UNIVERSITY OF CAPE COAST

UTILIZATION OF MICROFINANCE LOAN AMONG CLIENTS OF THE UPPER MENYA KROBO RURAL BANK OF THE EASTERN REGION OF GHANA

BY

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Thesis submitted to the Department of Geography and Regional Planning of the Faculty of Social Sciences, University of Cape Coast in partial fulfilment of the requirements for the award of Doctor of Philosophy Degree in Geography and Regional Planning

OCTOBER, 2017

DECLARATION

Candidate's Declaration

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

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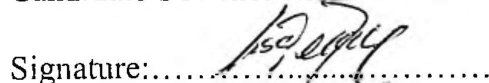
Signature:................. Date: 21/11/17.........

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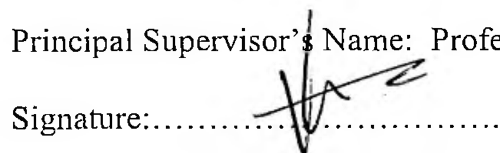
Signature:................. Date: 21 - 11 - 17

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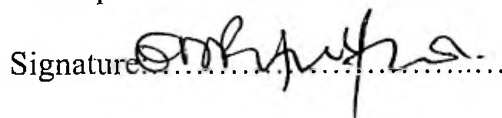
Signature:.......... Date: 21/11/2017.......

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ABSTRACT

Micro and small enterprises constitute an important feature of the economy of many countries. The microfinance concept, which emerged in the late 1970s, aimed at providing financial services to poor entrepreneurs in order to enhance their socio-economic status. This thesis sought to assess from the perspectives of microfinance client, loan utilization and wellbeing. The study was guided by the Sustainable Livelihood Framework.

Using quantitative and qualitative techniques, a sample of 420 clients of the Upper Manya Krobo Rural Bank (UMKRB) in the Eastern Region of Ghana was selected. The sample consisted of new, repeated, permanent and exit clients. The data were collected through interview schedules, focus group discussions and in-depth interviews.

This study results indicated that the clients of the microcredit programme had expanded their businesses and increased their income levels. Specific issues that significantly influenced business expansion were length of participation, use of loan and non-financial service training. Among the challenges that the clients encountered were high interest on loan, charges and deductions from loans and frequent group meetings.

The study recommends among others that the management of the Bank should provide continuous advisory, counselling, training and other business development support services for the clients. The clients should utilise loan for the purposes for which the loans were granted.

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DEDICATION

To my children: Doris, Raymond and Esther.

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LIST OF ACRONYMS

ACCION	Americans for Community Cooperation in Other Nations
ADB	Agricultural Development Bank
AfDB	African Development Bank
AM	Area Manager
AMIS	Assessing the Impact of Microcredit Services
ARB	Association of Rural Banks
BoD	Board of Directors
BoG	Bank of Ghana
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
CARE	Cooperative for Assistance and Relief
CGAP	Consultative Group to Assist the Poor
CSA	Credit and Savings Association
CUA	Credit Unions Association
CwE	Credit with Education
DANIDA	Danish Development Agency
DCE	District Chief Executive
DfID	Department for International Development
FFHG	Freedom From Hunger, Ghana
FGD	Focus Group Discussion
FINCA	Foundation for International Community Assistance
FNGOs	Financial Non-Governmental Organizations

FSO	Finance Services Officer
FSS	Finance Services Supervisor
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GHAMFIN	Ghana Microfinance Institution Network
GLSS	Ghana Living Standard Survey
GM	General Manager
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
ICPD	International Conference on Population and Development
IDI	In-depth Interview
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
KAP	Knowledge, Attitude, and Practice
MASLOC	Microfinance and Small Loan Centre
MDGs	Millennium Development Goals
MEAL	Micro-Enterprise Assistance Loans
MFIs	Microfinance Institutions
MFT	Microfinance Transparency
MIX	Microfinance Information Exchange
MSEs	Micro and Small Enterprises

MSME	Micro, Small, and Medium Enterprise
NBSSI	National Board for Small Scale Industries
NGO	Non-Governmental Organization
PAF	Poverty Alleviation Fund
RCBs	Rural and Commercial Banks
RFSP	Rural Financial Services Programme
ROSCAs	Rotating Savings and Credit Associations
S&L	Savings and Loan
SAP	Structural Adjustment Programme
SCIMP	Smallholder Crop Improvement and Marketing Project
SEEP	Small Enterprise and Education Project
SLA	Sustainable Livelihood Approach
SPSS	Statistical Package for the Social Sciences
TDA	Tailors and Dressmakers Association
UK	United Kingdom
UMKD	Upper Manya Krobo District
UMKRB	Upper Manya Krobo Rural Bank
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
USA	United States of America
WCED	World Commission on Environment and Development
WEDTF	Women's Entrepreneurship Development Trust Fund

CHAPTER ONE

INTRODUCTION

Background to the Study

Globally, micro and small enterprises (MSEs) constitute an important feature of the economy of many countries. They are significant in contributing to wealth creation and poverty reduction. The important role of MSEs in national development is increasingly recognized in development theory-a phenomenon which has also attracted the attention of policy makers. The benefits of MSEs go beyond the individual and the household levels as others in the society can also gain from it through social relations or networks (Ssewamala, Lobe & Curley, 2006). Steel and Webster (2004) have noted that the small business sector provides about 85 percent of manufacturing, processing and service employments, thus ensuring balanced economic growth in many countries.

In the United States of America (USA), small businesses represent about 99.7 percent of all employer firms and provide jobs to over half of all private sector employees, pay 44 percent of total US private payroll, generate 64 percent of new jobs, and produce 30 percent of the known export value in 2007 (Kathryn, 2007). According to the China's National Bureau of Statistics, 99.6 percent of enterprises in China were small businesses as at the end of 2005 and these enterprises accounted for 59 percent of GDP, 60 percent of total sales, 48.2 percent of taxes, and about 75 percent of employment in urban areas (Sheng, 2009).

In developing countries, small businesses usually operate in the informal economy. This economic system is not controlled by the state, and so, income

generated in this sector is usually not recorded for taxation purposes, and is also often unavailable for inclusion in the Gross Domestic Product (GDP) computations. The sector is pervasive and a persistent economic feature of most developing economies, contributing significantly to employment creation, production, and income generation. Examples of these employments are seen on the streets and in-house-based activities, including vending of food and small merchandises, in health care by traditional healers, the work of tailors and seamstresses, beauty salons, the manufacturing of furniture, and repair of automobiles. These businesses, according to Arunatilake and Jayawardena (2010), contribute about 70 to 85 percent of all employments in developing countries and are significant to national growth and poverty reduction.

In 2006, the International Labour Organisation (ILO) reported that small business activities accounted for 48 percent of non-agricultural employment in North Africa, 51 percent in Latin America, 65 percent in Asia, and 72 percent in sub-Saharan Africa (Vandenberg, 2006). Schneider (2010) has noted that the size of the informal sector accounts for an average 42 percent of GDP in 23 African countries including Ghana in 2000. In South Africa, with a larger formal sector, informal economy still constitutes between 7 percent and 12 percent of GDP (Devey, Skinner, & Valoadia, 2006). Haan (2006) documented that the small business sector in Botswana, Kenya, Malawi and Zimbabwe constitutes almost two-third of all enterprises and were owned primarily by sole proprietors. Results from the Ghana Living Standard Survey 5 (GLSS 5) indicate that about 70 percent of Ghanaian enterprises are micro to small (GLSS, 2008). According to Abor and

Quartey (2010), the sector contributes about 85 percent of manufacturing employment in Ghana. They estimate that the sector contributes about 70 percent to Ghana's GDP and account for about 92 percent of businesses in Ghana (Abor & Quartey, 2010).

In contrast to their immense contribution to the economy, small businesses find it difficult to access institutional credit to improve their activities. This is because, on the one hand, owners of these businesses are not well endowed and cannot provide the necessary collateral security often demanded by the banks. On the other hand, the banks find it difficult to recover the high cost involved in dealing with small firms. Additionally, the associated risks involved in lending to small firms make it unattractive to the banks to deal with them. Small businesses are also reported to have high failure rates, making it difficult for formal money lenders to assess accurately their viability (Meder, 2010). Consequently, owners of these business enterprises suffer serious economic deprivation as they strive hard to satisfy their basic financial needs.

According to the World Bank (2013), 22 percent of the population of the developing world (including Ghana) live below $1.25 a day and most people barely have enough to spend or save for emergencies. The Consultative Group to Assist the Poor (CGAP) has reported that out of about 3 billion business-minded, but poor people across the world, less than 17 percent have access to institutional credits (CGAP, 2011). As a result, the informal credit sector in general, and money lenders in particular, serve the financial needs of poor people with exorbitant interest rates some of which are well over 100 percent (Basu, Blavy & Yulek, 2004). Informal

sector loans, especially those from money lenders, are often considered unproductive and usually keep borrowers in perpetual debt traps.

Borrowing from friends and family members for business purposes has some advantages, including the absence of complicated loan application and approval processes, relatively low interest rates, less waiting time and also when the business fails, a friend or family member may be more generous than a bank. However, financial disputes can have devastating repercussions and ruin personal relationships. Besides, business owners who borrow from relatives and friends are often pressured into listening to suggestions and advice that may not always be sound for the business. Family members may even want to help in running the business or feel that their investment entitles them to make important decisions for the business (Adams, 2010).

Given the difficulty and failure of poor people to access credit from formal financial institutions, economists and policy makers in the 1970s started thinking of new ways of providing financial assistance to the poor to venture into income generating activities. It was at this juncture that the concept of microfinance came into being. Microfinance is defined as an economic development approach, which involves providing financial services through institutions to low-income clients, where traditional banking institutions fail to provide their services. The microfinance industry includes services such as microcredit, micro-insurance, micro-savings and money transfers, amongst other things. Microcredit, which refers to the provision small loans to poor people, is a component of microfinance (Habka & Zaidi 2005; Vrajlal, 2006; Dupas & Robinson., 2013).

The Nobel Prize Committee for 2006 defined microfinance as a liberating force and an important instrument in fighting poverty (Adams, 2010; Yunus, 2007). Others view microfinance as a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. By reducing financial constraints and increasing earnings and savings, microcredit allow poor households to make the transformation from "everyday survival" to "planning for the future. Households are thus able to send more children to school for longer periods and make greater investments in their children's education. Increased earnings from microcredit lead to better nutrition and living conditions, which translate into a lower incidence of illness (Karlan & Vaidivia, 2010).

To buttress the importance of microcredit as a weapon against poverty and hunger, the United Nations (UN) declared 2005 as the International Year of Microcredit to build world-wide support for making financial services more accessible to poor and low-income people (International Year of Microcredit Report, 2005). Microcredit has since become popular as the number of microfinance institutions increased and the number of people who received credit from these institutions continues to rise all over the world (Daley- Harris, 2006). For example, microfinance institutions such as the Grameen Bank in Bangladesh, Banco Sol in Bolivia, Bank Rakyat in Indonesia, Americans for Community Cooperation in Other Nations and the Foundation for International Community Assistance (FINCA), have expanded their frontiers and continue to contribute significantly to reducing poverty among their clients.

Microfinance has been practiced at various times in modern history. For example, Jonathan Swift inspired the Irish Loan Funds of the 18th and 19th Centuries and Lysander Spooner wrote about the benefits of numerous small loans for entrepreneurial activities, while microfinance was included in the Marshall Plan at the end of World War II (Vrajlal, 2006). However, in its most recent emergence, with attention paid by economists and politicians worldwide, it can be linked to Muhammad Yunus and several microcredit organisations which pioneered it in Bangladesh. The microfinance market capacity which was estimated to be close to USD 7 billion in 2015 is expected to increase to USD 14 billoin by 2019 (Etzenperger, 2014). In recent times, over 700 million people worldwide are bank account holders with a financial institution, reducing the number of unbanked adults 2 billion. Microfinance has played an important role in this achievement, especially amongst poor people including women in developing countries (World Bank, 2015; b).

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 or enhance businesses and farming ventures (Bank of Ghana, 2007). There are reports indicating that the first Credit Union in Africa was established in Northern Ghana in 1955 by the Canadian Catholic Missionaries for parishioners as a thrift society within the parish. The *susu* scheme of itinerant saving collection, which is a means of micro-savings in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early 20th Century (Asiama & Osei, 2007). The International Monetary Fund (IMF) Country

Report on Ghana in 2003 observed that constraints in the financial sector of the country restricts financial opportunities for informal sector investment and thus seriously impedes business investment in Ghana (World Bank, 2003). Several studies including (Haltiwanger, 2011; Osei-Assibey, Bokpin & Twerefou, 2012; Fraser, Bhaumik & Wright, 2013; Mulaga, 2013) have established that credit facilities can help people make larger investments more affordable, and to take advantage of profitable business opportunities. Thus, with access to credit, people can invest in more lucrative activities and earn more income and at the same time, improve upon their quality of life.

Making credit available and accessible to small businesses and firms in Ghana will not only promote self-employment and skill acquisition, but also drive competitiveness in the industrial sector, leading to economic development, growth, and poverty reduction (Alabi, Alabi & Ahiawordu, 2007: Adjei, 2009). In broader terms, access to financial services can increase incomes and provide other benefits that will enable people to manage their business and household finances more effectively, smooth out consumption, make savings for emergencies, and be able to cope with illness or other temporary shocks that characterized the everyday existence of the poor.

Problem Statement

The construction of the Akosombo Dam in 1961 which created the Volta Lake reservoir, flooded 70 percent of the Volta Basin and destroyed nearly 88

percent of the farmlands in the Upper Manya Krobo Dstrict (Amanor, 2004). Crops such as cocoa, coffee and palm plantations, which were the livelihood activities for the people, were lost (Gyau-Boakye, 2011). The construction of the Dam also resulted in the relocation of approximately 700 villages in 52 resettlement communities where the soils were not fertile enough to encourage agricultural activities. The consequences compelled people in the district to resort to alternative livelihood strategies such as petty trading, store keeping, food selling and artisanal works.

One of the main challenges for these establishments was financial support, either for take-off or expansion. The Government of Ghana, through the Bank of Ghana, introduced and established Rural Banks to mobilize funds and channel them through microfinance services to credit-constrained small business entrepreneurs to enable them improve their livelihood activities. In 2002, the Upper Manya Krobo Rural Bank, (UMKRB) started a microcredit programme with the aim of assisting small business entrepreneurs, especially women in the District, to improve their activities and socio-economic status.

Studies on microfinance programmes among women have found that those involved were more empowered in terms of increased income, profit, household decision making and acquisition of personal assets such as cloths and jewelleries compared to non-members (Khandker, 2005; Balkenhol, 2006; Garikipati, 2008; Hassan, 2010; Karlan, 2010; Gonzalez, 2010; Karlan & Valdvia, 2011; Khan & Noreen, 2012).

Some studies in Ghana that have also alluded to the important role of microfinance in empowering the productive poor for enhanced livelihood (Afranie 2002; Annim, Awusabo-Asare, & Asare-Mintah 2008; Adjei, Arum, & Hossain 2009; Annim & Alnaa, 2013). These studies concluded that microfinance improved client's conditions through increased earnings. Annim and Alnaa (2013) in particular found that microfinance services in Ghana have had positive effects on business development and growth, job creation and women's empowerment.

There are also studies that have contested some of these findings and have pointed to the contrary (Dowla & Barua, 2006; Neff, 2009; Karlan & Zinman, 2011; Roodman, 2012). According to these studies, microfinance is not a panacea for mitigating the problem of the poor. Neff (2009), for example, found that after eight years of borrowing, 55 percent clients of the Grameen Bank were still not able to meet their basic household needs. Karlan and Zinman (2011), microcredit can even collapse the business of some clients. The critics of microfinance also argue that, microfinance has failed as a development tool because client often use loans on other activities such as marriage, funeral, and for household consumption without investing in business. These, according to the critics, had led to high loan default rates among clients (Armendariz & Morduch, 2005; Daley-Harris, 2006; Field & Pande, 2007).

The general assumption is that business loan, put to productive use, results in good returns. However, loan management, is such a risky business that, if not properly done could lead to business retardation and repayment challenges. Studies such Amoah and Dadzie, (2008), Garikipati, (2008), Adjei, Arum and Hossain,

(2009), Chen and Ravallion, (2010), Duflo, Benerjee, Glennerster and Kinnan, (2013), Banerjee, (2013), Kaboski and Townsend, (2013) and Klapper and Dutt, (2015), have found that microfinance has helped in reducing poverty among poor people. These studies conclude that microcredit clients, especially women have gained economic empowerment in terms of increased income, asset acquisition, better health and nutrition, and self-esteem among others compared to non-clients. While documenting the positive effects of microfinance these studies were silent on the issue of how the clients managed the loans to achieve outcomes. This constitute a gap in the microfinance literature which this study seeks to fill. The purpose of this study therefore, is to expand the frontiers of the microfinance literature with the inclusion of client's loan utilisation by using microcredit clients of the UMK Rural Bank. The ensuing paragraph will justify the need to select the UMK Rural Bank and the District for this study.

Justification for Selecting UMK Rural Bank for the Study

The UMK Rural Bank was established and incorporated as a Limited Liability Company in 1982. The Bank has two agencies at Koforidua and Somanya and six mobilization centres at Asokore, Nkurakan, Agogo, Obawale, Sekesua, and Akateng, all in the Eastern Region of Ghana. The microfinance scheme of the Bank provides beneficiaries with credit facilities, savings opportunities, health education, and business management training among others.

The UMK Rural Bank is one of the best performing Banks in the Eastern Region and in the country. The Bank had won four (4) awards by placing 45th, 28th, 39th and 91st in the Ghana Club 100 rankings for the years 2005, 2009, 2010 and 2012 respectively. In 2015, the Bank recorded an after-tax profit of about GHS 10.4 billion in 2015 as against GHS 8.7 billion for 2014, representing nearly a 20 percent increment in 2015. Total assets recorded a 24 percent rise, moving from GHS 31.3 billion in 2014 to GHS 38.7 billion in 2015. In terms of clientele, the microfinance department of the Bank have over 9,000 active borrowers, 93 percent of whom were women. The above characteristics and achievements of the UMK Rural Bank therefore, makes it a suitable choice for this study.

The UMK Rural Bank's microcredit programme has the objective of improving small business activities and livelihoods in the District through access to microcredit. For businesses to improve in order to enhance livelihood status of the clients, loans must be properly utilised by investing in business. Therefore, in order to understand how microcredit clients utilise loan to achieve positive outcomes, an in-depth study is needed. This is the focus of this study. The aim of the study therefore, is to assess the influence of microcredit on business and household welfare in the UMK District against the broad objective of loan utilisation and loan management.

Objectives of the Study

The main objective of this study is to assess utilisation of microfinance loans among clients.

The specific objectives are to:

1. Assess the implementation of the UMK Rural Bank;
2. Assess client's loan management;
3. Investigate the influence of microcredit on business growth and household welfare
4. Assess the benefits and challenges of the UMK Rural Bank's microcredit programme from the perception of clients.

Hypotheses

The following null hypotheses will be tested:

H01: Socio-demographic characteristics of microcredit clients do not significantly influence business expansion.

H02: Socio-demographic characteristics of microcredit clients have no significant influence on loan repayment.

H03: There is no association between the socio-demographic characteristics of microcredit clients and loan benefits.

H04: Socio-demographic characteristics of microcredit clients do not significantly influence business and household benefits.

Significance of the Study

The study will contribute to the ongoing debate on the effect of microfinance on small business development, women's empowerment and poverty reduction with evidence from the UMK Rural Bank that microfinance helps to expand small business as well as empowering rural women entrepreneurs. This contribution is significant because, over the years, the debate on poverty reduction in developing countries has revolved around microfinance. The current evidence will thus, represent a new perspective on microfinance loan utilisation for positive outcomes such as business expansion and enhanced livelihood status of clients.

Studies on microfinance as a development tool have not considered the effect of microfinance loan utilisation and business outcomes. Its inclusion in this study represents an extension of the frontiers of the microfinance literature. The finding of microfinance loan utilisation among clients will thus, support and reinforce the theoretical and empirical position that there is an inextricable link between loan utilisation and microfinance loan benefits.

This study will provide fresh reliable data about the characteristics of small business enterprise and microcredit issues in the UMK District. The information generated will provide a better understanding of the relationship between microfinance services and the development of small enterprises in a developing country like Ghana. It will also provide information on the behaviour of Rural Banks in the administration of microfinance services as well as small business entrepreneurs access to credit which is useful for future microfinance interventions. In terms of policy significance, the study will guide MFIs and other stakeholders in

the microfinance industry for best practices and innovations in the delivery of microfinance services.

Organization of the Study

The thesis is organized in eight chapters. The introduction provides general background issues to the study. It presents the statement of problem, objectives of the study and the significance of the study. Theories and the conceptual framework underpinning the study are presented in Chapter Two. Chapter Three presents an overview of microfinance in Ghana and Chapter Four describes the methodology used for the study. The Upper Manya Krobo Rural Bank and the background of respondents are discussed in Chapter Five. Chapter Six presents the nature and implementation process of the Manya Krobo Rural Bank. Chapter Seven identifies the benefits and challenges of microcredit from the perspectives of the clients. The final Chapter of the thesis summarizes the key findings and provides recommendations.

CHAPTER TWO

THEORETICAL PERSPECTIVES AND CONCEPTUAL FRAMEWORK

Introduction

This chapter discusses theories of development strategies on poverty reduction and the concept of microcredit. Loan utilisation, business expansion or usiness growth as well as loan management as conceptualized in this study are also presented. Highlights of the Millennium Development Goals and the Sustainable Development Goals are also presented. The chapter also provided related literature on the influence of microfinance on small businesses and examines the livelihood concept. The discussion focused on the UNDP, DfID, the CARE and the adopted conceptual framework for the study.

Development Perspectives

Generally, the notion of development connotes growth, which includes positive or qualitative change and prosperity of the human being at the individual, household, community, society, local, national, regional or global level (Alkire & Foster, 2010). Economic development, according to Cistulli (2007), is improvement in the way natural endowments as well as goods and services are used within (or by) the system, in order to generate new goods and services or provide additional consumption and/or investment possibilities to members of the system. According to the World Bank (2013) Human Development Index, economic development is people-centred development, where the focus of development is the

improvement of the various dimensions affecting the well-being of individuals and their relationships with society (health, education, entitlements, capabilities, empowerment etc. A working definition of development is the progressive improvement in the social and economic well-being of people so that they live longer with healthier lives within a given political entity (Morvaridi, 2008).

Development consists of the removal of various types of "un-freedoms" that leave people with little choice and little opportunity for exercising their reasoning agency and that one human freedom tends to promote freedom of other kinds. Thus, development is about views and values of what a good society is. Development, in this conception, classifies good change as that which makes society more equal, and advances equality of individual opportunity to access services such as finance, education and health.

According to Morvaridi (2008), development requires the removal of major sources of suppression and inequality, poverty, tyranny, lack of economic opportunity, systematic social deprivation, neglect of public facilities, and tolerance or over-activity of repressive states. Policymakers at national and international level have always thought that some activities or even refraining from carrying out some activities were required to promote development or positive changes.

Within the past two decades, development paradigms have shifted in tandem with global perspectives about poverty reduction (United Nations Conference on Trade and Development (UNDP), 2011). There has been changing views and visions about what type of development is desirable and how to achieve it. Most often, one development achievement generates further development as it

becomes an instrument for the achievement of a new and further development objective (UNDP, 2011). Development paradigms that had evolved over time in the quest of reducing global poverty include the 1972 Stockholm Declaration, 1992 Rio Summit, 2002 World Summit on Sustainable Development, Rio 2012, Washington Consensus, Beijing Consensus and the Millennium Development Goals.

The 1972 Stockholm Declaration

A meeting held in Stockholm Sweden, in 1972 adopted a global policy for balancing the major elements that determine the level and quality of life in order to achieve the basic tenets of growth. Known as the Stockholm Declaration, it emphasised eliminating poverty, malnutrition, illiteracy, equality, and misery (Ashley & Murray, 2012). The Declaration brought the industralised and developing nations together to delineate the "rights" of humanity to a healthy and productive environment.

The 1987 Brundtland Commission on Environment and Development

In 1978, the World Commission on Environment and Development (WCED) painted a future of a more prosperous, more just, and more secure world (MacNeill, 2007). The Commission advocated for economic growth based on policies that sustain and expand the environmental resource base, in order to relieve poverty that existed in the developing world. Also known as *Our Common Future*,

the report included a definition of sustainable development: "Development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (MacNeill, 2007).

The 1992 Rio Summit

The acceptance of the Brundtland report by the United Nations (UN) General Assembly, set out the principles of sustainable development at the UN Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil in 1992. The Conference referred to as the Rio Summit of 1992, emphasised that priority should be given to improving conditions of the world's poorest. Secondly, the Conference accepted a "precautionary principle" that where there are threats of serious or irreversible damage to the environment, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. Thirdly, sustainable development was accepted to embody integration, understanding and acting on the complex interconnections that exist between the environment, economy, and society (MacNeill, 2007). Sustainable development, in this context, called for a convergence between three pillars of economic development namely, social, equity, and environmental protection.

The Rio Summit also set out the Agenda 21, where developed countries reaffirmed their previous commitments to reach the accepted UN target of contributing 0.7 percent of their annual Gross National Product (GNP) to official development assistance and to provide favourable access to the transfer of

environmentally sound technologies, in particular to developing countries (World Trade Organization, 2010).

The 2002 World Summit on Sustainable Development

The Rio Conference was followed with a World Summit on Sustainable Development (WSSD), in Johannesburg, South Africa, in 2002. The Summit recognized that poverty eradication, changing consumption and production patterns, protecting and managing natural resource base for economic and social development are overarching objectives and requirements for sustainable development. The Summit realized that ever-increasing gap between the developed and developing world's was a major threat to global prosperity, security and stability (Najam et al., 2002). The major challenges identified as growth constrains in developing countries included loss of biodiversity, globalization, desertification, marine pollution, rapid integration of markets, mobility of capital, and significant increases in investment flows around the world. Strong commitments were made at the Summit to ensure women's empowerment, emancipation and gender equality. The Summit also pledged to implement all the activities encompassed within Agenda 21. The WSSD demonstrated a major shift in the perception of sustainable development from environmental issues towards social and economic development (Sibley, 2007).

Rio 2012: The Future We Want

At Rio de Janeiro in Brazil in 2012, World Leaders approved the outcome document entitled "The Future We Want" (Food and Agriculture Organization, 2012). The document provides a firm foundation for social, economic, and environmental well-being including the focus to improve gender equality. The document also calls for private sector involvement in sustainable development activities. There was an increased urging of national action and policy making, and a potentially ceiling-breaking agreement on south-south flows of cooperation as well as hard cash for developing countries. There was an understanding to a set of Sustainable Development Goals encompassing the three pillars economic, environmental and social processes to achieve growth (United Nations, 2012).

The Washington Consensus

The Washington Consensus emerged in the 1990s in relation to debates about trade and development. According to this view, in order to solve economic crisis, developing countries needed to adopt IMF/World Bank structural adjustment programme (Easterly, 2005). These programmes, referred to as the 'Washington Consensus', were more however, political than economic and introduced major neo-liberal reform programmes (Gore, 2005; Easterly, 2005). The Consensus did not address the issue of poverty reduction in developing countries as it equated economy and GDP to social questions such as education, health, gender equality, and political freedom. Implementation in developing countries was sometimes

imposed as a condition for receiving loans from the IMF and World Bank (Chang, Ha-Joon 2010). For some developing countries, it worsened poverty reduction and led to multiple currency crises, stagnation, and recession during the financial turmoil of the 1990s (Addison, 2011).

The Beijing Consensus

The Beijing Consensus, also called the "China Model" or "Chinese Economic Model (Zhoa, 2010) emerged as an alternative to the Washington Consensus (Ramo, 2004; Zhoa, 2010; Naughton, 2010). Instead of prescribing recommendations to reduce poverty challenges of developing nations, the Beijing Consensus recognises the need for flexibility in solving multifarious problems. It primarily focused on innovation, while simultaneously emphasizing ideals such as equitable development and a “Peaceful Rise” (Ramo, 2004). The Consensus also believes that different strategies through innovative policies are appropriate for different situations (Zhoa, 2010). The Consensus uses China as an alternative model for development in developing countries. Thus, it emphasised the idea that developing countries can plan their own development without having to accept the unfavourable terms of the Washington Consensus (Gresh, 2008). However, like the Washington Consensus, it prescribes strict and homogeneous reforms, which are not geared towards solving economic and human development challenges in developing countries (Ramo, 2004).

Poverty Reduction Paradigms

There is little dispute about who is poor, but there is more misunderstanding about what poverty reduction means. Some focus exclusively on economic characteristics such as whether a family lives on less than $1.25/day per person (Chen & Ravallion, 2010). From the perspectives of the poor themselves, poverty is ill-being or bad quality of life. According to Chen and Ravallion (2011) and the International Labour Organization (2014), poverty is much more than just material poverty. It has multiple, interlocking dimensions, which combine to create and sustain powerlessness, a lack of freedom of choice and action, where each dimension can cause or compound the others. Thus, poverty reduction includes anything that improves the quality of life of the poor or the marginally poor (Easterly, 2006; Collier, 2007).

Poverty is increasingly understood as involving complex interactions among a wide range of political, social, and economic events. This understanding has led to the articulation of multidisciplinary strategic approaches for effecting its reduction. Global poverty reduction had evolved from Economic Growth and Industrialization in the 1960s, to Basic Human Needs in the 1970s, Policy Reforms in the 1980s, Sustainable Development in the 1990s and currently the Millennium Development Goals (UNDP, 2010).

In the 1960s, development was viewed as economic growth and in the 1970s, it was assumed that the benefits of economic growth would eventually "trickle down" and help ordinary people have better lives, by creating employment and higher incomes. In the 1980s, the view about development had changed to

economic stabilization, structural adjustment, and policy reforms. This change in definition occurred because despite good economic growth in some low-income countries, general living standards were low. Malnutrition, unemployment, illiteracy, low life expectancy, poor health, inequality, repression of freedom, and limited opportunities continued to persist in developing countries (World Bank, 2011). It was, therefore, realized that economic development involved broader changes to social, political and institutional frameworks to improve the quality of life (Gore, 2007). Various terms have been coined to describe policies on poverty for sustainable development. These include poverty relief, poverty alleviation, poverty reduction, and poverty eradication.

Poverty relief: refers to policies and interventions that seek to give short term assistance to nations, communities and individuals living in poverty. Poverty relief tries to address poverty issues, which are usually linked to external shock that push people into a more severe state of vulnerability than before and is often seen as emergency relief programmes. These policies are not intended primarily to be developmental, but to give aid to address immediate needs (World Bank, 2011).

Poverty alleviation: also aims to reduce the negative impact of poverty but in a more sustained and permanent way than poverty relief programmes. Programmes to alleviate poverty have longer term goals and are in general more developmental than poverty relief programmes. ***Poverty reduction,*** on the other hand, refers to strategies and policies that reduce the number of people living in poverty or the severity of poverty impacts whereas ***Poverty eradication*** means, ending the existence of poverty (Nthabiseng, 2006).

The goal of international development since the 1990s has focused on human development and well-being. Therefore, different terms had been used to measure quality of life at different stages and at different levels. The first focuses on the vulnerability of the poor, as manifested by the weakness of their livelihood base in addressing immediate needs through short term interventions through relief services. The second stage of addressing poverty issues found the need for countries to understand the lives of the poor in the context of social and political relationships, in order to initiate policies that would alleviate their powerlessness and "voicelessness", as a result of poverty. The third is facilitating empowerment, which makes formal political administrative and informal social institutions work in favour of the poor and the disadvantaged. Poverty reduction strategies, at this stage, involves major changes to national economic, political, and social systems, taking place over a long period of time (World Bank, 2011). Such approach emphasises the importance of the role of the poor as active participants in all stages of policy formulation and implemention as well as actively involving them in the decision making and implementation processes. The implications of these efforts were identified as the pathway to complete poverty eradication and sustainable development (Nthabiseng, 2006; World Bank, 2011).

Sustainable Development and Poverty Reduction

Sustainable development is a concept aimed at raising global living standards by breaking the link between poverty and environmental degradation (Hopwood, Mellor & O'Brien, 2005). Modern usage of sustainable development

evolved from its definition by the Brundtland Commission: *Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their needs.* It is a systems approach to growth and development that manages natural resources and social capital for the welfare of the present and future generations (Atkinson, Dietz, & Neumayer, 2009).

Over the past two decades, the concept has led to the formation of various initiatives such as the World Business Council on Sustainable Development (WBCSD), Global Compact, Equator Principles, Global Reporting Initiative, and Extractive Industries Transparency Initiative (Moyo, 2009). In addition, various major international NGOs, such as World Women Forum (WWF), Oxfam International and Friends of the Earth, have increased the scale and sophistication of their involvement in sustainability principles. Environmental technology access and transfer, is one of the key means of implementation for sustainable development. However, climate change-constrained development, inadequate policy regimes, lack of and high cost of technology and environmentally damaging development pathways, in addition to unfair terms of trade, constrain developing countries in implementing the concept (Moyo, 2009). Poverty, in developing countries, has therefore persisted beyond the concept of sustainable development.

Institutions such as the United Nations Development Programme (UNDP), the World Bank, the United Kingdom's Department for International Development (DFID) and the donor community consider poverty in developing countries as multidimensional in both its manifestations and its causes. Poverty in developing

countries, has thus been perceived in terms of low income and consumption, few physical and financial assets, low levels of education, poor health, lack of access to social services, clean water and sanitation, physical isolation, lack of access to markets, social exclusion, gender and age discrimination, political powerlessness, degraded and polluted natural resource environment, and vulnerability to civil disturbance, drought, and other sources of risk (Chen & Ravallion, 2010: UNDP, 2011).

Economic growth is a necessary condition for poverty reduction, however, it is not sufficient because it does not assure that the poor will participate (UNDP, 2011). Both the evolving poverty reduction paradigms and sustainable development, agree that a basic goal of international development, is to improve the standard of living and well-being of poor people. The consensus was that poverty reduction and or human development requires an expansion of economic opportunities and an enhancement of the ability of the poor to take advantage of opportunities. Advancing this course requires promoting the type of economic growth that creates opportunities and by increasing the capabilities of the poor to take advantage of opportunities through access to credit, better health and education, equality, etc. (World Bank, 2011).

Millennium Development Goals

Until 1990, development had been mainly concerned with economic growth and reforms. Although, some social issues received attention in earlier development paradigms, they were not a priority. Before 1990, poverty was a concern, but the

solution to it came in terms of 'development', which is, economic and social development. From 1990, global development discourse shifted to poverty as the priority concern and the solution to it became poverty reduction when the Millennium Development Goals (MDG) were identified as the most effective means to eradicate world poverty (Word Bank, 2011).

The Millennium Development Goals were first proposed by the OECD in 1996 as a development programme for the 21st Century (Higgins, 2013). Other processes leading to the MDGs can be traced to various UN Summits including the World Summit for Children in New York in 1990, the Earth Summit in Rio in 1992, the 1993 World Conference on Human Rights in Vienna; the International Conference on Population and Development (ICPD) in Cairo in 1994, the World Summit on Social Development in Copenhagen in 1995 and the United Nations Fourth Conference on Women in Beijing in 1995. These World Summits recognised the need to improve the lives of children, education, ensure sustainable development, promote women's empowerment, provide better housing, and ensure food security in developing countries. The Social Summit in Copenhagen and Beijing in particular, were crucial for the MDGs as a global consensus was reached that poverty reduction was the primary goal for development (Daley-Harris, 2006).

The MDGs set development targets agreed by the international community, which center on halving poverty and improving the welfare of the world's poorest by 2015 (Daley-Harris, 2006). In 2000, they were adopted by the UN Millennium Summit and have since become the world's time-bound and quantified targets for addressing extreme poverty by 2015 (Albredi, 2010; UN, 2012; World Bank,

2013,2014). It has eight specific and measurable development goals as follows: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDs, malaria and ther diseases, ensure environmental sustainability and development of a global partnership for development.

The General Assembly designated 2005 as the Year of Microcredit to underscore the importance of microfinance/microcredit in achieving the MDGs. The IMF encourages countries to develop and analyze alternative frameworks for achieving the MDGs, and identified microfinance as one of the strategies for achieving target 1 of the MDGs (Albredi, 2010). Other high-level development agenda that emphasise microcredit as a critical means of poverty reduction include the G8 Declaration and the Commission on Private Sector Development in 2004; the Brussels Programme of Action of 2008; and the African Commission Report of 2010 (Albredi, 2010). As a set of indicators, the MDGs in themselves do not constitute a policy paradigm, but the indicators are flexible for inclusion within a variety of national development strategies and also within different forms of international development cooperation (Gore, 2005). The MDGs have become the cornerstone of global consensus on all approaches to development and poverty reduction world-wide.

Millennium Development Goals and Poverty Reduction

The MDGs were a pledge to uphold the principles of human dignity, equality and equity, and free the world from extreme poverty (UN, 2014; World Bank, 2014). The 2014 United Nations Report on the MDGs indicated that global poverty had been halved five years ahead of the 2015 timeframe. According to the report, one out of every five persons in the developing regions lived on less than $1.25 per day 90 percent of children in developing regions enjoyed primary education and disparities between boys and girls in enrolment have narrowed (United Nations, 2014). The World Bank (2014) further stated that gains have been made in the fight against malaria and tuberculosis, along with improvements in all health indicators. Furthermore, the likelihood of a child dying before age five had been nearly cut by half over the last two decades, saving nearly 17,000 children every day. The target of halving the proportion of people, who lack access to improved sources of water, has also been met (United Nations, 2014; World Bank, 2014).

Despite these gains, there is still the need for bolder and focused actions to accelerate poverty reduction processes, where significant gaps and disparities exist. For instance, in developing countries, vulnerable employment accounted for 56 percent of all employment compared to 10 percent in developed regions. In sub-Saharan Africa, Oceania and Western Asia, girls still face barriers to entering both primary and secondary school and women in Northern Africa hold less than one in five paid jobs in the non-agricultural sector (United Nations, 2014).

