58. Do women consult husband(men) in household decision making process(a) yes (b) no

59. Do men consult women(wife) in household decision making process(a) yes (b) no

60. Do couples consult children in household decision making process(a) yes (b) no

61. Who have the power to take the final decision of the home (a) women (b) men (C) children (d) family members

62. What barriers prevent women in the taking decision of the home

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



INTERVIEW GUIDE FOR SANAPI ABA MICROFINANCE TRUST

(OFFICIALS)

I am a student of University for Development Studies pursuing an M.PHIL program in development management. As part of the requirement of the award of the degree, i am supposed to carry out a research work in my area of interest. In this regard, i decided to undertake a study on microfinance and it effect on the livelihood of the rural women, a case of Sinapi Aba Trust in East Gonja district. I will be very grateful if you could spare a few minutes of your time to answer these questions for me. I want to assure you that any response to these questions will be treated confidentially.

Major Constraints Encountered By the Micro-Finance in Poverty Alleviation of the Rural Woman in the District.

1. The current strategies for your credit delivery are not adequately diversified or efficient as you fail to fully meet the varying demands of the market and different categories of end-users. (A) True [] (B) False []

2. In most cases the interest rate you charged are higher than the formal banking institutions due to the default risk which form part of the interest rate build up.

(A) True [] (B) False []

3. If true this drives away potential customers and makes your products and services too expensive sometimes. (A) True [] (B) False []



www.udsspace.uds.edu.gh

4. How do you price your loans/credit facility? (A) Treasury Bill + risk premium []
(B) Policy rate + risk premium [] (C) Base rate + premium [] (D) Average of the market []

5. The various stakeholders in the sector often organize training programmes and activities with the view for upgrading capacity in the industry. This notwithstanding, the staffing and competency levels are still below what is desired. (A) True [] (B) False []

6. There are lacks of well defined reporting systems by both the government and development partners with regards to your operations. (A) True [] (B) False []

7. Approaches and methodologies for data and information gathering at the national, regional, and district level are not uniform, making it difficult to centrally monitor progress of the operation. (A) True [] (B) False []

8. Currently, there are no formal bodies that are responsible for coordinating all activities associated with your operations nor is there a forum for dialogue among stakeholders on policy and programme on your operations. (A) True [] (B) False []

9. If true there are fragmentations, duplications and inadequate collaborations between and among MDAs, MMDAs, development partners, service providers, practitioners and end users with regard to your operations. (A) True [] (B) False []

10. Which of the following factors are the causes of non-performing loans (NPLs)





(A) Diversion of funds [www.udsspace.uds.edu.gh] (B) High Interest Rate [] (C) Ineffective monitoring []

(D) Business Failure []

Others please specify.....

11. Which of the following factors hinders effective monitoring of loans? (A) Staffing problem [] (B) Lack of logistics [] (D) Poor road network [] (D) All the above []

12. Which of the following factors account for diversion of funds? (A) Lack of proper monitoring [] (B) Ignorance of lending terms and conditions [] (C) Over financing []

(D) Under financing []

13. Which of the following sectors records the highest incidences of non –performing loans (NPLs)? (A)Agriculture [] (B) Trading [] (C) Service [] (D) Manufacturing []

Others, please specify.....

14. How do you deal with the problems of non - performing loans? (A) Legal action [] (B) outsourcing (external solicitors or debt collectors) [] (C) Write off []

Other if specify

15. What in your views are the main challenges associated with your operation in the district?

.....

.....

.....

.....

.....

16. What efforts are you making to overcome this challenge(s)?

.....

.....

.....

.....

17. In your own view what effort can stakeholders take to resolved some of the challenge listed above.

.....

.....

.....

.....

.....

.....

