

UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE

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CONTRIBUTION OF VILLAGE SAVINGS AND LOAN ASSOCIATION SCHEME  
TO THE LIVELIHOOD EMPOWERMENT OF WOMEN IN NADOWLI-KALEO  
DISTRICT IN UPPER WEST REGION



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DISTRICT IN UPPER WEST REGION OF GHANA

BY:

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UNIVERSITY FOR DEVELOPMENT STUDIES



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PHILOSOPHY DEGREE IN DEVELOPMENT STUDIES**

**SEPTEMBER 2019**

## DECLARATION

### Candidate's declaration

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

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

Name: MOHAMMED HARDI

### Supervisor's declaration

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

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

Name: DR. CUTHBERT BAATAAR



## ABSTRACT

This study was set out to assess the contribution of Village Savings and Loans Association (VSLA) on the socioeconomic livelihoods of beneficiary women in the Nadoli-Kaleo District of Upper West Region. This study used the mixed method approached in elucidating data from the respondents with a survey and interviews of participants of a VSLA intervention in Nadowli and non-participants in the same location. In terms of methodology, the study adopted a survey design method. The study categorised respondents into two (benefices and non-beneficiaries), of which 346 beneficiaries and 176 non-beneficiaries were sampled based on a simple random sampling technique. Survey questionnaires and key informant interview guides were used as instruments for data collection to generate both quantitative and qualitative data to establish the contribution of VSLA programme based on beneficiary's experience of changes that are attributable to CAREs VSLA intervention in the study area. The data was analysed with the aid of descriptive statistics and a simple linear regression. The findings of the study showed that a significant number of the VSLA beneficiaries acknowledged that they had access to small loan facilities compared to that of the non-beneficiaries, however, the value of the loan of the non-beneficiaries were higher than the beneficiaries. It was also found that the VSLA activities have significantly enhanced women's participation in decision making processes at the community and household levels based on the output of the linear regression. That is, women are able to take actions to improve their lives, speaking out and contributing to issues during community meetings, influencing decisions of their spouse, gaining recognition at both community and household levels, they also gained respect from their family and non-family members. It was further found that the VSLA treatment interventions have contributed to increases in the income levels of their beneficiaries. However, poor attitude towards routine meetings, low repayment of loans taken from the VSLA, poor records keeping and non-compliance with the VSLA rules were identified as challenges facing the VSLA operations. The study therefore concluded that, the VSLA programme has contributed to the socio-economic livelihood of members participating in the programme. It therefore recommends the education of members on alternative means of keeping accurate records in their administration of the VSLA schemes; VSLA model should be reviewed in order to identify the gaps such that activities of the VSLA operations would be linked to attendance of meetings; there is the need for these VSLA groups to be linked to MFIs; and also the VSLA groups that are successfully created and sustained should be networked and linked to National Board for Small Scale Industries (NBSSI).



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## **DEDICATION**

I wish to dedicate this piece of work to my dearest wife Fauzia, my two daughters Wuntuma and Anamzoya.

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## LIST OF ACRONYMS/ABBREVIATIONS

ASCA	Accumulative Savings and Credit Association
ASSIP	Agricultural Service Investment Program
BRAC	Bangladesh Rural Advancement across Communities
CARE	Cooperative Assistance and Relief Everywhere
CBRDP	Community Based Rural Development Program
DFID	Department for International Development
FNGO	Financial Non-Governmental Organisation
IGA	Income Generating Activities
MDGs	Millennium Development Goals
MFI	Microfinance Institute
NBSSI	National Board for Small Scale Industries
NGOs	Non-governmental Organizations
OECD	Organisation for Economic Co-operation and Development
ROSCA	Rotating Savings and Credit Association
REP	Rural Enterprises Project
SIF	Social Investment Fund
SMEs	Small and Medium Enterprises
SLF	Sustainable Livelihood Framework
UNDP	United Nation Development Project
VSLA	Village Savings and Loans Association
WIDO	Women Integrated Development Organisation



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the study

As part of efforts to enhance the socioeconomic livelihood security of Ghanaians, especially the deprived rural people, who are noted to have been suffering from the excesses of hardship due to poverty, access to credit and affordable financing has become a critical issue in most development interventions. As a result of these interventions, Village Savings and Loans Associations (VSLA) have increasingly gained recognition amongst the interventions of development agencies and organisations as a better option for building the financial situation of the rural people who are deprived of access to credit facilities for livelihood engagements. The success stories of VSLA technique appear to have been extensively celebrated in most parts of Ghana. It is against this backdrop that this study presents the initiative to assess changes in beneficiary livelihoods that result from VSLA by looking at their financing situation (access and use of financial services), income level, their participation in family and community decisions and the challenges of the VSLA scheme.

In response to the global problem of poverty that persisted over several decades, governments and donor agencies have been making efforts towards establishing financial systems to meet the basic financial needs of poor and small medium enterprises. In this respect, World leaders have pledged to “make poverty history” through a global concerted effort contained in the Millennium Development Goals (MDGs) to reduce extreme poverty by half in 2015 (Addae-Korankye, 2012). Throughout the globe, working towards the MDGs, one of the widely given areas has been improving access to financial services to people especially among the poor.





Jalilian & Kirkpatrick (2001) and Honohan (2004) have shown that better access to finance not only increases economic growth, but also helps fight poverty and reduce income inequalities. Since over two billion people in the world live on less than \$2 per day, with access to financial products and services can directly provide the tools to protect, diversify, and increase their sources of income and to make their own economic decisions for the path out of poverty (Bird et al., 2002). According to 'Freedom from Hunger' (1999), poor people are active savers, but often the tools available to them do not always meet their needs. When given the option, the poor take up formal savings products in great numbers and often at greater rates than they take up other financial services. Also, access to financial services underpins the ability of low-income people to achieve the MDGs in their own terms in a sustainable way. Financial services enable them to increase and diversify incomes, build human, social and economic assets, and to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. More so, microfinance often specifically targets women and implies that financial services to poor women provide a direct, positive impact on their families, as a majority of the additional income earned is invested in family health, education and nutrition (Ibid, 1999). The connection between access to finance by the poor and poverty reduction has been well established in the literature.

In view of this, various financial schemes are being implemented over the world to help reduce poverty. One of such schemes has been Village Savings and Loans (VSLA) programmes which have been extensively implemented over the last 15 years. VSLA has gained recognition for its role in development discourse, especially in efforts towards fighting the menace of poverty in the world. One of the key components of VSLA has been the provision of micro-credits. In view of this, the concept and practices of microcredit were recognised as a feasible strategy through which Millennium



Development Goal of alleviating poverty could be worked toward (Amin and Pebley, 1994; Addae-Korankye, 2012; Nawaz, 2010). A study conducted by Daley-Harris (2009) revealed that more than 100 million of the world's poorest families have received a microloan in 2007.

After several years of the proliferation of VSLA in the development discourse, experiences indicate greater successes of these programmes. According to Allen (2006), in Zimbabwe, CARE VSLA was implemented by encouraging the formation of village loan funds entirely composed of members' savings, keeping the time-bound savings and lending methodology very simple and limiting external involvement to a one-year training and follow-up period. Household productive asset levels (small livestock hoes etc) increased significantly. Household non-productive asset levels (utensils) increased very substantially. These purchases were mostly in areas that represent semi-liquid stores of wealth usually controlled by women. There was a smaller but substantial improvement in housing quality. All categories of the major food groups were consumed in greater amounts by between 45 and 85% of respondents. In addition, 46% of Income Generating Activities (IGAs) were more stable than before, while only 6% were less stable (Allen, 2006; Allen and Staehle, 2007; Allen and Hobane, 2004).

In Kenya, the VSLAs have performed well in terms of growth and sustainability. Total membership rose from 1, 272 in 2002 (when CARE left) to an estimated membership of 4,552 in July 2006, an increase of 258% (an annual rate of growth of 38%). The average membership per group is 29, with women forming 70% of the membership. VSLAs have also performed well in terms of profitability. During the last payout for all 25 groups, the mean rate of return was 53%, with individual, group rates ranging from 10% to 92%. The mean payout was Tsh.5mn (\$4,000) per group and Tsh.172, 535 (\$138) per member. Also, 72% of the groups had paid out dividends during the twelve months before the



study. This evidence suggests that the majority of groups conducted an action audit annually and paid members' dues with dividends (Anyango et al., 2006).

Considering these successes, it is important to understand the state of access to credits among poor rural households in Ghana. In Ghana, access to financial services by the poor is constrained by a dearth of institutions that provide appropriate services such as savings and small loans positioned within a reasonable distance from rural settlements (PwC, 2016). This inadequacy of access to viable financial services deprives communities of the opportunities to build cash assets through savings and to raise financial capital to initiate and expand their businesses, hence contributing to their exclusion (Ibid). In view of the persisting access to finance gap by the poorest people and small and medium enterprises innovative strategies are increasingly adopted by development partners towards securing more enhanced and sustainable access to financial services and products by the less privileged people and business in Ghana. This study is informed by these innovative strategies being implemented in the country. The study thus examines the impact of these strategies using VSLA Schemes as the focus. The study assesses how VSLA implemented in the country have impacted on the livelihoods of beneficiaries. This is done using one of the well-established schemes implemented by CARE Ghana in the Nadowli District in the Upper West region of the country.

## **1.2 Problem Statement**

Poverty is still a problem in rural Ghana despite the national achievements in poverty reduction. Between 2006 and 2017, the number of poor people in the country reduced from seven million to 6.8 million (GLSS, 2007). Various governments in Ghana and development partners in their bid towards reducing poverty amongst the poor in Ghana had embarked on several initiatives targeted at reducing the access to finance gap among



the poor. This was manifested in the establishment of rural banks aimed at making financial services accessible to the rural dwellers especially the poor in society. In addition, the establishment of the National Board for Small Scale Industries (NBSSI) was part of efforts to assist small and medium enterprises (SMEs) development in the country. Also, the legal frameworks such as; the Banking Law (1989) and the Non-Bank Financial Institutions Law (1993) have legitimised the creation and operations of microfinance institutions and companies in Ghana is yet another evidence of efforts towards making financial services accessible and affordable to poor and SMEs in the country (Bank of Ghana, 2012; Obeng, 2013).

Despite the commitments and efforts from the government and its agencies, financing issues still remained a problem among poor rural households. The culture of savings was still very poor amongst these categories of society (Adjei et al., 2012). This problem relating financing for poor rural household informed many interventions from NGOs to supplement the efforts of government which failed to solve the problem. This is manifested in the introduction of various innovative schemes to provide financing to rural households. These situations underscored the introduction of Village Savings and Loans Associations (VSLA) system as an innovation that is locally managed and has potential benefits of small loans while it develops the culture of savings amongst the beneficiaries (CARE, 2007). The findings will contribute to enhance academic knowledge and replication of similar programmes in other parts of Ghana towards holistic social development and social justice.

Specifically, one such VSLA schemes implemented has been “Banking on Change” project by CARE-International aimed at transforming lives of poor communities in the country. Just like other countries where similar interventions have been made by CARE, independent researchers have investigated the successes of such interventions (Brannen,



2010: Allen, 2006: Anyango et al., 2006). However, the case in Ghana is different as government made a declaration on Ghana beyond aid with most of its populace still languishing in poverty, with no independent investigation has been conducted on the interventions on VSLA, especially in Northern Ghana where poverty is said to be high and in order to ascertain the changes that VLSA brings to the lives of the people as it is to ensure a better living condition for women through poverty alleviation by empowering them to save. In view of this, the study seeks to contribute to knowledge by assessing the contribution of the CARE VSLA scheme on the livelihoods of the beneficiary household, using the Nadowli District as the focus since it was known to be one of the areas with high level of poverty. The Nadowli District presents a good scope to meeting the study objective of assessing the impact of the CARE VSLA programme on the livelihoods of households. The District has benefited from the programme since 2005, hence giving a good time framework to establish impact. The programme implemented in the District has the closure of two phases, making it a good platform for understanding how exactly it has impacted on the livelihoods of households since its inception in order to unearth the challenges and prospects of the programme for improvement and also to make Ghana a reference point for other countries to emulate.

### **1.3 Research Questions**

#### **1.3.1 Main Research Question**

How has the VSLA scheme impacted on the Socio-Economic Livelihoods of the Beneficiary Households in Nadowli-Kaleo District in the Upper West Region of Ghana? The following specific research questions guide the researcher in achieving the research objectives

1. How is CARE VSLA beneficiaries in the Nadowli-Kaleo District accessing and using financial services
2. How is the VSLA affecting the income of beneficiaries?

3. How has the VSLA influencing the level of participation of beneficiaries in decision making processes at the community and household level?
4. What are the challenges stakeholders' faces with the VSLA scheme as a livelihood empowerment intervention?

#### **1.4 Research Objectives**

The main objective of the study is to assess the impact of Village Savings and Loans Association (VSLA) on the socio-economic livelihoods of beneficiary households in the Nadowli District of Upper West Region. The specific objectives of the study are:

1. To examine the role of VSLA in enhancing women access to and use of financial services in the Nadowli district.
2. To assess the effect of VSLA on household income.
3. To unearth the level of influence of the VSLA scheme on women's participation in decision making processes at the community and household level.
2. To unearth the challenges faced by stakeholders on VSLA as a scheme as a livelihood empowerment intervention.

#### **1.5 Significance/Justification of the Study**

In addition, the study will be a beneficial source of information that will further contribute to the body of knowledge on microfinance in Ghana. More so, the potential of the study in contributing towards further shaping and enhancement of VSLA interventions further is very high and indispensable when considering the significance of the study. Though there are several types of research conducted around the concept of microfinance in Ghana, same is yet to be done on the innovated VSLA concept that is a novelty on the microfinance in Ghana. This research therefore is one of such kind that will contribute towards filling the research gap on the VSLA concept in Ghana. Thus, the research work



will also serve as a reference material for literature review for researchers who intend carrying out similar research work in the area of VSLA.

## **1.6 Scope of the study**

This research limited its scope to the Nadowli-Kaleo District in the Upper West region of Ghana. Contextually, the study assesses the impact of VSLA schemes on the livelihoods of beneficiaries. The study assesses how VSLA impacts on the various aspects of livelihoods of people who participate in them. Using CARE Ghana VSLA programme, the study assesses how the programme has impacted on livelihood activities and the financial situation of the beneficiaries. The impacts on the empowerment of households are also captured in the study. The study further assesses some of the challenges of the scheme regarding its impact on beneficiary's livelihoods.

## **1.7 Organization of the study**

The study is divided into five chapters. Chapter One outlines the general introduction to the research. Areas such as introduction, objectives, research questions, scope, and significance of study and organisation of report are captured in this chapter. Chapter Two broadly contains the literature review on the key research objectives. Chapter Three presents the profile of the study area. The chapter also discusses the study approach adopted for this research. The chapter thus presents the analytical framework of the study as well as in-depth discussions on the methodology for data collection and analysis. Chapter Four is reserved for the presentations of empirical analysis of data from the field. Chapter Five wraps up the research by reviewing the main contributions of the research to knowledge and finally concluding remarks. Thus, the summary, conclusions and recommendations are covered by chapter five of the study.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

The main focus of the chapter is a presentation of discussions of relevant literature on the research objectives of the study. The review specifically presents previous empirical studies that relate to the subject matter of the study (Pautosso, 2013). De Los et al., (2008) stated that literature review places the current research in the historical context by describing the background to the study and the relationship between the present and the previous study. It covers what has been done on the topic in order to establish what is left undone. The purpose of the review is to come up with the gaps that are left inadequately addressed by research. The chapter also presents a conceptual framework based on the sustainable livelihood framework of Carney (1998) and the UK Department for International Development (1999) and explanation of its relevance to the present study. The chapter then went on to review the literature on the sustainable livelihood approach, the various micro lending methodologies (both individual and group/peer), their operational structures, the various approaches to group lending and their relevance to search for livelihoods. The chapter then went on to present literature on theories of microfinance and their relevance to rural livelihoods, the nature of rural financial markets, financing rural livelihood strategies and innovations in financing rural livelihood strategies. Finally, the literature was reviewed on the impact of microfinance on rural livelihoods; women empowerment and profitability of service providers are also presented.



## **2.1 Conceptual Framework**

According to Miles and Huberman (1994:14), a conceptual framework explains either graphically or in a narrative form, the main things to be studied- the key factors constructs or variables and the presumed relationships among them. It's generally conveyed conceptually through word models, a conceptual framework which serves as basis for many theories.

### **2.1.1 The Sustainable Livelihoods Approach**

This section presents literature on the sustainable livelihood approach. It starts with the evolution of the concept, the various changes made to it and its application in recent decades. The concept of sustainable livelihoods appearances in development literature in recent decades can be traced to a working paper from the Institute of Development Studies (IDS) by Robert Chambers and Gordon Conway in 1992. Their paper initially sought to theoretically locate sustainable livelihoods within the actor-oriented approaches to development, the framework of environmental and social sustainability, and the rhetoric of poverty reduction. It incorporated the fundamental idea of the capabilities (Sen, 1987), assets (Swift, 1989), equity and sustainability (WCED, 1987) steering away from previously narrow conceptualizations of poverty. Since then, sustainable livelihoods, livelihood enhancement and diversification have become important tools for poverty reduction and rural development in general. The United Nations Development Program (UNDP) has also differentiated between a job and a livelihood, which are often used interchangeably. A job connotes one explicit activity or trade that's executed in exchange for payment. It is also a formal agreement, as manifested by a contract, between an employer and an employee. A job can, however, comprise part of an overall livelihood, but does so only to complement other aspects of





a livelihood portfolio. A livelihood, on the other hand, is engaged in a number of activities which at times, neither requires a formal agreement nor are limited to a particular trade. Livelihoods may or may not involve money, however, jobs invariably do. Furthermore, livelihoods are self-directing and are based on income derived from "jobs", but also on incomes derived from assets and entitlements (Chambers and Conway, 1992).

According to Scoones (2008) the concept have been successfully adopted by a number of different organizations including bilateral, multilaterals, NGOs and research centers and have been adapted to fulfill a wide variety of different practical applications such as increasing food security, poverty alleviation efforts, disaster relief and HIV/AIDS( *Ibid*). Furthermore, they have been applied in biodiversity conservations, development projects and research (Wilder and Walpole, 2008).

Livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living (Chambers and Conway, 1992). A livelihood is sustainable which can cope with and recovers from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and that, which contributes net benefits to other livelihoods at the local and global levels and in the short and long term (*Ibid*).

The important works of Sen (1987) form the basis for the inclusion of ‘capabilities’ within the concept of sustainable livelihoods. Thus, the concept of capabilities referring to “being able to perform certain basic functioning, to what a person is capable of doing and being” is contextually dependent (Chambers and Conway, 1992). For instance, the ability to feed oneself, one’s access to commodities, and the length of one’s life, all contribute to one’s capability to function (Sen, 1984). Capabilities can also be construed

as the ‘freedom’ of individuals or households to choose pathways and participate in activities that increase their quality of life (*Ibid*).

Chambers and Conway’s definition of sustainable livelihoods also incorporate Swift’s (1989) work on human vulnerability and famine through distinguishing between three types of assets. These are investments, stores and resources and claims. Investments, according to Swift include human investments (health, education), individual productive assets (animals, equipment, houses, land), and collective assets (soil, water, irrigation systems). The stores and resources are more tangible assets such as food, stores of value (jewelry, gold), and money and claims are obligatory requests or appeals that can be made on other households, officials, other communities, governments or the international community for resources or assistance. In Swift’s view, assets are built up or invested when production exceeds consumption requirements with the end goal of reducing the vulnerability of households and communities to shocks and stresses. The most often cited definition of sustainable livelihoods, however, emerged from the UK’s Department for International Development in 1998 (Carney, 1998 and DFID, 1999). This definition built upon Chambers and Conway’s earlier definition and the subsequent work of Rennie and Singh (1996) and Scoones (1998) through adding a natural resource dimension. Thus, a livelihood comprises the capabilities, assets (including both material and social resources) and activities needed for a means of living. A livelihood is sustainable when it can deal with and endure stresses and shocks and maintain or enhance its capabilities and assets, both now and in the future, while not undermining the natural resource base (Carney, 1998).



## 2.2 Sustainable Livelihood Framework

The conceptual understanding of poverty and its causes that underpins sustainable livelihoods approaches has influenced thinking processes throughout the development world. The concept of Sustainable Livelihoods represents the foundation of various sustainable livelihood approaches' (SLA) and has been customized by different development agencies such as the British Department for International Development (DFID). Other organisations notably CARE; Oxfam and UNDP had in the past explored the sustainable livelihood approaches and had developed their own methods. Though there is no such thing as the livelihood approach, the DFID sustainable livelihood framework is the most widely used and conceptually sophisticated of the livelihoods models. The framework comes with a number of factors that impact on livelihood strategies and outcomes and also emphasizes the numerous relationships between these factors. The Sustainable Livelihoods Guidance Sheets outline six core concepts of the framework, which include people-centered, holistic, dynamic, building on strengths, emphasising micro-macro links, and sustainability. Partially in response to later critiques and discussions, the core concepts grew to include empowerment, responsive and participatory, multi-level, conducted in partnership, disaggregated (i.e., by gender, household, socio-economic status, race), long-term and flexible (Carney, 2003). Basing his discussion on rural agricultural communities in Africa, Ellis (2000) examines the topic of livelihoods through the lens of diversification, which he sees as a rural household survival strategy.



## DFID Sustainable Livelihood Framework and VSLA Contributions

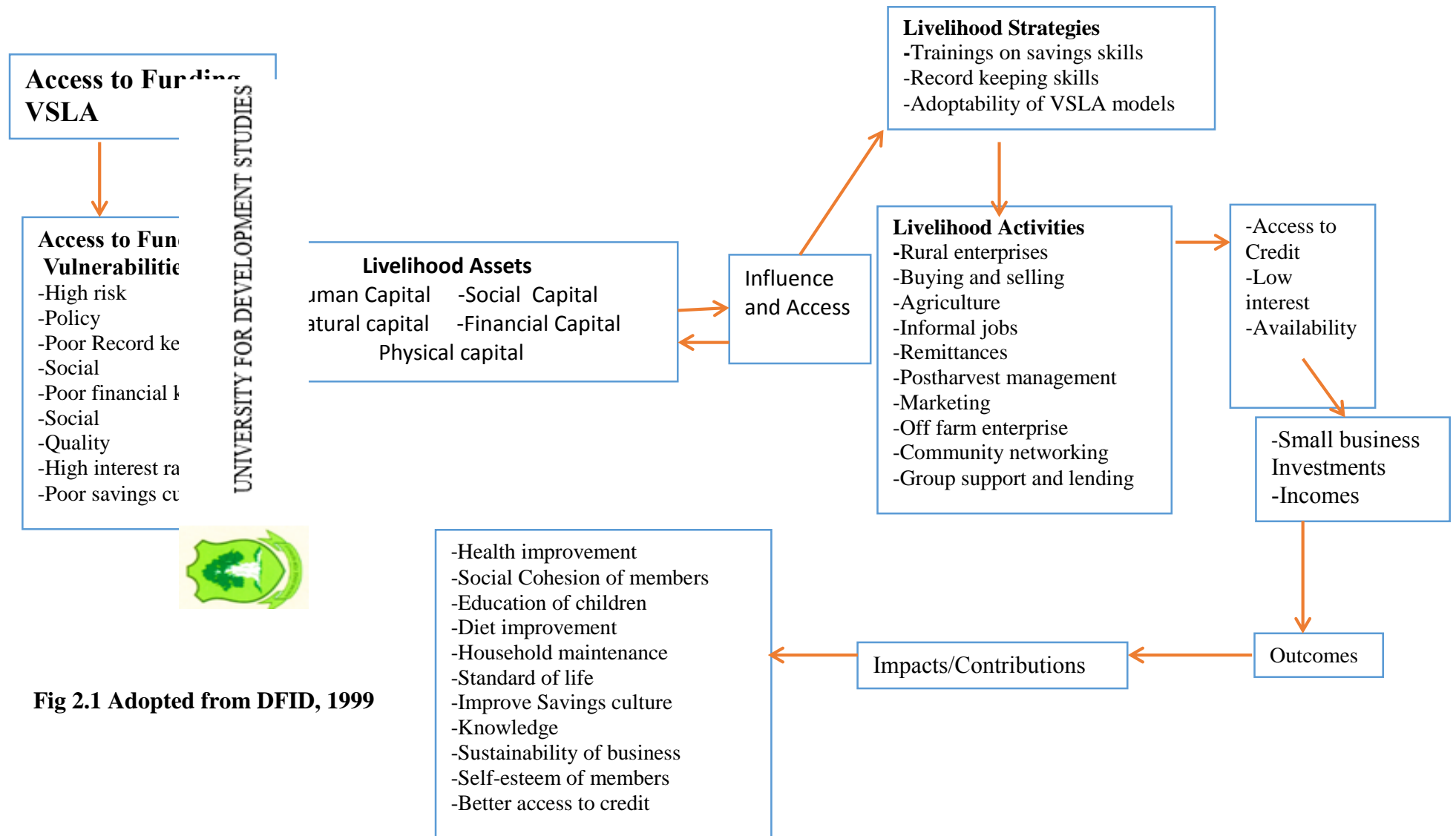


Fig 2.1 Adopted from DFID, 1999

### **2.2.1 Vulnerability Context**

The vulnerability context labels the external environment in which people exist. Critical trends as well as shocks and seasonality, over which people have limited or no control, have a great influence on people's livelihoods and on the wide availability of assets. These include shocks such as droughts, floods, crop/livestock pests and diseases and even death in the family. Trends such as migration, climate change and declining natural resource-base, inflation, currency devaluations, structural unemployment, technology change, market change and the impact of trade and globalization also negatively influences rural livelihoods. Vulnerability emerges when human beings have to face a harmful threat or shock with inadequate capacity to respond effectively. These external factors affect both the asset portfolios and the choices of livelihood strategies available to clients and their households and hence their livelihood outcomes. The resulting impacts on livelihoods then subject to uncertainty. Moreover, though not usually thought of, at the background are existing transforming structures at the levels of government, the private sector and civil society. Even though the processes that are embedded in institutions, policies, laws, customs and technologies also exists and are perceived as contributory factors to the vulnerability of livelihood capabilities.

