

UNIVERSITY OF CAPE COAST

**THE EFFECTS OF THE MICROFINANCE PROGRAMME OF
INITIATIVE DEVELOPMENT-GHANA ON WOMEN CLIENTS
IN NIMA, A SUBURB OF ACCRA**

DELALI KUMA

2010

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NIMA, A SUBURB OF ACCRA**

BY

DELALI KUMA

Dissertation submitted to the Department of Agricultural Economics and Extension of the School of Agriculture, Faculty of Science, University of Cape Coast in partial fulfilment of the requirements for the award of Master of Science Degree in NGO Studies and Management

JUNE 2010

DECLARATION

Candidate's Declaration

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

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.

Supervisor's Signature: Date:

Name:

ABSTRACT

The research investigated the effects of the microfinance programme by Initiative Development-Ghana on its women clients in Nima, a suburb of Accra.

The main instrument used in the study was a structured interview designed to tap the views of the selected respondents who were clients of ID-Ghana on the effects of the microfinance programme on them and their nuclear family, (i.e. husbands and children).

It was found out that, majority of ID-Ghana's clients engaged in trading and had been doing business with ID-Ghana between the past three-to-five (3 – 5) years. They said the interest rate charged on loans was 10% and they were made to pay back within six (6) months.

Beneficiaries of loans had savings which they did on daily Susu basis with ID-Ghana who also ensured that they organized training programmes for their clients to enable them improve on their businesses.

The microfinance programme had brought massive improvement in the lives of their clients in terms of their ability to pay their ward's school fees, utility bills and provided fairly balanced meals for their families which affected their health status positively. Clients had also seen expansion in their businesses.

Women who were non-clients of ID-Ghana also had some effects as a result of the microfinance programme.

The research concluded that, there was a positive correlation of gains from microfinance with improvement in standard of living. It also concluded that, microfinance had a positive effect on household consumption.

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DEDICATION

To My Family

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LIST OF ABBREVIATIONS AND ACRONYMS

BRI	Bank Rakyat Indonesia
CGAP	The Consultative Group to Assist the Poorest
GHAMFIN	Ghana Microfinance Institutions Network
GLSS	Ghana Living Standard Survey
GPRS	Ghana Poverty Reduction Strategy
ID-GHANA	Initiative Development – Ghana
MASLOC	Microfinance and Small Loans Centre
MDGs	Millennium Development Goals
MF	Microfinance
MFI	Microfinance Institutions
NGOs	Non – Governmental Organizations
PAMSCAD	Programme of Action to Mitigate the Social Cost of Adjustment
SSA	Sub – Saharan Africa

CHAPTER ONE

INTRODUCTION

Overview

This chapter seeks to look at the background to the study, statement of the problem, purpose of the study, hypotheses, and significance of the study, limitations and delimitations of the study.

Background to the Study

“Micro-finance has evolved as an economic development approach intended to benefit low – income women and men” (Ledgerwood, 1999). It refers to efficient and sustainable provision of both financial and social intermediation services.

Microfinance refers to the provision of financial services to poor or low-income clients, including consumers and the self-employed (Ledgerwood, 2000). More broadly, it refers to a movement that envisions “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers” (Christen, 2004). Those who promote microfinance generally believe that such access will help poor people out of poverty.

Microfinance (MF) activities are rendered by microfinance institutions (MFIs) whose target markets are individual entrepreneurs having potential and

productive business opportunities but lack access to credit, productive resources and training. These clients are mainly self-employed low-income entrepreneurs in rural and urban areas. They include traders, small-scale farmers (vegetable farmers), and service providers like hair dressers, artisans and seamstresses.

Microfinance Institutions emerged in the early 1980's to provide assistance to micro- entrepreneurs in Ghana. Micro-entrepreneurs are usually made up of low-income people who face formidable barriers in gaining access to funds in the main stream financial service institutions for reasons such as lack of collateral to back their loan facility, high risk associated with entrepreneurial activities among others. This calls for the need to bridge such financing gap through MFIs.

As a developing country like Ghana, one can not run away from the fact that, poverty levels are high in some rural and urban communities. Government also acknowledges that, poverty levels are high in some rural and urban communities all over the country hence has instituted several interventions to address some of these issues. Some interventions like Programme of Actions to Mitigate the Social Cost of Adjustment (PAMSCAD) instituted in the 1980's and the Ghana Poverty Reduction Strategy (GPRS) 2006 were targeted to reduce poverty as demanded by the Millennium Development Goals (MDGs).

