UNIVERSITY OF CAPE COAST

POVERTY REDUCTION EFFORTS IN GHANA: A STUDY OF THE SOCIAL INVESTMENT FUND MICROFINANCE PROGRAMME IN THE MFANTSEMAN MUNICIPALITY

BY

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DECLARATION

Candidate's Declaration

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

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

Name…………………………………………………………………………

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 University of Cape Coast.

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ABSTRACT

The Mfantseman Community Bank is one of the participating financial institutions through which the Social Investment Fund microfinance was channeled to the poor. Low recovery rate of loans had rather been a great challenge to the bank. However, while the bank complained of the non-payment of loans by beneficiaries, beneficiaries in turn criticised the bank of poor service delivery. Consequent to this, the study sought to examine the role of the Social Investment Fund's microfinance programme in poverty reduction in the Mfantseman Municipality.

Purposive and accidental sampling methods were used in the study and a descriptive study design was adopted. The study covered the SIF, the Mfantseman Community Bank, the Municipal Assembly and 39 beneficiary groups.

The study established that some best practices were undertaken in the operationalisation of the scheme thereby yielding benefits for the beneficiaries. This notwithstanding, there were several challenges that were encountered. The study found that microfinance is able to reduce poverty when well designed and implemented. A well designed scheme has a mix of components of training of beneficiaries, disbursing loans in a suitable season of production, and the use of a functional group among other things. It was recommended that beneficiaries needed to diligently apply the loans to their businesses in order to generate the expected income and be able to manage the incomes prudently to improve upon their livelihoods and therefore reduce poverty.

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DEDICATION

To my wife Mrs. Betty Osei Karikari and my children Petra Osei Karikari and Heinz Osei Karikari Junior.

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LIST OF ACRONYMS

AfDB	-	African Development Bank
BAAC	-	Bank for Agriculture and Agricultural Co-operative
BDS	-	Business Development Services
BKK	-	Badan Kredit Kacamatan
BRAC	-	Bangladesh Rural Advancement Committee
CBO	-	Community Based Organisation
EU	-	European Union
GDP	-	Gross Domestic Product
GHAMFIN	-	Ghana Microfinance Institutions Network
GLSS	-	Ghana Living Standards Survey
GPRS	-	Ghana Poverty Reduction Strategy
GSS	-	Ghana Statistical Service
HIPC	-	Highly Indebted Poor Country
IFAD	-	International Fund for Agricultural Development
IMF	-	International Monetary Fund
MASLOC	-	Microfinance and Small Loans Centre
MCB	-	Mfantseman Community Bank
MDGs	-	Millennium Development Goals
MFI	-	Micro-Finance Institution
MMA	-	Mfantseman Municipal Assembly
NBSSI	-	National Board for Small Scale Industries
OCISP	-	Oudomxay Community Initiative Support Project
OPEC	-	Organisation of Petroleum Exporting Countries
PAF	-	Poverty Alleviation Fund

PAMSCAD	-	Programme of Action to Mitigate the Social Cost of Adjustment
SIF	-	Social Investment Fund
SME	-	Small and Medium Enterprise
SPSS	-	Statistical Product for Service Solutions
TLM	-	Tanoba Laise Manekat
UNDP	-	United Nations Development Programme
UNOPS	-	United Nations Office for Project Services

CHAPTER ONE

INTRODUCTION

Background to the study

Poverty has been defined in terms of accessible resources or monetary income. The poor are then those who fall short of a certain amount of income threshold and/or certain amount of expenditure on consumption (one US dollar a day) termed the poverty line, and anyone who lives on less than one US dollar per day is considered poor (Philipp, 1999).

World Bank (2008) reports a remarkable reduction in poverty levels since the 1980s. According to the report, the number of poor people had fallen from 52 percent of the developing world's population in 1981 to 26 percent in 2005. The World Bank's most ambitious attempt ever to update its poverty estimates, suggests that while huge economic progress has been made around the world, many nations, including emerging juggernauts such as China, are not as rich as many had thought. It adds that, roughly 1 billion people, or 79 percent of the population in East Asia, mostly in China, were living in severe poverty in 1981. The World Bank estimated that the figure fell to 337 million, or 18 percent of the region’s population by 2005. No other region had come close to matching East Asia's success.

By comparison, while the percentage of people living in severe poverty in South Asia and Latin America has indeed come down, those reductions have not kept pace with population growth. As a result, there were actually more poor people living in those regions in 2005 than in the 1980s. The trend is worse in Sub-Saharan Africa. Here, the number of poor people jumped from 202 million in 1981 to 384 million in 2005.

According to the Ghana Living Standard Survey (GLSS) report by Ghana Statistical Service (2005), poverty indicators are showing a remarkable improvement, down to 28.5 percent in 2005 on average, from 39.39 percent in 1998. The GLSS also indicated that most of the poverty reduction was concentrated in the forest region (both urban and rural), while the northern savannah region, which was already by far the poorest of the ecological zone, appears to have been left behind in the national poverty reduction trend. By ecological zone, the rural savannah tops the list as the poorest zone in Ghana. This zone comprises Upper East, Upper West and Northern regions. The rural forest zone is also a poverty endemic area in Ghana. The major areas of poverty concentration in this zone are Central and Eastern regions. In the rural savannah and rural forest, more than 40 percent of their population was classified as poor in 1999 (Botchie & Ahadzie, 2004).

In relation to the above, one of the biggest challenges being faced by various governments in Ghana is the ability to chart a sustainable growth path that will not only create economic growth, but result in development, with growth fairly distributed to help reduce, if not eliminate poverty. Thus in Ghana, the overriding goal of economic development is the reduction of poverty.

Governments in Ghana in their efforts to reduce poverty have attracted support from the World Bank, International Monetary Fund (IMF) and other bilateral donor agencies. These supports have been applied to poverty reduction programmes such as the Mass Education Drive, Integrated Rural Development

Programme, the Operation Feed Yourself Programme and the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD), the Ghana Poverty Reduction Strategy (GPRS), and the Highly Indebted Poor Countries' (HIPC) initiative. These efforts yielded some appreciable results. According to the GLSS (Ghana Statistical Service (2005), poverty has fallen from 52 percent in 1991/92 to 28 percent in 2005/06.

As part of the continued efforts to lower poverty levels, several schemes have been established. One of such schemes is the Ghana Poverty Reduction Project (GPRP). The principal activity of the GPRP is the provision of resources to poor communities on a demand-driven basis through a Social Investment Fund (SIF). It is designed to target the roots of poverty through its activities in both rural and urban communities. The goal is to create new opportunities for communities living below the poverty line to improve their economic and social well-being. This will be accomplished through a variety of initiatives to support the sustainable development of social and economic infrastructure and services and micro-enterprise through support to micro-finance institutions. Special attention is paid to gender and equity issues and the needs of vulnerable groups.

The Social Investment Fund was established in 1998 through the effort of the Government of Ghana, African Development Bank (AfDB) and the United Nations Development Programme (UNDP) as a mechanism for channelling resources to the poor under the GPRP. The Organisation of Petroleum Exporting Countries (OPEC) Fund for International Development joined the financiers of the SIF in September, 2001 (GPRP/SIF, 2001).

As the principal component, the SIF has absorbed most of the GPRP resources to finance poverty reduction initiatives. For the purpose of this study, component II of the project, which is the Microfinance Capitalization, will be the focus. The microfinance capitalisation funds are used to support productive and income-generating activities through a revolving credit programme that makes resources available to indigenous microfinance institutions for on-lending to the poor with emphasis on women and other vulnerable groups.

Under a Memorandum of Understanding, a tripartite relationship among the Social Investment Fund, ARB APEX Bank and Partner Rural Banks or Microfinance Institutions (MFIs) is stipulated. The loans are directly credited from SIF to ARB APEX Bank for onward transfer to the MFIs. The loans to the MFIs attract interest rates equivalent to the Bank of Ghana prevailing prime rate. The MFIs then on-lend to beneficiaries at the Bank of Ghana's prevailing prime rate plus 10 percent. The MFIs are responsible for total loan recovery, and bear 100 percent risk of default.

To ensure that loan default is very minimal and manageable, the MFIs have set some eligibility criteria for beneficiaries to meet before they can access loans. They are:

- Target clients should reside in and carry out economic activities entirely or mostly within the designated SIF districts.
- Potential eligible groups should be provided with 3-4 weeks training in business management and marketing, including loan management by credit officers of the MFIs.
- Three elected executive members would manage the group account with the MFIs.
- Applications to the MFIs should be prepared with the help of credit officers from MFI's.

- Groups would benefit from a repeated loan after full payment of the earlier loan received.
- An individual in a group could be granted a loan of up to GH¢400 and up to GH¢3,000 for a joint activity group.

The SIF started its microfinance operation in the Mfantseman Municipality in 2003. Since its inception, SIF has disbursed funds to the Mfantseman Community Bank for on lending to income generating groups. As at the end of December 2007, a total of GH¢177,000.00 have been disbursed to the Mfantseman Community Bank and out of 300 groups that have applied for the loan facility, funds have been disbursed to 39 groups. This is made up of 691 clients in 23 communities in the Municipality (Mfantseman Community Bank, 2009).

Problem statement

The objective of the SIF microfinance is to support productive and income-generating activities through a revolving credit programme that makes resources constantly available to indigenous MFIs for on-lending to the poor with emphasis on women and other vulnerable groups. Recovery rate as at the end of the year 2009 stood at about 15.4 percent in the Mfantseman Community Bank. However, the Apex Bank had debited the Banks with the principal plus interest on the loan amount due for repayment on behalf of SIF. This implies that, SIF had taken the loan amount due for repayment back while the bank is yet to recover the disbursed amount from clients (Mfantseman Community Bank, 2009)

Low recovery rate of loans has been a great challenge to the Mfantseman Community Bank. However, while the Bank complains of the non-payment of loans by beneficiaries, beneficiaries in turn criticise the Bank for its high interest rate, small loan size, and short repayment period. Beneficiaries are also of the view that, the timing of the disbursement of loans is very poor and do not meet their critical time of business need (GPRP/SIF, 2006). These developments have negatively affected the cash flow of the Bank as funds are tied up in loans (Mfantseman Community Bank, 2009). In spite of the challenges the Bank is encountering, the loans offered are supposed to reduce the poverty of beneficiaries.

The study therefore sought to examine the operations of the SIF's microfinance programme with the Mfantseman Community Bank as a means of reducing poverty in the Mfantseman Municipality.

Objectives of the study

The study sought to examine the role of the Social Investment Fund's microfinance programme in poverty reduction in the Mfantseman Municipality.

The specific objectives of the study were to:

(i) Assess the extent to which the operations of the scheme are consistent with best practices.

(ii) Determine how the beneficiaries and partner microfinance institution have benefited from the scheme.

(iii) Examine the challenges associated with the operations of the scheme.

(iv) Make recommendations for improving the programme's implementation.

Research questions

Considering the objectives, the study sought answers to the following research questions:

(i) To what extent are the operations of the SIF microfinance scheme consistent with best practices?

(ii) How have the beneficiaries and MFI benefited from the scheme?

(iii) What challenges confront the operations of the scheme?

Scope of the study

The study covers the system designed by the Mfantseman Community Bank in collaboration with the SIF to implement the microfinance scheme. It also looks at the role of the Municipal Assembly in the implementation process. The study also looks at the effects of the scheme on the income and general livelihood of the beneficiaries. Finally, the study examines the gaps in the scheme and explores ways at improving its design and subsequent implementation.