### **2.2.2 Livelihood Assets**

As the livelihoods approach practically deals first and foremost with people, it seeks to gain a precise and realistic understanding of people's strengths, which central on how people struggle to convert these strengths into positive livelihood outcomes. The approach is founded on a belief that people require a range of assets to achieve positive livelihood outcomes. According to Ahmed and Lipton (1997) 'Capital' is conventionally seen as the stock of productive resources, build up by human actions by investing current





income streams, and so increasing future benefits from a given input of labour or raw material. In most cases, the capital may depreciate, be spent or be traded off. Central to the Sustainable Livelihood Framework is a pentagon of interchangeable livelihood assets (i.e., natural, social, physical, financial, and human capitals) that can be utilized for achieving self-determined outcomes of livelihood strategies in order to reduce the vulnerability of households and communities to shocks, trends, and seasonality. Access to these capitals are then mediated by transformational structures such as levels of government, private sector, civil society and processes as laws, policies, culture, institution's power relations. Therefore the SLF identifies five types of assets or capitals upon which livelihoods are built, namely human capital, social capital, natural capital, physical capital and financial capital defined as follow:

### **2.2.3 Human Capital**

Human Capital in the field of development studies has varied meanings. According to (DFID, 2000) , Human capital represents the skills, knowledge, ability to labour and good health that together enable people to pursue different livelihood strategies and achieve their livelihood objectives. At the household level, human capital varies consistent with to household size, skill levels, leadership potential, health position, etc. and appears to be a conclusive factor - besides being fundamentally valuable - in order to make use of any other type of assets. Therefore, changes in human capital got to be seen not solely as isolated effects, but as well as a supportive factor for the other assets. Since an exact measurement of the varied indicators of human capital causes difficulties at the local level (i.e. how to assess indigenous knowledge appropriately?) and sometimes may be more suitable to investigate variations and their reasons.

#### 2.2.4 Social Capital

Social capital is defined as networks together with shared norms, values and understandings that facilitate cooperation within or among groups (OECD, 2001). There are abundant discussions concerning what precisely is supposed to be “social capital” and its characteristics. There is much debate about what exactly is meant by the term “social capital” and the aspects it comprises. In the context of the SLA it is taken to mean the social resources upon which people draw in seeking for their livelihood outcomes, such as networks and connectedness, which increase people's reliance and ability to accommodate in more formalised groups and their systems of rules, norms and sanctions. Quite often access and the amount of social capital are determined through birth, age, gender or caste and may even differ within a household. Carney (1998) asserts that in the context of a sustainable livelihoods framework, ‘social capital’ is taken to mean the social resources (networks, social claims, social relations, affiliations, association) upon which people relied on when pursuing different livelihood strategies requiring harmonized actions. Antoh (2005) noted that these social resources are developed through networks and connectedness, either vertical (patron/client) or horizontal (between individuals with shared interests) that increase people's trust and ability to work together and expand their access to wider institutions, such as political or civic bodies. He also indicated that, membership of more formalized groups which often entails adherence to mutually agreed or commonly accepted rules, norms and sanctions; and relationships of trust, reciprocity and exchanges that facilitate co-operation reduce transaction cost and may provide for informal safety nets amongst the poor.



### **2.2.5 Financial Capital**

Financial capital is one of the main supporting elements of resources which are essential for the pursuit of any livelihood strategy such as: Cash income, savings, supplies of credit and regular remittances or pensions (DFID, 2001).

### **2.2.6 Natural Capital**

Natural capital refers to natural resources made up of land, water, soil, mineral, plant, fisheries, animal life and environmental. The relationship between natural capital and the vulnerability context is particularly close within the sustainable livelihoods framework. Many of the shocks that destroy the livelihoods of the poor are natural processes in the first place and destroy natural capital (e.g., fires that destroy forests, floods and earthquakes that destroy agricultural land) and changes in the value or productivity of natural capital (Chambers and Conway, 1992).

### **2.2.7 Physical Capital**

In the sustainable livelihood debate, physical capital is one the most important component. Physical capital is important not only for meeting people's needs directly, but also for providing access to other capital (e.g., through transport and infrastructure). In particular, Physical Capital means the resources created by people to support their livelihood (at the household level: buildings, boat, bicycle, agricultural equipment, drinking water, electricity, communication systems as well as equipment and machinery needed to support livelihoods) (Allison and Ellis, 2001; Krantz, 2001; Scoones, 1998). Furthermore, Out of these tangible and intangible assets people construct and contrive a living, using physical labor, skills, knowledge and creativity. Thus, people pursue a range of livelihood outcomes (more income, food security, health security, reduced



vulnerability) through different activities, by drawing on a range of assets (Chambers and Conway, 1992).

### **2.3 Livelihood Strategies and Outcomes**

Livelihood strategies are based on a platform of five assets, access to which is modified by social relations such as gender and age; institutions such as rules and customs, tenure and markets and organizations including associations, NGOs, local and state government in a context of trends and shocks. The resultant livelihood strategies comprise a variety of natural resources and non-natural-resource based activities that ultimately have effects on livelihood security and environmental sustainability. Ellis and Allison (2004), also suggest that diversification is a positive strategy for decreasing vulnerability, supporting asset building and decreasing poverty, while maintaining the local natural resource base. These benefits accrue because diversification decreases pressure on local resources, enhances livelihood strategy options available to people, builds human capital capacities, increases cash flows to and within rural areas, and promotes spatially diverse transactions. Ellis' focus is on the importance of changing macro-level development policy for supporting livelihood diversification at the micro-level.

Bebbington's (1999) framework for livelihoods analysis differs markedly in that it is the least linear and prescriptive. Being cyclical, the framework places the issue of individual and household access to five slightly different 'capital' assets (produce, human, social, natural, and cultural) as central to combining and transforming the assets in creating livelihoods, the expansion of the assets through state, market and civil society established relationships with other actors, and the enhancement of capabilities which aim at making life more meaningful, increasing levels of influence in the governance of resources, and transformation of resources into income. Social capital is seen by Bebbington (1999) to





be the most important asset in determining and broadening access to other assets, resources, and actors. A critical analysis of all the above definitions and frameworks is the central place of ‘capital assets’ in determining livelihood strategies and outcomes. Access to the array of assets (i.e., natural, human, social, cultural, produce, physical, economic) is emphasized as being an important issue. In the frameworks, access is mediated by micro-, meso-, and macro-level policies, institutions, and processes. It is also worth noting that all these definitions and frameworks are premised on idealistic commitments to poverty reduction, sustainability, and people-oriented approaches to development (Carney, 2002). Furthermore, the end goal of these frameworks is to understand local livelihoods in order to influence micro to macro level changes so as to reduce household and community vulnerability to stresses and shocks, and to increase wellbeing.

The sustainable livelihood approach is adapted for this study because of its usefulness in the systematic and holistic analysis of poverty. It provides an informed view of development opportunities, challenges and impacts and places people at the center of development work (Ashley and Carney, 1998). Moreover, it provides an improved understanding of poor people’s lives, the constraints facing them, and inter-group differences. There is usually increased inter-sectoral collaboration in interdisciplinary community development research and work and it increases links between micro, meso, and macro level considerations in poverty and development discourse (Carney, 2003).

Though the sustainable livelihood approach has proliferated in development theory and practice, evidence of persistent critique is a reality. The potential costliness of the process and over-emphasis of its vocabulary and processes is often cited. There is, therefore, the need for additional tools and skills complementary to the various aspects of the framework (Ashley and Carney, 1999). Also, Carney (2003) and Hussein (2002) in their

review of sustainable livelihood thinking expressed concerns on the downgrading of issues associated with governance, power, rights, markets and economics, sustainability, and micro, meso and macro level policies, institutions and processes. The adaptation of livelihoods to long-term stresses and shocks particularly related to environmental change and to long-term (10, 20, 50 years) changes in rural economies also deserves increased attention in future application (Scoons, 2009). Murray (2001) also felt that the approach attaches little importance to the vulnerability context and that an ongoing tension exists between bottom-up ‘participatory’ methodologies and the top-down involvement implied by development ‘interventions’.

However, the sustainable livelihood approach has been gaining increasing currency in recent years and its emergence is now seen as fundamental to poverty reduction approaches around the world. It has two major dimensions, which are both essential for rural livelihoods, namely the environment or ecology, and the social dimension. The former is concerned with the sustainability of the natural resource base, on which most rural livelihoods rely.



#### **2.4. Historical Paradigms of Access to Funding and Credit**

Micro-lending practice is not a recent development. Credit cooperatives and charities making loans to young entrepreneurs have been documented from 18th century Europe (Hollis et al., 1998). A notable example was the fund created by 18th century novelist Jonathan Swift. Swift donated £500 of his own wealth for lending to “poor industrious tradesmen in small sums of five, and ten pounds, to be repaid weekly, at two or four shillings, without interest”(Sheridan, 1787). Another interesting historical example of micro-lending is the Irish Reproductive Loan Fund Institution, which came into existence following the famine in 1822 in Ireland. The fund received donations from charities in



London and made small loans (under £10) to individuals in small towns for “relief of the distressed Irish” (Hollis et al., 1998). German credit cooperatives in the late nineteenth century also witnessed group micro-lending methodologies. These cooperatives were mostly found in rural communities where individuals knew one another very well. They were minimalist in approach and many had a policy of unlimited liability. That is, if the cooperative failed, any member could be sued in order to recover the entire amount owed by the cooperative. Interestingly, these credit cooperatives were the inspiration for the credit union movement in the United States (Prescott, 1997).

Microcredit became an important tool in the world of development finance starting in the 1970s. Over the past four decades, older micro-lending methodologies have been tested and new methodologies evolved. Operations in diverse contexts such as economic, political, social and legal environments have inspired current creativities in micro-lending. However, a specific micro-lending methodology is deployed based on the needs of target clients, conditions in the local environment (economic, social, political, and legal) and goals of the programme. Thus no two completely identical approaches to micro lending exist. However, nearly all micro-lending programmes can be classified as belonging to one of limited types. The purpose of this section is to present the methodological variations that exist in the field of micro-lending. All micro-lending programmes are generally categorized as either individual or group (peer) lending programmes.

#### **2.4.1 Overview of Microfinance in Ghana**

History of microfinance in Africa dates back to the 16th century where we find evidence of microfinance in the form of ‘esusu’ or ‘susu’; a rotating savings and credit association (ROSCA) among the Yoruba. The ‘esusu’, a form of social capital used to be transported



during the slave trade to Caribbean islands (Bascom, 1952: 69), where both the institution and the term still exist, and are now carried by a new wave of migrants to major American cities. Its origin is found in the rotating work associations, where labour as a scarce commodity was accumulated and allocated to one of the members at a time. With the advent of money and commercialization, these transactions were replaced with money such as cowries, pounds and naira. In Nigeria, informal financial institutions continue to play their role and there may be only few Nigerians who are not a member of one or more of them (Seibel, 1970). Both the name 'esusu' and the institution have spread as far as Liberia, Congo and Zaire. Indeed, the concept of microfinance is not new in Ghana. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. For example, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century. However, this thesis takes the welfare approach to ascertain the impact of the VLISA programme on women in the Nadowli-Kaleo district as far women empowerment is concerned. Since over the years, the microfinance sector has thrived and evolved into its current state thanks to various financial sector policies and programmes undertaken by different governments since independence. Among these are: Provision of subsidized credits in the 1950s; Establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector; Establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s; Shifting from a restrictive financial



sector regime to a liberalized regime in 1986; Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions.

The policies have led to the emergence of three broad categories of microfinance institutions, including formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks; semi-formal suppliers such as credit unions, financial non-governmental organizations and cooperatives; informal suppliers such as susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

In terms of the regulatory framework, rural and community banks are 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)[2]. The regulatory framework for credit unions on the other hand is now being prepared, and this would recognize their dual nature as cooperatives and financial institutions. The rest of the players such as FNGOs, ROSCAs, and ASCAs do not have legal and regulatory frameworks. Programmes currently addressing the sub-sector in Ghana include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP).

## **2.5 Approaches to Microfinance**

Microfinance schism is the debate between Institutions and Welfarists approach in microfinance institutions. Over the years, the microfinance schism seems to be based on the assessing the performance as to what the actual objective of the given programmes and also the sustainability of the programme. The two competing schools of thought who have dominated the discussions according to Brau and Woller (2004) are the Welfarists and the Institutionists. As documented by Meyer (2002) financial self-sufficiency is a difficult measure to achieve since it requires MFPs to generate additional revenues to build reserves to both sustain/drive growth, and help cushion against contingencies that may arise in the future. Also, becoming financially self-sufficient entails achieving a certain level of adeptness in the reporting and recording of company financials which itself is an arduous and ambitious task and is seen to be the product of improved institutional wide transparency (Meyer, 2002). Social investors are willing to accept a lower-than-expected financial return because they also receive the intrinsic return of not investing in firms that they find offensive. Microfinance social investors take this notion to the limit, typical earning zero economic returns and relying totally upon essential returns.

### **2.5.1 The Institutionist paradigm**

This has dominated the microfinance industry which believes that an MFI should be able to cover all its costs, including operating and financial costs, with its revenues (Morduch 2000; Woller et al., 1999a). Institutionists believe that for MFPs to achieve their social objective of alleviating poverty it is necessary for them to self-sustain their activities and operate without subsidies (Ejigu, 2009), which becomes more significant with time as donor fatigue sets in and funds seem to be shrinking given the overpowering number of





tragedies, both man-made and naturally occurring, vying for a limited pool of donor resources. Provided that social investors unlike their counterparts in traditional, commercial markets, do not require higher financial returns and are instead motivated by mere philanthropic drive, however, it is the institutions/programmes that exhibit their effectiveness and efficiency in achieving their mission and demonstrate little drift that attract the most coveted, costless, source of funding i.e. donor funds (Morduch, 1999). Institutionists however, emphasize upon the unreliability of donor funds and thus promote extending services to clients at high cost i.e. at near market rates, prevailing in highly lucrative informal markets all over the developing world, so as to achieve the financial sustainability required to attract competitively priced commercial financing necessary for growth and perpetuity (Ejigu, 2009).

### **2.5.2. Welfarists**

Proponents of Welfarists argue that microfinance providers can achieve this said sustainability and remain liquid, solvent, operative, and works without having to become completely self-sufficient as seen through the prism of financial self-sufficiency (Brau and Woller, 2004; Ejigu, 2009). Welfarists have a social approach towards the concept of MFIs, arguing that MFIs are able to achieve sustainability without achieving financial self-sufficiency (Morduch, 2000; Woller et al., 1999a). Welfarists empathize with the programs' social objectives concerning the economic upliftment, and development of its clients, and promote the use of subsidized debt and donors' funds to achieve this purpose by extending financial services to a large number of applicants, at low cost (Ejigu, 2009). They argue that donations serve as a form of equity and, as such, donors can be viewed as social investors. Contrary to private investors who purchase equity in a publicly traded firm, social investors don't expect to make financial returns; instead, these donor-

investors realize a social or intrinsic return. Social investors 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 and welfarists tend to emphasize on poverty alleviation and social metrics (Ibid, 2000, 1999a). However, this study employed the welfare approach to measure the impact of the VSLA programme on women empowerment in the study area.

## **2.6 Theories of microfinance**

Theories of microfinance regarding the industries aims are generally categorized into two -an economic and a psychological. The economic theory treats microfinance institutions (MFIs) as infant industries, whereas the psychological theory differentiates microfinance entrepreneurs from traditional money lenders by portraying them as social consciousness driven people (Khandakar et al., 2004). Furthermore, microfinance has spawned a large theoretical literature, which can be categorized further into two. The first category of theoretical literature addresses the specific problems that poor people have in gaining access to financial services at an affordable cost, particularly as a result of their lack of collateral. In the same vein, potential lenders are also deterred by high costs of collecting reliable information about the actual, or projected incomes of borrowers or potential clients with low overall ‘debt capacity’ (von Pischke, 1991). Thus, theoretical literature here addresses the reduction of the cost of loan monitoring, screening and enforcement through group lending. The second component of literature investigates impact pathways of microfinance on enterprises, households, and individuals. This part therefore addresses the ways communities regulate access to livelihood opportunities, and how problems of



access to credit, other income and consumption smoothing opportunities can at least be partially be overcome by engagements with MFIs.

### **2.6.1 The Theory of Rural financial markets.**

The theory of the rural financial markets (Hoff and Stiglitz, 1993) captures the economic theory of the phenomenon of microfinance industry as infant industry succinctly. The theoretical evolution starts with the explanation of the differences in the performance of the formal and informal financial intermediaries with respect to financial services delivery in the rural financial market. Microfinance as with all financial intermediation is faced with the problem of imperfect information regarding the screening of borrowers, incentives to induce repayment and enforcement of action to ensure repayment. However, the informal intermediaries have access to mechanisms which enable them to solve the problem of imperfect information relating to screening, incentives and enforcement (Hoff and Stiglitz, 1993) which the formal intermediaries do not. The mix of theories of the rural financial market that encompasses economic includes the traditional view of the usurious monopolistic moneylender, the perfectly competitive nature of rural financial markets and the New Institutional Economics approach of the imperfect information paradigm (Hoff and Stiglitz, 1993).

### **2.6.2 The theory of the usurious monopolistic moneylender**

The theory of the usurious monopolistic moneylender explains the rationale behind the high interest rates charged by the informal financial intermediaries. The theory assumes that there is no competition among the money lenders (Hoff and Stiglitz, 1993). Bell (1988) therefore developed a model that showed that the monopoly power rather than the lenders risk is the key determinant of interest rates of moneylenders. The model went





further and predicted that the lending interest rate charged exceeds the marginal cost of borrowing and the usurious moneylender earns pure profit. Bottomley (1983) also believed that monopoly is the major cause of the high interest rates of informal intermediaries. This assertion is however not supported by empirical evidence as a study by Singh (1983) revealed that the high interest rate charged by the moneylenders is due to the high risk of incomplete or delayed repayment and the high rate of return on the alternative use of funds. Monopoly profit account for only a negligible proportion of the interest rate charged Singh (1983).

### **2.6.3 The theory of the perfectly competitive rural financial markets**

The theory of the pure competitiveness of the rural financial markets views rural financial markets as competitive and characterized by market clearing with the high interest rate reflecting risk of default and the high transaction cost of information. This view is associated with Stigler (1967) who argued that there is no imperfection in a market possessing incomplete knowledge if it would not be privately remunerative to acquire complete knowledge.

### **2.6.4 The nature of rural financial markets**

Agriculture predominate most economic activities in rural areas of developing countries the world over. In these environments, seasonal variability of agricultural production and income results in the need for short-run financial intermediation service facilities as a liquidity management device over production cycles (Conning and Udry, 2005). Therefore, the demand for financial intermediation as an effective device for risk-pooling and risk-sharing is potentially immense. Stiglitz (1989) described a financial market as an important set of institutions that operate in environments characterized by imperfect,



costly and incomplete information, hence appropriate governance mechanisms are required to eschew the agency problems arising from opportunistic behaviors such as moral hazards and adverse selection. Indeed, Stiglitz's theory of imperfect information shares many commonalities with the analysis of institutional economists such as Coase (1992). Both schools of thoughts criticized the conventional neo-classical model for failing to include the role of transaction costs in exchange and for its inability to explain the role of institutions in the formation and operation of markets by altering both transaction costs (minimizing) and uncertainty (reducing). Thus, both Stiglitz's theory of imperfect information and new institutional economics theory emphasizes the costliness and incompleteness of information and enforcement on which agents in the real world have to act.

The rural financial system in most developing countries comprises the activities of formal and informal financial markets, together with their respective institutions. Hoff and Stiglitz (1990) and Conning and Udry (2005) also segmented the rural financial system into formal and informal markets by the structural differences in the cost and risk characteristics of the different types of transactions in these different markets. The activities of formal financial markets or institutions are regulated and are subject to official and direct monetary controls. This contrasts with the activities of informal financial markets or institutions which are often not subject to review and control by monetary authorities. According to Nwanna, (1996), the formal financial sector in most West African countries consists largely of a central bank, commercial banks, finance houses, building societies, development finance institutions, savings institutions and the insurance industry. The informal financial markets on the other hand include such actors as Moneylenders, Traders, Estate Owners, Grain-millers, friends, relatives, neighbors, businesses and employers.



Generally, lenders in financial markets are exposed to two types of risks in their dealings with borrowers. These are systemic and idiosyncratic. The high systemic risk originates from unpredictable variations in income as a result of exogenous factors. The high idiosyncratic risk stems from the costly acquisition and asymmetric distribution of information which can lead to the pervasive problems of moral hazard and adverse selection. Asymmetric information makes it difficult for a would-be creditor or insurer to be sure whether the expected probability distribution over state contingent payoffs associated with a contract promise is the one being represented by the seller or not, as in the case of adverse selection or moral hazard.

The new institutional economics thus points to a possibility of segmentation of the rural financial system leading to market specialization. Each specialized market segment would then serve specific market niches by exploiting its comparative advantages in the assessment of borrower specific idiosyncratic risks in the inherent environment of imperfect information. According to Nisanke and Aryeetey, (1998), institutions have typically been burdened with several agency problems in dealing with peculiar risks caused by the costly and imperfect information between borrowers and lenders that can result in such as adverse selection, moral hazard, and contract enforcement. Karlan and Zinman (2004) using a randomized intervention in the identification of the extent of adverse selection and moral hazard in a South African credit market, found out that about 40 percent of defaults can be attributed to asymmetric information.

According to Hoff and Stiglitz (1990), imperfect information of the lender concerning the ability and willingness of potential borrowers to repay loans basically leads to three problems. These are screening, incentive, and enforcement. In attempt to overcome these problems, lenders demand collateral that they can seize in case of loan default. If the information required for screening or monitoring borrowers is too costly, lenders may



restrict the loan amount they are willing to grant, engaging in loan-size rationing, or they may not lend to particular applicants at all . Also, if the required institutional infrastructure is missing, then the cost of contract enforcement will be too high, even prohibitive, and some potential borrowers would not gain access to formal loans.

The formal financial sector often views most rural sector activities as non-bankable for a number of reasons including the high risk of default associated with small operations, high transaction costs, and the absence of suitable collateral and the lack of banking experience among rural households. Other related reasons have included the uncertainty of the production patterns, to unfavorable investment climate, often, due in part to prevailing government policies.

In place of legal frameworks, social mechanisms are then used for contract enforcement.

In these environments, financial services are provided by numerous informal sources due to their information and enforcement advantages, which meet some demands from rural firm-households. The informal financial sector has developed appropriate tools and techniques for providing financial services to the rural sector and to micro-enterprises, but often lacks the breadth, depth and term transformation to provide the full and appropriate range of financial services (Nwanna, 1996). Informal loans are usually timely, reliable, and low transaction costs are levied on borrowers. However, depending on the source, informal financial institutions most often charge usurious interests rates.

The informal credit system plays an important complementary role to the formal system in the rural financial market. This is because problems associated with information asymmetries are limited in their service delivery leading to low delinquencies. A survey by Udry, (1994) confirms the view that delinquency and default rates in the informal sector are relatively low. In Ghana between 70 and 80 per cent of informal lenders surveyed reported that they had no delinquent borrowers in 1990 and 1991. Udry, (1995)

also found that some form of coinsurance existed between informal lenders and borrowers. For example, the level and timing of debt repayment in Nigeria has been found to be dependent on whether a borrower or a lender experienced shocks to income or not.

## **2.7 Financing rural livelihood strategies (micro- and small-scale enterprises)**

There is growing evidence by academia and development practitioners that, in many third world economies, rural non-farm and to a lesser degree farm enterprises are the largest employers and the ones with the highest potential of employment growth. Hazell and Haggblade (1993), for example, emphasized that when rural towns are included in employment calculations, the share of the rural labour force employed primarily in non-agricultural activities rises sharply. Microfinance is one of the key factors related to the promotion of micro enterprises. The theoretical literature suggests that micro and small scale enterprises are credit rationed out due to market failures. The United States image of the small business as one that is starved of capital is reproduced in most developing countries. A wide array of academic research, including DeYoung et al. (1999); Goldberg and White(1998); Mason (1998); Strahan and Weston (1998) and Weinberg (1994) as well as professional and journalistic literature supports the notion that micro and small scale enterprises are severely rationed out by the banking system. Theoretical arguments in support of the hypothesis of rationing of micro- and small-scale enterprises by banks find their roots in the seminal works on credit rationing of Stiglitz and Weiss (1981) and continues to be supported by a continuous flow of much recent research.





### **2.7.1 Challenges in Rural Livelihood Strategies**

The lack of capital is the greatest constraint to the development of micro enterprises (Kurwijila and Due, 1991), and its high cost is cited as a primary constraint to the expansion of enterprises engaged in non-formal activities. Zellar and Sharma (2000) found evidence that suggests that in spite of the vibrant informal financial markets in many developing countries, financial services to the poor still remain inadequate. According to Sethuraman, (1977), informal sector enterprises find the banks unhelpful and unsympathetic to their needs, since unlike potential clients' of their formal sector counterparts, they cannot provide the necessary collateral. Banks prefer to deal with large borrowers due to economies of scale in loan processing. Evidence shows that significant costs other than interest rate prevent access by small borrowers (Ahmed, 1989). The net impact of all these factors is a skewed distribution of credit to wealthy borrowers, a contradiction of the rationale behind subsidized and directed lending to "small men with small causes" (Adams and Nehman, 1979). A study by Robinson, (2001) showed that, among the economically active poor of the developing world, there is strong demand for small scale commercial financial services for both credit and savings. Where available, these and other financial services help low income people improve household and enterprise management, increases productivity, smooth income flows and consumption cost, enlarge and diversify their micro businesses and increase their incomes.

### **2.7.2 Innovations in financing rural livelihood strategies**

The capacity of financial intermediaries could be enhanced if integrative mechanisms is adopted and adapted by both the formal and informal segments of rural financial markets. The ultimate objective is then the reduction in the operational constraints of each and capitalizing on the comparative advantages conferred by each sector. As Rhyne and Otero



(1992) stated, no bank will succeed with small borrowers by applying its standard operating procedures. Bell (1990) also showed that when informal lenders act as intermediaries for formal financial institutions, the resulting lower cost of funds to informal lenders will be passed on to borrowers, depending on the degree of competition in the informal market. According to Jones et al (2000), by linking with existing informal savings and credit arrangement, formal institutions can greatly increase the volume of small loans available to rural people in ways which are accessible, provide high repayment rates and are profitable. Thus, where demand is non-exclusive, direct credit links can have a positive effect on the efficiency of financial systems.

Institutional measures for financial market transformation should directly address the informational, incentive and the contract enforcement problems (Hoff and Stiglitz, 1990; Conning and Udry, 2005). These should therefore encompass measures aimed at: strengthening legal systems related to property rights safeguards and contract enforcement; accumulating information capital; improving the governance and incentive structure; and intensifying market network development. Special attention should also be paid to 'institution innovation' aimed at overcoming extreme market fragmentation through effective integration measures (Ibid).

The emerging microfinance movement demonstrates institutional innovations that appear to greatly reduce the risk and cost of providing financial services to poor households. Innovations include contracts that give borrowers incentives to exclude bad credit risks and monitor other borrowers' activities, schedules of loans that increase over time conditional on successful performance, and weekly or semi-weekly loan repayment requirements (Morduch, 1997). A research by Platteau (1992) showed that high transaction costs due to information asymmetry appear less of a hindrance in networks of close social interaction i.e. indigenous group-based systems may not only link with

formal savings and credit systems, but may also assume functions of insurance (at least for idiosyncratic risks). In Ghana, group based credit schemes are increasingly becoming popular with rural and community banks. Essel (1996) has also noted that group-lending schemes have been gradually gaining ground among the Rural Banks in Ghana and that the benefits reaped by the banks and their customers to date have been significant. He concludes his careful analysis of the Rural Bank programme by arguing that the banks should intensify efforts to establish group-based lending programmes.