Ghana has committed itself to all the MDGs and incorporated the goals in programmes such as the Medium-Term Development Frameworks (Ghana Poverty Reduction Strategy I & II) and the Ghana Shared Growth and Development Agenda . Various development policies in Ghana identified microfinance as an integral tool for reducing poverty, especially among women and the youth. The overall assessment of Ghana's progress toward the MDGs reveals that while progress has generally been positive, performance has been mixed across indicators, regions and localities (Ghana Statistical Service, 2013). For instance, significant progress has been made in some key targets such as poverty eradication and food security, education and access to safe water. However, the overall pace of progress, based on current trends, is insufficient to achieve MDGs such as under-five, infant and maternal mortalities as well as access to improved sanitation by the target date of 2015 (Ghana Statistical Service, 2013).

Sustainable Development Goals

Post-2015 development agenda is slated to carry on the work of the MDGs and integrate the social, economic and environmental dimensions of sustainable development (Moss, 2010; Nayyar, 2011). Achievements and challenges from the MDGs have provided foundation for the sustainable development agenda. The working group of the United Nations Conference on Sustainable Development has proposed 17 Sustainable Development Goals (SDGs) as the United Nation's development agenda beyond 2015 (United Nations, 2015). They are:

1. End poverty in all its forms everywhere;

2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
3. Ensure healthy lives and promote well-being for all at all ages;
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. Achieve gender equality and empower all women and girls;
6. Ensure availability and sustainable management of water and sanitation for all;
7. Ensure access to affordable, reliable, sustainable and modern energy for all;
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
10. Reduce inequality within and among countries;
11. Make cities and human settlements inclusive, safe, resilient and sustainable;
12. Ensure sustainable consumption and production patterns;
13. Take urgent action to combat climate change and its impacts;
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;

16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; and
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

The SDGs shall determine the global course of action to end poverty, promote prosperity and well-being, protect the environment, address climate change and adaptation issues as well as promoting peaceful and sustainable society for sustainable develoment. Goal 1 target 4 in particular, seeks to ensure that by 2030, all men and women, in particular the poor and vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services such as microfinance (United Nations, 2014).

An important factor for achieving this target is for governments and traditional society to review obsolete laws and norms that perpetuate gender inequality. There is the need to change laws that prevent women from land ownership and other properties. Besides, financial sector regulations need to strengthen microfinance institutions to provide sustainable services to credit constrained entrepreneurs. Poor people's access to capital can end hunger and improve nutrition among the vulnerable. This will enhance livelihood and promote wellbeing. It will also enable children of poor people get access to quality

education. Furthermore, women access to microfinance services is important for the promotion of gender equality and women's empowerment. The sustainablilty of the microfinance industry will not only promote small businesses, but is also critical for achieving Goals 1, 2, 3, 4 and 5 of the SDGs.

Small Businesses

In this study, small businesses are defined as firms managed mainly by their owners, have relatively small capital base, limited by sales and assets value, have comparatively small market share, operates in locally and well specialized niches and is more independent from outside controls and pressure. In Ghana, the National Board for Small Scale Industries (Boeh-Ocansey, Agyeman & Apau, 2009) operation definition of firms, which applies both the "fixed asset and number of employees" criteria in defining small businesses was used for this study.

The NBSSI (1990) classified micro enterprises as businesses that employ up to 5 employees with fixed assets (excluding land and building) not exceeding the value of GHS10, 000; small enterprises are those employing between 6 and 29 employees or having fixed assets excluding land and building not exceeding GHS100, 000 and; medium enterprises employ between 30 and 99 employees with fixed assets of up to GHS 1million. However, in this study, a small business is defined as firms with not more than nine workers, and has plant and machinery (excluding land and buildings) not exceeding GHS10,000 Ghanaian cedis in order to focus on micro and small businesses

Loan Utilisation Performance Analysis

Loan utilisation in this study, is conceptualized in terms of loan processing and access, loan use, management and repayment (CGAP, 2011). The performance analysis dealt with the assessment of changes that clients had experienced in their businesses and other aspects of their lives and households since they started benefiting from the microcredit schemes and other services of the Bank. Performance assessment is important to ascertain whether microfinance institutions remain committed to their intended mission of creating wealth and improving the livelihoods of clients (Gonzalez, 2010; Rosenberg, Gonzalez & Narain, 2013).

Business Expansion and Development

Business expansion or business growth assessment is important at all levels of business entity. Small businesses are being handled by their owners and scarcely think about the need of any expansion or growth strategy plan. Business expansion, in this study, was assessed on physical factors such as infrastructural development, an increase in stock level, sales volume and profitability. The opening of additional branches and investment in new areas of business was also assessed. Businesses' assets expansion after taking part in the microcredit programme was again analysed. Individual's development in increased social activities, contributions to children education, and household decision making after partnering with the microcredit programme, were also assessed.

Loan Management

Rosenberg (2009), in his assessment of whether micro credits really help poor people, affirmed that most microfinance borrowers use their loans for non-business purposes. Based on the susceptibility of their income, the low income households have to borrow constantly from microfinance lenders in order to meet their consumption needs. His analysis cast doubts on some of the previous studies that established that microcredit increases household income. Rosenberg (2009) concluded that many borrowers use the loan for a non-business purpose, such as paying children's school fees, repaying another loan and meeting day-to-day household expenses (Rosenberg, 2009).

Objectives and Activities of MFIs

Generally speaking, microfinance in its different forms, had been in operation for many decades. MFIs overall objective is provision of credit from constant and ample sources of funds that respond flexibly to the demand of the credit constraints, unemployed and underemployed borrowers. According to Waterfield (2012), MFIs, aside satisfying the financial needs of the poor, aim at providing advice and security on how to manage small businesses to grow. According to him, MFIs assist in addressing the gap between the rich and the poor in the market using a financially sustainable approach. He asserted that MFI had gradually grown to become part of the formal financial sector in many nations. Asiama and Osei (2007) were also of the view that one of the main obectives of MFIs is to improve the businesses and living conditions of their clients. This is

because they believe and hold to the objective that the poor also have the capability to use funds effectively to generate income, earn profit, re-pay borrowed funds and engage in savings to sustain future business for enhanced livelihood conditions.

Yunus (2007) outlined the key characteristics of MFIs that can be used to explain the objectives and activities of the MFIs. According to him, the main characteristic of microfinance includes given little amounts as loans to individuals and groups to help them start some income generating activities. Encouraging and using their little savings over time as security for loan help the individuals to accrue considerable capital to overcome their capital limitations and secure additional credit to solve emergency cases (Aryeetey 2008). The series of savings allow microcredit clients to earn interest, enjoy higher loans or acquire assets in future (Aryeetey 2008). MFIs also offer micro-insurance which, is an important component livelihood enhancement. Micro-insurance is the provision of insurance to credit constrained individuals and households vulnerable to risk or disasters of regular occurrences such as illness, life, accidents, fire or against future life eventualities.

MFIs raise their own finances, offer attractive schemes, recruit and retain clients, keep operating costs low, motivate clients and control the distribution and loan recovery systems (Roodman, 2012). As MFIs grow in their lending operations by increasing the loan size of faithful clients, it is vital to organise sufficient funds to sustain the process. To be able to withstand funds shortage, MFIs in Ghana had been allowed to become part of the formal financial sector to enable them access

funds from the capital markets to aid their lending portfolio to increase the number of targeted poor to be reached.

Microfinance and Small Business Performance

Microfinance has attracted global attention since the 1990s and has been examined from the perspectives of small business improvement and household welfare as well as women's empowerment (Armendariz de Aghion & Morduch 2005; Adjei, Arum, & Hossain 2009; Adams, 2010; Annim, 2010).

Several studies have shown that microcredit helps households to meet basic needs, protect against risks, and improves household economic welfare. Gender activists have argued that microfinance helps in empowering women and promotes gender equality. According to them, women access to credit strengthens their sense of dignity, self-esteem and willingness to partake in economic and social activities (Mutalima, 2007; Mersland & Strom, 2009; Rai & Ravi, 2011).

Women's empowerment, through access to microcredit, according to Sinha, Jha and Negi (2012), increases the capacity of women to make purposeful choices and capable to transform choices into desired actions and outcomes for improved living standards for themselves and their households. When women become empowered, they can become the conduit to poverty reduction and this is one reason why many MFIs target women (Garikipati, 2008; Swain & Wallentin, 2009; Khan & Noreen, 2012). Critics, however, argue that credit to women is not a solution for women's empowerment or improvement in household welfare. They claim that targeting women without adequate support networks and strategies is

merely shifting the burden of household debt and household subsistence onto women (Cheston & Kuhn, 2002; Mayoux & Hartl, 2009; Wrigley-Asante, 2011).

Since the emergence of microfinance, the general view was that microfinance as a "magic bullet", always leads to improved businesses and increased well-being. This perception was however, damaged by events that took place in Thailand and from the Andrha Pradesh province in India, where microfinance had failed at institutional and national levels as an effective tool for the poor (Mahajan, 2007; Islam, 2009; Imai, Arun & Annim, 2010; Biswas, 2010; Husain, 2011 & Roodman, 2012).

Several studies (Khandker, 2005; Demirguc-Kunt, Mordoch & Levine 2007; Hulme 2008; Islam 2009; Dupas & Robinson 2009; Imai, Arun & Annim 2010) have, however, showed that microfinance can be very beneficial. For instance, tracking microcredit and positive small busineses performance indicators in Bangladesh between 1992 and 1999, the RD-12 project of the World Bank conducted two waves of surveys in three microcredit banks in the Bangladesh Rural Advancement Committee (BRAC), Grameen Bank and the Bangladesh Rural Development Board (BRDB) (Khandker, 2005). The baseline survey was conducted in 1992 and the follow-up survey was in 1999. In the baseline survey, which used a quasi-experimental design, 1,769 clients were randomly selected from 87 villages in the operational areas of the three banks. During the follow-up survey, the sample was increased to 2,599 clients.

The results of the study showed that among the earliest microcredit clients, small business improved by more than 20 percentage points. The study attributed

the positive performance of the businesses to microcredit programmes (Khandker, 2005). The study also found that access to microcredit services had a spillover effect on non-programme participants and contributed to women's empowerment through increased income. The study further observed that inflow of microcredit funds impacted positively on the local economy and increased per capita household consumption for both participants and non-participants. It was noted that substantial impact was experienced by female clients compared to their male counterparts, because female clients invested a greater proportion of the loan compared to male clients (Khandker, 2005).

Arguably, Khandker (2005) study was lmited because although some contextual information about the study area was provided, the study was silent on how the three programmes were implemented. Khandker (2005) only described part of the intervention designs, but not the nature of the microcredit programme and its implementation process. It was also not known whether the observed findings occur because the programmes were particularly suitable to women and not men. The study was also silent on non-financial services and their relevance to the clients. In addition, Khandker did not explain the roles of the various components of the interventions (group formation, peer pressure, joint liability, etc.) in achieving the observed findings. The study also ignored the question of why and how the observed impacts occurred and it cannot be deduced from the estimates as regarding why the women have a higher marginal impact from the microcredit programmes than the men.

Dzisi and Obeng (2013) survey in Ghana gave evidence of women's empowerment with access to credit. They used a combination of qualitative and quantitative methods to collect data. Quantitative data was collected from 840 women entrepreneurs and 35 others were interviewed to obtain qualitative data. The study took place in Koforidua, the capital town of the Eastern Region of Ghana. The results indicated that the busineses of women clients had expanded and their socio-economic status improved after taking loans. The survey showed that 52 percent of the clients supported their husbands towards housekeeping and bills such as school fees, 46 percent were heads of households and 53 percent did not require the consent of their spouses when they want to access loans. It was also noted that 20 percent of the clients diversified into other income generating activities after participating in the programme for more than three years and 72 percent agreed that the loan had enhanced their socio-economic wellbeing (Dzisi & Obeng, 2013).

Dzisi and Obeng (2013) failed to indicate loan implementation processes and the nature of the MFIs from which the clients accessed their loans. Dzisi and Obeng also failed to specify loan quantum the clients received and the category of clients that offered help to their spouses. These would have thrown more insight into the demographic characteristics of the clients such as marital status, type of business activity, and the occupation of the spouses of the women. The study did not mention loan use and loan repayment rates to clarify whether using loan for housekeeping activities affected loan repayment or not.

In another survey, Karlan and Valdivia (2010) used a randomized control trial to measure the effect of business training on microcredit clients in Peru. The

study was conducted with FINCA-Peru, an MFI that implements "village banks", and female micro clients in the towns of Lima and Ayacucho. A baseline survey was conducted before the intervention. The researchers randomly assigned pre-existing lending groups to either treatment or control group. Treatment groups received 30 to 60 minutes' entrepreneurship training sessions during their normal weekly or monthly banking meetings over a period of one to two years. Control groups remained as they were before, meeting at the same frequency but solely for taking loans, savings, and making payments. A follow-up survey was conducted after one and two years. The goal of the business training was to improve business outcomes and welfare for clients in addition to improving institutional outcomes for the MFI. The survey found little or no evidence of changes in key outcomes such as business revenue, profits or employment. Karlan and Valdivia however, observed improvement in client's knowledge of business management and improvement in client retention rate.

Karlan and Valdivia (2010), even though, used randomized procedure to avoid selection bias, failed to indicate the type of training offered to the clients. Besides, the analyses were silent on level of education, marital status, and types of business of the clients. It is important to understand that not all small business activities require training to enhance performance. For example, in rural areas, female income generating activities such as buying and selling, edible oil processing, gari making, etc., do not require formal training to increase revenue or profit. These businesses are community or family based and require informal training or just observation to practice. Training women microcredit clients in

family planning, home management, breast-feeding and good nutrition rarely transforms into increased revenue profits.

Karlan and Valdivia (2010) also failed to assign reasons as regarding why client's knowledge improvement in business management did not transform into increased revenue and profits. The study also failed to mention the category of client and the type of businesses that the loan supported as well as the trend of economic activity in Manila, (seasonal or not). The fact that loans were not invested in business did not mean it was only used to cope with shock. It is possible that the loans were used to acquire assets which might be profitable to the clients in future. This is because microcredit clients are risk-averse and do not invest their loan into one enterprise. They usually minimize risk, so that if one activity or an enterprise fails, it only has a limited, manageable impact on total household income (Wright, 2010). The nature, implementation process, loan disbursement, and repayment procedures were also mission in the report, making the conclusion of the study misleading.

Studies that did not find meaningful contribution of microfinance to small business improvement include those of Duflo, Benerjee, Glennerster and Kinnan (2013), and Karlan and Zinman (2011). In a study of 104 slums in Duflo et al., (2013), randomly selected half of the sample and assisted them to access group loan from a branch of Spandana, an MFI in Hyderadad. The rest of the slums were denied access to Spandana, although other MFIs were free to enter those slums. Fifteen to 18 months after Spandana began lending in treated areas, the researchers found that households were 8.8 percentage points more likely to have a microcredit

loan. They were no more likely to start any new business, although they were more likely to start several at once, they invested more in their existing businesses. There was no effect on average monthly expenditure per capita. Expenditure on durable goods increased, but expenditure on luxurious goods declined in treated areas (Duflo et al., 2013).

Three to four years after the initial expansion (after many of the control slums had started getting credit from Spandana & other MFIs), the probability of borrowing from an MFI in treatment and comparison slums was the same, but on average, households in treatment slums had been borrowing for longer and in larger amounts. Consumption was still not different in treatment areas, and the average business was still no more profitable, although an increase in profits was observed. The researchers also found no changes in any of the development outcomes that were often believed to be affected by microfinance including health, education, and women's empowerment (Duflo et al., 2013).

In an impact assessment study, Karlan and Zinman (2011) evaluated the access to microcredit in the Philippines. The researchers worked with First Macro Bank, a profit-oriented lending institution offering small, short-term, uncollateralized credit with fixed repayment schedules to micro entrepreneurs in the outskirts of Manila. The study focused on clients whose average income and education level were higher than that of traditional microcredit borrowers most of whom are illiterate (Karlan & Zinman, 2011). The bank used credit-scoring software to rate applicants, based on business capacity, financial resources, personal assets and business stability. Some applicants scored well above the

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bank's base requirements and some scored well below, but there was a marginal group that just barely failed to meet the bank's criteria for lending. A sample of 1,601 marginally creditworthy applicants was randomly selected and 50 percent given loans amounting to 10,000 pesos (US$220), (Karlan & Zinman, 2011).

After 22 months Karlan and Zinman (2011) found that clients who received the loans did not increase investment in their businesses. The researchers conclude that marginally poor borrowers use loan to cope with shocks but not for increasing investment. Other studies such as Karlan and Zinman (2011) and Rai and Ravi (2011) found not convincing evidence of the benefits of microfinance on business and households. Other studies such as Mahajan (2007), Duvendak et al. (2011), Hulme and Arun (2011), and Roodman (2012), contend that microfinance might be helpful, but only under specific and limited conditions.

The success of the Grameen Bank model of group lending showed that the poor are intelligent and can make effective financial decisions, an idea acknowledged by scholars of human development. For instance, Amartya Sen, who argued that freedom and justice are key for development (Sen, 2009). According to Sen (2009), true development occurs when people are given the opportunity of freedom and justice to pursue their own interests. In the same fashion, people operate busineses more efficiently when they have the freedom to access financial services. This leads to quality of life and improved productivity (Easterly, 2006).

Collins, Morduch, Rutherford & Ruthven (2009) conducted a study in which they tracked the financial transactions of microcredit clients for approximately two years. The researchers asked the respondents about income

status, expenditures, and how money was borrowed and savings made on a bi-weekly basis within one to two years. The important findings were that the clients engaged friends, neighbours and family members, employers, retailers and money lenders to meet financial needs. The study concludes that poor people make decisions that impact positively on their livelihood strategies and outcomes (Collins et al., 2009). It seems reasonable, then, to assume that microcredit clients of the Upper Manya Krobo Rural Bank might be able to improve their businesses and livelihoods with access to microcredit. The next section discusses livelihood perspectives that emerged as the focus for analyzing development challenges after 1990.

Collins et al., (2009) opined that microfinance loans help small business operators to gradually improve their businesses. Daryl and Morduch also gave more credit to microfinance institutions because they seem more reliable, flexible and convenient to borrowers than all other tools they can access to manage their daily cash flow, both in business and at home. They explained that even though the interest rates of MFIs are relarively high, MFIs still remain the only sector that pay more attention to small businesses growth. Borrowers rush to repay the loan when the main motive for prompt repayment is not lenders pressure or business success, but rather, the desire to maintain future access to such helpful service.

Another advantage of microfinance is that it enables households and individuals and small businesses that would not nor could not raise capital to honour payment of their fixed – acquiring assets to start business to do so through borrowing to become entrepreneurs. MFIs assist borrowers to use the savings or

income from their loans for investment in life-improving amenities such as housing, education, food, and health which signifies improved livelihood for such clients (Ackah & Vuvor, 2011).

Livelihood Perspectives

Following the strong advocacy for sustainable livelihoods approaches to development from the 1990s (Chambers & Conway, 1992; Thieme 2008b), development agencies advocated for livelihood approaches and organisational structures to change rural systems and development challenges that dominated development thinking until 1990 (Baumgartner & Hoegger, 2006; Chambers, 2008). To achieve sustainable development, post-World War II institutions of development – the World Bank, the United Nations System, the bilateral development agencies, as well as national governments in newly independent countries linked policy and economic growth with quality of life after 1990 (De Haan & Zoomers, 2005). Consequently, village, household, and farming systems studies became important part of development research with particular focus on intra-household dynamics. Farming systems research was encouraged in several countries, with the aim of getting a more integrated systems perspective on farming challenges (Chambers, 2008). Later, agro-ecosystem analysis, rapid and participatory rural appraisal (PRA) approaches, including livelihood and environmental change analysis were added (Chambers, 2008). The outcomes of these studies defined the field of environment and development with emphasis on coping or adaptive strategies of livelihood.

Global environment and development movements of the 1980s and 1990s also energized concerns and focus about linking poverty reduction and development with long-term environmental sustainability (Cahn, 2002; Scoones, 2009). The term, 'sustainability', therefore entered the lexicon of the Brundtland report in 1987 and became a central policy concern with the UN Conference on Environment and Development in Rio in 1992 (Scoones, 2009). Sustainable development with concerns on livelihoods and the priorities of local people was recognized as the central feature of Agenda 21, and global concerns with environmental issues (Folke et al., 2010; Djalante, Holley & Thomalla, 2011).

Debates about livelihoods, employment, and poverty emerged at the World Summit for Social Development in Copenhagen in 1995 (Holling, Carpenter & Kinzig, 2004). In the same way, sustainability debates became part of market-oriented solutions and top down instrumental global environmental governance (Raskin, Electris & Rosen, 2010; Gerst, & Paskin, 2011; Evans, & Steven, 2012). In effect, sustainable development, as presented in the Brundtland report, laid out a vision for a people-oriented development that had as its starting point sustainable livelihood or continued quality of life for poor people. This, according to Sudhir, Fabienne and Sen (2006), is the ability to maintain and improve livelihood, while maintaining or enhancing the local and global assets and capabilities on which livelihood depends. For Chambers and Conway, (1992), a livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base.

Environmental sustainability is concerned with discouraging the use of environmental resources in such a manner that it does not preclude their use by future generations. This conceptualization falls outside the scope of this thesis. The central theme of the study is the sustainability of issues relating to poor peoples' lifestyle choice and the decisions they make to reduce their vulnerability. Therefore, the sustainable livelihood framework was developed to emphasise the complex processes that affect livelihood strategies and outcomes of poor people (Hamilton-Peach & Townsley, 2006; Tacoli, 2009). Sustainable livelihood frameworks linked inputs (designated with the term 'capitals' or 'assets') and outputs (livelihood strategies), connected in turn to outcomes, which combined poverty lines and employment levels with wider framings of well-being and sustainability (Hamilton-Peach & Townsley, 2006; Jakimow, 2013).

This study adopted the Sustainable Livelihood Approach (SLA) to understand how the livelihoods of people with little or no productive capital have been influenced with access to credit. This is because firstly, the approach is 'people-centred', in that poor people need to influence institutional structures and processes that govern their lives. Secondly, it is 'holistic' because it recognises multiple influences, multiple actors, multiple strategies and multiple outcomes. Thirdly, it is 'dynamic' and attempts to understand change, complex cause-and-effect relationships and 'iterative chains of events'. Fourthly, it starts with analysis of strengths rather than of needs, and seeks to build on everyone's inherent potential. Fifthly, it attempts to 'bridge the gap' between macro- and micro-levels

and lastly, it is committed explicitly to several different dimensions of sustainability such as environmental, economic, social and institutional.

The global fight to eradicate poverty among vulnerable groups such as women and children has led to the formalization and development of various competing livelihood approaches. These include:

1. The United Kingdom Department for International Development (UK, DfID) Sustainable Livelihoods Framework, developed by Chambers and Conway (1992) and later extended by Carney (1998);
2. The Household Livelihoods Security Framework, first developed by the Cooperative for Assistance and Relief (CARE) in the United States of America (USA) in 1994 to address issues relating to rural food security;
3. The United Nations Development Programme (UNDP) Sustainable Livelihood Approach adopted and modified by DfID in 1995 in order to meet its broad mandate of sustainable human development; and
4. The Livelihood Security Framework, developed by Carney for the analysis of livelihood security strategies which was adapted for this study.

The Sustainable Livelihood Framework approach is similar to the earlier Integrated Rural Development approach. The crucial difference is that the SLF approach does not necessarily aim to address all aspects of the livelihood strategies of the poor. The intention is rather to employ a holistic perspective in the analysis of livelihoods strategies in order to identify those issues or subject areas where an intervention could be effective for poverty reduction, either at the local or policy

level. The next section reviews three SL approaches, by highlighting their key features that may be relevant to the present study.

Department for International Development Sustainable Livelihood Framework

The DfID SLF was developed by Chambers and Conway (1992) and later extended by Carney (1998). The framework conceptualizes livelihood strategies and the complex factors that affect the daily lives of poor people. It focuses on integrated rural development and the relationship between rural poverty and the environment (Tacoli, 2009). The DfID SLF seeks to enhance the understanding of how people's capacities (assets) both add to their quality of life and their capabilities to confront the social conditions that reduce poverty (Solesbury, 2003). It tries to visualize a way of thinking about livelihoods strategies that represents a complex, holistic reality, which is also manageable. The five main components of the DfID Sustainable Livelihood framework are: vulnerability context, livelihood assets, transforming structures and processes, livelihood strategies, and livelihood outcomes (Figure 1).

The vulnerability context encompasses shocks such as natural disasters; trends and seasonality in population and economic indicators including prices, governance or technology, which are often beyond the control of rural people. The components of livelihood assets are financial, natural, physical, human and social capitals. Institutions, organisations that set and implement policies and legislation at the government and private levels, laws, culture and norms, constitute the

transforming structures and processes with natural and non-natural resource bases as strategies. The livelihood outcomes include a strengthened asset base (financial, natural, physical, human and social), and improvements in other aspects of well-being such as health, self-esteem, sense of control, and sustainable management of natural resources that have positive feedback effects on the vulnerability status and asset base.

The advantages of the DfID Sustainable Livelihood Framework are that the transforming structures and processes provide the link between the macro (government, private enterprises, etc.) and micro (individuals, household and community) level processes. Understanding these processes help to identify factors that could positively or negatively influence livelihood status.

The fundamental factor of any meaningful livelihood framework is starting with the poor themselves and their livelihood assets as essential in getting people to engage in a people-centred analysis. However, the layout of the DfID SL framework did not suggest this approach and, in some cases, encouraged a *left-to-right* reading. The poor themselves tend to be easily lost within the livelihood pentagon and, looking at the framework sometimes, focuses more on the assets and other factors than on the poor themselves in building their assets. For example, because of the lack focus on the poor at the centre of the framework, important elements of livelihoods, such as aspirations and opportunities for change, are left implicit even though these factors are key elements for identifying areas of intervention and entry points in facilitating change (Hamilton-Peach & Townsley, 2006).

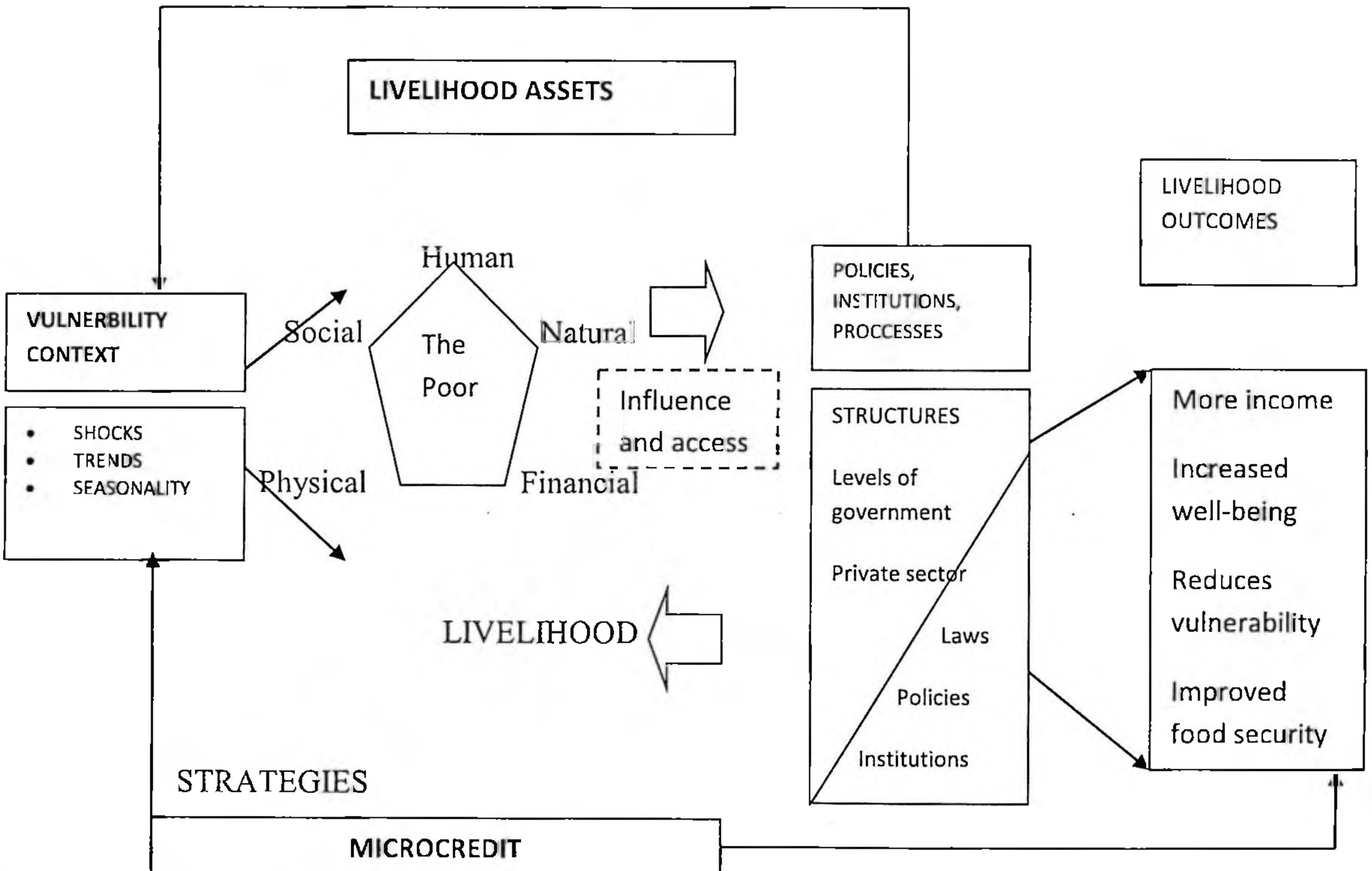

Figure 1: DFID Sustainable Livelihood Framework

Source: Carney, (1998)

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Household Livelihood Security Model

Household livelihood security is defined as adequate and sustainable access to income and resources to meet basic needs (including adequate access to food, potable water, health facilities, educational opportunities, housing, time for community participation and social integration). The Cooperative for Assistance and Relief (CARE), a Non-Governmental Organisation (NGO) in the United States of America (USA), realizing the importance of viewing food security in a broader perspective, adopted the Household Livelihood Security Model as its organizing framework in 1994. This model allows for a broader and more comprehensive understanding of the relationships among the political economy of poverty, malnutrition and the dynamic and complex strategies that the poor use to survive. The model consists of a context, livelihood strategy and livelihood outcome. The context defines the natural, socio-cultural, economic and political environment within which rural people live and organise their livelihoods. The livelihood strategies consist of production and income, consumption, processing and exchange activities which depend on a variety of assets or capital such as financial, social, economic, etc., and the household which provides the place for decision-making on livelihood options that are related to household resources (Figure 2).

Livelihood resources, according to the model, encompasses economic, natural, human and social capital while institutional processes and organisational structures deal with government, civil society and the private sector with livelihood strategies consisting of productive and exchange activities. The livelihood outcomes have three main components, namely, security of basic necessities of life

(nutritional, food, health, habitat, education, income, social network, safety, and environmental security), community participation and personal safety. The focus of the model is agriculture and food security.

The main advantage of the CARE's livelihood model is that it provides indicators for assessing improvement in household livelihood (Frankenberger, et al., 2002). Some of the weaknesses of the CARE' livelihood model are that: not all households are equal in their ability to cope with stress and repeated shocks. Poor people balance competing needs for asset preservation, income generation and present and future food supplies in complex ways. People may go hungry up to a point in order to meet another objective. For example, de Waal (2005) found that during the 1984/85 famine in Darfur, the Sudanese people chose to go hungry to preserve their assets and future livelihoods. There were other instances where people (farmers) decided to tolerate a considerable degree of hunger to preserve seeds for planting, to cultivate their own fields or to avoid selling animals. Aamodt (2010) also observed that gender differences could lead to differences in power relations to the point that vulnerable groups, especially, women and children, may not benefit from household strategies.

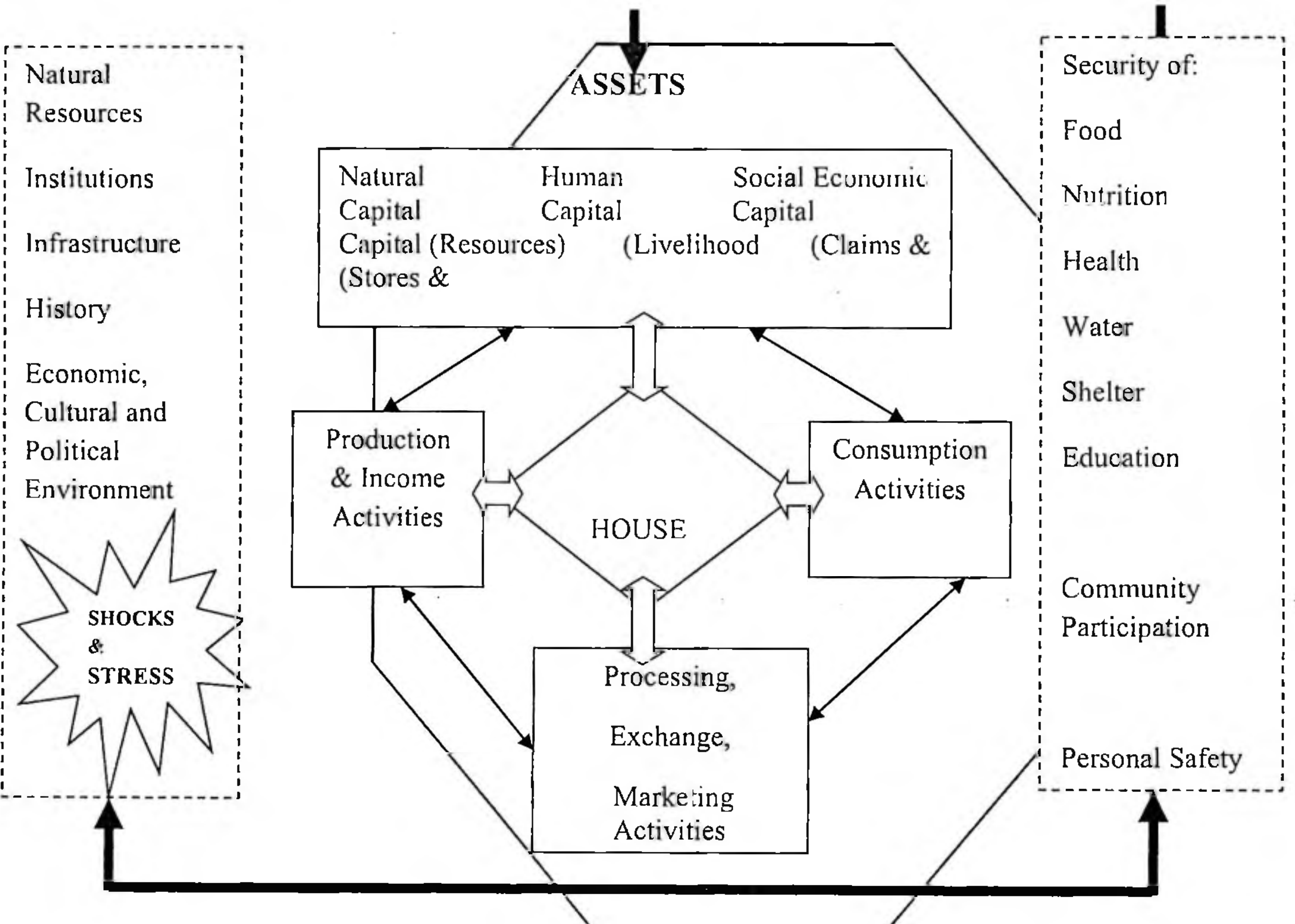

Figure 2: CARE's Livelihood Security Model

Source: Carney, Drinkwater, Rusinow, Neefjes, Wanmali and Singh (1999)

The United Nations Development Programme (UNDP) Sustainable Livelihood Approach

The UNDP's SLA developed in 1995, was primarily, a programming framework aimed at setting integrated support activities for improving the sustainability of livelihoods among poor and vulnerable groups by strengthening the resilience of their coping and adaptive strategies. The main goals of this approach are poverty eradication, employment and sustainable livelihoods, gender equity, protection and regeneration of the environment, and governance. In this context, the UNDP's SLA provides a way of achieving poverty reduction, in combination with other strategies such as macroeconomic growth, community development, and community-based natural resource management being pursued within the UNDP. The framework has three main components, namely, entry point, drivers and outcomes.

Entry point covers local adaptive strategies, assets, knowledge and technology. The drivers consist of technology and investment on the one hand and macro-micro policy on the other hand. The framework explicitly focuses on the importance of technology as a means of helping poor people rise out of poverty. The main strategy of the UNDP's livelihoods approach is to conduct a participatory assessment of technological options that could help improve the productivity of assets. Where such assessment shows that indigenous technologies are very effective, UNDP's goal would be to ensure that these are adequately understood and promoted by NGOs that work with local people. The outcomes are envisaged as sustainable livelihood outcomes or capabilities as illustrated in Figure 3.

The main advantage of the UNDP SLA is that it is less restrictive and can be adapted in any community to assess livelihood status (Daskon & Binns, 2009). Tamsin, Sheilah andWalker (2001) have, however, noted that the framework has no room for vulnerability and security measures. They contend that it ignores the possibility of conflicts over access and use of resources, and empowerment of women which are likely to be experienced as a result of access to microcredit.