Significance of the study

The study is relevant to contemporary economic development process. Firstly, it provides a catalogue of lessons and experiences on a model microfinance scheme for all stakeholders particularly SIF, Mfantseman Community Bank and the Municipal Assembly. Besides, it can serve as reference material for local and international development agencies and Non-governmental Organisations. The study also provides useful information that would guide the redesigning of subsequent schemes by SIF and the Bank. In addition, it serves as an input for policy formulation by local and internal actors on microfinance schemes. The study again deepens the approach of microfinance as a tool for poverty reduction in Ghana and useful document for agencies seeking to replicate the system in any part of the country and abroad. Finally, it is an addition to the stock of knowledge in the field of contemporary microfinance.

Organisation of the study

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

CHAPTER TWO

REVIEW OF LITERATURE

Introduction

In order to provide a solid basis for the study, literature review focuses on relevant issues such as the concept of poverty, poverty trends and approaches to poverty reduction, the definition and historical evolution of microfinancing and best practices. The review further examines the impact of microfinance on poverty and challenges confronting the operations of microfinance programmes.

The concept of poverty

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

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

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

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

Poverty trends and approaches to poverty reduction

According to the Multilateral Development Banks, (2000), non-income measures of poverty show large variations, but overall infant mortality, life expectancy and school enrolment rates in Africa are some of the worst in the world. The main causes of poverty in Africa are low levels of productivity and the use of outmoded production technology, especially in the agricultural sector, which provides most of the employment and a large share of the continent's Gross Domestic Product (GDP). Other reasons include high illiteracy and population growth rates, frequent natural disasters, inadequate infrastructure, and in some countries excessive dependence on a narrow range of commodities in the form of raw materials for export earnings.

Poverty is complex and multi-dimensional (political, economic, cultural, and ecological). As a result, solutions are multifaceted and interconnected. This situation has overtime resulted in the evolution of different approaches of dealing with poverty which consist of the orthodox view, sustainable livelihood approach and the rights–based approach (Chambers & Conway, 1992).

Chambers and Conway (1992) add that the orthodox view of poverty reduction sees the poor as being in need of the basic necessities of life. As such, the task of poverty reduction is to meet those basic needs. Reacting to the prevailing orthodox approach that saw the poor as passive recipients of external support is the sustainable livelihood approach. The premise of the livelihood approach is that, the poor do not just have needs, but they also have assets and try to earn a living in a variety of ways by using these assets. In the view of the proponents of the livelihood approach, the objective of a poverty reduction strategy should be to strengthen the ability of the poor to pursue their own livelihoods in a sustainable manner and to be active agents for changing their lives. Moser (1998) and Bebbington (1999) also refute the common perception that the poor have no assets. According to them, the poor possess a portfolio of assets. These assets, both tangible and intangible, may be small but they are important for the survival of the poor.

Osmani (2003) classifies the assets of the poor into categories as labour (the most important asset of the poor), the human capital of the poor, (the quality of health status, skills, and education) which determines the return to labour. The rights-based approach to poverty reduction focuses on the relevance of human rights to poverty reduction. It postulates that people have inalienable right to certain basic freedoms to avoid hunger, diseases, and illiteracy. It emphasizes that, poverty constitutes a denial of human rights. The foregoing discourse confirms that approaches to poverty reduction are varied just as the concept of poverty and microfinance is just one of the approaches that have been adopted over the years.

Microfinance

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

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

In principle, microfinance can relate to the chronic (non-destitute) poor and to the transitory poor in different ways. Lack of access to credit is readily understandable in terms of the absence of collateral that the poor cannot offer conventional financial institutions, in addition to the various complexities and high costs involved in dealing with large numbers of small, often illiterate borrowers. The poor have thus to rely on loans from either money lenders at high interest rates or friends and family, whose supply of funds is limited (World Bank, 2000). However, commercial banks appear not to have proven lending methodologies for the financing, and underestimate businesses' demand for credit because they have not developed techniques for overcoming high transaction costs and risks (Aryeetey, Baah-Nuakoh, Duggleby, Hettige and Steel, 1994; Opare, 2001).

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

Historical background of microfinance

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

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

The impact of microfinance on poverty

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

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

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

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

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

Best practices in the provision of microfinance

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

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

The social goal of sustainability is to maximise expected social values and sustainable organisations tend to improve welfare. Most unsustainable microfinance organisations inflict costs on the poor in excess of the gains enjoyed by the poor. Sustainability is not an end in itself but rather a means to the end of improved social welfare (Rhyne, 1998). In line with sustainability, the

Oudomxay Community Initiatives Support Project (OCISP, undated) reveals that savings-led projects perform better and their funds grow faster, which makes sustainability objectives easier to achieve. Sustainability needs to be widely discussed and understood among staff and clients, including market interest rates, all expenses and allowance for growth of funds. Full costs recovery calculations should be carefully explained to clients.

The OCISP however, cautions that in community-based schemes, delegation of authority and responsibility from project staff to local managers need to be gradual. Credit products need to match financial needs of clients and the requirements of their economic activity. Controls and systems must be put in place to ensure a successful scheme. These are transparent financial and accounting procedures, reporting and technical support to weak Community Based Organisations (CBOs). Other major findings on best practices by the OCISP put premium on staff capacity building, specialisation of the microfinance component, clear understanding of the process of establishing delivery mechanisms and financial products and awareness raising in local communities mostly through CBOs.

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

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

Datar, Epstesin and Yuthas (2008) explain that clients who receive business training increased their profits, reinvested more profit into their business and maintained better records than clients who did not receive the training. According to the authors, MFIs must provide far greater services than traditional financial institutions do. They must offer not only financial product and services, but also financial education, management training, value chain support and social services. They should track how their clients use their loans and how they allocate their profits. They should monitor poverty alleviation using measures of not just income, but also health, nutrition, housing and education. Sievers and Tomlinson (2006) studied BRAC of Bangladesh, providing microfinance and a wide range of socials services and business development services (BDS). According to their findings on the impact studies, clients could easily pay 100 percent because of additional profit generated due to additional support given by BRAC.

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

Ledgerwood (1999) asserts that the peer pressure model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The Grameen model acknowledges the creation of a favourable policy environment for a successful microfinance system (Wrenn, 2005). This policy hinges on a proper legal and regulatory framework that seeks to protect both lenders and borrowers. Well-designed legislation to ensure secured-transaction, and increased supply of credit at lowered interest rates, have produced gains that have been estimated at several percentage points of gross domestic product.

According to GPRP/SIF (2003), to have access to the loan, the target beneficiaries must meet some eligibility criteria. Target clients must be the productive poor, operating at very low levels of subsistence and productivity, and or are under employed. They must be potentially productive poor such as the youth who may have motivation and energy but lack opportunities and skills.

They must be the most vulnerable groups within the poor majority especially women and handicapped persons. A substantial number of clients must be women and/or handicapped persons. The target economic activities include farming, fishing, agricultural marketing/food security, cottage enterprises, trading and micro-services. The criteria also consider, scale of operation, size of loans and location of target beneficiaries.

In classifying best practices of MFIs, Werlin and Hastings (2006) identify products based on market research as one of the cardinal practices. Market research is used to identify bottlenecks in the local economy and strategies are developed to bring long-term assistance to clients. This may involve offering new products such as home improvement loans and micro leasing, and/or frequent revision of main financial products.

Steel and Webster (1989) state that the growth of SMEs has been hampered by the difficulty of financing working capital and new investment. Banks normally feel reluctant to lend to SMEs and this affects the supply of credit to SMEs. The non-availability of credit for small businesses prevents the poor from engaging in productive enterprises or expanding their businesses (Boon, 1989). Littlefield, Murdoch and Hashemi (2003) add that microcredit is a critical contextual factor with strong impact on the achievements of the Millennium Development Goals (MDG). Microcredit is unique among development interventions that can deliver social benefits on an ongoing, permanent basis and on a large scale.

Asiama (2007) underscores that although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women.

Challenges in microfinance operations

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

Servicing the clientele results in high transaction costs and limited opportunities for risk diversification due to lack of adequate rural physical and human infrastructures and asymmetric information, which often dissuade profit-oriented formal financial institutions from entering these markets (Yaron, 2004). In another dimension, Conteh and Braima (2003) state that reliance on donor grants encourages a “social lending” syndrome (e.g., providing subsidised loans), discourages savings mobilisation, or hinders the formation of desired values of thrift, self-reliance, and responsible borrowing among the target clientele. In this regard, Rahman (2004) acknowledges that strengthening MFIs’ institutional capacity will help diversify funding sources as commercial banks and investors gradually substitute donors as resource providers.

Kuroda (2007) explains that one of the biggest challenges to micro-finance is the enabling policy environment. For example, interest rate ceiling on small loans by banks remain a major issue in a number of countries, where those not served and underserved market for financial services for the poor is still massive. Many countries also continue to operate highly subsidised government microcredit programmes through state-owned financial and non-financial institutions. These programmes fail to adequately deliver financial services to the poor and undermine growth in commercial microfinance. Some countries have shown a tendency to introduce interest rate ceilings for microcredit, thus increasing policy risks and making the investment climate less attractive.

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

The economist, Keynes, believed that quantity of money played a key role in determining the rate of interest. He viewed the equilibrium interest rate as that rate which equates the supply of money with the demand for money. In a more fundamental sense, the equilibrium rate of interest is determined by factors affecting the supply of money and the money demanded. The modern view of interest rate is based on the imperfect information paradigm as explained by Hoff and Stiglitz (1990).

Operationalising interest rate in the context of the demand for credit by the SMEs shows the interplay of several factors. According to Funkor (2000), a key factor includes high treasury bill rates. The average Ghanaian business operator in the private sector views interest rate as a measure of the price paid by a borrower to a lender for the use of financial resources for a time interval.

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

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

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

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

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

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

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

A study into the effectiveness of persuasive pressure exerted on default borrowers in Edumfa in the Central Region of Ghana concluded that this can lead to improvement in recovery rates (Kamara & Micah, 2000). Comparing African countries to EU countries, it is discovered that the latter's commercial banks are closer to SMEs due to their wide network and proven experience in loan recovery. Close supervisory and monitoring relationship between financial institutions and clients enhance loan recovery. However, in the case of Ghana and other African countries, there is evidence of poor supervision and monitoring by banks (Aryeetey et al., 1994; Lassort & Clavier, 1989).

Loan misapplication and its consequences for loan repayment have been recognised by several authors as a challenge to microfinance. In this vein, several factors have been identified. For example, the delay in the release of funds to burrowers is identified as a major contributing factor to poor loan repayment.

This viewpoint was brought up vividly by Armah (2001) when she posed this question: “of what use is a loan to a woman who cultivates groundnuts after the farming season is over?” In a second instance, the percentage of the amount of loan granted tends to be lower than expected by the borrowers and this affects the working capital of SMEs (Armah, 2001; Aryeetey et al. 1994). Eventually, the low amount granted affects the returns and the repayment of loans. Andrews (2006) recommends that loan terms and conditions are adjusted to accommodate cyclical cash flow and bulky investments. Thus, successful institutions track the cash flow cycles of their clients more closely.

