PRESBYTERIAN UNIVERSITY COLLEGE, GHANA

FACULTY OF DEVELOPMENT STUDIES

DEPARTMENT OF RURAL AND COMMUNITY DEVELOPMENT

# ASSESSMENT OF THE ROLE OF MICROFINANCE ON WOMEN EMPOWERMENT IN NSAWAM

Dissertation submitted to the Department of Rural and Community Development, Presbyterian University College of Ghana in partial fulfilment of the requirements for award of Master of Arts in International Development Studies

BY

FRANK ANDERSON

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# DECLARATION

## Candidate's Declaration

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

Student's Signature ……………………………………….………Date…………………......…...

Name: FRANK ANDERSON

## Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the Presbyterian University College, Ghana.

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

Name: REV. DR. BENZIES ISAAC ADU-OKOREE

## ABSTRACT

The eradication of poverty among women in developing countries had been a major challenge confronting governments and international organizations. Notwithstanding, the strategies and programmes designed to address the issue of poverty, it is still rampant among women in most developing countries like Ghana. It was against this background that this study sought to assess the role of microfinance on the empowerment of women. The research employed convenience sampling technique to select the sample from the population of women who access credit from rural banks and microfinance institutions in Nsawam. The sample size was 70 clients selected from two (2) rural banks and five (5) microfinance institutions and purposive sampling method was used to select 21workers from the credit departments of the seven (7) microcredit institutions. Primary data on the impact of microfinance on socio-economic wellbeing of respondents and challenges facing microcredit institutions were obtained from the respondents. In the case of analyzing the data obtained from the issuance of questionnaire, the research used Statistical Package for Social Science (SPSS) software. The study divulged that, microfinance has positive effect on the socio-economic wellbeing of women in Nsawam. The finding of the study further revealed that, the bottlenecks of microfinance institutions in Nsawam encompasses poor regulatory environment, inadequate capacities on part of client, lack of linkages between formal and informal financial institutions and there is no specific set of criteria developed to categorize beneficiaries. Based on the finding, the study recommended that the Government of Ghana, through Ghana Revenue Authority and Bank of Ghana should grant incentives such as tax exemption and subsidies to microfinance institutions to enable them provide low – priced loans to women in Nsawam.

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# DEDICATION

To the entire Anderson family especially my children, Frank Amponsah Anderson, Annabel Anderson and Kathryn Pomaa Anderson.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background to the study

The living standard of women in low income developing countries always remains crucial issue to be addressed. In many developing countries, microfinance has been used as a tool to gear up the living standard of poor people, especially women (Akram & Hussain, 2011). The microcredit programme originated from the activities of Dr. Muhammad Yunus in Bangladesh in the late 1970s, which permeate through most emerging economics. Some of the initial microcredit institutions, depended on subsidy from governmental régimes and foreign contributors, based on the fact that Microfinance Institutions help to alleviate paucity, joblessness and deprivation (Bateman, 2011). Microcredit may enable small and marginalized businesses purchase the inputs they need to enhance their businesses, as well as financing a range of activities (Nosiru & Omobolanle 2010).

The Microfinance Institution (MFI) has evolved right from its inception through the efforts of committed individuals and assistance agencies to reduce poverty by promoting self-employment and entrepreneurship (Hartarska, 2005). The widespread enthusiasm for microfinance has spawned a dramatic increase in the number of microfinance institutions in the developing world. Spurred by an accord reached at the Microfinance Summit in 1997 to reach 100 million of the world's poorest households with credit, there is arguably more widespread support for microfinance today than any other single tool for fighting world poverty. The Consultative Group to Assist the Poorest (CGAP) (the apex association of international donors who support microfinance) regards microfinance as ‘‘a powerful tool to fight poverty’’ that can help poor people to raise income, build their assets, and cushion themselves against external shocks (CGAP, 2004a). The microfinance movement has been both praised and supported by a broad range of academic scholars, major development finance institutions such as the World Bank, and development practitioners (McIntosh &Wydick, 2005).

Aside from that, in the 1980s, the growing microcredit ideals were activated in a renovated political manner and philosophical atmosphere. The operations of microfinance imbibed forces of demand and supply, in order to reduce the reliance of the microcredit on long term donor funding. It was argued that the deprived ought to bear the full cost of any funds received, instead of imposing an extra tax liability on others (Bateman, 2011).

Microfinance is broadly defined as the setting up of business facilities such as credit, saving, deposit, insurance and repayment services to those who are underprivileged of gain access to orthodox business services since they are deprived and were unable to provide security to access commercial loan(Ledgerwood 1998; Littlefield et al., 2003; Robinson. 2001). The rule of thumb is that by providing financial facilities, the poor will have the capacity to engage in the financial market and harness economic prospects by establishing new business from the scratch.

Additionally, the poor will have the ability to surmount poverty and be able to meet the needs of the family without depending on external sources. Dissimilarity, microfinance institutions will have the aptitude to improve their capability by charging a lesser interest rate on credit they provide. Several studies on microfinance signpost that it has substantial effect on reduction of poverty as well as household welfare in a deferring stages like acquisition of assets, nutrition of the family, health condition, food security, education of children, empowerment of women, and unity (Armendáriz de Aghion &Morduch 2000; Armendáriz & Morduch 2005, 2010; Hashemi et al,, 1996; Littlefield et al. 2003; Roodman & Morduch. 2009).

The theory of microcredit has existed in Ghana for a while. Conventionally, savings has been done and little loans have been taken by persons and collection of individuals with the object of self-aid to establish business. It is evident that Canadian Catholic Missionaries established the maiden Credit Union in the Northern part of Ghana, which was claimed to be the first in Africa.

Susu, is considered as one of the microcredit techniques, perceive to be emanated from Nigeria and blowout into Ghana. Provision of microcredit has passed through four main stages all over the world including Ghana. The phases are defined as follows: First stage consisted of the delivery of funded loan by Governmental Regimes which began in the 1950's at that time it was presumed that deficiency of funds had been a deterrent to alleviate poverty. Second Stage: Consisted of setting up of microfinance essentially relied on Non-Governmental Organizations to provide fund to the poor between 1960's and 1970's. In the course of this era sustaining financial self – sufficiency was less imperative. Third stage set the tone for ratification of Microcredit Organizations initiated. The fourth stage emerged amid 1990's, which set the tone to commercialize the activities of Microfinance Institutions. Microfinance is considered in Ghana as, portion of the financial environment, encompassing several business establishments which use a specific commercial technique to serve the poor (Asiama & Osei, 2007). In view of the above, this study sought to assess the role of microcredit accessed by women in Nsawam on their socio-economic wellbeing.

## 1.2 Statement of the problem

The 2010 Ghana's Population and Housing Census, over 80 percent of the active population are located in the non-formal sector of the economy, of which a junk of them being women. This section of people lacks the capacity to obtain mainstream loan, which hinders the advancement and progress of that sector of the economy. The opinion was expressed by the International Monetary Fund Country report on Ghana of May 2013 that lapses in the economic segments that limit funding prospects for fruitful reserved ventures and also are barrier to economic growth in Ghana. Microfinance was professed as fiscally viable tool intended to reach notable number of poor persons who lack the capacity to obtain financial delivery, because they do not have the requisite financial mediator. Availability of funds is essential to the growth of the non- formal sector of the economy and also aids to mobilize excess funds through savings, which are made available to those with deficit supply of funds for investment in productive sectors of the economy for development of the entire economy (World Bank Africa Region, 2015).