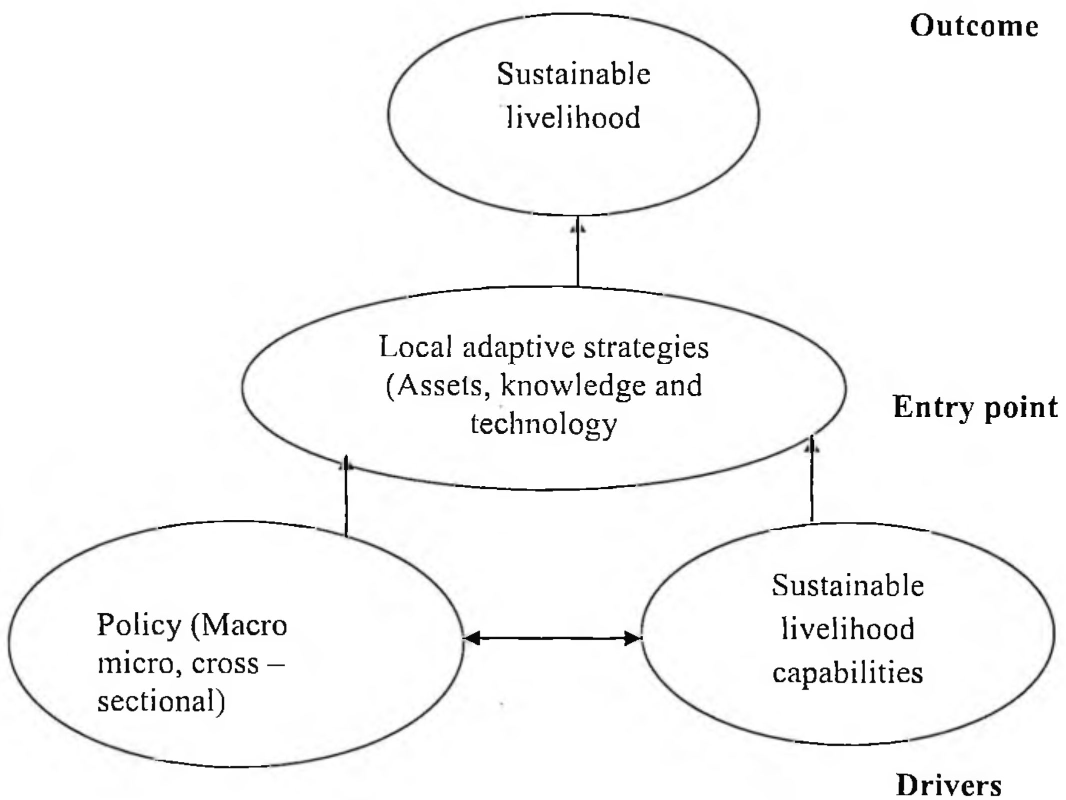

Figure 3: UNDP Sustainable Livelihood Framework (SLA)

Source: Carney et al., (1999)

By recognizing limited achievements after decades of development aid, new thinking arose about the role of the State in the development and the meaning and

nature of poverty. Socio-economic issues began to figure much more prominently in people's understanding both of the nature of poverty and of the processes of poverty reduction. The Sustainable Livelihood Approach serves as an instrument for the investigation of poor people's livelihoods, whilst visualizing the main factors of influence. It provides the reference point for understanding poor people's assets and vulnerability. The common thread uniting the livelihood frameworks examined is that they link their ideas back to the early 1990s work of Chambers and Conway. The frameworks, developed by the World Bank as well as multinational and bilateral NGOs, were new and alternative approaches aimed at poverty eradication as a result of the failure of such policies as the Structural Adjustment Programme (SAP) and the Economic Recovery Programme (ERP) in developing countries (Rakodi & Lloyd, 2002; Camdessus, 2009).

The UNDP SLA, adopted in 1995, serves primarily as a programming framework to devising a set of integrated support activities to improve the sustainability of livelihoods among poor and vulnerable groups by strengthening resilience, coping, and adaptive strategies. Although this is in principle, an open-ended process, certain emphasis is given to the introduction of improved technologies as well as social and economic investments. This framework also addresses policy and governance issues as they impinge on people's livelihoods strategies. The approach is deemed sufficiently comprehensive for facing the challenge of large-scale poverty and yet sufficiently flexible for addressing context-specific constraints.

In 1997, DfID affirmed its ultimate aim of supporting the elimination of extreme rural poverty and the sustainable use of the environment in developing countries. One of the three specific objectives designed to achieve this aim is the commitment to 'policies and actions that promote sustainable livelihoods. Thus DfID's SLA aims to increase its effectiveness in poverty reduction in two main ways. The first is by mainstreaming a set of core principles, which determine that poverty-focused development activity should be people-centred, responsive and participatory, multi-level, conducted in partnership, sustainable and dynamic manner. The second is by applying a holistic perspective in the programming of support activities (e.g. microfinance), to ensure synergy in issues or areas of direct relevance for improving poor people's livelihoods strategies.

The focus of CARE's programme is helping the poorest and most vulnerable, either through regular development programmes or through relief works. The livelihoods approach, adopted by CARE in 1994, was a framework used for relief and development works (programme analysis, design, monitoring, and evaluation). According to CARE, the framework was the most effective way for improving inter-sectoral coordination and increasing the impact of work on household food security for poverty reduction. The framework emphasises capacity strengthening of poor people to enable them initiate and secure their own livelihoods. It also stresses empowerment of vulnerable groups such as women and children as fundamental livelihood approach.

Adapted Conceptual Framework and Theoretical Links between Microfinance Credit and Small Businesses

Based on the discussions of the above frameworks, this study adapt the Livelihood Security Framework (Figure 4). Livelihood outcome desired – more income, well being and reduced vulnerability was added to the original framework. The framework emphasises credit as fundamental for poor people's (microcredit clients in this study) livelihood. It brings to the understanding the various dimensions of people's livelihood, strategies and objectives pursued with credit and associated opportunities and outcomes derived from the credit. It conceptualises the components of the livelihood of poor people and their interconnections with variables such as credit and its impacts on livelihood. The livelihood strategies and activities of poor people are often complex and diverse. For rural people, agriculture and other natural resource-based activities may play important roles but rural households also diversify into other activities, some of which are linked to agriculture and the natural resources sector. Livelihood strategies may be by subsistence production or production for the market, participation in labour markets, and self employment activities.

One can examine livelihood strategies from the perspective of an individual or from the perspective of a household, although, treating the 'household' as a unified decision-making unit pursuing a joint livelihood strategy with common goals, may pose some challenges. Poor people usually employ a mix livelihood strategy, especially when resources are to some extent pooled. A relatively unified

'household' will obviously be able to employ a wider range of strategies than an individual acting alone.

The framework dichotomises the outcomes of livelihood strategies into effects on livelihood security and effects on environmental sustainability. It explains how capital assets (natural, human, financial, physical and social) can influence (positively or negatively) livelihood strategies and outcomes. The framework also indicates access to livelihood capital asset such as credit and its outcome, can improve livelihood security - higher and sustainable incomes, improved wellbeing and reduced vulnerability which reduced risk, which are important objectives in rural livelihood strategies.

An important issue of this study is how the lives of the people of UMK would be transformed and sustained through access to credit from the Rural Bank. The livelihood framework provides a distinction between income stability and degrees of risk. Higher income levels is obviously the desire of people, but to the poor, income stability and risk avoidance are key. Income, in the livelihood model, does not only refer to monetary income, but also to incomes in kind, such as the goods and services as it pertains to microcredit clients.

The external environment in the framework are situations that may affect livelihood strategies. For small businesses, these could be seasonal fluctuations in income as a result of shift or change in demand of goods and services. Whilst rural people may seek improvements across a wide range of livelihood outcomes, the need to prioritise may force them to make undesirable trade-offs between desirable

outcomes. With microcredit clients, diversification of business activities or business expansion to include other items may be the option.

Sustainable access to credit, which is core to microcredit clients, improves financial, social, and physical assets. This leads to greater income stability and lower risk. This in turn leads to higher aggregate income in the long term by reducing the probability of having to sell off productive assets in times of crisis, or by enhancing the return to individual assets for a livelihood. All livelihood strategies depend on access to assets of some kind.

In the adopted framework, assets are conventionally categorised into natural capital, physical capital, human capital, financial capital, and social capital. The focus of this study is on financial capital. Conventionally, increasing access to finances and investing in businesses reduce vulnerability levels. The prudent use of financial asset can also increase people's power, self-esteem, and influence. The attributes of financial capital are inbuilt in the livelihood models. The microcredit scheme of the UMK Rural Bank can be conveniently classified as a subset of the livelihood model. The expectation is that the lives of the people in the District would be transformed as a result of the availability and accessibility of the credit by the UMK Rural Bank.

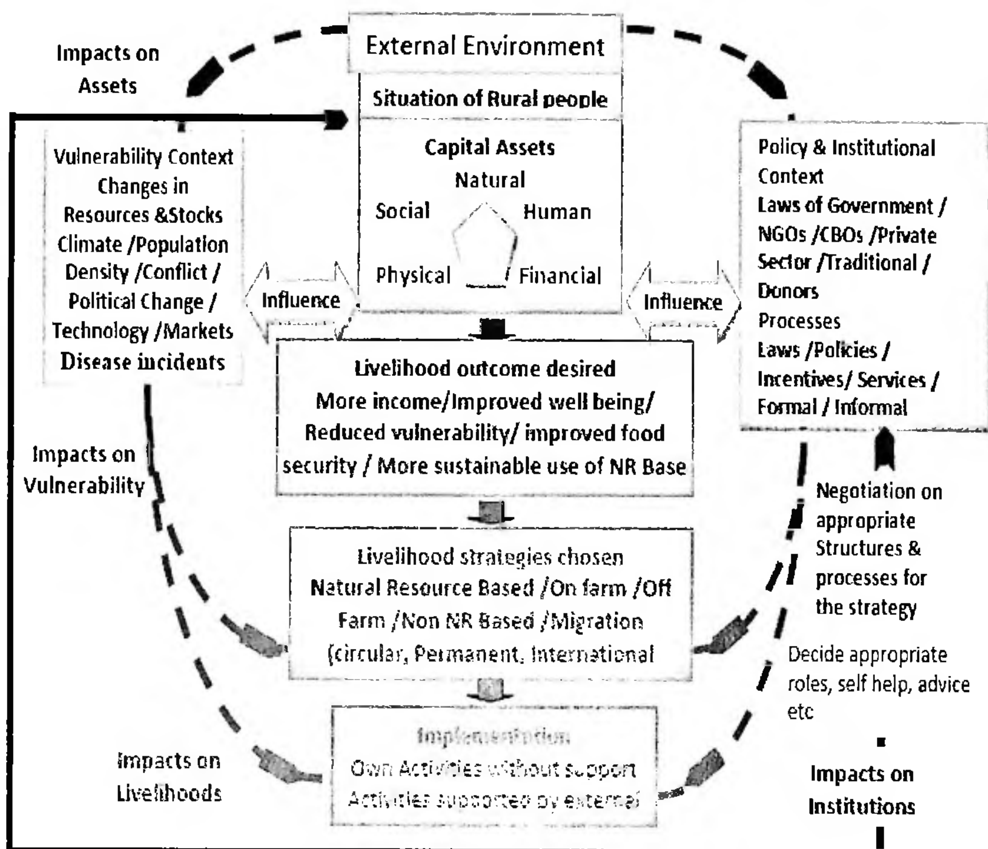

Figure 4: Adopted Livelihood Model

Source: Carney, 1998

Discussion

The UNDP, DfID and CARE have used the SL approach as a strategy for poverty reduction. The three agencies used similar definitions to explain what constitutes sustainable livelihoods. While the focus of the DfID and UNDP frameworks are on macro-level assessment of structures and processes that facilitate sustainable livelihood activities, CARE's SL approach emphasise micro-level (individual/household level) analysis of livelihood strategies. The key

stakeholders of the DfID and UNDP frameworks are institutional structures and processes. In addition, individuals and households are the major actors of the CARE framework. Furthermore, CARE supports household livelihood security primarily at community level. UNDP and DfID work at community level, but also emphasise that dealing with enabling policy environments, macro-economic reforms and legislation are equally important for effective poverty reduction. For example, conditions governing access to credit and individual/household characteristics at the micro-level could affect livelihood activities (income generating activities) and livelihood status of microcredit clients.

In view of the multiplicity of assets that people make use of when constructing their livelihoods, the SL approach has the merit of producing a more holistic view on what resources, or combination of resources, are important to the poor. The approach also facilitates an understanding of the underlying causes of poverty by focusing on various factors at different levels that directly or indirectly determine or constrain poor people's access to resources/assets. The SL approach finally provides a more realistic framework for assessing the direct and indirect effects on people's living conditions.

Nevertheless, certain inherent weaknesses in the SL approach have been identified and seriously criticised. For example, although the original DFID framework rightly started with the poor themselves and their livelihood assets, the layout of the framework did not suggest "people-centred" analysis and in some cases, encouraged a "left-to-right" reading. In addition, the poor seemed to be easily lost within the livelihood pentagon. Users of the original framework sometimes

focused more on the assets and other factors than on the poor themselves as people. Furthermore, the linkages between different elements in the framework do not portray visual elements and are sometimes interpreted as being relatively unimportant when they are in fact essential to the understanding sustainable livelihoods.

The DfID framework also gave little attention to the poor at the centre of the framework. Hence, important elements of livelihoods, such as aspirations for change and the opportunities perceived for change are also left implicit. These factors are however, crucial for identifying areas of intervention and entry points for facilitating change. Where the analysis is on policies, institutions and processes or transforming structures and processes, limited information is provided by the DfID framework. One main criticism of the livelihood approaches is that they ignore politics and power that tend to shape the life of the poor. The approaches also placed less emphasis on the poor to address their vulnerability.

The adopted livelihood model, however, addresses the key elements relating to the vulnerability context of the poor. The framework is flexible for use because it emphasises the use of assets for greater income stability and lower risk. In particular, it provides users with added tools for analysing livelihood strategies and outcomes. The adopted framework is advantageous over the other livelihood frameworks because it makes clearer the linkages between the livelihoods of the poor and the policies and institutions that either support or hinder them in achieving successful livelihood outcomes. The attributes of financial capital the focus of this study are inbuilt in the adapted models. Therefore, the model is suitable for

assessing how the lives of the microcredit clients have been transformed with access to credit.

Conclusion

Development paradigms have emphasised the progressive improvement in social and economic well-being of people so that they live longer ith healthier lives within a given political entity (Morvaridi, 2008). Development paradigms have shifted in tandem ith golal perspectives about poverty reduction. Various livelihood concepts and frameworks have been developed as pathays for reducing gloal poverty especially in developing countries. These include the UNDP, DfID and the CARE livelihood frameworks.

Within the past three decades, development epoches that had evolved over time in the quest of reducing global poverty were the 1972 Stockholm Declaration, 1992 Rio Summit, 2002 World Summit on Sustainable Development, Rio 2012, Washington Consensus, Beijing Consensus and the Millennium Development Goals MDGs. The current lobal development agenda, "the Sutainable Development Goals (SDGs), has 17 development goals as the United Nations development agenda for year 2030. Achievements and challenges from the MDGs provided the foundation and formulation of the SDGs.

Microfinance is important for achieving Goals 1, 2, 3, 4 and 5 of the SDGs. These are: "*Ending poverty in all its forms everywhere; ending hunger, achieve food security and improved nutrition and promote sustainable agriculture; ensuring healthy lives and promote well-being for all at all ages; ensuring inclusive*

and equitable quality education and promote lifelong learning opportunities for all; and achieving gender equality and empower all women and girls.

Microfinance is can threrfore, be said to be a development tool for reducing vulnerability and poverty among poor people. With access to credit, poor people can improve their income generating activities and earn more income to enhance their well-being. The theoretical discussions and the literature review provide the basis for the study of microcredit clients of the UMK Rural Bank in the subsequent chapters.

CHAPTER THREE

OVERVIEW OF MICROFINANCE IN GHANA

Introduction

This chapter provides an overview of Ghana's microfinance sub-sector. The discussion centres on Ghana's microfinance policy and policy framework, categorization and operations of MFIs in Ghana, Rural and Community Banks (RCBs), Credit Unions (CUs), the "Susu" system, Savings and Loan (S&L) companies and Money lenders. The chapter also examines the role of the Ghana Microfinance Institution Network (GHAMFIN) and highlights the challenges confronting the microfinance industry such as regulatory mechanisms, staffing, funding, credit delivery, and inadequate information dissemination within the microfinance industry.

The Bank of Ghana

The Bank of Ghana was established in 1957 by the Bank of Ghana Ordinance (No. 34) of 1957, passed by the British Parliament. The current responsibility the Bank is enshrined in the Bank of Ghana Act, 2002 (Act 612) which empowers it to "promote, regulate and supervise payment and settlement systems". The Payment Systems Act, 2003 (Act 662) also authorises the Bank of Ghana to establish, operate, promote, designate and supervise payments, funds transfer, clearing and settlement systems" in the interest of the public. The specific functions of Bank of Ghana are to:

- formulate and implement monetary policy aimed at achieving the objects of the Bank;
- promote by monetary measure the stablisation of the value of the currency within and outside Ghana;
- institute measures which are likely to have a favourable effect on the balance of payments, the state of public finances and the general development of the national economy;
- regulate, supervise and direct the banking and credit system and ensure the smooth operation of the financial sector;
- promote, regulate and supervise payment and settlement systems;
- issue and redeem the currency notes and coins;
- ensure effective maintenance and management of Ghana's external financial services;
- license, regulate, promote and supervise non-banking financial institutions;
- act as banker and financial adviser to the Government;
- promote and maintain relations with international banking and financial institutions and subject to the Constitution or any other relevant enactment, implement international monetary agreements to which Ghana is party; and
- do all other things that are incidental or conducive to the efficient performance of its functions under this Act and any other enactment

Bank of Ghana regulates the banking and non-banking financial subsectors. The legal framework, the Bank of Ghana Act, 2002 (Act 612) gives autonomy to

the Bank to frame monetary policy, regulate and supervise banking and non-banking financial institutions. The Banking Law, 2004, (Act 673) governs all banking companies in Ghana. The Financial Institutions (Non-Banking) Law, 1993 PNDC Law 328 and the rules framed under the Act are applicable to Savings and Loan Companies. Under Notice No. BG/GOV/SEC/2011/04) of 2011. The Bank of Ghana established regulatory requirements for the contry's financial sector.

Ghana's Financial Sector

Ghana's financial sector comprise formal, semi-formal and informal institutional arrangements. The formal sector consists of Commercial Banks, Rural and Community Banks (RCBs) and the Savings and Loans (S&L) companies. Commercial Banks and RCBs are regulated under the Banking Act 2004 (Act 673), while S&L companies are regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328) (Bank of Ghana, 2007). The formal sector is dominated by few large commercial banks and constitutes the bulk of the assets in the banking sector. However, this sector services only 5 percent of the bankable population (Pricewaterhouse Coopers, 2012).

The semi-formal institutions comprise Credit Unions, Cooperatives, Susu operators and Financial Non-Governmental Organisations (FNGOs), which are regulated by the Non-Bank Financial Institutions Act, 2008 (Act 774). Semi-formal institutions are formally registered, licensed and regulated by the Bank of Ghana. They constitute the key stakeholders of the microfinance industry (Bank of Ghana, 2011). Credit Unions are also regulated by the BoG under (Act 774) in addition to the Co-operative Societies Act, 1968 (N.L.C.D. 252).

The informal financial sector comprises service providers such as money lenders, *susu* clubs, rotating savings and credit associations (ROSCAs). These rarely involve any legal documentation (Bank of Ghana, 2011).

As at August 2017, Ghana's financial sector comprised 27 licensed universal banks, 140 Rural and Community Banks, 71 licensed non-banking financial institutions, and 334 licensed credit unions and financial cooperatives. (Bank of Ghana, 2011). In addition, there were a total of 291 licensed *susu* enterprises who serve people in specific areas or organizations as at March 2016 (Akoto, 2016)

The top five performing universal banks with regard to asset holdings are Ghana Commercial Bank (GCB) Limited, Standard Chartered Bank, Ecobank, Stanbic Bank and Barclays Bank. Together, these banks accounted for nearly 55 percent of the total assets and represent almost 48 percent of the branch network in the banking sector (Bank of Ghana, 2013). Universal banks are concentrated in urban centers of Greater Accra, Ashanti, and Eastern Regions, with little outreach to rural and remote areas (Ajai & Azeb, 2010). Rural and Community Banks, represent 5 percent of the total banking assets and account for almost half of the total banking outlets with a strong presence in rural areas (Asiedu-Mante, 2011).

Development of Microfinance in Ghana

Ghana has a history of savings and loan taking culture. *Susu* savings collection, one of the microfinance schemes, was believed to have spread to Ghana from Nigeria as early as the twentieth century (Asiama & Osei, 2007; Abor &

Quartey, 2010). The microfinance sector in Ghana has thrived and evolved into its current state as a result of various financial sector policies and programmes undertaken by different governments since independence (Asiama & Osei, 2007).

Ghana Microfinance Policy

In November 2006, the government of Ghana formulated the Ghana Microfinance Policy (GHAMP), which outlined the goals and guidelines for the sector. The GHAMP was also formulated to regulate institutions operating in the microfinance industry to be in line with Bank of Ghana's licensing of formal financial institutions (BoG, 2011). The objectives of the policy were to: create an enabling microfinance environment at the macro, meso and micro levels that supports the operations of the microfinance industry; provide avenues for the sustainable flow of funds, adequate infrastructure and development of human capital; ensure a harmonized and coordinated microfinance sub-sector; ensure an integrated and sustainable financial system that reaches the poor; and to facilitate activities that ensure consumer protection.

GHAMP sought to achieve its objectives through activities with Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs), development partners, practitioners, service providers, supporting institutions and end users in accordance with internationally accepted best practices, principles and standards. In line with this, the policy tasked the Government of Ghana to improve and deepen financial intermediation to serve the poor and low-income populations by supporting and building an inclusive,

sustainable and efficient financial services system. The overall guiding principle of the policy was that microfinance is an integral part of the financial system development in Ghana.

Elements of the Policy

Institutional Arrangements, Coordination and Collaboration

There shall be well defined institutional arrangements outlining the roles, responsibilities and functions of key stakeholders. Coordination and collaboration among institutions within the sub-sector shall minimize duplication and foster complementarity of activities by all stakeholders within the industry. To achive this a National Microfinance Forum shall be established to meets periodically to share information and discuss sub-sector issues among all stakeholders.

A national, regional and district consultative committees comprising representatives of key stakeholders at each level charged with planning, implementation, coordination, and reporting on microfinance activities within their respective areas shall be established. Networking among MFIs, Apex Bodies, supporting institutions and development partners shall e encouraged and all MFIs shall be expected to be epresented by an Apex body. Finally, linkages between formal and informal financial institutions shal also be encouraged.

Capacity Building

Capacity building in the microfinance industry shall involve human capital, infrastructure and funding. Specific competency-based programme shall be

designed for practitioners. Microfinance Apex Bodies, Training Service Providers and icrofinance Practitioners will be expected to develop well focused programmes to train end-users as well as specialized training programmes for the identifiable groups such as women, people with disabilities and the youth. Stakeholders such as training and service providers shall collaborate with national and international teaching and research institutions to develop programmes that meet local demands and are comparable to international benchmarks.

There shall be infrastructure development with the aim of establishing a base and the provision of adequate logistics to support operations and activities. Mechanisms shall also be put in place to systematically harmonize the development of infrastructure and the provision of logistics. A fund shall be created to meet the needs of the industry. In addition, funds from other sources shall be encouraged to meet the needs for capacity building. Coordination and tracking at all levels shall be vigorously pursued, to ensure the judicious use of all available funds.

Financial Services Delivery and Management

MFIs shall be encouraged to develop and provide diversified and efficient credit delivery systems that meet the varying demands of the market. There shall be minimum standard requirements which all MFIs will be expected to meet and interest rates for microfinance shall be market based. Other institutions providing financial services such as insurance, leasing and money transfers shall be encouraged to develop methodologies for adapting their products to microentrepreneurs and low-income households. A framework for categorizing and

grading of existing and emerging institutions especially in the semi-formal and informal sub-sector shall be developed in consultation with all stakeholders.

Classifying Target Groups of the Poor, Vulnerable and Marginalized

Mechanisms shall be put in place to ensure adequate, reliable and acceptable methods for classifying poverty levels in order to enhance targeting, eligibility and the provision of services, including training and grant-based programmes where appropriate, as well as microfinance interventions. Microcredit should be targeted to those who can use it productively and service debt. Microfinance is also about providing savings and other financial services to the vulnerable and the marginalized, who are women, the youth and the physically-challenged and to specific programmes and products shall be designed for.

Consumer Protection

The protection of potential and actual end-users of microfinance products and services from unfair practices such as usurious interest rates shall be ensured through public disclosure and transparency in the operations of institutions. In the absence of national consumer protection legislation/regulations that cover financial services, MFI apex organizations shall be encouraged to develop and implement industry standards.

Data/Information Gathering and Dissemination

Astandardized system for data capture, storage and dissemination shall be promoted at all levels to facilitate the various outcomes of the operations of the industry. GHAMFIN shall be empowered to process data to be provided through the Apex organizations, utilising the microfinance information index (MIX) format here as feasible. In addition, there shall be a central data base system which will be accessible to all stakeholders.

Regulation and Supervision

All MFIs seeking assistance from Government or donor programmes shall require certification that it is a member in good standing with its Apex organization. Besides, all MFI Apex Bodies shall be expected to establish appropriate bye-laws, criteria for registration and standards, which shall be periodically reviewed in accordance with prevailing circumstances within the country and in response to international practices.

Research Monitoring and Evaluation

In line with the objectives of the GHAMP, MFIs shall:

Conduct baseline studies on operations and outreach of institutions as well as on issues such as policies, institutional arrangements, levels of collaboration and regulatory mechanisms; conduct operations research geared towards improving the efficiency of on-going projects and MFIs; collaborate with universities and other research institutions to conduct periodic research into various aspects of the

operations of the sub-sector; and ensure the development of key indicators for monitoring and evaluating the impact of programmes and activities and feedback mechanisms for review of implementation and policy.

The GHAMP of 2006, was to be implemented over a six (6) year period ending in 2012, but to date, there has not been any revision to the policy docment. However, under the Non-Bank Financial Institutions Act, 2008 (Act 774) and the Banking Act, 2004 (Act 673) as amended by Act 738, the Bank has provided regulatory requirements in addition to the microfinance policy for the operation of the microfinance industry in Ghana.

Categorization and Operations of Microfinance Institutions in Ghana

The microfinance industry in Ghana is categorized into four tiers by the Bank of Ghana under the Financial Institutions (Non-Banking) Law, 1993 PNDC Law 328. Tier 1 comprises Rural and Community Banks, Finance Houses and Savings and Loans Companies. Tier 2 MFIs are Susu companies, Financial Non-Governmental Organizations (FNGOs) that take deposits and make profit ass well as Credit Unions. Money lenders and Non-deposit taking Financial Non-Governmental Organizations (FNGOs) fall under tier 3. Tier 4 comprise those activities undertaken by individual Susu collectors, Susu enterprises (with a registered business name), individual money lenders and money lending enterprises.

Regulatory Requirements for Microfinance Institutions

The Non-Bank Financial Institutions Act, 2008 (Act 774) and the Banking Act, 2004 (Act 673) as amended by Act 738, the Bank of Ghana under Notice No. BG/GOV/SEC/2011/04) issue in July 2011, established the Rules and Guidelines for compliance by all individuals and entities operating in the microfinance sub-sector. Intermediaries such as Susu companies and Susu collectors, money lenders and other financial service providers were enjoined to comply with the Notice as follows:

Tier 1

These are regulated under the Banking Act 2004 (Act 673), ARB Apex Bank Regulations, 2006 (LI 1825), the Non-Bank Financial Institutions Act, 2008 (Act 774) and respective Notices and Circulars issued by the Bank of Ghana.

Tier 2

Companies and institutions in this category are required to include the word "microfinance" in their names and are required to hold an initial minimum paid up capital of not less than GH¢100,000.00 for one-unit office. The opening of branch is subject to higher capital requirements. In addition to the minimum capital requirements, they are to maintain a minimum capital adequacy ratio of 10%.

Tier 2 institutions can accept deposits from the public but no single deposit should exceed 5% of the Company's paid up capital. They can give loan less than 5% of the company's net worth for unsecured exposures and a ceiling of 20% of the company's net worth for secured exposures. A group member's loan should not

be more than 1% of the Company's net worth. Tier 2 institutions are not required to issue checks or engage in foreign exchange business. They are also not expected to engage in any trading activity or hold any stocks of goods for sale to their clients.

Tier 3

Bank of Ghana reqires Tier 3 institutions to be companies limited by shares (Money lenders) or limited by guarantee (FNGOs). The companies undertaking money lending are required to include the word 'Money lending' in their names and undertaking non-deposit taking microfinance activities must include the acronym 'FNGO' in their names.

The minimum paid-up capital for institutions in this category is GH¢60,000. In addition, Bank of Ghana requires that such companies maintain a gearing ratio not exceeding eight (8) times their capital. Tier 3 institutions can establish branches subject to the prior approval of the Bank of Ghana and compliance with any other conditions determined by the Bank of Ghana. Unsecured loans must not exceed 10% of the paid up capital of the entity. Tier 3 institutions can raise funds but are not expected to take deposits from customers.

Tier 4

Tier 4 comprises individual Susu collectors, Susu enterprises (with a registered business name), individual money lenders and money lending enterprises. They may operate in a defined geographical area such as a market or a

suburb. Tier 4 operators are required to belong to an umbrella Association such as the Ghana Cooperative Susu Collectors Association (GCSCA) and are required to include the word "susu" or "money lending in their registered business names. Individual money lenders are advised to form an Association as a platform for educating and informing each other as well as a forum for interacting with regulators and other stakeholders. There is no minimum capital requirement for an individual Susu collector or money lender. However, each registered member of an umbrella Association shall contribute to an Insurance Fund to be set up by the Association.

Association of Rural Banks

The Association of Rural Banks (ARB) also called ARB Apex Bank, was created with shares from the RCBs and as a service provider to the RCBs. ARB Apex Bank served as the Head-office for all RCBs and performs functions such as cheque clearing, treasury management, product developing and training for its affiliates. The Apex Bank is also responsible for training rural bank officials, improving the management information system (MIS) of rural banks and for developing a standard reporting system for its members.

Rural and Community Banks

The concept of rural banking was initiated in 1976 as a response to the limited penetration of the Agricultural Development Banks (ADB) into the rural

areas and to better mobilise savings from local communities (Tsamenyi & Shazad 2008; Asiedu-Mante, 2011). The rural banks are unit banks, owned, managed and patronised by the people in the localities concerned (Acquah, 2004). The genesis of the rural banks can be traced to the need for a stronger institutional arrangement for providing rural credit. Rural banks are therefore, supposed to operate as specialized rural financial institutions in developing the rural economy by providing credit to small and marginal farmers, agricultural laborer, artisans and small entrepreneurs as well as facilitate the payment system and to promote savings and investment in rural areas. This was aimed to bring banking services to rural dwellers and to reduce the amount of money kept outside the banking system (Amposah, 2016).

The first rural bank was established at Nyarkrom, a farming community in the Central Region of Ghana in 1976. Since then, their number have increased to 140 as at 2016 (Amposah, 2016). Out of the 140 RCBs, 91 representing 65 percent were opened within the 1980s. The Atwima Rural Bank, Sekyedomase Rural Bank, Adansi Rural Bank, and the Asokore Rural Bank in the Ashanti Region; the Shai Rural Bank in the Greater Accra Region and the Amenfiman Rural Bank in the Western Region were among the first to be opened in 1980. The Upper Manya Krobo Rural Bank in the Eastern Region was opened in 1982. Appendix 3 shows the regional distribution of licensed RCBs, their location and the year in which they were opened.

In addition to RCBs, Non-Bank Financial Institutions made of up of savings and loans companies, cooperative credit unions (CCUs), susu collectors and financial NGOs, are microfinance institutions that provide financial intermediation

for small business entrepreneurs in Ghana. They are currently regulated by the Non-Bank Financial Institutions Act, 2008 (Act 774) BoG. Notice No. BG/Gov/Sec/2013/08.

Saving and Loan Companies

The advent of Savings and Loans Companies in Ghana followed the passage of the Financial Institutions Non- Banking Law in 1993 (Bank of Ghana, 2007). Savings and Loans companies are active in microfinance and small-scale intermediation using various microfinance methodologies (Boateng, 2009). For instance, S&L companies provide avenues for *susu* collectors for savings and funds for on-lending to their clients (Steel & Andah, 2003; Aryeetey, 2008). S&L companies also offer mortgage services from savings and deposits received from private investors. Depositors and borrowers of S&L companies have equal voting rights and the ability to direct financial and managerial goals of the company (Hirschland, 2003). The Ghana Saving and Loan Company (GHASALC) is an association of all Savings and Loans Companies registered and licensed by Bank of Ghana. It is a non-profit making institution limited by guarantee. The financial assets of the association are divided among the members in proportion to each member's savings or shares (Allen, 2006).

The Ghana Cooperative Credit Union Association (GCCUA)

Credit Unions (CUs) has existed around the world for more than 140 years. It originated from Germany in 1846 and later spread to other parts of the world

(Aryeetey, 2008). CUs are micro non-banking financial co-operatives owned and run by their members who pool their savings together. Loans are granted to members at reasonable rate of interest. In addition to the loans, they provide other services such as training and counselling to members. According to the World Council of Credit Unions (WOCCU), Ghana was the first country to operate a CU in African continent (WOCCU, 2013). The African Confederation of Co-operative Savings and Credit Associations (ACCOSCA), with its Headquarters in Nairobi, Kenya, oversees the activities of all CUs in African (Credit Union Handbook, 2014).

Ghana's Co-operative Credit Unions Association (CUA) Limited was established in 1968 as the Apex body of the credit union movement in Ghana with the aim of developing a sustainable and favourable credit union environment in Ghana (Aryeetey, 2008). However, evidence suggests that as early as 1955, the Catholic missionaries established credit unions in Northern Ghana. Until 2007, CUs in Ghana were not regulated by the Bank of Ghana. CUs are currently regulated by the Non-Bank Financial Institutions Act, 2008 (Act 774) and Co-operative Credit Union Regulations, 2015 (L.I. 2225) (Amposah, 2016).

CUA represents the interest of all CUs in Ghana at both local and International levels (Microfinance Unit, MoFEP, 2013). The association provides opportunity for its members to obtain loan facilities at moderate rate of interest and better conditions than those offered by banks and other financial institutions. It also provides investment counselling and credit management training at little or no fees to its members. CUs in Ghana have contributed to poverty reduction and economic

growth in terms of providing financial services to small scale businesses, creating the willingness to save among rural people and improving the economic well-being of people in their communities.

Ghana Co-operative Susu Collectors Association (GCSCA)

The Ghana Co-operative Susu Collectors' Association, (GCSCA) was established in 1994 as an umbrella organization for all Regional Susu collectors Societies in Ghana. It is one of the ancient traditional banking systems in Africa. The system is believed to have been introduced in Ghana from Nigeria (Abor & Quartey, 2010). *Susu* is used to mobilize funds for the commencement, sustenance, and improvement in small scale business enterprises (Alabi et al., 2007). It can also be used to accumulate funds to acquire personal and physical assets (Abor & Quartey, 2010).

There are three types of *susu* institutions, namely, *Susu* Collectors, *Susu* Associations or mutualist groups, *Susu* Clubs and *Susu* Companies (Osei-Assibey, 2011). The *susu* collector system is where a person agrees to make a daily contribution to a *susu* collector for a period within a month with the collector retaining a day's contribution. *Susu* Associations or mutualist groups are Rotating Savings and Credit Association (ROSCA) and Accumulating Savings and Credit Associations (ASCA) (Osei-Assibey, 2011). Members of contribute weekly or monthly a fixed amount that is allocated to each member in turn according to a lottery or bidding system.

With ASCA, members make regular contributions which is lent to members or paid out to a member under circumstances such as marriage or death of a family member. *Susu* Clubs, according to Osei-Assibey (2011) are a combination of ROSCA and ASCA in which members commit to saving toward a specified sum. *Susu* companies are registered businesses whose employees collect daily savings using the regular *susu* collection methodology (Osei-Assibey, 2011).

The Ghana Co-operative *Susu* Collectors' Association (GCSCA) was established in 1994 to coordinate the activities of all *susu* societies. The primary objectives of the association are to: regulate the operations of *susu* collectors, mobilise savings from customers, encourage good savings habits among its customers, protect the custody of funds mobilised, and to deepen the intermediation process between the public and formal banks (GCSCA. 2013). GCSCA provides capacity building, advocacy, monitoring and supervision, to enhance members' productivity and performance (GCSCA).

Due to its contributions to the development and promotion of micro and small businesses, as well as its ability to mobilise excess liquidity through savings, *susu* is being incorporated into some formal financial institutions (Boateng, 2009). For instance, Barclays Bank Ghana Limited, launched a micro-banking scheme in December 2005, which establishes a formal link between modern finance and *susu* collection from traders, market women and those selling from road-side stalls (Barclays Bank of Ghana Ltd., 2005).

A prospective member must be recommended by a zonal executive, provide two sworn guarantors, deposit GHS1 million into a security fund, save 5,000 Cedis

a month, take a medical examination, and undergo a three-month training with an existing member. Other measures intended to improve the confidence of the public in doing business with members of GCSCA include wearing uniform colors, paying off clients' deposits from the security fund in case of the death or disappearance of a collector, and assisting in arbitration of disputes. GCSCA monitors performance of the industry by collecting quarterly data from its zonal societies on the number of clients, amounts mobilized, problems encountered, and assistance given.

Association of Financial Non-Govcrnental Organisations

The Association of Financial Non-governmental Organisations (AFNGOs) was inaugurated in 2005 as an apex organization of all non- financial organizations (FNGOs) in Ghana with the aim of regulating activities as well as advocating for the development their members. FNGOs which include money lenders are registered as an organisation under limited guarantee under Act 179 of the Companies Code of 1963. Currently, they are reglated by the Non-Bank Financial Institutions Act, 2008 (Act 774) of the Bank of Ghana. Given their social mission and local focus, and root in religious organisations, FNGOs are important in community microfinance because they organise, train, and assist thier clients to learn how to access and use credit successfully.

Money lending was the first form of microfinance to be licensed in Ghana by the Money Lenders Ordinance of 1911. The Ordinance gave the Police the right to license and regulate money lending. However, the Non-Bank Financial Institutions Act of 2008 repealed the Money Lenders Ordinance and directed

money lenders to register with the Bank of Ghana (Bank of Ghana, 2008). The new money-lending law has a legal framework for the registration of money lenders and licensing of persons doing business as money lenders. The law also provides for the protection and relief against excessive interest rates and extortionate stipulations in respect of loans in addition to providing for offences and for matters connected with or incidental to money lending.

The Money Lenders Association of Ghana (MLAG) comprises all business entities and individuals registered with the association. In 2010, MLAG was incorporated as an umbrella organization under the Companies Code 1963 (Act 179) (Bank of Ghana, 2013). The main aims of the Association are to develop and improve capacity building and advocacy including provision of acceptable operation standards and practice for its members (Bank of Ghana, 2011).

Ghana Association of Microfinance Companies

The categorization of Ghana's microfinance industry has given birth to a new apex body called Ghana Association of Microfinance Companies (GAMC). The Association have members currently in all ten (10) Administrative Regions of Ghana. It is limited by guarantee. GAMC member companies are under the regulation of the Bank of Ghana (BoG), and are mandated to follow all prudential requirements as well as consumer protection practices indicated by BoG. This is to ensure that the BoG Guidelines are followed in both letter and spirit, and in some matters, lays down additional requirements.