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

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

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

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

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

Gender based obstacles in microfinance and micro enterprise

As SIF target groups are mostly women and the vulnerable, it is appropriate to understand the constraints they encounter in accessing and utilizing microfinance. According to Johnson (undated), women lack access to financial services. There is also the perception of men as controllers of loan. Women undertake activities which produce low returns. Women are underpaid for equal work while they are locked in low paid jobs. There are also stereotypes of appropriate roles for women in the economy and unequal access and control of land, labour and inputs. At the domestic level, there is unequal control of joint household produce and income streams.

Parker (1996) argues that entrepreneurs who had the necessary training and business know-how actually grew their business. On the other hand, she notes that women-run businesses in Zambia showed the shortest life cycle, averaging exactly four years. This she attributed largely to the education and experience levels of the entrepreneur. This could be true in other environments as well. Sometimes women lack business acumen to grow their businesses and so access to credit may not necessarily produce exponential growth. According to Mutalima (2004), poor women inadvertently find themselves in the marketplace because of the immediate needs to provide a livelihood for the family with scanty preparation for their work. The business performance is therefore often dismal. In some cases, these businesses de-capitalise and hence start having difficulties paying the last instalments of the loan (Musonda, 2006).

According to Goetz and Gupta (1996), women have been seen redirecting loans to men right in front of their bank officers. Women also have been asked to join groups by their husbands. So women are often not the end user of the loans. The problem is difficult to measure or enforce, but it is one that the development community needs to be wary of.

Model for microfinance

According to Sengupta and Aubuchon (2008), the founder of the Grameen Bank, Muhammad Yunus developed the microfinance model to provide small loans to the extremely poor in an effort to reduce poverty in Bangladesh. The Grameen Bank in a particular locality is provided with a field manager and the necessary support staff. This team covers an operational area of 15 to 22 villages. The staff task is to visit the villages to familiarize themselves with the locality and identify the target people who are eligible for their project. Thereafter, a series of group formation and other development activities start. In the first stage, the team forms the groups of five borrowers among the selected people. They are then given training for electing their own president, secretary and how to arrange a meeting.

In one group, only two of the five members are eligible for taking the loan. They conduct group observation for a month to see if the other members are following the rules of the bank. If the first two borrowers repay the loan with interest within a fixed period of time, then other members of the group become eligible for the loan. The bank emphasises savings, which is used as a tool to prepare the borrowers to manage their credits. Additionally, five percent of the amount of every loan approved is set aside, which goes to a group fund, managed by that particular group to provide emergency and social loans to its members.

Conceptual framework of microfinance as poverty reduction strategy

The three essential elements of a microfinance scheme are identified as the beneficiary group, the MFI and the lending approach. The success of a microfinance scheme is dependent on the effectiveness of each element and the active interactions among the three elements. For the effectiveness of each beneficiary group, the prominent factor is the level of social relationships or interactions. These relationships are very important in achieving good repayment, financial sustainability and poverty reduction. The groups must be cohesive with a leadership, a constitution, attend regular meetings and keep records. They must be able to exert some influence on its members.

The lending approach must comprise training in group dynamics, group savings, counselling, monitoring, and peer monitoring. The approach must have clear policies on loan size, interest rate, time of disbursement, and time of repayment and these must be tailored to the needs of beneficiaries. Finally, the approach must also consider any implicit and explicit challenges that could derail the efforts towards success.

Considering the diversity of issues involved in operating a microfinance scheme, the MFI must have the capacity to design and implement a dynamic lending model that meets the orientation and economic environment of the beneficiaries. In this direction, there is the need for a well developed staff capacity and appropriate logistical support for the programme's implementation. The MFI must have the expertise with sufficient knowledge of good practices in microfinance. The institution must also have offices well distributed in their coverage area, and adequate staff to reach out to clients.

In summary, effective and well coordinated interaction among these elements would lead to increased income, loan repayment, and other social and economic benefits for both the MFIs and the beneficiary groups. The most significant benefit is increased income to the beneficiaries. A well managed increase in income has the potential of improving upon the livelihood of beneficiaries. They are able to provide for the basic needs of their families, expand their businesses and contribute to social commitments. Finally, poverty reduction is achieved when there is a sustained flow and efficient management of these benefits. The interactions among the elements are presented in Figure 1.

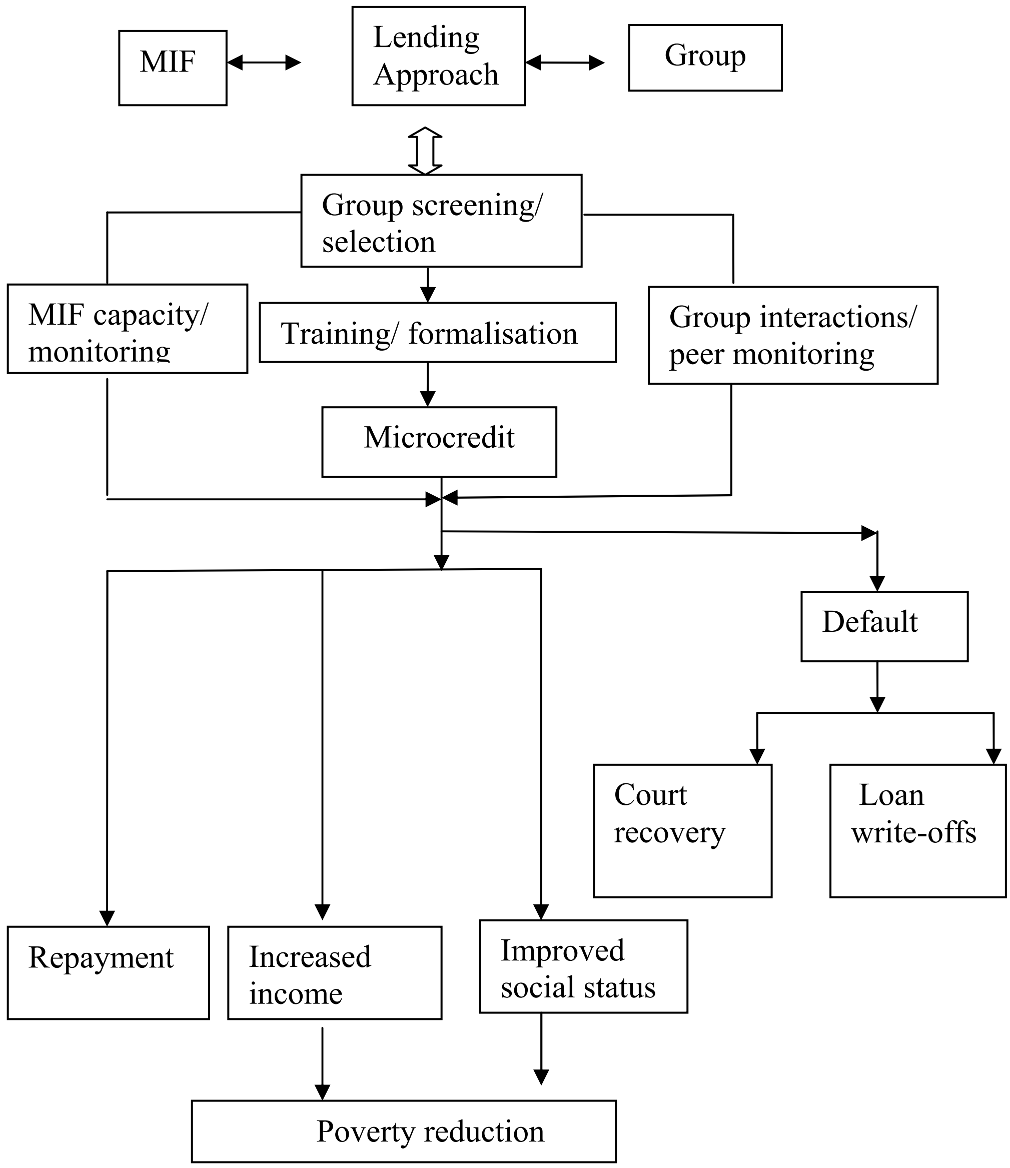

Figure 1: Model of microfinance programme

Source: Author’s construct, 2010

CHAPTER THREE

METHODOLOGY

Introduction

This chapter covers the description of the study area, study design, study population, sampling methods and data collection techniques and instruments used. It also covers the procedure for data processing and analysis.

Study area

According to the Mfantseman District Assembly (2006), Mfantseman Municipality is located along the Atlantic coastline of the Central Region of Ghana. It is bounded on the West and Northwest by Abura-Asebu-Kwamankese District, on the East by Gomoa District and on the South by the Atlantic Ocean. It covers an area of about 612 sq. km and its capital is Saltpond. According to the Ghana Statistical Service (2002), the Municipality has a population of 152,264 with an annual growth rate of 2.8 percent. The population is made up of 69,670 males and 82,594 females.

Farming and fishing constitute the main economic activities of the District, employing about three-quarters of the total workforce. Crops cultivated include cocoa, oil palm, pineapples, oranges, plantain and cocoyam. Fishing is done among the coastal communities. Trading is an important economic activity in the Mfantseman Municipality and it involves the sale of both agricultural and manufactured goods. One of the towns, Mankessim is reputed nationally as a centre of national commerce.

The poor in Mfantseman Municipality are subsistence farmers and fishermen about 55 percent of whom are aged. They also include child labourers, unemployed and the under-employed, women and children. The majority of the poor can be found in the deprived communities in the Municipality where basic socio-economic amenities of life needed for human development are absent.

The causes of poverty in Mfantseman Municipality are high rate of unemployment and inaccessible credit facilities. The people do not have access to available credit because of inadequate information on such credit facilities and high lending rates of between 30 percent and 40 percent being charged by the lending institutions. Other factors include non-existence of well-established associations, cooperatives or groups to serve as sources of loans and credit. It is also established that the Mfantseman Municipality has a comparatively high poverty trend partly due to depleted fish stocks, erratic rainfall, low soil fertility, high incidence of disease and high unemployment levels. It is estimated that, at least 60 percent of the total population of the district are poor and therefore cannot afford certain basic necessities like food, water, shelter, education, health care and other services (Mfantseman District Assembly, 2006).

Study design

A descriptive study design was used for the study. The descriptive survey described the best practices being adopted and the existing challenges associated with the operation of the SIF's microfinance scheme. According to Neuman (2000), descriptive research presents a picture of the specific details of a situation, social setting or relationship. It focuses on the “how” and “who” questions, describing how things are. A descriptive study provides detailed and highly accurate picture, can locate new data that contradict past data, and creates a set of categories or classify types. It also clarifies a sequence of steps or stages of a study, documents a casual process or mechanism and reports on the background or context of a situation.

The study described the poverty situation in the Municipality and the effects of the microfinance programme, unearthing possible challenges for appropriate measures to be taken to mitigate them. The research focused on the SIF microfinance programme in the municipality without contrasting with any other adjoining District and examined in-depth operational issues.

Study population

The study population covers a representative from SIF and Mfantseman Community Bank at Biriwa and the Municipal Assembly. The other category included all the 39 beneficiary groups as shown in Table 1, with a total population of 691 people dominated by female traders. The total study population was therefore 693.