Government can't work alone to reduce poverty levels in the country since it has tried to do so over the years but with limited success. Based on the above fact, Government needs partners in the development process in order to achieve its goal of poverty reduction.

Some Rural Banks and Non- Governmental Organizations (NGOs) have taken up the challenge to partner government in his developmental process in order to reduce poverty. It is widely believed that once the living conditions of the poor improves by reducing their poverty levels it will promote the total development of the country. Once poverty is reduced, considerably the country will move from a developing country to a developed one.

Initiative Development-Ghana is a Non-profit NGO established in the year 1998. It is one of the microfinance institutions (MFIs) in the country.

The vision of ID-Ghana is to live in a world where the poor are able to develop their own income-generating activity in order to reach better nutrition, health and educational standards.

Their mission is to create a dynamic financial, entrepreneurial and social development organization which provides economic opportunities to people living in deprived urban areas. Initiative Development Ghana believes in a human development concept which is about creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. It is thus about much more than economic growth, which is only a means of enlarging people's choices. Fundamental to enlarging these choices is building human capabilities-the range of things that people can do or be in life. The most basic capabilities for human development are to live long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of

living and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible (ID-Ghana Mission Statement, 1998).

Initiative Development Ghana has a Social Mission Package which includes the following;

- ❖ Training: To increase knowledge, build capacity, and broaden views. Specifically, to develop basic business/ entrepreneurial skills as well as social awareness and empowerment.
- ❖ Social Permanencies: To assist partners with serious or distracting social problems and help find solutions to them.
- ❖ Social Products: To offer products or services that directly addresses important social needs, e.g. health insurance, education, hardship relief (E.g. funeral support, flood / fire hazard relief, housing, pension etc.).

Initiative Development Ghana provides services like loans, voluntary savings and business development services. It also had over four thousand, two hundred and fifty-five (4,255) savers as at the end of the year 2007. In addition to the regular savers, it has over three thousand, eight hundred and eight (3,808) active borrowers as at the end of the year 2007.

Problem Statement

Principally, it is believed that inadequate credit to fully resource and promote small scale or micro-entrepreneurs, has constrained their growth and

potential contribution to national development. This especially, affects the productive poor in the informal sector (Steel, 1991).

Attempts to access loanable funds in the main stream financial institutions yields fruitless results in most cases since the poor are considered not credit worthy. Personal savings, loans from friends, relatives, family members, individual or traditional money lenders and even re-investing profit by micro entrepreneurs are the other sources of funding available to the productive poor. These sources, however, are woefully inadequate since the demand for funds by the productive poor far exceeds the supply (Steel, 1991). Moreover, funding sourced from traditional money lenders are believed to have high interest rates which may not promote the businesses and welfare of the productive poor in our poor communities (Ledgerwood, 1999).

An alternative source of funding to micro entrepreneurs is the MFIs, of which ID-Ghana is a member. Microfinance institutions arose to provide financial intermediation in addition to social and desirable services to micro entrepreneurs of viable potential. Whether ID-Ghana within the past few years of existence and operation have really promoted the well-being of the productive poor to reduce poverty, is what the research sought to explore using the case study in Nima, Accra. Nima, a suburb in Accra is well noted for its slum nature which is highly populated. It is plagued with a lot of children who are malnourished, not attending school or school drop outs who engage in a lot of social vices in the country. Social vices like teenage pregnancy, drug use and its pushing, armed robbery etc. are some of the vices that can be identified in Nima. Nima also has sanitation

problems and a high illiteracy rate in the country. Nima is also noted to be a den for criminals where majority of the young men are believed to be unemployed yet have children that they cannot cater for, in terms of feeding, schooling, providing decent accommodation etc. These have led to mothers becoming single parents and who have to take care of their children.

The research intended to assess how the microfinance programme of ID-Ghana was affecting the lives of beneficiaries, their children and husbands.

Objectives of the Study

General Objectives

The study generally sought to determine the effects of the microfinance programme of Initiative Development-Ghana on women clients, their children and husbands in Nima, a suburb of Accra.