Member companies offer both lending and deposit products to their clients. The Association was established on 20th May, 2011, to among other things, provide members with: information dissemination services, capacity building, supervisory and monitoring services, advocacy and lobbying as well as resource mobilisation. GAMC members are entitled to report an incident of improper conduct by a member company to the Association.

Ghana Microfinance Institution Network

Ghana Microfinance Institution Network (GHAMFIN) consists of all microfinance practitioners and their Apex bodies. GHAMFIN was formed in 1996 to provide information on the microfinance industry as well as to build capacity, and monitor performance of MFI. GHAMFIN also collaborates with government and donor organizations in ensuring a smooth microfinance environment in the country. It is responsible for policy activities and implementation, capacity building and institutional strengthening for its members (Osei-Assibey, 2011). For example, GHAMFIN has developed a Performance, Monitoring and Benchmarking Scheme (PMB) along the lines of the Micro Banking Bulletin, and a management and evaluation system to monitor, assess, and improve the microfinance industry of Ghana (Osei-Assibey, 2011).

Government Business Credit Programmes

Government efforts in promoting the financing of Micro, Small and Medium Enterprises (MSME) started with the establishment of a Credit Guarantee for Small Borrowers Scheme in 1969. It was aimed at diminishing the risk incurred by lending institutions and a reaction to small firms' lack of collateral as well as to enable small firms improve their competitiveness and economic activities (Aryeetey, 2008; Annim, 2010). The government, through the Bank of Ghana (BoG) also established the International Development Agency (IDA) financed Fund for Small and Medium Enterprise Development (FUSMED) Project, as well as the Private Enterprise and Export Development (PEED) Project (Kussi, 2010).

Besides, the government implemented a Rural Financial Services Project (RFSP) with international support from the International Development Agency of the World Bank, the International Fund for Agricultural Development (IFAD), and the African Development Bank (AfDB). These projects aimed at broadening and deepening financial intermediation in rural areas through capacity building, monitoring, and good practices (Abor & Biekpe, 2006; Akorsu, 2012).

Microfinance and Small Loans Center (MASLOC), under the policy framework, was established in every region. It initiates reforms and development measures to strengthen microfinance operation in order to transform the microfinance industry for effective and viable strategy for the growth of micro and small businesses in the country. MASLOC advocates for and advise Government on policies that would enhance development of a decentralised microfinance system, which is integrated with or linked to the formal financial system, so as to

enhance sustainable growth. The government, in addition, constituted the National Microfinance Centre (NAMFIC), to facilitate administration of government and donor credit funds, and to coordinate the efforts of microfinance practitioners and stakeholders.

The Ministry of Finance and Economic Planning (MoFEP), which has as its main function of implementing government fiscal policies under the GHAMP, is expected to create an enabling macro-economic and financial policy environment for accelerated development of the microfinance sub-sector. MoFEP has established linkages with relevant MDAs and other relevant bodies to monitor and evaluate all aspects of the sub-sector. Under the provisions of the GHAMP, MoFEP is expected to harmonise and coordinate technical assistance and financial resources from development partners to the microfinance sub-sector.

Ministries, Departments and Agencies (MDAs) engaged in microfinance activities liaise with MASLOC and the MoFEP in the design and implementation of interventions. MDA are also expected under the provisions of GHAMP to develop modalities for interventions that are consistent with the broad objectives and strategies for the sub-sector and also, ensure adherence to standardized formats for data collection, management, and reporting systems for their programmes.

Metropolitan, Municipal and District Assemblies (MMDAs) are the main bodies which deal directly with the consumers of microfinance at the grassroots. Within the framework of their decentralised system, MMDAs are the main implementers of government programmes and activities at the local level. As such, they constitute an important element within the microfinance sub-sector. In the

context of the Microfinance policy, MMDAs are expected to play the role as active intermediaries in the design and implementation of Public Sector Microfinance programmes. The range of players in providing financing facilities for the MSME sector is shown in Appendix 3.

Table 1: Credit Flow to Micro, Small and Medium Enterprises in Ghana

Source	Examples of Schemes
Financial Institutions	Major Banks, Rural banks, Community Banks, Nonbank Financial Institutions, etc.
Donor/Government Credit Schemes	GRATIS. FUSMED, NBSSI Schemes
Donor-Assisted SME Loan Projects	IFAD, DANIDA, CIDA, FAO, USAID etc.
Informal Financial NGOs, Credit Unions	Sinapi Aba Trust, CARE International etc.
Government Schemes	BAF, SIF (Micro-Finance Capitalisation), Poverty Alleviation Fund (PAF), EDIF, MPSD and PSI Schemes, MOTI, MASLOC,

Source: Bank of Ghana (BoG), (2010)

Government support for MSME increased since the last two decades with the establishment of the National Board for Small-Scale Industries (NBSSI) (Table 1). The NBSSI was merged with the Ghanaian Enterprises Development Commission (GEDC) and has since become the main provider of credit to small scale entrepreneurs (Botchie & Ahadzie, 2004; Abor, & Biekpe, 2006; Abor & Quartey, 2010; Kussi, 2010).

Table 2: Examples of Facilities for MSMEs Administered by the NBSSI

Facility	Target Beneficiary/Sector	Clients	Rate	Performance
Revolving Fund Loans Scheme	Small Enterprises in the productive, export and service sectors, but excluding enterprises engaged in trading, primary agric, and real estate	250	20% p.a	69%
NBSSI/NFED Development. Assistance Programme	Literacy groups of the Non-Formal Education Division of the Ministry of Education.	<200	20% p.a	<70%
UNDP /ILO/DRHC Micro Concrete Tile Credit Scheme	Micro Concrete Tile Producers under a UNDP/ILO Project arranged for the erstwhile Department of Rural Housing and Cottage Industries.	<200	20% p.a	<70%
NBSSI/DED Credit Scheme	Micro and Small enterprises in the Northern, Brong Ahafo and Eastern Regions through the Business Advisory Centres.	<200	20% p.a	75 %
Small and Micro Enterprise Promotion Fund (SMEPF)	Micro and small Enterprise sector in general.	<20	20% p.a	<70%

Source: National Board for Small Scale Industries (NBSSI), (1998)

Other projects providing financial assistance to improve the MSME sector include the Financial Sector Improvement Project (FSIP), 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 Enterprises Programme (REP), and the Agricultural Services Investment Project (ASSIP) (World Bank, 2007; Akorsu, 2012).

As at July 2016, the Bank of Ghana through the Other Financial Institutions Supervision Department (OFISD) in charge of microfinance and other NBFIs, listed 385 MFIs and 60 licensed Money Lending Companies in good standing in Ghana. The list, is however, subject to periodic review and may change from time to time based on compliance with Bank of Ghana prudential requirements. Among the MFIs are:

3As Microfinance Limited, 72 hours Microfinance Company Limited, Abepa Microfinance Limited, Besworth Microfinance Limited, Brace Capital Microfinance Limited, Cashpoint Microfinance Limited, Acea Microfinance Company limited, Adipa Microfinance Limited, and Data Cash Microfinance Limited.

Challenges of the Microfinance Industry in Ghana

Ghana's microfinance sector is confronted with a number of challenges, among which are lack of trust, staffing, funding, credit delivery and management, data/information and dissemination, coordination, loan misapplication, repayment difficulties, and mission drift (Bank of Ghana, 2007).

The liberalisation of Ghana's financial sector in the 1990s opened competition, and quality services into the microfinance industry (Gerald & Obuobie 2010; Microfinance Transparency (MET), 2011). However, despite government interest and involvement in the industry, it was not until 2011 that Bank of Ghana established Rules and Guidelines for compliance in the microfinance sub-sector of Ghana (Bank of Ghana, 2011). This accounted for slow growth, lack of direction, fragmentation and uncoordinated activities within the industry (Steel & Andah, 2003; Young, 2007; Osei-Assibey, 2011).

The hitherto lack of regulatory mechanisms had resulted in some MFIs offering products with deceptive charges and/or products which are easy to obtain without any consideration of risk factors. Consequently, clients had being confronted with indebtedness while some borrow from one lender to pay another. Undefined organisational and institutional hierarchies have also given way to overlapping responsibilities among the MFIs (GHAMFIN, 2010; Annim, 2010).

Many MFIs in Ghana have no experienced personnel capable of developing innovative financial products to suit the needs of their clients. For instance, human resource capacities in several MFIs are inadequate for effective operations (Asiama & Osei, 2007; Bank of Ghana, 2007; GHAMFIN, 2010). The Microfinance Apex bodies apparently lack adequate cadre of in-house trainers and/or facilitators, in-house monitoring and evaluation units to consistently measure progress of activities within the industry (Frempong, 2013). Random and incoherent training programmes also hamper effective achievements within the sub-sector (GHAMFIN, 2010).

Funding for the sub-sector has been from the institutions themselves as well as from government and development partners. Microfinance funds from development partners come with conditions that distort commercial microfinance and encourages "social lending" or subsidised loans to the detriment of savings mobilisation from clients (GHAMFIN, 2010). Subsidised revolving government funds face political pressure in loan disbursement. Such funds had often been disbursed without knowledge about 'borrowers' working environment, resulting in poor loan recovery and unsustainability of the funds (Kussi, 2010; GHAMFIN, 2010).

The microfinance industry in Ghana lacks specified strategies for credit delivery and therefore, unable to fully meet varying demands of different categories of clients including vulnerable groups, such as the extremely poor, disabled, women and the youth (World Bank, 2007; GHAMFIN, 2010; Annim, 2010). There is also no framework for categorising and upgrading newly emerging MFIs in accordance with their operational capacities and capabilities (World Bank 2007; Frempong (2013).

There is lack of reliable information about the industry's, operations and clients' data. For instance, at the national level, approaches for data and information gathering and dissemination are not only uniform, but also weak. This makes it difficult to monitor progress of the microfinance sector from a central point (GHAMFIN, 2010). The sector also lacks well-defined reporting system for both the government and development partners with regards to interventions and performance records. Adequate database for decision making and planning is also

lacking (World Bank, 2007; GHAMFIN, 2010). As a result, fragmentation, duplication, and inadequate collaboration exist between and among Ministries, Departments and Agencies (MDAs), Metropolitan, Municipal and District Assemblies (MMDAs), development partners, service providers, practitioners, and clients (World Bank, 2007). To address these lapses, GHAMFIN and the Apex Bodies needed to be strengthen to ensure proper transfer of best practices and standards for the industry.

Loan misapplication and its consequences for loan repayment had also been recognised as a challenge for the microfinance sector in Ghana (Aryeetey, 2008). There are delays in funds released to borrowers resulting in loan diversion and repayment challenges (Cull & Scott, 2009; Wright 2010). To address this challenge, MFIs must monitor and track the cash flow cycles of their clients. Loan officers need to make sure that loans are used for the purposes for which they were given to avoid default.

Mission drift

The initial concept of microfinance followed a welfare approach of providing subsidised credit for people who lack collateral securities (Hulme, 2008). However, current delivery of microfinance programmes had followed financial or commercial approach. While the welfare perspective emphasised minimal interest rates, the financial perspective on the other hand argues for interest at market rates or higher for financial sustainability of an MFI (Armendariz & Morduck 2010; Hoepner, Hong & Wilson, 2011).

In recent times, the financial sustainability perspective has become attractive to MFIs, shifting the main targets of MFIs (mission drift) from poorer clients to less poor clients with comparatively lucrative investment opportunities (Cull & Scott, 2009; Annim, 2010). Therefore, in their attempt to deal with less poor clients, MFIs not only charge high interest rates, but also impose additional costs in the form of margin money, compulsory savings and insurance premiums (Arun & Annim, 2010; Abayie, Amanor & Frimpong, 2011). Although, providing microfinance services to people with some level of financial security reduce loan default, it brings to question the validity of microfinance as a development tool for addressing issues of credit constraint to small business enterpreneurs.

Conclusion

The discussion on the overview of the microfinance industry has shown that there abound considerable economic benefit in the microfinance industry. However, the sub-sector is confronted with challenges that need reforms for effective operation and sustainability.

Considering the diversity of the issues involved, MFIs must have the capacity to design and implement dynamic lending models that meet the orientation and economic environment of the beneficiaries. In this direction, there is the need for laid down rules, regulations and supervisory procedures for all institutions in the microfinance industry. This calls for a holistic approach, as discussed to facilitate the industry's development in order to unleash microfinance potential for poverty reduction, accelerated growth and development.

CHAPTER FOUR

METHODS OF DATA COLLECTION AND ANALYSIS

Introduction

The chapter is divided into two main parts. The first part discusses the methods and procedures used to collect and analyse data. These include the research design, sources of data, study population, and the target population. Also included in part one is the sample size and its estimation, sampling, instruments for data collection, pre-testing of instruments, training of field assistants, data collection, data processing and data analysis. The second part of the chapter presents the study area in a regional and national context. It discusses the economic characteristics of the study area as well as a discussion of the key issues.

Research Design

This study employed both quantitative and qualitative approaches to data collection. The qualitative data collected ensured the identification of contextual factors of the phenomena and a detailed description of phenomena as they are situated and embedded in the local context. The quantitative survey collected information on socio-demographic characteristics of microcredit clients, reasons for accessing loans, actual use of loan and benefits. Both methods were used to take advantage of the strengths inherent in both approaches so as to increase the validity and accuracy of the data collected.

Data Sources

Data was collected from both secondary and primary sources. Primary data were derived from a survey, focus group discussions and in-depth interviews. Secondary data were derived from records of the UMK Rural Bank, national policy papers from the Bank of Ghana, and microfinance constitutions.

Study Population

The study population comprised microcredit clients of the UMK Rural Bank resident at Asesewa, Akateng and Sekesua (the three study sites). Respondents were classified into (i) new, (ii) old (up to five years), (iii) older (more than five years) and (iv) exit clients. New clients were those who joined the microcredit programme for less than one year and had received three loan cycles or less. The study defined exit clients as those who had participated in the programme at one point in time, but had exited as at the time of the fieldwork. Exit clients could be either those who had moved into the main banking system or those who had dropped-out of the programme. Their inclusion in the study was to unearth some of the reasons why people opt out of microcredit programmes.

Study Area

The Upper Manya Krobo District (UMKD) is located at the North-Eastern part of the Eastern Region of Ghana and lies between latitudes 060^0-23^0N and longitudes 00^0-08^0 W of the Greenwich Meridian (Figure 6). The UMKD was

carved-out of the old Manya Krobo District by a Legislative Instrument 1842 on 1st November, 2007 with its capital, Asesewa. The District shares common boundaries to the North with the Afram Plains District, to the South with Lower Manya Krobo and Yilo Districts, to the East with the Asougyaman District and to the West with the Fanteakwa District.

The District covers an area of 885 square kilometres, constituting 4.8 percent of the total land area of the Eastern Region of Ghana. The 2010 population and housing census estimates the population of the District at 89,646 with a population density of 114 people per square kilometre. The inhabitants of the District are predominantly Krobos. History has it that the Krobos bought the land from the Akyems (Field, 2009).

The Krobos constitute 70.5 percent of the total population of the district, followed by the Ewes with 18.2 percent, the Akans 7.7 percent and other tribes and ethnic groups making 3.6 percent of the population. Krobo or Dangme is the main language spoken in the District and Ewe is widely spoken in the fishing communities, dotted along the Volta Lake. The average household size in the District is 7.51, which is higher than the National and Regional averages of 4.6 and 5.1 respectively (Ghana Statistical Service, 2010). The District capital, Asesewa, is 30 kilometres from Koforidua, the Eastern Regional capital.

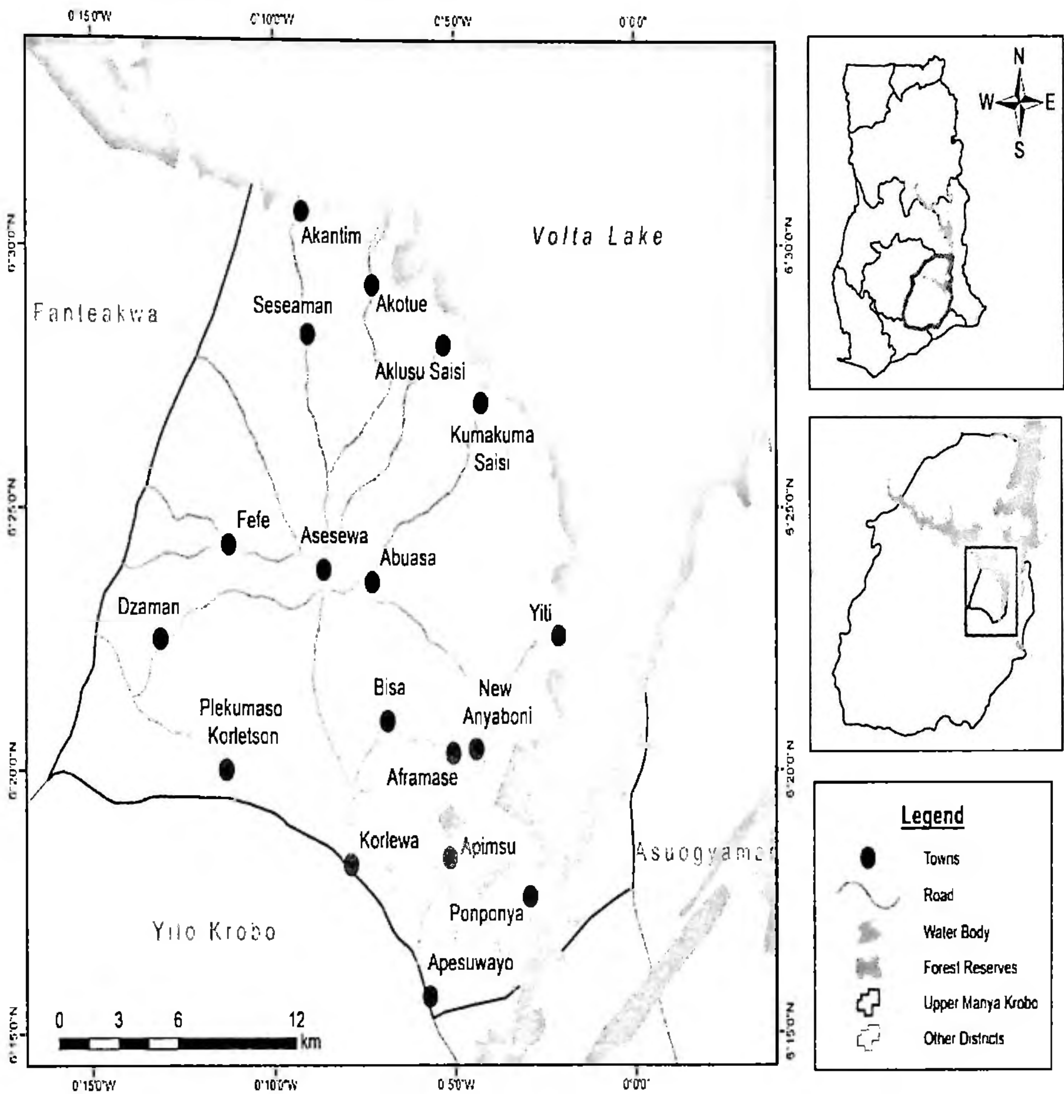

Figure 5: Study Area

Source: Department of Geography and Regional Planning, 2010

Economic Characteristics

The people of the Upper Manya Krobo District are predominantly farmers. Almost 80 percent of the active population are engaged in agriculture and this includes animal husbandry as well as cash and food crop production. The creation

of the Volta Lake as a result of the construction of the Akosombo Dam in 1961 transformed the vegetation of the District from semi-deciduous forest to Guinea Savannah, which is favourable only for the cultivation of seasonal crops. Maize has become the most common agricultural produce however, other agricultural produce such as cassava, pepper, pineapple, watermelon, sweet potatoes, plantain, yam, cocoyam, okro and tomatoes are also grown in the district. Nearly 15 percent of the population is engaged in various types of trading activities, but a section also earn their living through fishing on the Volta Lake which lies at the North-Eastern part of the District.

Natural resources in the District are the Volta Lake, the Krobo Hills, and the Osubin Waterfalls. The three major towns in the District are, Asesewa, Akateng and Sekesua. According to the Ghana Statistical Service, the population of Asesewa, Akateng and Sekesua, in 2010 were 8,694, 3,546 and 2,547 respectively (Ghana Statistical Service, 2012). The market centres at Asesewa, Akateng and Sekesua are connected with one main tarred road, feeder roads and foot-paths from the hinterlands.

These markets have permanent market stores and stalls and wood structures with corrugated aluminum sheets or dried grass for artisans. The artisans in the District include vehicle repairers, blacksmiths, welders, tailors/seamstress, hair-dressers, electronic technicians, fridge mechanics and metal fabricators.

Other major settlement in the District are Akrusu, Akotoe, Odedeso and Anyaboni, where markets are held periodically and on specific days of the week.

Farm products, fish, textiles and garment and alcoholic beverages are the main goods that are traded on the markets in the District.

Financial Institutions

The formal financial services to the people in the district as at the time of this study are the UMK Rural Bank and four Savings and Loan (S&L) companies namely, Unicom Happy Investment Savings and Loans Limited; JET 2 Microfinance Company Limited; Celko Financial Service Limited and Jumodac Financial Services Limited. Unicom Happy Investment Savings and Loan Limited started operating in the District from August 2010, whereas the other two were established in 2011. These financial institutions have their main offices at Asesewa, from where they reach out to other areas in the District.

Socio-Cultural and Poverty Characteristics

The UMK District is predominantly a patrilineal society with relatively moderate matriarchal tendencies. Even though ownership of farmlands is usually vested in the clan or extended family, individuals, including women, can own land and immovable assets. Extended family members of varying socio-economic status can be found living in one compound house, which consists of several rooms built in square or rectangular shape with a courtyard in the middle. Houses are constructed with either mud bricks or cement and sandcrete blocks.

Target population

The target population consisted of any fee paying member of a group who is 18 years and above and of sound mind resident in Asesewa, Akateng and Sekesua, engaged in an income generating activity and a co-guarantor in a group formed for accessing microcredit from the UMK Rural Bank. Records of the Bank showed that the three study sites had a total of 7,584 active microcredit clients as at the time of the study. Out of this number, the percentage of clients in Asesewa, Akateng and Sekesua were 75 percent, 20 percent and 5 percent respectively (UMKRB, 2011). The difference in the proportion of the clients was as a result of both population disparity and economic activities. The population of Asesewa is 8,694 while those of Akateng and Sekesua are 3,546 and 2,547 respectively (Ghana Statistical Service, 2012). Besides, Asesewa is the capital town of the UMK District and only 45 kilometers from Koforidua, the regional capital. It is a historic trading post that attracts a mix of traders from all over the country. Akateng is a major fishing community located along the Volta Lake. It has a busy market for fish, agricultural products and other goods and services. Sekesua is a small farming community with a settler market for agricultural products and other goods and services.

Sample Size Determination

Quantitative data

The sample size for collecting quantitative data in this study was calculated from Israel (2009) formula for determining the sample size if the target population is known, given as:

$n = N/ [1+N(e)^2]$

where,

n = the sample size

N = population

e = alpha level

Therefore, using Israel's formula and a confidence interval of 5 percent, the sample size was calculated as follows:

$n= 7584/ [1+7,584(.05)^2]$

which gave n= 380.

From the above estimation, a sample of 380 was obtained. Five percent of the estimated sample (19) was allocated for non-response. The Bank's records showed that 56 clients had exited the microcredit programme as at the time of the field survey. Their names were written and the lottery method was used to select 40 randomly without replacement. Therefore, the total sample size selected and used in the study was 439 (see Table 3).

Table 3: Sample Size of Respondents

Type of respondents	Number	Instruments used
Regular clients	399	Questionnaire
Exit clients	40	Questionnaire
Total	439	Questionnaire

Source: Field survey (2011)

Qualitative data

Focus group discussions (FDG) and indepth interview (IDI) guides were developed to solicit information. One FGD consisted of 12 participants. A total of 25 IDIs were conducted (Table 4).

Table 4: Sample Size of Participants

Response	Number	Participants	Instrument Used
FGD	1	12	FGD guide
In-depth interviews	25	25	IDI guide

Source: Field survey (2011)

Sampling Method

To collect quantitative data, the estimated sample size of 399 was allocated proportionately to the three study sites based on the percentage of clients in each community as indicated by the records of the UMKRB. The allocation yielded a sample of 299, 80 and 20 respondents for Asesewa, Akateng and Sekesua respectively. Cluster sampling was used to select respondents. During group

meetings, clients who had consented to the interview schedule were selected and interviewed on a one-on-one base. New, repeated, and permanent clients obviously, emerged from the data collected. The snowball method was used to identify exit client's resident in Asesewa for interview. The decision to select exit clients from Asesewa was informed by fact that about 75 percent of the target population was in Asesewa.

With regards to qualitative data, respondents were purposively selected based on information available on them. Seventeen (17) of the IDIs were conducted in Asesewa involving the District Chief Executive (DCE), two female Credit and Savings Association leaders, the President, and the Treasurer of the local Tailors and Dressmakers Association (TDA). Six business women consisting of three exit clients, four permanent clients, and two Assemblymen were also interviewed. In addition, four Bank officials, the coordinator of the microcredit programme, one Area Manager, and two Loan Officers were interviewed. At Akateng, six IDIs involving three fishermen and three fishmongers were conducted. Two female solidarity group leaders were interviewed at Sekesua. All the interviewees were married and literate. The male and female participants were put together because the shared the same concerns of the microcredit programme so their gender was not a hiderance to their active participation in the discussions.

The FDG was held at Assewa in the Church premises of the Asesewa Christ Apostolic Church. The participants consisted four males and eight females. They were all microcredit clients of the UMK Rural Bank. They were purposively

selected on the basis of length of participation and knowledge of the business environment in the District.

Instruments for Data Collection

A structured interview schedule (questionnaire) was used to collect quantitative data and structured guides were also used to solicit qualitative information. The questionnaire construction borrowed greatly from guidelines of the United States Agency for International Development (USAID), Consultative Group to Assist the Poor (CGAP), Assessing the Impact of Microcredit Services (AMIS), and Small Enterprise and Education Project (SEEP) microfinance assessment tools (Barnes, 2005; Barnes, Gaile & Kimbombo 2008). AIMS-SEEP tools are internationally accepted tools used to measure or assess the impact of microcredit/microfinance programmes. The tools measured evidence of change in business outputs and household outcomes of microcredit clients as well as clients' perception on loan issues.

The questionnaire consisted both closed and open ended questions and had six sections. Section A solicited background information such as age, gender, highest level of education, type and ownership of business, year of establishment of business, number of workers/apprentices, and occupation of spouse. The second part (Section B) collected data on household facilities and utilities such as occupancy status, construction materials used for walls, main source of water for drinking and washing, main source of energy for lighting and cooking and

ownership of household assets and consumer durables such as television, radio, refrigerator and means of transport.

In parts three and four (Sections C & D), respondents were asked to provide financial information on their businesses. Prominent among the questions in these sections were: initial source of capital, amount of first loan, amount of current loan, number of loan cycles, monthly income, profit, savings and issues relating to investment and business records. Section "E" asked questions about business performance and social networks. The final part (Section F) contained questions on business challenges such as markets, untimely release of loan, interest rates, loan repayment schedules, and group activities. This section also asked questions on clients' relationship with loan officers and clients' opinions about the benefits of microcredit on their businesses and households.

The interview guide used for the FGD and IDIs included topics on loan acquisition procedures, group formation and group dynamics, repayment schedules, interest rates, microcredit benefits and challenges/costs, relationship with loan officers and suggestions to improve the microcredit programme (Appendix 2). The DCE and the Assemblymen who were not microcredit clients, were asked to give their opinions regarding the impact of the microcredit programme on employment generation and poverty reduction in the District.

Training of Field Assistants

Four Research Assistants from the locality were recruited and trained to assist in the data collection. They were male graduate teachers of the Asesewa

Senior High School with some knowledge in data collection. They were recruited on the basis of their ability to translate the questionnaire from English to the local language. The questionnaire was the main training material. They were taken through the basic concepts of the questionnaire and questionnaire administration. As part of the training, mock interviews were conducted to ascertain their ability to establish rapport with respondents, in order to administer the study questionnaire effectively.

Pre-testing of Instrument

The survey instruments were pre-tested at Agogo, a Market community close to the UMK District. Agogo was deemed appropriate for the pre-test because the economic conditions and livelihoods activities in Agogo were similar to the selected study sites. Agogo is also one of the mobilization centres of the UMK Rural Bank. The pre-test was to ensure reliability and validity of the survey instruments; that is, whether it would be understood by respondents in the same way and also whether the variables will actually measure what it was supposed to measure (Creswell, 2003). To ensure reliability of the instrument, Cronbach's Alpha was used to test its consistency level. An alpha coefficient of 0.8342 emerged, suggesting that the items in the instrument had high internal consistency. Creswell (2003) stated that a reliability coefficient of more than 0.70 is acceptable in social research.

In this pre-test, the instrument was translated into the local language and read out to the respondents. Deficiencies in the instrument became evident during the pre-testing and considerable changes were made. For instance, it was possible to refine the questions in the local language. From the pre-testing a question on occupation of spouse was included. Redundant questions were deleted reducing the number of questions from 77 to 56, without any loss in terms of relevance of the information gathered.

Negotiation Entry and Preliminary Contacts

Before the data collection I (Emmanuel Tetteh) paid a visit to the District Chief Executive (DCE) of the Upper Manya Krobo District and requested for the District profile document from the District Assembly. In order to gain access to the Upper Manya Krobo Rural Bank, I sought permission from the Board of Directors of the Bank. An introductory letter from the Department of Geography and Regional Planning of the University of Cape Coast was submitted to the General Manager of the UMK Rural Bank at Asesewa. This facilitated interaction with staff of the Bank making it possible to have access to official documents. I visited Akateng, Sekesua, Akrusu, Agogo and Brepaw, which are some of the mobilisation centres of the Bank in the company of loan officers. During those visits, the purpose of the study was explained to potential respondents. Contact with the microcredit clients constituted an important act in the data collection process.

Data Collection/Fieldwork

The main fieldwork began in November 2011 and ended in April 2012. Due to the high illiteracy rate in the Upper Manya Krobo District, the interview schedule method of data collection was adopted. It took 18 weeks to administer questionnaires to 381 regular clients and 26 exit clients. The study achieved 93 percent response rate as 407 out of the 439 questionnaires sent to the field were retrieved.

All interviews to collect qualitative data were held in the homes and or at the business premises of the interviewees. The idea was that the natural setting or familiar environment will make the respondents relaxed and confident respond to the interview. Interviews were conducted during the evenings between 4.00 and 7.30 when respondents were less busy with business activities. The interviews lasted for an average of 45 minutes.

FGDs are important in social science research because they provide researchers with pertinent information about the subject of interest (Krueger & Casey, 2009). Before proceeding to the field, the intention was to conduct three FGDs in each of the selected study sites. This decision was, however, declined on the field when it became evident that the cost involved in assembling participants with regard to transportation and other logistics could be high. Consequently, only one FGD was conducted at Asesewa, the Headquarters of the UMK Rural Bank and the capital town of the District.

Verification of Data

I, conducted the FGD and the IDIs to minimise the challenges associated with the collection of qualitative data. I also accompanied the Research Assistants to collect quantitative data on their first field trip. Besides, I made unannounced visits to ensure that the instruments were accurately administered. Furthermore, after every field trip, the research assistants were required to review completed questionnaires, looking out for any unanswered questions, inconsistencies or mistakes they might have committed. The completed questionnaire were also checked for errors and omissions. During the data entry stage, the data were again checked for inconsistencies and if any were found, such errors were considered as missing data as no mechanism was used to identify a respondent with a particular questionnaire. This was a limitation to the study, but it did not adversely affect the study.

Ethical Issues

Permission was sought and granted from the ethical committee of Department of Geography and Regional Planning of the University of Cape Coast. Permission was also sought from the Board of the UMK Rural Bank. In order to adhere to other ethical considerations in this study, special efforts were made to ensure that respondents willingly gave out information. The high level of illiteracy among the respondents meant that verbal approval was the appropriate means of seeking their consent. Each survey questionnaire had, as its first page, a consent form which, was read and interpreted to the respondent before the interview

schedule (Appendix 1). Before every in-depth interview, respondents were asked verbally whether they consented to answering questions about their businesses and households. The interviewees were told that they could quit the interview schedule anytime they wanted and that they had the right to refuse to answer any question.

To ensure confidentiality and anonymity, the questionnaires did not bear the names of respondents and pseudonyms were used throughout. Besides, any variable or set of variables or description that could potentially lead to the identification of respondents were avoided. Respondents were also informed that no other person would have access to the raw data they provided. These issues were not limitations to the analysis and the descriptive information of the study.

Challenges from the Field

Misconceptions of the Study

When the study started, there was a rumour that a high ranking officer from the ARB Apex Bank Headquarters had come to investigate the operations of the microcredit programme of the UMK Rural Bank. Subsequently there were rumours that a new microfinance scheme was being introduced into the District and people were being interviewed in order to be granted loans. These rumours had the potential of influencing and distorting responses to the study questionnaire. As a remedy, the loan officers were accompainied to the field to explain to group leaders the motive of the study. This enabled the rumour to be dispelled among the clients.

Interviewing Women

Women clients constituted over 93 percent of the UMK Rural Bank's microcredit programme. Culturally, it is inappropriate for a man to be alone in a quiet place with a married woman (most clients were married) for a so called 'interview'. Taking cognisance of this cultural norm, interviews were held in the open unless the respondent insisted that there was no harm to conduct the interview indoors. Besides, interviewing at night and in a setting that could create the impression of an amorous meeting was avoided. Interviewing in the open, however, meant accommodating many distractions with interruptions which affected the pace of the interviews. However, that did not compromise the integrity of the interviews.

Opportunities

The fieldwork took place during the post-harvest period when there was less farming activities. Therefore, most people were available for the interview. The fieldwork also extended into the month of December when business activities in the District were in their peak. During this period, people are usually in good spirits because food and money are relatively available for the Christmas festivities. Being an indigene of the District was a big opportunity that facilitated for the data collection process. In addition, knowledge of the local culture and customs and having established a prior cordial relationship with the staff of the Bank ensured an easy access to bank reports and documents required for the study. Knowledge of

the local language also facilitated the preparation and translation of data collection instruments and processes.

Data Processing and Analysis

The qualitative data was translated and transcribed and the information gathered was put into themes consistent with the objectives of the study and analysed. I took greater care in ensuring that the transcripts reflected what the interviewees intended to convey. After this process, the recorded versions were compared with the transcripts to ensure that the translations conform to the recordings.

With regards to the quantitative data, the questionnaires were pured of errors and inconsistencies. Open-ended questions were coded and categorised to ensure consistency. All the completed questionnaires were numbered serially for easy identification. The study used both Stata and Statistical Product and Service Solution (SPSS) version 16 and 21 to input and analyse the data. The variables entered were double-checked to ensure that all the data had been correctly entered. Preliminary cross-tabular and multiple regression analyses were carried out to ensure consistency. The quantitative data was analysed using descriptive statistics, cross-tabulations as well as regression analysis. Cross-tabulations served as a guide for determining variables to include in the multiple probit regressions.

Theoretical Model

This analysis followed the credit constraint paradigm of Jappelli (1990) Life-Cycle Hypothesis and Permanent Income Hypothesis (LCH/PIH). The LCH model assumes the presence of perfect capital markets. An implicit assumption of this neo-classical model is that institutions (economic and political) do not matter (North, 1993). However, empirical studies have shown that consumption is more sensitive to temporary income changes than this theory would suggest, perhaps, because business owners suffer from credit constraints (Kedir, Ibrahim & Torres, 2007). The theoretical model then proceeds as follows, an individual or business owner is not liquidity constrained if;

$$C^* = Y + A(1 + r) \quad (1)$$

An individual or business owner is said to be constrained if

$$C^* - Y - A(1 + r) > D \quad (2)$$

Where C^* is optimal consumption in the absence of the current borrowing constraint and r is the exogenous real rate of interest. A = the resources available to each household (non-human wealth) and D = the amount that the business owner can borrow from the financial isntitution. Two factors determine whether the constraint binds: (i) how much the individual would like to accept credit from the financial institution, that is, the difference between $C^*$and available resources; and (ii) how much financial intermediaries are willing to lend to that individual. Since the model does not deliver a closed-form solution for C^* in the presence of borrowing constraints, the test strategy will be similar to the one proposed by Hayashi (1985), who assumes that cross-sectionally, the conditional expectation of desired consumption can be approximated by a quadratic function.

Following (2), and after applying for the credit from the financial institution, equation (2) becomes,

$$C^* - Y - A(1+r) \geq D \tag{3}$$

From the assumptions above, it follows that equation (3) can be rewritten as

$$X'\alpha - Y - A(1+r) - X'\delta + \varepsilon - \eta \geq 0 \tag{4}$$

We can then define the dummy variable as stated in equation (5), where BE represents Business Expansion as a result of involvement in assessing credit.

$$BE = X'\beta + \varepsilon \geq 0 \tag{5}$$

$$BE = 1 \; if \; X'\beta + \varepsilon$$

$$= 0 \text{ (the household has made gains in business or gains in expansion)}$$

$$BE = 0 \; if \; X'\beta + \varepsilon$$

$$\geq 0 \text{ (the household has made gains in business or gains in expansion)}$$

Where β is a linear combination of the parameter of the parameters of the expression in (4) and $\varepsilon = \mu - \eta$. The probability that a client was not able to make strides in making gains to expand the business, conditional on the available covariates, X, in the cross section $P = F(X'\beta)$, where $F(.)$ is assumed to be the logistic distribution function and $X'\beta$ as the reduced from of the excess gains made in business.

Estimation Techniques

Binary Logit Regression Model

Using the variable to explain the basic ideas underlying the logit model, we specify that $Y = BE = 1$ means an individual has been able to gains in the business through credit from the financial institution, while $y = BE = 0$ means the client has not made strides or gains in their businesses and have not been able to expand businesses. Using the detailed exposition of the logit model in Gujarati (2004), I proceed by stating the (cumulative) logistic distribution function as follows.

$$P_i = E(Y = 1|X_i) = \frac{1}{1+e^{-(\beta_1+\beta_2 X_i)}} \quad \textbf{(6)}$$

$$P_i = \frac{1}{1+e^{-z_1}} = \frac{e^z}{1+e^z} \quad (7)$$

Where $Z_i = \beta_1 + \beta_2 X_i$

The ranges are nonlinear related.