Table 1: SIF Microfinance beneficiary groups and their location

No	Group Name	Location	Membership
1	Domfo Nyame	Essarkrom	18
2	Kae Wo Bofo	Essarkrom	10
3	Boafo Ye Na	Taide	10
4	God Will Provide	Pomadze	10

Table 1: Continued

No	Group Name	Location	Membership
5	Nyame Bekyere	Yamoransa	18
6	Glorious Jesus	Abandze	16
7	Oboadzie Nyame	Dwendwenbazde	12
8	Nyame Ye Ohene	Biriwa	17
9	Nyame Na Ose	Biriwa	15
10	Ewuradze Kasa	Biriwa	15
11	God is Great	Biriwa	15
12	By His Grace	Biriwa	10
13	Adom wo wim Asso.	Akwonsa Kokodo	12
14	Fadingo Traders Asso.	Mankessim	15
15	Ebenezer Traders	Mankessim	15
16	Edumadzen Mpontu	Ekumfi Ekotsi	15
17	Edumadzen Traders	Ekotsi	15
18	Nhyira Traders Asso.	Mankessim	15
19	Obatanpa Traders	Ekumfi Essuehyia	15
20	Ewuradze Nye Meguanhyefo	Abandze	30
21	New Generation Group	Yamoransa	20
22	Emmanuel Group	Abandze	30
23	Ebenezer Fishmongers	Biriwa	20
24	Adom Wo Wim	Kormantse	30
25	Nyame Na Ose	Heini	25
26	Tsetseku Fishing Group	Kormantse	20
27	The Bridge Pottery	Mankessim	20

Table 1: Continued

No	Group Name	Location	Membership
28	Gyaa Nkataby	Abeadze Dominase	13
29	Todebosin Mothers Club	Abeadze Dominase	15
30	Second Hand Clothe Dealers	Mankessim	20
31	Twere Nyame Asso.	Mankessim	15
32	Christ is King Asso.	Mankessim	21
33	Women's World Asso.	Mankessim	22
34	Material sellers Asso.	Mankessim	20
35	Afrete Women Asso.	Mankessim	20
36	Abonko Refund	Mankessim	22
37	Maranatha Traders Asso.	Mankessim	20
38	Aks Bethel Nyame Asso.	Mankessim	20
39	Mankessim Mboayaku	Mankessim	20
Total			691

Source: Field survey, 2009

Sample size and sampling procedure

The sample size for the study was 156, comprising 154 beneficiaries, one staff from the Bank and one staff from the SIF. The sample size was estimated by using a table developed by Krejcie and Morgan (1970) as cited in Sarantakos (1998). Given the target population, the required sample size was read from the table. A target population of 693 corresponds to a sample size of 248 from the table, based on a confidence level of 95 percent, and tolerable error level of five percent.

However, due to the constraint of resources such as time, money and the dispersed nature of beneficiaries, the sample size of 248 could not be covered. The empirical basis for this reduction is also consistent with Sarantakos (1998, p.158), who states that "if the population is homogeneous with respect to the study object, a small sample may suffice." Table 2 indicates the relative sample units drawn from each category of subjects.

Table 2: Population and relative sample units

Categories	Population	Sample units
Beneficiary Groups	691	154
Rural Bank (Credit Officer)	1	1
SIF (Zonal Officer)	1	1
Total	693	156

Source: Field survey, 2009

Purposive and accidental sampling methods were used in the study. Purposive sampling was used in the selection of one staff from the rural Bank in the capacity of Credit Officer and A staff from SIF in the capacity of Zonal Officer.

Accidental sampling was used in selecting individual beneficiaries from the 39 groups of beneficiaries. The beneficiaries were selected accidentally and for convenience at the time and place of data collection. The targets were loose groups which had members who worked outside their local communities. Some beneficiaries had also travelled out of the communities in pursuit of various businesses while others had relocated. As a result, mobilising them for data collection proved difficult. The data collectors therefore moved from one beneficiary community to the other and captured any beneficiary that they came across in the process.

Sources of data

Data was gathered from both primary and secondary sources. Primary data was from the target groups and representative of SIF. The method for collecting data was structured interview schedule (see Appendix A). A cross-section of issues for data collection was the amount of loans collected, interest rate, the usage of the loans, repayment, challenges encountered and suggestions for improvement of future disbursements.

The secondary data involved gathering information from already existing documents on the operations of microfinance from SIF office, and the MFI. The issues of concern were the amount of loan disbursed to beneficiaries, the level of repayment, and the percentage default of beneficiaries. They also included the human resource capacity, capital base and logistical strength of the MIF. Finally, the challenges encountered in the operationalisation of the microfinance scheme were captured. These formed the source of data for analysis.

Data collection instrument

The main instrument for collecting data was the use of structured interview schedule. The instrument had a preamble introducing the purpose of the study and soliciting the response of the subjects. It also promised confidentiality of all data gathered. It had four sections with themes classified according to the various specific objectives of the study. These sections were subdivided into open-ended items and formats consistent with issues to be addressed in the study.

The sub-divisions were also structured and tailored to the various stakeholders i.e. beneficiaries, Bank and SIF.

Section ‘A’ covered the background information on all respondents. These included the names of groups and organisations, year of establishment, location of groups, type of groups, number of membership, purpose for establishment and economic activity involved in. Section ‘B’ related to best practices of the scheme as exhibited by all stakeholders. Section ‘C’ assessed the benefits of the scheme to stakeholders. Section ‘D’ captured the challenges associated with the scheme and suggested interventions.

Pre-test

The instrument was pre-tested on a sample of respondents of the beneficiary groups. This was mainly to assess some challenges that were likely to arise during administration of the instrument. The responses gathered during the pre-test indicated that, the instrument was suitable for the study. The pre-testing of the questionnaire was undertaken on the 5th and 6th of May, 2009 at Biriwa. Two field assistances and the team leader were involved in the exercise.

Ethical issues

The researcher entered the beneficiary communities through Assembly Members and opinion leaders. Through these key stakeholders, the subjects were given information in advance on the proposed date and the rationale for the administration of the interview schedule. The subjects were not pressured in any way to participate in the research. They were also assured of confidentiality on information gathered from them. Interview schedules were also designed such that data gathered was not identified with specific individuals.

Actual field work

A five member team of data collectors were recruited and trained to administer the interview schedules. The team had a leader who monitored and supervised the task. The leader also undertook daily evaluation and quality assurance to ensure that responses from respondents were consistent with the structured interview schedule. The data collectors read the questions out and explained them to the respondents in order to solicit their responses. Reponses obtained were documented for analysis.

The communities that were visited included Mankessim, Biriwa, Saltpond, Abandze, Yamoransa, Essarkrom, and Kormantse. The team leader visited the targeted communities in advance, and met with identified Assembly Members, opinion leaders and group leaders who had information on the locations of beneficiaries. After explaining the rationale of the exercise to these stakeholders, the team leader identified taboo days and other convenient days for data collection. The appropriate days for the various communities were determined and documented. The data collectors followed up on the agreed days to collect data. The data collection exercise commenced on the 6th and ended on 19th of July, 2009. Subjects were visited in their homes and at their work places. The language used for communication was Fanti and an average of one hour was used in completing the instrument for one respondent.

Field challenges

Data collection was very tedious as beneficiary communities and individuals were located far apart. As a result, the collectors had to walk over long distances to reach the subjects. In the same vein, it was time consuming. Some beneficiaries fled their communities upon hearing the notices of the visit of data collectors. This was because they thought the exercise might lead to their arrest and prosecution as some of them had not repaid their loans.

The petty traders were visited on market days since these were the days they could be easily accessed. However, the subjects were busy attending to their wares and customers and making time to complete the interview schedule was a bother. Some beneficiaries had also relocated or travelled away from their communities therefore could not be reached for the exercise. The team of collectors had to visit several communities in order to meet its targeted sample size.

Data processing and analysis

The data collected during the study were edited, coded, and cleaned. After that the data were keyed into a computer programme- Statistical Product for Service Solutions (SPSS) version 11.01 for final processing and analysis. Descriptive statistics was used to analyse the data. The outputs were issues from respondents captured in the form of percentages, frequency distributions and figures for easy appreciation of explanations. The analysis of data and information generated was consistent with the objectives of the study. This formed the basis for narrations and discussions of issues in the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter covers discussions of results generated from data collected from the field on the Social Investment Fund microfinance programme. The discussions are based on the operations of the scheme in line with best practices, benefits enjoyed by beneficiaries and partner microfinance institution and challenges associated with the scheme. The first part of the chapter provides information on the background of respondents. The subsequent section addresses the specific objectives of the study with emphasis on the operations of the scheme and best practices, benefits to stakeholders, associated challenges and possible interventions. The study adopts a descriptive study design and a sample unit of 156.

Background of respondents

The respondents have diverse socio-economic backgrounds and are located across the municipality. A total of 154 (beneficiaries) sample units were reached in 21 groups out of the total of 39 groups which benefited from the scheme. Due to operational challenges in data collection as discussed under "field challenges" in the earlier sub-section, accidental and convenience sampling was adopted in the study. As a result, these 21 groups were the actual groups from which the study samples were obtained. Table 3 contains the names of groups from which the respondents were captured.

Table 3: Selected study groups and their location

No.	Name of Association	Community
1	Abonko Refund Association	Mankessim
2	Adom Wo Wim Association	Kormantse
3	Afrete Women's Association	Mankessim
4	Ask Bethel Nyame Association	Mankessim
5	Ebenezer Fishmongers Association	Biriwa
6	Christ is King Association	Mankessim
7	Glorious Jesus Association	Abandze
8	God is Great Association	Biriwa
9	New Generation Group	Yamoransa
10	Maranatha Traders Association	Mankessim
11	Material Sellers Association	Mankessim
12	Boafo Ye Na	Taido
13	Mmoayekuo	Mankessim
14	Nyame Ye Ohene	Biriwa
15	Nyame Bekyere	Yamoransa
16	Awuradze Nye Meguanwhefo	Abandze
17	Nhyira Traders Association	Mankessim
18	Second-hand Cloth Dealers	Mankessim
19	Twerenyame	Mankessim

Table 3: Continued

No.	Name of Association	Community
20	Women's World	Mankessim
21	God will Provide	Pomadze

Source: Field survey, 2009

According to data gathered during the study, the groups studied were formed over the period of 1983 to 2008. One group was formed in 1983, one in 2000, three in 2005, and five in 2006. In addition, one was formed in 2007, and 10 in 2008. From these findings, more of groups were formed in 2005. Also, all the beneficiaries covered were individual-activity groups. That is, the beneficiaries were members of the groups but operated individual businesses independent of each other member. However, they had group leaders and attended group meetings together.

The respondents were also classified according to gender. In all, 151 were females and three were males. The groups were therefore female dominated. In assessing the purpose for which the groups were formed, results generated indicated that, the primary objectives for all the groups were to access credit for their businesses. The secondary objectives for some of the groups were to seek the general welfare of their members.

Beneficiaries were involved in various economic activities. Out of the 154 people covered, 83.8 percent were in trading; 12.3 percent in agro-processing; three percent in marketing of raw agricultural products and one percent in other activities. From the foregoing results, the majority of the people were in trading. They traded in a variety of goods such as smoked fish, cosmetics, hair products, non-alcoholic and alcoholic beverages, provisions, and many other assorted consumer goods. In the case of agro-processing, the beneficiaries processed maize and fish into kenkey and smoked fish respectively. Those involved in the marketing of raw agricultural products dealt in items such as cassava, maize, rice, and plantain. They purchased the products from the surrounding forest areas and brought them to their local communities to sell. Table 4 captures the categories of activities and the percentages involved.

Table 4: Economic activities of beneficiaries

Economic activity	Frequency	Percentage
Trading	129	83.8
Agro-processing	19	12.2
Marketing of raw agric- products	5	3.0
Others	1	1.0
Total	154	100.0

Source: Field data, 2009

Operation of the scheme and best practices

The study examined the system the MFI adopted in implementing the scheme. The areas examined included training of beneficiaries, loan size, group savings before loan disbursement and the finance model used. Details of the findings are discussed in subsequent paragraphs.