Specific Objectives

1. To determine the socio-demographic characteristics of the respondents.
2. To identify the kind of lending that ID-Ghana was using currently.
3. To examine the types of training ID-Ghana organized for its clients.
4. To find out the effects of the microfinance programme of Initiative Development- Ghana on the children of beneficiaries.
5. To find out the effects of ID-Ghana's microfinance programme on the husbands of beneficiaries.

6. To find out the challenges respondents encounter when accessing the loan.
7. To suggest ways that ID-Ghana can use to improve its services.

Research Questions

The research sought to address the specific objectives stated above by asking specific questions that could lead to the findings that would help solve some of the problems in poor urban settlements. The questions are as follows;

1. What are the socio-demographic characteristics of the respondents?
2. What type of lending does ID-Ghana engage in?
3. What sort of training does ID-Ghana organize for its clients?
4. What are the effects of the microfinance programme by ID-Ghana on the children and husbands or wives of beneficiaries?
5. Are there any spill-over effects of the microfinance programme on non-beneficiaries?
6. What are some of the challenges respondents' encounter when accessing the loan?
7. What are some of the ways that ID-Ghana can use to improve its services?

Significance of the Study

Initiative Development Ghana and other microfinance institutions are greatly concerned with how to deliver efficient and sustainable MF products or services as well as the assessment of the impact such moves have made on the activities of their target group. Similarly, ID-Ghana is concerned with institutional and clients capacity building as a means of developing vibrant local or micro entrepreneurs to alleviate poverty, create wealth and improve upon the standard of living.

The insights gained here would help advance our knowledge on poverty alleviation strategizing through micro-financing and also help to assist the productive poor with tips for their future development endeavours.

This study can also be used as a form of market research through which Government would appreciate the work being done by some MFIs in the country, so that policies can be tailored to support the good work being done by some MFIs in terms of assessing the supply of resources for microfinance services. It will also help ID- Ghana to identify its clients needs and how to improve upon it services.

Limitations of the Study

Certain weaknesses of the study could influence the results or its generalization, over which the researcher had little or no control. Some of these potential weaknesses are discussed below.

- 1) Due to limited financial resources the researcher could not cover greater part of the population.
- 2) Though ID-Ghana operates in several communities in Accra, the researcher was able to carry out the research in a limited geographical area like Nima.
- 3) The results could also be affected by time constraint due to the limited time within which the researcher was expected to submit the thesis.

To reduce the effects of the above stated limitations, the researcher diligently ensured that there was a fair representation of the population. This was done by making sure the entire list of the target population was accurate by carefully selecting the population sample for the study.

Delimitations of the Study

The study was confined to only clients of ID-Ghana in Nima. The conclusions and generalizations would, therefore, be applicable to all ID- Ghana clients in other parts of Accra with similar characteristics like Nima. Nima was chosen for the study because of its accessibility. A wider coverage would have been more expensive and time consuming.

CHAPTER TWO

LITERATURE REVIEW

Overview

This chapter reviews literature on the following important themes. Firstly, it briefly examines basic but important issues to be considered in microfinance. It also examines the importance of micro entrepreneurs and the impact of MFIs on them. It also reviews literature on the poverty levels in the country as a whole and women empowerment.

Micro Finance in General

Microfinance refers to the provision of financial services to poor or low-income clients including consumers and the self-employed (Ledgerwood, 2000).

Microfinance emerged in the 1970s as social innovators began to offer financial services to the working poor – those who were previously considered, “un-bankable” because of their lack of collateral (Adams, 1984) , (www.unitus.com,2009). Once given the opportunity, not only did clients of microfinance providers (usually referred to as microfinance institutions, or MFIs) expand their businesses and increase their incomes, but their high repayment rates demonstrated that the poor are capable of transforming their own lives given the chance. This model of lending disproved all conventional thinking, and microfinance was born. Since then, microfinance has become one of the most sustainable and effective tools in the fight against global poverty.

The most common microfinance product is a micro credit loan—usually less than \$100 (depending on the country and loan cycle; micro credit loans in Mexico, for instance, tend to be larger than in India due to regional economic differences) (www.Unitus, 2009). These small loans are enough for hardworking micro entrepreneurs, usually women to start or expand small businesses such as weaving baskets, raising chickens, or buying wholesale products to sell in a market. Incomes from these businesses provide better food, housing, health care, and education for entire families. Most importantly, additional income provides hope and opportunity for a better future.