There had been a number of studies (Botei-Doku Ellen & E. Aryettey ,1996; Asiama & Osei, 2007; Alabi, Alab i& Ahiawodzi, 2007) on impact of microfinance on alleviation of poverty in Ghana, however only few of these studies looked at how microfinance empowers women in their communities, in Ghana. It was against this background the study sought to assess the role of microfinance on women empowerment in the Nsawam municipality.

**1.3 Purpose of the study**

The purpose of the study was to ascertain how microcredit accessed by women in Nsawam contributed to empowering the women in the area.

**1.4 Objectives**

The study espoused the following specific objectives:

1. To explore how microfinance empowers women economically in Nsawam.
2. To assess how microfinance empowers women socially inNsawam.
3. To examine the challenges facing microfinance institutions

**1.5 Research Questions**

1. To what extent does microfinance empowers women economically in Nsawam?
2. What roles do microfinance institutions play in empowering women socially in Nsawam?
3. What are the challenges of microfinance institutions in Nsawam?

### 1.6 Significance of the study

The purpose of the study is to assess the effect of microfinance on empowering women in Nsawam. The findings from the study would make the various stakeholders on microfinance and women activist abreast with the best way microfinance could be adopted to empower women socially and economically. It is important to note that the output of this study would contribute to the myriad of knowledge and literature in the subject area under investigation. To the institution of the researcher, the study sought to add to existing store of knowledge and literature, as it serves as the basis for subsequent studies in related fields.

The research would provide ample information to institutions that offer microcredit such as Commercial banks, Microfinance Institutions, and Community and Rural Bank to fashion out the best way that their product can be used to empower women in the country. Finally, the outcome of the study would serve as a reference point for policy formulation and implementation in the area of microfinance and how to empower women economically and socially.

### 1.7 Limitation of the study

The data of the research will be obtained solely from the responses of the clients and employees of the Community and Rural Banks and Microfinance institutions in Nsawam area. Therefore, it would be difficult to generalize the result of the study, since it might not be representative of the entire Community and Rural Banks and Microfinance institutions in Ghana. Again, since the result of this study would be based on the responses given by the respondents, it might be saddled with prejudice and biases from the respondents.

### 1.8 Delimitation

The study was to find out the effect of microfinance on empowering of women in Ghana. The research was limited to Nsawam because of proximity to the researcher and per my experience with the microfinance institutions majority of the women in the community relies on funds from microcredit to finance their small businesses. The study would be zeroed on both Rural and Community Banks and Microfinance Institutions in Nsawam area, since these are the institutions that normally offer microcredit. Contextually, the study covers: deposits and access to credit; the effects of credit on women's income and their ability to participate in household decision making. In relation to time horizon analysis would be limited to the period between 2007 and 2017.

### 1.9 Organization of the Study

The study is made up of five chapters. Chapter one is the introductory chapter which consists of background of the study, statement of the problem, general and specific objectives, and research questions, significance of the study. Chapter two presented the literature on microfinance and its effect on women empowerment. Chapter three described the research methodology used in conducting the research work. This deals with the various methods the researcher use in collecting data, sampling techniques and how these data were analyzed to meet the intended objectives of the research. Chapter four presents the data collected and analysis of findings. Chapter five concluded the report and presented recommendations based on the findings.

### 1.10 Chapter summary

The study sought to assess the effect of microfinance on women empowerment; economically and socially. The research espoused the following objectives in relation to the purpose of the study: To examine the trend of interest rate of microfinance institutions in the Nsawam municipality, explore how microfinance can be used to empower women economically in the Nsawam and assess how microfinance can be used to empower women socially in the Nsawam

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Concept of Microfinance

The Canadian International Development Agency (CIDA) defines microfinance as, the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions (CIDA, 2002). Most people think of microfinance, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings (Barr, 2005).

Microfinance institutions may be defined as institutions which act as intermediaries between micro savers and borrowers as well as institutions which provide assistance to such intermediaries ( Steel, 1998 cited in Ofei (2002). The microfinance sub-sector has evolved as a development tool intended to provide credit and financial services to the productive poor who do not have access to formal financial intermediation and are engaged in small and micro enterprises (Kyereboah-Coleman, 2007). According to Vonderlack and Schreiner (2001) microfinance both credit and savings has the potential to improve the well-being of poor women in developing countries.

## 2.2 Forms of Microfinance

There are many forms of microfinance. Murray & Boros (2002) indicates that the majority of the microfinance institutions offers and provides credit on a solidarity-group lending basis without collateral. There is also a range of other methodologies that MFIs follow. Some MFIs start with one methodology and later on move or diversify to another methodology so that they do not exclude certain socio-economic categories of clients. So it becomes important to have a basic understanding of methodologies and activity of MFIs. Murray & Boros (2002) classify microfinance in the following forms:

### 2.3 Group Lending

Group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The creditworthiness of the borrower is therefore determined by the members rather than by the MFI(ibid).

One of the best-known institutions for lending and savings money, in Bangladesh, is the Grameen Bank. Grameen Bank mainly targets women (98% of their clients are women) on the basis that women repay their loans better than men and due to the oppression they need more favor. It is believed that loans expanded to women benefit all the household members with improved level of food intake, health, and education. Average loans range from US$100 to US$200 for a period of 3-12 months. The loan amount varies from country to country. Average loan amounts tend to be higher ($500 or more) in countries in transition of adapting to this system (ibid).

On one hand, the group formation guides to lower transaction costs for the MFIs, but on the other hand there are social costs related with this process. These social costs can be a negative restraint to group borrowing and joint liability approaches, and include coercive peer pressure, loss of faith and the likelihood that the poorest and most vulnerable will remain excluded or further stigmatized. Such social costs are higher in some societies than in others, depending upon underlying social relations (which influence the ease/difficulty of group formation) and the distances that people must travel to participate in-group activities. In rural areas, these costs can be higher (Barr, 2005).

### 3.4 Individual Lending

Unlike MFIs, there are very few conventional financial institutions which provide individual loans to low-income people because poorer clients are considered higher risk clients due to their lack of collateral, plus the labor-intensive nature of the credits and hence the lack of profitability of small-credits. BASIC BANK (Bangladesh), Bank Rakyat Indonesia (BRI) in Indonesia, ADEMI in the Dominican Republic and are some examples of successful lenders to poor clients. However, BRI does request collateral and a loan co-signer, while ADEMI and BASIC BANK will take the best collateral it can (Murray &Boros, 2002).

### 3.5 Credit Unions

Credit unions are the organizations that are formed on the basis of financial relation of savings and loans between its members. They accumulate savings from its members and provide short-term credit to the needed members. The demand for loans in general exceeds the supply of savings. In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market. Because credit unions have social as well as commercial objectives, they may have a key role to play in offering pro-poor financial services.

It has been observed that some women have not benefited much from the credit unions because the level of savings required is too high (Adams, 2013).

Credit unions have achieved financial self-sufficiency within the last few decades. Akram&Hussain,(2011) indicate that, statistics from the World Council of Credit Unions (WOCCU), by the end of the 1980s there were about 17,000 credit unions in 67 developing countries around the world. These unions maintain nearly 9 million members and 60% of these members are from Africa and the Caribbean Islands. These credit unions handled approximately US$2 billion in deposits and share capital. It is estimated that they are disbursing US$300 million in small loans to about 1.5 million small businesses.