A straight forward extension of Stiglitz and Weiss (1981) model by Tybout (1984) to developing countries yields that the loan offer function is "upward sloping" in firm size, a result that the author test and confirms on Colombian data. Yan (1996) also provided theoretical evidence of credit rationing being more severe for micro- and small-scale enterprises.

A considerable amount of work has been done by researchers to find ways to reduce the severity of market failure by introducing innovations in the structure of the contract between the lender and the borrower. Examples of this work include Jaffer (1999) and Stiglitz (1990). Much of this research has evolved from the successful experience in sharing liability initiated by Grameen Bank. Fanelli and Medhora (1998), although with a slightly different wording, emphasized the importance of the macroeconomic policies and the legal, regulatory and supervisory framework. Yaron and Piprek (1997) also noted that rural oriented financing faces a number of other impediments that make their task even more difficult. Among them include urban bias of existing regulation and the poor definition of property rights.



## **2.8 Impact of microfinance on rural livelihoods, women empowerment**

The impact of micro finance on particularly rural livelihoods is well documented. Microfinance programmes do have positive socio-economic impact on individuals, households, enterprises, microfinance institution as well as communities. It has also been use over a couple of decades as a tool in the promotion of women empowerment, but with some few challenges

### **2.8.1 Positive Impacts**

Studies by Pitt and Khandker, (1998) showed that the impact of the Grameen Bank's lending activities included increased household income, assets held by women and moderately positive impact on the education of sons in particular. Studies by Remenyi and Quinones (2000) also indicated that, household income of families with access to credit was significantly higher than for comparable households without access to credit. In the study in Indonesia, they found out that, there was a 12.9 per cent annual average rise in income from borrowers while only 3 per cent rise was reported from non-borrowers (the control group). They noted that, in Bangladesh, a 29.3 per cent annual average rise in income was recorded for borrowers and 22 percent annual average rise in income from non-borrowers. In Sri-Lanka there was a 15.6 per cent rise in income from borrowers and only 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. Chowdhury et al. (1991) asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants. Mustafa et al. (1996) confirmed this and noted



that members have better coping capacities in lean seasons and that these increased with length of membership and amount of credit received.

Zeller and Sharma (1998), in their assessment of the impact of micro credit on household income found out that access to credit or participation in a credit programme positively affected household income in four out of five countries in which they conducted the survey, and households with improved access to credit were also better able to adopt technologies, spent more on food and in some cases had higher calorie intakes. Access to financial services improves the incomes of and opportunities for the rural poor and provides support to tide families over difficult times, and poor households strive to repay loans so that they will be able to borrow another time (Zeller and Sharma, 1998).

Owusu Ansah (2001)'s study on Ghana attests to the fact that micro finance can indeed be used as a strategy for reducing poverty. Using an impact analysis studies on clientele of micro finance institutions operating in Ghana, i.e. Sinapi Aba Trust and BRI-UD it was revealed that by providing micro credit to SAT's clientele, household incomes increased on the average by 157 percent for the period August 1994 to July 1997. Mosley (2001) and Copestake, Bhalotra, and Johnson (2001) assessed the impact of micro-loans in Bolivia and Zambia, respectively and in both cases the impact of loans on the clients' economic situation were positive. Mosley (2001) also found evidence for poorer clients benefiting less because they prefer low-risk and low-return investments.

Furthermore, concerns with gender in microfinance programmes is motivated by the observation that women tend to be more reliable borrowers than men, with much lower probabilities of delinquency, and that women may allocate resources differently from their spouses (Wood and Sharif, 1997). Studies show that when women are given greater autonomy over their lives and the lives of their children, living conditions invariably improve. This is mostly due to the fact that women are most apt to use household income



to better the nutrition and educational opportunities of their children (Grasmuck and Espinal, 2000).

Pitt and Khandker (1998) interpret their finding that loans to women have higher marginal impacts than loans to men as an indication of a lack of fungibility of capital and income within the household. But since loans to males are larger on average, the difference can also be explained by the standard theory of declining marginal returns to capital. Although the average loan sizes in Pitt and Khandker (1998) showed females with much higher average borrowings (e.g., women borrowed 956 taka from Grameen versus 374 taka borrowed by men, the average is for the entire sample with zeroes included for non-borrowers. 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 antecedently. From studies of the Grameen Bank and BRAC they show that clients of these programmes suffered from significantly fewer beatings from their husbands than they did before they joined the MFI. However, in a separate study of a BRAC project Chowdhury and Bhuiya (2004) found that violence against women actually increased when women joined the programme, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger. This violence did decrease over time. The study found that when the violence did rise, the members due to their increased awareness reported back to the group on their marital life and got support from it.

On women clients and groups, Osmani (1998) analyzed the impact of credit on the well-being of Grameen Bank women clients. The project was found to have enhanced their autonomy therein they were able to pay family additional income freely than non-clients. They had greater control over family planning. However, the project was not shown to





have had an impact on clients' control over other decision-making even though they were found to have greater access to household resources than non-clients did. However, Johnson (2004) states that having women as key participants in microfinance projects do not automatically lead to empowerment. Sometimes negative impacts such as increased workloads, increased domestic violence and abuse can be witnessed (Johnson, 2004).

McKernan (2000) and Madajewicz (1999) analyzed the impact of participation in microfinance programmes on profits. While McKernan found a significant impact with profits increasing by roughly 175 per cent, Madajewicz focused on the distinction of group loans versus individual loans. She found out that, when compared to individual loans, group loans from the Grameen bank increase profits by 8 per cent for households with no land and by less for wealthier households. That is, wealthier households benefit more from individual loans than from group loans. Coleman (2001) analyzed a microfinance programme in Northeast Thailand. Correcting for selection bias, it was found that the impact of microfinance institutions on household wealth was either non-significant or negative. He attributed the negative impact to the small size of the loans. Being too small for investment, the loans were used for consumption and households turned to moneylenders to finance the repayments, leading to a vicious cycle of poverty. Distinguishing between wealthy and poor clients, it was observed that only the wealthy clients benefited from the loans. The results by Coleman and Madajewicz had a similar structure in that they show the large influence of wealth. While the authors find negative or insignificant effects, if averages were considered, there were significantly positive effects for groups with high wealth Coleman, (2001) and individual loans in Madajewicz (1999) or low wealth (group loans in Madajewicz (1999)).



### **2.8.2 Unintended Negative Impact**

Information asymmetries might result in the distinct phenomena of adverse choice and financial loss, and in adverse selection situation, the lender lacks information on the borrower's risk status. Lenders charge higher interest rates to compensate for the risk of default. However, safer borrowers are not charge less interest due to inaccurate and unavailable information and risk profile of the borrowers. Since the lender has incomplete information about the risk profile of its borrowers, higher average interest rates are passed on to all borrowers irrespective of their risk profile (Armendáriz d and Morduch, 2010). 'Moral hazards' generally relates to the loan utilization by the borrower, i.e. the lender cannot be certain that a disbursed loan is used for the purpose it was intended, or that the borrower use the expected amounts of balancing inputs, especially effort and entrepreneurial skill, that was the basis for the loan and was incorporated in the loan agreement. If these inputs are less than expected then the borrower may be less able to repay it (Ghatak and Guinnane, 1999). Furthermore, the provision of incentives to borrowers to repay their loan timely, adequate loan contract enforcement and high transaction cost are challenges that play a role in explaining the failure of rural credit market. The concept of join liability group which focus on peer pressure is one approach that respond to the challenges of loan default.

Therefore, microfinance literature has focused on coming out with models that explain the workings group lending concept and its success, in particular, in overcoming information asymmetries.

## **2.9 Models of Microfinance**

The following are the various models currently being used by microfinance institutions throughout the world to reach out to their targets. Loans are given to individual



borrowers. The financial institution performs a thorough analysis of every potentially funded business venture. Borrowers usually receive loans based on past performances, credit histories, references and viability of business propositions. Commonly associated with commercial banks, potential borrowers under individual lending provide collaterals and/or co-signers so as to encourage repayment and credit officers built close long-term relationships with clients. This makes successful individual micro-lending programmes highly modified variants of systems that are employed by commercial banks usually with urban clientele.

Whereas individual lending programmes disburse loans to individuals, group lending programmes disburse loans to groups that then on-lends to members. Group members, in this case, guarantee the repayment of one another's loans. Collateral and co-signers are generally not applicable. However, peer pressure and collective responsibility of group members replaces them. In addition, most functions of staff of the bank or MFI are typically delegated to borrower groups. For instance, peers screen one another, determining who to accept or not into groups and there are minimal loan analyses depending instead on peer assessments of each other's businesses (Waterfield and Duval, 1996).

Group lending is one of the concepts currently proclaimed as an innovation in microfinance to overcome the shortcoming of imperfect credit market, especially the issues of information asymmetries. The standard model of group lending commonly contains two mechanisms which address the issue of information asymmetries: assortative matching or screening to deal with adverse selection, and peer monitoring to overcome moral hazard (Ghatak and Guinnane, 1999). Also, Ghatak and Guinnane (1999) reviewed how the principle of group lending facilitates assortative matching or screening and peer monitoring. Early models were developed by Stiglitz (1990); Varian

(1990) and Banerjee et al., (1994). These models examined how group liability schemes resolve moral hazard and monitoring problems. Other models developed by Ghatak (1999 and 2000), were inspired by Stiglitz and Weiss (1981) and focused on adverse selection and screening mechanisms.

Moreover, social ties among group members, i.e. social connections in the language of Karlan (2007), also referred to as social capital appear to play an important role in the context of group liability schemes in terms of enhancing repayment behavior, as theorized by Besley and Coate (1995) and Wydick (2001). The overall thrust of the literature is that the concept of group lending does indeed overcome adverse selection by introducing better screening mechanisms. In addition, peer monitoring helps to overcome moral hazard and provides group members with incentives to repay loans resulting in high repayment rates (Ghatak and Guinnane, 1999).

Individual and group lending methodologies have different operational and financial organizational structures. The selection of suitable methodologies and structures for programmes depends on such factors as organizational goals, profitability objectives and risk tolerance levels. Individual and group lending methodologies also have different cost structures. Whilst the former requires careful analysis of loan processing on behalf of the lending institution prior to fund disbursement often costly, the latter is less time consuming and hence less costly. However, managing groups after loan disbursement requires additional time and there are costs implications. Also, the non-collateralization in group lending is considered riskier than individual lending. Thus, high revenues become a necessity if the lending institution is to be sustainable. This explains why group loans are usually more expensive and have higher rates of interest than individual loans. In summary, group lending methodologies have lower closing costs, but higher maintenance costs and generally higher overall costs than individual lending



methodologies. It is therefore imperative that micro-lending organizations and programmes evaluate these tradeoffs when deciding on which methodology to deploy. The following are the some of the common group lending approaches in the microfinance world:

- Solidarity Group Models (Grameen Bank model)
- Latin American Solidarity Group Model
- Village Banking Model
- Revolving Loan Funds (RLF) Model
- Savings and Loan Associations
- Rotating Savings and Credit Association (ROSCA)
- Savings and Credit Associations (SCAs)
- The Credit with Education Model

## **2.10 The Village Savings and Loans Model (VSL) and Rural Livelihoods**

The VSLA is a type of ASCA or SLA model that is self-capitalized and self-managed. It is a methodology that allows members to mobilize and intermediate local pools of investment finance and offers savings, insurance and credit in markets usually outside the reach of formal institutions. The model was developed by CARE International in Niger in 1999 and it is characterized by a focus on savings, asset building and the provision of credit proportionate to the needs and repayment capacities of the borrowers. The cost of formation and management is low, simple to manage and can be seen as a first step for people in their quest for more formal and wider range of financial services. The group can considerably raise the self-respect of individual members; build up social capital among the participants, particularly among women who represent more than 70 percent of members.





The approach is based on a four-phase curriculum. The first phase involves an intensive, three-month period of weekly training on group dynamics by a trained facilitator. During this period, the facilitator identifies, select and trains a Community Contact Person (CCP or village trainer) who lives in the target community to oversee activities of groups and reports. This CCP is paid by the VSLA and not the implementing agency. In the second phase, the facilitator visits the groups once or twice a month as they begin to rely more on the CCP. In the third phase, after approximately a year of supervision, if the CCP passes a certification test, the facilitator moves on to another area and starts the process all over with new groups. In the fourth phase, in the original VSLA model once a group is matured it is allowed to function with no external support (VSLA Training Guide, 2004).

On how the VSLA affects livelihoods, VSLAs provides financial services for the poorest rural households that are not in position to access financial services from the formal financial institutions while at the same time forming a platform for members to graduate to form banks. VSLAs provide its members with secure savings while simultaneously encouraging beneficiary households to save; access to manageable loans at an interest rate determined by the group members; offers some form of insurance through a self-financed provident fund; offers an opportunity for improved social cohesion and support within communities; a forum for other learning and social development activities such as improving food security and learning about HIV/AIDS, malaria, etc. There are however five key factors that helps to make VSLAs sustainable. These include savings led – no external liabilities; simplicity – high level of transparency helping build trust; sustainable – once established groups have almost no operating costs and groups self-replicate; Welfare fund – helping to meet emergency needs of group members; and that groups can

act as platform for accessing other financial institutions and services (VSLA Training Guide, 2004).

### **2.10.1 How VLSA methodology works**

Village Savings and Loans Associations are made up of as few as five and as many as 30 members. Self-selection of adult population is usually the way by which membership statuses are attained. Membership is open both to women and to men, but at least two of the five committee members elected should be female in the case of mixed groups. If groups are larger than 25 members, they are encouraged to divide into smaller sub-groups because the transactions in larger groups tend to make meetings longer than is convenient. VSLAs meet on a regular basis, at intervals that they select, but never less frequently than once a month. VSLAs are comprised of a general assembly and a management committee and the general assembly is the supreme body from which the management committee is elected, and it has the final authority on all matters. Each member has only one vote. The management committee of a VSLA consists of five people: a chairperson, secretary, treasurer and two money counters and they stand for annual election at the beginning of every new cycle. They may be removed at extraordinary meetings. VSLAs agree on a set of rules, or a constitution, to guide their activities. The regulations are written in to the association's constitutions (sometimes called by-laws) and are intended to provide authority to the committee members: a framework for regulation and dispute resolution (VSLA Training Guide, 2004).

The constitution also specifies the terms and conditions of savings and lending and how a social fund can operate. VSLAs agree on an operating cycle. Before starting to save or to lend, associations agree on how long they will operate before terminating savings and lending activities and sharing out all or part of the accumulated funds. The length of this





cycle should be between six months and a year. VSLA members meet regularly and contribute to a group fund in the form of a fixed minimum sum, or share. The amount is set by the association, and is such as to allow the poorest members reliably and regularly to pay the share which is recorded as a stamp in the member's pass-book. It's not a common practice to find members through the entire cycle finding it difficult to meet the minimum share purchase requirement as the value of the share is mostly agree such that the poorest among the group members can acquire a minimum share value and those better off in the group don't waste their time saving below their capacity. Loan request is always put forward publicly to the association to ensure transparency in lending. Approval of the loan rests with the general assembly and may be immediately disbursed. Loans are provided for purposes that are agreed to by the association, as noted in its constitution/by-laws. The associations set loan terms. During the first cycle loan terms, do not normally exceed three months and in fact may be shorter. The size of a loan available to a member may be linked to the total value of his or her shares – no more than a multiple of this value. This prevents the risk that a member may borrow far more than they have saved, and then abscond or be overwhelmed by too much credit. At the same time, it is important that the maximum amount that a member can borrow is in excess of his or her savings, so as to maximize the percentage of funds in use. Interest is charged on loans and falls due every four weeks. It must be paid at that time, regardless of the length of loan term. The amount of interest charged varies from association to association, fixed as they decide. In the VSLA concept, loan repayments are made every month or when it's due or earlier as the borrow wishes. Loan repayment ranges between one (1) month to three (3) months as the member may decide, but the full amount of the principal sum with the interest must be repaid by the close of the third month. If the borrower makes late payment beyond the end of the agreed loan period he or she may be

financed and must pay any accrued interest, while the principal sum is rolled over to the next reimbursement meeting.

As the end of the operating cycle approaches, no new loans are issued and old loans are repaid. When all of the association's cash is on hand, the money is shared out amongst the members on the basis of a formula linked to the number of each person's shares, as a proportion of the whole. Thus, if a group has \$500 in total liquid assets at the end of the cycle and there are 250 shares bought in total throughout the cycle, the value of each share is \$2, regardless of the amount that was paid for the share at the time of purchase. Each person then receives \$2 for every share that he or she owns. This formula does not take account of the time value of money, but the share purchase system, which restricts the number of shares that a person can buy at each meeting, limits the extent of opportunistic share purchase late in the cycle. This share-out (or action-audit) is what distinguishes VSLAs from SHGs. The action audit neatly describes an event that mandates resolution of all outstanding issues, including delinquency and variable levels of savings/share contribution, leaving a clean slate for the next cycle. It also limits the amount of money that would otherwise accumulate, requiring more and more sophisticated management. SHGs in India, by contrast, mostly do not make a periodic distribution of performing assets and, as a result, many need to depend on external administrative support Tanmoyee (2009).

At this time the group may disband and those who do not wish to continue as members may leave and new members may be invited to join. Once a new cycle begins, members can agree to change the minimum value of a share. A VSLA may decide to create a social fund, and if it does so, the amount must regular and fixed, with everyone contributing the same amount. The social fund should target a number of purposes: emergency assistance, educational expenses and funeral expenses (VSLA Training Guide, 2004).



### 2.10.2 Some emerging Challenging issues of VSLA that need to be addressed.

**Management Information Systems:** Most VSLA programmes are locally implemented and give very little attention to data gathering and analysis. Management information systems that work for VSLA are in their infancy and data quality is often poor, and rarely analysed to produce sound management decision-making. Thus, there is no mechanism as yet available that performs the dual purpose of improving management capacity or permitting meaningful comparison between one programme and another. As a result, there are widely differing results (and expectations) in terms of costs, efficiencies and impact. There is, then, an urgent need to develop a set of ratios and standards of financial measurement that enable programmes to assess their own effectiveness vis-à-vis peers and to enable the industry as a whole to assess the cost-effectiveness of VSLA (Allen, 2007).

**Record-keeping:** Associations are inherently sustainable from day one because their costs are negligible, but there is a continuing challenge in terms of record-keeping. Fully two-thirds of the 10,000 groups in Niger keep no written records, but stick to a very basic system of exactly similar savings and exactly similar share out, with loans available only for one month. Record keeping that satisfies accounting norms has proven to be too complex and there is an evolution towards simplified systems based on share passbooks and longer-term loans rolled over from month to month to try and offer minimum internal accountability. Keeping it simple is really quite hard. It is quite normal for association records to be in serious disarray and, while the transparency of the methodology protects somewhat against loss and fraud, there is a loss of effectiveness, especially in terms of product range and yield (Allen, 2004).

Regulations on VSLAs lie below the regulatory radar screen in every country where CARE has implemented the methodology. Because they are member-based groups who



agree to put their savings at risk under conditions of self-management, they represent no threat to non-member assets, or to the safety of the national financial system. This situation is unlikely to change, except where unusually prescriptive social and regulatory regimes choose to intervene. For the long term there is likely to be an issue of regulatory involvement if and when there is substantial movement towards apex structures, which intermediate savings between associations and seek legal personality (Allen, 2004)

**Growth strategy:** In the last 15 years CARE has focused mainly on direct implementation of VS&L. Increasingly it is working through local partners to initiate service delivery and is seeking to move away from a target-group focus towards a market-based approach. What this will mean is taking a national rather than a regional or local approach in which its potential role may be grant-making and technical support (including M&E) to effective local players. The challenge will be to develop the tools and systems that this larger-scale form of indirect implementation will demand, especially in terms of inter-regional learning and technology transfer (Allen, 2004).

## 2.11 The Contribution of VSLAs to access to finance

A study conducted by Tonny (2012) in Northern Uganda did an assessment of the impact of informal savings schemes (VSLAs) on rural household's welfare in Amuru district. The specific objectives were to: investigate the impact of rural households' participation in the informal savings schemes (VSLAs) on their income; assess the impact of informal savings schemes (VSLAs) on household asset accumulation; analyze the contribution of VSLAs to education expenditure and reduction in school drop-out rates amongst rural households; and to examine the role of VSLAs in supporting the development and/or diversification of beneficiary households. The study revealed that: the average monthly income of the old VSLA participants' is statistically significantly different from and



larger than those of the old and new participants. The mean asset index of the old VSLA participants is also statistically significantly different from and larger than those of none and new participants. Results also revealed that the mean asset index under post – VSLA membership is statistically significantly different from and higher than that of the pre–VSLA membership.

Further evidence from regression analysis showed that there is a positive and significant relationship between participation in VSLAs and household asset accumulation. Considering education, the mean education expenditure of the old VSLA participants was found to be statistically significantly different from and larger than those of the non and new VSLA participants. The results also show that participation in VSLAs significantly reduces the probability of having school dropout children in the family. Lastly, the study found that participation in VSLAs and the monthly savings made by the VSLA members into the association’s savings pool have a positive and significant impact on the number of income generating activities (IGAs) initiated and being operated by the participants under the study.

### **2.11.1 Contribution of VLSAs on income of women/households**

The study concluded that based on the findings, VSLAs are playing an important role in enhancing rural households by way of improvement of household income, supporting household asset accumulation, supporting the education expenditure for rural household’s children, reducing the school drop–out rates amongst rural households and supporting the development and diversification of IGAs by households. It is worth indicating that VSLA scheme has impacted on the livelihoods of the beneficiaries in Northern Uganda in view of the VSLA’s contribution to enhancing incomes of beneficiaries. It is also evident that households that were members of VSLA scheme have



experienced assets accumulation through their involvement with the VSLA scheme. In addition, school dropout had decreased drastically among the households of the VSLA members. Aside these, the VSLA members' income generating activities have grown significantly over the period of their operation with the scheme.

Another study by Brannen (2010) in Tanzania also assessed the impact of VSLA on beneficiary groups' livelihoods. A probit model was used to analyse the impact of VSLA on the level of health using a dummy variable, indicating whether or not the children in the household sleep under a mosquito net as a proxy for investments in health care. Meanwhile in analysing the impact on the housing quality, a Linear Probability Model (LPM) was used with a dummy dependent variable (ownership of home). Results from this study suggest that participation in VSLA has an overall positive impact on various indicators of household and individual welfare including; asset expenditure levels, the development of IGAs, education expenses, access to health care services, nutritional levels and quality of housing. It was concluded that such positive results are particularly encouraging given the long – term sustainability of the VSLA model – VSLA does not rely on outside donor funding. It was also noted that the VSLA model is both successful and sustainable. Though this study was based in Tanzania, the findings are somewhat similar to that of Tonny (2012) who did a study in Northern Uganda. Thus, the study found that VSLA had impacted on the beneficiaries' household livelihoods in terms of; asset expenditure levels, the development of Income Generating Activities, education expenses, access to health care services, nutritional levels and quality of housing.

In Ghana, Abubakari et al., (2014) also undertook a study on the impact of village savings and loans associations on the nutritional status of under-five children using Sissala West District of Upper West Region. This study was an assessment that aimed at examining the impact of Village Savings and Loans Associations that was initiated by the PLAN-



Ghana in Sissala West District. The focus of the study was to assess the impact of VSLA on the nutritional status of under-five children in the beneficiary households. The study was carried out in six randomly selected communities (Silbelle, Buoti, Kandia, Zini, Nimoro and Buo), within which this Savings Programme is in operation. The study was focused on access of food by household, women contribution to household nutrition, VSLA household nutritional situation since VSLA programme inception. The study was also to ascertain the knowledge, beliefs and practices of be beneficiaries on food production, preparation and consumption. Both quantitative and qualitative data were obtained using seme-structured interview and the result implied that the VSLAs have resulted in better nutrition and health of children in the beneficiaries' households.

In Zimbabwe, Allen and Hobane (2004) also carried similar study aimed at assessing the contribution of VSLA to livelihoods of beneficiary households. It was revealed by the study that VSLA have contributed to increased household productive and non-productive asset levels and some improvements in the quality of housing in beneficiary households in Zimbabwe. The study also found that there has been a significant reduction in the use of formal-sector and traditional savings instruments but rather enhanced group level savings among VSLA group membership. Further findings of the study indicate that income generating activities of VSLA households have increased and others become more stable. More so, household labour allocated to income generating activities has also increased. Overall, the study revealed that 81% of respondents felt that their status in the community had improved as a result of their association with VSLA scheme.

Another study by Anyango (2005) appeared to have yielded similar results and conclusions in an investigation of the impact of VSLA on the livelihoods of beneficiary households. The findings showed that the VSLA programme had helped to improve the livelihoods of its members and alleviate poverty, particularly for women who constitute



the majority in the VSLA groups. The number of economic activities that members of VSLA were engaged in at the baseline had increased, as had the magnitude of other activities. However, members had divested away from certain economic activities that require greater capital. The VSLA had led to increased accumulation of assets for its members as compared with the baseline and the control groups. This study had a control group and a baseline, but the baseline was taken at the community level and therefore there was a potential that the impact assessment did not cover the same households as the baseline.

In Malawi, Ksoll et al., (2013) investigated the impact of VSLAs in forty-six villages in Malawi. This investigation became imperative in recognition of the situation that showed that 70% of the world's poorest live in rural areas in developing countries with poor access to finance, and that Village Savings and Loan Associations (VSLAs) had become an increasingly widespread intervention aimed at improving local financial intermediation. The study found positive and significant intent-to-treat effects on the number of meals consumed per day, total household consumption, and a number of rooms in the dwelling over a two-year period. This effect is linked to an increase in savings and credit obtained through the VSLAs, which has increased agricultural investments as well. The outcome of this study is pertinent since these changes were revealed to have resulted from the studied households' involvement with the VSLA schemes in Malawi. The VSLA have indeed been proven in this context as having impacted the household livelihoods of the beneficiaries in the studied areas of Malawi.

In a commissioned Workshop Paper on Global Microcredit Summit, Hendricks (2011) acknowledged that CARE is promoting a savings-led microfinance model, called Village Savings and Loans Associations (VSLAs). It was also indicated that the VSLA model is based on the belief that for the extremely poor, particularly women, and the best approach



is to begin by building their financial assets and skills from savings rather than debt. The paper further stated that through Participation in a VSLA, members are able to diversify their activities, plant additional crops and even add new income generating activities. At the same time, beneficiaries of VSLA are able to save and borrow in ways that allow them to smooth cyclical household consumption patterns. Now more than ever before, we see VSLAs as an important, and often necessary, rung on the ladder of financial inclusion. Even though this paper was not an empirical type that gathered data and effected analysis for results, the paper however indicated the impact of VSLA scheme on the livelihoods of beneficiaries across the world.