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

The purpose of the training activities was to build the capacities of the beneficiaries to be able to operate their businesses efficiently and pay back the loans. This is consistent with Steel and Charitonenko's (2003) position that new paradigm recognises that financial services may need to be augmented by complementary investments that help clients build access and skills through training in both technical and management skills and supporting business development services.

Poudyal (2008) adds that it is possible to reach the lowest strata of poverty through financial services. However, special complementary services such as training, technical backstopping and insurances are required to avert the risk of the client. The training was also to ensure that the right framework and system were put in place by both the bank and beneficiaries to ensure the success of the microfinance scheme. The training was financed by the Bank.

In a different breadth, the Bank's staff also received training in various aspects of microfinance delivery. These were organised by development partners such as the United Nations Office for Project Services (UNOPS), African Development Bank (AfDB) and ARB/Apex Bank. Asiama (2007) reports that in order to promote the sub-sector the various stakeholders organise training programmes and activities with the view to upgrading the human capital in the industry.

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

Sievers and Tomlinson (2006) also had similar findings. The authors report on a case study of BRAC of Bangladesh providing microfinance and a wide range of other socials services and business development services (BDS). Their finding indicate that impact study shows that clients could easily pay 100 percent because of additional profit generated due to additional support given by BRAC. This contradicts the position of Karlan and Valdivia (2006) who argue that aside from losing focus on lending and savings activities, providing detail business advice may lead to higher default if the borrower then perceives the lender as partially responsible for any business changes that do not succeed.

There were no additional group development interventions to strengthen the beneficiary groups to remain united and active for the loan repayment. As a result, a number of the groups collapsed making the mobilisation or repayment a difficult task. Datar et al. (2008) recommend that MFIs must provide far greater services than traditional financial institutions do. They must offer not only financial products and services, but also financial education, management training, value chain support and social services.

The resources of the Mfantseman Community Bank were sufficient to solely finance a good training programme. The study also identified that the staff of the bank did not have very good knowledge of all the modules that were treated and could not address them comprehensively during the training programmes. A number of important modules like marketing, costing and pricing, customer relations, business ethics, entrepreneurship, business purpose and operation were not treated. This is consistent with Aryeetey et al.’s (1994) findings that most lending institutions do not have experienced personnel capable of developing innovative financial products suitable for SMEs. This also confirms Andrews (2006) findings on weak institutional capacity of MFIs with regard to poor governance, operating systems, and low staff knowledge and management skills.

The study appraised group savings before loan disbursement. Data available at the Mfantseman Community Bank showed that beneficiary groups were suppose to make savings before the loan was disbursed. From the records, the minimum and maximum group savings made were fifty Ghana Cedis (GH¢50.00) and seventy-five Ghana Cedis (GH¢75.00) respectively. The groups also saved for a minimum period of two months before the loans were given. The policy of the Mfantseman Community Bank required applicants to save for a minimum of six months prior to any request for loan. In line with sustainability, the Oudomxay Community Initiatives Support Project (OCISP, undated) reveals that savings-led projects perform better and their funds grow faster, which makes sustainability objectives easier to achieve. This is also consistent with the practice of Grameen Bank that uses savings as a tool to prepare the borrowers to manage their credit (Wrenn, 2005)

The SIF and the Mfantseman Community Bank made special arrangements to facilitate the access of the loan to the clients, which resulted in the reduction of the six month period to two months. According to the Mfantseman Community Bank, the purpose of savings before receipt of loan is to inculcate the habit of savings into the beneficiaries. It is also to mobilise funds for on-lending to clients. As a practice, the actual clients of the bank are those with bank accounts and the minimum required balance of savings. The culture of savings has been emphasised as one way for sustainability of the microfinance scheme.

This is in line with the findings of Sengupta and Aubuchon (2008) who note that Grameen Bank emphasises savings, which is used as a tool to prepare the borrowers to manage their credits. At the Grameen Bank, 5 percent of the amount of every loan approved is set aside, which goes to a group fund, managed by that particular group to provide emergency and social loans to its members. Hulme and Mosley (1996) argue that when the very poor are encouraged to save, their vulnerability is reduced and their poverty situation improves.

In assessing the views of beneficiaries on the amount applied for and the amount received, it was identified that some applicants were given loan amounts less than what they applied for. Table 5 provides information on the categories of loans applied for.

Table 5: Loan amount applied for by beneficiaries

Category GH	Frequency	Percent
100.00	7	4.5
200.00	10	6.5
250.00	1	0.6
300.00	7	4.5
400.00	6	3.9
500.00	70	45.5
600.00	3	1.9
800.00	1	0.6
1000.00	29	18.8
1400.00	1	0.6
1500.00	1	0.6
2000.00	6	3.9
2400.00	1	0.6
3000.00	3	1.9
3500.00	1	0.6
6000.00	1	0.6
10000.00	1	0.6
Invalid	5	3.2
Total	154	100.0

Source: Field survey, 2009

Table 6 provide information on the categories of amount of loans received. With reference to Table 5 and Table 6, 29 applicants requested for loan amount of GH¢1,000 each but only three applicants were served. On the other hand, 10 applicants requested for loan amount of GH¢ 200 each but 87 applicants were served. Based on this situation, beneficiaries perceived the loan amount as being inadequate as they have received amounts less than what they applied for.

Table 6: Loan amount received by beneficiaries

Category GH	Frequency	Percent
50.00	18	11.7
80.00	15	9.7
100.00	12	7.8
150.00	2	1.3
200.00	87	56.5
400.00	2	1.3
500.00	4	2.6
600.00	3	1.9
700.00	2	1.3
1000.00	3	1.9
1200.00	1	0.6
1300.00	2	1.3
1700.00	1	0.6
2000.00	1	0.6
Invalid	1	0.6
Total	154	100.0

Source: Field survey, 2009

The study revealed that out of 154 valid respondents, 143 indicated that the amount was inadequate while 11 indicated that the amount was adequate. The general opinion of beneficiaries indicated that, the amount was inadequate. A follow up investigation indicated that beneficiaries had this opinion of inadequacy because they actually needed more funds than they obtained as exhibited in Tables 5 and 6. This was so because the Bank and SIF had the operational policy which limited first time borrowers from accessing not more than a maximum of GH¢200.00. This then restricted many first time applicants to GH¢200.00. This is consistent with Murray and Boros (2002) findings on loan size. According to them, the characteristics of microfinance products include small amount of loans and clients who pay on time become eligible for repeat loans with higher amount.

Additional information from the Bank also underscored that the loan amounts for beneficiaries were determined based on the type of trade and their capacities to utilise and pay back. Beneficiaries who were into fish processing and trading in provisions received higher amounts than those who were into petty trading and food stuffs. In an interview with the official of SIF, it was said that there were credit ceilings to which categories of businesses could access. This is consistent with the OCISP (undated) stand that credit products need to match financial needs of clients and the requirements of their economic activity. The Bank would also not grant large amount of loans to first time beneficiaries who do not pass the credit worthiness criteria, which state that clients who pay on time are eligible for repeat loans with higher amounts. Secondly, petty trading and sale of raw agricultural products like pear and oranges may not require large amounts of loan.

Sometimes, beneficiaries would always request extra amounts in order to have some excess funds to take care of other domestic demands. If the loan does not meet this extra demand, then it is perceived as inadequate by beneficiaries. These account for the responses of inadequacy by beneficiaries. The OCISP (undated) emphasises that credit products need to match financial needs of clients and the requirements of their economic activity. However, the real situation is often different. Loans given do fall below businesses requirement and do not yield the desired results in their businesses. As such, on the excuses of amount inadequacy, beneficiaries tend to divert the loans into other activities such as payment of school fees, rent and bills. Yaron (1994) posited among many things that the worth of a microfinance facility to users is commonly proxied by the size of the loan. Deriving from the foregoing discussions, the worth of the loan to the beneficiaries is low.

The study reviewed the amount beneficiaries paid back per month and responses as presented in Table 7. Out of the 154 beneficiaries studied, 153 responded while one did not. Fifty-three beneficiaries paid GH¢40.00 per month. The maximum amount paid per month was GH¢300.00 and minimum amount was GH¢5.00. Other details of monthly payments are provided in the table.

Table 7: Monthly repayment by beneficiaries

Monthly repayment (GH□)	Frequency	Percent
5.00	6	3.9
8.00	2	1.3
10.00	14	9.1
15.00	2	1.3
16.00	8	5.2
20.00	48	31.2

Table 7: Continued

Monthly repayment (GH□)	Frequency	Percent
25.00	1	0.6
30.00	1	0.6
32.00	1	0.6
40.00	53	34.4
50.00	4	2.6
70.00	1	0.6
80.00	2	1.3
100.00	1	0.6
120.00	2	1.3
200.00	3	1.9
210.00	1	0.6
250.00	2	1.3
300.00	1	0.6
Invalid	1	0.6
Total	154	100.0

Source: Field survey, 2009

In examining the period of repayment by beneficiaries, out of the 154 respondents, one beneficiary paid within three months, 82 paid within six months and 38 paid within one year as presented in Table 8.

Table 8: Loan repayment period

Repayment period (Months)	Frequency	Percent
16	1	0.6
12	38	24.7
8	31	20.1
6	82	53.2
4	1	0.6
3	1	0.6
Total	154	100.0

Source: Field survey, 2009

The stipulated period for repayment as given by the Bank was eight months. This conforms to Murray and Boros' (2002) study that microfinance offer short term loans (usually up to the term of one year). Inferring from the results in Table 8, 39 (25.3%) beneficiaries delayed in repayment of the loan.

The finance model used for the programme was examined. The Bank used the Group Solidarity Model to advance loan to the beneficiaries (Mfantseman Community Bank, 2009). With this model, the group members served as collateral for the loan. They mobilised their members to receive and repay the loan. The beneficiaries were put in groups of a minimum of 10 and a maximum of 20 members. Each group had leaders who were responsible for ensuring that the groups functioned effectively. The leaders comprised the chairperson, secretary, financial secretary and treasurer. The leaders were responsible for inviting members to meetings and moderating at the meetings. It was their duty to ensure that beneficiaries had gathered on repayment days in readiness for the credit officers who came to collect the monies. The leaders could also collect the monies due for repayment from the members and go to pay at the bank. Group payment was supposed to be done weekly.

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

The role of the Municipal Assembly in identification and appraisal of the group was studied. The Municipal Assembly was a key actor in the operation of the scheme. It was involved in the preparatory activities leading to the identification of the beneficiary groups. It was part of an outreach team that was formed to provide information to prospective beneficiaries on the details of the loan. The outreach team comprised the representative of the Municipal Assembly, Community Development Officer/ District Cooperative Officer/ National Board for Small Scale Industries Officer; SIF Project Officer and Credit Officer from the participating MFI. The team visited the various target communities and groups and informed them about the SIF microfinance scheme. The team also outlined the requirements that the beneficiaries had to meet in order to access the loans. Thereafter, the prospective beneficiaries were invited to submit applications to the Bank for appraisal and recommendations.

Benefits from the loan

One critical focus of the study was to determine the benefits of the loan in the lives of beneficiaries. The factors considered included income of beneficiaries, their social activities, capital mobilisation by Bank and staff capacity building.