Microcredit loans are not the only microfinance product. The poor, like all others, need a secure place to save their money and the ability to access insurance for their homes, businesses and health. Many forward-looking MFIs are now innovating to help meet these needs, creating essential financial products and services that empower the world's poor to improve their lives.

The global repayment rate for microcredit loans is higher than 95 percent, which allows MFIs to re-lend these funds to even more clients (www.Unitus, 2009). By giving the world's poor a hand up, not a hand out, microfinance can help break the cycle of poverty in as little as a single generation.

The traditional banking system requires that borrowers have collateral to receive loans. The world's poorest people have no such collateral and traditional banks aren't interested in issuing small loans like \$30 to \$150 as the interest return doesn't exceed the transaction cost.

Microfinance institutions (MFIs) exist in many forms, that is, credit unions, commercial banks, and quite often, non-governmental organizations (NGOs). Many MFIs utilize lending methodologies that use social collateral in the form of peer groups to guarantee loan repayment. Under this system, borrowers take out loans in groups of five to eight individuals, an example is the Microfinance and Small Loans Centre (MASLOC) where banks acknowledge groups like associations and lend out money to them as a group. If a borrower defaults on her loan, the entire group is often penalized and sometimes barred altogether from taking further loans. This peer pressure encourages borrowers to be very selective about their peer group members and to repay loans in full and on time, resulting in the higher than 95 percent repayment rates (The Consultative Group to Assist the Poor, 2002).

Microfinance loan cycles are usually shorter than traditional commercial loans which are typically six (6) months to a year with payments plus interest due weekly. Shorter loan cycles and weekly payments help the borrowers stay current and not become overwhelmed by large payments (www.CGAP, 2009).

Clearly the transaction-intense nature of weekly payment collections, often in rural areas, is more expensive than running a bank branch that provided large loans to economically secured borrowers in a metropolitan area. As a result, MFIs must charge interest rates that might sound high that is, the average global rate is about 35 percent annually to cover their cost (www.Unitus, 2009).

The issue about price regulations for microcredit loans in the form of interest rate ceilings or subsidies to help reduce the rates charged to borrowers can

affect MFIs badly. Although many types of price regulation might be well-meaning, in reality they can cause a fatal blow to the MFIs. When MFIs are required to charge a pre-determined interest rate which is usually much below the cost that the MFI incurs to acquire capital for lending and to operate its business effectively, they are often forced to go out of business. As a result, those whom the MFI would have served are left without access to any financial services at all, which is why this type of regulation often is a disservice to the very people it's meant to protect.

One should note that although MFIs may charge rates of 30 to 70 percent to cover their costs, these interest rates are still significantly lower than the 300 percent to 3000 percent annual rates that many borrowers were previously paying to money lenders, and are typical of the local credit card interest rates in many developing economies (www.Unitus, 2009).

Due to difficulties poor people face when accessing loans from other financial institutions, they often rely on relatives or a local money lender, whose interest rates can be very high. An analysis of 28 studies of informal money lending rates in fourteen countries in Asia, Latin America and Africa concluded that 76% of money lenders' rate exceeds 10% per month (Marguerite, 2001). Money lenders usually charge higher rates to poorer borrowers than to less poor ones (Marguerite, 2001). While money lenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business

have proven unrealistic, even in places where microfinance institutions are very active.

According to a paper presented by Deutsche Bank in 2007 on Microfinance; an emerging investment opportunity, it stated that “Although much progress has been made in micro financing, the problem has not been solved yet, and the over-whelming majority of people who earn less than \$1 a day, especially in the rural areas, continue to have no practical access to formal sector finance”.

Microfinance has been growing rapidly with \$25 billion currently at work in microfinance loans. It is estimated that the industry needs \$ 250 billion to get capital to all the poor people who need it. The industry has been growing rapidly and there have been concerns that the rate of capital flowing into microfinance is a potential risk unless managed well (<http://www.citigroup.com>, 2009).

Some principles that summarized a century and a half of development practice were encapsulated in 2004 by Consultative Group to Assist the Poor (CGAP) and endorsed by the Group of Eight leaders at the G8 Summit on June 10, 2004 are listed below (Helms, 2006).