#### **2.11.2 Effects of VLSAs on decision making by women**

An impact evaluation by CARE (2012) in Ghana made findings from the study that showed that the VSLA programme implemented have generally contributed positively to improving women's self-esteem and their perception of their social position. Almost all the indicators except women's ability to take action (unilaterally) to improve their lives saw some decrease over the baseline earlier conducted. In addition, the VSLA project was found to have significantly increased women contribution to household financial expenses. A similar observation could be made about the programmes contribution to increased women's control over household material resources. The incidence of gender-based violence has also witnessed a decrease. The VSLA programme has also impacted significantly on the number of women who occupy leadership positions in their communities.

In another study by Innovation for Poverty Action (2012) an assessment was done to determine the impact of VSLA scheme on the beneficiaries. The study established that just over half of VSLA members had completed their first cycle. The impact evaluation



finds impacts on financial outcomes deriving from VSLA members' improved ability to save, along with their access to the group's loans and social fund. Also, the study did not find significant impacts on ultimate welfare outcomes such as asset ownership and overall expenditures. However, we cannot rule out such impacts in the longer run, if members are better able to finance investments and expenditures through end-of-cycle share outs, and are able to avail of the larger loan and savings sizes associated with mature groups.

Anyango et al (2006) conducted a study on VSLAs in Zanzibar where 100 current VSLA members and 30 past members were interviewed from 25 groups. They also interviewed an additional 36 randomly selected exit members to understand the dynamics of existing VSLAs. In their findings women from 70% of VSLA membership and in terms of profitability, VSLAs have performed well and during the last payout (action audit) for all the 25 groups, the mean rate of return was 53%, with individual group's rates ranging from 10% to 92%. The mean payout was Tanzanian shillings 5 million (\$ 4,000) per group and Tanzanian shillings 172, 535 (\$138) per member. Evidence from the study suggests that the majority of the groups conduct action audit annually and pay member's dues with dividends. The socio – economic profile of the VSLA members was compared with that of Zanzibar as a whole and the Tanzanian mainland using questions from the Tanzanian Demographic and Health Survey. Findings from the comparison suggest that the households in the VSLAs had a very similar profile to households in Zanzibar as a whole and the data for the Tanzanian mainland shows that the Zanzibar population on the whole does much better than the population on the mainland in terms of household quality and access to services. Household assets and means of transport also suggest that the VSLA members in most cases are at least as well off as the Zanzibar population and much better off than the Tanzanian population. Regarding the usefulness of VSLA in the



livelihoods of members, the respondents indicated the main changes in their lives that they thought had arisen as a result of VSLA and according to the results, 22% of the respondents named an improved living standard, 21% named improved housing and 20% named increased income as major changes. Women respondents also cited the ability to save and improved savings habits as a positive result. It was also noted that although savings and loan sizes are relatively small, they are useful amounts to members especially the payout.

Tanmoyee (2009) estimated the economic impact of self-help groups (SHGs) in India with data collected from group members as well as on – group members. It was observed that in the pre-group joining stage, the members who were unemployed became employed and this changed their family income category. The inequality of family income distribution had reduced for the group of people who had joined SHGs. It was further observed that from low-income group, more people had shifted to high-income levels. The increase in average family income at constant price is significant and the family average consumption expenditure and food expenditure at constant prices had reduced significantly in a pre-group and post-group level of the average monthly income and expenditure comparison. Also, the post-group joining monthly average family health related expenditure decreased significantly at the constant price. Alternatively, the monthly average family saving increased after joining of SHGs. Tanmoyee (2009) maintains that this result is very obvious as the SHGs promote the saving habit among the group members. The monthly propensity to consume out of family income basically reduces after joining SHGs because members have to save compulsorily. Comparison of the monthly family income and consumption expenditure of group members with non-group members showed that there has been a significant increase in the average monthly family and consumption expenditure at current prices for the group members who are



gainfully employed after joining the group. The results obtained also show that family health related expenditure is significantly lower for group members than that of the non-group members. And group forming authorities have a significant impact on reducing the medical expenditure of the group members. Lastly, Tanmoyee's results also showed that the rate of school drop-out significantly lowered in the families of group members than the families who do not belong to self-help groups.

Debadutta (2009) observed that the target households (participants in group-based microfinance) had registered 11.41 percent higher annual average income as compared to that of the control households (non-participants), which was statistically significant at 1% level. The lower coefficient of variation in target group over that of the control group shows the comparative higher consistency and lower variability in the annual average household income in the target group. The logistic regression results show that participation in the group based microfinance was positive with the annual average household income as evident from the positive coefficient. It proved that the annual average household income was determined by the participation in the group based microfinance, and the participation had led to an increase in the annual average household income. The income of the microfinance clientele household was higher as a result of participation in the microfinance groups.

## **2.12 Chapter Conclusion**

This chapter elucidated three key thematic areas of focus relative to concepts and theories of livelihoods and funding/savings clusters, historical and dynamics of microcredit/finance/VSLA and the existing empirical studies on the subject matter. These espoused critical and essential knowledge parts for further addition to this discourse. Whilst at that, it has been proven empirically that, improved access to funding facilitates

better livelihood outcomes and incomes of people especially the rural poor. The next chapter tries to focus on the procedures and processes adopted in generating data for this data, the ethical considerations, the respondents in question and the general research design.



## CHAPTER THREE

### RESEARCH MEHODOLOGY

#### 3.1 Introduction

This section addresses the profile of the study area and methods for the study. The profile section outlines the location, natural environment, local economy and many aspects of the study district. In the methodology section, aspects such as research design, types and sources of data, study population, sampling procedure, methods of data collection and data analysis, instruments for data collection and presentation of data are explained. The essence of this section of is to present how the entire study was carried out in its context. It gives an account of the data sources and how data collected was processed and analyzed. It concluded by looking at field challenges encountered.

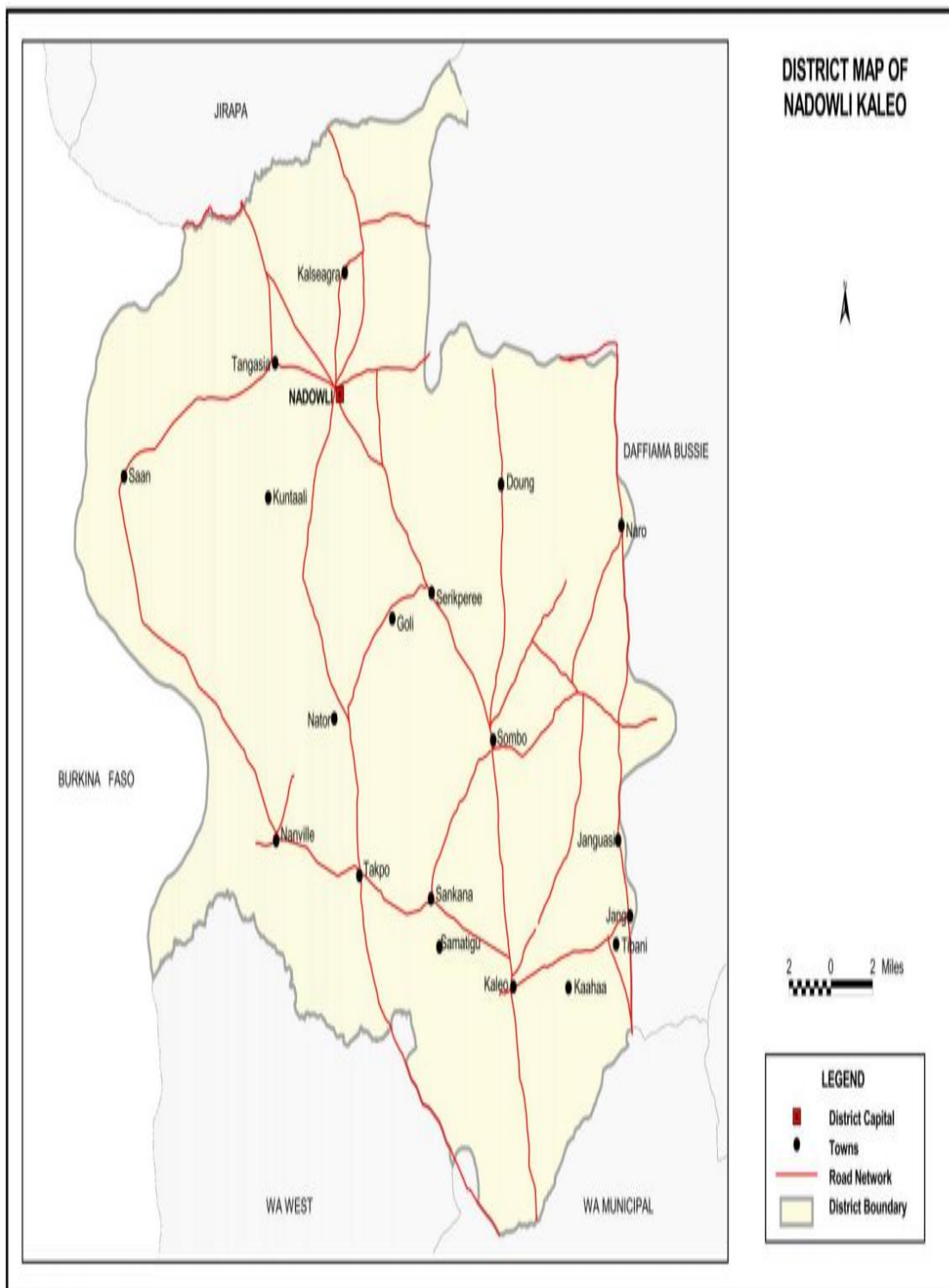
#### 3.2 Profile of the Study Area

This section presents the profile of the study district. Relevant areas such as location and size, the natural environment, political administrative structure and many others are presented in this section. These are important in understanding the setting within which the study is conducted.

##### 3.2.1 Location and Size

The Nadowli-Kaleo District is one of the local government units in the Upper West region of Ghana. The District is centrally located and lies between latitude  $10^{\circ} 20^1$  and  $11^{\circ} 30^1$  and longitude  $3^1 10^1$  and  $2^1 10^1$  west. It is bordered to the west by Burkina Faso, north by Jirapa, Wa Municipal to the south and Lambussie-Karni Districts and to the east by the Daffiama-Bussie-Issa District.





**Figure 3.1: Map of Nadowli-Kaleo District**  
**Source: Ghana Statistical Service, 2014**

The Nadowli-Kaleo District, with a territorial size of 1,132.02 km<sup>2</sup> extends from the Billi Bridge (4km from WA) to the Daputori Bridge (almost 12km from Jirapa) on the main Wa-Jirapa-Hamile road. From west to east, it extends from the Black Volta to Daffiama (Ghana Statistical Service, 2014). The location of the District promotes inter-District trade and international trade with Burkina Faso on the Western Corridor. Its strategic location presents to its resident livelihoods opportunities.

### 3.2.2 Natural Environment

The Nadowli-Kaleo District generally lies on low land but gently undulating at altitudes ranging between 150m-300m above sea level though some parts average 600m. The low-land nature of the district makes it possible for agricultural activities. There are three main types of rocks which underlie the district; Birimian and Granite to the west and some parts of the east and basement complex to the east. The Birimian rock formation is known to have traces of gold but has not been proven yet. These rocks also hold a considerable quantity of water, which can readily be developed for use by drilling of boreholes and sinking of wells. They can also be used to provide irrigational opportunities for the largely agricultural rural people of the district. The District has very poor types of soil in sandy and sandy loam (savanna Ochrosols) found in many parts. They are generally poor in organic matter and nutrients as a result of the absence of a dense vegetative cover a situation largely caused by bush burning, overgrazing, protracted erosion and poor farming practices induced by the diverse livelihood activities of people in the area. The District is drained by one major stream Bakpong and several ephemeral streams, which flow into the Black Volta which serves as a source of livelihood for some communities along them (Ghana Statistical Service, 2014).





Temperatures in the District are normally high with a mean annual of about 32°C and a mean monthly temperature of between 36°C in March to 27°C in August. Mean annual rainfall is about 1100mm with its peak in August, around the rainy season. Between October and March there is virtually no rain and this long dry season becomes harsh by the dry northeastern harmattan winds. Relative humidity is between 70 and 90 percent during the rainy season but is as low as 20 percent during the long dry season. Generally, the temperatures and humidity make the place favourable for certain agricultural activity which is the main livelihood of rural people. Found within the within the tropical continental or guinea savannah woodland, the district is well characterised by shrubs and grassland with scattered medium sized trees. Some economic trees found in the district are kapok, Shea, baobab, mango and dawadawa and these are resistant to both fire and drought and provide livelihood opportunities to many people. The existence of the shea tree provides an opportunity for many people especially rural women who get their livelihood from shea related activities (Nadowli-Kaleo District Assembly, 2014).

### **3.2.3 The Political and Administration of Nadowli-Kaleo**

The Nadowli-Kaleo district was formed in 2012 after being carved out of the then Nadowli District. It was established under Legislative Instrument (L.I) 2101 with Nadowli being its capital. Just as in the case of all districts in Ghana, an Assembly was established and empowered as the highest political and administrative body in the District and charged with the responsibility of facilitating the implementation of national policies. The administrative responsibility of the District rests with the District Assembly. It sees to the day to day administration of its geographical entity. It responsible for the general wellbeing of its people and is expected to implement programs and projects that will provide opportunities for sustainable livelihoods towards a generally developed District.



The District is headed by the Chief Executive who is a government appointee approved by 2/3 members of the assembly. The District Assembly is basically made up of the General Assembly/Secretariat, the highest decision-making body, Department of the Assembly, Area Councils and Unit Committees. In total, there are seven sub-district structures which are all Area Councils. The District Assembly is composed of the General Assembly and departments of the Assembly which carry out specialised responsibilities towards the general of the District. The General; Assembly is made up of the District Chief Executive, the Members of Parliament and Assembly members which are elected from 49 electoral areas in the District through universal adult suffrage. About 3.61% of the Assembly are elected by the government through consultations with relevant stakeholders. The Assembly has a Presiding Member, elected by 2/3 of its members as stipulated by the Local Government Act of Ghana. In terms of the traditional governance, there are 4 pronounces in charge of administration and these include Kaleo, Takpo, Cherekpong and Nadowli (Ghana Statistical Service, 2014). The entire governance system of the district is important for the general wellbeing of its people. The Assembly takes overall responsibility of the District and provides important inputs towards enhancing livelihoods of people. The traditional authorities are the custodians of the land on which most livelihood activities emanate from. Their role in the livelihood of people, especially rural household who mostly depend on natural resources can therefore not be underestimated.

### **3.2.4 The Local Economy**

The livelihood of people in an area is influenced by its local economy. The nature activities being undertaken in an area dictates the general livelihoods undertaken. In the case of Nadowli-Kaleo District, it has a typical rural economy dominated by the



agricultural sector followed by commerce and industrial sectors. Generally, agriculture is the main livelihood activity of people in the district. Agriculture alone accounts for about 85.0 percent of the labour force while commerce/service and industry account for 14.0 percent and one percent respectively (Ghana Statistical Service, 2014).

Food crop production in the District is largely on a subsistence basis and mostly based in rural areas. It is characterised by low output levels due to poor weather conditions and low technology. The main food and cash crops are grown in the area are maize, millet, sorghum, rice, groundnuts and soybeans which mostly do well within the warm weathers experienced in the District. Tree crops like mangoes and cashew which are mostly drought resistant are also grown in the District. Livestock production is also on a subsistence basis and as a complement to crop production. The agriculture in the District is estimated to be growing at 2.1 percent per annum, which is below the national target of 6.0% per annum (Ghana Statistical Service, 2014). Agriculture, the mainstay livelihood in the district is important to rural people who are the focus of this study. Efforts in the sector are geared towards modernising agriculture as the path out of poverty in the District.

Apart from agriculture in the District, the commerce/service sector is the second largest employer. Commerce in the District generally includes retailing and petty trading, transport and financial services and services provided by civil servants. The sector is dominated by informal small-scale trading, especially in agricultural produce produced the rural households. Just as in the case of many rural businesses, it is characterised by family ownership. The District has three (3) major weekly markets at centres that are located in Sankana, Nadowli and Tangasia. These markets provide trading opportunities for rural households to trade their agriculture produce. Despite the vibrancy of the two market centres, Nadowli is the main commercial centre in the District and most of the



settlements in the District depend on it for their shopping and trading needs. Trading serves as a major source of livelihood for many people in the district including the farming dominated rural households. Apart from being a source of livelihood, the trading activities in the District particularly in the periodic market centres form one of the major sources of revenue to the District Assembly which is used to facilitate development in the area (Ghana Statistical Service, 2014). In view of this, the improvement of market infrastructure is critical to the success of the developmental agenda of the District as it will help improve livelihoods as well as generate revenues for development. There are many other livelihood activities in the District. This is manifested in the many industrial activities within the District. The District is characterised by small-scale activities and the use of labour intensive production technology.

Some of these activities include basketry, cloth/smock weaving, blacksmithing, gold mining, and pito brewing, pottery and shea butter extraction. These activities help increase livelihood options available to rural households in the District. Some of these activities serve as secondary livelihood options for rural people during the dry season where agriculture is under recess.

### **3.2.5 Education**

There has been a general improvement in the educational sector between the periods of 2002-2005. This improvement can be realized in physical infrastructure development at the pre-school level (Day Nursery) as well as enrolment at the Primary level. Currently more than 65% of the current District Population can now access primary education within 4 -5km distance. The achievement is through the collaborative efforts of Ghana Education Service and NGOs operating in the education sector. The district has a total of 137 educational institutions comprising fifteen (15) Day Nurseries, Seventy (70)

Primary, thirty-five (35) Junior Secondary Schools, five (5) Technical/ Vocational and three (3) Senior Secondary Schools. A number of NGOs have played and continue to play various roles in the development of educational infrastructure in the district (Nadowli District Report, 2012).

### **3.2.6 Health**

The district health sector can be categorized into 2 sectors, public and private. There has been a significant change in the number health facilities in the district between the periods 2002 and 2005. Apart from the increased number of outreach stations the number of facilities has more than doubled with the number of outreach points increasing from 132 to 148 during the same period. Currently there are two Hospitals, one government (District Hospital) and one private (Ahmadiyya Moslem Hospital) are located in Nadowli the district capital and Kaleo respectively. The distribution of existing facilities is concentrated in the western half of the District. The eastern half has just two facilities, one at Issa and the other at Kojokperi. The average distance to a health facility in the district has reduced from 16km to about 9km. This achievement still lags behind the National target of 5-kilometer maximum distance in accessing health services. This is indicative of poor physical accessibility to health services notwithstanding the increased outreach stations and static health facilities in the district. Many people are also unable to access health services due to the prevailing poverty among the people (Nadowli District Report, 2012). The dominant diseases recorded at OPDs are malaria, diarrhea and there is recent upsurge of hepatitis B among the populace.



### **3.2.7 Financial Institution**

There is only one financial institution in the District. That is the Sonzelle Rural Bank Agency in Nadowli. It focuses on mobilizing savings of individuals and enterprises. Therefore access to credit and financial information is limited in the District and is a serious constraint to businesses in the District

### **3.2.8 Social System and Arrangement of the Nadowli-Kaleo District**

The composition and structure of households in Nadowli-Kaleo District remain basically traditional, where most of these households are headed by males. The complexity and size of the household depends largely on the headship of the household, both in terms of the socio-economic status and gender. The extended family members (step/grand/adopted children, nieces/nephews, brothers/sisters etc.) predominantly formed the greater proportion of household members.

A household's level of complexity is usually a reflection of how affluent the head of the household is. The head of the household is the person who has economic and social responsibility for the well-being of household members.

According to the 2010 population census, the district also has 10,179 households with an average household size of 6 persons per household. The average household size in the district is a little lower than that of the region which has an average household size of 6.2 persons per household. Household heads constitute 16.7 percent, children 44.4 percent and adopted/foster and non-relative recorded less than one percent (0.4%). Of the male household population, household heads constitutes 23.9 percent with son/daughter being 51.5 percent as the highest component of the male population. Again, for the male population grandchildren constitute 10.0 percent and son/daughter in-law being the lowest



with less than one percent (0.1%). Of the female household population, those who are household heads constitute 10.5 percent and those who are spouses constitute 16.8 percent.

### **3.2.9 Occupation**

From the 2010 population and housing census, majority (69.9%) of the population 15 years and older in the District are skilled agricultural, forestry and fishery workers. It also shows that about 15.2 percent are Craft and related trades workers, 6.6 percent in Services and sales sector and 3.4 percent are engaged as Professionals. The proportions of the male and female populations working in the agricultural, forestry and fishery sector are 79.0 percent and 62.5 percent respectively. Also, the proportion of females engaged in Craft and related trades workers is 23.5 percent and 4.9 percent for males. Also, it shows that, the employed population (14,088) of which 59.0 percent is self-employed without employees, followed by contributing family workers which constitute 29.2 percent, then followed by casual workers (1.5%) and with only 1.3 percent being self-employed with employees for both sexes. Among the males out of the employed population of 10,665 we have (6,624) 62.1 percent who are self-employed without employees, 23.2 percent contributing family workers and 10.6 percent are employees. Similarly among the employed female 56.5 percent are self-employed without employees, 34 percent contributing family workers and 4.7 percent are employees. The employed contributing family workers (6,982), is 29.2 percent for both sexes (Ghana Statistical Service, 2014).

### **3.3 Research Design**

A research design is a procedural plan that is adopted by a researcher to answer questions in a valid way. Research design is a blue print of activities or specification of procedures and strategies to follow so as to obtain the most value answers to research question or





attain the objectives of study with optimal control of variables (Hassan, 1995). According to Kerlinger (1986), a research design is a plan structure, and a strategy of investigation so conceived as to obtain answers to research questions or problem. Aaker et al. (1998) define it as the detailed blue print which guides a research study toward its objectives. According to Inkoom (1999) a research design can be described as the logical sequence that connects the empirical data to study initial research questions and ultimately to its conclusion. Research design provides information about how the actual research is going to be carried out after the research methods have been identified. According to Yin (2003), the research design is the action plan of the whole research process that guides how the research is going to be executed to answer outlined research question. From the definitions above, it is clear that research design entails the type of evidence that is to be collected and analysed to arrive at acceptable answers to the research questions. The purpose of research design is to provide answers to research question validly, objectively, accurately and economically as well as serve as a control platform, maximize systemic variance, control extraneous variance and minimize error. In the field of research, many works have focused clearly on research design, describing it as a logical process which is liken to a good argument is an attempt to assemble a set of claims technically and arrange them in such a manner that make the conclusion falls directly from these principles or can be inferred from them in a coherent and non-contradictory manner (Hassan, 1995). Descriptive designs are useful for examining “what is going on or what exists” (Trochim & Donnelly, 2007: 5) about a phenomenon. This descriptive approach provides facts concerning the nature of savings and loans association. This adopted methodology attempts to identify and explain current circumstances, actions or systems based on the reactions and impressions of the respondents of the research (Creswell, 1994). Due to this both qualitative and quantitative data were obtained. Some social

science researchers hold the view that, qualitative data can enhance quantitative data and also lead to a better understanding of the strengths of a given programme (Plewes and Mason, 2005). The study adopted a survey design which was to help provide answers to the questions of who, what, when, where, and how associated with the nature of financial services and challenges of VSLA scheme.

This study used the mixed method approached in elucidating data from the respondents with survey and interviews as the focus. This is to allow triangulation of the results for a better generalization to be made. Triangulation or multiple strategies according to Bryman (1992) is a method that is used to overcome the problems associated with researches that rely on only one approach or paradigmic philosophy. Thus, it enables the weaknesses of one to be mitigated by the other. Mikkelsen (1995) also emphasized that triangulation is used to overcome the problems associated with researches that rely on only one theory, single method and single data set.

### **3.4 Population of the Study**

All the subjects and entities a researcher wants to study makes up the study population (Blaxter et al., 2006). In many cases, the study population involves total members of a defined class of people, objects, places or events selected because they are relevant to the research question(s). Every research has focus because it is usually directed by the types of objectives it sought to address. In the case of this study, the population of interest for this includes households who were targeted for the “Banking on Change” VSLA programmes since it is the oldest intervention among the programs implemented for improving the life of the poor by CARE and non-participants of the programme, project staff of CARE and key informants within communities. In the context of this research, three categories of the targeted beneficiaries of the VSLA make up the study population.



These categories include; those targeted and selected as project beneficiaries and key informants within communities, including staff of the local NGO that implemented the project. These two categories of the population were sourced from Nadowli-Kaleo District in Upper West Region of Ghana. The population in these defined brackets was contacted, sampled and interviewed as units of analysis in this study.

### **3.5 Sample Size Determination and Composition**

Sampling according to Wilmot (2005) is the act, process, or technique of selecting a suitable sample or a representative part of a population for the purpose of determining parameters or characteristics of the whole population. The purpose of sampling is to draw conclusions about populations from samples using inferential statistics which enable us to determine a population characteristic by directly observing only a portion (or sample) of the population. A sample is obtained rather than a complete enumeration (a census) of the population for many reasons. Wilmot (2005) further explained that sampling is done in a wide variety of research settings and enumerated a few of the benefits of sampling. They include reduction in costs as it is relatively less costly to obtain data for a selected subset than an entire population. Speed and greater scope form the others. However, the small-scale approach only works if the researcher has a strong sampling strategy (Ritchie and Lewis, 2003).

The number chosen is always crucial especially in quantitative studies where mathematical analyses are used. The sample for this study was derived from the sample frame. In terms of sample frame of this study, absolute numbers of VSLA group members was sourced from the group records since they are much organised and operate at group levels. The total list of these VSLA memberships was used as the sample frame of the study



The sample size for the study is calculated using Sloven statistical formula that is applied to the sample frame of the VSLA members since their absolute numbers are known from their records during preliminary field work. The statistical formula by Sloven was employed to calculate the sample size. The statistical formula is applied below.

$$n \geq \frac{N}{1 + N(e)^2}$$

Where n=sample size, N=sample frame,  $\alpha$ =margin of error.

Where, N=sample frame; n=sample size;  $\alpha$ = margin of error.

The margin of error is based on the confidence level chosen during the study. Based on this formula and using an assumed confidence level of 95% with a Margin of error of ( $\alpha$ ) =5% (0.05), sample size was derived and proportionally distributed among groups derived as shown in

Per the calculation, sample size (n) =2560/1+2560(0.05)<sup>2</sup>.

Sample size (n) =2560/7.4

Sample size (n) =346.

Based on the calculations, total sample sizes of 346 beneficiaries were selected for the study, and a total of 176 non-beneficiaries were based on the fact that, sample size larger than 30 and less than 500 are appropriate for most research which have been shown to uncover 90-95% of the phenomena being studied and also for a detailed qualitative studies, “20-30 detailed interviews are necessary to unearth 90-95% of all customer needs for the product categories studied (Griffin and Hauser, 2011; DePaulo, 2011 and Saiful, 2011). This was done to control any possible unobserved characteristics that may influence programme participation.