Hence if $p_i$is the probability of experiencing expansion in the business, then$1 - p_i$, the probability for not realising expansion in business. Which is

$$1 - p = \frac{1}{1+e^{Z_i}}.$$

This can be rewritten as $\frac{P_i}{1-P_i} = \frac{1+e^{Z_i}}{1+e^{-Z_i}} = e^{Z_i}$

From the above equation, then the odds ratio in favour of business expansion – the ratio of the prabability that an individual or business owner will be able to expand his/her business to the probability that he/she will not.

Taking the natural log of the equation, gives:

$$L_i = ln\left(\frac{P_i}{1-P_i}\right) = Z_i = \beta_1 + \beta_2 X \quad \textbf{(8)}$$

Where L, which is the log of odds ratio, is not only linear in X, but also linear in the parameters. The interpretation of the model in equation 8 is that β_2, which is the slope, measures the change in L for a unit change in X. This explains how the log-odds favours business expansion or not. From the above equations, we can use the maximum likelihood (ML) method of estimation to estimate the parameters.

Interpretation of Estimated Logit Model

Interpretation of the logit model can be done using either odds-ratio by taking the anti-log of the estimated logit or by using the marginal effect. In the logit model, the slope coefficient of a variable gives the change in the log of the odds associated with a unit change in that variable, holding all other variables constant. The marginal effect is the partial derivative of the event probability with respect to the variable of interest. The marginal effects is computed for continuous variables while the average effects are done for binary explanatory variables. The formula for the marginal effect of an explanatory variable Xi is shown below:

$$\partial P(y = 1|X)/\partial X_i = \beta_i f(X\beta), \quad \textbf{(9)}$$

Where $f(.) = \partial F(.)/\partial (X\beta)$. The average effect of the binary variable is as follows

$$P(y = 1|X_i = 1) - P(y = 1|X_i = 0) = F(X\beta|X_i = 1) - F(X\beta|X_i = 0) \quad \textbf{(10)}$$

Empirical Model Specification

$$P_r(BE_i = 1|X_i) = b_0 + b_1Sex + \ b_1Age + b_2MS + b_3Edu_level + b_5Buss + b_6BA + b_7FLC + b_8Comm + b_9SO + \varepsilon_i \quad \textbf{(11)}$$

Where BE_i = Business Expansion;

Sex = Gender of business or individual;

Edu = Education level;

Buss = Business type;

BA = Belongs to Business Association;

FLC = Flexibility in accessing credit;

Comm = Community type; and

SO=Spouses occupation.

The Poisson Regression Model

According to Gujarati (2004), a Poisson regression treats random variables with an intensity hypothesized to depend on posited explanatory variables. A random variable X, is Poisson distributed if its probability distribution function is given by

$$\rho(Y = y) = f(x) = \frac{\mu^{y_{\tau}-\mu}}{Y!} \quad \textbf{(12)}$$

Where $Y = 1, 2, 3, \ldots, n$ denotes the intensity of the Poisson process *and* $\mu > 0$

Underlying Assumption of the Poisson Regression Model

Let Yi $(i = 1, \ldots, n)$ be the random dependent variable event count, so that only the values 1, 2... n occur with non-zero probability. It is observed that the realisation y_i only at the end of each observation period i. To derive a specific

probability distribution, one nevertheless needs to make specific assumptions about the unobserved process within each observation period, generating the observed count at the end of the period. For example, it is possible to make the following assumptions about the process during observation period i:

- More than one event cannot occur at the same instance.
- The probability of an event occurring at any instance is constant within period i and independent of all previous events during that observation period.
- Zero events have occurred at the start of the period.
- The expected value and the variance of the error terms are equal and given as:

$$E(Y) = \mu \; Var(Y) = \mu \; Y_i = E(Y_i) + \mu_i = \mu_i + \mu_i \tag{13}$$

While the Poisson process has been used in a variety of applications, what is emphasised in this study is its applicability in modelling business expansion (growth). μ is interpreted as $\pi_i = \pi(v, \sigma)$where $v =$ a vector of explanatory variables and σ=exapansion rate. The emphasis here is on the dependency rate of business expansion on the various explanatory variables vectors.

Thus if the number of actual loan cycle received is LC_i, then, according to the Poisson specification, we have:

$$\rho(LC) = \frac{\mu^{LR_i} exp^{(-\mu_i)}}{LC_i!}$$

The corresponding log-likelihood function for the logarithm of the product of the marginal probabilities is as follows

$$lnL(\sigma/C_i,\ldots C_n) = \sum_{i=1}^{n} ln\,\rho(C_i)$$

$$x\sum_{i=1}^{n}\{C_i \ln[n_i\pi(v,\sigma)] - n_i\pi(v,\sigma)\} \quad (14)$$

The maximum likelihood estimator is that value, which maximises this log-likelihood function.

Interpretation of the Estimated Poisson Regression Model (PRM)

Incidence Rate Ratios

This option converts raw coefficients into incidence rate ratios, by exponentiating the variables. For instance, comparing the predicted rate of occurrence (or incidence) in two observations, which differ only in that variable X_j takes on a value of 1 in the first observation and 0 in the other. Then we can use the systematic portion of the basic Poisson model to calculate the ratio of these two incidence rates as:

$$\frac{E(Y_i|X_j=1)=\theta_i=\exp(\widehat{\beta_0}+X\widehat{\beta_1}+(1)\widehat{\beta_j}}{E(Y_i|X_j=0)=\theta_i=\exp(\widehat{\beta_0}+X\widehat{\beta_1}+(0)\widehat{\beta_j}} = \exp(\widehat{\beta_j}) \quad (15)$$

Here, it is assumed that if an individual has taken more than one-time credit from the institution (which is define as cycle of loan accessed) then it is a count variable and can also be called a rate. By definition, a rate is the number of events per time (or space), and the response variable used in this study, qualifies to be described as such. So, all that we have to do to calculate the relative change in the incidence rate brought by a one-unit change in an independent variable, is to

exponentiate its coefficient. In general, an s-unit change in a variable brings a change in the incidence rate given by $\exp(s\beta_j)$. Hence, interpretation could be made of the Poisson regression coefficients as the log of the rate ratio. This explains the "rate" in incidence rate ratio.

Empirical Model for Intensity for Business Expansion (BE)

$$\mu_i = E(BE_i|X_i)$$

$$= b_0 + b_1 Sex + \ b_1 Age + b_2 MS + b_3 Edu_level + b_5 Buss$$

$$+ b_6 BA + b_7 FLC + b_8 Comm + b_9 SO + \varepsilon_i$$

(16)

Multi-level Regression

In examining whether an individual or business onwner at UMK District is likely to default credit for business purposes, the multilevel regression analysis was used. The model has different levels of measurement, depending on the data structure (Skrondal & Rabe-Heseth, 2004). In this study, three levels were employed, namely: client's demographic charateristics, location characteristics and institutional characteristics. In the estimation of the model, a three-stage system of equations were conceptualised where variation in the outcome variable, loan default, is explained by dependency in location (community client lives) and

institutional characteristics. This will enable us understand the type of characteristics that had more influence on loan default.

Underlying Assumption of the Multilevel Regression in this Study

1. The intercept is assumed random across communities
2. The slope of regulation is assumed random across communities
3. The random error term variance is the same in all communities.
4. The u-terms error μ_{0j} and μ_{1j} in the model are assumed random residual error terms at community level.
5. The covariance μ_{12} between the residual error terms μ_{0j} and μ_{1j} is generally, assumed to be zero

A Three-stage Formulation of the Model

In the model formulation, we first state lower level equation capturing client characteristics level measurement, a higher (second) level measurement capturing locational effect and third equation capturing institutional variable(s). The final three stage model would be as follows:

In this model, combining both stage 1, 2 and 3 model reduces to a reduced form model as:

$$LD_{ijk} = b_0 + b_1 Sex + b_1 Age + b_2 MS + b_3 Edu_{level} + b_5 Buss + b_6 BA + b_7 FLC + b_{8_1} \sum_{m=1}^{3} b_m \, Comm + b_9 SO + b_{10} IX + v_k + \mu_{jk} + e_{ijk} \quad \textbf{(17)}$$

$$v_k \sim N(0, \sigma^2)$$

$$u_{jk} \sim N(0, \sigma^2)$$

$$e_{ijk} \sim N(0, \sigma^2)$$

Where LD_{ijk} is outcome variable for ith individual in jth group (or context) and the other indicators are as before. The random part of the model specifies how the institution and community specific characteristics relationships differ from this overall individual characteristics relating to loan default. In the random part of the model, the random effects and residual errors are assumed independent of the three predictor variables.

The logistic regression was estimated to determine the impact of microcredit on business expansion, and using Poisson regression to examine the impact of number of times credit was taken from the financial institution and how it impacted on business expansion.

Summary

This chapter has highlighted the methods of data collection and analysis. The study employed the multi-stage sampling procedure. This sampling procedure is flexible and reduces the target population into smaller groups from which random sampling can be conducted. Multi-stage sampling is less costly, less labourious and more purposeful (Agresti & Finlay, 2008).

Ethical considerations were ensured in the data collection process as efforts were made for respondents to give out information willingly. According to Crow and

Wiles (2009), the principal issues in social research are privacy, confidentiality, and informed consent. Measures taken to ensure anonymity included the use of pseudonyms that have no resemblance to real names of respondents and names not linked to data.

The opportunities that facilitated the data collection process were that the fieldwork took place during the post-harvest period when there was not much farm work to do and therefore, most people were available for interview. The fieldwork also extended into the month of December when business activities in the District were in their peak.

Knowledge of the local culture, customs, and aspirations as well as challenges of the people ensured easy access to valuable information for the study. Alvesson (2003) had observed that "native" researchers are aware of the potential problems embedded in the setting and privy to important information that would, otherwise, escape an outsider.

The method used to conduct this study (research design, sampling, data collection and data analyses using cross-tabulations and regression analyses) adequately provided more insight and improved understanding of the impact of microcredit on business and household outcomes of the clients. Apparently, multivariate analytical methods are explained in detailed to present the impact of microcredit on business expansion.

CHAPTER FIVE

UPPER MANYA KROBO RURAL BANK AND SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Introduction

This chapter provides the background of the Upper Manya Krobo Rural Bank and its performance from 2006 to 2011. It discusses the structure of its microcredit programme and the background characteristics of its clients within the context of the socio-demographics factors, sources of borrowing and utilisation of loan.

Profile of the Upper Manya Krobo Rural Bank

The Upper Manya Krobo Rural Bank (UMKRB) Limited was established in September 1982. It was established during a period when commercial banks in the country were closing down their less performing branches, which were mostly in the rural areas. The branch of the Barclays Bank at that time, the sole formal financial institution in the Upper Manya Krobo District located at Asesewa, was adjudged to be performing below expectation and as a result closed down in 1980. After this closure, people in the District, especially, salaried workers and the business community had to travel 30 kilometres to Koforidua or Somanya to access banking services. These two events called for the establishment of a bank in the Upper Manya Krobo District with its Headquarters located at Asesewa, the capital town of the District.

The UMK Rural Bank opened its first branch in Koforidua in 1997, the second at Somanya in 2002 and a mobilisation centre at Agogo in 1998, which was upgraded into a branch in 2012. Other mobilisation centres are located at Sekesua (1998), Akateng (1999) and Nkurakan (2000), all in the Eastern Region. As with all rural banks, the capital base of the UMKRB was obtained through the purchase of shares by members of the communities of the catchment area.

The UMK Rural Bank became the 45th member of the "Ghana Club 100" in the rural banking category in 2005 and the 23rd member in 2009. It was ranked the best performing rural bank in the Eastern Region in 2006. As at 2011, UMKR Bank had a gross loan portfolio of USD 5,785,276 with 13,556 active borrowers. The microfinance department of the Bank alone has a total of 11,200 clients, 93 percent (10,416) of whom were women (Microfinance Department, 2012)

Organisational Structure

As a rural bank, the shareholders are the owners of the UMK Rural Bank which is governed by a seven-member Board of Directors (BoD), consisting of a General Manager (GM) and members elected on the basis of their reputation in the community, professional qualifications and competence during Annual General Meetings (AGM). The individuals elected by the shareholders are validated by the BoG before they are accepted in that capacity. The Board elects a chairperson and a vice chairperson from among the directors. In many cases, the Chief Executive of the Bank serves as the secretary of the Board. A Board member is elected for a three-year term, but can be re-elected for an unlimited number of terms by the

shareholders. At every AGM, one-third of the board members are mandated to retire, but a member is eligible for re-election, in accordance with the regulatory requirements of Ghana (Bank of Ghana, 2008). The Board of Directors appoints the General Manager (GM), who carries out supervisory control over management through various committees (Executive, Finance and Audit, Human Resource Development, Legal/Non Finance).

The UMKR Bank's management is composed of a core and a general management. The core management consists of the GM and five heads of departments. These are Finance and Administration, Credit; Operation and Marketing, Audit and Assurance as well as Microfinance. The general management comprises the Area Manager (AM), who supervises the various branches within the Agencies. The branches are headed by a Branch Manager (BM). Under the BM are the Finance Services Supervisor (FSS, whose status is equivalent to a senior loan officer), one Finance Services Officer (FSO) with a status equivalent to a loan officer), an Account Officer and a Branch Operation Assistant (BOA).

The headquarters at Asesewa is responsible for planning, strategic decision-making, preparation of consolidated financial statements, elaboration of procedures, recruitment, search for additional funds and external relationship with stakeholders and regulatory bodies. Branches are responsible for loan disbursements, repayments, promotion of products and training of clients. Disbursements are approved by the BM or FSS based on the analysis of the FSO Under the supervision of FSS/BM, FSOs disburse loans to group members. Repayments are supervised and collected by FSOs (Figure 6).

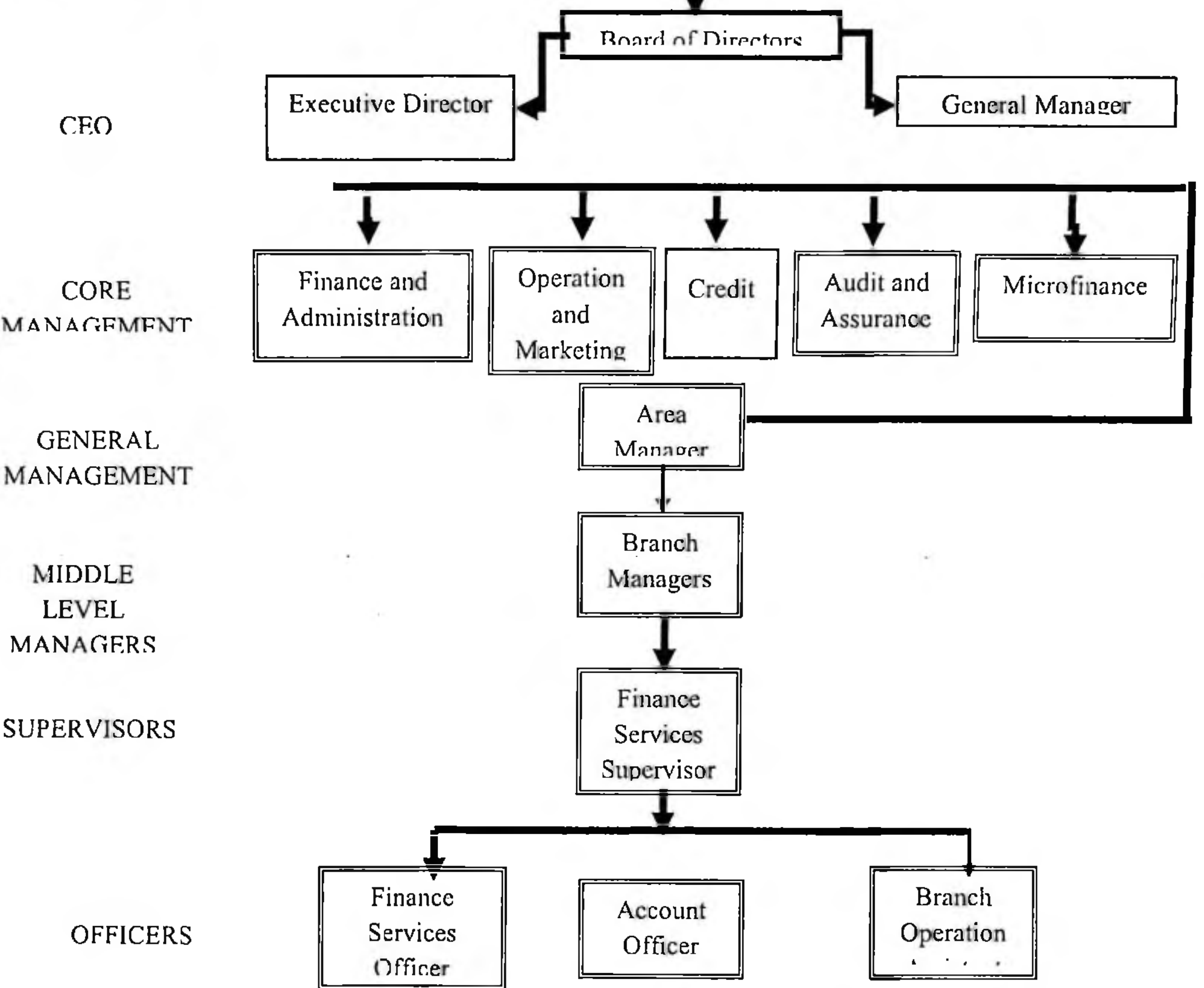

Figure 6: Organogram of the Upper Manya Krobo Rural Bank

Source: UMKRB Microfinance Department, (2011)

Microcredit Programme of the Bank

Since 2001, UMKR Bank has been involved in microfinance schemes such as the Poverty Alleviation Fund (PAF), Smallholder Crop Improvement and Marketing Project (SCIMP) under the International Fund for Agricultural Development (IFAD) and the Rural Finance Project under the International Development Agency (IDA). The Bank has also received financial and technical support from international agencies such as the German Technical Development (GTZ), IDA and IFAD (UMKRB Microfinance Department, 2011).

The UMKR Bank's microfinance department adopted the Credit with Education (CwE) methodology from the Freedom from Hunger Ghana (FFHG) project after a Knowledge Attitude and Practice (KAP) study in 2000. The findings of the study showed that 74 percent of those interviewed expressed interest in the CwE poverty reduction intervention. To corroborate the findings of the FFHG study, the UMKR Bank also conducted a KAP study in January 2001, which substantiated the FFHG report (Microfinance Department, 2011). Consequently, a department was created within the UMK Rural Bank to provide microcredit services to small business operators, especially women in the District. The CwE methodology recognises that increasing incomes for women is the starting point of any self-help process. It posits a synergistic relationship between credit and education.

The microcredit scheme started at Asesewa with four community promoters and one coordinator in June 2001, and by the end of the year, 67 credit and savings

associations with a membership of 1,770 had been registered. As at the time of the fieldwork, the microcredit programme had 11,200 clients (Table5).

Table 5: Number of Active Clients (2006 – 2011)

Year	Number of clients
2006	5,263
2007	6,364
2008	6,973
2009	7,700
2010	8,616
2011	11,200

Source: Microfinance Department, (2011)

Performance of the Bank: 2006 – 2011

Records of the Bank show that Credit and Savings Associations (CSA), which were 67 in 2001 rose to 280 in January 2011. By the end of 2011, there were 300 CSA and 175 solidarity groups with total membership of 11,200 (Microfinance Department., 2012). Table 6 showed the performance of the Bank from 2006 to 2011. From the table, the number of clients, depositors and borrowers increased by 113 percent, 115 percent and 125 percent respectively between 2006 and 2011 (Table 6). The volume of savings was GH¢ 2,293,396.00 and the volume of loans outstanding was GH¢5,275,715.00. Total operating cost increased by 516.5 percent, from GH¢76,770.00 in 2006 to GH¢473,272.00 in 2011. According to the bank staff, the increments were due to acquisition of new

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infrastructural facilities such as office space, computers and accessories. The net profit, which stood at GH¢473,560.00 in 2006, increased by 313.4 percent to GH¢1,958,098.00 in 2011 (Table 6).

Table 6: Indicators of the UMKRB Microfinance Programme (2006 -2011)

Indicator	2006	2007	2008	2009	2010	2011
No. of clients	5,263	6,364	6,973	7,700	8,616	11200
No. of Female	5,263	6,109	5,88.	6,699	7,927	10,416
No. of savers	5,000	6,046	5,574	7,392	7,324	10,752
Borrowers	4,474	5,091	5,428	6,160	6,945	10,080
Savings	415,679	724,694	1,006,378	1,202,529	1,438,439	2,293,396
Loans	3,984	4,981	5,428	6,160	6,945	10,080
Loan volume	967,976	1,568,425	2,386,702	2,710,293	3,393,867	5,275,715
OSS%	617	506	569	427	386	414
Profit/income	473,650	535,354	854,578	850,843	1,131,734	1,958,098
Total Exp.	76,770	105,732	150,102	199,484	294,917	473,272

Source: UMKRB Microfinance Department, (2011)

Operations of the Bank

The microcredit programme of the UMKR Bank employs three main methodologies namely; individual lending, group lending/joint liability, and solidarity lending.

Individual Lending

This approach allows an individual to borrow from the microcredit programme. Before the loan is granted, the individual lender undergoes some training. However, the applicant is required to provide collateral security in the form of a guarantor or an immovable property. The amount of loan offered under this lending method depends on the individual's salary and business activity. The loan ranges from GHC 1,000 – 5,000. Individual loans are usually given to government workers, businesspersons men and women in good standing and payable within a maximum period of 10 months (Microfinance Department, 2011).

Group Lending and Joint Liability

The Bank adopted the Grameen Model of group lending, since the commencement of the microcredit programme in 2001. Potential clients formed their own groups based on local information about each other's business activity in order to look for the best partners.

However, during the initial membership drive, many people dropped out of the intervention as a result of not being granted permission by their husbands. This is what an interviewee said concerning women seeking approval from their spouses before joinning the scheme:

> *"When we filled the form, they asked us if we were married. Those who were married were asked to tell their husbands before their loans were disbursed. Some people reported that their husbands*

wouldn't allow them to take the loans, so they were dropped" [A female interviewee].

Groups were formed through self-selection as exemplified by the following statements during the FGD.

> *"What happens is that those of us who are close and know ourselves come together. This was done so that those of us who are in a group should understand ourselves"* [A female FGD participant].
>
> *"We heard that the UMK rural bank was going to give us money for our businesses and we were made to understand that if we come together, we were going to get the loans. So if I knew someone who is serious and trustworthy, and can repay the loan, I could call her. So that was what we did and formed the group"* [A male FGD participant added].

In forming a group through self-selection, the important criterion appeared to be the ability to repay the loan. Group members undergo six weeks training in business and financial management before being given a loan. The first loan does not exceed Five Hundred Ghana Cedis (GHC500) and is payable within 16 weeks. New members follow a weekly repayment schedule. The microcredit programme had two types of groupings. The first is the solidarity groups consisting of 30 to 40 persons formed through self-selection on the basis of proximity and or occupational homogeneity. The microcredit staff combines five or six solidarity groups to form a second group known as Credit and Savings Association (CSA), which may consist

of persons of different occupations and socio-economic status. Members of the group serve as security for one another that is, when a member of the group defaulted in payment; other members in the group are expected to pay for the defaulting member (Microfinance Department, 2011). It was established that 71 percent of the groups consisted of trusted members, 11 percent were formed out of proximity and 10 percent were members dealing in similar goods and services (Figure 7).

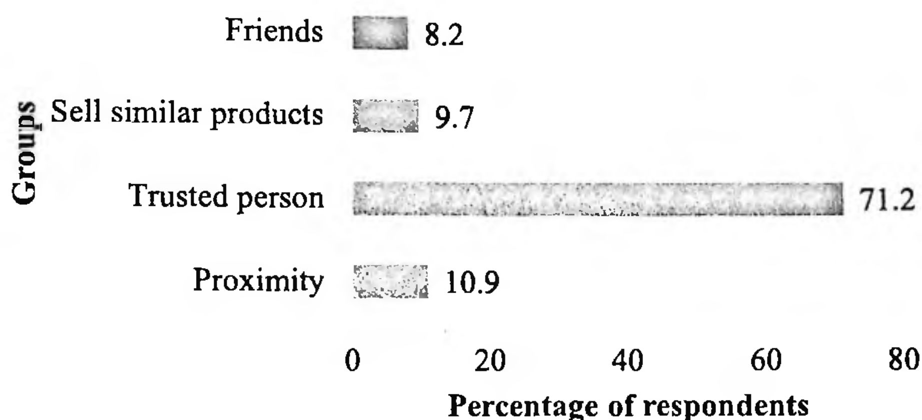

Figure 7: Group Composition

Source: Field data, (2011)

Solidarity Lending

A solidarity group consisted of 5 to 10 members from each CSA. The solidarity group has the primary responsibility to ensure that members paid up their loans, and on time. If a member defaulted in a solidarity group, then the CSA paid from its fund. The interviews revealed that the CSA have in recent times, taken over the duties of solidarity groups, which often failed to carry out their functions

due to close relationships and friendship ties among solidarity group members. An interviewee complained about the ineffectiveness of the solidarity groups as follows:

> *"A situation we have is that the smaller group [solidarity group] is supposed to share and pay for its members in the case of loan default. This arrangement is not working, because none of the members of the solidarity members are willing to pay in case of default. The debt then goes to the larger group [CSA]. The solidarity group is not effective as it should be"* [A female interviewee].

The UMKR Bank also operates a Micro Enterprise Assistance Loan (MEAL) for credible and progressive entrepreneurs within the CSA. A MEAL loan ranges from GHC10, 000 and above and it enables an individual to invest in more capital intensive ventures. MEAL beneficiaries have a maximum of one year to pay back their loans.

Other Services Provided

The UMK Rural Bank microfinance programme does not limit its activities to the financial arena. The Bank had implemented and integrated other programmes, where microcredit was linked to institutional savings and non-financial service training, including financial management, primary health care, family planning, skills development, and business management education to the clients. In the early years of its operation, the microcredit programme offered the

clients compulsory training and education programmes. However, pressure from donors and the desire to achieve financial sustainability led to the phasing out of non-financial services. According to the management of the Bank, the staff lacked the expertise in the training programme and therefore, hired experts to run the training programme. This, they said, was a challenge to the Bank's desire to achieve self-sufficiency. Even though the Bank achieved self-sufficiency in 2004, no effort had been made to reinstate the non-financial service component of the microcredit programmes, which the early clients claimed contributed in improving their businesses and household wellbeing (Microfinance Department, 2011).

Asked to indicate the type of training required, 21 percent of the clients' preferred Business Management training and 20 percent mentioned Technical Advice. Those who were in favour of Skill Development, Family Planning and "Primary Health Care represents 16 percent, 14 percent, and 13 percent respectively (Figure 8).

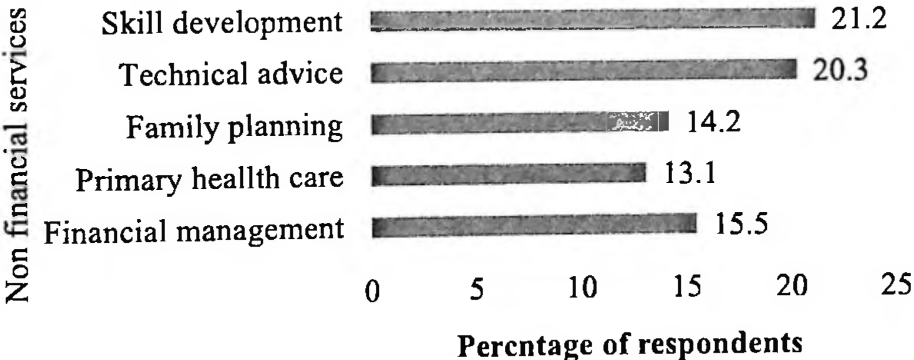

Figure 8: Non-Financial Services Preferred

Source: Field data, (2011)

Institutional Savings

The clients had the opportunity to save with the UMK Rural Bank. From Figure 9, 43 percent saved with the Rural Bank, 35 percent saved with 'susu' operators and 8 percent saved at home. Those who saved with the Bank can accumulate the savings for use as collateral to access personal loan from the main banking system.

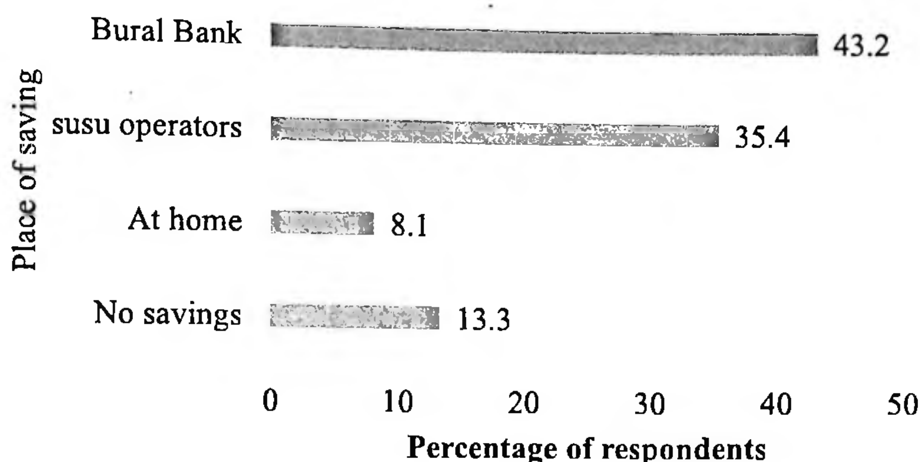

Figure 9: Place of Savings

Source: Field data, (2011)

Institutional savings refer to both voluntary and compulsory deposits that the microcredit clients make at the UMKR Bank. A staff explained that the programme operates a voluntary savings scheme known as progressive savings, where a fixed amount of 10 percent to 16 percent of an individual's loan quantum, was to be saved compulsorily. This amount was paid as part of the weekly loan repayments. Any amount saved above this threshold was termed voluntary savings. Both compulsory and voluntary savings were kept in the same account. According to a staff of the

microcredit programme, the clients were given passbooks that showed all savings over time. However, some of the clients maintained that they had not been provided with passbooks, and that they could only guess the amount of money they saved. A participant at the FGD reacted to the issue of institutional savings as follows:

> "*What I want to say is that they should let us know about the monies they deduct from our loans and put aside as security so that each of us can know how much we would get individually from the contributions if we stop the programme today*" [Remarked a kenkey seller].

Background Characteristics of Clients

To qualify for a loan under the UMKR Bank's microcredit programme, a person must be 18 years and above and must be already engaged in an economic activity. Both males and females, resident in the UMK District, can access loan from the Bank. The type of businesses that the microcredit programme support includes trading, food selling, store keeping, fish mongering and artisanal activities such as dressmaking, hairdressing, beauty care and carpentry, metal fabrication, auto engineering works etc.

Out of the total sample of 407 microcredit clients, 92 percent were females and eight percent males (Apendix 4). Clients aged 30-39 years constituted 35 percent and those between 40-49 years accounted for 32 percent. Thirty-five percent and 33 percents of the females were in age groups 30-39 and 40-49 years

respectively. Married clients represented 70 percent and 36 percent of the males were single. More than a quarter of the clients had two or three children and eight percent had more than five children. Over a quarter of the females had two to three children and 61 percent of the males had three children. None of the male clients was childless, but nearly six percent of the females had no children.

A quarter of the clients had no formal education, 21 percent had Middle School Leaving Certificate (MSLC) and seven percent attained Senior High School (SHS) education or higher. Twenty-eight of the female clients had no formal education. Fifty-eight percent males compared to 18 percent of their female counterparts, had MSLC education. Almost half (49.4 percent) of the business activities, which were supported by the microcredit programme was petty trading. Female clients in petty trading accounted for 52 percent. Artisanal/repair workers represented 30 percent of the clients. Forty-two percent of the males were artisians. Eleven percent of the spouses of the clients were government, but 55 percent of the male clients had spouses who were government employees. Farmers/fishermen constituted 42 persent of the spouses of females clients (Apendix 4).

Forty percent of the clients were repeat clients, 33 percent were permanent and 20 percent were new clients. Over 40 percent of male clients were new compared to 19 percent of their female counterparts. Thirty-five percent and 40 percent of the female clients were repeated and permanent clients respectively. The study defined new clients as those who had joined the microcredit programme for less than one year. Repeated clients were those who had been with the programme for more than three years and permanent clients were the pioneers who started with

the programme since 2001. Exit clients (six percent) were former clients who had either dropped out, exited voluntary or graduated to access personal loans from the main banking system

Characteristics of Clients by Sources of Loan

Respondents were asked whether they had ever borrowed from sources other than the UMKR Bank. Table 7 shows that 61 percent of the males, and only16 percent of the females had borrowed from other sources. Almost 90 percent of the clients in all the age categories borrowed from the Bank. Seventy-six (76) percent of the clients ever married compared to 81 percent of the clients who never married and had borrowed from the Bank. Eighty-seven (87) percent and 86 percent clients with JHS education and SHS education and higher respectively, borrowed from the Bank. However, 21 percent and 20 percent of the clients with Vocational/Technical and MSLC education borrowed from other sources. Petty traders largely borrowed from the Bank. Ninety percent new clients and 87 percent clients of more than 4 years of participation borrowed from the Bank. On the other hand, 83 percent artisans/repairers and 60 percent shopkeepers borrowed from other sources. No exit client currently borrowed from the Bank (Table 7).

Table 7: Main Sources of Borrowing

Variables		UMKRB No.	%	Other sources No.	%	Total No.	%
Gender	Female	317	84.3	59	15.7	376	100.0
	Male	12	38.7	19	61.3	31	100.0
Age group	Less than 30	83	94.3	5	5.7	88	100.0
	30-39	133	86.4	21	13.6	154	100.0
	40-49	93.3	8	6.7	119	100.0	111
	50 and above	42	91.4	4	8.6	46	100.0
Marital status	Ever married	217	67	36	23.6	284	100
	Never married	100	81.3	23	18.7	123	100.0
Level of education	None	85	80.2	21	19.8	106	100.0
	Primary	65	83.3	13	16.7	78	100.0
	MSLC	70	80.5	17	19.5	87	100.0
	JHS	61	87.1	9	12.9	70	10.0
	Voc./tech.	30	79.0	8	21.0	38	100.0

Table 7 Continued

	Above SHS	24	85.7	4	14.3	28	100.0
Type of business	Artisans/repairers	21	17.5	99	82.5	120	100.0
	Food sellers	33	80.5	11	19.5	41	100.0
	Shopkeepers	18	40.0	27	60.0	45	100.0
	Petty traders	192	95.5	9	4.5	201	100.0
Participation	Less than 1 yr.	74	90.2	8	9.8	82	100.0
	2-4 years	128	77.6	33	22.4	165	100.0
	More than 4 years	116	86.6	18	13.4	134	100.0
	Exit member	0	0.0	26	100.0	26	100.0
Spouse occupation	Farmer/fisherman	19	74.8	39	25.2	159	100.0
	Self employed	52	66.7	26	33.3	78	100.0
	Govt. employee	28	60.9	18	39.1	46	100.0
	Unemployed	18	90.0	2	20.0	20	100.0
	No spouse	96	92.3	8	7.7	104	100.0

Source: Field data, (2011)

Discussion

Operations

To qualify for the microcredit programme of the UMK Rural Bank, a person must be 18 years and above and already engaged in an economic activity. Like other MFIs, the UMK Rural Bank's microcredit programme focused mainly on women. Thus, female clients constituted 92 percent. Some of the arguments put forward for MFIs targeting women were that women, more than men, are faced with difficulties in accessing financial services. Besides, women are often denied basic human rights, individual dignity, economic and educational opportunities while societal norms and beliefs also create the platform for male dominance in all spheres of life. Therefore, MFIs target women to empower them in order to bridge the gender inequality gap (Fernando, 2006; ILO, 2007; Ahlin & Townsend, 2007; Bateman, 2010)

Critics, however, argue that credit to women is not a solution for household welfare and that targeting women without adequate support networks and strategies can merely shift all the burden of household debt and household subsistence onto women (Cheston & Kuhn, 2002; Mayoux, 2002; Wrigley-Asante, 2011). Others argue that microcredit leads to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status (Mayoux & Hartl, 2009; Nawaz, 2009; Sinha, Jha & Negi, 2012). According to Garikipati (2008), Swain and Wallentin (2009), Khan and Noreen (2012), women clients contribute larger portions of their income to household consumption than their male counterparts

The operation of the UMK Rural Bank's microcredit programme is not different from other MFIs. The Bank adopted the group lending model or the Grameen methodology, which is the cornerstone of MFIs. The proportion of women clients, compared to their male conterparts, suggests that women's empowerment was the focus of the UMK Rural Banks microcredit programme. In the UMK District, not only do social norms and beliefs prevent women from accessing loan from financial institutions, but also women lack collateral securities in the form of land and other assets. Women in the District have unequal opportunities for education and are often restricted to household activities. They offer helping hands to the activities of their spouses who are expected to provide them with all their needs. Therefore, with access to credit, women can venture into income generating ventures and be able to provide for their needs. Targeting women clients, is therefore, important for building dignity, self-esteem and enhancing gender equality in the District.

Group Lending

The UMKR Bank has a two-tier group composition joint liability structure. The first tier is the solidarity group and the second is the Credit and Savings Associations (CSA). This approach is similar to the Grameen Model developed by Yunus in the 1970s (Armendariz de Aghion & Morduch, 2005; Al-Azzam & Sarangi, 2007; Kumar, 2011). Group composition consisted of trusted members or members with the capacity to repay. To ensure this, group leaders dissolved their groups and formed new groups after every loan cycle in order to get rid

of those who persistently defaulted in repayment. The loan officers did not insist on group composition and so group members had the prerogative of deciding group composition. This is what a client said on the group formation:

> *"We look for someone who is not difficult when it comes to group formation and loan repayment. Someone who will not give us problems when the time comes for repaying the loans. We seek for someone with a good character"* [A female trader].

The indication is that in group formation, the important criterion is the ability to pay (Guttman, 2007; Hulme & Mosley, 2007; Madestam 2009; Giné, 2010; Madajewicz, 2011). The members of the groups were jointly liable to each other's loan (Kritikos & Vigenina, 2005; Carpena, Shawn, Jeremy & Bilal,2010). A number of theories explained why joint-liability lending is able to generate high repayment rates. Some have argued that the self-selection of borrowing groups based on localised information reduces adverse selection problems (Attanasio, et al., 2011; Allen, 2014). Other theories posit that peer monitoring between jointly liable group members mitigates the different aspects of moral hazard endemic to credit transactions (Banerjee, 2013; Gine & Karlan, 2013). Still other theories argue that joint-liability lending harness existing social capital in tightly-knit societies, when group members have other important relational ties that extend outside of the lending contract (Carpena *et, al.* 2010; Madajewicz, 2011).