### 3.6 Village Banking

Village banking is a kind of financial services model that assists poor communities to establish their own credit and saving associations, or village banks. Village bank provides non–collateralized loans to its members and a place to invest savings and promote social solidarity. The sponsoring agency provides loan for the village banks and village banks in turn provide individual loans to its members. Peer pressure and peer support among the members are considered as the bank guarantees of these loans, to ensure repayment where small working capital is repaid every four to six months by its borrowers. Borrowers start with a very small loan and gradually they establish loan ceiling. Loan sizes depend on the amount which borrower has saved. Member's savings are kept for the purpose of lending or investing to increase the resource base of the bank. Commercial standards are applied to determine interest rates and fees (ibid).

### 3.7 Self Help Groups/Associations

Rotating Savings and Credit Associations (ROSCAs) exist in several parts of the world but recognized under different names, like as Tontines and Susus. They are known to be female dominated organizations that save small amount of money and members can borrow from common pool on a rotating basis. These types of organizations or self-help groups, have sometimes been used by MFI for group lending among the members (ibid).

### 3.8 Savings Mobilization

Savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation (Yaron, Benjamin & Charitonenko,1998). The importance of savings mobilization has been highlighted in several papers in the context of microfinance. Few analyses have been shaped in order to take an in-depth look at the savings mobilization strategies, which are employed by various institutions and are then compared to the results (Elser, Hannig, &Wisniwski, 1999).

Deficiency of savings facilities creates problems at three levels: (i) at the individual level, (ii) at the level of the financial institution; and (iii) at the level of the national economy. At the individual level, the lack of appropriate institutional savings facilities forces the individual to rely upon in-kind savings, such as the savings in the form of gold, animals or raw materials, or upon informal financial intermediaries, such as Rotating Savings and Credit Associations (ROSCAs) or money-keepers. These alternative informal savings facilities do not guarantee the combination of security of funds, ready access or liquidity, positive real return and convenience, which are basic requirements or necessity of a depositor (*ibid*).

Microenterprise programs can play a significant role for foster savings among the poor populations, with considerable benefits both for the savings and for the programs. According to Harper, “Domestic Savings provide the assets for the economy’s investment in future production. Without them, the economy cannot grow unless there are alternative sources of investment”. People’s propensity to save varies significantly. Common astuteness states that as a person’s disposable income increases, so does his or her capacity and willingness to save. Persons, who are living at subsistence or near subsistence levels, often we call them low-income groups, thought to be among those who are least able to contribute to economic savings. It is demonstrated that most of the developing countries, where the poor constitute the great majority, have a lower propensity to save. It has been concluded that 'the poor cannot save (Harper, 2003).

Exploring issues related to saving mobilization, among the poor people who are self-employed in productive activities, is one of the important purposes of this study. Experiences from the empirical findings have shown that many low-income people have the capacity to save and they usually do it through informal channels. Informal approaches for savings engross the formation of alternative structures, like group or associations, through which people undertake financial activities such as lending and savings (*ibid*).

There is enormous literature available, based on surveys, case studies, and regional and cross country analysis, focusing on the nature of the savings capacity and ways of saving of poor. Many affirm that not only do the poor save, but their savings have substantial implications for policy and resource mobilization for financial markets and national economies (Adams, 2013; Maloney & Ahmed, 2008).

Savings mobilization is an interesting issue among the poor for various reasons. Mobilizing savings lift up important considerations for development programs that are working to boost productive income and employment among low-income groups. Finally, the process of saving on a regular basis can be an empowering experience for people used to living at the margin, and can contribute to an improvement in the quality of their lives. It serves to capitalize on the productive activities, which sustain the family and thereby enhancing income of the family (Harper, 2003).

### 3.9 Characteristics of Microfinance

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. Murray & Boros (2002) describes the characteristics of microfinance products to be: Little amounts of loans and savings, Short- terms loan (usually up to the term of one year), Payment schedules attribute frequent installments (or frequent deposits), Installments made up from both principal and interest, which amortized in course of time, Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.

Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status, Application procedures are simple, Short processing periods (between the completion of the application and the disbursement of the loan), The clients who pay on time become eligible for repeat loans with higher amounts. The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.

No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

**3.10 Synopsis of the Microfinance Industry in Ghana**

The concept of microfinance is not new in Ghana. It always had been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses especially women. For instance, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century(Asiama & Osei, 2007). Over the years, the microfinance sector has thrived and evolved into its current state thanks to various financial sector policies and programmes undertaken by different governments since independence. Among these are: Provision of subsidized credits in the 1950s;Establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector;Establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s; and Shifting from a restrictive financial sector regime to a liberalized regime in 1986 (*ibid)*.Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions(*ibid*).

The policies have led to the emergence of three broad categories of microfinance institutions. These are:Formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks; andSemi-formal suppliers such as credit unions, Financial Non-governmental organizations (FNGOs), and cooperatives.Informal suppliers such as susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals (*ibid*).In terms of the regulatory framework, rural and community banks are regulated under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328).

On the other hand, the regulatory framework for credit unions is now being prepared, and this would recognize their dual nature as cooperatives and financial institutions. The rest of the players such as FNGOs, ROSCAS, and ASCAs do not have legal and regulatory frameworks. Programmes currently addressing the sub-sector in Ghana include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP) (Addo & Kwarteng, 2012).

### 3.11Challenges facing the microfinance sector

Generally, since the beginning of government involvement in microfinance in the 1950s, Ghana, the sub-sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector (Asiama & Osei, 2007). Among the constraints are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including the development partners, government and other agencies, could help to better integrate microfinance with the development of the overall financial sector. (Asiama & Osei, 2007, Addo & Kwarteng, 2012).

The traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess. The commercial banking system, which has about twenty-three (23) major banks, reaches only about 5% of households and captures 40% of money supply. Therefore there is room for expanding the microfinance sector in Ghana. (Ofei, 2002).

### 3.12 Empowerment of women

It is commonly argued that by targeting women microfinance can improve both the economic standing of women within the household and their social standing in the wider community. A study from Bangladesh found improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness, and public participation (Schuler & Hashemi, 1994). However, Hulme & Mosley (1996) argue that while these impacts may be quite pronounced in Bangladesh, where the social position of women is particularly low, these impacts are minimal in environments where the social gap between men and women is less extreme. They found that credit programs can reduce the relative isolation of women, but urge caution in assuming that loans made to women improve their economic or social position.

While some studies have found evidence of empowerment of women, it has also been found that a significant number of loans given to women are actually controlled by their husbands or other male family members (Hulme& Mosley, 1996). It is argues that this can have negative implications for women since they carry responsibility for repayment of loans that are not under their control (Goetz & Gupta, 1996). It has also been found that even those loans that are controlled by women tend to be used on traditional 'women's activities', serving to reinforce existing conceptions of the economic role of women (Hulme& Mosley, 1996).

Aside from empowerment objectives, many commentators support a focus on the targeting of women due to the common finding that income under the control of women is more likely to be spent on family welfare than that under the control of men (Holcombe, 1997; Sebstad & Chen, 1996).