Information gathered from beneficiaries indicated that some beneficiaries had realised increases in income. Income levels of beneficiaries before loan was compared to income levels after the utilisation of the loan. From the statistics, the average income of beneficiaries before the loan was GH¢355.04 and the average income after utilisation of the loan was GH¢580.89. Judging from this background, the income of some beneficiaries had improved. This compared favourably with Mayoux's (2001) view as he acknowledges that credit is making a significant contribution to increasing incomes of the better-off poor, including women. Dichter (1999) also agrees that microfinance is a tool for poverty reduction. While arguing that the record of MFIs in microfinance is generally well below expectation, he does concede some positive impacts do occur.

However, how the increased income is re-invested and managed to ensure sustained growth in their businesses thereby producing a uniform cash flow for repayment over the period remained a challenge. Traders often assume their initial incomes as profits and spend it on personal items like clothes, footwear, hospital bills, electricity bills and funerals. In this vein, they deprive the business of adequate working capital needed for subsequent re-investment to stimulate the growth. Businesses therefore got cash strap and are unable to operate to make regular loan repayments.

On the issue of increases in income, Wright (1999) sounds a note of caution and emphasises the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. There is a significant difference between increasing income and reducing poverty. By increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends on what the poor do with this money. Sometimes it is gambled away or spent on alcohol. So, focusing solely on increasing incomes is not enough. Yet, Asiama (2007) underscores that although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women.

Social activities that beneficiaries spent their monies on were investigated. Beneficiaries were asked to indicate whether the loan has had a positive effect on their social livelihood or not. The indicators for social livelihood were children's school fees, hospital bills, feeding the family, electricity bills, funeral expenses and house rehabilitation. Out of 154 target beneficiaries, 152 provided responses while two did not. Table 9 gives the details of the responses.

Table 9: Benefits of credit on social livelihoods

Item	Frequency	Percentage
Children’s school fees	146	96.1
Hospital bills	146	96.1
Feeding of family	149	98.0
Electricity bills	140	92.1
Funeral expenses	140	92.1
Rehabilitation of house	45	29.6

Source: Field data, 2009

From Table 9, over 90 percent of beneficiaries report that the benefits of the credit were applied on various social activities such as paying of school fees, feeding of families and electricity bills. These findings conform to Littlefield, Murduch and Hashemi’s (2003) statement that "microcredit is a critical contextual factor with strong impact on the achievements of the MDGs. Microcredit is unique among development interventions that can deliver social benefits on an ongoing, permanent basis and on a large scale". Microfinance services contribute to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies (Kiva, undated; Mayoux, 2001).

The study explored the microfinance scheme as a means of mobilising capital for businesses in the municipality. Aside loans from banks, Susu schemes and MASLOC, there were no identifiable loan products in the Municipality. Capital is one of the main challenges that confront businesses in the Municipality. This confirms the stand by Boon (1989) that the non-availability of credit for small businesses prevents them from engaging in productive enterprises or expanding their businesses. This stand is corroborated by Steel and Webster

(1989) that the growth of SMEs has been hampered by the difficulty of financing working capital and new investment. Banks normally feel reluctant to lend to SMEs and this affects the supply of credit to SMEs.

The SIF microfinance scheme was therefore a remarkable source of credit for businesses in the Municipality. Thus, the SIF microfinance programme enabled the Bank to mobilise funds to serve businesses and the poor in the Municipality. Reports obtained from the Bank puts the funds obtained from SIF at GH¢177,000.00. This amount was on-lent to 39 income generating groups (Mfantseman Community Bank, 2009).

The study explored the staff capacity as a component of the microfinance programme. It revealed that, the Bank's staff had gone through training programmes to build their capacity to manage the scheme. As a result, the staff had an enhanced capacity to manage, sustain and replicate the scheme. The capacity building support to MFIs was at three levels of institutional development. These were governance and leadership, management, and operations. The specific requirement for capacity building at each level was identified through prior institutional needs assessment, which was conducted at the initial stage of the microfinance component implementation. The broad strategies for capacity building of the MFIs included training for board members, training for management and operations staff, and exposure to good practices in microfinance. It also included technical assistance on policy areas, programme implementation, management and quality control of microfinance operations.

This is consistent with the report of Asiama (2007) that in order to promote the sub-sector, the various stakeholders organize training programmes and activities with the view to upgrading the human capital in the industry. The

OCISP puts premium on staff capacity building, specialization of the microfinance component, clear understanding of the process of establishing delivery mechanisms and financial products.

Challenges of the SIF micro-finance programme

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

At time of the survey, it was estimated that the recovery rate was 15.4 percent. The Bank had disbursed GH¢177,000.00 and had been able to recover GH¢27,334.00. This was a big challenge to the Bank because the ARP Apex Bank regularly debited the Bank's account with the portion of the loan due for repayment. Records available at the time of data collection indicated that, the Apex Bank had debited the account of the Bank with an amount of GH¢75,000.00 and this had greatly affected the liquidity of the Bank (Mfantseman Community Bank, 2009).

In investigating whether beneficiaries had constraints in securing the loan, out of the 154 respondents, 110 people responded that they had difficulties securing the loan while 39 expressed they did not have difficulties, with five beneficiaries being indifferent. Respondents who had difficulties provided reasons for this experience. These included long processing period, several visits to the bank, extensive group meetings and a period of training before credit was given. Prospective beneficiaries also had to go through formalisation procedures before they had access to credit. These practices are inconsistent with tenets of microfinance as reported by Murray and Boros (2002). They opine that microfinance procedures are simple and processing periods are short.

Reacting to the foregoing findings, the Bank indicated that beneficiaries first had to be trained before the credit was given. Again, they needed to go through some formalities to ensure that there were adequate data to track and monitor their activities. These were routine operational procedures designed to ensure that the loans were given to well organised and prepared groups. Aside that it took some time for the loan to be processed and released to the Bank (from the SIF to the Apex Bank) for on-lending to the beneficiaries. These accounted for the delays identified. Figure 2 depicts constraints to beneficiaries in securing loans.

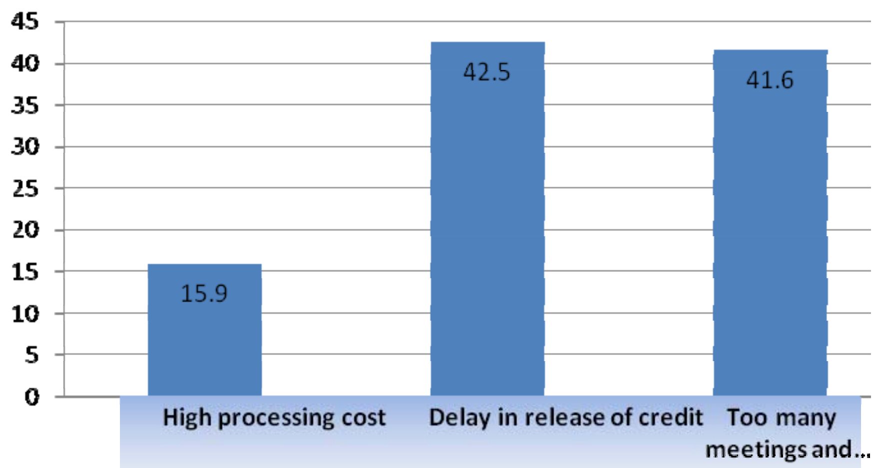

Figure 2: Constraints in securing loan

Source: Field data, 2009

As depicted in Figure 2, 42.5 percent of the sampled beneficiaries complained about the delay in the release of the credit, 41.6 percent were worried about the several meetings and followed-ups, and 15.9 percent were unhappy about the high processing cost. As a policy of the Bank, a minimum of six months was required for a client of the bank to operate and get certified to apply for loan. With the SIF microfinance scheme, the period was reduced to two months. These procedures are inconsistent with practices for quality service delivery as indicated by Yaron (1994). Yaron (1994) reported on one key factor that contributed to the success stories of Grameen Bank in Bangladesh, BAAC in Thailand and BKK in Indonesia. The time of submission of application and disbursement of loans varied between one and two weeks for the first time borrowers and in the case of repeat borrowers, the period was just about a day.

Beneficiaries paid some fees for the processing of their applications. This money was used by their leaders to finance activities such as transportation to the banks for administrative reasons and other secretarial services accessed by the leaders in preparation for the loan. The Bank also charged some processing fee. In agreement with the SIF, the Bank imputed the fees into the interest rates for the loans. According to the SIF, one percent of the interest rate was allotted for the processing cost. These factors contributed to the high processing cost reported by beneficiaries.

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

The study further investigated whether beneficiaries had problems paying back the loans. Out of the 154 responses obtained, 110 said they had problems paying back the loan, while 39 said they did not have problems paying back the loan. As shown in Figure 3, the problems identified with the loan repayment were poor sales of products (59.5%), misapplication of loan (29.5%), and husbands taking part of the loan (5.4%). A number of businesses were not generating sufficient revenue to pay back the loans. Loan repayment was therefore a challenge for these businesses.

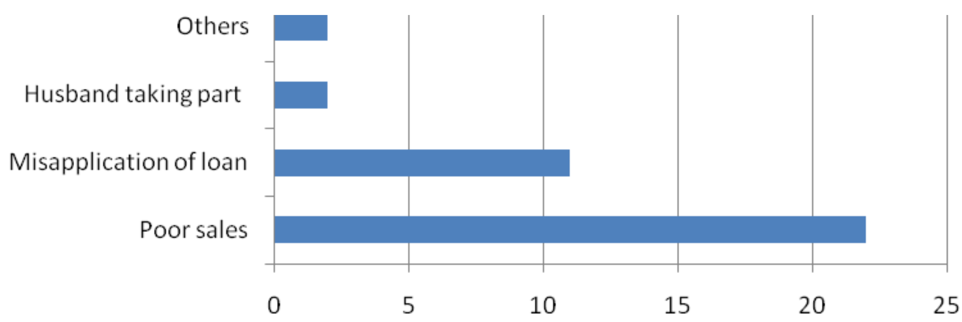

Figure 3: Challenges in loan repayment

Source: Field data, 2009

The beneficiaries complained that sales were slow and low. As a result, some entrepreneurs ventured into other businesses in a bid to diversify and generate additional sales to pay the loan. This is similar to the work of Parker (1996). She notes that women-run businesses in Zambia showed the shortest life cycle, averaging exactly four years. Sometimes women lack business acumen to grow their businesses and so access to credit may not necessarily produce exponential growth. In some cases, studies have shown that these businesses de-capitalise and hence start having difficulties paying the last instalments of the loan (Musonda 2006).

In certain cases, husbands negotiated and collected the loans from their wives with the promise to use them and repay but reneged on the promise, leaving the burden of repayment on the women. This conforms to Goetz and Gupta's (1996) report that women have been seen redirecting loans to men right in front of their Bank officers. Women also have been asked to join groups by their husbands. So, women are often not the end user of the loans.

The time of disbursement of a loan facility is crucial to how useful the loan is applied. Loan facility is most useful to fish processors when the facility is given in August and September each year. Crop farmers require their loans at the beginning of the farming season which is February to March each year. The survey sought to establish whether the loan was disbursed at the right time. The results indicated that 7.8 percent of beneficiaries were very happy about the time of disbursement; 64.3 percent of beneficiaries were happy; 22.7 percent were not happy, and 2.6 percent said the time was not good at all. The loan was disbursed in the third quarter of the year 2007. As majority of beneficiaries were traders and fish mongers, the time was very suitable. This was fish harvesting season as well as close to the Christmas. Consequently, traders were able to trade in all kinds of goods for the Christmas season. This finding conforms to Armah's (2001) position on timely loan disbursement. The author argues that "of what use is a loan to a woman who cultivates groundnuts after the farming season is over?"