The study established that self-selection was the main criteria for group formation. It also came out that peer monitoring was not effective because the groups consisted of trusted friends and there was no need to monitor how loans

were used or what the loans were used for. This suggests that social capital, in the form of personal trust, among group members and peer homogeneity were critical to the group lending success instead of the joint-liability contract. For instance, the clients were not in favour with the arrangement where they had taken smaller loans, but were jointly liable for larger loans taken by their peers. The suggestion was that group formation should be loan-size based to eliminate the pressure on small loan takers to repay that of large borrowers who default.

In an interview with the Bank Manager of the UMK Rural Bank, it was revealed that the Bank had expanded and attained self-sufficiency or sustainability status through expansion in its clientele base and favourable loan repayment. Therefore, individual loans ranging from GHC1, 000 to GHC5, 000, were given to Businesspersons in good standings. Under the Micro Enterprise Assistance Loan Scheme, loans ranging from GHC5, 000 and above, were also given to trustworthy clients with the ability to repay. Eighteen percent of the respondents were artisans/repairers who had borrowed from the microcredit programme. These were found to be among clients of the Micro Enterprise Assistance Loan Scheme.

Non-financial services

Clients did not seem to be happy with the phasing out of the non-financial services. During the FGD, one participant remarked as follows:

> *"We don't know why they have stopped teaching us how to plan our families, and how to manage our businesses. They are now only interested in their moneys and no longer care about our businesses*

and our families. This is not the way they started the programme" [A female FGD participant].

Another participant alluded to the fact that the basic health management and family planning training she received helped her. According to her, she did not know what was meant by family planning until she participated in the family planning educational programmes. She remarked:

> *"Now, I know when to say 'yes' or 'no' to my husband"*, [A female Storekeper]

Other Interviewees had this to say:

> *"The educational aspect helps us a lot. Especially, to be educated about a deadly disease, like HIV/AIDS is very good since we are the vulnerable people when it comes to sex. This education about HIV/AIDS will help us abstain from it (casual sex) and concentrate on our work. I wish they did not stop giving us the education but instead make it more regular"* [A hairdresser]. *"They teach us many things. What I really like is education on how to budget our money so that we don't use it frivolously. Teaching us how to maintain a healthy relationship with other members in our groups has helped us a lot"* [Another Hairdresser].

The widely held belief is that non-financial services given to microcredit clients improve their business activities as well as their living standards (Lanao-Flores & Serres, 2009). For instance, client's awareness of basic health issues and

business practice issues were thought to have assisted the clients. Non-financial service training has also been found to diminish the risk of credit been diverted from investment into unproductive ventures. There is evidence that better health status increases effective labour supply and raises productivity, reducing the incidence of illness and the number of workdays lost (Leive & Xu 2008; Bjorvatn & Tungodden, 2011; Kolstad & Kowalski, 2012).

In addition, non-financial services such as business management practices, bookkeeping, customer care and skill development training, are important factors for business improvement and entrepreneurial development (Bjorvatn & Tungodden, 2011). Despite the widely held view of the contribution of credit-plus programmes to improved livelihood of microcredit clients, studies such as Hamid Roberts & Mosley (2010) and Karlan & Valdivia (2011) find no significant positive impact on microcredit borrowers, such as business revenues or profits. Smith (2002), however, found mixed results of health training among microcredit clients. The fact that the clients were desirous of being trained in non-financial services, suggests that such trainings programmes improved their wellbeing.

Another service that the Bank rendered to the clients was the opportunity to save part of profits earned. The clients were issued with savings books into which all savings were recorded and interests were paid annually on accumulated savings. Accumulated savings were sometimes used to offset other repayment in times of repayment challenges. Such savings could also be used as collateral for accessing bigger loans for business growth (Abraham, Felipe, & Pomeranz, 2011). The clients also maintained that access to saving facilities enabled them to save part of their

profits in order to mitigate unforeseen economic hardships. The staff explained that the savings facilities offered to the clients was geared towards a long-term objective of inculcating savings culture in the clients and also to enable them obtain lump sums of money when they exit the programme.

From the interviews, it came out that the compulsory savings reduced the amount of loan available for investment. It is, therefore, important to provide a range of saving products which would enable clients to save larger amounts whenever the business accrued high profits as was practiced in Bangladesh (Wright, 2010).

Conclusion

The microcredit programme of the UMK Rural Bank employs group lending under the joint liability structure. Group composition consisted of members with the ability to repay. The clients were not happy with the withdrawal of the non-financial service training that the earlier clients received. Therefore, reinstating the non-financial component of the microcredit programme such as business management training, customer relationship, book keeping etc., would be helpful.

CHAPTER SIX

IMPLEMENTATION PROCESS

Introduction

The mission of the UMK Rural Bank is positioning itself as a first-choice rural bank that mobilises rural savings for rural investments in order to improve the standard of living of the productive poor in the Upper Manya Krobo District. One of the reasons for the establishment of the microcredit scheme was the fact that people in the District, especially women, earn their living through small business activities and so, providing accessible and sustainable financial services for business entrepreneurs would enhance their activities and reduce poverty in the District (UMK Rural Bank Microfinance Department, 2011). This chapter presents how the Bank delivers microcredit services to its clients and how the loans are repaid. The chapter also tests the null hypotheses that: Socio-demoraphic characteristics of microcredit clients do not significantly influence business expansion and socio-demoraphic characteristics of microcredit clients have no significant influence on loan repayment.

Annual Pattern of Commercial Activities

In the UMK District, agriculture, service enterprises, trading (commerce) and small scale industrial activities are the major economic ventures. Business activities, however, fluctuate in the District during the year. A market survey to determine the pattern of economic activities in the UMK District found that business

activities are low from January to April, moderate between May and August, and high from September to December (Ghana Statistical Service, 2010; UMKD, 2010-2013). This classification was to determine the periods where the District Assembly is likey to collect more revenue for development activities. Entrepreneurs in the District are more likely to be in demand for business loan between May and Devember when economic activities are moderate to high (Figure 10).

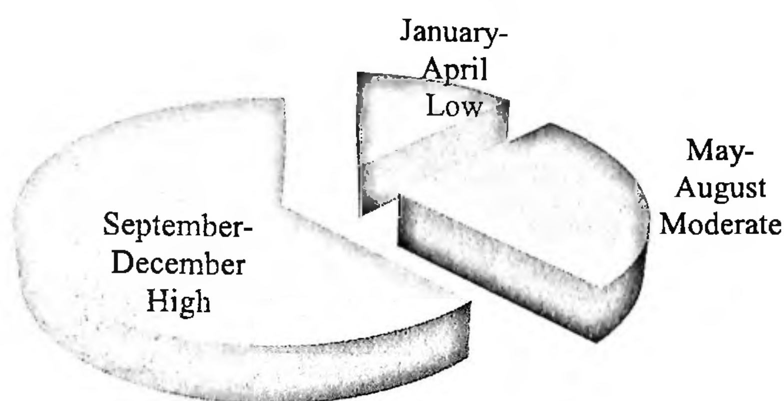

Figure 10: Pattern of Commercial Activities

Source: Ghana Statistical Service, (2010), MTDP, (2010-2013)

Sources of Funding for Clients

Among the respondents covered in the study, 91 percent funded their businesses from the UMK Rural Bank's microcredit programme. The rest came from personal savings, friend/family support and loans from other banks (Figure 11). Entrepreneurs of small businesses found it difficult to access institutional credit, because of the lack of collateral securities as well as the high cost involved

in dealing with them (Meder, 2010; CGAP., 2010). Thus, in this study over 90 percent of the respondents used microcredit as their main source of business capital.

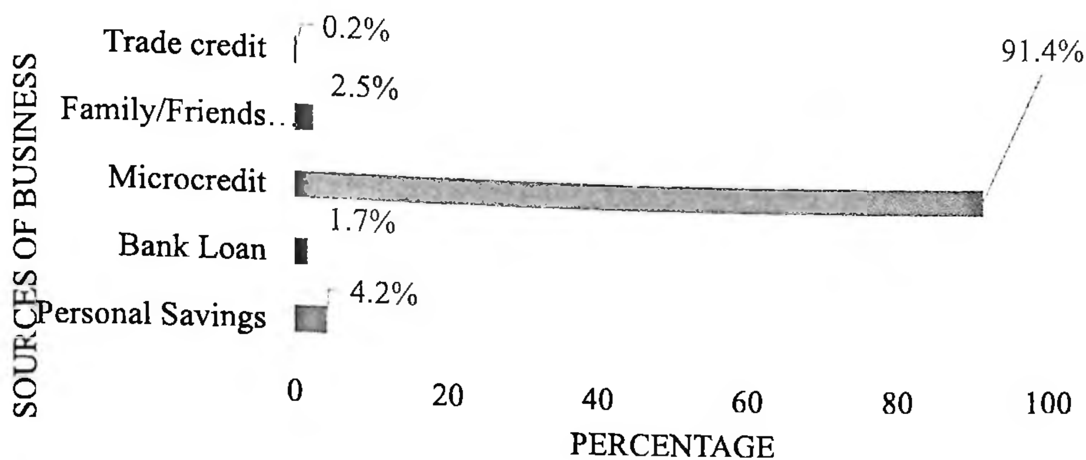

Figure 11: Sources of Business Finance

Source: Field data, (2011)

Loan Access Modalities

Clients go through the following steps to access loan.

New Clients

i. Filling an application form;

ii. Form reviewed and accepted;

iii. Six weeks training;

iv. Initial savings from business to be supported with the loan.

Old clients

Old clients received new loan when all members of the group had completed repayment. Clients can receive new loans on the same day a group completes its payment. This implies that loans could be disbursed to clients at a time when the loans are needed. But due to the seasonal fluctuation in economic activities in the District, clients who reveive loans during off seasons are likely to divert such loans to other uses. Receipt of loans at a convenient period is important for the clients to take advantage of market opportunities. Below are comments of those who did not receive loans at a convenient period:

> *"As for the time it (loans) comes, I am not happy about it because most of the time, it comes during the lean season when people do not have money to buy my goods. They disburse it anytime they want and it happens to be at the wrong time. Times like Christmas where you need the money most to trade it does not come"* [A female trader].
>
> *"The second loan they gave me was during the lean season. It affected my business negatively. The first one helped us since that one was disbursed during a good period"* [A drop-out female fetty trader].

Quantum of Loan

Loan granted ranged from GHC500 for new clients to over GHC10, 000 for repeat and permanent clients. There was conflicting information on the initial

amount of loan granted. The staff stated that the initial quantum of loan depended on the amount of initial savings prior to the commencement of the first cycle. However, the clients indicated that they were initially given the same amount while subsequent loans were based on repayment performance. This is what a new client said:

> *"We were all given five million cedis (GHC 500) for the start. The explanation was that they do not know much about our finances, so they start with an amount we can all conveniently pay so they gave us the same amount"* [A female petty trader].

A repeat client remarked as follows:

> *"In this programme, as you pay you get the chance to increase the amount you borrow, but the group leader can decide not to let you peg the amount any higher because you struggled to pay the last amount you borrowed. If the leader informs the office, they act on our behalf"* [A female food seller]

The quantum of loan granted to repeat and permanent clients depended on period of participation, type of business and ability to repay. Eighty-two percent of new clients received from GHC 100-500, 30 percent of repeat clients received GHC1,501-2,000, 26 percent of permanent clients received GHC3,501- 4,000 and 54 percent of exit clients received more than GHC4,000 (Table 8). Repeat and permanent clients received bigger quantum of loan because of the dynamic incentive system where clients could increase their quantum of loan after every sucecssful loan cycle. It is also expected that loan officers trusted repeat and

permanent clients to repay bigger quantum of loan.

Table 8: Amount of Last Loan by Characteristics of Clients

Amount of Last Loan (GHS)	New Clients (%)	Permanent Clients (%)	Repeated Clients (%)	Exit Clients (%)
100-500	81.8	-	1.9	-
501-1,000	14.6	6.0	23.1	-
1,001-1,500	1.2	14.2	12.5	15.3
1,501-2,000	1.2	10.4	26.9	7.7
2,001-2,500	1.2	1.5	10.6	3.8
2,501-3,000	-	6.0	4.8	3.8
3,001-3,500	-	18.6	2.5	7.6
3,501-4,000	-	26.1	9.4	11.5
4,001+		17.2	8.3	53.8
Total	100.0	100.0	100.0	100.0

Source: Field data, (2011)

Quantum of Loan by Demographic Characteristics

Sixty-five percent of female clients, compared to 55 percent of their male counterparts received GHC500-10,000. Out of 92 perent of female respondents, two percent received more than GHC 10,000 while from eight percent male respondents, three percent received more than GHC 10,000. Fifty-eight percent

clients less than 30 years, received GHC100-500 and over 70 percent of those aged 40-49 years received GHC 501-10,000. Sixty-nine (69) percent of married clients compared to 55 percent of those never married (single) received GHC 501-10,000 (Table 8). The type of a client's business, to a large extent, determines the amount of money needed to operate. A petty trader and a chemical store operator would request different loan size. Nearly 40 percent petty traders received GHC100-500, compared to none of the shop operators. Fifty-nine (59) percent of clients, whose spouses were government employees received more than GHC10, 000, 75 percent clients whose spouses were unemployed and 67 percent of the clients without spouses received GHC500-10,000. Shop operators and clients whose spouses were government employees received bigger quantum of loan compared to petty traders and food sellers (Table 9).

Petty traders received smaller quantum of loan, because petty trading such as hawking and food selling does not require huge capital outlay. On the other hand, spouses of government employees received a bigger quantum of loan probably from the expectation that they would invest a greater proportion of the loan, while their spouses assume household responsibilities.

Table 9: Quantum of Loan by Demographic Characteristics of Respondents

Loan quantum (GHS)	1-500		501-10,000		10,001+		Total	
	(Count)	% Within	(Count)	% Within	(Count)	% Within	(Count)	% Within
Gender								
Female	122	32.4	246	65.4	8	2.2	376	100.0
Male	13	41.9	17	54.8	1	3.3	31	100.0
Age groups								
Less 30 yrs	51	58.4	36	41.6.	0	0.0	88	100.0
30-39	47	30.0	105	69.3	1	.7	154	100.0
40-49	33	25.2	95	72.5	3	2.3	119	100.0
50+ years	11	17.2	35	75.0	5	7.8	46	100.0
Marital Status								
Married	83	29.2	196	69.0	5	1.8	284	100.0
Single	52	42.2	67	54.5	4	3.3	123	100.0
Education Level								
None	41	24.5	65	61.3	14	13.2	106	100.0
Primary	18	23.4	53	68.8	6	7.8	78	100.0
MSLC	36	41.3	48	55.2	30	34.5	87	100.0
JHS	28	40.0	42	60.0	0	0.0	70	100.0

Table 9 Continued

Vocational/ Technical	6	15.8	32	68.4	0	15.8	38	100.0
Above SHS	6	20.7	23	50.7	8	28.6	28	100.0
Business type								
Artisans	36	30.0	80	66.7	4	3.3	120	100.0
Foodsellers	9	22.0	30	73.2	2	4.8	41	100.0
Shopkeepers	0	0.0	27	60.0	18	40.0	45	100.0
Petty traders	75	37.3	126	62.7	0	0.0	201	100.0
N								
None	12	57.1	9	42.9	0	0.0	21	100.0
1	18	34.6	34	65.4	0	0.0	52	100.0
2	29	27.6	76	72.4	0	0.0	105	100.0
3	41	36.2	63	55.8	9	8.0	113	100.0
4	30	35.3	55	64.7	0	0.0	85	100.0
5 and above	5	16.1	25	81.6	1	2.3	31	100.0
Spouse occup								
Farmer/fishing	52	32.7	107	67.3	0	0.0	159	100.0
Traders	25	32.1	44	56.4	9	11.5	78	100.0
Government employees	0	0.0	19	41.3	27	59.7	46	100.0
Unemployed	5	25.0	15	75.0	0	0.0	20	100.0

Source: Field data, (2011)

Use of Loan

Microcredit loans are usually intended for investment (Karlan & Zinman, 2011). The microcredit staff indicated that loans were designed purposely for investment in business activities. Nearly half (48 percent) of the clients reported that they used part of the loans to expand businesses and 26 percent for other purposes such as household finance, personal assets, school fees and emergency needs (Figure 12).

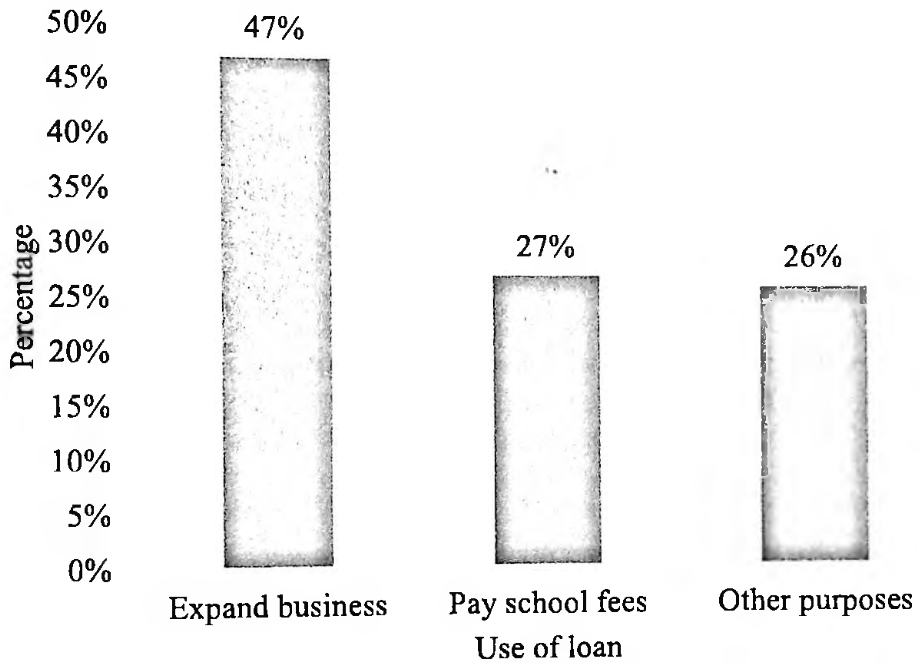

Figure 12: Use of Loan

Source: Field data, (2011)

Regression Analysis on the Effect of Business Expansion

Equation 6 and 8 in Chapter 4 were used to further assess the likelihood of an individual to use credit to expand business (Table 9). The covariates were sex, age, level of education, and location of business. The Pseudo R2 = 0.1545, indicating that 15 percent of the variations in business expansion by clients is explained by the covariates. Post-estimation tests like the linktest and Hosmer-Lemeshow were conducted to test for model specification and goodness-of-fit respectively. The scores for _hat (P>|z|= 0.041) and _hatsq (P>|z|=0.797) for the linktest shows that the model is correctly specified. This means that we can, only by chance, find additional predictors that are statistically significant. As regarding the goodness-of-fit test, the Hosmer-Lemeshow gave a score of Prob > chi2 = 0.2231, which is greater than 0.05 and indicates that the model is of good-fit. In this model, the business expansion variable has a near perfect relationship with the traditional (craft) business type and it is dropped for consistency in coefficients.

Age has a positive relationship with business expansion. This means that an additional increase in age by one year increases the likelihood of expanding ones business by a factor of 1.024 holding all other variables constant. Thus, business owners are more likely to expand their businesses in the near future as their age increases. This is significant at 5 percent alpha level.

Age was associated with business growth among microcredit clients. The authors added that older business owners are more likely to achieve business boom due to experience gained overtime.

From the regression, females stand a higher possibility to expand business as compared to their male counterparts by a factor of 1.238 at a 5 percent significance level. All other variables held constant, the probability for a female borrower to expand business, compared to a male borrower, is 1.238 times more. This implies that more females used loan to expand their businesses compared to their male conterparts. This finding corroborates the theory that females are able to manage small loans to earn profit than men. According to Fernando (2006), the sex of a microcredit client is positively related to business growth.

Holding all other variables constant, the probability for petty traders to expand business is a 2.501 times higher than their counterparts in artisanal work. This relationship is significant at 10 percent alpha level. This result suggests that with time, petty traders who access microcredit will improve or expand their businesses to include other items to earn more profit. This was revealed during the syndicate group discussion when a rice fast food hawker remarked that with the loan, she had been able to buy a kiosk to sell not only rice but yam, fufu, and banku. By implication, it is important for MFIs to pay more attention to petty traders to minimise rural poverty.

The level of education can also influence business expansion. Business owners, with one form of education, manage their businesses better than those without any form of education. Using none or no form of education as the comparison group, individuals with primary, MSLC/JSH, Vocational/technical/SHS have the probability of expanding their business by a factor of 1.330, 1.975 and 0.892 more than those with no education level

respectively, at five and 10 percent alpha levels (Table 10). Educated entrepreneurs have better business management skills, can keep business records, and relate better with customers. Business record keeping is imperative for business growth or expansion. Hence, the lack of education could be detrimental to business growth as revealed in this study.

The regression result on influence of level of education on business expansion is however, contrary to the works of Jappelli's (1990) and Kedir, Ibrahim & Torres, (2007) who found no significant relation with level of education and business growth among microfinance clients in the United States of America and Ethiopia respectively. For many MFIs, client's level of education may not be a criteria for accessing loan. This study has established that business growth, which is related to loan repayment, has some correlation with loan borrower's level of education.

Clients who have registered their businesses are likely to experience a positive impact on their business than clients who have not registered their businesses. At 5 percent significance level, registered institutions are more likely to experience business expansion by a factor of 1.365 more than non-registered institutions (Table 10). This working document, which found available evidence on the effectiveness and logic of private sector development in terms of business registration.

Generally, businesses that are registered, are seen to be efficient in their activities than non-registered business entities. The reason is that registered businesses have external monitoring and oversight mechanisms, which directs the operation of the business. This brings about efficiency and effectiveness in the day-

to-day running of the business. Thus, registration of business contributes to business development.

With regards to business location, Table 10 shows that businesses located in Akateng and Sekesua stand a higher risk of expanding than those in Asesewa. All other variables held constant, the probability for clients to expand their businesses at Akanteng and Sekesua are 0.911 and 2.347 lesser than those who reside in Asesewa at 5 and 10 percent alpha levels. This could mean that businesses located in Akanten are less likely to experience growth compared to clients in Asesewa. Businesses in Sekesua are also at a disadvantage to improve or expand than those located in Asesewa. Asesewa is the capital town of the District and Sekesua is a small farming town and so this finding is possible. Location, is, therefore, important for business growth as evident in this study. The finding is supported by the work of Kedir, Ibrahim and Torres (2007) who said that location matters when it comes to the issue of accessing credit for business purposes.

Table 10: Logit Model Results for Business Expansion

Business Expansion	Marginal Effect	Marginal Effect (Std. Err)	Odds Ratio	Odds R (Std. Err)	P>z
Female	0.034	0.015	1.238	0.596	0.023**
Age	0.004	0.002	1.024	0.017	0.046**
Marital Status (Base=Single)					
Married	-0.060	0.087	0.676	0.378	0.492
Divorce	-0.083	0.152	0.591	0.488	0.585
Separated	0.096	0.053	2.501	1.814	0.072*
Widow	-0.151	0.128	0.411	0.275	0.239

Table 10 Continued

Nature of Business (Base=Artisans)					
Food Sellers	0.238	0.167	3.302	2.229	0.155
Petty traders	0.409	0.173	19.287	14.319	0.018**
Traditional(craft)	0.157	0.293	2.098	3.094	0.592
Other			1.000	(empty)	
Education Level (Base =None)					
Primary	0.045	0.063	1.330	0.515	0.470
MSLC/JSH	0.098	0.057	1.975	0.839	0.088*
Vocational/tech/SHS	0.020	0.012	0.892	0.316	0.095*
Registered Business	0.049	0.028	1.365	0.493	0. 082*
Belong to trade Asso	-0.076	0.054	0.618	0.209	0.157
Flexibility in accessing credit	-0.044	0.051	0.758	0.243	0.389
Community Name (Base=Asesewa)					
Akateng	-0.066	0.053	0.911	0.279	0.072*
Sekesua	0.113	0.054	2.347	1.153	0.038**
Spouse Occupation(Base=None)					
Farmer/fishing	0.132	0.108	2.098	1.131	0.225
Trader/self-employed	0.159	0.114	2.536	1.505	0.162
Government employee	0.131	0.124	2.087	1.334	0.290
Unemployed	0.207	0.114	3.778	3.094	0.070*

N=404

Psuedo R2= 0.1745

Hosmer – Lemeshaw Prob > chi2 = 0.2231

Linktest _hat: P>|z|= 0.031 _hatsq: P>|z|= 0.416

*p<0.1 **p<0.05 ***p<0.001

Regression Analysis on the Effects on the Intensity of Business Expansion

This section puts forward the findings from the Poisson Regression Model (PRM) from the result in Table 11, which considers into detail, discussions earlier made on the extent for clients to expand their business by turning from the binary variable and now look at it from as a count variable. Equation 16 in Chapter 4 was used to assess the intensity of business expansion or the number of times a client had accessed loan or credit in order to expand business. The intensity of business expansion will increase our understanding as to whether accessing loan or credit more than once is beneficial or detrimental to business expansion. Just like the logit model, the exponential of the Poisson regression coefficient gives the incidence rate ratio (IRR) and is used in the interpretation of the analysis as shown in Table 11.

Table 11 shows that female clients are positively associated to business expansion than their male counterparts. Being a female increases the likelihood of the intensity to expand business by a factor of 1.157 more than their male counterparts at 10 percent alpha level, holding all other variables constant. This finding again explains that females are better managers of business credit. It also put females ahead of their male counterparts in terms of business growth. In a study they noticed that the intensity of accessing credit by women is likely to impact positively on business growth.

The intensity of business expansion, with regard to age, is likely to increase by a factor of 1.011 at 1 percent significance level, all other variables being constant. This evidence as explained earlier could be due to business experience

gained overtime. These results corroborate to Karlan and Valdivia (2010), who observed improvement in business management among microcredit clients in Peru and associated the improvement partially to experience in terms of age on the business.

The intensity of business expansion for separated couples, has a factor of 0.134 more than their counterparts who are not married at 10 percent alpha level (Table 11). This result, although trivial, may have a lot of implications. It could mean that separated clients are having dependents and they strive to survive as a result. The dependent factor may challenge them to devise efficient ways in managing their business. Surviving the business is then their main goal to meet family obligations. This accounts for one of the reasons why couples who are separated are at a higher chance to experience business expansion than single clients or those who had never married.

Traditional craft workers are 0.034 less likely to intensify business expansion than artisans at one percent significance level. The indication is that artisans who accessed loan more than once stands a better chance of improving their businesses compared to traditional craft workers. In a rural setting such as the study area, the market for traditional crafts is limited and so frequent loan access for that business may lead to financial mismanagement and high loan default rate, which leads to business shutdown.

Table 11 reveals that at five percent singnificance levels, those with primary education decreases the intensity of expanding their businesses by a factor of 0.060 than those with no education. However, those with Vocational/technical/SHS levels

of education, the intensity of expanding business increases by a factor of 0.060 more than their counterparts with no form of education at 10 percent significance level. The later is expected because education is expected to play a positive role on business activities. The unusual picture, however, is the reverse regarding primary education and no education. This finding needs further investigation as to whether in the Upper Manya Krobo District, those with basic education are more likely to channel loan into other areas as compared to those with no education.

From Table 11, businesses located in Akateng are more likely to increase the intensity of expanding business by a factor of 0.060 than those in Asesewa. This finding is possible because, Akateng is a fishing community located along the Volta Lake and many people travel from all parts of the country to trade, not only in fish, but also in other goods and services. Observations have revealed that many businesses are springing up at Akateng to take advantage of fast growing markets along the Volta Lake. This is likely to contribute to business growth and expansion.

Table 11: Regression Results for Intensity of Business Expansion

Intensity of BE	Marginal Effect	Marginal E (Std. Err)	IRR	IRR (Std. Err)	P>z
Female	0.708	0.422	1.157	0.117	0.094*
Age	0.054	0.008	1.011	0.003	0.000***
Marital Status(Single)					
Married	0.378	0.350	1.085	0.117	0.451
Divorce	0.599	0.541	1.134	0.192	0.458
Separated	0.953	0.357	1.213	0.134	0.080*
Widow	0.284	0.414	1.063	0.137	0.632
Business(Base=Artisans)					
Food Sellers	-0.404	0.306	0.926	0.110	0.518
Petty traders	-0.048	0.424	0.991	0.164	0.958
Other	-1.408	0.686	0.743	0.225	0.328
Traditional(craft)	-5.298	0.357	0.034	0.033	0.000***
Education Level (Base =None)					
Primary	-0.768	0.232	0.851	0.060	0.021**
MSLC/JSH	0.183	0.171	1.036	0.066	0.585
Vocational/tech/SHS	0.586	0.232	0.886	0.060	0.074*
Registered Business	0.392	0.205	1.084	0.072	0.225
Belong to Trade Association	-0.061	0.208	0.987	0.063	0.842
Flexibility in accessing credit	-0.066	0.202	0.986	0.057	0.812

Table 11 Continued

Community Name (Base=Asesewa)					
Akateng	0.337	0.171	1.070	0.060	0.049**
Sekesua	-0.176	0.226	0.963	0.074	0.625
Spouse Occupation(Base=None)					
Farmer/fishing	0.516	0.287	1.117	0.109	0.260
Trader/selfemployed	0.860	0.314	1.194	0.125	0.091**
Government employee	0.331	0.350	1.075	0.126	0.539
Unemployed	0.412	0.442	1.093	0.150	0.517

N=405

Psuedo R2= 0.0461

Hosmer – Lemeshaw Prob > chi2 = 0.987

Linktest _hat: P>|z|= 0.001 _hatsq: P>|z|= 0.509

*p<0.1 **p<0.05 ***p<0.001Source: Field data, (2011)

Repayment of Loan

New clients had weekly repayment schedule but repeated and permanent clients could choose between weekly and bi-weekly repayment schedules. Group loans were required to be repaid over a period of 16 weeks, however, clients with bigger quantum of loan had between 10 and 12 months to complete payment. During the interviews, a female interviewee who was a new client made the following comments on loan repayment:

"The only problem I have with them is the problem of

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repayment of the loan. The kind of pressure that comes on you when you don't have money is intense. That one goes against us a lot. We pray and we keep pleading with them to allow us more time like a month before we pay". [A female foodseller].

"If they can change our weekly payment to one month, it will help us. This is because our businesses are not doing very well and so the time for the demand of the money is not very good for us. [A female store keeper].

Seventy (70) percent of the clients did not default in repayment, however, 28 percent defaulted for less than one week and two percent defaulted for more than one week (Figure 13). The interviews revealed that members who defaulted for two to three consecutive weeks were expelled or coerced to pay. The coercion, most often, takes the form of verbal abuse, ostracism, and threat of court action. If the defaulter is unable to pay after coercion, the group pays on the person's behalf.

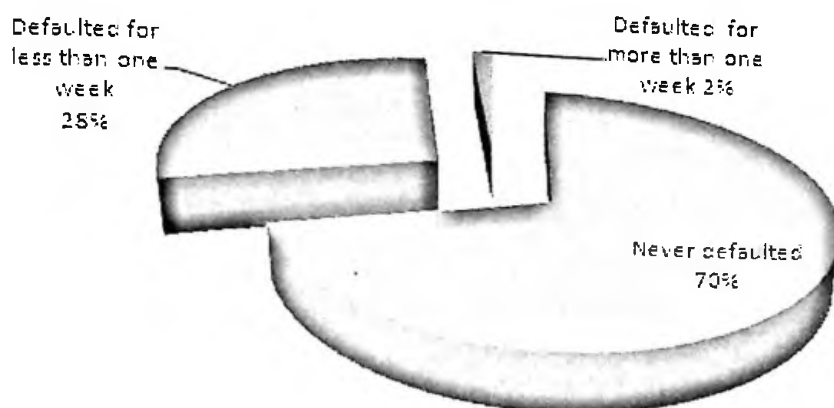

Figure 13: Loan Repayment (Defaulting Loan)

Source: Field data, (2011)

Asked to explain why defaulting members are coerced to pay, a female group leader answered as follows:

> *"If a member defaults and refuses to pay and the other members are forced to pay, we are allowed to take the offender to court to reclaim the money with the percentage of interest that the Bank demands. We the members of the group also have a percentage (20%) that we add because we had to pay the debt. When persuasion fails, we call on the assistance of the police to handle it... Because people are afraid of the police, the moment they see the police, they quickly pay the money"* [A female trader].

Regression Results for Effect of Loan Default

Equation 17 in Chapter 4 was used for the multilevel regression in Table 11. The module considers factors that are likely to plunge clients into loan default. Here, the dependent variable is whether a client has defaulted before or not. And this is regressed on other explanatory variables to aid in the explanation of what can plunge clients into loan default. This is done to help both client and financial institutions to be aware of such indicators and to guide them in the quest for business survival and the sustainability of the financial institution. Aside investigating what indicators can plunge businesses into loan default, the section in addition used the module to examine factors that contribute to loan default. The variables included in the model are category of clients, location of business, and the nature of the financial institution. The result of the regression will increase our understanding on the factors that need more attention when it comes to loan default.

Post-estimation test on the analysis indicates that the model is better than using a simple OLS regressional analysis. The ICC test also shows that loan default rate could arise from client's demographic characteristics, type of business, community or location characteristics as well as institutional characteristics. Table 12 shows that business charactersitics (type of business) is important when it comes to loan default. Taking the randomness in loan default, client's/business owner's characteristics recorded about 76 percent, while institution and community characteristics recorded 12.8 percent and 11.7 percent respectively. This indicates that the chunck of loan default is as a result of factors that emanate from clients/business/individual characteristics.

At five percent alpha level, female clients are less likely to default compared to male clients by a probability of 53 percentage points holding all other variables constant. This result shows that females are more likely to default credit access from financial instititions. This evidence could be due to the fact that although women are better managers of credit, they are laible to fall into loan default traps. This could happen when women take multiple loan or when the use of the loan is controlled by the male counterpart as stated by other studies (Guttman, 2007; Ravi, 2011; Kaboski et al, 2013).

At 10 percent significance level, a one year increase in age is associated with a lesser default rate by 8 percentage points, holding all other factors constant. This means that as small business entrepreneurs' ages, business experience is gained. The experience is likely to impact positively on the outcome of the credit accessed from financial isntituions on their businesses. This reduces default rate as compared to a new entrant who might be testing the business environment. This result is in agreement with the findings of Oliver, Karlan and Kutsoati (2007), who observed that the longer a business operates, the better such business avoid loan default.

Education is negatively associated with loan default rate. Thus, clients with higher levels of education stands a better chance of escaping loan default compared to those with no education. At five and 10 significance levels, clients with MSLC/JSH and Vocational/technical/SHS are 88.4 and 63.5 percentage points less likely to default loan or credit accessed from the financial institutions, compared to their counterparts with no education respectively. Generally, people with no

education find it difficult accessing credit from financial institutions. The evidence adds to the fact that individual with no educational background are at a higher risk of loan default as shown in Table 12.

At 10 percent alpha level, microcredit clients who have registered their business are likely to default loan than clients who have not registered their business at 48.2 percentage points holding all other factors constant. Here, the evidence is quite surprising that registered business owners are likely to default loan than non-registered business. But it can be expalained that business registration comes with additional cost. Failure to operate efficiently in order to minimize cost could plunge business into folding up. Although registered businesses are assumed to operate efficiently as a result of external mornitoring that comes with registration than non-registered business, the additional cost that comes with business registration is another factor that needs to be monitered.

Loan default rate is seen as a major challenge for financial institutions for small business owners. The study reveals that easy access to microcredit could be a major contributor to high loan default rate. At one percent significance level, the study reveals that flexibility in accessing loan has a factor of 1.166 likelihood to plunge such loans into default holding all other variables constant. By implication, MFIs that fail to do proper and appropriate check on prospective clients before offering loans to applicants, has the tendency for such loans not being paid back. This implies that MFIs will need to develop innovative ways in loan delivery in order to reduce default rates.

Finally, Table 12 shows that business located at Akateng are 71.2 percentage points less likely to default loan than those at Asesewa. This suggests that clients at Assesewa have high loan default rate. Reasons leading to the less loan default rate of the business community at Akateng would be a new fertile groundsfor future research.

Table 12: Regression Results for Loan Default

Loan Default	Marginal Effect	Std. Err.	P>z
Fixed Effect Parameters			
Female	0.533	0.234	0.038**
Age	-0.008	0.005	0.098*
Education level (Base Outcome=None)			
Primary	-0.313	0.425	0.461
MSLC/JSH	-0.884	0.404	0.028**
Vocational/tech/SHS	-0.635	0.371	0.085*
Registered Businesses	0.482	0.301	0.092*
Belong to Trade Association	-0.392	0.340	0.249
Flexibility in accessing credit	1.166	0.286	0.000***
Community Name (Base=Asesewa)			
Akateng	-0.712	0.339	0.036**
Sekesua	0.797	0.607	0.189
Constant	2.782	1.144	0.015**

Table 12 continued

Random Effect Parameters			
Society	0.038	0.002	***
Institution	0.041	0.017	***
Client	0.241	0.006	***
N= 405			

Wald chi2(10) = 34.27

Lr test=80.75 (0.000)

ICC for community 11.7%

ICC for institution 12.8 %

*p<0.1 **p<0.05 ***p<0.001

Source: Field data, (2011)

Ways of Overcoming Loan Repayment Challenges

According to the respondents, the two main sources of meeting repayment challenges were paying from accumulated savings and through peer support. Some interviewees mentioned the assistance of group members with regard to helping them to meet repayment schedules.

> "*When we are unable to make enough money within the week to make the repayment, the leader of the group makes up the difference which we later pay back to her*". [Explained a hairdresser].

Out of the 122 clients who faced repayment challenges, 62 percent paid with savings and 22 percent were supported by their peers. Three percent reported

coercing their defaulting members through verbal abuse, ostracism and sanctions to sell assets for the repayment (Figure 14).