As argued by Maldonado and Gonzales-Vega (2008), the inclusion of clients and the selection of programme venues are some of the sources of worry in impact assessment studies. Understanding the true impact of VSLA on the people’s livelihoods requires that



a comparative study is done with direct (346) and none beneficiaries (176) or using the approach of before and after analysis of the beneficiaries' state of affairs. With the same set of survey questionnaires and focus group discussion methodologies, the study gathered its primary data on these set of two populations. Clients are not randomly selected; as such members of the programme and non-members may differ in several ways. For example, unobserved characteristics may account for the reasons why some people participate, and others do not. In order to circumvent or curtail the effects of selection bias in any assessment study, such main endogeneity concern should be considered (Pitt and Khandker, 1998; Maldonado and Gonzales-Vega, 2008).

**Table 3.0: Distribution of Respondents by Community**

Community	Total Number of VSLA Members	Number of beneficiaries chosen	Number of Non - VSLA Beneficiaries chosen
Nanville	216	29	15
Takpo	176	24	12
Sankana	482	65	32
Doung	275	37	20
Tangasia	253	34	17
Sombo	381	51	26
Naro	472	64	32
Kaleo	305	42	22
<b>Total</b>	<b>2560</b>	<b>346</b>	<b>173</b>

Source: Field Work, 2016

### 3.6 Sampling Technique

In the field of social research, two major sampling technique are commonly used, namely probability and non-probability, and the choice of each depends on the type of population and the objective of the researcher.



### 3.6.1 Probability Sampling Technique

Probability sampling means that every item in the population has an equal chance of being included in sample. In probability (random) sampling, all eligible individual is selected from a sampling frame to represent the sample size and it gives every individual the chance to be selected, and that you true representative of the population. Probability sampling is the most accurate of the sample selection methods and any survey that aimed at generalising results taken from a sample to the whole population of attention. In probability sample, finding out the sampling frame is usually the first activity. Using this frame, individuals or households are numbered, and some numbers are chosen at random to determine who is surveyed. However, if the frame is not available, other methods are employed to ensure that every population member has equal or know chance of been included in the survey (Creswell, 2010 and Zikmund, 2002).

The first category of probability sampling technique is the simple random sample which ensures that every case of the population has an equal probability of inclusion in sample. Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. Here the selection of items completely depends on chance or by probability and therefore this sampling technique is also sometimes known as a method of chances. With this sampling method every single person within your target population has an equal chance of being selected for questioning, which makes it much easier to determine both the estimate of the population and the sampling error.

One way to undertake random sampling would be if researcher was to construct a sampling frame first and then used a random number generation computer program to pick a sample from the sampling frame (Zikmund, 2002). This process and technique is



known as simple random sampling, and should not be confused with systematic random sampling. A simple random sample is a fair sampling technique.

Cluster sampling another probability technique is more useful when a sample within your targeted demographic can be targeted using certain demographic groups or “cluster”, and very useful and quick when conducting a research without complete information about the population (Creswell, 2010). However, when the selected clusters are vast there is a greater risk of sampling errors. Also, in systematic sampling only the first unit is selected randomly, and the remaining units of the sample are to be selected by a fixed period, it is not like a random sample in real sense, systematic sampling has confident points of having improvement over the simple random sample, as ample the systematic sample is least more equally completed to the complete population. The execution of the method is very easy, less in cost and conveniently to use in case of a larger population (Creswell, 2010).

Furthermore, stratified sampling is applied when population from which sample to be drawn from the group does not have homogeneous group of stratified sampling technique, in generally it is used to obtain a representative of a good sample. Stratified type of sampling divide the universe into several sub group of population that are individually more homogeneous than the total population (the sub-populations differences are called strata) and select items will be selected from each stratum to generate a sample in this case each of the stratum will be more homogeneous with the population, more precise estimate will be generated from each for stratum (Pannneer selvam, 2007).

With nonprobability sampling, there is no way of estimating the probability of an element’s being included in a sample. This way, all eligible individuals have a chance of being chosen for the sample, and you will be more able to generalise the results from



your study. If the researcher's interest is in generalizing the findings derived from the sample to the general population, then probability sampling is far more useful and precise. Unfortunately, it is also much more difficult and expensive than nonprobability sampling (Creswell, 2010).

**Purposive sampling** (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study or is the deliberate choice of an informant due to the qualities the informant possesses. This judgemental sampling is in some way "representative" of the population of interest without sampling at random. One of the commonest uses of purposive sampling is in studies based on very small numbers of areas or sites. This sampling method is selected on the basis that members conform to certain stipulated criteria. You may need to use your own judgement to select cases to answer certain research questions. This sampling method is normally deployed if the sample population is small and when the main objective is to choose cases that are informative to the research topic selected. Purposive sampling is very useful in the early stages of an exploratory study. One of the disadvantages of this technique is that the sample may have characteristics different from population characteristics (Pannneer selvam, 2007 and Creswell, 2010).

**Quota Sampling** The main reason directing quota sampling is the researcher's ease of access to the sample population. Similar to stratified sampling, a researcher needs to identify the subgroups and their proportions as they are represented in the population. Then, the researcher will select subjects based on his/ her convenience and judgement to fill each subgroup. A researcher must be confident in using this method and firmly state the criteria for selection of sample especially during results summarization (Creswell, 2010).





**Convenience Sampling** Using this sampling method, a researcher is free to use anything that they could find in the research outline. The sample is selected based on preferences and ease of sampling respondents. This sampling is easier to conduct and less expensive. However, it has poor reliability due to its high incidence of bias (Creswell, 2010). The researcher here seeks for the consent of those that are expert or known expert in the area of study, and begin the process of collecting his information directly from individual or group of respondent. It also involves sample assembling of group of people that can demonstrate using their experience or those that specialised in part of the areas. The reasons for using expert sampling are to have a better way of constructing the views of individuals that are expert in a definite area. It is also used in providing confirmation of validity to another approach of a selection of sampling. Purposive sampling is a non-probability sampling method and it occurs when “elements selected for the sample are chosen by the judgment of the researcher. Researchers often believe that they can obtain a representative sample by using a sound judgment, which will result in saving time and money”. It is a nonrandom technique that does not need underlying theories or a set number of informants. Simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002, Lewis & Sheppard 2006). Purposive sampling is especially exemplified through the key informant technique (Bernard 2002). Key informants are observant, reflective members of the community of interest who know much about the culture and are both able and willing to share their knowledge (Bernard 2002). Specifically, it was used to select ten (10) key informants who project coordinators from various organisations implanting the project. They were purposively selected due to their in-depth knowledge on the activities of the VSLA.

On the other hand, simple random sampling technique was used to select both beneficiaries and non-beneficiaries. Simple random sampling technique gives equal chances to all respondents to be selected at random (Pannneer selvam, 2007). The list of members was obtained from CARE international and a listing of non-beneficiaries was also done to serve as the frame for the sampling to be done. Each members was assigned a sequential number in an excel document. The computer was used to select random numbers equals to the sample size. The technique gave every member of the population the chance to be selected and become part of the sampling units.

### **3.7 Source and Methods of Data Collection**

The approach adapted in this study views research as a process of interaction between theory and methodology. According to Walsh (2005) “methodology is a means for generating data to be used in testing hypothesis which derives from theory where applicable, the testing of the hypotheses leads to recasting of theory and emergence of new theoretical paradigms”. Similarly, Mikkelsen (2005) argues for a closer relationship between methodology and theory. This study used a variety of data collection techniques and sources of information (primary and secondary) to collect both qualitative and quantitative data. Multiple strategies or triangulation were used and different people were asked the same questions in different settings so as to reduce the chances of ending up with biased interpretations. The methods for this research were chosen in line with its research strategy and they included, focus group discussions, key informant interviews, document reviews, observation and survey/semi structured interviews that generated quantitative.





### **3.7.1 Document review**

According to Bryman (2008) documents deriving from private sources like companies are likely to be authentic and meaningful in the sense that they are likely to be clear and comprehensive to the researcher. In addition, Yin (2011) states that document reviewing helps the researcher in clarifying details such as some concepts and or even titles such that you don't need to interrupt the interviewees to verify such information. Accordingly, in this research documents were identified and reviewed before embarking on the field study. These documents included the VSLA manual in Ghana developed by CARE International, CARE conference papers on VSLAs, Banking of Change's local reports on VSLA activities, census reports, and district department planning reports. These documents provided insights for the researcher about VSLA management and organisation, provided focus, and clarified contextual issues surrounding VSLA.

### **3.7.2 Focus Group Discussions (FGDs)**

Focus group discussions are a popular method in social research especially when people's perceptions and conduct need to be investigated. Bryman (2008) defines a focus group as a form of group interview in which there are several participants discussing on particular defined topic. Furthermore, Bryman (2008) Focus Group Discussion is a method of data collection and information gathering in which a group of 6 to 10 people who appear to be knowledgeable about a topic to are brought together to engage them in a guided discussion. Bryman further says that, focus group discussions offer an opportunity for allowing people to probe each other's' reasons for holding a certain view. The researcher employed this method and grouped together members of VSLAs who seemed to have common experiences. During the research, focus group discussions were organized for both the beneficiaries and non VSLA beneficiaries for more clarifications

and detail perspectives of the participants of the research. The author together with research assistant acted as facilitators to guide, lead and direct pace of discussions. Discussions were held in zone selected and in all ten (10) focus group discussions were conducted. This tool enabled the researcher to generate collective opinions on issues under study.

### **3.7.3 Key Informant Interviews (in depth interviews)**

In depth interviews were held with key informants with relevance to the case study especially, the time period spent in that position and the knowledge of the subject matter (VSLA). That included chiefs, community field agents, NGO officers (Livelihood field officer and programme coordinator). An in-depth interview guide was developed and pre-tested for the collection of data. Marshall (2006), argue that interviewing in qualitative research is “a conversation with a purpose”. To achieve the purpose of the interviewing the researcher in this case made the objective and outputs of the study known to the respondents before the interviews started. As well as time management and keeping respondents on track were keenly observed. Further, the researcher with informed consent took notes and recorded the conversations using a mobile phone. According to Yin (2011) recording helps to improve the completeness and accuracy of the initial notes taken during the actual fieldwork, thus enhancing reliability of the information collected. And at the end of each day, the researcher read through his/her notes to make sure that no key points were overlooked or missed out. The recordings were transcribed within 24 hours, and soft copies kept for further use during the data analysis. During this research, ten (10) key informants were interviewed for their perspectives on the VSLAs.



### 3.7.4 Household Survey

Semi-structured interviews allowed the research questions to be addressed in detail and helped get in depth information from the returnees (Bryman 2008). This study primarily used semi structured interviews. Open-ended interviews were also used on a few occasions. The interview process was informed by an interview guide, which allowed the interview process stay on point. This allowed the respondents to provide information they thought was important whilst enabling the interviewer to probe responses (Bryman 2008:446). For triangulation purposes, a household survey was conducted on both VSLA members and non-beneficiaries. Guided by a structured questionnaire were interviewed from their homes.

### 3.7.5 Observation

When using observation as a data collection tool, the observer “immerses him or herself in a group for an extended period of time, observing behaviour, listening to what is said in conversations both between others... and asking questions” (Bryman 2008: 402). In this study, the researcher assumed the role of an “observer-as-participant” in which she was mainly an interviewer (Bryman, 2008: 410).

S/N	Source and Methods of Data Collection	Actors	Sample size
1.	Household Survey	VSLA Members and non VSLA members	346 VSLA beneficiaries and 176 non-beneficiaries.
2.	Key Informant Interviews	Chiefs, community field agents, NGO officers (Livelihood field officer and programs coordinator)	10
4.	Focus Group Discursions (FGD)	VSLA Members and non VSLA members	10
3.	Document review	All documents relating to VSLA	
5.	Observation	VSLA members, non-members and Key informants	No sample size



The researcher used the mixed method called triangulation to analysed all the information from the various sources of data collection. According to Mangan et al. (2004), there are four types of triangulation, namely:

- 1) Data triangulation, where data are collected from different sources or in different times,
- 2) Investigator triangulation, where data are collected by independent investigators,
- 3) Methodological triangulation, where both qualitative and quantitative techniques are used.
- 4) Triangulation of theories, where one theory forms a specific discipline which is used to explain a phenomenon that belongs to another discipline.

The researcher therefore used both data and methodological triangulation to fully understand the phenomena under investigation and to enhance the validity and reliability of the research.

### **3.8 Data Processing**

Data gathered was mainly descriptive statistics. The verified data was entered into the CS Pro Software. Prior to data entry, all questionnaires were numbered to aid tracking for errors and routine quality checks. To ensure data quality, double data entry was carried out to ensure errors are corrected. This was achieved by identifying the differences in the two data sets using the compare function in the CSPRO software. The data was then cleaned, concatenated, and exported to SPSS for analysis. The data was edited by correcting any omissions and errors, non-responses, appropriateness and accuracy to ensure that there was consistency in responses.



**Table 3.1 Analytical Framework**

Research objectives	Analytical method
To examine the role of VSLA in enhancing women access to and use of financial services in the Nadowli-kaleo district.	Percentages, narratives and content analysis, frequencies, means and Standard deviation ( $\sigma$ )
To assess the effect of VSLA on household income.	Simple linear regression, Percentages, frequencies, means and Standard deviation ( $\sigma$ ) and Narratives
To determine the level of influence of the VSLA scheme on women's participation in decision making processes at the community and household level.	Percentages, frequencies, means and Standard deviation ( $\sigma$ ) and Narratives
To identify the challenges faced by VSLA as a scheme and other stakeholders of the scheme.	Percentages, frequencies, narrative and content analysis, means and Standard deviation ( $\sigma$ )

### 3.8.1 Analysis of Quantitative Data

Quantitatively, data was analysed using various quantitative techniques. These were mainly simple linear regression, descriptive statistics with focus on percentages, means and frequencies. The univariate data analysis was used to analyse the basic descriptive characteristics of the study population and data about their livelihood situation. Data was organised and examined by way of generating frequency counts and distribution to understand the spread of the data. This stage of the analysis looked at characteristics and experiences through the views expressed by the respondents to the study. Therefore descriptive statistics such as frequencies, percentages, charts and graphs used to express how VSLA has impacted on the livelihood situations of the beneficiaries.



### 3.8.2 Analysis of Qualitative Data

In furtherance of the analytical framework aspect of the study, the interviews and FGD focused on the livelihood situations of the people mainly on the beneficiaries and non-beneficiaries. The recorded data from the interviews and FGDs were transcribed and, coded in to sub and main categories and then into thematic themes reflecting the objectives of the study. The recurrent themes were sorted and grouped under a smaller number of broader and higher categories placed within the overall framework (Ritchie *et al.*, 2003). The themes identified in the familiarisation stage were applied and data sorted according to themes created. At this stage, themes that were similar were brought together. The data was then summarised to a manageable size. The manageable size data was then discussed and used to back quantitative data.

#### Analysis of the Quantitative Data using a linear regression model

The logit model was used to identify factors that influence women confidence level both in the household and the community. The model included variables that measured access to loans by women in VLSA groups and non-VLSA members. This made it possible to determine the role that VLSA membership played in building the confidence level of women. The variables were classified as personal and occupational characteristics of women as well as social capital dimensions of VLSAs (Akudugu et al., 2009). The above characteristics were used in the logit model to predict the effect of VLSAs on women participation in decision making both at the household and community level based on their access to loan from their groups. The logit model employed by the study is empirically specified as follows:

$$\ln(Y = 1/x) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} \quad (11)$$

where: Y = Applied and received credit/loan,  $X_1$  = Age,  $X_2$  = Household size,  $X_3$  =



ability to save,  $X_4$  = years of participation in VLSA programme,  $X_5$  = Household labour,  $X_6$  = type of business,  $X_7$  = Gender (sex),  $X_8$  = Years in occupation,  $X_9$  = Years in formal education,  $X_{10}$  = access to credit/loan. The definition, description, justification and *a priori* expectations of the variables used in this study are presented in Table 3.2.

**Table 3.2 Variables and their a priori expectations**

Variable	Measurement	Expected Sign
Age of respondent	Continuous	+
Gender of respondent	Dummy: 1 for male; 0 for female	+
Years of schooling	Continuous	+
Years of experience	Continuous	+
Household size	Continuous	+
Household labour	Dummy: 1 for processing; 0 for finished goods	+/-
Type of business	Dummy: 1 = yes; 0 = Otherwise	+/-
Access to credit/loan	Dummy: 1 = yes; 0 =	+/-
Access to training	Otherwise	+
Ability of women to save	Dummy: 1 = yes; 0 = Otherwise	+/-
Religion	Dummy: 1 = Believer; 0 =	
Number of children	Non-believer	
Employment status	Continuous	
	Dummy: 1 = Employed; 0 = Unemployed	



### **3.9 Ethical Considerations**

As part of ensuring objectivity, demonstrate responsibility, competence and propriety; ethical issues were considered in the study. This study was thus conducted in accordance with the Guidelines of the General Research Ethics Board of the University for Development Studies. According to Sarantakos (2005), ethical consideration in social research enhances the quality of the study, since relevant research methodology was applied, accurate methods of data collection were also employed and hence, fabrication and falsification of data among others were avoided. The essence of the study and its objectives was explained to the respondents. The researcher also ensured that confidentiality of information and anonymity of respondents was respected and observed. The consent of respondents was obtained during data collection. In this research, respondents were made to participate voluntarily, and free from any coercion. It is equally worth noting that all works cited in this study were duly acknowledged and referenced. These practices contributed to ethical observation during the study which confirmed to the University's guide.



### **3.10 Chapter Conclusion**

This chapter outlined the profile and study approach adopted for this research. The profiled provided the background on which the methodology was developed. The methodology outlined the key steps upon which the study is carried out. This chapter gives the entire guide of undertaking the study. It provides the solid scientific basis underpinning the research. This thus provides the basis for the next chapter which presents and analyses the scientific findings of the study.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### 4.1 Introduction

This chapter discusses and presents the results of analyses on the thematic areas of the study objectives. The discussion in this chapter addresses impact of VSLA scheme on beneficiaries by comparing the study variables between the VSLA beneficiaries and non-beneficiaries in terms of access to and use of financial services; comparing the the household income level between VSLA beneficiaries to none beneficiaries; the level of women's household decision making and community participation in VSLA beneficiary households as compared to non-beneficiaries; as well as the challenges and stakeholders' perception associated with the VSLA scheme as a livelihood empowerment intervention.

#### 4.2 Demographic Characteristics of Respondents in the Study Area

Kabeer (1994) in her Social Relations Approach espoused that gender should be considered when dealing with livelihoods with other social relations such as: class, age, religion, sexuality among others. Hence, there was the need to examine the demographic characteristics of respondents in relation to their livelihoods. As part of the background features of the respondents, the study took stock of the ages of respondents who participated in the study. Table 4.1 below contains results on the ages of respondents who participated in the study. The ages of respondents of the study were assessed and distributed across identified age ranges.

The results contained in Table 4.1 below shows the age distribution of VSLA beneficiaries and non-beneficiaries. According to the results, the majority of the respondents representing 61% of those who participated in the study were dominant in terms of age group. These categories of respondents are those who are within the age group of 40-49years of age. Also, 22% of the respondents were between n the ages of





50years above, and 17% also constitute respondents who were within the age brackets of 30-39years of age. It is worth indicating that as per the dominant age group of respondents, the majority of the respondents were still active and productive, though a significant number of them were 50years and above who probably would have had challenges in terms of their engagement in meaningful economic activities. With regard to the non-beneficiaries, the age categories 30-39 and 40-49 were the dominant groups with 33% and 48% respectively with a median age of 39.5(40).

Marital status is yet another demographic characteristic that is worth noting when addressing respondents' background information about the study. Assessing the background features, information was gathered from the VSLA beneficiaries to show their marital statuses. The results in Table4.1 contain the marital statuses of respondents who participated in the study. It was revealed that 3% of the respondents were single, 14% were widowed, 1% were divorced and/or separated, 45% of them were married monogamous, and 37% also married polygamous. An implication drawn from the results is that the majority of the respondents were married representing an aggregate of 82% of the respondents who participated in the study. Out of this number, 45% of them were married monogamous and 37% also married polygamous. The non-beneficiaries analysis also showed the married (monogamous and polygamous) representing 32% and 49% respectively.

The level of education is another important demographic feature that was assessed during the study. The import of this assessment was to determine the highest levels of education attainment of respondents who participated in the study. As per results contained in Table 4.1 below, a total number of 85% of the respondents who participated in the study had no formal education, 8% had primary education, 6% had secondary education and 1% had college and/or university education. It is clear from these results that the respondents

were dominantly illiterates who were identified as the beneficiaries of the VSLA in the study district of Upper West Region of Ghana.

Types of economic engagements of respondents were assessed during the study. The import of this section of the study was to identify the various types of occupations of the respondents who participated in the study. In terms of the types of occupations that constitute the main economic engagements of the respondents, the results of the study showed that there are several occupations engaged by the respondents, including; employees in the informal sector, working with family business, self-employed, petty trade and those who work on their own farms. The majority of the respondents representing 65% were found to be engaged in working on their own farms, 23% also were engaged in petty trade, 9% in service provision (e.g. mason, mechanic etc.), and 2% were just employees to others in the informal sector. These types of occupations depict the various engagements of the people in terms of what they do mainly for their source of income for livelihood support.

The result contained in Table 4.1 again reveals the number of household members of respondents who participated in the study as the main beneficiaries of VSLA in the Nadowli-Kaleo district of the Upper West Region of Ghana. According to the study results, the majority of the respondents representing 38% of them were found to have seven and/or more household members. This indicates that out of the VSLA beneficiaries who participated in the study a total of 38% of them had the households' capacity of seven and/or more members as compared to 33% of the non-beneficiaries who had a household size of seven and above. This represents the highest household size of respondents who participated in the study. The study results also showed that the least household size of the respondents was one member and 3.6% of the VSLA beneficiaries had a household size of two members and that of non-beneficiaries also 4%.



It is obvious from the study results that more of the respondents were found to have maintained large household sizes for both the VSLA beneficiaries and non-beneficiaries. The implication of these findings is that household heads and the other duty bearers at such households have the greater task of responsibilities towards the securing livelihood security of their respective households.

**Table 4.1 Demographic Characteristics of Respondents**

Variable	Description	VSLA Beneficiaries		None Beneficiaries	
		Frequency	Percentage	Frequency	Percentage (%)
Marital Status	Single	10	3	5	2
	Widow	48	14	22	13
	Divorced/separated	4	1	7	4
	Married monogamous	156	45	56	32
	Married polygamous	128	37	86	49
Age Distribution	20-29yrs	0	0	6	4
	30-39yrs	59	17	58	33
	40-49yrs	211	61	86	48
	50+yrs	76	22	26	15
Levels of Education	None	294	85%	119	68
	Primary	28	8%	43	24
	Secondary	21	6%	12	7
	College/University	3	1%	2	1
Main Occupation	Agriculture	225	65	107	61
	Industries and Commerce (Petty trade)	80	23	33	19
	Service	27	8	21	12
	Others	14	4	15	8
Number of household members	Two-Five	183	38%	84	33%
	Six-Ten	163	14%	92	15%
		<b>346</b>		<b>176</b>	

Source: Field survey, 2016





#### **4.3 Contribution of VSLA to beneficiaries Access to and use of financial services**

In Ghana, access to financial services by the poor is constrained by the depth of institutions that provide appropriate services such as savings and small loans positioned within a reasonable distance from rural settlements. This inadequacy of access to viable financial services deprives communities of the opportunities to build cash assets through savings and to raise financial capital to initiate and expand their businesses. An important indicator and source of women empowerment is their ability to access and use financial resources. Financial capital is one of the main supporting elements of resources which are essential for the pursuit of any livelihood strategy such as: Cash income, savings, supplies of credit and regular remittances or pensions (DFID, 2001). It is thought that these benefits are enhanced if the woman has enhanced access to cash. Since access to credit can be used to compensate for poor households in the availability and affordability of financial services helps improve the ability of people to transform other livelihood assets for meaningful outcomes. The VSLA scheme afforded members the opportunity to save and access loans from their groups to invest in income generating activities, invest their surplus income as shares and contribute to a social fund which provides a cushion to members during emergencies. This section examines the economic situation of VSLA members by looking at their means of savings, access to loans, involvement in IGAs and investment in productive assets.

This variable access and use seeks to evaluate and discuss VSLA beneficiaries' access and use of financial services in fulfilment of objective one of the study. In assessing such variable, the study gathered information on both the beneficiary and non-beneficiaries of VSLA schemes that were availed to the study groups in the Nadowli- Kaleo District in the Upper West region of Ghana.



#### **4.3.1 Culture of Savings Among Respondents**

The culture of savings is a fundamental behaviour that can help the poor and marginalised achieves economic empowerment and serves as a key assets when that person is in distress. In assessing the savings mechanisms of respondents, members were asked the ways they currently save and the amount they currently have in those savings mechanisms. This stream assesses savings instruments commonly used by VSLA members. Although respondents used various saving mechanisms, savings with VSLA has recorded the higher mechanism for the beneficiaries where all the members' saves with the groups as mandated by the constitution of the savings groups. Also, the data indicated that beneficiaries use more other savings options other than savings at home as a mode of savings than the non-beneficiaries who uses more of savings at home as the major savings option, which can be deduced from VSLA members using participation in the groups as a device to commit themselves to save money and to deal with self-control problems. From the data, 16% of the beneficiaries used mobile money as savings option and 16% in other financial institutions as compare to the non-beneficiaries member with 1.1% and 9% respectively.