### 3.13 Empirical review of impact Microfinance on socio- economic wellbeing of women

Empirically, the benefits that accrue to clients of microfinance are enormous. For instance, Zeller and Meyer (2002) concluded from their study that savings and credit facilities accessed from microfinance institutions help individuals or households build up or acquire funds for all kinds of investments. When using the data from 87 villages in Bangladesh, Pitt and Khandker (2006, 2008) estimated the margin of credit on a number of welfare indicators. Their study showed that household income increases by 18 taka for every 100 taka lent to woman. They also found net positive impacts of credit programs on both human and their physical assets. They have found mixed results when measuring the impact of credit programs on education. The education of boys increased irrespective of whether the borrower was male or female; but the education of girls have increased only when women borrow from the Grameen Bank.

Khan and Rahaman (2007) studied the impact of microfinance on the economic wellbeing of people in Chiitagong District of Bangladesh. Most of the women started their business by taking loan from MFIs as compared to other sources. They were able to increase their income and provided not only with the financial help to their families but also had positive impact on other factors of daily life. These poor women brought about a positive change to their financial and social situation and started taking active part in the decision making process of the family and society. The results obtained from the analysis regarding the success of increasing role in decision making process in the family, reveals that microfinance schemes are highly associated to build up of social and economic empowerment (*ibid*).

Mosely and Hulme (2008) estimated the impact of 13 microfinance intermediaries' in seven developing countries and the study was one of earlier done across the international boundaries. Their study revealed that for each of the intermediaries, the impact of lending on the recipient household's income increases with the debtor's income and asset position improved. Copestake (2007) evidence from their study revealed that, there was increase in the business and house income of microfinance clients and who were capable of settle up the first credit. Research by Amendariz and Morduch (2005) confirmed how a loan of $150 changed the life of poor woman and after ten loans she built a toilet and was looking forward to do much.

According to Goldberg (2005), aside from the income increases of achieved by clients of microfinance, there were other social gains such increase in education of children, nutrition of babies and empowerment. It is obvious from various studies that, microfinance is an important tool for alleviation of poverty.

Several studies have been undertaken to measure the effect of participation in credit programs on food security and nutrition specifically. Zeller and Sharma (1998) reported that, in many countries, the poor spend as much as 91 percent of their income on food. Furthermore, most loans, especially in the informal sector, are used for financing consumption-related expenditure.

In Ghana, for instance, Addo and Kwarteng (2014) found that microcredit from the Bosomtwe and Atwima Rural Banks Limited had helped women to improve their incomes, though the study could not quantify the contribution of the credit to the increased income of farmers. Asiamah and Osei (2007) also maintain that microfinance has the capacity to help the poor meet their basic needs and thereby improve household income. Research by Sulemana and Dinye (2016) in the Pru District in Brong Ahafo Region revealed that, microcredit remains indispensable to improving the incomes of the poor especially women and further helps address issues of income inequality.

Hulme and Mosley (1998) studied different types of microfinance programmes and found strong evidence of the positive relationship between access to credit and the borrower‘s level of income. The authors indicated that the middle and upper poor received more benefits from income-generating credit initiatives than the poorest. McKernan (2002) evaluated three microcredit programmes in Bangladesh and established that the profit for self-employed households could be increased through programme participation.

The analysis of microfinance at the village-level showed that loans have net positive impact on average households ‘annual income, especially in the rural non-farm sector (Khandker, 1998). Copestake (2005) estimated the effect of urban credit in Zambia and found that microcredit has a significant impact on the growth of enterprise’s profit and household’s income. In all the cases studied microcredit was found to have had a positive impact on measures of welfare, with women beneficiaries tending to attach a higher value to the concept of well-being (Mosley, 2002).

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

The chapter conventionally reflects on the study approach encompassed for the research. This chapter postmortems the canons upon which the research process is moored, which fashioned out the foundation for the adoption of survey mechanism for data collection and analysis. It also provides the route in the planning and implementation of the study in a way that is most appropriate to achieve the set goals of the study. The chapter describes the research design and methodology, together with the research strategy and scope of the study. The methods and techniques which were espoused in the data collection and analyses were also unfilled.

## 3.2 Research Design

Research design is crucial in carrying out research, as Robson (2002) contend that, research design process is a way of turning your research question into a research project. The research design processes addressed in this section was research strategy, research choice and time horizon. The purpose of a study may be exploratory, descriptive or explanatory in nature (Yin 2003). The purpose of this study was descriptive. The adoption of research purpose defines the research strategy that should be embraced in the study (Saunders, Lewis, &Thornhill, 2009). The research strategies available to the researcher were: experiment; survey; case study; action research; grounded theory; ethnography; archival research (ibid). The study incorporated a multiple case study strategy. The justification for using multiple cases , as indicated by Saunders, Lewis, and Thornhill, (2009), focuses upon the need to establish whether the findings of the first case occur in other cases and, as a consequence the need to generalize from these findings. For this reason Yin (2003) argues that multiple case studies may be preferable to a single case study.

Robson (2002) defines case studyas a strategy for carrying out research which encompasses an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. A case study was adopted to provide in-depth knowledge on the impact of microfinance on alleviation of poverty. For instance, Morris and Wood (1991) assert that, a case study strategy will be of particular importance if you wish to gain a rich understanding of the context of the research and the processes being enacted. It is appropriate to use a case study if the research involves both qualitative and quantitative data. Saunders, Lewis and Thornhill, (2009) contends that, if you are using a case study strategy you are likely to need to use and triangulate multiple sources of data. That is, collecting qualitative data using semi-structured group interviews which may be a valuable way of triangulating, quantitative data collected by other means such as a questionnaire (*ibid*).

In a case study, the researcher explores in -depth of a programme, an event, an activity, a process, or one or more individuals. The case(s) are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time (Stake, 1995). Based on the above justification the study used both qualitative and quantitative method in order to triangulate. The study employed cross- sectional study, whereby banking and non- banking financial institutions that offer micro credit were used in the research.

**3.3 Description of research area**

The research was zeroed on both Rural Banks and Non-banking financial institutions in the Nsawam municipality that offer microcredit product to their clients. The research solicited information from the micro credit department of the institutions and their clients. Nsawam is the administrative capital of Nsawam/Adoagyiri Municipal which forms part of the twenty six (26) Municipalities and Districts in the Eastern Region of Ghana.

### 3.4 Population

Population is whole unit under consideration. For instance, Mason et al, (1999) refer population as the collection of all possible individuals, objects or measurements of interest. The identification of the population of the research in question will help in narrowing down to the specific objects that are the subject matter of the investigation. The population of the study was the clients (women who access the microfinance services) and the personnel of the credit department of the rural and microfinance institutions in Nsawam.

### 3.5 Sample Size

The research targeted Microfinance Institutions and Rural Banks in Nsawam. Data obtained from Nsawam/Adoagyiri Municipal Assembly indicated there were three (3) Rural Banks and Eleven (11) microfinance institutions in the municipality. Two (2) Rural Bank and five (5) Microfinance institutions were purposively selected; based on the readiness and availability of respondents to respond to the questionnaire and interview guide. After selecting the institutions, then ten (10) clients were sampled from each of the seven (7) financial institutions. In all the sample size were 70 customers from the seven (7) financial institutions. Also a sample of three credit personnel was selected from each of the seven (7) financial institutions totaling up to 21 credit personnel.