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

The study examined the role of interest rate in the success of the scheme. The interest rate was 25 percent per annum. At the time, the general rate for the Mfantseman Community Bank was 32 percent per annum. Beneficiaries were content with the rate of interest. Out of the 154 respondents, 11 were of the opinion that the rate was very good, 130 said it was good; four said it was bad and five said it was very bad. Majority of beneficiaries felt that the interest rate was appropriate. This finding is consistent with the work of Stiglitz and Weiss (1981) which recommends low interest rates for microfinance. According to them, high interest rates lead to adverse selection of loan seekers that affect loan repayment.

The SIF negotiated with the Bank to keep the rate lower than the prevailing market rates. This was to enable the poor afford to borrow, invest productively and pay back. This underscores the position of Wrenn (2005) that, well-designed legislation to ensure secured transaction, and increased supply of credit at lowered interest rates would produce gains estimated at several percentage points of gross domestic product.

Reviewing the time of repayment of the loans, the study examined the suitability of the repayment time to the beneficiaries. The Bank offered beneficiaries a two month moratorium and six months for repayment. From the 154 subjects, 150 responded while four did not. Out of the 150 respondents, 11 percent indicated that the time of repayment was very appropriate for their businesses and 70 percent indicated it was just good. However, 13 percent indicated the period was bad and 3.2 percent indicated it was very bad. The high responses in favour of the suitability of repayment time endorse the schedule designed by the Bank for the beneficiaries to repay the loan. This implied that beneficiaries had the space to invest to yield income to repay their loan. Thus, loan repayment was flexible and tailored to the needs of beneficiaries. This finding affirms the work of Murray and Borod (2002). In their literature on characteristics of microfinance, they state that microfinance offer short term loans (usually up to the term of one year) and payment schedules are in frequent instalments.

The capacity of the institution to implement the scheme was assessed. The Bank had five branches across the Municipality with its Head Office in Biriwa. It had six computers, six teller machines, six money safes, three cars, and one motor bike. Inferring from these statistics, the Bank is constrained with transportation considering the number of motor bikes that were available viz-a-viz the number of credit officers who have to use them for their routine operations. The Bank had six credit officers who were in charge of the scheme.

Results generated from the study indicated that the credit officers focused their activities on loan disbursement and mobilisation of repayment. They did not provide business advisory services to address the operational needs of beneficiaries in order to facilitate the repayment of the loan. They did not monitor their group meetings to offer support aimed at strengthening the groups. Thus, the groups were left on their own after the loan disbursement. This was identified as one of the causes to poor loan repayment. This finding confirms the position of Datar et al.'s (2008). They acknowledged that some MFIs know that increasing access to financial service is not enough to alleviate indigenes but, think that providing other services and product is too far from their mission or too challenging and costly. So, they rightly believe that their core competence is banking services. Therefore, most MFIs leave education, training, value chain support, and so forth to other organisations and instead stick to their institution-centred niches.

The study researched the beneficiary population and the location of their communities in the Municipality. The beneficiary communities were dispersed. To reach them, there was the need to travel over long distances. According to the bank, this contributed to high operational cost. For example, a community like Ekumfi Essuehyia is about 40 km from the Bank and costs a lot of time and fuel to get there. The dispersed nature of settlements was therefore seen as one of the challenges confronting the operations of the scheme in the Municipality. This conforms to IFAD's report (2006) on "Emerging Lessons in Agricultural Microfinance: Selected Case Studies", that state delivering small-scale loans and savings mechanisms can be particularly challenging in areas of low population density where the distance between clients is great and transportation network are often poor.

One of the focus areas of the study was to appraise the essence of capital in the micro-finance scheme. According to the Bank, 50 groups were qualified to receive the credit. Out of this number, 39 groups were able to access. The Bank acknowledged that, its collaboration with the SIF was very helpful in mobilising capital to serve these clients. There were adequate funds available at SIF to cover all the groups. The Bank only had to make the request to obtain the needed funds to serve all the clients.

In reaction to why the Bank only served 39 out of the 50 groups, information obtained implied that, after screening the applicants, 11 groups did not pass the eligibility criteria. According to SIF (2003), to access the loan, the target beneficiaries must meet some eligibility criteria. Target clients must be the productive poor operating at very low levels of subsistence and productivity or under employed. They must be potentially productive poor such as the youth who may have motivation and energy but lack opportunities and skills. They must be most vulnerable groups within the poor majority especially women and handicapped persons. A substantial number of clients must be women and or handicapped persons. The economic activities considered include farming, fishing, agricultural marketing/food security, cottage enterprises, trading and micro-services. The criteria also considers, scale of operation, size of loans and location of target beneficiaries.

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

The business knowledge and skills of beneficiaries in relation to the effective use of the loan was investigated. The study identified low level of business knowledge and skills as challenges of microfinance operations in the

Municipality. As reported by the Bank, some beneficiaries lacked adequate knowledge on sound basic business principles needed for the effective use of credit. Good business practices and ethics such as record keeping, separating business issues from private affairs, business planning and marketing were not well practiced by beneficiaries and they were informal in their operations. Beneficiaries were given training on some of these concepts of management in the orientation preceding the disbursement of the loan, yet they did not put the knowledge into practice.

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

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

The study researched on how seasonality of products influenced the microfinance scheme. It was identified that most of the beneficiaries were into processing and trading of fish and agricultural products. These products were seasonal in nature and for these reasons, the cash flow to these businesses were irregular. For instance, good fish harvest and processing in a particular month of the year. After this month, many of the fish based economic enterprises became distressed. Similarly, businesses in the sale of foodstuffs also had irregular inflow. Their inflow was lowest in the dry season and the early parts of the rainy season. This implied that part of the year represented a lean season and yielded low cash flows.

To cope with this irregularity, the beneficiaries had to switch from one trade to the other. For example, the traders sell pears when it is in season and switch to oranges in another season. In a similar trend, it was discovered that, sales fluctuated in the year with some seasons experiencing vibrant sales while the others experienced low sales as consumers did not have enough money to buy. Thus seasonality in production and consumer habits affected the income of beneficiaries, hence their repayment. This finding confirms one of the best practices of loans by Andrews (2006). He recommends that loan terms and conditions should be adjusted to accommodate cyclical cash flow and bulky investments. Successful institutions track the cash flow cycles of their clients more closely.

Considering the involvement of the Municipal Assembly in the operations of the scheme, the study reviewed the element of political interference in the scheme. Political interference was noted as a constraint in effective identification and delivery of microfinance to the right targets. According to the Bank, political leaders often presented their followers and sympathisers to be served, thereby influencing the process in their favour. In this respect, such beneficiaries saw the loans as hand-outs for their loyalty and were therefore reluctant to pay. This situation in part contributed to loan delinquency and default.

This finding conforms to the work of McGregor (1994) which revealed that political pressure for loan disbursement has been the bane of all SMEs credit programmes initiated by governments. McGregor recognised that, political pressure for disbursement without knowledge about borrowers' working environment has been among the major causes of poor loan recovery. This is the adverse selection outcome. Andrews (2006) affirms that, microfinance must be insulated from political interference as it is difficult to survive government moratoriums on loan repayment.

In conclusion, the beneficiaries were asked to express their interest in continuing with the microfinance scheme. From the 154 target beneficiaries, a total of 151 provided responses while 3 beneficiaries abstained. Overall, 94 percent of the beneficiaries indicated their interest in continuing with the scheme while 4 percent expressed their disinterest. Beneficiaries who showed interest declared that, the loan was a good source of capital for financing their businesses. Outstanding among the reasons for discontinuity of the scheme, is a respondent who indicated that the husband had advised her not to continue with the microfinance.

This is evidence of husband's influence in the decision making of their wives and in line with the position of Johnson (undated) that, some men control the main sources of cash income because since they are in paid jobs and their income is the most likely source for repayments if the woman receives credit and uses it on household basic necessities. The woman's ability to access loan is often dependent on the quality of her relationship with the husband. In this way, social norms operate in ways that leave women vulnerable in such a relationship, rather than in one where she has the power to claim the money for repayment. Goetz and Gupta (1996) also add that women have been seen redirecting loans to men right in front of their bank officers. Women also have been asked to join groups by their husbands. So, women are often not the end user of the loans. They conclude that the problem is difficult to measure or enforce, but it is one that the development community needs to be wary of.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter deals with the key findings drawn from the analysis and their implication in relation to the research objectives. It also outlines recommendations to improve the implementation of the SIF microfinance scheme and draws conclusion from the study. The study focused on the implementation of the SIF microfinance programme at Mfantseman Community Bank. It reviewed the practices, impact and challenges associated with the scheme. The study adopted a descriptive study design and a sample size of 156 beneficiaries and stakeholders.

Summary

The major findings of the study are provided along the lines of best practices of the microfinance scheme, benefits from the loan and challenges associated with the programme. The first objective focused on best practices and the key findings are:

- All the beneficiaries received training in record keeping, banking culture, credit management and savings mobilization. They also had training in group dynamics to promote group cohesion and development.
- The training period was too short to promote quality delivery. A number of important business development modules were also not treated. Staff of the

bank were not quite skilled in facilitating and addressing all the modules and would require the services of other experts.

- The groups were screened before loan approval and disbursement.
- Training was offered and aimed at building capacities of beneficiaries to be able to operate their businesses efficiently and pay back the loan.
- All beneficiary groups made some group savings before the loan was disbursed.
- The Group Solidarity model was used to advance the loan to the beneficiaries. This is similar to the Group Peer Pressure model of the Grameen Bank.
- The time for disbursement was very suitable for beneficiaries. It coincided with the fish harvesting season (August - September), as well as close to Christmas.
- Beneficiaries were content with the rate of interest.
- Beneficiaries indicated that the time of repayment was good.
- The role of the Municipal Assembly was not fully implemented as envisaged in the design of the scheme.
- The scheme lacked the component of business development support services to the beneficiaries. The absences of these services are a gap in the operations of the Bank.
- There were no additional group development interventions to strengthen beneficiary groups to remain united and active for the loan repayment. As a result, a number of the groups collapsed making the mobilisation or repayment a difficult task.

The second objective addressed the benefits from the loan and the main findings were:

- Some beneficiaries increased their incomes in their operations. The loan yielded positive results for some beneficiaries.
- Income accruing from the loans was applied in various ways such as paying of school fees, feeding of families, paying electricity bills.
- Due to the SIF microfinance scheme, the Bank has been able to mobilize capital for its informal businesses and this was very important because capital was one of the main challenges that confronted businesses.
- The staff of the Bank went through training programmes which were sponsored by the ARP/ Apex Bank and other donors to build their capacity to manage the scheme.
- Some beneficiaries did not invest all the loans in their businesses.

The last objective is about challenges the scheme encountered and the following are the key findings;

- The rate of loan repayment was very poor as a result of poor sales of products and misapplication of loans.
- Monitoring of beneficiaries was absent because the bank was constrained in transportation and other logistics. They did not have adequate cars and motor bikes to facilitate the movement of credit officers.
- Political leaders influenced the selection and disbursement of funds to beneficiaries. This situation contributed to loan delinquency and default.
- The loan amounts given were less than the amounts applicants demanded.
- Repayment time was not a problem for the beneficiaries.