During focus group discussion, the participants stated that formal financial institutions offer a safer way of saving money apart from the VSLAs, but the accessibility of the Formalised financial institutions makes it difficult to serve with them, since a lot of bureaucracies are involved in their process of saving. Some participants said that although keeping money in the house was simpler and more accessible; such savings are susceptible to outside demand from one's family and neighbours. During focus group discussion members were full of praises about how they have benefited from the savings, services offered by the VSLAs and the majority, particularly women, appreciated the opportunity to save as stated below:



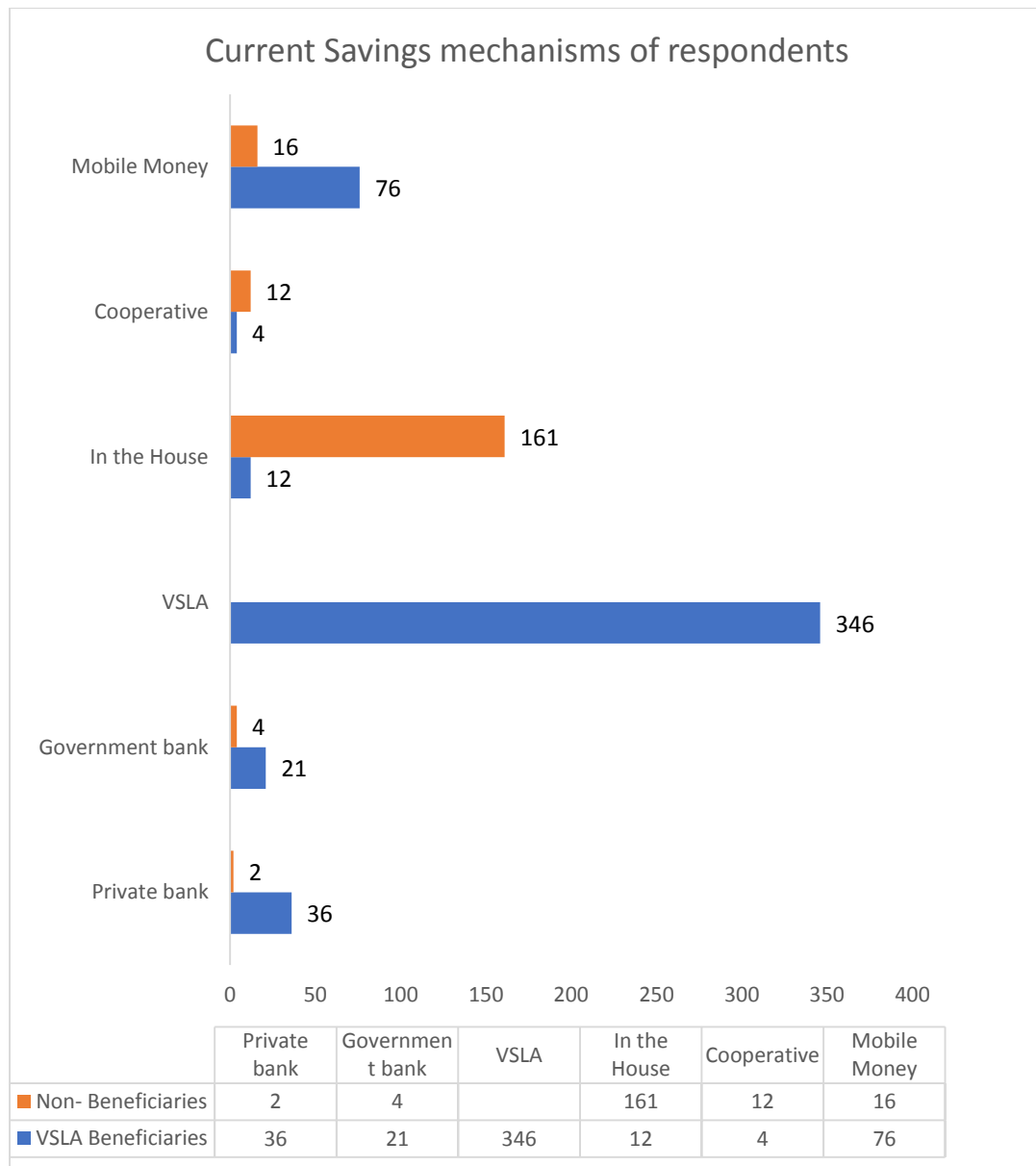
*“When people join the VSLA and people start saving, it creates the potential of developing saving habit that they can carry throughout their lives, strengthening their financial capabilities as they begin to face increased financial and social responsibilities. The VSLA forces members to set savings goals and meet them each month which goes a long way to meet their annual savings goal at the end of the cycle. The negative consequences (both economic and social) associated with failing to meet these goals produce significant motivation to meet the monthly commitment. However, maintaining this level of discipline is much more difficult as an individual, making group membership makes it more appealing”* **Participant, Noro**

The project manager of CARE International had this to say;

*“It is important not to forget the human aspect of informal savings groups. Groups are formed with trusted friends or family and can often be a perfect excuse to get together once a week to socialize. Beyond just the economic opportunities, savings groups also offer a more enjoyable way to save money in comparison to simply visiting a stuffy bank branch to make a deposit”* **Project Manager, CARE International**

They were generally satisfied with the security of their money, and appreciated the incentive their VSLA offers to accumulate money in affordable amounts and the opportunity to get lump-sum pay-outs with profits at the end of the cycle for consumption or investment. These findings collorates with Tanmoyee (2009) who state that, Savings Health Groups (SHGs) promote the saving habit among the group members.

**Fig 4.1 Savings mechanisms by respondents**

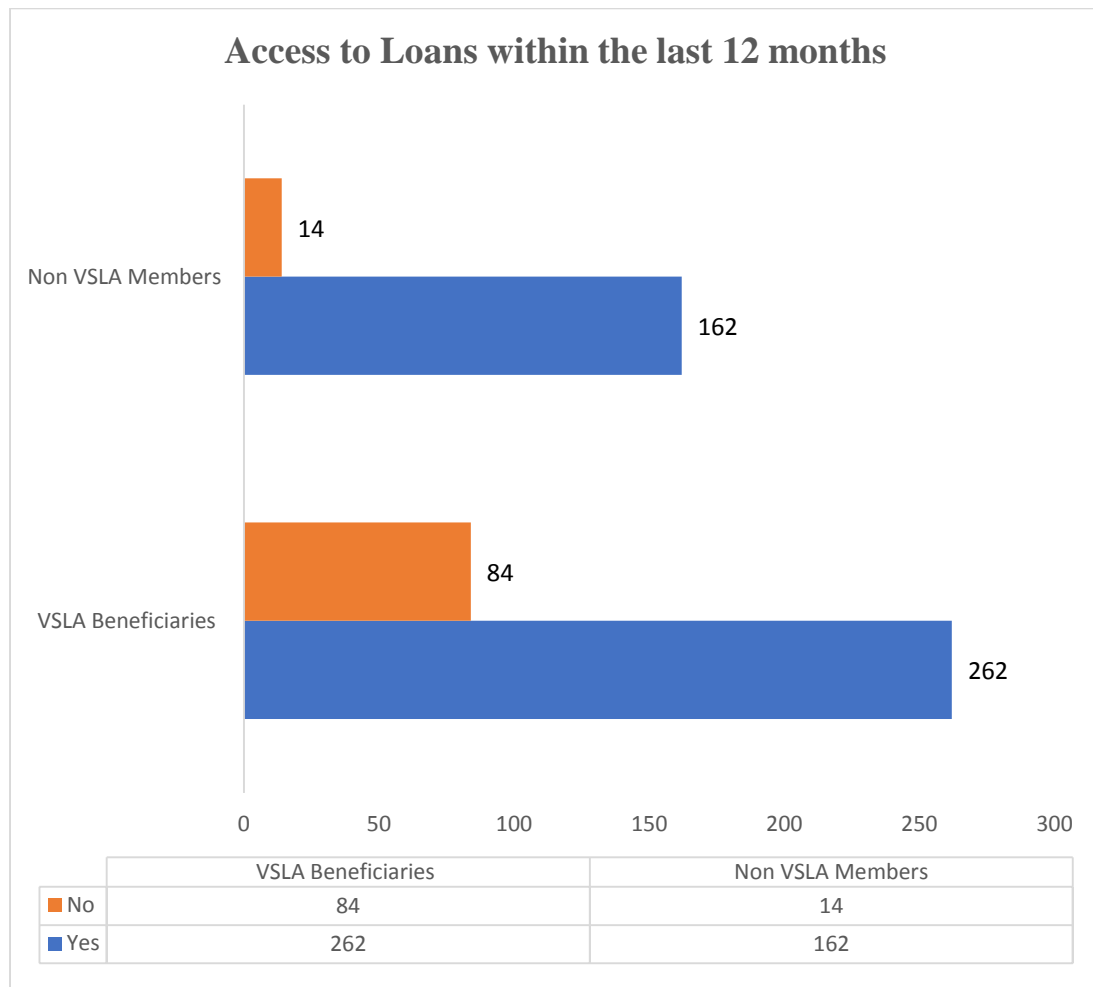


**Source: Field Survey 2016**

#### **4.3.2 Access and Use of Loans**

Since access to credit can be used to compensate for poor household income constraint, if the woman has access to loans, she will be able to be empowered financially. To show the state of access and use of the financial services, the study gathered data on the VSLA to measure the state of access and use of financial services in the study area. The results of these assessments are contained in Fig 4.2.

**Fig 4.2: Respondents Access to Loans within the Last 12 Months from the day of taking this data**



**Source:** Field Data 2016.

From fig. 4.2 above contains comparative results on the access to financial services, thus, access and use of credit and loan facilities by the VSLA beneficiaries and non-beneficiaries. As per results contained in fig 4.2, the majority of the respondents representing 75% of the VSLA beneficiaries had access to loan and 24% of the beneficiaries had no access to loan over the last twelve (12) months from the date of the survey. On the contrary, the majority of the control group (92%), that is, the non-beneficiaries of VSLA had not accessed loan facility during the past 12 months, and 8% of them indicated they had accessed credit facility through microfinance service providers which includes rural banks and other community banks. This shows that the



treatment group of VSLA members who were enlisted and benefitted from past interventions had more access to financial services than the control group of respondents. The results are indicative that even though the respondents were past beneficiaries of the VSLA intervention, 77% of them acknowledged they had benefitted from the loan facility from the VSLA scheme as beneficiaries of that intervention and microfinance service providers. The case is not same for the control group who had only 8% of them accessing such similar services. The implication of these results is that VSLA intervention does not only facilitate savings for the beneficiaries, but also makes them credit worthy and attractive to financial service providers as narrated by a member:

*“When I joined VSLA, I wanted to save some money so that I can buy some animals for rearing. I make some money from my pito business, but sometimes you don’t know where the money goes. But because I joined the group and was able to get to some loan which I used in buying my goats”*

She said, showing us the two goats she bought a couple of weeks ago.

*“When I took the money I first bought two goats which costs about half of my savings, I intend to use the remaining part as reinvestment in my pito business, farm so that when the goats multiply I can sell them to take care of the children”* **Participant, Sankana**

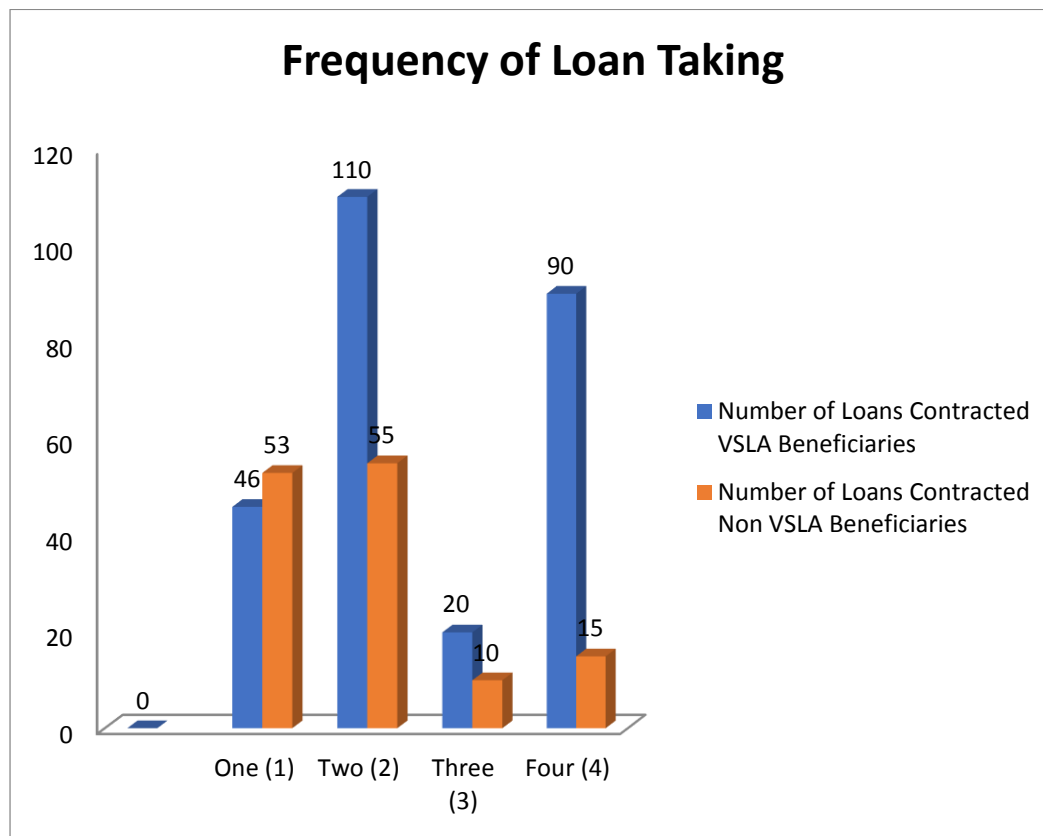
In trying to find out why respondents joined the programme, one of them said;

*“Although I decided to join the group the day the officer came to the community, I felt very reluctant like the others, even though my son encouraged me to join the group. I thought it was going to be like any other group. In fact, it was not long before I started to feel sorry for self and others after seeing the successes of their group”* **Participant (Sankana)**

### 4.3.3 Frequency of loans contracted by VSLA Beneficiaries and Non-Beneficiaries

Level of indebtedness, financial independence, spending decisions and savings has also been proven in the literature to be major economic empowerment indicators for women (Jain and Jain, 2012; Ashe and Parrott, 2002). In a further assessment of VSLA beneficiaries' access to financial services, data were gathered on the frequency of loans contracted by the beneficiaries. The results on the frequency of loans accessed by the VSLA members and non-members (from all available sources) are presented in Fig 4.3 below.

**Fig 4.3: Acquisition of Loans by Respondents for the last 12 months**



**Source:** Field Data, 2016.

The result in Fig. 4.3 above shows the frequency of loans contracted by the VSLA beneficiaries and non-beneficiaries in the study area. Respondents were made to indicate



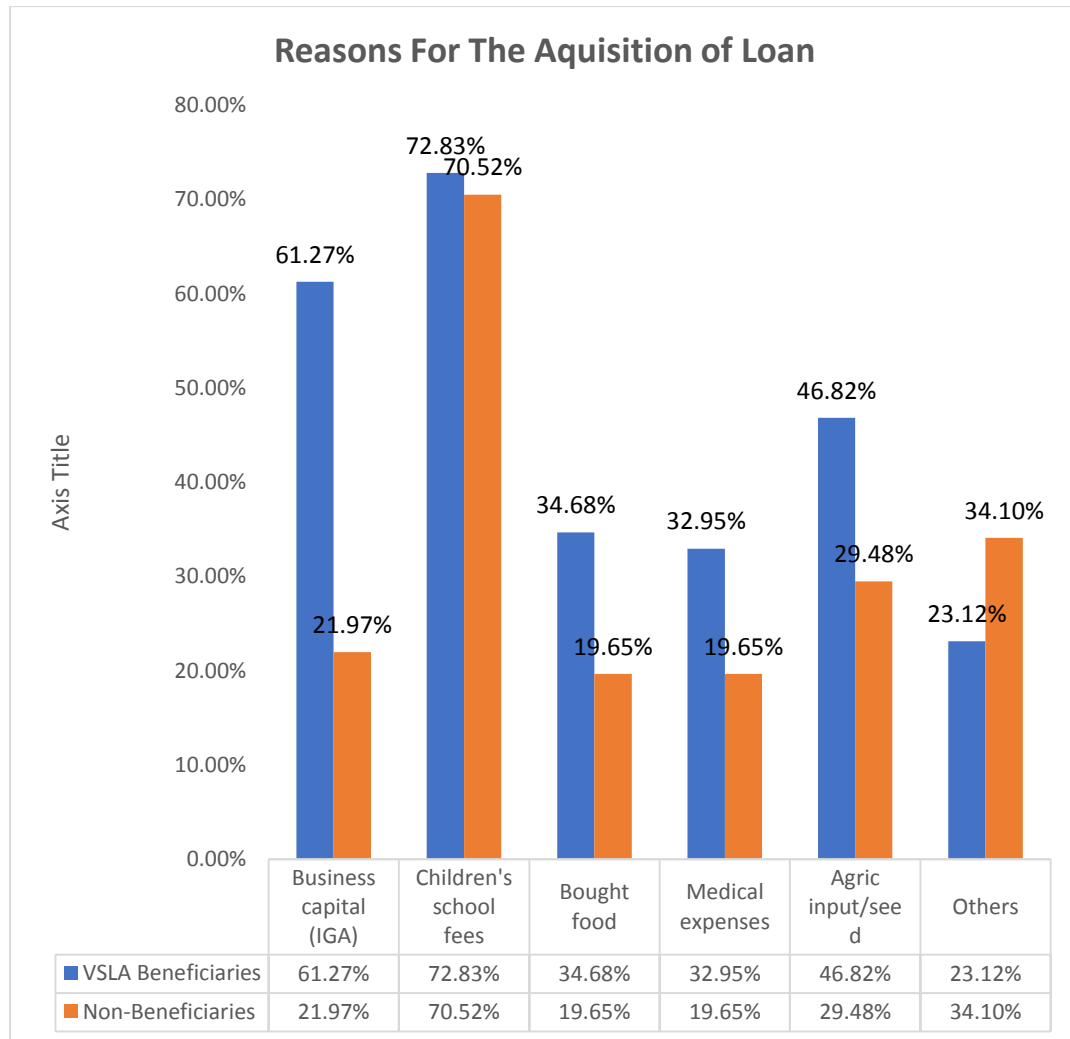


the number of times they contracted loans from all sources available to them. According to the results, 23% of them had contracted four loans twelve (12) months up to the time of the study. In addition, 6% also had contracted three loans, 32% had two loans and 13% of them also contracted one loan as at the time of the study. Comparing with non-beneficiaries, 6% of them accessed loans once and 2% accessed two times. The rest of the non-beneficiaries was not applicable to such analysis because they did not access credit or loan facility. Generally, VSLA beneficiaries had benefitted from loan packages from financial institutions, even though some of them did not contract any loans with financial institutions. Thus, some of them accessed loans and credit once, twice, thrice and even four times as shown by the results in Fig 4.3 above. The main source of the loans accessed by the VSLA members was identified as solely from Self-Help Groups/VSLA and private microfinance service providers like Sonzalli Rural Bank who adapted the VSLA groups to market their services. This is indicative that the VSLA has over the years been effective such that the beneficiaries are able to maintain the scheme, generate enough savings and even provide credit to their members. In addition, the VSLA has also attracted other service providers implying that they stand to benefit more through the effectiveness of the VSLA schemes.

#### **4.3.4 Amount and Purposes for Which Loans were Acquired for the last 12 months.**

As part assessing of the access and use of the loans as financial service, the respondents were interviewed on the various use through which loans contracted were put into. The essence of this particular assessment was to determine the loan expenditure and also uncover the need that necessitated them to contract loans.

**Fig 4.4: Purpose for Loans Acquired**



**Source:** Field Data, 2016.



As shown by the results contained in Fig 4.4 above, the majority of the respondents representing 61% indicated that they used the loans contracted as business capital. The next highest number of respondents representing 18% also mentioned that the loans they contracted were used for agricultural inputs and seeds. In addition, 17% of the respondents also indicated that they contracted the loans purposefully to pay children's school fees. More so, 6% of the respondents also acknowledged that they contracted the loans to buy food for their households. Other items on which the loans contracted by the respondents were expended include; livestock, buying of land, medical expense, and others. On the contrary, the 8% of non-beneficiaries who acquired their loans from other



financial institutions all used their loans as capital to support their businesses. These various items were identified during the study as the expenditure items upon which the loans were contracted by beneficiaries who took loans during the time of the study. The impression of the results is that there are varied reasons for accessing loans among the VSLA beneficiaries. However, the non-beneficiaries had constraints and the few who got access used them for business engagements. A participant had this to say about the benefit of VSLA;

*“Since joining the VSLA, I have been able to take care of my children’s education. One is in the Teacher Training College and two in Vocational Training Schools. So the VSLA has helped me a lot”. Before VSLA, when I needed money for school expenses, I couldn’t get any avenue to take a loan from, but now if there is any pressing family issue, including my business I can quickly run to my group for loan to solve that problem”* **Participant-Noro**

These quantitative results were further corroborated by the focus group discussions. Participants of the discussions listed a variety of small businesses, each of which were funded using a loan, including the buying of means of transport, operating market stores; raising poultry or livestock to sell; etc. One participant used a GH¢400 loan to purchase a used electric sewing machine. Now she is one of the most successful tailors in the community. This finding is supported by Smith et al. (2003) which espoused that women's access to credit and the ability to get income generating activities empowers them because it can increase a woman’s perceived contribution to her household’s economic status. This finding supports the evidence in the study conducted by Asamoah (2004) of selected credit schemes in the eastern region of Ghana which found that, the main types of activities that attracted a micro - credit were petty trading, cooking oil extraction, food retailing and hairdressing, which together accounted for 65% of the main

activities undertaken by the respondents. However, the difference in economic activities can be explained by the community level effect. Pito brewing and shea butter processing is dominant in the Northern part of Ghana. There is therefore evidence that the VSLA project has helped women to actively participate in income generating and thereby enhancing their self-esteem, and improving their empowerment.

#### 4.3.5 Amount of Loan Contracted by Respondents

It was part of the assessment to determine the amount of loan contracted by the various beneficiaries and non-beneficiaries of VSLA. As such, information was gathered from the respondents to determine the amounts each beneficiary and non-beneficiary contracted as a loan from the VSLA scheme. The results also show that the minimum amount of loan contracted by the respondents was GHS 10, and the maximum amount of loan contracted was GHS 1,200. The majority of the respondents from among the VSLA beneficiaries constituting 26.4% who contracted loans took the amount of GHS100 and those who took less than GHC 100.00 was 0.4%. It is generally obvious from the study results that the loan amounts contracted by the beneficiaries of VSLA through their scheme are major amounts of varied values as loans contracted. On the part of non-beneficiaries, the least amount of loan accessed was GHS10 and the maximum was GHS 1,050.00.

**Table 4.2 Mean value of loan of respondents**

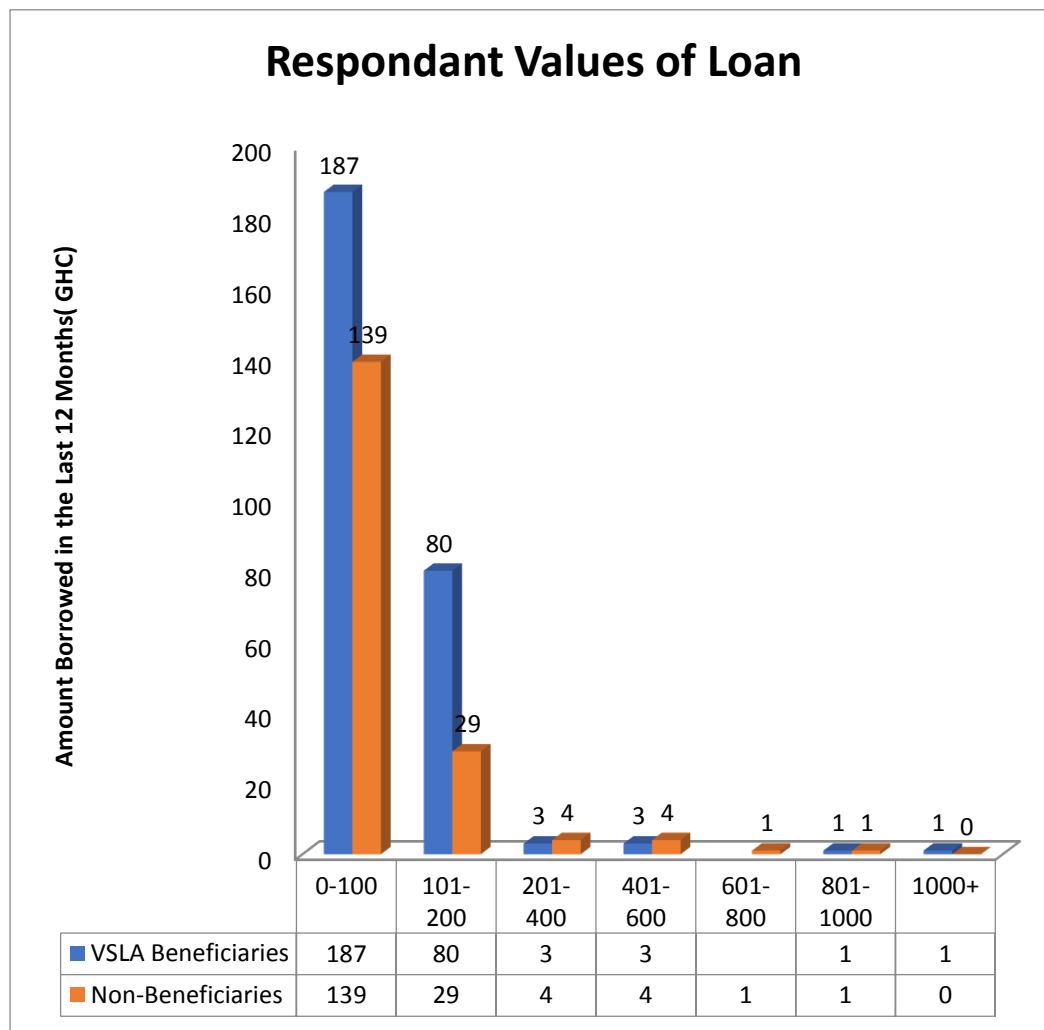
	Number	Min.	Max.	Mean	Std Dev.
Beneficiaries	346	10	1200	108.03	151.437
Non-Beneficiaries	176	10	1,050	139.26	137.11

**Source:** Field Data, 2016.



From the table above, the mean loan taken of participating respondents is greater than that of nonparticipating respondents. This is however not surprising because the maximum income of participating is also greater than non-participating households despite the fact that both groups have the same level of minimum income. The standard deviation which measures the variability of value of the loan taken by beneficiaries and non-beneficiaries shows that beneficiaries have a wider spread of variability in their loan taken as compared to non-beneficiaries this means that the programme (VLSA) has helped in improving the lives of the beneficiaries since they have access to loans to be use as business capital and to solve their pressing needs.

**Fig 4.5 Value of loan of Respondents**



Source: Field Data, 2016.





Inferring from the analysis of the access and use of VSLA discussed above, beneficiaries' and non-beneficiaries' access and use of small loans, it is worth highlighting the main findings. In terms of access of VSLA beneficiaries to loan facilities, it was revealed by the study that 76% of them who participated in the study as respondents acknowledged that they had access to small loan facilities from microfinance service providers and VSLA facility as well. This gives an impression that the majority of the VSLA members had access to small loans from varied sources, especially during the last twelve (12) months.

Associated with the access is the frequency of access during the last 12 months. It was found by the study that except 23% of the beneficiaries, the rest of them (77%) had at least more than one (ranging from 2-4times) loan facilities. Specifically, 32% had access to two loans; 6% had access to three loans; and 26% had access to four loans. However, most of these loans are small amounts between GHS10 to GHS 1, 200, with the non-beneficiaries only 8% of them and accessed loan with 6% accessing loan once and 2% of them accessing loan two times.