### 3.6 Sampling Techniques

A purposive sampling is a form of sample selection often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative (Neuman 2005). The research purposively selected 3 credit personnel from the Rural Banks and Non- Banking financial institutions that provide micro credit to their clients. There is no cap on how many informants should make up a purposive sample, as long as the needed information is obtained (Bernard 2002). Seidler (1974) studied different sample sizes of informants selected purposively and found that at least five informants were needed for the data to be reliable. In order to ensure that, the data collected is less affected with biases. The study again conveniently selected ten (10) microcredit clients from each of the seven (7) financial institutions. The seven microfinance institutions were sampled based on the willingness of the institution to be part of the study.

### 3.7 Data Source and Type

The literature reviewed carried out before the field study set out the tone for designing questionnaire and interviews to acquire comprehensive information on the general overview of microfinance industry. This study used both primary and secondary data obtained from literature, the employees and clients of the institutions were used for the study. The primary data were acquired from the questionnaires and interviews issued to the employees and clients of the financial institutions. The secondary data were obtained from the reports, journal and database of the case study institutions.

### 3.8 Data Collection Method Adopted

Quantitativeis predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data (Stake, 1995). Qualitative therefore can refer to data other than words, such as pictures and video clips. Since this study was anchored on case study, it is necessary to collect both quantitative and qualitative data. Closed ended questionnaires and structured interviews were used to collect the data used.

### 3.9 Data Collection Tools

Two sets of questionnaires were designed; one for the institutions providing the microcredit and the other for the clients assessing the microcredit from those institutions. The questionnaire for the institutions was categorized into two parts. In all the research asked two questions to solicit information on the background of respondents. Then three questions were asked to solicit information on the businesses that benefit from the micro credit delivered by the rural banks and the microfinance institutions.

The questionnaire for the beneficiaries of the microcredit was sectioned into two. Two questions were asked to beseech background information. In addition, two questions were asked to obtain information with respect to the perception of clients (beneficiaries) on the impact of microfinance in alleviation of poverty. Three structured questions were set for both the institutions and the clients of the micro credit institutions to obtain information on the problems and the probable solution for microfinance industry.

### 3.10 Data collection methods

The questionnaire was disseminated and recovered in person so as to guarantee that the questionnaire was answered by the respondent intended, which would enhance response rate. The questionnaire was administered personally by the researcher through face-to-face and also some people were trained as research assistants to help in the data collection. In order to ensure high response rate the questionnaires and the interviews were structured in a way as to augur easy completion.

### 3.11 Data analysis

Before the data analysis, the data obtained from the field work were coded and organized into table to enable easy analysis. The selection of a statistical tool is dependent on the type of data collected; nominal, ordinal, interval or ratio. Quantitative analysis of data obtained from field research and literature was done using Statistical Package for Social Sciences (SPSS). Since the data collected were principally nominal and ordinal, graphs, descriptive and statistics were adopted in analyzing the data.

### 3.12Ethical consideration

All ethical issues that govern the conduct of academic research were observed in strict accordance with the best practices. This was an overt research where the researcher visited the organization understudy and the participants with the introductory letter from the university. The researcher was properly introduced to the participants and the reason for the visit, and purpose of research were well explained to the organization and the participants. This formal introduction inured cordiality and confidentiality between the participants and the researcher, a necessary requirement that led to the success of the research. The researcher made it clear to the participants that all materials and information sought were solely for academic purposes.

The researcher did not use any covert means to extract information from the participants or the organization hence no hidden electronic device was used in recording primary data from the participants. Participants were not exposed to danger or made subjects of ridicule during the interview sessions. The researcher did not force participants to answer questions they were not comfortable with or questions they did not have the mandate to speak on. The researcher did not foist interpretations and meanings onto the participants. Synopses were given to participants prior to the interview dates. This offered ample time for participants to prepare adequately for the interactions. No participant was rushed into any interview session. In most cases participants chose the ideal time for the interview. No participant was coerced or induced to partake in the research. The participants in their own free will took part in the research. The issues of confidentiality and anonymity did not suffice due to the non-controversial, non-sensitive nature of the research.

# CHAPTER FOUR

# RESULTS AND DISCUSSION

## 4.1 Introduction

The chapter was divided into two sections. The first part provides the demographic characteristics of the respondents in terms of education and working experience. The second section relates to the research questions which include the impact of microfinance on socio-economic wellbeing of respondents and challenges of accessing microcredit.

## 4.2 Background of the Respondents

The background of the respondent dealt with the respondents' level of education and working experience. This enabled the researcher to put the preceding discussion in context. Table 1and 2 indicate the highest educational level of respondents and their working experience for clients and the credit personnel respectively.

With regards to educational level, table 1 showed that majority of the respondents had basic education, thus, 55(79%) had highest education ranging from Middle/ BECE to Postgraduate degree while only 15 (21%) of the respondents did not have basic formal education. This result indicates that the responses provided by the respondents were reliable, since most of the respondent were able to read and understood the research questions posed.

Also table 1 disclosed that a greater number of the respondents, thus 59 (84%) had over six (6) years working experience while 11(16%) of the respondents had working experience less than six(6) years. This rich experience of the respondents enabled the research to solicit in-depth information from the respondents on the impact of microfinance on the socio-economic well-being of respondents.

**Table 1: Demographic characteristic of microcredit clients.**

| | Frequency | Percent |
|---|---|---|
| **Educational Qualification** | | |
| No formal education | 15 | 21.0 |
| Middle/BECE | 34 | 49.0 |
| SSSCE/WASSCE | 12 | 17.0 |
| First Degree | 7 | 10.0 |
| Post Graduate | 2 | 3.0 |
| **Working Experience** | | |
| Less than 6 years | 11 | 16.0 |
| 6-10 years | 26 | 37.0 |
| Above 10 years | 33 | 47.0 |

Source: Field survey, 2019.

With regards to table 2, majority of the respondents had basic education, thus, 17(81%) of the credit personnel had highest education ranging from first degree to postgraduate degree while 4 (19% ) of the respondents had diploma. This result indicates that the responses provided by the respondents were reliable, since the respondents were able to read and understood the research questions posed. Also table 2 disclosed that a greater number of the respondents, thus 16(76%) had over six(6) years working experience while 5(24%) of the respondents had working experience less than six(6) years. This rich experience of the respondents enabled the research to solicit in-depth information from the respondents on the challenges facing microcredit institutions in Nsawam.

**Table 2: Demographic characteristics of credit personnel**

| | Frequency | Percent |
|---|---|---|
| **Educational Qualification** | | |
| Diploma | 4 | 19.0 |
| First Degree | 12 | 57.0 |
| Post Graduate | 3 | 14.0 |
| Professional | 2 | 10.0 |
| **Working Experience** | | |
| Less than 6 years | 5 | 24.0 |
| 6-10 years | 7 | 33.0 |
| Above 10 years | 9 | 43.0 |

Source : Field survey,201

**4.3 Impact of microfinance on the economic wellbeing of women in Nsawam**

Based on literature, eight variables were selected to ascertain the views of respondents on the economic impact of microfinance on women. These variables were measured on five Likert scale ranging from 1-5. Table 5 show the result of the perception of respondents on the impact of microfinance on economic wellbeing of respondents.

In table 3 the researcher wanted to know how microfinance impacts on the economic wellbeing of respondents and which also happens to be the first question of the study. According to the analysis, none of the respondents perceived that microfinance has very low or low impact on savings, 14(20.0%) indicated that microfinance has moderate effect on saving, 36(51.4%) said that microfinance has high impact on savings whereas 20(28.6 %) indicated that microfinance has very high impact on microfinance.