- ❖ Poor people need not just loans but also savings, insurance and money transfer services.
- ❖ Microfinance must be useful to poor households; helping them raise income, build up assets and or cushion themselves against external shocks.
- ❖ Microfinance can pay for itself. Subsidies from donors and governments are scarce and uncertain, and so to reach large numbers of poor people, microfinance must pay for itself.

- ❖ Microfinance means building permanent local institutions.
- ❖ Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
- ❖ “The job of government is to enable financial services, not to provide them”.
- ❖ “Donor funds should complement private capital, not compete with it”.
- ❖ “The key bottle neck is the shortage of strong institutions and managers”. Donors should focus on capacity building.
- ❖ Interest rate ceiling hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
- ❖ Microfinance institutions should measure and disclose their performance – both financially and socially.

Microfinance can also be distinguished from charity. It is better to provide grants to family who are destitute, or so poor that they are unlikely to be able to generate the cash flow required to repay a loan. This situation can occur for example, in a war zone or after a natural disaster.

Microfinance experts generally agree that women should be the primary focus of service delivery (Micro Banking Bulletin, Issue # 15, 2007). Evidence shows that they are less likely to default on their loans than men. Industry data from 2006 for 704 MFIs reaching 52 million borrowers includes MFIs using the solidarity lending methodology (99.3% female clients) and MFIs using individual lending (51% female clients). The delinquency rate for solidarity lending was

0.9% after 30 days (individual lending – 3.1%), while 0.3% of loans were written off (individual lending – 0.9%). Since operating margins become tighter, the smaller the loans delivered, many MFIs consider the risk of lending to men to be too high. This focus on women is questioned sometimes, however. A recent study of micro entrepreneurs from Sri Lanka published by the World Bank found that the return on capital for male- owned businesses (half of the sample) averaged 11% while the return for women- owned businesses was 0% or slightly negative (Mckenzie, 2008). Micro financial services are needed everywhere, including the developed world. However, in developed economies intense competition within the financial sector, combined with a diverse mix of different types of financial institutions with different missions, ensures that most people have access to some financial services. Efforts to transfer microfinance innovations such as solidarity lending from developing countries to developed ones have met with little success (Cheryl, 2001).

Financial Needs of Poor People

In developing economies and particularly in the rural areas, many activities that would be classified in the developed world as financial are not monetized, that is, money is not used to carry them out. Almost by definition, poor people have very little money (Stuart, 2000). But circumstances often arise in their lives in which they need money or the things money can buy.

In Stuart Rutherford’s recent book titled “The Poor and Their Money”, he cites several types of needs. These are listed below.

- ❖ Lifecycle Needs: Such as weddings, funerals, childbirth, education, homebuilding, widowhood, old age.
- ❖ Personal Emergencies: Such as sickness, injury, unemployment, theft, harassment or death.
- ❖ Disaster: Such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.
- ❖ Investment Opportunities: Expanding a business, buying land or equipment, improving housing, securing a job (Which often requires paying a large bribe), etc.

Poor people find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewellery and precious metals. As Marguerite Robinson, describes in *The Microfinance Revolution*, the 1980s demonstrated that “microfinance could provide large-scale outreach profitable”, and in the 1990s, microfinance began to develop as an industry (Marguerite, 2001). In the 2000s, the microfinance industry’s objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty.

While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive world-wide demand. The obstacles or challenges to building a sound commercial microfinance industry include:

- ❖ Inappropriate donor subsidies.
- ❖ Poor regulation and supervision of deposit – taking MFIs.
- ❖ Few MFIs that meet the needs for savings, remittances or insurance.
- ❖ Limited management capacity in MFIs.
- ❖ Institutional inefficiencies.

Some proponents of microfinance have asserted, without offering credible evidence, that microfinance has the power to single - handedly defeat poverty. This assertion has been the source of considerable criticism (Dichter, 2008). In addition, research on the actual effectiveness of microfinance as a tool for economic development remains slim, in part owing to the difficulty in monitoring and measuring this impact (Littlefield et al, 2003).

At the 2008 Innovations for Poverty Action / Financial Access Initiative Microfinance Research Conference, economist Jonathan Morduch of New York University noted there are only one or two methodologically sound studies of microfinance's impact (Morduch, 2003).