On the aspect of what the loans were used for, it was found that the common expenses upon which the small loans taken by VSLA beneficiaries were used included; issues of housing, business capital expansion, livestock production, land acquisition, schools fees for their children, foodstuffs, medical expenses, funeral issues and purchase of agriculture inputs. The non-beneficiaries only used their loans to support their working capital. Following from these findings, it is therefore worth concluding that the VSLA beneficiaries who participated in these activities had access to small loans from their VSLA scheme and external microfinance facilities available. On the contrary, the non-beneficiaries have had less access to financial services, thus, credit and small loans.

#### 4.4 VSLA contributions to the income of Women in Nadowli-Kaleo District?

According to the DFID (1999), one of the key drivers of livelihood enhancement is mobility. Those who believed in this ideology think that a common manifestation of this at the household level is straddling, where different members of the household live and work in different places temporarily or permanent. Due to this there was the need to assess the livelihoods of VSLA beneficiaries and compare it to non-beneficiaries. In this section of the study, data were gathered to assess the livelihoods situations of the VSLA beneficiaries compared with that of the non-beneficiaries of VSLA. The essence is to establish any form of differences and changes those results from the VSLA interventions in the study area. The results of such assessments are discussed in the ensuing section. A study by Brannen (2010) in Tanzania also assessed the impact of VSLA on beneficiary groups' livelihoods. Results from this study suggest that participation in VSLA has an overall positive impact on various indicators of household and individual welfare, including; asset expenditure levels, the development of IGAs, education expenses, access to health care services, nutritional levels and quality of housing.

**Table 4.3 Respondents main sources of household Income**

Source of Household Income	VSLA Beneficiaries		Non-Beneficiaries	
	Frequency	Percentage	Frequency	Percentage
	F	%	F	%
Petty trading	18	5%	5	3%
Remittances	24	7%	7	10%
Agro-processing	56	16%	9	5%
Farming				
Picking and sale of shea nuts	34	10%	21	12%
Farming	214	62%	121	70%
<b>Total</b>	<b>346</b>	<b>100</b>	<b>176</b>	<b>100%</b>

(Source: Field Data, 2016).



As presented in Table 4.3 above, the beneficiaries of VSLA and non-beneficiaries were required to indicate the main sources that constitute their households' main income. The outcome of such assessment as contained in Table 4.3 shows that the VSLA beneficiaries had varied sources that constitute their households' main livelihoods. The majority of the VSLA beneficiaries (62%) indicated that the main source of livelihoods for their households is farming engagements. Whereas the 70% of non-beneficiaries' household livelihoods depend mainly on farming engagements. This response constitutes a dominant view since such significant percent of them acknowledged farming engagements as the main source through which both VSLA beneficiaries and non-beneficiaries' households support livelihood needs. Also, 16% of the VSLA beneficiaries indicated agro-processing engagement as the main source of livelihoods for their households. This was compared to 5% of non-beneficiaries who fulfil their livelihoods through agro-processing activities. These engagements were further described to include; Shea butter processing, groundnut oil processing, etc.

This finding supports Brannen's 2010) findings that members of microfinance groups like the VSLA engage in the Agriculture and other business such as preparation and sales of food, sale of firewood or charcoal. Also, this finding is similar to the work of Allen and Hoban (2004) in Zimbabwe, where income generating activities of respondent's increases, however the diversification of these activities did not increase. Also, the study supports the evidence in the study conducted by Asamoah (2005) of selected credit schemes in the eastern region of Ghana which found that, the main types of activities that attracted a micro - credit were petty trading, cooking oil extraction, food retailing, hairdressing, etc. Furthermore, 5% of VSLA beneficiaries and 3% of non-beneficiaries also indicated that petty trading is the main source of livelihood for their households.



More so, 10% of the VSLA beneficiaries and 12% of non-beneficiaries indicated that their livelihoods depended on to a large extent shea-nut picking and sales.

It is generally clear from these results of analyses that the majority of the beneficiary households source their incomes from farming activities as a main source. It is also implied that any form of income generating engagement aside farming are more likely to be a supplementary activity to farming. It is further worth noting that agro-processing is gaining recognition in the livelihood cycles of our society because it is enticing to know that the people are venturing into value addition to agro-products as means of generating income. It means that the people are not only going to produce crops, harvest them and sit idle they now process some of the crops into either semi-finish or finished products for sale after the inception of the programme. This is a source of entrepreneurship. It is no doubt that remittances emerged as part of the main source of livelihoods for some households in the study communities. As it were, migration is increasingly recognised as a move to better the livelihoods of some households. It is also clear that migration of the working population, especially from rural Ghana to urban Ghana is common, particularly that from rural north to urban south. Lastly, petty trading is being an old source of livelihoods for people in Ghana, both rural and urban. Once a section of respondents identified that as the main source of livelihoods for their households, it gives an impression of the entrepreneurial development of the people despite the scanty capitals they use.

As part of determining changes in average annual incomes and how the VSLA has contributed to such changes, further comparative assessment of the incomes of the VSLA beneficiaries and non-beneficiaries were carried out. This was facilitated by comparing the average annual incomes of SVLA beneficiaries and non-beneficiaries to have a fair

idea on the income variations among respondents. Details of the results of the comparative assessment are presented in Table 4.4 below.

**Table 4.4: Comparing Average Annual Incomes of Beneficiaries and Non-Beneficiaries of VS**

S/No.	Average Annual Incomes of Beneficiaries (GHS)			Average Annual Income of Non-Beneficiaries (GHS)			
	Freq.	(%)		Freq.	(%)		
1.	< 500.00	83	23	< 500.00	103	58	
2.	501.00-1000.00	86	24	501.00-1000.00	17	9	
3.	1001.00-1,500.00	85	24	1001.00-1,500.00	23	13	
4.	1,501-2,000.00	71	21	1,501.00-2,000.00	16	9	
5.	2001 and above.	21	6	2001 and above.	19	11	
Total		346	100%	Total		176	100%

**Source:** Field Data, 2016.

At this stage, the study compared average annual incomes of the on-VSLA beneficiaries and that of average annual incomes of VSLA beneficiaries. It was revealed by the study that 63% of the Non-VSLA beneficiaries were earning less than GHS500. 00 at the time of this study whiles those who were placed under treatment of VSLA interventions with no VSLA beneficiary earns less than GHS500. 00 annual average incomes and the results implied that those of the VSLA beneficiaries who hitherto could have been earning less than GHS500. 00 could now earn above that income level as average annual income. On the other extreme, out of the now-VSLA beneficiaries, none of them could make an average annual income of GHS 2001 and above that represents the highest amount of average annual income. On the contrary, the VSLA beneficiaries have enhanced the incomes of beneficiaries to the extent that the majority of them representing 65% could now earn an average annual income of GHS 2001 and above. Analysing from the two extremes, it is evident that the VSLA has had significant positive impact on the levels of



incomes of the beneficiaries by increasing incomes of those at the very bottom and further expanded those who were average in terms of their levels as at the time of the study.

Adding to these two extremes, 13% of non-beneficiaries who could earn average annual incomes of GHS 1001.00-GHS 1,500.00 as compared to the 24% VSLA beneficiaries earned an average annual income of GHS 1001.00-GHS 1,500.00. In addition, 9% of non-beneficiaries earned average annual income ranging GHS 1,501-GHS 2, 000.00 as compared to 21% of VSLA beneficiaries earned an average annual income of GHS 1, 501-GHS 2, 000.00. This means that number of VSLA beneficiaries have earned more income as compared to the non-beneficiaries. For the statistical analysis the study compares the averages and standard deviation of income of programme group and non-programme group. This is presented in table 4.5.

**Table 4.5. Average Annual Income of Beneficiaries and non-beneficiaries**

	Number	Min.	Max.	Mean	Std Dev.
Beneficiaries	346	200	8,400	948.82	870.16
Non-Beneficiaries	176	200	2,990	851.09	674.11

**(Source: Field Survey, 2016)**

From the table, the mean income of participating respondents is greater than that of non participating respondents based on their standard deviations from the mean point. This is however not surprising because the maximum income of participating is also greater than non-participating households despite the fact that both groups have the same level of minimum income. The standard deviation which measures the variability of income of beneficiaries and non-beneficiaries shows that beneficiaries have a wider spread of variability in their income as compared to non-beneficiaries. This means that the living



conditions of women involved in the programme were improved. In conformity to this finding, a respondent had this to say;

“Before I joined the group, I was selling fish on a tray, but income was not forthcoming. But when I joined the group, I was able to access loan which I used to diversify into the sale of household utensils. Now, my income stream is stable and increasing thanks to VSLA”

In sum, the comparative analyses of incomes of non-beneficiaries and VSLA beneficiaries have clearly shown that there have been changes in the income levels of the beneficiaries. The beneficiary VSLA members have also attested that the increases in their incomes are attributed to their income generating engagements that are as a result of the VSLA treatment intervention.

It is therefore found that the VSLA treatment interventions have led to an increase in the income levels of their beneficiaries since they are able to get loans to establish and improve upon their businesses. These findings go to corroborate the results of a study conducted by Hunt and Kasynathan (2002) who found that VSLA programmes for women have a positive impact on economic growth by influencing improvement in women's income generating activities and levels of incomes of beneficiaries of VSLA. Also, the positive impact of VSLA on incomes of women further confirms the findings of other several researchers including Teng et al., (2011) and Paramanik and Lavoori (2014) earlier found that the beneficiary women experienced expansion in their business activities and that had consequently brought about increases incomes of beneficiaries. Chowdhury et al. (1991) asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants. This also confirmed Studies by Remenyi and Quinones (2000) which indicated that, household income of





families with access to credit was significantly higher than for comparable households without access to credit. Furthermore, it also confirmed the findings of Tanmoyee (2009), who maintains that SHGs promote the saving habit among the group members. The monthly propensity to consume out of family income basically reduces after joining SHGs because members have to save compulsorily.

Studies by Remenyi and Quinones (2000) also indicated that, household income of families with access to credit was significantly higher than for comparable households without access to credit. Households with improved access to credit were also better able to adopt technologies, spent more on food and in some cases had higher calorie intakes. The finding of the study supports the finding of Afrane (2002) in Ghana and South Africa and Irobi (2008) in Imo State Nigeria that microfinance positively impact on levels of income of borrowers. It also supports the finding of Copestake et al (2001) in Zambia that, borrowers experienced a significantly higher average increase in their profits and household income. Furthermore, the research related well with the findings of Debadutta (2009) who observed that the target households (participants in group-based microfinance) had registered 11.41 percent higher annual average income as compared to that of the control households (non-participants). The study, however contradicts that finding of Nghiem et al (2012) in Vietnam that there is no significant effect of participation in NGO microfinance on household welfare, measured by income and consumption per adult equivalent.

#### **4.5 Impact of VSLA on Women participation in community and Household Decision Making**

Participation in community and household decision is also a direct evidence of women empowerment because only empowered people can participate in decision making. This

study investigated the influence the micro-credit programme has on the decision making of women in the coverage areas of the study. The table below (Table 4.7) shows the output results from the simple linear regression results it shows that status of women in the household and in the area, religion, status of employment of women, number of people working within a particular household, women access to loans and their ability to save, were significant. This means that the above variables were the influencing factors in building the confidence of women by the VLSA programme in the area. This confirms that many micro-credit programmes give women the opportunity to interact with other community members through group formation (Bali- Swain, 2006). An impact evaluation by CARE (2012) in Ghana made findings from the study that showed that the VSLA programme implemented have generally contributed positively to improving women's self-esteem and their perception of their social position

**Table 4.6 Impact of VSLA on Women participation in community and Household Decision making**

Variable	Coef.	Std. Err.	P> z
_cons	0.2482	1.4029	0.860
Gender	0.0267	2785	0.9 24
Age	-0.0359	0.0259	0.165
<b>HH Status</b>	<b>0.9714**</b>	<b>0.4388</b>	<b>0.027</b>
Years of membership	0.0250	0.0251	0.317
<b>Religion</b>	<b>1.1253***</b>	<b>0.3641</b>	<b>0.002</b>
Level of Education	-0.1578	0.1559	0.312
<b>Employment Status</b>	<b>1.6474***</b>	<b>0.4700</b>	<b>0.000</b>
Type of employment	-0.7036	0.4822	0.144
Marital Status	-0.1246	0.2965	0.674
HH Size	0.4409	0.0300	0.143
<b>Number of people children</b>	<b>0.4212**</b>	<b>0.1633</b>	<b>0.010</b>
Size of business	0.0029	0.0244	0.905
<b>Ability of women to save</b>	<b>-1.5518***</b>	<b>0.4480</b>	<b>0.001</b>
Quality of life	-0.0546	0.2930	0.852
<b>Access to Loan</b>	<b>1.5800***</b>	<b>0.4136</b>	<b>0.000</b>
Access to Training/Education	0.0401	0.2970	0.893

Source: Field Data, 2016

NB \*\*\* Significant at 1% and \*\*significant at 5%, **R2= 0.4167** and **Number of Observations = 346**



#### 4.5.1 Self-image

To measure self-esteem, respondent's members were asked to indicate the degree to which they (dis) agreed/or strongly (dis) agreed with seven statements that the research defines as reflecting self-confidence. These include the ability to solve problems; take actions to improve one's life; confidence to speak at community meetings, and to influence husband and community decisions. As it were, several variables go into addressing the level of influence of gender at both the community and household levels. In assessing the VSLA impact on gender, especially with woman's levels of influence on issues, the results of such assessments are presented in Table 4.7.

**Table 4.7: Beneficiary Women Level of Influence**

Issue	SD	SHD	SHA	SA	Total
I can resolve problems on my own	1.40%	3.20%	46%	49.40%	
I can influence my husband's decision making	0.50%	5.20%	25.80%	68.40%	100%
I can take action to improve my life	0.90%	2.40%	38.30%	58.40%	100%
I can influence important decisions in my community	7.40%	21.10%	42.90%	28.60%	100%
I am confident to speak at community meetings	4.60%	17%	38.20%	40.10%	100%
My spouse shows me respect	0.10%	0.90%	24.30%	74.70%	100%
My husband values my role in the household	0.10%	1.70%	20.20%	77.90%	100%
Other members of the extended family show me respect	0.50%	1.40%	34.80%	63.30%	100%
People in the community respect me	0.80%	1.10%	42.30%	55.80%	100%
People in the community ask and value my opinion	3.60%	16.20%	43.10%	37%	100%

(Source: Field Data, 2016)

**NB: SD=Strongly disagree, HD=Somehow disagree, SHA=Somehow agree and SA= Strongly agree**



**Table 4.8: Non-Beneficiary Women Level of Influence**

Issue	SD	SHD	SHA	SA	Total
I can resolve problems on my own	49.40%	46%	3.20%	1.40%	
I can influence my husband's decision making	68.40%	25.80%	5.20%	0.50%	100%
I can take action to improve my life	58.40%	38.30%	2.40%	0.90%	100%
I can influence important decisions in my community	28.60%	42.90%	21.10%	7.40%	100%
I am confident to speak at community meetings	40.10%	38.20%	17%	4.60%	100%
My spouse shows me respect	74.70%	24.30%	0.90%	0.10%	100%
My husband values my role in the household	77.90%	20.20%	1.70%	0.10%	100%
Other members of the extended family show me respect	63.30%	34.80%	1.40%	0.50%	100%
People in the community respect me	55.80%	42.30%	1.10%	0.80%	100%
People in the community ask and value my opinion	37%	43.10%	16.20%	3.60%	100%

(Source: Field Data, 2016)

**NB: SD=Strongly disagree, HD=Somehow disagree, SHA=Somehow agree and SA= Strongly agree**

As contained in Table 4.4 above, the study identified some aspects of life that are relevant to household decision making processes. The results of the study show that in terms of resolving problems, 49.4% of the respondents strongly agree with the assertion that women are able to resolve problems on their own, 46% somehow agree with the assertion and the rest of them either strongly disagree (1.4%) and somehow disagree (3.2%). These results showed that an aggregate of 95.4% of the respondents agree with the assertion that the VSLA beneficiaries can resolve problems on their own. This was also said by respondent that;



*“Having exposed to the activities of VLSA has given me an eye opener on how to handle issues at both the household and community level”. Pasonaa*

The study also made findings on whether beneficiaries are able to influence their husband's decision making. Out of the total number of respondents, 68.4% of them strongly agree that they are able to influence their husband's decisions at the household. Also, 25.8% somehow agreed that they are somehow able to influence their husband's decisions. Meanwhile, 0.5% of them also strongly disagreed and 5.2% somehow disagreed. It is obvious from the results that a majority of the respondents thus, 68.4% and 25.8% strongly agreed and somehow agreed to the assertion that they are able to influence their spouse's decision making at the household levels. The finding on this issue is that VSLA engagements of beneficiaries have been empowered such that they are able to influence the decisions of their husbands.

In addition, the FGDs and the interviews showed that women benefitted from participating in the VSLAs in various ways. They indicate that they been part of the VSLA particularly helped them save and making women less dependent on their husbands: before participating they had to request money from them and now they have access to own resources and by providing them with information in more general terms: being informed about women's rights and being up to date with community developments through the information that is being shared within the group by the members. Spending decisions are an important indicator of women empowerment, which can be argued that a woman's participation in spending is a direct evidence of the exercise of power. The ability to make decisions partly depends on who contributes the income, VSLA project offered many women in the Nadowli-Kaleo district the opportunity to exercise their power because they contribute to household financial resources. Another issue investigated by the study was whether the VSLA beneficiaries are able to take action to





improve their lives. The results of the study showed that 58.4% of them strongly agreed that they are able to take actions to improve their lives. In addition, 38.3% of them somehow agreed that they are able to take action to improve their lives. In aggregate, a whopping majority of 96.7% of them testified to the fact that they are able to take actions to improve their lives without any limitations from anyone. The rest of 3.2% of them strongly disagreed and somehow disagreed that they are unable to take action to improve their lives. The finding on this variety is that despite whatever factors that exist in societal setup, VSLA has impacted on the beneficiaries' ability to take actions that are relevant for their lives better than before.

In assessing the confidence levels of VSLA beneficiaries to speak at community meetings, the results of the study showed that 40.1% of them strongly acknowledge that they are able to speak at community meetings and 38.2% also indicated that they are able to somehow speak at community meetings. In sum, the results suggest that 78.3% of the respondents are able to speak at community meetings. This reflects empowerment in terms of participating in decision making at the community levels. On the contrary, 4.6% of them strongly disagreed and 17% somehow disagreed indicating that they are unable to confidently speak during community meetings. Generally, it was found that the majority of the responses attested to the fact that their capacities have been built and they able to speak during a community meeting confidently. However, a non-beneficiary indicated that;

*“Because we find it difficult to save and to contribute financially towards the management of our homes since we are not part of the programme”.* **Kuusaana**

On the aspect of the value of VSLA beneficiaries on the sight of their spouse, 74.7% of them strongly agreed that their spouse shows them respect since they started benefiting from the VSLA scheme. Also, 24.3% were with the view that they have somehow



witnessed some improvement in regards to the respect they get from their spouses. On the other side, 0.9% and 0.1% were respectively disagreed indicating that they have not witnessed any form of improvement in respect they get from their spouses. The value of the beneficiaries has appreciated in the eyes of their spouses due to their enhanced roles and contributions to life as a household. More so, 77.9% of the respondents strongly agreed that their spouses valued their role and contribution to their households. Also, 20.2% of them indicated their spouses somehow value their role and contribution to their households. The contrary results generated from the study on this variable was that 0.1% of the respondents strongly disagree and 1.7% also disagree by indicating that they have not realised any form of recognition from their spouses about their value for the role they play at the household levels. Aside from these results, it was also found that 63.3% of the respondents strongly agree with the assertion that other members of the extended family, show them respect, 34.8% of them also indicated they are somehow respected by other members of the extended family. On the contrary, 0.5% and 1.4% strongly disagree and disagree indicating that they are not respected by other extended family members despite their levels of influence and role they play within the family. It is categorically evident that a total of 98.1% of the responses were strongly and somehow positive that they earned respect from other extended family members and they believed such is attributable to the role and capacity they have gotten out of being part of VSLA.

At the community level, the study further revealed that 55.8% and 42.3% of the respondents strongly and somehow agree respectively, with the assertion that people in their communities respect them. Thus, this category of respondents acknowledged that they get more respect from their community people now than before. Only, a sum of 0.8% and 1.1% indicated they never experienced such in term respect from their communities. In view of this, respondents further acknowledged that the people of their



communities are now consulting them and also value their opinions. This view was expressed by 80.2% of the respondents who participated in the study, except 19.8% of whom responded to the contrary. It is therefore concluded that VSLA has impacted on the value and recognition for most of the beneficiaries who participated in the study. This statement and interview data provide strong evidence that the VSLA approach contributes to changes beyond the household level and makes a difference in the position of women at community level. Starting with economic empowerment activities can thus pave the way for changes in relations, perceptions and eventually lead to shifts in power and empowerment.

A woman from Naro had this to say about her decision making at home;

*“With regards to some decisions (small household decisions) I make on my own, but large decisions, I have to consult. If I go to my husband for small decisions, he will say, now, we are living in the modern days so, you can do these small things on your own. You don't need to be asking me’. If I continue to bother him about small decisions, he will say, ‘Do I manufacture money? Am I a money company?’ (Laughter from group)*

*If women consult husband too much, they will be considered troublesome”*

#### **4.5.2 Impact of VSLA on decision making Power on Household Financial Expenses**

An impact evaluation by CARE (2012) in Ghana made findings from a study that showed that the VSLA programme implemented have generally contributed positively to a significant increase in women's contribution to household financial expenses. As it were, decision making power is very critical in assessing the levels of participation of members at the household levels. It was part of the study to generate information on who takes authority of deciding financial expenses at the household levels. In making this

assessment results were generated on VSLA beneficiaries and non-beneficiaries for comparative analysis. The results of this assessment are presented in Table 4.9.

**Table 4.9: General control of household financial expenses decision**

Responses	VSLA Beneficiaries		Non-Beneficiaries	
	Frequency	Percentage	Frequency	Percentage
	F	%	F	%
Me	86	25%	50	27%
My Husband	116	34%	110	60%
My husband and I	144	42%	24	13%
Total	346	100.00%	184	100%

Source: Field Data, 2016.

Table 4.9 above contains the results of a general assessment of results on who decides the financial expenses at the household levels. As per the results of the study, it was revealed that the decision power on financial expenses varies from one household to the other. Also, 25% of them responded that they take a decision on financial expenses of the households, 34% of the respondents also indicated that their spouses take the decision on financial expenses of their households, 42% also mentioned that the decision on financial expenses at the households are jointly taken by them and the respondents and their spouses. In addition, 1.5% of the responses revealed that their parents take decisions on financial expenses. Finally, 8.1% of them also indicated others as being responsible for taking decisions on the financial expenses at their households. In terms of non-beneficiaries, the study results showed that 27% of them takes financial decision regarding household expenses, 60% of them indicated their spouses takes authority and that 13% of them also indicated they took the financial decision of the household together as spouses.

*“Now, my husband consults me in almost all financial and non-financial matters concerning the facility, because he knows very well that I have contributions to make in*



*those matters. This business is where we all eat from, after preparing my porridge, I serve my household first before I move to the village. Sometimes I make revenue of about GHC 40.00, how much is that in a month?” She asked rhetorically. Since I started this business, we have never slept hungry and my children don’t skip school either, even if I don’t sell anything, we have Kooko” she added”-Participant, Namville*

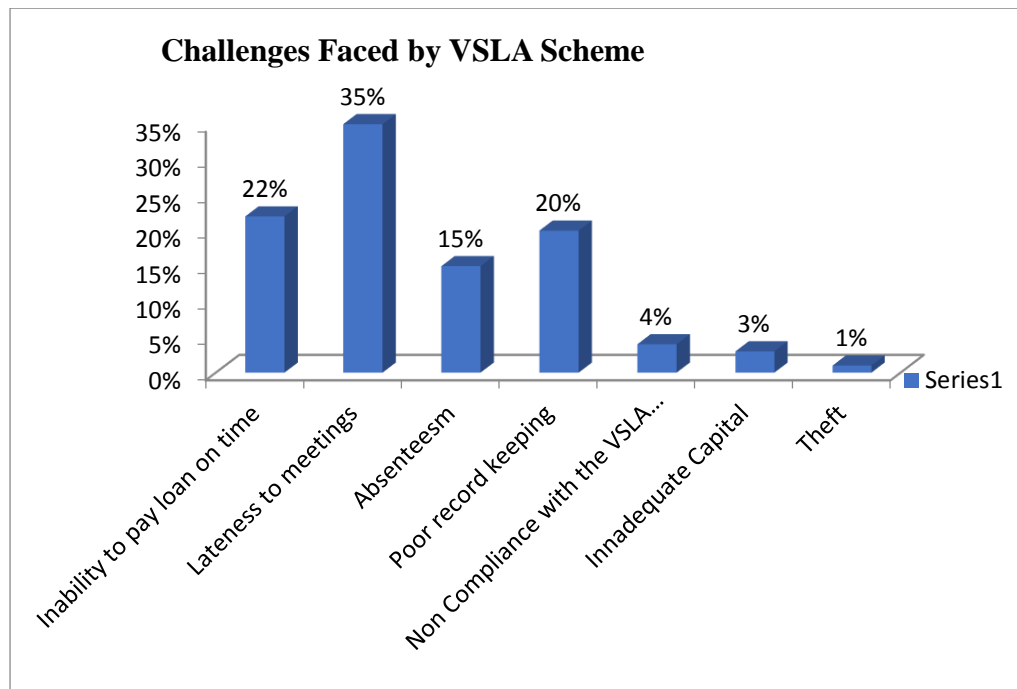
These results point to a clear finding that decision making power over financial expenses at the household levels is not static but varies from one household to the other. However, it is mostly on espouse, both spouse, parents of others who usually provides livelihood needs of the households. This shows that beneficiaries are better as compared to the non-beneficiaries based on the results from the findings.

### **Challenges Associated with VSLA Scheme**

The study also identified the challenges that are associated with the operations of the VSLA scheme. The respondents were made to indicate issues that pose challenges to them as beneficiaries of the scheme. The issues revealed by the study as the challenges associated with the VSLA included; poor attitude towards routine meetings, low repayment of loans taken from the VSLA, poor records keeping and non-compliance with the VSLA rules for its operations. The results of identifying these challenges are presented in diagram below (figure 4.7):



**Fig 4.7 Challenges facing VSLA Schemes**



**Source: Field Data, 2016**

With the issues facing the smooth implementation of the VLSA scheme, 35% of the total respondents indicated attending meeting late as the number challenge, while 22% indicated inability to pay the loan on time as a challenge. Furthermore, 20% of the respondents indicated poor record keeping as a challenge as the programme requires some bit of literacy especially with loan recording. About 4% indicated noncompliance to the fundamental rules governing the effective implementation of the VSLA and 1% indicated theft as a challenge based on the rankings made by the respondents.