With regards to microfinance impacting on creation of assets, none of the respondents indicated that microfinance has very low or low impact, 25(35.7%) of the respondents said that microfinance has moderate effect and 26(37.1%) and 19(27.1%) of the respondents indicated that microfinance has high and very high impact on asset creation respectively. This result indicates that microfinance has a high impact on creation of savings and asset among women, which would lead to creation of wealth.

In relation to microfinance creating employment, table 3 indicates that, none of the respondents said that microfinance has very low or low impact on employment creation, 5(7.1%) indicated that microfinance has moderate impact on employment creation, 29(41.4%) perceived that microfinance has high impact while 36(51.4%) said that microfinance has very high impact on employment creation.

In assessing the views of the respondents on the effect of microfinance on the standard of living of women, the study shows that, none of the respondents indicated that microfinance has very low or low or moderate impact on the standard of living, 11(15.7%) and 59(84.3%) indicated that microfinance has high and very high impact on standard of living of respondents respectively. This means that microfinance has the tendency to eradicate poverty among women.

With microfinance impacting on the respondents ability to pay for their wards education, table 3 depicts that, none of the respondents said microfinance has very low or low effect on the ability of respondents to finance their wards education, 18(25.7%) indicated that microfinance moderately impacts on the respondents ability to pay for their children's education, 27(38.6%) and 25(35.7%) of the respondents said that microfinance has high and very high impact on respondents' ability to pay for the education of their wards.

Finally, the study indicated that, 0 (0.0%) of the respondents indicated that microfinance has very low or low effect on profitability of respondents, 1(1.4%) also indicated that microfinance moderately impacts on profitability, 39(55.7%) of the respondents indicated that microfinance has high impact on profitability and 30(42.9%) specified that microfinance has high and very high impact on profitability of women. This means microfinance enhances the economic status of respondents, which enables them to pay for their bills especially their children's education.

With regards to the role of microfinance empowering the economic wellbeing of respondents, the result from the study revealed from the interview that, most of the respondents indicated "*microfinance has created employment, savings culture, enhance standard of living, business expansion, etc.*"

**Table 3: Impact of microfinance on the economic wellbeing of women**

| | Very Low | Low | Average | High | VeryHigh | Total (%) |
|---|---|---|---|---|---|---|
| Savings | 0 (0.0%) | 0(0.0%) | 14(20.0%) | 36(51.4%) | 20(28.6%) | 70(100%) |
| Creation of asset | 0(0.0%) | 0(0.0%) | 25(35.7%) | 26(37.1%) | 19(27.1%) | 70(100%) |
| Creation of Employment | 0(0.0%) | 0(0.0%) | 5(7.1%) | 29(41.4%) | 36(51.4%) | 70(100%) |
| Expansion of business | 0(0.0%) | 0(0.0%) | 15(21.4%) | 45(64.3%) | 10(14.3%) | 70(100%) |
| Standard of Living | 0(0.0%) | 0(0.0%) | 0(0.0%) | 11(15.7%) | 59(84.3%) | 70(100%) |
| Payment of Children Education | 0(0.0%) | 0(0.0%) | 18(25.7%) | 27(38.6%) | 25(35.7%) | 70(100%) |
| Profitability | 0(0.0%) | 0(0.0%) | 1(1.4%) | 39(55.7%) | 30(42.9%) | 70(100%) |

Source: Field survey, 2019

The first objective was to ascertain the perception of respondents on the impact of microfinance on economic wellbeing of women. The study disclosed that the respondents indicated microfinance has positive impact on all the economic wellbeing. The finding indicates that majority of the respondents perceived that microfinance has high impact on all the economic variables used for the study. This study concurs with Khan and Rahaman (2007) that people who access credit (microcredit) were able to increase their income and provided not only with the financial help to their families but also had positive impact on other factors of daily life. This study again confirms Mosely and Hulme (2008) and Copestake et al. (2001) that microcredit increases the incomes of debtors and asset creation position. Poverty bedeviling the citizenry, especially in the rural areas could be addressed through providing microcredit to them

**4.4 Role of microfinance in empowering women socially in Nsawam**

Seven variables were selected to ascertain the perception of respondents on how microfinance impact on the social wellbeing of women in Nsawam. These variables were measured on five Likert scale ranging from 1-5. Table 4 shows the responses given by respondents.

With regards to the analysis of the data to ascertain the impact of microfinance on the social wellbeing of respondents, table 4 indicates that none said that microfinance has very low impact on the decision making ability of respondents, 5(7.1%) indicated that microcredit has low impact on one's ability to make decision in the family, 13(18.6%) of the respondents indicated that microfinance has moderate impact on the decision making ability of respondents while 27(38.6%) and 25(35.7%) of the respondents specified that microfinance has high and very high respectively, impact on the decision making ability of women in the family.

Again, the study revealed that none of the respondents perceived that microcredit has very low or low impact on the managerial ability of women, 1(1.4%) of the respondents specified that microfinance has moderate impact on management prowess of women, 39(55.7%) indicated that managerial ability of respondents is impacted by microfinance while 30(42.9%) perceived that microfinance has very high impact on managerial capability of cocoa framers. This indicates that microfinance has the tendency to make one have positive influence on the family and as well as develop the capacity to manage her affairs well, which goes a long way to have positive consequences on the society as a whole.

In reference to microfinance enhances training of respondents, table 6 indicates that, none of the respondents said that microfinance has very low or low impact on the training of respondents, 14(20.0%) indicated that microfinance has moderate impact on the training of respondents, 36(51.4%) indicated that microfinance has high impact on managerial capability of women while 20(28.6%) said that microfinance has very high impact on the training of respondents. This suggests that microfinance institutions give training to the women who access the microcredit.

Table 4 show that, none of the respondents perceived that microfinance has very low or low impact on group management, 25(35.7%) said that microfinance impact moderately on group management prowess of respondents, 26(37.1%) held that microfinance has high impact on group management capability of women and 19(27.10%) indicated that microfinance impacts very high on the group management ability of respondents.

In assessing the views of the respondents on the effect of microfinance on the participation of women in democratic institutions , data analysis shows that, none of the respondents said that microfinance has very low or low impact on the participation of cocoa farmers in democratic institutions,5(7.1%) of the respondents perceived that microfinance moderately impacts on the cocoa framers engaging in democratic institution, 29(41.4%) and 36(51.4%) indicated that microfinance has high and very high impacts on the cocoa framers engaging in democratic institutions, respectively. This implies, microfinance enhances the social wellbeing of respondents.

Table (4) depicts that, none of the respondents said microfinance has very low or low effect on the ability of respondents to freely express opinion, 3(4.2%) indicated that microfinance moderately impacts on the respondents' freedom to express opinion, and 31(44.2%) and 36(51.4%) of the respondents said that microfinance has high and very high impact on respondents' ability to freely express opinion. This suggests that microfinance has the inclination to encourage women to be involved in decisions that affect them.

With regards to microfinance impacting on the independence of respondents, none of the respondents indicated that microfinance has very low or low effect on the independence of respondents, 25(35.7%) also indicated that microfinance moderately impacts on the independence of respondents, 30(42.9%) of the respondents perceived that microfinance has high impact on respondents independence and 15(21.4%) said that microfinance has very high impact on independence of women. The outcome indicates that, microfinance is perceived by respondents to have impact on the social wellbeing of women.