- Dispersed nature of settlement was a challenge confronting the operations of the scheme in the Municipality.
- Low level of business knowledge and skills reduced the ability of the clients to effectively utilise the loan.
- Seasonality in production and consumer habits affected the income of beneficiaries and made re-payment irregular.

Conclusions

The microfinance programme adopted some best practices. The necessary procedures to ensure a successful programme were followed. This was evident in the screening of clients, opening of bank accounts and savings before disbursement and during repayment of loans. There was group training before loan delivery. On the other hand, training was not properly executed since there was the absence of provision of business development services.

On the whole, the scheme was beneficial. Some beneficiaries had increase in income, and also experienced improvements in their social livelihood. However, a few beneficiaries did not do diligent reinvestment of their initial incomes to stimulate business growth, sustain cash flow and enhance repayment.

The operation of the scheme did encounter some challenges. Seasonality in production, customer buying trend and habits affected the income of beneficiaries and made repayment irregular. The low capacity of the clients to effectively utilise the loan was a key challenge. Political interference was also a problem.

Recommendations

Recommendations have been made to the three categories of target respondents covered in the study. These are the Bank, SIF and beneficiaries.

Based on the above conclusions, the Bank is advised to:

- Give adequate attention to monitoring of clients after the disbursement of loans.
- Provide continuous advisory, counselling, training and other business development support services to enable clients address operational needs, work effectively and pay back. The training programmes should include modules on marketing, customer relations, costing and pricing, and entrepreneurship.
- Provide continuous group development services to strengthen the groups' existence to enable them to remain united and pay back. The services should include visits to meetings to monitor attendance and provide advisory services. There should also be continuous training for the groups. The suggested modules for should include the concept of Leadership, Group Meetings, Minutes Writing, Team Work and Communication.
- Hire the services of an expert to partner in the training programme or contract it to a consultant.
- Increase the days for the training of applicants to five days in order to be able to cover a lot of important issues that would build the knowledge and
- The Municipal assembly should build the capacity of beneficiaries to be able to perform and repay their loans.

The SIF is advised to:

- Partner the Municipal Assembly, Bank, and any other development agency to provide sufficient training to applicants before receipt of loan.
- Contract the training component to a consultant.
- Co-finance the provision of BDS services to beneficiaries of loans to help them pay.
- Actively support the monitoring of clients so as to be able to identify emerging development challenges that would require attention and incorporation into the Development Plan of the Municipality.
- Co-finance the training of the applicants before the delivery of the loan.
- Through the National Board for Small Scale Industries (NBSSI) and other development agencies provide BDS services to the beneficiaries to facilitate their repayment.

The groups also have certain issues to deal with and they are to:

- Endeavour to apply the loans to the purpose for which they were received to facilitate the repayment.
- Endeavour to stay together as a group and use the group as a tool to attract additional support.
- Endeavour to use peer pressure to cause defaulting members to pay the loans.

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APPENDIX A

STRUCTURED INTERVIEW SCEDULE FOR BENEFICIARIES OF SOCIAL INVESTMENT FUND MICROFINANCE SCHEME

This schedule forms part of an academic study I am conducting to examine the contribution of SIF to poverty reduction in the Mfantseman municipality. I will be grateful if you could spend some time to respond to the questions. All information will be treated in strict confidence. Thank you.

SECTION A: ***Background Information (All respondents).***

1. Name of Group/ Name of MFI (Bank)/Organisation ………….. …………

2. Year established….……………………………………………………..

3. District……………..

Beneficiaries only, question 4 -7

4a) Location of Group… …………………….. ………………………………

4b. Type of group (Please tick)

a. Joint – Activity Group { }

b. Individual –Activity Group { }

5a. Number of people in the Group { }

5b. Number of Males { } Number of Females { }

6. What was the group formed for? …………………………………………

7. Beneficiary's economic activity

a) Marketing raw agricultural products [ ]
b) Agro-processing [ ]
c) Cottage Enterprise [ ]
d) Trading [ ]

e) Any other [ ] Specify………………………………………

SECTION B: Best Practices of the scheme

Beneficiaries only, question 8-13.

8. Did you receive any training from the MFI or Institution before the loan was granted to you? Yes { } No { }

9. If your answer is yes in 8, tick the appropriate column in the table below the areas you received training?

	Areas Trained by MFI (Bank)	Yes
A	Group dynamics	
B	Record keeping	
C	Banking culture	
D	Credit management	
E	Savings mobilization	
F	Role/Responsibility of group in loan processing and repayment etc.	
G	Conflict resolution	
H	Savings mobilization	
I	Loan application and disbursement procedures	
J	Loan delinquency management by group	
K	Legal and regulatory frame work of the loan	

10. Complete the table on loan received with the required information and indicate (please tick) whether the amount was **more than adequate, adequate, and not adequate.**

Time of loan	Amount applied for (GH¢)	Amount received (GH¢)	More than adequate	Adequate	Not adequate
1st					
2nd					
3rd					

11. How much are you supposed to pay back in a month …………………….

12. How long are you supposed to pay back ………………………………….

13a. Are there any other charges? Yes { } No { }.

13b. If yes, explain……………………………………………………………….

MFI (Bank) only, question 14- 21

14. Group information. Please complete the table below.

Number of SIF groups identified by outreach team	
Number of groups trained	
Total number of group members	
Total number of females	
Total number of males	

15. Which of the following areas did you train beneficiary groups? Please tick in the appropriate column.

	Area Trained by MFI (Bank)	**Yes**
A	Group dynamics	
B	Record Keeping	

C	Banking Culture	
D	Credit management	
E	Savings mobilization	
F	Role/Responsibility of Group in loan processing and repayment etc.	
G	Conflict Resolution	
H	Savings mobilization	
I	Loan application and disbursement procedures	
J	Loan delinquency management by group	
K	Legal and regulatory frame work of the loan	

16. Group Savings before the loan. Please complete the table below.

Total number of savers	
Minimum savings made	
Length of time savings	
Average group savings	

17. What microfinance model is your institution using to advance the loans? ……………………………………………………………………………….................. ....

18. How much money have you received from SIF through Apex Bank?…………………………………………………………………..............

19a.What is the interest rate? ……………………………………………….......
....

19b. If interest rate differs on tranch basis, complete the table below.

Tranch (Loan)	Interest rate (%)
First	
Second	
Third	

20. How much have you paid back to SIF through Apex Bank?

Tranch (Loan)	Amount Received	Interest rate	Amount Paid

21. (a) What capacity building programmes has the staff received in the area of microfinance?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………

(b) What is the transaction cost per beneficiary of a loan?.................................

(c) Does beneficiaries enter into contracturual agreement with the bank undertake? Yes ( ) No ( )

(d) How long has the organization been offering micro-finance?........................

(e) Does the bank mobilize deposits from beneficiaries? Yes ( ) No ( )

Municipal Assembly Respondent only, question 22-24

22. What were the activities the district assembly undertook in facilitating access to the SIF microfinance facility? ....……………………………

23. Does the District Assembly have influence in identifying and appraising the groups for loans? Yes [ ] No [ ]

24. If yes to the above, explain,..

....

....

SECTION C: ***Benefits from SIF Scheme***

Beneficiaries' only questions 25 -27

25. What specific activities did you use the loan for?............………………...

…………………………………………………………………………………......

....

26. Indicate your past (before the loan was contracted) and current production/income levels in the table below.

Item	Past output/ month	Past price/ unit (GH¢)	Past Total Income/ month (GH¢)	Current output/ month	Current price/unit (GH¢)	Current total income/ month (GH¢)
1.						
2.						
3.						
4.						

27. Indicate Yes or No where appropriate, the effect of credit on your social activities.

	Area of Social Effect.	Yes	No
A	I have been able to pay my children's school fees as a		

	result of the credit invested in my business		
B	I have been able to pay my hospital bills as a result of the credit invested in my business		
C	I have been able to feed my family as a result of the credit invested in my business		
D	I have been able to pay my electricity bill as a result of the credit invested in my business		
E	I used part of my business profit to pay funeral expenses		
G	I used part of my business profit to rehabilitate my house		
I	I use part of my business profit to pay other social dues		
	Others		
J			
K			
L			

Municipal Assembly and MFI Respondent only question 28

28. What are the benefits of the SIF microfinance scheme to the District Assembly/MFI?

………………………………………………………………………………………

……………………………………………………………………………...

SECTION D: ***Challenges Associated with SIF Scheme***

Beneficiaries only question 29 - 38

29. Did you encounter any problems securing the credit? Yes { } No { }

30. If yes, mention these problems……………………………………………

……………………………………………………………………………………

…………………………………………………………………………………

31. If No, give reasons…………………………………………………………...

……………………………………………………………………………………

32. Did you encounter/are you encountering any problems in the loan repayment?

Yes ( ) No ( )

33. If yes in 32, state these problems………………………………………...

……………………………………………………………………..............….

34. If you had any problems, tick the appropriate variables you think you lack and which might be the contributing factors to the problems you are encountering with the SIF scheme.

Competencies	Tick all that apply to you
Technical Skills (reference to business engaged in)	
Experience in credit management	
Knowledge in business management	
Others	

35. Access the loan facility on the following issues and indicate whether it was very good, good, bad, very bad and make your remarks.

Issue	**State the amount**	**Remarks**			
		Very good	**Good**	**bad**	**Very bad**
Size of loan					
Time of					

disbursement					
Rate of interest					
Time of repayment					

36. Would you like to continue with this MFI? Yes { } No { }

37. If yes, state reason……………………………………………………………

38. If no, state reason …………………………………………………………..

MFI (Bank) only, 39 -48

39. Does the bank has enough funds to independently operate a microfinance programme? Yes [ ] No [ ]

40. How many branches does the bank have?..

41. Indicate the number of the following items possessed by your bank.

Item	No
Computers	
Money counting machine	
Safe	
Cars	
Motor bikes	

42. How many credit officers are in charge of the SIF microfinance programme?

………………..…

(e) To what degree does the following parameters affect the loan delivery of the bank.

Variable	Very low	Low	Medium	High	Very High
Low population density					
Isolated markets					
Seasonality of products					
Crop/fish harvest failures					
Commodity price fluctuation					

43. Group loans. Please complete the table below.

Number of groups qualified to receive micro loans	
Actual number of groups granted micro loans	
Total members granted micro loans	
Total female members granted micro loans	
Minimum individual loan	
Maximum individual loan	
Total amount of loan granted since program started	

44. Group loans Repayment as at the period under review. Please complete the table below.

Number of groups expected to complete repayment as at now	
Rate of loan recovery	

45. Which of these conditions is/are challenge(s) to microcredit operations in the district and why? Tick **all** that apply and explain.

Challenge	Tick	Explanation
Disperse nature of rural population		
Dependence on single economic activities		
Lack of institutional capacity		
Inadequate capital		
Inadequate financial infrastructure		
Enabling policy environment		
Transport cost		
Inadequate rural infrastructure		
Interest rate		
Lack of business skills and knowledge		

46. What are some of the challenges your institution has encountered in the implementation of the SIF scheme?

(i)……………………………………….

(ii)………………………………………

(iii)………………………………………

47. In what ways has the challenges affected your institutions?

(i)..

(ii)…………………………………….

(iii)…………………………………….

48. What are the possible solutions to the challenges arising from SIF microfinance operations?

i..

ii……………………………………………

iii………………………………..................