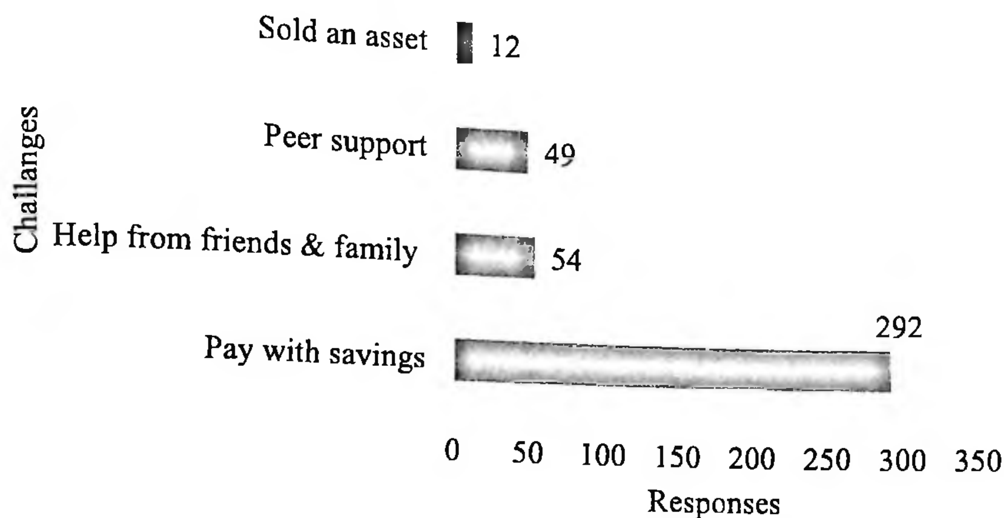

Figure 14: Overcoming Repayment Challenges

Source: Field data, (2011)

Discussion

Personal savings, support from friends as well as family members are important sources of business finance for rural entrepreneurs. However, over 91 percent of the respondents financed their businesses from microcredit, with 92 percent of the clients being women. This is in consonance with the findings of other studies of Karlan and Zinman (2011), and Kaboski and Townsend (2013).

The first loan given to a new client, did not exceed GHC500. New clients receive their first loan after six weeks of training. New loans are given to repeated and permanent clients after every member of the group had completed repayment. This means that loans could be disbursed at any time of the year. Given the seasonal

nature of economic activities in the area, granting of loan at any time of the year could mean mismatch between loan disbursement and time of economic activity. This has also been reported in Bangladesh (Imai & Azam, 2012). Similarly, Ekong and Onye (2013) attributed poor loan performance in Nigeria to mismatch of credit with seasons. Ekong and Onye (2013) observed that loans disbursement flow to farmers in that country disregarded the seasons and this not only reduce growth and productivity of agriculture, but also resulted in poor loan recovery rates.

In this study, over half of the clients (52%) used part of the loan for other purposes, including paying children's school fees, acquiring personal assets, for smoothening household consumption, and for paying debts. Further probe into this finding revealed that some of the clients, especially the older ones, used accumulated savings to access bigger loans. These loans were used to acquire vehicles and outboard motors, canoes, etc., for commercial purposes. Weekly returns form these personal assets were used to service subsequent loans. Therefore, such clients could use part of their loans for paying school fees and as household finance.

This study established that most of the clients who used loan for other purposes were males who were not married (single). These findings corroborate with the literature that male microcredit clients usually use loan for unproductive activities and thus has low repayment rate compared to their female counterparts (Armendariz & Morduck 2005; Gine & Karlan 2006; Ahlin & Townsend, 2007).

The use of loan for other purposes is a challenge in microfinance, because some microcredit clients find it difficult to separate business income from

household income (Armendariz de Aghion & Morduck 2005). Cohen and Stack (2009) used case study materials to cross-check actual loan use and intended loan use among microcredit clients and observed that controlling loan use for other activities is irrelevant because under the livelihoods strategies approach, clients view loan fungibility as a key strategy in achieving the greatest level of satisfaction from loans (Cull & Scott, 2009; Karlan & Zinman 2011). According to Wright (2010) and Mersland and Strøm (2011), microcredit clients are risk-averse and do not invest their loan into one enterprise. Other studies that have alluded to microcredit clients using loan for other activities include Littlefield, Murduch and Hashemi (2003), Alexander (2006) and Mersland & Strøm (2011).

The present study found that female and married clients, clients with higher levels of education as well as those whose spouses were government employees invested a greater proportion of their loans in business. Among the reasons why many MFIs target women was that women have higher repayment capabilities compared to their male counterparts (Armendarizde de Aghion & Morduch, 2005; Mutalima, 2007; Mersland & Storm, 2009).

In this study, group leaders dissolved theirgroups after every loan cycle. This was done to eliminate clients who were likely to default in payment. To avoid being eliminated from a group and dropping-out of the microcredit programme, over 70 percent of the clients always paid the loan as scheduled. It was observed that the microcredit staff paid little attention to the purposes for which the clients used loan because of the low rate of default among the clients. From a study in the Trans-Nzoia County in Kenya, Bichanga and Lilian (2013) however, found that

lack of supervision resulted in default among microcredit clients. It was noted that those who had repayment challenges paid from accumulated savings or were assisted to pay by friend/relatives and group members, or sold off assets or borrowing from moneylenders (Copeland, 2009; Murray, 2011).

The study found that in addition to being a female client, the length of participation, and businesses with higher returns including shopkeeping and artisanal works like dress making and hairdressing were significant predictors in determining loan repayment. Clients who encountered repayment challenges eventually dropped-out from the programme or became inactive borrowers. Indeed, clients with longer duration of participation always paid their loans. It was also observed that fixed repayment schedules limited the types of activities and investments that can be financed by micro loans. Certain businesses have long gestation period and do not yield returns immediately to allow regular repayment directly after credit disbursement. Perhaps, this was the reason why farmers were found to have repayment challenges compared to artisans and shopkeepers whose businesses yield daily income.

Conclusion

Loan default is one of the critical issues of the microfinance industry. High loan default rate is the primary cause of the failure of MFIs (Papias, & Ganesan, 2009; Mason, 2014). Many studies have attributed micro-loan repayment challenges to loan fungibility or diverting loan to other uses instead of investing in

the intended business. This study, however, found that flexibility in procedures from financial institutions, educational level also contributes immensely to loan loss. Thus, loan applicants without education are liable to default loan. Overall, the study found that client characteristics are core factors that financial istitutions need to scrutunize well to prevent loan loss. Hence, for financial institutions to limit loan default rate, there is the need for effective examination of clients before releasing credit to loan applicants. In addition, using loan for other purposes such as paying school fees and household consumption had no effect on loan repayment for some of the clients.

CHAPTER SEVEN

BENEFITS AND CHALLENGES OF MICROCREDIT

Introduction

The theory underlying the influence of microcredit posit that access to capital results in increased output, profits, net income, and improvement in the well-being of clients and their households (Tedeschi 2008; Karlan & Zinman, 2011; Duvendack et al., 2011; Banerjee 2013; ILO, 2014). This chapter explores the benefits that the clients of the UMK Rural Bank reportedly derived from the microcredit programme. Hypotheses 3 and 4 which are: Socio-demographic characteristics of microcredit clients has no association with loan benefits and that socio-demoraphic characteristics of microcredit clients have no significant influence on business and household benefits were in the chapter. The chapter also examine some of the challenges in the microcredit industry in the study area.

Business Benefits

The study solicited from the clients whether they benefited after joining the programme. A five point Likert scale ranked: fully agree, agree, disagree, fully disagree, and indifferent was used to rank the business benefits. Sixty percent of the clients agreed that they benefited but two percent claimed they had not benefited from the programme in any way (Figure 15).

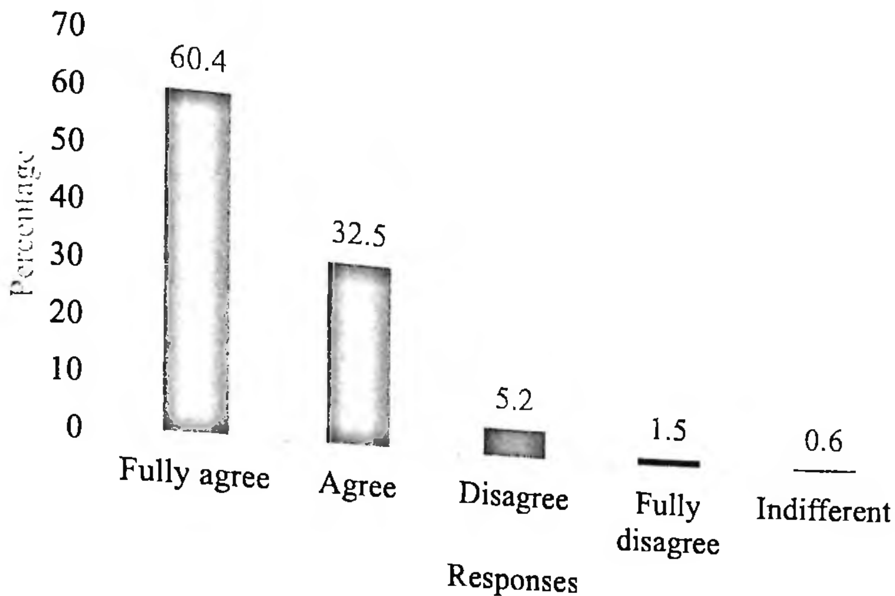

Figure 15: Respondents Perceptions of Microcredit Benefits

Source: Field data, (2011)

Among those who reported benefits, about 77 percent indicated reducing cost by buying in bulk, 67 percent reported increase in business assets and 56 percent indicated the hiring of more workers/apprentices (Table 13). Asked about how buying in bulk reduced cost, this was what a client who sold 'kenkey' said:

> "*When the farmers are harvesting corn, the price is cheap so I go for the loan and buy about 20 bags. I keep them for use in May, June and July when the price is high on the market. That time, I make a lot of profit in my business*" [A female 'kenkey' seller].

Addition of business inputs (improvement in market stalls, adding to stocks, tools/equipment, etc.,) was used to measure business assets. It was noted that 67 percent of the clients made one-time investment in productive capacity in their first year with the microcredit programme and thereafter, invested very little in asset

accumulation. When there was the need to employ some workers after receiving loan, (eg. store keepers, sales girls, etc.,) wages were low and few people were willing to work therefore, the clients relied on members of their households. Almost 52 percent added new products and 43 percent reported developing new businesses (Table 13). From the interviews, it was noted that the clients added new products to existing ones instead of their claim of establishing new businesses, because of the size of loan they received. In response to the type of new businesses developed, a food hawker answered as follows:

> *"Before they (loan officers) gave me the money, I used to go round with rice and stew. Now, I have my own kiosk where I sell not only rice and stew, but fufu, banku and cooked yam and stew. I now sit at one place and sell all these things"* [A female hawker].

The clients were asked to indicate the type of benefits they derived from the microcredit programme. The response is shown in Table 13.

Table 13: Business Benefits after Joining Microcredit Programme

Type of benefit	Number	Percentage
Reduced cost by buying in bulk	311	76.5
Increased business assets	272	66.8
Hired more workers/apprentices	230	56.3
Addition of new products	210	51.6
Developed new businesses	176	43.2

Source: Field data, (2011)

Household Benefits

The clients were asked to indicate changes in their household consumption and asset accumulation after joining the programme. There were questions such as number of meals per day and type of food items used; contributing financially to household upkeep and children education; taking part in household decision making process and attendance to clinic, health posts and hospitals as better health. From Table 14, 71 percent reported increased household income (daily food finance, or "*chop money*"), 68 claimed to have taken part in household decision process and 62 percent contributed to children's education. Fifty-three percent claimed to have increased their social networks, and 34 percent reported assumption of leadership role in social activities within their communities.

Table 14: Household Benefits after Receiving Micro-loan

Type of benefit	Number	Percentage
Increased household income	288	70.8
Part of household decision process	276	67.8
Better health	263	64.6
Improved contribution to children education	253	62.2
Increased social networks	217	53.3
Assume leadership role in social activities	141	34.6

Source: Field data, (2011)

The women perceived that they earned more respect from their families and their communities, particularly from the male members, than they did before joining the microcredit programme. In responding to the public visibility and respect for their success in business, one female client remarked as follows:

> *"Men no longer speak to me disrespectfully, but rather speak to me more as an equal. I have been invited to participate in and speak at community meetings, whereas before, I would have been ignored or excluded"* [A literate female trader].
>
> *"After three years of joining this projramme, I was made the treasurer of my church"* [A female hairdresser]

Microcredit Challenges

The challenges of microcredit in the context of this study, refer to what clients deemed as constraints or costs. To assess that clients were asked to rank their major challenges. Seventy-eight percent of the clients mentioned high interest rates as the main challenge and 14 percent cited charges and deductions from the loan they received. Regular group meetings were a challenge to seven percent of the clients (Figure 16).

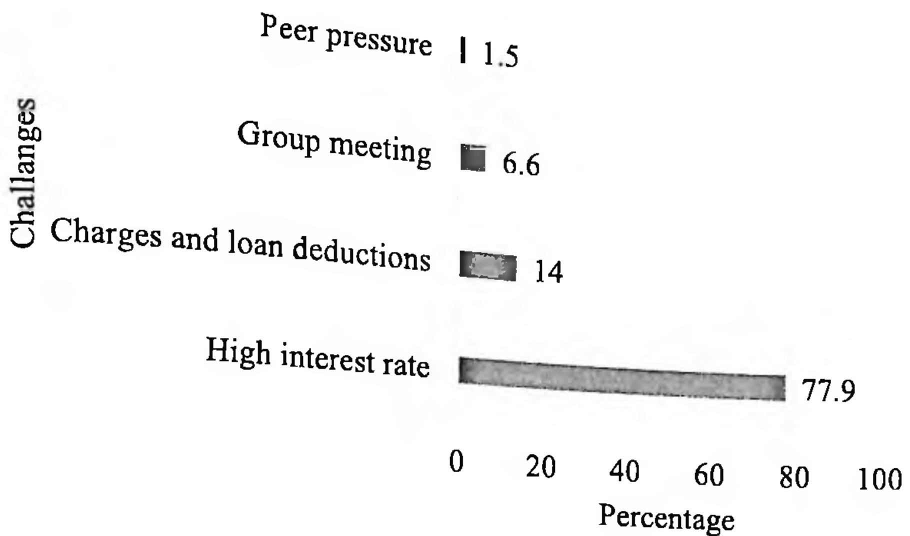

Figure 16: Microcredit Challenges

Source: Field data, (2011)

Client's Characteristics and Loan Issues

In the model, the following variables were used: Loanamt = loan amount, Interest rate perception = Interestpercep, Business challenges = ChalMean, Repayment difficulties = Paydofficult, Business benefits = Busibenefit, Household benefits = Housebenefit, Gender = Gend, Level of education = Edu, Type of business = Bustype, Occupation of spouse = Spouseoccupa, Length of participation = Lenghtpart and Use of loan = Loanusage.

From Table 16, loan amount had positive and significant association with business benefits (r = 0.289, p = 0.000), age (r = 0.310, p = 0.000), and length of participation (r =0.451, r = 0.000). Perceiving the interest on the loan as too high, level of education (r = 0.128, p =000), number of children (r = 0.164, p = 000) and occupation of spouse (r = 0.137, p = 0.000) were significant and positive. Business

challenges had significant, but uncorrelated associations with business benefits, age, level of education, number of workers, and occupation of spouse and period of participation The variables that had positive and significant association with household benefits were number of children (r = 0.073, p = 0. 000 and use of loan (r = 0.027, p = 0.000) (Table 15). Any change in these variables would have a direct impact on household benefits. For instance, investing all loans in business would improve household nutrition, children education and health care. On the other hand, a household with a large family size would benefit less from the loan.

Relationship of Business Benefits and Loan Issues

Probit equation 2 in Chapter 4 was used to further analyse observed influence of loan on business benefits, such as increased income and improvement in household welfare. The R2 was significant and consistent with previous studies. Pseudo R2 = 0.8436 implies that the model explained 84 percent of the dependent variable and thus significant. There had been some positive impact of microcredit on client's business and household as shown in the regression result (Table 16).

The demographic characteristics that have positive and significant relation on business were marital status, number of children, level of education and occupation of spouse after controlling for other variables. For instance, compared to single clients, married clients have 16 times chance of experiencing business benefits. Clients who had one to two children, those who attained SHS and above level of education as well as spouses of government employees had 14 times, 62 times and 11times more chance of reporting benefits from their businesses compared to clients with no child, those with no education and no spouses respectively. These relationships are statistically significant.

Specific loan issues that significantly influenced business profits were type of business, borrowing from other sources, length of participation, use of loan and non-financial service training. Relative to petty traders, shop keepers and artisanal workers had 11 and 4 more chances of experiencing business benefits. Compared to new clients (Less than one year) those who had participated in the programme for more than three years were also more likely to experience business expansion. These relationships are statistically significant (Table 16).

Table 16: Regression of Business Benefits and Loan Issues

Dependent Variable: Business Outcome (Business profit)

Explanatory Variable	Marginal Effects	Standard Error	Z Statistics
Female	-0.059	0.074	-0.81
Age	-0.012	0.014	-0.86
Married	0.158***	0.048	1.21
Number of Children (Base= None)			
One to Two	0.141**	0.081	1.73
Three to Four	-0.290**	0.141	-2.05
Five and above	0.019	0.138	0.14
Level of Educ. (Base=None)			
Primary	-0.116	0.081	-1.43
JHS	-0.138	0.136	-1.02
SHS+	0.624***	0.168	-3.71
Occupation of Spouse (Base=None)			
	-		
Agric.	0.686***	0.126	-5.46
Trading	0.025	0.075	0.33
Gov. Employee	0.106***	0.067	1.59
Loan Issues (Base= Petty Trade)			
Artisans/Repairs	0.042**	0.049	0.86

Table 16 Continued

Food Sellers	-0.007	0.07	0.11
Shop Keepers	0.109**	0.069	-0.13
Borrowing from other sources: Yes	0.013	0.042	0.3
Period of Participation: (Base= 1 year)			
Two years	-0.072	0.116	-0.62
Three years	0.179***	0.043	4.18
Four years	0.217***	0.047	4.63
Five years and above	0.282***	0.069	4.09
Log of amount of last loan	-0.025	0.023	-1.08
Uses of Loan: (Base=)			
Acquire assets	0.028	0.058	0.49
Expand business	0.245**	0.053	-0.86
Pay off Debts	-0.124	0.144	-0.86
Purchase Household Items	-0.052	0.189	-0.27
Rec. non-financial serv. training	0.139*	0.072	1.93

N=404

Psuedo R2= 0.8436

Hosmer – Lemeshaw Prob > chi2 = 0.2231

Linktest _hat: P>|z|= 0.031 _hatsq: P>|z|= 00.416

*** Significant at 0.01 level, ** Significant at 0.05 level, *Significant at 0.10 level.

Source: Field data, (2011)

The influence of use of loan on business benefit is statistically significant at 95 percent for those who used loan to expand business. Clients who received non-financial service training had 14 percent higher chance to experience improved business outcomes relative to those without non-financial service training. These relationships were, however, not statistically significant. Using loan to pay debts or to purchase household items had a negative impact on business benefit. For instance, those who used loan to pay debts were 12 times less likely to experience business benefits, although the relationship is not statistically significant.

Household benefits have been measured by two proxies: contribution to child's education and the leadership role played in the community. The results revealed that gender, level of educations and period of participation are the significant factors that affected client's contribution to child's education after controlling for the other variable.

Females clients, compared to their male counterparts, had 32 higher chance of contributing to their children education. Clients with primary education were 6 times more likely to contribute to their child's education, relative to those with no education. The length of participation also had a positive and significant effect on clients' contribution to children's education (Table 16). The indication is that the longer a client participated in the microcredit programme, the more likely he/she is to contribute to children's education.

Age, level of education, occupation of spouse, period of participation, amount of last loan, and use of loan were the significant factors that influence a client's participation in leadership role in their communities. From the results, an

increase in client's age by a year increased his/her chance of playing leadership role in the community by 0.8 times; attainment of primary educational also increases client's chance of playing leadership role in the community. This means that at least basic education motivates clients to take up leadership roles in their communities. Clients with three to four children had 44 more chance of playing leadership role in the community relative to those with no children (Table 17).

Table 17: Probit Regression of Household Benefits

Dependent Variable.: Household Outcome						
	(Plays Leadership Role in the community)					
	Marginal Effects	Std. Error	Z	Marginal Effects	Std. Error	Z
Female	0.32**	0.017	-2.42	#		
Age	0	0.002	0.26	0.008**	0.004	2.13
Married	0.002	0.021	0.11	-0.037	0.045	0.83
Children: (Base=)						
One to Two	-0.044	0.046	-0.95	-0.054	0.082	0.65
Three to Four	0.066	0.098	0.67	-0.440**	0.205	2.14
Five and above	#			#		
Educ.: (Base=None)						
Primary	0.056**	0.023	2.5	0.094**	0.045	2.09
JHS	-0.049	0.182	-0.27	0.104	0.097	1.08

Table 17 Continued

SHS	-0.005	0.152	-0.03	0.022	0.166	0.13
Occupation: (Base=).						
Agric.	-0.076	0.181	-0.42	-0.554***	0.174	3.19
Trading	0.018	0.039	0.46	-0.235*	0.129	1.83
Govt. employ	-0.086	0.088	-0.98	-	-0.086	0.088
Business and Loan Issues (Base=)						
Artisans/Repairs	-0.059	0.038	-1.56	-0.025	0.055	-0.45
Food Sellers	0.006	0.032	0.2	0.054	0.062	0.87
Shop Keepers	-0.075	0.065	-1.16	-0.13	0.099	1.31
Other sources	-0.011	0.02	-0.53	0.003	0.044	0.08
Period: (Base= One)						
Two years	0.006	0.036	0.16	0.065	0.072	0.9
Three years	0.043**	0.019	2.33	0.026	0.077	0.34
Four years	0.035*	0.021	1.66	0.112**	0.051	2.19
Five years+	0.097**	0.045	2.14	0.028	0.07	0.39
Log of amount of last loan	0.007	0.013	0.54	0.040**	0.023	-1.74

Table 17 Continued

Loan use: (Base=)						
Assets	-0.003	0.028	-0.12	-0.023	0.065	-0.35
Expand business	0.178**	0.026	-1.04	0.011**	0.055	-0.19
Pay debts	-	-	-	-0.079	0.145	-0.54
House Items	-0.052	0.146	-0.35	-0.510**	0.218	-2.34
Micro-credit	-0.072	0.128	-0.56	-	-	-
Observations	359			301		
LR chi2(25)	62.75			53.69		
	0.000			0.0003		

*** Significant at 0.01, ** Significant at 0.05, *Significant at 0.10.

Source: Field data, (2011)

Discussion

A microcredit client requires certain characteristics to benefit from loan. These charateristics include education, household size, and entrepreneurial capacity, the ability to take risk, managererial capacity, honesty and business ethics. Therefore, there is reason to expect that the ability to derive benefits from a microcredit scheme, to a large extent, depended on the clients themselves. The business benefits were business expansion, addition of new products/services and reduction of cost by buying in bulk and hiring of more workers.

Married clients were were more likely to experience business benefits compared to single clients. The probable reason is that married clients had

household support from their husbands and therefore, might not use part of the loan on household finance. Use of loan and non-financial service training have positive and significant influence on business benefit. The withdrawal of the non-finance services was therefore, not in the interest of the clients as noted from their comments during the in-depth interviews and the FGD. A participant remarked during the FGD as follows:

> "*We don't know why they have stopped teaching us how to plan our families, and how to manage our businesses*" [A seamstress].

According to Marconi and Mosley, (2006), De Mel, Mackenzie and Woodruff (2008), Bjorvatn and Tungodden (2011), the combination of credit and training creates synergistic positive effects on microcredit clients. For example, a client who received business management and health training is able to invest wisely as well as keep the family healthy, thereby increase income and reduce medical costs. Furthermore, access to credit and awareness of good business practices create multiplier effects that further help the client and the family to reduce vulnerability and poverty (Marconi & Mosley, 2006; De Mel et al., 2008; Bjorvatn & Tungodden, 2011).

Contrary to these findings, the studies of Cheston and Kuhn, (2002), Morvaridi, (2008), and Karlan and Valdivia (2010) found no evidence of changes in business revenue and profits among clients who benefited from non-financial service training. Karlan and Valdivia (2010), however, observed improvement in business management among microcredit clients in Peru. It was observed that shopkeepers and artisanal workers had higher and significant chances of

experiencing business benefits. The possible reason is that investments in shopkeeping and artisanal works are bigger and as a result, profits that accrue from such businesses are also higher compared to the other businesses.

Clients with SHS and higher education, spouses of government employees and those with long periods of participation were found to have higher chances of deriving business benefits relative to clients with no education and new clients. These findings are consistent with those of Islam and Harris (2008) who observed that microcredit clients with higher levels of education often demonstrate skills and better capabilities of managing their businesses through record keeping.

It emerged that those clients whose spouses were government employees had higher chances of loan repayment. The interviews revealed that these category of clients seldom used loan for household activities as that was the responsibility of their spouses. Similar findings were also reported in the studies of Goldmark (2006), Cull, Demirguc-Kent and Mordoh (2009) and Gerst and Paskin (2011). From the perspectives of the clients, "added new products" refer to adding other products similar to the existing activity. For instance, a seamstress started selling tailoring or dressmaking accessories such as buttons, sewing threads and textile fabrics in addition to her normal sewing work. Asked to indicate the impact of the loan on their businesses, a female trader remarked as follows:

> *"The loan has allowed me to move my business from selling on a table top into a kiosk which I bought with the loan"* [A female cosmentic seller]

The study found that the clients were more likely to add new products to

existing ones rather than establish new businesses due to the meagre loans and the market niches in which they operated. A female FGD participant confirmed this and had this to say:

> "*Before I start with them, I sold only yam but now, I added, palm oil, fish, perper and onion so that people who come to buy the yam can also buy these ingredients from me*"[A female food seller].

The indication is that the clients improved upon existing businesses instead of developing new ones, an observation also documented by Duvendack et al. (2011), Karlan, (2010) and van Rooyen et al. (2012).

The study found that wages for workers were so low that none or very few people were willing to work for the micro-entrepreneurs for payment. Therefore, if there was any need for hired labour (store keepers, hawkers, shop vendors etc.,) the entrepreneurs most often relied on relatives or family members. Loan size, market niche and using loan for other important activities inhibited continuous business growth that could support pay workers and so, no actual employment generation capability was found among the clients (Balkenhol, 2006). The Financial Access Initiative, a research centre based at New York University, in a study to find answers to how financial sectors can better meet the needs of poor households, reported that rural microcredit programmes hardly resulted in employment openings (Bauchet & Morduch, 2011). The conclusion was that the loan clients received did not transform into employment generation. It only helped to improve existing activities.

Buying in bulk, in order to reduce cost, was an often used business strategy. During the FGD, a client who sells kenkey, (cooked corn dough) for instance,

claimed that as a result of the loan, she no longer bought maize on credit at high prices from the middlemen, because she could afford to buy with cash in bulk during the harvesting season when prices were relatively low and even store some for the lean season. Severe fluctuations in prices of agricultural products in the Upper Manya Krobo District meant that food vendors and other microcredit clients, who did business with agricultural products could reduce cost by buying at low prices during the harvest season. By buying in bulk, the clients were able to reduce input costs that resulted in increased profit margins.

Participating in the microcredit programme gave the clients the opportunity to develop the culture of savings. An interviewee remarked as follows:

> *"They forced us to save part of the loan and the profit we made. I don't like the idea because the loan is small. But I think the savings I made had helped me a lot. When my mother was sick, I collected all the money I saved to send her to hospital. The money I saved had helped me. If not because of the savings, who will borrow me money for that? Now I see that it is good to save small, small"* [A male store keeper].

The saving opportunity enabled the clients to accumulate enough money to address emergencies and to offset loan repayment in times of challenges. Accumulated savings could also be used in times of shock, such as death of a family member (Deshpande, Pickens, & Messan, 2006; Abraham, Felipe, & Pomeranz,

2011).

Weekly meetings were found to be beneficial to some clients but a challenge to others. Those who attended meetings regularly said the meetings broke the monotony of everyday life and presented them with the opportunity to meet friends to discuss social issues, share business good practices and to build networks (Giné, 2010; Karlan, 2008; Ledgerwood, 2013). The meetings also enabled them to discuss business issues, especially, those relating to marketing, pricing, and innovations. Form the interviews, the benefits derived from group meeting far more outweighed the perceived challenges the clients claimed to have experienced from attending group meetings.

Household finance/income refers to subsistence money required for daily consumption and other household welfare activities. The clients' referred to this as *chop money*. From the analysis, the clients reported an increase in the variables used to measure household welfare namely; household income, better health and nutrition, increased household decision making, contribution to children's education, and taking up leadership roles in the community. It was found that female clients with primary education and clients with longer period of participation had higher chance of contributing to their children's education. It also came out that clients whose spouses were farmers/ fishermen and traders had lesser chances of playing leadership roles in their communities. Perhaps, they were those with no education and thus shy away from such roles.

Use of loan and period of participation were important determinants for a client to assume leadership position in the community. For instance, it was found

that clients who used loan to expand business and those with five years and above participation were likely to take up leadership roles. These findings make sense because being able to manage loan effectively goes with the ability and capability to lead and manage people and other issues outside business circles.

Longer period of participation goes with the ability to repay loan without defaulting (Chapter 5). It came out that clients who had participated in the programme for five or more years had higher chances of becoming leaders in their communities. Leaders are expected to exhibit maturity, loyalty, trustworthiness and that clients with long duration of participation led their communities. The clients were also empowered to be part of the household decision making, especially on issues relating to the health and education of children. During the interviews and the group discussions, some of the women reported owning properties including plots of land and commercial vehicles. According to the works of Pitt, Khandker and Cartwright (2003), Mayoux and Hartl (2009), Sanyal (2009), Karlan and Valdivia (2010), Imai and Azam , (2012), and Hermes and Lensink (2011), microcredit empowers women to gain self-confidence and strength to assume roles in society.

In spite of the positive impacts of microcredit on client's households, critiques contend that microcredit reinforces gender roles and perpetuates women's inequality (Heinemann, 2010). According to Ngo and Wahhaj (2012), access to credit may not improve a woman's decision-making authority within the household if she has limited skills for an autonomous productive activity; or, even when she has skills to do so, but the husband decides to appropriate the loan to maintain his

own bargaining power. Ngo and Wahhaj (2012) maintained that where the loan is invested in a joint productive activity, such an investment will shift decision making authority in favour of the spouse who is initially in a weaker bargaining position. This study found that women's access to credit had improved household well-being through their increased participation in household welfare activities such as contribution to children's education and household finance. This is what a client said:

> *"I take the loan and use part for my business and some to help my husband to take care of our children and to buy what I want. My husband's work doesn't bring in enough money to look after all of us. I have five children, so I have to work to help him send the children to school"* [A banku seller]

Being able to withstand the vagaries of the lean season is one of the major challenges inherent in most rural areas in Ghana. This study found that with access to credit, more than half (52 percent) of the clients were able to cope with household emergencies such as food shortage and ill health. In response to how the loan helps them to cope with emergencies, a client explained as follows:

"In the dry season, say February to May, things are hard for my husband so all of us depend on the things I sell for food and everything. That time, corn and cassava is not ready on the new farm. The food on the old farm is almost getting exhausted, so I hold the house for him" [A female store owner].

The ability to cope with household constraints during the lean season when food

becomes scarce demonstrates the clients' resilience to vulnerability and poverty reduction with access to credit.

The UMKRB applies a flat interest rate of 34 percent (including 1 percent insurance or risk management levy) to the loan amount and the total divided by the number of repayment instalments. This interest rate, according to the staff, translates into 95 percent Annual Percentage Rate (APR). The staff explained that the interest was fixed at that level due to the cost incurred in running the microcredit programme. The clients were, however, of the view that the interest was too high and a challenge to business improvement, loan repayment, and poverty reduction.

The issue of the interest that microcredit clients paid on their loans had been a critical issue in microfinance programme design (CGAP, 2010; Rosenberg, Gonzalez, & Narain, 2013). Very often, the seemingly high interest rates compared to normal commercial lending rates, are the strongest point of criticism for opponents of profitable microfinance business. According to Oliver, Karlan, Kutsoati (2007) administrative costs for individually tailored microloans are much greater than for normal standardized loans. Therefore, micro-lending cannot be sustainable without charging interest rates that are substantially higher than what commercial banks normally charge. Roodman and Uzma (2006), Gonzalez (2010) and Waterfield (2012) justified higher interest rates for MFIs on the basis of complex labor-intensiveness, documentation and provision of the credit, remote location of the clients as well as frequent meetings with MFI's staff during approval and repayment process. For instance, lending GHC10,000 in 100 loans of GHC100 is obviously more expensive concerning staff salaries etc., than giving out one

single loan of GHC10,000 to an individual. It is also argued that MFI high interest rate makes it possible to grow the microfinance industry by expanding outreach in breadth and depth (Rosenberg, Gonzalez & Narain, 2013).

It was noted that although the clients perceived the interest they paid on the loan to be high, it was far less expensive to borrow from the microcredit programme than from local moneylenders whose interest rates range from 50 percent to more than 100 percent. To most of the clients, microcredit was the only opportunity to get money for their businesses and so they preferred its sustainability to the actual cost of the credit. It was one of the reasons why they took the loans in spite of the interest.

This study found no evidence of any widespread pattern of abuse by the UMK Rural Bank and observed that the interest rates are generally reasonable. This finding is consistent with Rosenberg, Gonzalez and Narain (2013) who reviewed the interest rates of over 1,400 MFIs from 98 countries using data from the Microfinance Information Exchange (MIX) to compare interest rates of MFIs and identify trends over time. They concluded that profits are not a predominant driver of MFIs interest rates.

Charges and deductions are payments clients make to the Bank through cash or deductions from loans. The microcredit programme required that members save for some period before they were granted loans. The study found out that some of the clients believed that the more their savings, the higher the size loan. This was later found to be false resulting in large amounts of money saved before the first loan was received.

Weekly meetings were mandatory and a member could be expelled from a group for not attending meetings. It came out that some clients considered weekly meetings a challenge to continuous business operation because on meeting days, they hardly engaged in any other economic activity. Other challenges discussed include transportation expenses, delays in receiving loan, and the quantum of loan that some clients received.

Peer monitoring is one of the strategies in microfinance for mitigating ex-ante and moral hazard. But it was of very little value in the situation where microcredit clients used loans for non-business purposes. Studies that have examined the issue of peer monitoring including those of Amendariz de Aghion (2005), Cason, Luta and Pushkar (2009), emphasised the important role of peer monitoring in reducing the problem of moral hazard. In the absence of peer monitoring, peer pressure in the form of verbal abuse, ostracism and sanctions were the strategies to ensure loan repayment (Giné, 2010; Jeffrey & Tyler 2010). Peer pressure in these forms is a challenge to some of the clients. Interviews results revealed that peer pressure was at its zenith if loan default impeded the commencement of a new loan cycle. This suggests that peer pressure was applied not just to repay loans, but more importantly to enable continued access to loans. This finding also reflects Schurmann and Heidi's (2009) assertion that in a rural setting, with a high level of social cohesion, peer pressure constitutes a strong instrument for enforcing repayment.

Conclusion

The chapter set out to identify the business and household benefits as well as the challenges of microcredit. The business benefits that the clients derived after joining the microcredit programme were measured in terms of business expansion, addition of new products/services, hiring of more workers/apprentices, buying business inputs in bulk to reduce cost and the development of new businesses. The household benefits assessed were contribution to children's education, taking part in house decision making and assuming leadership roles in the community. Positive and significant association was found among client's socio-demographic characteristics and reactions to interest rates, quantum of loan, type of business and use of loan. Specific issues that significantly influenced businesses were type of business, borrowing from other sources, length of participation, use of loan and non-financial service training.

Gender, level of education, and period of participation were the determinants of client's contribution to children's education. On the other hand, age, occupation of spouse, amount of last loan and use of loan positively influenced a client's assumption of leadership role. High interest rate was among challenges confronting clients. According to the respondents, high interest paid on loans had the potential of stagnating business growth and perpetuating poverty. On the other hand, imposing ceilings on interest rates is not likely to address the root causes of high interest rates. This is because low interest rates can act as a disincentive to expand microcredit operations, and subsequently decline the supply of credit to the productive poor. Perhaps the ideal option is for MFIs, including the UMK Rural

Bank, to think of making a fair profit from the microcredit programme instead of charging a "fair 'price" for microcredit delivery (Waterfield 2012). The management of the UMK Rural Bank's microcredit programme needs to ensure that compulsory savings and deductions from loans are in the interest of clients. This could prevent the clients from saving money that would otherwise be invested to earn dividend.

CHAPTER EIGHT

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The aim of this study was to assess the utilisation of microfinance loan among clients of the UMK Rural Bank in the Eastern Region of Ghana. The study is important because, loan utilisation is critical to business success as well as to the sustainability of any financial institution. The specific objectives were to assess the implementation of the UMKR Bank; assess loan processing modalities and client's loan management; assess the influence of microcredit on business growth and household welfare as well as to assess benefits and challenges of microcredit from the perspective of clients.

The study was conducted in three towns in the Upper Manya Krobo District namely, Aesewa (the capital town), Akateng and Sekesua. The target population was all microcredit clients of the Upper Manya Krobo Rural Bank. A sample of 439 clients (new, old and exit) were selected for the study. Both quantitative and qualitative data was collected. The choice of the UMK Rural Bank became necessary due to the fact that it is one of the best performing Banks in the Eastern Region and in the country. The Bank had also won four (4) awards by placing 45th, 28th, 39th and 91st in the Ghana Club 100 rankings for the years 2005, 2009, 2010 and 2012 respectively. UMK Rural Bank has been successful in its microcredit programme by developing various lending innovations. Two notable innovations are '*Asila*' (help me and I will help you) scheme and a Micro Enterprise Asistance Loan (MEAL). Loan utilisation, in this study, was conceptualized in terms of loan

processing and access, loan use, management, and repayment. Loan benefits in terms of household and business outcomes were also assessed.

Summary of Key Findings

After a careful analysis of data collected for the study the following are the key findings:

There were more female clients than male clients as expected and observed in a number of microfinance studies. This can be attributed to the fact that income generating activities of women such as hawking, food selling, and trading are dominated by women. In the study area, societal norms and beliefs prevent women from owning properties such as land, which could be used as collateral for accessing loan from commercial banks. Therefore, the women deemed the microcredit programme as an opportunity to access credit for their income generating activities.