The study revealed from the interview that majority of the clients of the microfinance institutions indicated *"microcredit accessed from the microfinance institutions had given financial independence, they are involve in family decision making, given them managerial ability"*

**Table 4:Role of microfinance in empowering women socially in Nsawam**

| | Very Low | Low | Average | High | Very High | Total(%) |
|---|---|---|---|---|---|---|
| Decision making in the family | 0(0.0%) | 5(7.1%) | 13(18.6%) | 27(38.6%) | 25(35.7%) | 70(100%) |
| Managerial ability | 0(0.0%) | 0(0.0%) | 1(1.4%) | 39(55.7%) | 30(42.9%) | 70(100%) |
| Training | 0(0.0%) | 0(0.0%) | 14(20.0%) | 36(51.4%) | 20(28.6%) | 70(100%) |
| Group management | 0(0.0%) | 0(0.0%) | 25(35.7%) | 26(37.1%) | 19(27.1%) | 70(100%) |
| Participation in democratic institutions | 0(0.0%) | 0(0.0%) | 5(7.1%) | 29(41.4%) | 36(51.40%) | 70(100%) |
| Freedom to express opinion | 0(0.0%) | 0(0.0%) | 3(4.2%) | 31(44.2%) | 36(51.40%) | 70(100%) |
| Independence | 0(0.0%) | 0(0.0%) | 25(35.7%) | 30(42.9%) | 15(21.4%) | 70(100%) |

Source: Field survey,2019

The second objective was to assess the perception of respondents on impact of microfinance on social wellbeing of women. The outcome of the study divulges that the respondents perceived that microfinance has positive impact on the social wellbeing of women. This study confirms Goldberg (2005) that aside from microfinance increasing the income of clients, there were other social gains such increase in education of children, nutrition of babies and empowerment. Women who accessed microcredit were able to increase their income and provided not only with the financial help to their families but also had positive impact on other factors of daily life (Khan &Rahaman, 2007). It is obvious from various studies that, microfinance is an important tool for alleviating poverty in developing countries like Ghana.

## 4.5 Challenges facing microfinance institutions in Nsawam

This section of the study assesses the challenges facing the operation of microfinance in Nsawam. Table5 shows the responses given by respondents on challenges facing operation of microfinance.

In reference to table 5, 17(81%) of the respondents indicated that poor regulatory environment was one of the challenges facing microfinance institutions, while 4(19%) indicated that poor regulatory environment was not one of the challenges facing microfinance institutions. This result suggests that the majority of the respondents indicated that poor regulatory environment is one of the challenges facing microfinance institutions.

With regard to the challenges of microfinance operation, the study discloses that 20(95%) affirmed that, inadequate capacities on part of client hinders operation of microfinance while 1(5%) of the respondents indicated that inadequate capacities on part of client does not hinders operation of microfinance. The outcome of the study shows that inadequate capacities on part of client hinder operation of microfinance.

The research again revealed that, 19(90%) of the respondents specified that lack of linkages between formal and informal financial institutions was one of the challenges facing microfinance institutions; whereas 2(10%) indicated that lack of linkages between formal and informal financial institutions was not a challenge facing microfinance institutions. This result implies that a greater number of the respondents indicated that lack of linkages between formal and informal financial institutions is a challenge facing microfinance institutions.

The study revealed in table 5 that 18(86%) of the respondents indicated that the lack of specific set of criteria developed to categorize beneficiaries was a challenge facing microcredit institutions, while 3(14.%) indicated that lack of development of specific set of criteria to categorize beneficiaries was not a challenge facing microcredit institutions. This means that, majority of the respondents stated that lack of development of specific criteria to categorize microcredit clients in one of the problems facing the microcredit sector.

The study illustrates in table 5 that, 16(76%) of the respondents specified that inadequate skills and professionalism on the part of client adversely affects the operation of microfinance, while 5(24%) indicated that inadequate skills and professionalism on the part of client was not one of the effect facing the operation of microfinance. This means that, inadequate skills and professionalism on the part of client adversely affects the operation of microfinance.

The research further revealed that, 15(71%) of the respondents specified that high cost of credit hinders the operation of microcredit; whereas 6(29%) indicated that high cost of credit was not one of the challenges that hinder the operation of microcredit. This result implies that a greater number of the respondents indicated that high cost of credit hinders the operation of microcredit.

Finally, the research reveals that 17(81%) of the respondents indicated that lack of collateral on the part of clients was one of the problems facing microcredit institutions, however 4(19%) of the respondents stated that lack of collateral on the part of clients was not one of the problems facing microcredit institutions. The result show that, majority of the respondents indicated lack of collateral on the part of clients was one of the problems facing microcredit institutions.

The results from the interview indicate the following: Most of the employees of the microfinance institutions indicated that "*the challenges that confront the financial institution were high default rate, high cost of borrowing, inadequate capacity in the case of clients, lack of collateral on the part of clients,etc".*Other employees of the microfinance institutions divulged that "*the problem facing the microfinance sector was lack of accurate address system, which makes difficult trace clients which default.*

**Table 5: Challenges facing operation of microfinance**

| | Yes (%) | No (%) | Total(%) |
|---|---|---|---|
| Poor regulatory environment | 17(81%) | 4(19%) | 21(100%) |
| Inadequate capacities on part of client | 20(95%) | 1( 5%) | 21(100%) |
| Lack of linkages between formal and informal financial institutions | 19(90%) | 2(10%) | 21(100%) |
| No specific set of criteria developed to categorize beneficiaries | 18(86%) | 3(14%) | 21(100%) |
| Inadequate skills and professionalism on the part of client | 16(76%) | 5(24%) | 21(100%) |
| Inadequate capital | 15(71%) | 6(29%) | 21(100%) |
| Clients have no collateral | 17(81%) | 4(19% ) | 21(100%) |

Source: Field work, 2019

The third objective was to ascertain the challenges facing the microfinance institutions in Nsawam. The study disclosed that the challenges confronting microfinance institution were poor regulatory environment, inadequate capacities on part of client, lack of linkages between formal and informal financial institutions and there is no specific set of criteria developed to categorize beneficiaries. Others were inadequate skills and professionalism on the part of client, high cost of credit and clients have no collateral. The finding is in line with (Asiama&Osei, 2007) that , the constraints facing microfinance institutions are poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter provides a discussion of the results of the study.

## 5.2 Summary

The study delved into the role of microfinance on the empowerment of women in Nsawam. The research employed convenience sampling technique to select the sample from the population of women who access credit from three (3) rural banks and eleven (11) microfinance institutions in Nsawam. The sample size was 70 clients from two (2) rural banks and five (5) microfinance institutions and purposive sampling method used to select a sample of 21 from the credit department of the seven (7) microcredit institutions. Primary data on the role of microfinance on socio-economic wellbeing of respondents and challenges facing microcredit institutions were obtained from the respondents. In the case of analyzing the data obtained from the issuance of questionnaire, the researcher used Statistical Package for Social Science (SPSS) tools, such as tables.

The first objective was to assess how microfinance empowers women economically in Nsawam. Based on the analysis of data, the study unearthed that majority of the respondents stated that microfinance has positive impact on the economic wellbeing of women. That is, 90% of the respondents indicated that microfinance has high impact on saving capability, 92.8% of the respondents indicated that microfinance creates employment for women and 100% of the respondents indicated that microfinance enhances the standard of living of women. Others were expansion of businesses,ability to pay for children’s education and increases profit.