Sociologist Jon Westover found that much of the evidence on the effectiveness of microfinance for alleviating poverty is based in anecdotal reports or case studies. He initially found over 100 articles on the subject, but included only the six (6) which used enough quantitative data to be representative. One of these studies found that microfinance reduced poverty. Two others were unable to conclude that microfinance reduced poverty, although they attributed some positive effects to the programme. Other studies concluded similarly, with surveys

finding that a majority of participants feel better about finances with some feeling worse (Westover, 2008).

There has also been much criticism of the high interest rates charged to borrowers. The real average portfolio yield cited by a sample of 704 microfinance institutions that voluntarily submitted reports to the Micro-Banking Bulletin in 2006 was 22.3% annually. However, annual rates charged to clients are higher, as they also include local inflation and the bad debt expenses of the microfinance institution (Microfinance Bulletin, 2007).

The role of donors has also been questioned. The Consultative Group to Assist the Poor (CGAP) recently commented that “a large proportion of the money they spend is not effective, either because it gets hung up in unsuccessful and often complicated funding mechanisms, or it goes to partners that are not held accountable for performance”. In some cases, poorly conceived programmes have retarded the development of inclusive financial systems by distorting markets and displacing domestic commercial initiatives with cheap or free money (Helms, 2006).

Overview of Microfinance Sector in Ghana

The Government of Ghana has, as part of its economic and poverty reduction policies, initiated programmes and policies to encourage the provision of adequate financial services to the majority of its citizens mainly to reach the economically active poor who are in the informal sector and or rural areas. Thus, from the above, the importance of MF is recognized as a financial service tool,

which will create the opportunities for the poor to access financial services to enhance their economic activities and create employment opportunities. Besides, it is recognized as one of the tools to reduce a level of both income and consumption poverties as it provides financial services to the economically active or productive poor whose scale of operation or level of revenue may not be adequate to provide for household food security or barely meet household obligations. Microfinance is both old and new in Ghana. It is old because lending, borrowing and savings have been in existence from time immemorial using traditional methodologies, whilst newness of MF arose out of the failure of commercial banks and other financial institutions in the formal sector due to rigidities of lending, usually rule based to provide services to the low income household or micro enterprises (GHAMFIN, 2003).

Impact of Microfinance

Micro financing can be described as a developmental tool that employs social intermediation (group-formation, training in financial literacy and management) in its intermediation (savings and credit) to improve the socio-economic status of the productive poor in developing countries.

Many writers have described what is called an informal sector using various characteristics. Ninsin (1991) described it as a “dumping ground for unemployed labour especially during the period of severe crises”. Some people view the sector as a provider of employment. There are those who cherish the sector as a breeding ground for indigenous entrepreneurship (Baah-Nuakoh,

2003). This growing sector with its sprouting small and medium scale enterprises (SMEs) play an important role in the socio- economic development of a country.

Holt and Ribe (1991) in trying to identify why small businesses which are managed by the poor have such difficulties in accessing financial services, came up with some interesting perceptions and myths. According to them, lenders perception is that “borrowers use loans exclusively for consumption; they do not save and they are therefore high credit risks”. Findings contrary to this prove otherwise; credit is mostly utilized for productive investment. Realizing the importance of extending financial services to the productive poor in the micro entrepreneuring activities, the stakeholders, Government of Ghana and Developing Partners set up various credit schemes and institutions to help fund small-scale enterprises. However, the Government of Ghana identifies MF as a financial service tool, where MF creates the opportunities for the poor to access financial services.

There is mounting evidence that microfinance helps improve the welfare of the world’s poorest people. Some forty (40) women clients of a micro-bank in south Asia were asked what impact the bank had had on the husbands of non-borrowers; not their husbands, but the husbands of women who were not with the bank. The clients said, “before we took our loans, our husbands were day-labourers, working for others wherever they could find work. When we took our loans our husbands stopped being day-labourers and worked with us. This causes a shortage of day-labourers in the area, so the husbands of non-borrowers who

were day-labourers wages went up”. That was the impact of this bank on the husbands of non-borrowers (Daley-Harris, 2007). This means that, workers with improve wages would have an improvement in the welfare of their families.