Self-selection was the main criteria for group formation. Groups were formed through self-selection on the basis of proximity, trust, and/or occupational homogeneity and group members were jointly liable for each member's loan. In group formation, the important criterion was the ability to pay the loan back.

An important requirement for the microcredit programme that members of a group would be jointly liable to each other's loan. However, social capital in the form of personal trust among group members and peer homogeneity was found to be critical for loan repayment instead of the joint-liability contract.

When the microcredit programme started in 2001, the clients were given periodic education and training on family planning, breast feeding and nutrition, home and business management, and skills development. However, these services which were offered to the microcredit clients by Plan International, a non-Governmental Organisation (NGO) operating in the District, were withdrawn in 2004. The views of the clients concerning non-financial service training suggest their desire for the management of the Bank to reinstate the non-financial component of the programme because such education and training are important factors for business improvement and entrepreneurial development.

Business training constitutes human capital development for the clients. Business skills such as business management practices, book-keeping and customer relationship, which the clients learn at the training sessions, enhance business management, business revenue, and business profit. It was therefore not supprising when clients with SHS and higher education were found to have demonstrated skills and better capabilities of managing their businesses through record keeping and good customer relationship.

All clients had to undertake compulsory savings, but the microcredit programme also gave them the opportunity to save voluntarily where possible. It emerged from the interviews that some clients used accumulated savings to offset loan repayment in times of challenges. Accumulated savings were also used in times of shock, such as death of a family member, payment of debts, school fees or for other emergencies. Through this, some of the clients had developed the culture of savings.

New loans were disbursed as soon as every member of the group had completed paying back previous loans. Therefore, loans could be disbursed at any time of the year. In some cases, such arrangements were not helpful when clients received loan during seasons of less economic activity. In such cases, loans were diverted to other purposes including payment of debts and household consumption, resulting in repayment challenges for some of the clients.

In the UM Krobo District, business activities are low from January to April, moderate between May to August and high from September to December. Given the seasonal nature of economic activities in the area, the clients invested more in business when loans are disbursed between May and December to take advantage of the moderate to high economic activities.

Clients received loan ranging from GHC500 to over GHC5, 000. Client's characteristics that strongly influenced quantum of loan received were age, marital status, type of business, and occupation of spouse. From the interviews and focus group discussions, a suggestion was made for group formation to be loan-size based, in order to eliminate the pressure on those who receive small loans to assist in paying off the debt of large borrowers in the group who default.

In addition to group loans where members benefit from the dynamic increment incentive to enhance repayment, individual loans ranging from GHC1, 000 to GHC5, 000 were given to business men and women in good standing. Besides, under the Micro Enterprise Assistance Loan (MEAL) scheme, trustworthy individuals, with the ability to repay, were granted loan ranging from GHC5, 000 and above.

An important component of the conceptual framework is the aspiration of poor people to take opportunities for achieving actions and better outcomes. Some of the clients demonstrated trust and ability to pay and thus, took the opportunities offered by the MEAL to venture into more lucrative businesses such as establishment of "Cold Stores" and sachet water production to improve their livelihood status.

Some of the clients, especially the older ones, used loan for other purposes such as paying school fees and for acquiring personal assets. However, this did not impact negatively on loan repayment of such clients. This finding is contrary to the norm that microfinance loan, used for other purposes, results in loan default. The finding therefore needs further investigation. Clients whose spouses were government employees, seldom used loan for household activities as that was the responsibility of their spouses. Such clients thus, were more likely to expand their businesses with their loans.

The dynamic incentive strategy where loans were increased after every successful loan cycle have improved repayment rates. However, loan increment was not a routine procedure as group leaders could object to a member's loan increment if they thought it would result in repayment challenges. Such objections were usually made against members who had consistently defaulted in repaying their loan on schedule. Most of the clients paid their loans on schedule and so the perception of group leaders objecting to loan increments for potential defaulters could not be confirmed.

The microcredit staff paid little attention to the purposes for which the clients used loan because of the low rate of loan default. This attitude, however, constitutes lack of supervision on the part of the loan officers. The implication could be loan diversion and repayment challenges.

In the absence of peer monitoring, peer pressure, in the form of verbal abuse, ostracism, and sanctions were the strategies to ensure loan repayment. It was noted that peer pressure was at its zenith if loan default impeded the commencement of a new loan cycle. This suggests that peer pressure was applied not just to repay loans, but more importantly to enable continued access to loans.

The microcredit loans had impacted positively on businesses through business expansion, addition of new products/services, and reduction of business costs by being able to buy inputs in bulk, as well as the hiring of new workers/apprentices. The clients had expanded their businesses and added new products to existing ones rather than establishing new businesses. For instance, a rice and stew seller expanded her business by buying a kiosk and included *fufu, banku* as well as cooked yam with stew to her initial business. A seamstress also started selling tailoring or dressmaking accessories such as buttons, sewing threads and textile fabric, in addition to her normal sewing work. A yam seller added edible oil, fish, pepper, and onion to expand the yam business.

Loans did not transform into employment generation as the clients did not hire labour (store keepers, hawkers, shop vendors etc.,), but most often relied on relatives or family members when new products were added to expand the business. The businesses that the microcredit programme supported were informal, had sole

proprietorship, and were tended towards meeting basic needs like food and medication. Loan size, scale of operation, and occasional loan diversion inhibited continuous business growth that could support pay workers and so, no employment generation capability was found among the clients.

During harvesting seasons in the District, price of some agricultural products become low and the clients bought in bulk for storage and sold at higher prices when the products became scarce during the lean seasons. Some of the clients acquired properties such as plots of land and commercial vehicles. Some aspects of benefit for women clients were increased household income, contribution to children's education, leadership roles, and household decision making.

Weekly meetings were found to be beneficial to some clients but a challenge to others. Those who attended meetings regularly said the meetings broke the monotony of everyday life and presented them with the opportunity to meet friends to discuss social issues, share business ideas as well as building networks. Meetings also enabled them to discuss business issues, especially, those relating to marketing, pricing and innovations.

Among the challenges encountered were high interest on loan, charges and deductions from loans and frequent group meetings. Thirty-four (34%) percent interest was paid on loans and this was higher than what was charged by commercial banks. The Bank staff explained that the administrative costs for individually tailored small loans, are greater than for normal standardized loans and that the microcredit programme could not operate sustainably without charging interest rates that are higher than what commercial banks normally charge. The staff

explained further that the interest charged on loans was not influenced by profit-oriented motivations. There was no evidence of any abuse by the UMK Rural Bank about the interest rate on loans and so the interest that the clients paid on their loans was reasonable. This notwithstanding, the clients were of the view that the interest had the potential of affecting businesses and repayment burden.

The clients paid risk management levies, which were not necessary because, under the joint liability approach, group members were liable to each other's loan. Despite the levies and the perceived high interest on the loan, to most of the clients, the microcredit programme offers the only opportunity to access loan for business.

In sum, from the discussions emanating from the related literature and the use of the livelihood security conceptual framework, this thesis has confirmed that microcredit loan, if well utilised, can improve businesses and household welfare. The key elements of the adapted conceptual framework, namely: financial capital (microcredit) social, capital, personal capital, human capital (skills acquired form non-financial service training) and physical capital (markets and infrastructural services), as well as microcredit policies and regulations were used to address the objectives of the study. The other components of the framework such as natural capital, environmental sustainability, etc., were not used in the discussion because they did not apply to microcredit clients.

Recommendations

Based on the findings, it is proposed that:

The UMK Rural Bank should re-consider the charging of risk

management levies and compulsory savings. According to the clients, the risk management levy was unnecessary since they were jointly liable to each other's loan under the joint liability structure. They contended also that the compulsory saving the made from the loans was not helpful because it reduces the loan for investment in business.

The Bank's microfinance department should develop a system to group clients with relatively equal loan sizes in separate groups. This is because, clients with smaller loan sizes were not in favour being grouped together and jointly liable with those with bigger loans

The Bank should reinstate the non-financial component of the microcredit programme, monitor clients after loan disbursement, and provide regular education on loan repayment. These training were helpful to the earlier clients of the microcredit programme. Skill development, marketing and financial management, customer relationship as well as costing and pricing should be part of training modules of the Bank. Finally, the clients should use loan for the purpose for which the loan as given. Loan fungibility, or using loan for other purposes often result in repayment challenges.

Contribution to Knowledge

Morduch (2000) are among the first microfinance researchers to discuss the existence of a "schism" about the influence of microfinance on the poor. While the exact dimension that define this devide were ststed differently by various authors,

the existence of alternative schools of thouhts seems widely accepted. Proponents such as (Dowla & Barua, 2006;; Karlan & Zinmman, 2011; Karlan, Ryan, & Udry 2013) contended that microfinance is a development tool for empowering the productive poor, but critics of microfinance (Islam, 2009; Husain, 2011; Roodman, 2012) argue that microfinance can worsen the plight of clients. This thesis contributes to the body of knowledge that contends that microfinance is a development tool. The outcome of the study has shown that microcredit increases business profit and improves household welfare of clients. The study has also brought to our understanding of the operations of the UMK Rural Bank's microcredit programme.

Limitations and Areas for Further Research

One basic limitation of this study was that it was limited to only one Bank. More information would have been provided from a comparative study involving a number of Banks. Such a study will bring out the factors that MFIs considers as critical to their sustainability before they give out loans to clients. The cross-sectional nature of the study was also a limitation. A prospective or longitudinal study where a cohort of microcredit clients are followed over a period of time beginning from the time of accessing the first loan will provide a more accurate data on the activities of the clients. However, these limitations did not compromise the results of the study.

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APPENDICES

APPENDIX 1

QUANTITATIVE SURVEY INSTRUMENT – STUDY QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

DEPARTMENT OF GEOGRAPHY AND REGIONAL PLANNING

Dear Value Respondent,

My name is Mr. Emmanuel Kodjo Tetteh, a PhD candidate of the University of Cape Coast. I am researching the topic "***Utilisation of Microfinance Loan Among Clients of the Upper Manya Krobo Rural Bank in the Eastern Region of Ghana".***

You have been selected as a possible participant in this study, because you are, or have been a client of the Upper Manya Krobo Rural Bank's microfinance programme. I kindly ask you to take part in this study because, I am trying to learn more about the utilisation of microfinance loan no the development of small businesses such as the one you are operating in this District.

If you consent to participate in this study, I would want you to avail yourself for an interview that would include questions about your business, finances, assets, household, the microcredit programme, and this community. The length of the interview is approximately 30 minutes and the survey can take place here at your business premises or at a location convenient to you. There should be no risk involved in participating in this research. All information provided in this study will

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be treated confidential and your anonymity is assured. Your participation is voluntary, and you can stop the interview and/or withdraw from the study at any time.

The data from this study will be used only for academic purposes. However, the data from this study may be used in the future for other studies on the same topic to inform policy decisions, and in other microfinance assessment studies.

You will not benefit directly from participating in this research. The primary benefit to society of this research will be its potential contribution to knowledge about ways of managing microcredit programmes to benefit borrowers, as well as policy implications for the future development of microfinance institutions, especially for rural banks in this country.

Do you understand the details I have described? Do you have any questions about this research? Do you have any other question? Are you willing to participate in this research? **Yes [ ] No [ ]**

A. BACKGROUND INFORMATION

1: Date of Birth: (DMY) --

2. Sex: Male [] Female [ ]

3: Marital status. Single [ ] Married [ ] Divorced [ ] Separated [ ] Widow [ ]

4: Town/village --

5: Highest level of education (Please tick appropriate)

1. None [] 2. Primary [] 3 MSLC [ ] 4. JHS [ ] 5. Vocational [ ]

6. Secondary/technical [ ] 7. Polytechnic [ ] 8. University [ ]

6. What type of business are you engaged in? (Please tick appropriate)

1. Hairdressing; [ ]
2. Barbering; [ ]
3. Dressmaking; [ ]
4. Petty trading [ ]
5. Restaurant; [ ]
6. Oil extraction [ ]
7. Wood works [ ]
8. Cloth weaving [ ]
9. Metal works [ ]
10. Repairs [ ]

11. Other (specify) --

7: Year of establishment --

8: Nature of business? (Please tick appropriate)

1. Agro processing [ ]
2. Service enterprise [ ]
3. Manufacturing / fabrication and repairs [ ]
4. Agriculture and forest products [ ]
5. Traditional crafts [ ]
6. Other (specify) --

9: Do you belong to any Trade Association?

1. Yes [ ] 2. No. [ ]

10: If yes, what is the name of your Trade Association?

1. Ghana Tailors and Dressmakers Association [ ]
2. Traders Association [ ]
3. Beauticians Association [ ]
4. Metal Workers Association [ ]
5. Wood Workers Association [ ]
6. Association of Garages [ ]
7. Belong to no association [ ]
8. Other (specify) --

11: Is your enterprise registered? Yes [ ] No [ ]

12: If yes, with which organisation? (Please tick appropriate)

1. District Assembly [ ]
2. Registered General [ ]
3. Local Trade Association [ ]
4. District Assembly& Registrar General [ ]
5. Local Trade & District Assembly [ ]
6. Local Trade & Registrar General [ ]
7. Assembly Registrar & Local Trade [ ]
8. Not registered but pays levy to District Assembly [ ]
9. Other, (specify) ---

13: What type of business ownership is your enterprise? (Please tick appropriate)

1. Sole proprietor [ ]
2. Partnership [ ]
3. Limited liability [ ]
4. Company limited by guarantee [ ]
5. Other, (specify) ---

14: Number of initial workers/ apprentices employed? Workers [ ]

Apprentices [ ]

15: How many workers / apprentices work in this enterprise NOW? ---------------

15b: What is the occupation of your spouse?

1. Farmer/fisherman
2. Trader/self employed
3. Government employee
4. Unemployed
5. No spouse
6. Other, specify --

B. HOUSEHOLD ISSUES

16. What is the ownership type of the house where you stay?

1. Own [ ] 2. Rented [ ] 3. Free [ ] 4. Perching [ ]

17. What is the main construction material used for the walls of the house?

1. Mud/mud bricks [ ]
2. Burnt bricks [ ]
3. Cement/sandcrete [ ]
4. Wood/bamboo [ ]

18. What is the main source of energy used in your house for lighting?

1. Kerosene [ ] 2. Gas [ ] 3. Electricity [ ] 4. Generator [ ]

5. Firewood [ ] 6. Candles [ ] 7. Other (specify --------------

19. What type of energy do you usually use for cooking?

1. Kerosene [ ] 2. Gas [ ] 3. Electricity [ ] 4. Firewood [ ] 5.Charcoal [ ]

20. What is your main source of water supply?

1. Pipe borne water [ ]
2. Well water [ ]
3. Borehole [ ]
4. Rain water [ ]
5. River/lake pond [ ]
6. Other, specify --

21. Does your household own any of the following items? (Please tick as many as applicable)

1. Box / Electric iron [ ] 2. Refrigerator [ ] 3. Television [ ]
4. Video deck [ ] 5. Radio [ ] 6. Personal computer [ ]
7. Cell phone [ ] 8. Mattress/bed [ ] 9. Sewing machine [ ]
10. Motor cycle [ ] 11. Car (private) [ ] 12. Other, specify --------------

----

C. FINANCIAL INFORMATION

22. What is/are the source(s) of your initial capital for this business? (Tick as applicable)

1. Personal savings [ ]
2. Family support [ ]

3. Microcredit [ ]
4. Loan from a formal financial institution [ ]
5. Trade credit [ ]
6. Other (specify) --

23. I sometimes borrow from other sources which is invested in the business

1. Strongly agree [ ]
2. Agree [ ]
3. Disagree [ ]
4. Strongly disagree [ ]
5. Indifferent [ ]

24. Presently, what is the **ONE** main source of finance for your enterprise?

1. Personal savings [ ]
2. Family support [ ]
3. Microcredit [ ]
4. Loan from another bank [ ]
5. Trade credit [ ]
6. Other (specify) --

25. Why did you join the microcredit programme? (Tick as appropriate)

1. To access credit for my business [ ]
2. To make friends [ ]

3. To learn business skills [ ]
4. To learn about family planning [ ]
5. To enable me save money [ ]
6. Other, (specify) --

26. How do you describe the process of accessing microcredit from the UMK rural bank?

1. Flexible [ ]
2. Rigid [ ]
3. Very competitive [ ]
4. Competitive [ ]
5. Very complicated [ ]
6. Complicated [ ]

27. Which of the following best describes your current status with the UMK Rural Bank's microfinance programme?

1. New member [ ]
2. Permanent member (since programme began) [ ]
3. Repeated member (persistently accessing credit) [ ]
4. Exit member [ ]

28. How long have you been with this programme?

1. Less than one year [ ]
2. Two years [ ]
3. Three years [ ]

4. Four years [ ]
5. Five years and more [ ]

29. Please indicate the outcome of your business by participating in the microcredit programme	Very much	Somewhat	Not at all
Expanded size of business			
Added new products			
Hired more workers/apprentices			
Reduced cost by buying in bulk			
Developed or opened up new businesses			
Increased business asset			

29b. Do you use loan for other purposes? Yes [ ] No [ ]

29c. Do you keep business loan from personal household finance? Yes [ ] No [ ]

30. Please state the amount of your last loan granted from the UMK Rural Bank?

-

31. What cycle of loan is your last loan since you joined the programme?

1. 1st [ ]
2. 2nd [ ]
3. 3rd [ ]

4. 4th [ ]
5. 5th [ ]
6. More than 6times [ ]

32. Participating in the microcredit programme has enable me achieve financial, human, social, physical and natural assets.

1. Strongly agree [ ]
2. Agree [ ]
3. Strongly disagree [ ]
4. Disagree [ ]
5. Indifferent [ ]

33. What can you say about the interest rate of the loans you took/ are taking?

1. The rate is too high [ ]
2. It is reasonable [ ]
3. It is too low [ ]
4. Indifferent [ ]

33b. Does your savings attract any interest Yes [ ] No [ ] Don't know [ ]

34. What is your payment schedule like?

1. Weekly [ ]

2. Bi-weekly [ ]
3. Monthly [ ]
4. Bi-monthly [ ]
5. Yearly [ ]
6. Don't know [ ]

34b. Do you have difficulties in repaying your loan? Yes [ ] No [ ]

35. Which one of the following is your main problem in repaying the loan?

1. Poor business performance [ ]
2. Family obligations [ ]
3. Robbery [ ]
4. High interest on loan [ ]
5. Other, (specify) --

36. How were you able to overcome your main loan repayment problems if any?

1. Sold an asset
2. Sometimes pay with compulsory savings [ ]
3. Help by a friend/family member [ ]
4. Paid by group members [ ]
5. The loan is still pending [ ]

36i. How were decisions taken in your group? Group consensus [ ] Leaders [ ]

36ii. Do you know what your group members use their loans for? Yes [ ] No[ ]

37. How does your group enforce payment for a defaulting group member?

1. Compelled to pay with savings [ ]
2. Members pay [ ]
3. Coerce to sell assets to pay [ ]
4. Coerce to borrow from friends/relatives [ ]
5. Court action is taking [ ]
6. Other, specify --

38. Apart from the initial training for the loan, which other non-financial services does the programme offer? (Tick all that apply)

1. Training on group activities, [ ]
2. Setting up business, [ ]
3. Skill training [ ]
4. Business management [ ]
5. Technical advice [ ]
6. No non-financial service offered [ ]

39. List three (3) non-financial services that you require in order of importance

40.Please, indicate your level of agreement or disagreement about the following statements	Fully agree	Agree	Disagree	Fully disagree	Indifferen
I am comfortable with the current payment schedule					

I have encountered difficulties in servicing the loan					
I am aware of how my group members use their funds					
Your group is able to influence members on the proper use of their funds					
Participating in the microcredit programme is beneficial to me					
I sometimes receive financial assistance from relatives or friends which is invested in the business					

D. Savings and records keeping

41. Where do you save your money?

With relatives [ ]

With the rural bank [ ]

At home [ ]

Susu operators [ ]

Other financial institutions [ ]

No saving [ ]

Other (specify) --

42. If no saving, why

1. Profit is small
2. Household obligations does not allow savings
3. Compulsory savings is enough for me
4. Other, specify ---

43. Before joining this programme, were you keeping records on your business activities? Yes [ ] No [ ]

44. How do you keep the records?

1. Books [ ]
2. Memory [ ]
3. Electronic medium [ ]
4. Other, specify ---

45. If you do not keep business records, why don't you?

1. No need
2. Cannot read and write
3. Time wasting
4. Other, specify ---

E. Business performance (outcome) from microcredit services

46. What was the average profit from this business for the last three months before joining this programme? GH¢ ----------------------------------

47. What is your average profit for the last three months? GH¢ --------------------

48. Please, list two main improvements in your business that have resulted from your participation in this programme

49. How has your participation in the scheme enabled you to do the following?	Very much	Somewhat	Not at all
Contributed/increased contribution to household finances/income			
Access to better health care and nutrition			
Take up leadership role in this community			
Improved my social networks (group formation)			
Be part of the household decision making process			
Contributed/increased contribution to education of children			
Enabled household cope during the lean season			
Acquired long-term assets (building, building plot, farmland etc)			
Contributed to the acquisition of household assets (TV., tape etc)			
Increase the ability to cope with household emergencies			
Make/increase household savings			

50. If your business is not performing to your expectation, which of the following is/are the cause/s? (Please tick as applicable)

1. High interest on loan [ ]
2. Lack of market [ ]
3. In adequate working capital [ ]
4. Poor business returns [ ]
5. Decrease in enterprise's outputs [ ]
6. Enterprise is almost bankrupt (cannot pay loan) [ ]
7. Other (specify) --

51. How would you describe the general performance of your business since you joined this programme?

1. Much worse now [ ]
2. A little worse now [ ]
3. Same [ ]
4. A little better now [ ]
5. Much better [ ]
6. Don't know [ ]

52. Joint liability is the optimum way of accessing microcredit

1. Strongly disagree [ ]
2. Disagree [ ]
3. Strongly agree [ ]
4. Agree [ ]

F: Challenges

53. Rank the seven (7) listed challenges in order of their seriousness to your enterprise. One (1) being the most serious and eight (7) the least serious

[ ] Lack of market access

[ ] Inadequate credit

[ ] Paying for defaulting group members

[ ] Lack of skills

[ ] Stiff competition from similar goods/services abroad

[ ] High interest rates on loans

[ ] Weekly loan re-payment

[ ] Untimely release of loans

54. In your opinion, how can **YOUR most serious** challenge be addressed? -------

55. If you are an **Exit** member, which of the following caused your exit?

1. Can now access personal loan [ ]
2. Savings can support the business [ ]
3. Cannot meet repayment schedules [ ]
4. Business has folded off [ ]
5. Microcredit is running down the business [ ]
6. Other, (specify) --

56. Since you opted out from microloan, how can you assess the performance of your business?

1. Business is performing very well [ ]
2. Business is quite better [ ]
3. Business is becoming worse off [ ]
4. There is no change [ ]

5. Business has collapsed [ ]

6. Other, specify [ ]

This is the end of the interview. This is an academic research and I value your opinions and responses. Would you be willing to clarify some of your answers in the interview should the need arise in the course of analyzsng the data? Yes [ ] No. [ ]

Your information will be kept confidential.

Thank you very much for your time

APPENDIX 2

INTERVIEW GUIDE

This interview guide will be used for the focus group discussions (FGDs) to collect qualitative data from key informants such as group leaders and prominent client of the microcredit programme in the District. The study employed semi-structured interview format. The interviews, on the average, are expected to last for about one hour. Each FDG will consist of 10 participants. The proceedings will be transcribed and analysed thematically.

I. Loan acquisition

1. What qualifies you to access microcredit?
1. How do you describe the procedure to access this loan?
2. How important is/are this loan to you? (Why did you join this programme?)
3. What have you primarily used the loan(s) for? (seek clarification for multiple use for different cycles).
4. Is that what you intended to use the loan(s) for? If not, what is the reason?

II. Group Formation

1. How did one become a member of your group?
2. How is your group sustained and why do some members leave the group?
3. How often do you meet? If you do, tell me about such meetings?
4. How does the group enforce payment?
5. How do you pay as a group for a defaulting member?
6. What are the sanctions for a defaulter?

7. What is the relationship between your group and the loan officers?
8. What change(s) will you like to see in your group?
9. What do you particularly like about your group?

III. Targeting women

1. What is your opinion about the processes and procedures for gaining access to micro-loan?
2. To what extent has access to microcredit programmes influenced the following:

a. your business performance;

b. your children education;

c. ability to acquire assets;

d. health and nutrition;

e. relationship with spouse; and

f. members in the community?

3. What do you like about the microcredit programme ? (what don't you like?)
4. How can targeting of women be improved?

IV. Non-financial services

1. Apart from financial services, **can you identify** other services that this programme offers? (Probe: offers training on group activities, setting up business, technical advice?).
2. If any, what are they and how helpful were they?
3. What non-financial services will you like this to provide and why?

V. Interest rates

1. What do you know about the interest rate charged/given on loan/savings? What do you think about the rate you pay? Why did you go for it inspite of the rate?
2. Do you borrow money from elsewhere? If yes, how does it (interest rate) compare with what is charged by this programme? What is/are the source(s)? What is the interest on those loans? Why did you go for the additional loan?
3. Can you tell me about the process of accessing compulsory and voluntary savings? (what does the process of saving and withdrawal entail?)

VI. Savings

1. What type of savings services do you prefer and why? (explain: compulsory, voluntary or both)
2. How often do you use savings facilities? If not, why?
3. What do you like about savings facilities offered?
4. What will you like to change if you had a chance?
5. What do you like or dislike about the repayment schedule?

VII. Clients conception of poverty

1. In your opinion who do you consider to be a poor person? Why do you say so? Who would you consider to be a rich person? Why do you say so?)
2. What are the characteristics of a poor household?
3. How will you describe the status of your household within the contest above before you joined the intervention?
4. Are there any changes in your household that can be attributed to the intervention?

VIII. Opinions

1. In your opinion, what impact has the loan had on your business?
2. What can you say about the effect of the microcredit programme on poverty reduction and living standards in this District?
3. What do you think are the main challenges confronting the access and delivery of microcredit services in this District?
4. What in your opinion, should be done to enhance the microcredit programme in this District?

IV. Summary of discussion

Further information from participants on the issues discussed.

APPENDIX 3

Table 1: List of Licensed Rural and Commnity Banks

No.	Ashanti region	Location	Year Opened
1	Atwima Rural Bank Ltd.	Foase	1980
2	Sekyedomase Rural Bank Ltd.	Sekyedomase	1980
3	Adansi Rural Bank Ltd.	Fomena	1980
4	Asokore Rural Bank Ltd.	Asokore	1980
5	Kwamaman Rural Bank Ltd.	Kwaman	1982
6	Asante Akyem Rural Bank Ltd.	Juansa	1982
7	Kumawuman Rural Bank Ltd.	Kumawu	1982
8	Akrofoum Area Rural Bank Ltd.	Akrofuom	1982
9	Ahafo Ano Premier Rural Bank Ltd.	Wioso	1982
10	Bosomtwe Rural Bank Ltd.	Kuntanase	1982
11	Okomfo Anokye Rural Bank Ltd.	Wiamoase	1983
12	Odotobiri Rural Bank Ltd.	Jacobu	1983
13	Atwima Kwanwoma Rural Bank Ltd.	Pakyi No.2	1983
14	Sekyere Rural Bank Ltd.	Jamasi	1983
15	Amanano Rural Bank Ltd.	Nyinahin	1983
16	Amansie West Rural Bank Ltd.	Antoakrom	1983
17	Juaben Rural Bank Ltd.	Juaben	1984

No.	Rural Bank	Location	Year Opened
18	Atwima Mponua Rural Bank Ltd.	Toase	1987
19	Nwabiagya Rural Bank Ltd.	Barrekese	1987
20	Otuasekan Rural Bank Ltd.	Kofiase	1988
21	Nsutaman Rural Bank Ltd.	Nsuta	2000
22	Offinso Rural Bank	Offinso	2008
23	Tepaman Rural Bank		
24	Bosome Freho Rural Bank	Nsuaem	2009
25	Yaa Asantewa Rural Bank	Ejisu	2012
No.	**Greater Accra Region**	**Location**	**Year Opened**
1	Shai Rural Bank Ltd.	Dodowa	1980
2	Ada Rural Bank Ltd.	Kasseh	1982
3	Dangbe Rural Bank Ltd.	Prampram	1982
4	Ga Rural Bank Ltd.	Amasaman	1984
5	Abokobi Rural Bank Ltd.	Abokobi	1985
6	La Community Bank Ltd.	Labadi	1987
7	Oyibi Area Rural Bank	Oyibi	1988
No.	**Brong Ahafo Region**	**Location**	**Year opened**
1	Kintampo Rural Bank Ltd.	Kintampo	1979
2	Wamfie Rural Bank Ltd.	Wamfie	1981
3	Suma Rural Bank Ltd.	Suma Ahenkro	1982

4	Baduman Rural Bank Ltd.	Badu	1982
5	Asutifi Rural Bank Ltd.	Acherensua	1982
6	Nkoranza Kwabre Rural Bank ltd.	Akuma	1983
7	Fiagya Rural Bank Ltd.	Busunya	1983
8	Bomaa Rural Bank Ltd.	Bomaa	11983
9	Nsoatreman Rural Bank Ltd.	Nsoatre	1984
10	Derma Area Rural Bank Ltd.	Derma	1984
11	Yapra Rural Bank Ltd.	Prang	1984
12	Nkoranman Rural Bank Ltd.	Seikwa	1987
13	Amantin & Kasei	Amanten	
14	Ahafo Community	Kukum	
15	Nafana	Sampa	2000
16	Drobo Community	New Drobo	
17	Atweaban Rural Bank Ltd	Duayaw-Nkwanta	2007
18	Capital Rural Bank Ltd	Abesim	2003
19	Nkrankwanta Rural Bank Ltd.	Duayaw Nkwanta	2009
20	Bomosadu Rural Bank Ltd	Berekum	2013
21	Wenchi Rural Bank Ltd	Wenchi	2010
22	Tepaman Rural Bank	Tepa	2013

No.	**Western Region**	**Location**	**Year opened**

1	Ankobra West Rural Bank Ltd.	Esiama	1977
2	Amenfiman Rural Bank Ltd.	Wassa-Akropong	1980
3	Nzema Manle Rural Bank Ltd.	Awiebo	1981
4	Jomoro Rural Bank Ltd.	Tikobo No. 1	1981
5	Asawinso Rural Bank Ltd.	Sefwi-Asawinso	1983
6	Lower Pra Rural Bank Ltd.	Shama	1983
7	Fiaseman Rural Bank Ltd. (Bogoso)	Bogoso	1983
8	Lower Amenfi (Mansoman) Rural Bank Ltd.	Manso Amenfi	1984
9	Ahantaman Rural Bank Ltd.	Agona Nkwanta	1984
10	Upper Amenfi Rural Bank Ltd.	Ankwanso	1987
11	Kaaseman Rural Bank Ltd.	Kaase	1987
12	Bia-Torya Community Bank	Bonsu Nkwanta	
13	Western Rural Bank Ltd.	Sekondi	
14	Sefwiman Rural Bank Ltd.	Bibiani	

No.	**Eastern Region**	**Location**	**Year opened**
1	Asuopra Rural Bank Ltd.(North Birim)	Afosu	1977
2	Manya Krobo Rural Bank Ltd.	Odumase-Krobo	1978

3	Akwapim Rural Bank ltd.	Mamfe	1980
4	Kwahu Rural Bank Ltd.	Pepease	1980
5	Anum Rural Bank Ltd.	Anum	1981
6	South Birim Rural Bank Ltd.	Achiase	1981
7	Upper Manya Kro Rural Bank Ltd.	Asesewa	1982
8	Kwahu Praso Rural Bank Ltd.	Kwahu Praso	1982
9	Atiwa Rural Bank Ltd.	Kwabeng	1982
10	Mumuadu Rural Bank Ltd.	Osino	1982
11	Afram Rural Bank Ltd.	Tease	1982
12	Mponua Rural Bank Ltd.	Amuana Praso	1983
13	Akim Bosome Rural Bank Ltd.	Akim Swedru	1983
14	Kwaebibirim Rural Bank Ltd.	Asuom	1984
15	Akyem Mansa Rural Bank Ltd.	Ayirebi	1984
16	South Akim Rural Bank Ltd.	Nankese	1984
17	Odwen-Anoma Rural Bank Ltd.	Hweehwee	1987
18	Dumpong Rural Bank Ltd.	Asakraka	1988
19	Adonten Community Bank Ltd.	New Tafo	
20	Asuogyaman Rural Bank Ltd	Akosombo	2007
21	Citizens Rural Bank Ltd	Nsawam	2007
22	Fanteakwa Rural Bank	Begoro	2008
23	Suhum Rural Bank Ltd	Suhum	2014
No	**Volta Region**	**Location**	**Year Opened**

1	Amuga (North Tongu) Rural Bank Ltd.(Amuga)	Adidome	1980
2	Asubonten Rural Bank Ltd.	Worawora	1980
3	Avenor Rural Bank Ltd.	Akatsi	1981
4	Unity Rural Bank Ltd.	Ziope	1983
5	North Volta (Guaman) Rural Bank Ltd.	Guaman	1983
6	Weto Rural Bank Ltd.	Kpeve	1984
7	Agave Rural Bank	Dabala	1987
8	Mepe Area Rural Bank Ltd.	Mepe	1991
9	Anlo Rural Bank	Keta	2001
10	Butawu Rural Bank Ltd	Tsito	2007
11	Gbi Rural Bank Ltd.	Hohoe	2008
12	Kpassa Rural Bank Ltd.	Kpassa	2009
13	Kaakye Rural Bank Ltd.	Kete Krachi	2015
No.	**Central Region**	**Location**	**Year Opened**
1	Nyakrom Rural Bank Ltd.	Agona Nyakrom	1976
2	Mfantseman Community Bank	Biriwa	1980
3	Enyan Denkyira Rural Bank Ltd.	Enyan Denkyira	1980
4	Gomoa Community Bank Ltd.	Apam	1980
5	Kakum Rural Bank Ltd.	Elmina	1980

6	Nyankumase Ahenkro Rural Bank Ltd.	Fante-Nyankumase	1981
7	Union Rural Bank Ltd.	Senya Bereku	1982
8	Assinman Rural Bank Ltd.	Assin Manso	1982
9	Brakwa Breman Rural Bank Ltd.	Brakwa	1982
10	Ayanfuri Rural Bank Ltd.(Denkyiraman)	Ayanfuri	1983
11	Akatakyiman Rural Bank Ltd.	Komenda	1983
12	Ekumfiman Rural Bank Ltd.	Essuehyia	1983
13	Agona Rural Bank Ltd.	Kwannyaku	1983
14	Akyempim Rural Bank Ltd.	Gomoa-Dawurampong	
15	Akoti Rural Bank Ltd.	Assin-Akropong	1984
16	Twifu Rural Bank Ltd.	Twifo-Agona	1984
17	Awutu Emasa Rural Bank Ltd.	Awutu Bereku	1984
18	Bawjiase Area Rural Bank Ltd.	Bawjiase	1985
19	Odupon Kpehe	Kasoa	2001
20	Microfin Rural Bank	Gomoa	Nov-13
No.	**Northern Region**	**Location**	**Year Opened**
1	Bonzali Rural Bank	Kumbungu	1990
2	Tisungtaaba (East Mamprusi)	Gambaga	1990

3	West Mamprusi Rural bank(Bangmarigu)	Walewale	
4	Borimanga Rural Bank	Savelugu	2007
5	Buuwuloso One Stop Rural Bank	Damongo	2008
6	Tizaa Rural Bank	Gushegu	2008
7	Zabzugu Rural Bank	Zabzugu Tatale	2010
No.	**Upper East Region**	**Location**	**Year Opened**
1	Naara Rural Bank Ltd.	Paga	1981
2	Bessfa Rural Bank Ltd.	Garu	1983
3	Builsa Community Bank	Sandama	
4	Toende Rural Bank	Zebilla	2004
5	Bongo Rural Bank	Bongo	2009
No.	**Upper West Region**	**Location**	**Year Opened**
1	Nandom Rural Bank Ltd.	Nandom	1981
2	Sonzele Rural Bank Ltd.	Jirapa	1983
3	Sissala Rural Bank Ltd.	Tumu	2004
4	Lawra Rural Bank Ltd	Lawra	2006

Source, Bank of Ghana, 2016

APPENDIX 4

Appendix 4: Socio-demographic Background of Respondents

Category	Female		Male		Total	
	Count	%	Count	%	Count	%
Age						
Less than 30	56	14.9	13	41.9	69	17
30-39	134	35.6	9	29.1	143	35.1
40-49	123	32.7	8	25.8	131	32.2
50 and above	63	16.8	1	3.2	64	15.7
Total	376	100	31	100	407	100
Single	112	29.8	11	35.5	123	30.2
Married	264	70.2	20	64.5	284	69.8
Total	376	100	31	100	407	100
None	104	27.7	2	6.4	106	26
Primary	76	20.2	1	3.2	77	18.9
MSLC	69	18.4	18	58.2	87	21.4
JHS	64	17	6	19.4	70	17.2
Voc./Tech.	36	9.5	2	6.4	38	9.3
Above SHS	27	7.2	2	6.4	29	7.1

Table 8 Continued

Total	376	100	31	100	407	100
Artisans	107	28.5	13	42	120	29.5
Food Sellers	32	8.5	9	29	41	10.1
Shopkeepers	43	11.4	2	6.4	45	11.1
Petty traders	194	51.6	7	22.6	201	49.4
Total	376	100	31	100	407	100
None	21	5.6	0	0	21	5.2
1	51	13.6	1	3.2	52	12.8
2	102	27.1	3	9.7	105	25.8
3	94	25.2	19	61.3	113	27.8
4	78	20.5	7	22.6	85	20.9
	30	8	1	3.2	31	7.6
	376	100	31	100	407	100
Farmer/fishing	157	41.8	2	6.4	159	39.1
	74	19.7	4	12.9	78	19.2
	29	7.7	17	54.8	46	11.3
	18	4.8	2	6.4	20	4.9
	98	26	6	19.5	104	25.6
	376	100	31	100	407	100
New	70	18.6	13	41.9	83	20.4
	131	34.8	4	12.9	135	33.2

Table 8 Continued

	151	40.2	12	38.8	163	40
	24	6.4	2	6.4	26	6.4
	376	100	31	100	407	100

Source: Field data, (2011)