The second objective was to assess how microfinance empowers women socially in Nsawam.The result of the study divulged that the respondents indicated that microfinance affects the social wellbeing of women positively. That was seen in the areas, such as, 95.6% of the respondents stated that microfinance empowers women with the freedom to express opinion on the decision that affects them, 64.3% of the respondents stated that microfinance empowers women to be independence (could take personal decision without external influence), 74.3% of the respondents stated that microfinance empowers women to take part in decision making in the family and enhances managerial ability.

Finally, the third objective was to examine the challenges facing microfinance institutions. The finding of the study showed that, 81%, 95%, 90% and 86% of the respondents stated poor regulatory environment, inadequate capacities on part of client, lack of linkages between formal and informal financial institutions were the constraints facing microfinance institutions, respectively.

### 5.3 Conclusion

The first objective was to assess how microfinance empowers women economically in Nsawam.The microcredit accessed by respondents enabled them to meet their economic needs. This is shown from the finding that greater of the respondents concur that microfinance has positive impact on all the variables. Based on the findings it can be concluded that microfinance has a positive effect on the economic wellbeing of women in Nsawam.

The second objective was to assess how microfinance empowers women socially in Nsawam. The findings of the study revealed that majority of the respondents stated that microfinance improves the social wellbeing of women in Nsawam. Based on the findingsit can be concluded that microfinance has a positive effect on the social wellbeing of women in Nsawam.

The third objective was to examine the challenges facing microfinance institutions. The study further concluded from the findings that the bottlenecks of microfinance institutions in Nsawam encompasses poor regulatory environment, inadequate capacities on part of client, lack of linkages between formal and informal financial institutions and there is no specific set of criteria developed to categorize beneficiaries.

**5.4 Recommendations**

After the analysis, discussion and conclusion of finding, the following recommendations were advanced for stakeholders of the agricultural sector.

The Central Bank of Ghana should ensure that microfinance institutions are properly regulated and monitored, after they have been issued with license to operate so that women would have the confidence to transact business with them. In doing so, the women could contract loans from the microfinance institutions to expand businesses.

Secondly, The Government of Ghana, through Bank of Ghana should create effective linkage between microfinance and commercial banks so that credit worthiness could be assessed by microfinance institution before granting loans.

Thirdly, Microfinance institutions should fashion out innovative ways to provide credit to women. One of the techniques could be, granting loans to the women in groups, where by the market queen would be the guarantors and the same time the leaders of the groups to ensure that every member of the groups repays her loan. This would go a long way to increase the credit repayment capability of women, hence reduce default rate.

**5.5 Suggestion for Further Research**

The study covered women in Nsawam who access microcredit and how it impacts their socio-economic wellbeing, this study proposes that there should be a further study that would cover a whole region or district.

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## APPENDIX 1

## QUESTIONNAIRE CLIENTS OF MICROFINANCE

**As part of my study towards the award of Master Degree, it is a requirement to undertake a research in my area of study. The study is in respect of "Assessment of the Role of Microfinance on Women Empowerment in Nsawam"**

**I would be grateful if you could respond to the following questions. Please be assured that this is purely an academic exercise and all responses will be treated with utmost confidentiality and will be used for research purposes only.**

**SECTION A: Background information on Respondents**

1. **Highest educational qualifications**

   **No Formal Education [] BECE [] SSCE/WASSCE [] Diploma []**

   **Degree [] Post Graduate [] Professional []**

2. How long have you been in this business?

   Less 4 years [] 4-10 years [] Over 10 years []

**SECTION B: Perception of respondents on the impact of microfinance on socio-economic wellbeing of women**

This section (Questions 3- 4), examine the socio- economic impact of microfinance. This was done through issuing of questionnaires

**3.** The following table provides economic variables and how microfinance enhanced on them.

Please, indicate (by ticking √ ) an estimated enhanced of microfinance on each of the following variables, using the scale: 1= very low, 2= low, 3= average, 4= high, 5=very high.

| Economic Variables | Level of Enhancement |
|---|---|
| 1. Standard of Living | 1; 2; 3; 4; 5 |
| 2. Creation of employment | 1; 2; 3; 4; 5 |
| 3 .Creation of Asset | 1; 2; 3; 4; 5 |
| 4. Profitability | 1; 2; 3; 4; 5 |
| 5. Economic Empowerment | 1; 2; 3; 4; 5 |
| 6. Savings | 1; 2 3; 4; 5 |
| 7. Expansion of business | 1; 2; 3; 4; 5 |
| 8.Payment of children's education | 1; 2; 3; 4; 5 |

**4.** The following table provides social variables and how microfinance enhanced on them.

Please, indicate (by ticking √) an estimated enhanced of microfinance on each of the following variables, using the scale: 1= very low, 2= low, 3= average, 4= high, 5=very high.

| Social Variables | Level of enhancement |
|---|---|
| 1. Decision making in the family | 1; 2; 3; 4; 5 |
| 2. Managerial ability | 1; 2; 3; 4; 5 |
| 3. Training | 1; 2; 3; 4; 5 |

| | |
|---|---|
| 4. Group management skills | 1; 2; 3; 4; 5 |
| 5. Participation in democratic institutions | 1; 2; 3; 4; 5 |
| 6. Freedom to express opinion | 1; 2 3; 4; 5 |
| 7. Independence | 1; 2; 3; 4; 5 |

## APPENDIX2

## QUESTIONNAIRE FOR MICROFINANCE INSTITUTIONS

**As part of my study towards the award of Master Degree, it is a requirement to undertake a research in my area of study. The study is in respect of "Assessment of the Role of Microfinance on Women Empowerment in Nsawam"**

**I would be grateful if you could respond to the following questions. Please be assured that this is purely an academic exercise and all responses will be treated with utmost confidentiality and will be used for research purposes only.**

EMPLOYEES OF MICROFINANCE

**SECTION A: Background information on Respondents**

1. Highest educational qualifications

   BECE [] SSCE/WASSCE [] Diploma [] Degree [] Post Graduate []

   Professional []

2. How long have you worked if the organization?

   Less 4 years [] 4-10 years [] Over 10 years

**SECTION B: Challenges facing Microfinance Institutions**

3. What are the challenges of microfinance institutions?

   Please, indicate (by ticking √ ) 'Yes' or 'No' to show your agreement or disagreement to the following variables

| Variables | Yes | NO |
|---|---|---|
| 1. Inappropriate institutional arrangements | | |
| 2. Poor regulatory environment | | |
| 3. Inadequate capacities | | |
| 4. Poor institutional linkages | | |
| 5. No specific set of criteria developed to categorize beneficiaries | | |
| 6. Lack of linkages between formal and informal financial institutions | | |
| 7. Inadequate skills and professionalism | | |
| 8. Inadequate capital | | |
| 9. Clients have no collateral | | |
| 10. Poor address system | | |
| 11. High cost of capital | | |

## APPENDIX3

## INTERVIEWS

**As part of my study towards the award of Master Degree, it is a requirement to undertake a research in my area of study. The study is in respect of "Assessment of the Role of Microfinance on Women Empowerment in Nsawam"**

**I would be grateful if you could respond to the following questions. Please be assured that this is purely an academic exercise and all responses will be treated with utmost confidentiality and will be used for research purposes only.**

**Please answer the following questions**

1. In what way has microfinance improved your economic status?
2. In what way has microfinance improved your social wellbeing?
3. What are the challenges facing microfinance institutions?
4. In your view, what other issues do you think will be relevant for this study?