According to Daley-Harris (2007) comprehensive impact studies have demonstrated that:

- Microfinance helps very poor households meet basic needs and protect against risks;
- The use of financial services by low-income households is associated with improvement in household economic welfare and enterprise stability growth;
- By supporting women’s economic participation, microfinance helps to empower women, thus promoting gender-equity and improving household well-being;
- For almost all significant impact, the magnitude of impact is positively related to the length of time that clients have been in the programme.

Poor people, with access to savings, credit, insurance, and other financial services, are more resilient and better able to cope with everyday crisis they face. Even the most rigorous econometric studies (www.CGAP, 2009) have proved that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets.

Access to credit allows poor people to take advantage of economic opportunities. While increased earnings are by no means automatic, clients have overwhelmingly demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities. Many studies show that clients who join and stay in programmes have better economic conditions than non-clients, suggesting that programmes contribute to these improvements. A few studies have also shown that over a long period of time many clients do actually graduate out of poverty (UNCDF, Microfinance, 2008). By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make transformation from ‘every-day survival’ to ‘plan for future’.

Households are able to send more children to school for longer periods and to make greater investments in their children’s education. Increased earnings from financial services lead to better nutrition and better living conditions, which translates into a lower incidence of illness. Increased earnings also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates (www.CGAP, 2000).

Empirical evidence shows that, among the poor, those participating in microfinance programmes who had access to financial service were able to improve their well-being both at the individual and household level, much more than those who did not have access to financial services. According to CGAP (2009), the following findings were made in the following countries;

- In Bangladesh, Bangladesh Rural Advancement Committee (BRAC, 2008) clients increased household expenditure by 28% and assets by 112%. The incomes of Grameen members were 43% higher than incomes in non-programme villages.
- In El Salvador, the weekly income of FINCA clients increased on average by 145%.
- In India, half of SHARE clients graduated out of poverty.
- In Ghana, 80% of clients of Freedom From Hunger had secondary income sources, compared to 50% for non-clients.
- In Lombok, Indonesia, the average income of Bank Rakyat Indonesia (BRI), borrowers increased by 112% and 90% of households graduated out of poverty.
- In Vietnam, Save the Children's clients reduced food deficits from three (3) months to one month (www.CGAP, 2000).

Recently, the Government of Ghana encouraged some formal banking institutions to give loans to identifiable groups of traders and trades men and women to improve on their businesses hence making a positive impact on their socio-economic development. This scheme was known as Microfinance and Small Loans Centre (MASLOC) which actually involved identifiable groups and not individuals.

Significance of Microfinance Enterprises

Small and medium-scale enterprises played and continue to play significant roles in the private or informal sectors of many countries with respect to socio-economic growth especially in the developed and developing economies in transition from state-led to private-led agenda. Such significant role is evident with the growing number of SMEs in the Ghanaian private sector. According to Afrane (2002), small and micro enterprises are the back-bone of many economies in Sub-Saharan Africa (SSA) including Ghana.

Additionally, they hold the key to possible revival of economic growth and elimination of poverty and creation of wealth to the productive poor in the informal sector where they dominate.

Notwithstanding the above roles and significance of SMEs in any economy, they still face myriad of problems: financial and non-financial. Financial problems such as lack of inadequate credit, and non- financial such as capacity building, training, financial literacy and booking; asset management, portfolio risk management.

Microfinance arose as a development tool to extend financial and non-financial support to SMEs. This has proven to be an impressive tool not only in fighting poverty but also in re-flourishing local economies and creating new income and employment opportunities (Microfinance Association's Proceedings, organized by GTZ, 2002).

Dependence on Trading in the Informal Sector

In Luanda 78% of households have at least one member working in the informal sector (UNDP, Human Development Report, 2000). Of these, 90% are self-employed and more than 75% out of the 90% are self employed traders. Eighty-three percent (83%) of female household heads are engaged in trade (UNDP, Human Development Report, 2000). In Ghana, it is a known fact that most of the people found working in the informal sector engage in buying and selling goods that is trading (GLSS, 2004).

Women Empowerment

It is a fact that women are in the majority when it comes to microfinance services in Ghana. Women are therefore considered to be at the centre of any developmental programme in Ghana and other parts of the world. “Investing in woman speeds up economic development by raising productivity and promoting more efficient use of resources” (McCaffery, 1992).