In a Focus Group Discussion, a particular participant indicated that;

*“Group members normally give their contribution to other members to bring to meetings to buy shares. This practice brings absenteeism. For the group to continue functioning effectively, we have to turn back the contribution to the owners to enable them to be regular to meetings. These will curb absenteeism”.* **FGD Participant at Sombo**





This confirms Adongo (2012), Bannen and Abdul-Moomin et al, (2014) findings that lateness, Absenteeism, and inability to repay loans on time are challenges confronting the VSLA. From the data, about 4 % of respondents mentioned inadequate capital as the major challenge facing Village Saving and Loan Associations (VSLAs) in the study area. The VSLAs mobilize resources through the buying of shares, monthly fees and fines. The fines are paid for breach of group rules and regulation, e.g., delay in meetings or delay in payment of shares. This finding is comparable to the one found by Verhanet al., (2014) that, in a study they conducted in Arusha, it was reported that inadequate capital was the major challenge facing saving groups.

The FGD also included questions on which challenge the VSLAs have experienced during their implementation. This challenge was also reported in all the 4 FGDs conducted in this study; it was also noted that this challenge was prominent during commencement of the VSLA cycle and start of a cropping season where the majority of members need a loan for agricultural activities. To mitigate this challenge some VSLAs reported to link with the Sonzalli Rural Bank and adjust their constitution to accommodate partial share-outs as to have relatively large amounts of cash at the start of the cycle.

Furthermore, included in the others was the challenge of the respondents not having entrepreneurship skills to run a business? This finding is in agreement with the findings reported by Mkoma (2013) which showed that VSLA members in the study area had the challenge of inadequate entrepreneurship skills, and this was evidenced by the fact that loan fund utilisation was reported to be only 60% . One suggestion on improving the programme, the majority of the respondents representing 34% indicated increasing the latecomers fees will be appropriate in order to curb the issue of lateness that confront the various groups. Furthermore, majority are of the opinion that educating members and

encouraging them to adhere to the association's rules and regulations are highly necessary.

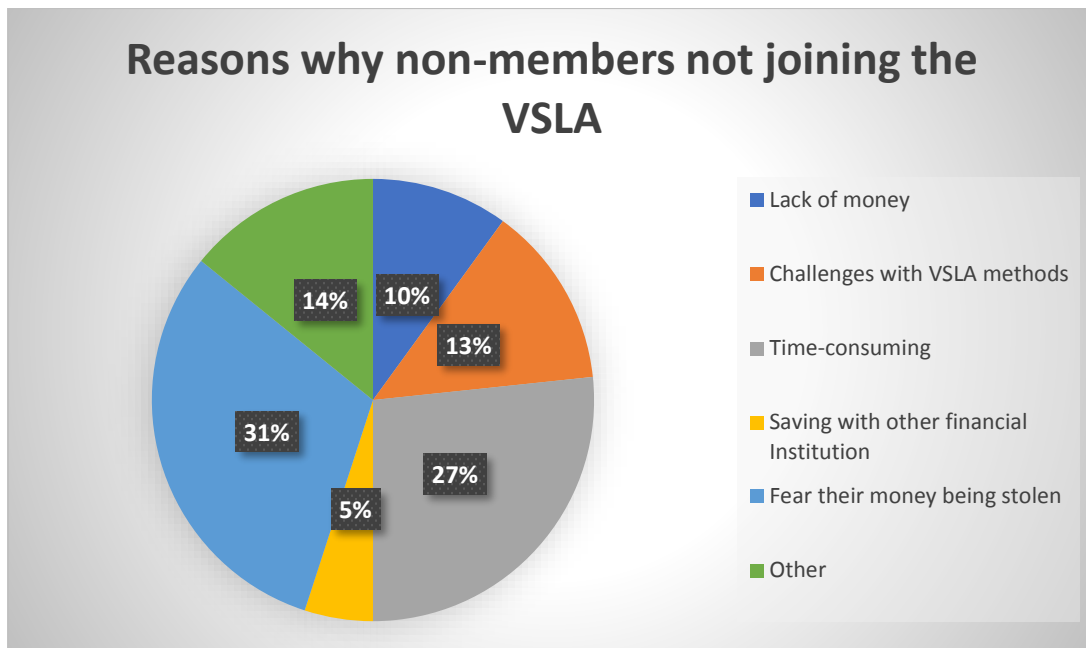
From the survey, 20% of the VSLA respondents indicated that poor record keeping was a major challenge faced by the VSLA as lamented by the director of WIDO;

*“Majority of the groups does not have literate members and this is making it difficult for these groups to become independent. As a result partner field officers need to continue visiting t these groups even though they understand the methodology and carry out meetings (share purchase and loan disbursement successfully). The FOs has made efforts to train some members in such groups but the pace at which they grasp the new knowledge is very slow. In most cases the groups have been encouraged to co-opt a literate into their group or hire one for a fee to help them keep accurate records”*

The survey sought to find out why the non-beneficiaries are not involved in the activities of the VSLA. The survey found that overall, the majority (31 %) of respondents fear of their money being stolen from them as the major reason why they do not join the VSLA, while 27% of them thinks the group meetings might be time consuming and a waste of time. Also 13% of them had issues with the modalities of the VSLA concept, and 10% thought they might have issues with meeting the compulsory weekly contributions. A significant percentage of 14% gave varied reasons why they could not join the project, but indicated that they were all given equal chance to join the project.



**Fig 4.8 Reasons for Non-members not joining the groups**



**Source: Field Data, 2016**

The focus group discussion data show that the selection process of the groups is being done in a very open and transparent way and that participation is key. The group members participate on a voluntary basis and their motivation to comply with the group's rules and regulations are high. This research did not point out any problems with the selection process.

During the discussion with the field officers of the implementing partner organization, he mentioned that, during the implementation of the project, the project recorded nine theft cases regarding the VSLA boxes which resulted in situations where group members declined to accept the role of box keepers, and some box keepers threatened to resign. This problem was solved by linking some of the groups to Barclays Bank Limited and other financial institutions to open savings accounts for the groups and allow them ready access to their money.

During the process of the interview with the project coordinator, CARE international, he mentioned that in the process of solving the fear both VSLA and non-beneficiaries with





regard to the safety of the cash in the VSLA box, the project tried opening an accounts with Barclays Bank, the institution that funded the creation of the groups, but were challenged severally in the pursuance of opening the account. The first challenge was the limited distribution of Barclay's bank branches in the Regions where the BoC project was being implemented especially in northern Ghana. The five branches targeted for linkage were inadequate for the groups created and this presents a major challenge in facilitating linkages of VSLAs to Barclays Bank. The Barclays bank branch in Wa that was identified for linkages for groups in the Upper West Region was too far for the groups. Also, he mentioned that, there was some considerable delay in opening of the accounts for matured groups undertaking the financial linkage programme, which was due to complex accounts opening procedure from Barclays bank. Furthermore, the VSLA groups had difficulty meeting the conditions set by the bank for accounts opening, as the VSLA group members could not readily provide copies of utility bills, location addresses and append signature leading to prolonged account opening processes.

Experience in Community Managed Microfinance programmes and development circles in general has clearly shown that one of the best ways to reach out to more rural communities and at lower cost is through the use of trained Community Volunteers (CVs), who live in the target communities, and can form and train VSLAs on demand for a fee. The main advantage is that CVs will continue to train new VSLAs (and support old ones) even after a project has ended. The CVs were selected using a standard criteria which included their literacy level, willingness to live and work with groups in their own rural communities, prior experience and knowledge with the VSL methodology as well as a track record of honesty and good behaviour which community members attest to. During the interview with the community Volunteers, they stated lack of motivation as one of the critical factors that affected their role in providing services to the VSLAs and

the creation of new ones. They mentioned that, the VSLA members are finding it difficult to compensate them in kind and in cash for the services that they provided to the groups, which they attributed to lack of proper agreement with the groups which should have been done, spelling out the terms and conditions for their services.

A community volunteer had this to say about VSLA formation:

*“We know we are doing a good work for our community in providing the services to the groups and the community, and we are seeing the effect of our efforts as the groups develop savings culture and develop their businesses through small loans from the loan”*

#### **Community Volunteers.**

Also, the director of WIDO had this to say:

*“There is the opportunity for other stakeholders like the District Assemblies and the offices of Business Advisory Centre (BAC) to be involved in the certification of the CVs, to give it wider acceptance and also provide CVs with the opportunity to provide groups with a broader array of services. Again, VSLA can be used as an entry point for other non -financial services initiative e.g. (Behavioural change initiatives), such interventions are easily accepted. There is also the opportunity for VSLA members under the project to be given stronger voice through registration into co-operative societies or networks which will enable them access more funding and other opportunities to upscale their businesses and livelihoods. ”* **Director, WIDO**



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This section of the study discusses and presents the summary of major findings, conclusions and recommendations of the objectives of the study. Specifically, the summary covered core findings on the objectives of the study. The chapter also considers the implication of the findings to policy and practice in relation to livelihood sustainability of women and suggests future research studies presented immediately below are the summary of the major findings of the study.

#### 5.2 Summary of Major Findings

The main objective of the study is to assess the contribution Village Savings and Loans Association (VSLA) on the socio-economic livelihoods of beneficiary households in the Nadowli-Kaleo District of Upper West Region. The specific objectives of the study are to: examine the role of VSLA in enhancing women access to and use of financial services in the Nadowli district, assess the contribution of VSLA on household income and determine the level of influence of the VSLA scheme on women's participation in decision making processes at the community and household level. Finally to identify the challenges faced by VSLA as a scheme and other stakeholders of the scheme. This was to help improve the access and use of VLSA in the study area and other areas where this is been implemented.

Majority of the beneficiaries indicated that, the programme has enhanced their savings ability and also tend to use more other savings options other than savings at home, such as the use of mobile money as savings option and other financial institutions whiles the non-beneficiaries use more of savings at home as their major savings option. The





programme aided beneficiaries (women) to access loans which have empowered them socially. Majority of the respondents representing 76% of the VSLA beneficiaries have access to loan with the non-beneficiaries (24%) having problems accessing loans as at the past 12 months. The amount of loans contracted by the various beneficiaries and non-beneficiaries of VSLA, majority (31%) of VSLA beneficiaries accessed loans ranging between GHS10 – 1,200) for beneficiaries and GHS10-1050) with a mean loan of GHS 108.00 and GHS 139.26 respectively. This is however not surprising because the maximum income of participating household is also greater than non-participating households despite the fact that both groups have the same level of minimum income. The standard deviation which measures the variability of value of loans taken by beneficiaries and non-beneficiaries shows that beneficiaries have a wider spread of variability in their loan taken as compared to non-beneficiaries

Comparison of average household income of programme household and non-programme household showed that non-programme households had an average household income which was greater than average household income for programme households. The mean income of participating respondents is greater than that of nonparticipating respondents.

In sum, the comparative analyses of incomes of non-beneficiaries and VSLA beneficiaries have clearly shown that there have been changes in the incomes levels of the beneficiaries. The beneficiary VSLA members have also attested that the increases in their incomes are attributed to their income generating engagements that are as a result of the VSLA treatment intervention.

The benefits women get from participating in the VSLAs include, less dependent on their husbands, access to their own resources and providing them with general information and on women's rights and good knowledge on their community development that is shared among group members. The confidence levels of VSLA beneficiaries to speak in



community meetings have improve and this reflects empowerment in terms of participating in decision making at the community levels and thereby aiding the participants to save and access loans which goes a long way to empower them socially. Challenge confronted by the VSLA programme included the inability of respondents to pay loans on schedule, lateness to meetings, absenteeism, time consuming during meetings, methodologies used by the VLSA and the fear of their money being stolen were some of the reasons mentioned by non-beneficiaries for not joining the programme. Meanwhile, stakeholders are of the view that VSLA has come to fill a vacuum of poor savings. Also, the microfinance institutions that provide small loans to beneficiaries especially to women appear ineffective in building the savings habit of beneficiaries, while with VSLA, the beneficiaries are groomed to develop the savings habit through which they in turn provide loans to themselves and also manage the scheme themselves. Stakeholders also revealed that the VSLA scheme is community driven as compared to the microfinance operations and that the sustainability of the VSLA practices is very high because upon introducing the intervention beneficiaries adapt same and operate it easily without much difficulty. The stakeholders further indicated that when VSLA beneficiaries are supported to engage in income generating activities, they can save to impact the livelihood needs of their households.

### **5.3 Conclusions**

In conclusion, the Village Savings and Loans Association (VSLA) in the Nadowli-Kaleo District of Upper West Region has made beneficiaries to have good access to financial services at their group level to support their businesses with some fraction going into the maintenance of their families. VSLA is perceived to have empowered beneficiaries and boosting their confident levels coupled with poor attitude towards routine meetings and

non-repayment of loans taken from the VSLA is the major challenges of VSLA operations.

#### **5.4 Recommendations of the study**

Having investigated the issues on each of the objectives of the study, several findings were made and based on such a number of recommendations as suggestions were made on substantive issues that emerged from the findings of the study. The following recommendations were made for the study.

- One of the critical issues that emerged from the study was the poor records keeping by the VSLA groups. It was indicated that mostly in typical rural settings, getting literates to keep records has remained a challenge to many groups. During the CARE's project intervention, a scheduling officer existed to periodically assist them with the records. However, upon the exit, it became a challenge. In response to this challenge, further capacity building on alternative means of keeping the records accurately by the illiterates in their administration of the VSLA schemes is needed for purposes of sustainability. Sometimes, when the records are not properly kept, it creates confusion especially during share out.
- It was noted that poor commitment to meetings by members of VSLA affects the uniformity and the strength of their activities. It is recommended that the VSLA model should be reviewed in order to identify the gaps such that activities of the VSLA operations would be linked to the attendance of meetings in order to curtail the poor commitment to meetings by members.
- On the aspect of access to finances, even though the study found VSLA beneficiaries to have access to small loans, the amounts of monies involved as loans were very small such that it could rarely boost the income generating activities of the



beneficiaries to a large scale. This means that aside from providing opportunities for the beneficiaries to develop savings, there is the need for these VSLA groups to be linked to MFIs that are available in their operational areas.

- Still on the issues of access to finance, there is the need for the VSLA groups to be given adequate capacity building training on loan services. In order to achieve this, the VSLA groups that are successfully created and sustained should be networked and linked to the National Board for Small Scale Industries (NBSSI). These stand the chance of getting information and access to available business development services from both government and Non-governmental agencies. The tendency is that they would be opened up to the business opportunities and skills leading to enhanced business development and timely payment of loans.



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## APPENDICES

### Appendix 1.....Questionnaire

#### UNIVERSITY FOR DEVELOPMENT STUDIES FACULTY OF INTEGRATED DEVELOPMENT STUDIES QUESTIONNAIRE

My name is \_\_\_\_\_. I am a Master of Philosophy Student in Development Studies at the Faculty of Integrated Development Studies, University for Development Studies. I am conducting an academic study on “The contribution of Village Savings and Loans Association (VSLA) on beneficiaries’ livelihoods conditions using the CARE banking for change project. The information provided by the interviewee will be treated as highly confidential and will be for academic purposes. Information is only collected for research purposes in order to establish the impact of the VSLA i.e. BANKING ON CHANGE program on VSL members. I, therefore, request you to feel free and provide frank and honest answers without fearing any negative consequences or disclosure. I will only be looking at the collective feedback of ALL the respondents not the individual responses.

#### SECTION 1: SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE VSL MEMBER

to	QUESTIONS	CODES	GO TO
<b>ENUMERATOR: FROM THE HOUSEHOLD ROSTER (SECTION 1A), REPORT THE MEMBER DEMOGRAPHIC INFORMATION AND CONFIRM THIS INFORMATION WITH THE MEMBER</b>			
Q1	THE SEX OF THE VSL MEMBER RESPONDENT	MALE 1 FEMALE 2	
Q2	AGE OF THE MEMBER	AGE <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Q3	LITERACY OF THE MEMBER IN ENGLISH OR ANY OTHER LOCAL LANGUAGES	YES 1 NO 2	
Q4	HIGHEST LEVEL OF EDUCATION REACHED BY THE MEMBER?	NONE 0 PRIMARY 1 SECONDARY 2 COLLEGE/UNIVERSITY 3	
Q5	MAIN OCCUPATION OF THE MEMBER	STUDENT/PRE-SCHOOL 10 DOMESTIC WORK 11 RETIRED 12	





		NO OCCUPATION 13 WORKS ON OWN FARM 20 AGRICULTURAL WORKER 21 ANIMAL HUSBANDRY 30 EMPLOYEE (FORMAL SECTOR) 40 EMPLOYEE (INFORMAL SECTOR) 41 CASUAL LABOUR 43 WORKS IN FAMILY BUSINESS 50 SELF-EMPLOYED 51 PETTY TRADE 52 MAKING HANDICRAFTS 60 PROVIDING SERVICES/REPAIRS 61 OTHER _____ 96 (SPECIFY)									
Q6	What is your current marital status?	SINGLE 1 WIDOW 2 DIVORCED/SEPARATED 3 MARRIED MONOGAMOUS 4 MARRIED POLYGAMOUS 5									
Q7	Are you a Current member of a VSLA?	YES 1 NO 2									
Q8	What is the current number of your household	Two-Five Six –Ten									
Q9	When did you join this VSLA group?	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table> M M Y Y  ENUMERATOR: RECORD THE MONTH AND YEAR WHEN THE RESPONDENT HAS to JOIN THE GROUP									
Q10	Before joining this group were you a member of any other VSLA group?	YES 1 NO 2									
Q11	For what reasons have you decided not to join group?	GROUP LEADERSHIP PROBLEMS A UNABLE TO SAVE B COULD NOT ATTEND MEETINGS C NO CONCRETE RESULTS E NOT SATISFIED WITH THE GROUP D HUSBAND IS OPPOSED E CONFLICT INSIDE THE GROUP F OTHER _____ G (SPECIFY)									

## SECTION 2: ACCESS TO FINANCIAL SERVICES

**ENUMERATOR READ OUT:** *Now I would like to ask you about loans that you personally have taken out. We want to remind you that we are not connected to the government, banks or loan officers in any way. We want to ask about these loans that you have personally taken for research purposes only. Please be reminded we are not interested in loans taken by other members of your household.*

No.	QUESTIONS	CODES	GO TO
Q12	During the last 12 months, did you contract any loan?	YES 1 NO 2	→ 205.1
Q13	How many loans did you contract?	<input type="text"/> <input type="text"/>	

**FOR EVERY LOAN CONTRACTED DURING THE LAST 12 MONTHS, SPECIFY THE SOURCE OF THE LOAN, THE AMOUNT, THE UTILIZATION**

LOAN N	From whom did you contract the loan during the last 12 months?	What was the amount of the loan you contracted during the last 12 months? SPECIFY THE AMOUNT IN LOCAL CURRENCY	What did you mainly use the loan(s) for?
	Q14	Q15	Q16
1		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
2		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
3		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
4		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

CODES			
Q14		Q16	
1= PRIVATE BANK	2 =	1= HOUSING	2= BUSINESS CAPITAL (IGA)
2= GOVERNMENT BANK		3=LIVESTOCK	4 = BOUGHT LAND/FARM
3= MONEY-LENDER/ SHOP KEEPER	4 = SELF-	5= BOUGHT UTENSILS/FURNITURES	
4= NEIGHBOR/ RELATIVE		6= CHILDREN'S SCHOOL FEES	
5 = FAMILY/ FRIEND/ NEIGHBOR		7= BOUGHT FOOD	8= MEDICAL EXPENSES
6 = MICRO-FINANCE INSTITUTION	7 =	9=CLOTHING	10=FUNERAL
7= COOPERATIVE	8 = WHOLE-	11=AGRI. INPUT/SEED	96=OTHER (SPECIFY)
8= SALE/ CROP BUYER	96 = OTHER (SPECIFY)		

*Now I would like to ask you some questions about your personal savings. In which ways are you currently saving your money? Can you provide for each saving mechanism the total amount you currently have in your account.*

Q17. In which ways are you currently saving your money?  ENUMERATOR: REFER TO THE CODE BELOW THE TABLE. IF OTHER SAVING MECHANISM MENTIONED, PLEASE SPECIFY IT IN THE BOX	Q18. What is the total amount in GHc you currently have in this account?  ENUMERATOR WRITE THE AMOUNT IN LOCAL CURRENCY	Q19. Compared to last one/two years, have you experienced any change in your savings pattern?	Q20. What have you been spending your savings on?
<input type="text"/>	<input type="text"/>	SIGNIFY IMPROVE 1 SLIGHTLY IMPROVED 2 STAYED THE SAME 3 SLIGHTLY WORSEN 4 SIGNIFY. WORSEN 5	HOUSING A BUSINESS CAPITAL (IGA) B LIVESTOCK C BOUGHT LAND/FARM D BOUGHT UTENSILS/ FURNITURES E CHILDREN'S SCHOOL FEES F BOUGHT FOOD G MEDICAL EXPENSES H LOthing I FUNERAL J AGRI. INPUT/SEED K OTHER (SPECIFY) L
<input type="text"/>	<input type="text"/>		
<input type="text"/>	<input type="text"/>		
<input type="text"/>	<input type="text"/>		
<input type="text"/>	<input type="text"/>		
<b>CODE Q20</b>			
1=PRIVATE BANK, 2=GOVERNMENT BANK, 3=MICRO FINANCE INSTITUTION, 4=VSLA, 5=ROSCA, 6=SELF-HELP GROUP, 7=SACCO, 8= KEEP WITH RELATIVE/FAMILY, 9=IN THE HOUSE, 10= FARMER ASSOCIATION, 11= COOPERATIVE, 12=KEEP WITH LOCAL TRADERS 96= OTHER (SPECIFY)			



<b>Q21. Property Income</b>	Monthly earning (Cash)	Earning in kind (Last 12 Months)	Annual earning (Cash) If Yearly		
House Rent					
Animal Hiring					
Land					
Others					
Total					
14. Enterprises (IGAs): code	Gross monthly earnings/sales				
Total					
Form IGAs from crops:					
Crop	Qty in Kgs harvested	Amount kept & consumed (kgs)	Amount Sold –Kgs	Unit Price	Earnings from sale
Livestock Income: Last 12 months					
t	Qty in Kgs harvested	Amount kept & consumed (kgs)	Amount Sold –Kgs	Unit Price	Earnings from sale
Q24. Labour Income:	<b>Constant/Regular Employment</b>		SEASONAL EMPLOYMENT: Average wage per month		

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### SECTION 3: VSLA CONTRIBUTIONS TO THE INCOME OF WOMEN

SECTION 4: contribution of VSLA ON beneficiaries' gender relations and community participation

#### A: SELF IMAGE/CONFIDENCE & SOCIAL POSITION

On a scale from 1-4, with 1 =I strongly disagree; 2=I somehow disagree; 3= I somehow agree; 4= I strongly agree. Please rate the following statements:

No.	Q25. STATEMENTS	SCORE / 4
<b>MEMBER'S SELF ESTEEM</b>		
1	I can resolve problems on my own	<input type="checkbox"/>
2	If somebody opposes me, usually I can find a way to get what I want	<input type="checkbox"/>
3	I always find some way to deal with problems that confront me	<input type="checkbox"/>
4	I can influence my spouse's decision making [IF NOT MARRIED PUT 8]	<input type="checkbox"/>
5	I can take action to improve my life	<input type="checkbox"/>
6	I can influence important decisions in my community	<input type="checkbox"/>
7	I am confident to speak in community meetings	<input type="checkbox"/>
<b>26. MEMBERS' PERCEPTION OF THEIR SOCIAL POSITION</b>		
8	My spouse shows me respect [IF NOT MARRIED PUT 8]	<input type="checkbox"/>
9	My spouse values my role in the household [IF NOT MARRIED PUT 8]	<input type="checkbox"/>
10	Other members of the extended family show me respect	<input type="checkbox"/>
11	People in the community ask and value my opinion	<input type="checkbox"/>
12	People in the community respect me	<input type="checkbox"/>



## SECTION 5: HOUSEHOLD DECISION MAKING

No	QUESTION	CODE	GO TO
Q 27.	In general, who in your household decides about the household financial expenses allocation?	ME 1 MY SPOUSE 2 ME AND MY SPOUSE 3 MY PARENTS 4 OTHER _____ 6 (SPECIFY)	
Q28.	Can you use freely the income from your IGA without anybody else's permission?	YES 1 NO 2 DO NOT CONDUCT IGA 8	
Q29.	Can you use freely the production from your field without anybody else's permission?	YES 1 NO 2 DO NOT PRODUCE 8	



**SECTION 6 : Challenges Associated with VSLA Scheme**

Q 30	Are you a member of a VSLA group?	YES 1 NO 2 If No go to Q 3
Q 31	What are the challenges you face in your groups?	LATENESS TO MEETING A UNABLE TO SAVE B COULD NOT ATTEND MEETINGS C INABILITY TO PAY LOAN ON TIME D ABSENTEESM E POOR RECORD KEEPING F NON-COMPLANNCE WITH GROUPTULES G CONFLICT INSIDE THE GROUP F OTHER _____ X (SPECIFY)
Q 32.	Reasons for not joining the VSLA	LACK OF SAVINGS OPPORTUINITY A CHALLENGES WITH VSLA METHORDS B TIME CONSUMING MEETINGS C SAVINGS WITH OTHER FINANCIAL INSTITUTION D FEAR OF FUNDS BEING STOLEN E OTHERS ..... F

Q33. If yes to Q99, enumerate the challenges associated with the VSLA as a tool for women empowerment.



## Appendix II

### Appendix II ..... Key Informant Interview Guide

This research instrument is designed to solicit for empirical data for the conduct of academic exercise on the above mentioned topic for the award of Mphil degree in Development Studies, UDS. Your support and cooperation is very much anticipated as information given will be treated with utmost confidentiality.

#### KEY INFORMANT SURVEY- INTERVIEW GUIDE

1. What type of activities do you do in relation to the VSLA?
2. What support do you offer to the VSLAs?
3. What is a situation of CARE's VSLA beneficiaries in terms of access and use of financial services in the Nadowli-Kaleo District (probe)?
4. What are the level of women's household decision making and community participation in VSLA beneficiary households (probe)?
5. What are the challenges confronting the VSLAs in your perspectives?
6. What do you think can be done to overcome these problems?
7. What benefits do these groups offer women who are members?
8. What do you think can be done to sustain the groups?
7. What is your view of VSLs in this community?
8. Have you noticed any changes in the community because of the VSLs?
9. Have you noticed any changes in households?
10. If you could change anything about VSLs, what would it be?



### APPENDIX III

#### Appendix III.....FOCUS GROUP DISCUSSION GUIDE

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1. What is the name of this group?
2. How old is the group or number of years in existence?
3. How was the group formed?
4. How do you give loans and mode of repayment?
5. What is your interest rate?
6. How is the VSLA supporting you in your daily lives and businesses?
  - i. How has the VSLA affected you, positively and negatively?
  - ii. What are the challenges facing the VSLA programme?