Concerns on empowerment and development of women have been raised over the years at national and international fora such as the World Summit for Social Development, the Cairo Conference on Population, and the Beijing Conference among others. Since the International Year of Women was declared in 1975, various governments, organizations and agencies have been involved in activities and programmes relating to women in development with the aim of empowering women, socially, economically and politically to contribute their quote to development generally. Women have thus been the target of recent

development programmes in most African countries not only because of their preponderance in the population but also because of the realization that for effective national development, the entire human resources should be fully mobilized to participate actively as agents and beneficiaries (www.CGAP, 2008). Microfinance programmes have recently generally targeted poor women. By providing access to financial service only through women, making women responsible for loans, ensuring repayment through women, microfinance programmes send a strong message to households as well as to communities. Many qualitative and quantitative studies have documented how access to financial services has improved the status of women within the family and the community. Women have become more assertive and confident. In regions where women's mobility is strictly regulated, women have become more visible and are better able to negotiate the public sphere. Women own assets, including land and housing, and play a stronger role in decision making. In some programmes that have been active over many years, there are even reports of declining levels of violence against women (www.CGAP, 2009).

African women have traditionally been playing rather domestic roles. It is usual to hear the expression 'the place of the women is in the kitchen'. They are expected to cook, keep house, bear and raise children. Women in Ghana contribute a lot to the socio-cultural and economic development of the nation. In tradition and in modern settings, they have worked and continued to work hard towards the upkeep of their children, themselves and their households. They are a major force in agriculture, especially in vital areas of food production. Through

trading activities of women, the majority of consumer goods in the nation are distributed. Women are an ever-growing proportion of those in modern sector employment though usually, they are in low level and service oriented occupations such as nursing, typing and the trading of fresh and prepared food. “Whatever the status of their occupation, women now represent about half the total labour force” in the country (Greenstreet, 1991). These observations emphasize the need for issues concerning women to be taken seriously and addressed if there is going to be any sustainable development in Ghana.

Further, women in Ghana contribute greatly to economic production process in diverse ways but they are not recognized as such. They provide childcare, food and health care, prepare and process crops, market goods and tend gardens and livestock. Much of this work does not benefit from economic investment, making it very inefficient and forcing women to work very hard for meager results.

Virgina (1969), for instance outlines four social problem areas that must be overcome if women are to realize their full potential. These are firstly, to increase the formal and informal educational attainment of women. Secondly, to reduce the household load and to be engaged in constructive activities in their free time. Thirdly, to reduce the dependency load, that is, the number of children born, and fourthly, to upgrade and increase the economic activity load of women.

Women capacity building in the area of productive business ventures would go a long way to bring development to the household of everyone.

The Concept of Poverty

Townsend (1974) regarded poverty as consisting of subsistence, inequality and externality. He explained that subsistence is concerned with the minimum provision needed to maintain health and working capacity while inequality represents the relative position of income groups of each other, indicating further that poverty is concerned with how the “bottom layers” fare in relation to the rest of the society. The third descriptor, externality, is the social consequences of poverty for the rest of the society. This implies that poverty is a social problem. This latter viewpoint however, contrasts sharply with those of Morrill et al, (1973), who have reasoned that poverty is the outcome of the inability of certain sections of the society (at individual levels), to compete successfully in a competitive world.

Chamber's (1983) notion of poverty centers on the dual clusters of political economy and physical ecology. He views the concept in terms of the deprivation of many at the expense of the affluent few on one hand, and the reduced standards of living resulting from population explosion and poor resource management on the other hand.

Rowntree (1901) quoted in Sen (1984) is said to have described families in poverty as primarily those whose, “total earnings are insufficient to obtain the minimum necessities for the maintenance of mere physical efficiency” (Sen, 1984). This view is supported by the fact that income is prominent in almost all definitions on the level and extent of poverty.

Differences in the measurement of poverty have also generated a lot of research attention. Attempts at measuring it in terms of stratification along income lines lead to regarding poverty as an issue of inequality. In this regard, the concept of poverty line which denotes the extent to which the basic necessities of life, for example the maintenance of physical health, housing, clothing, can easily and adequately be met (Addo et al, 1983), has assumed prominence. Sen (1984) for instance, has underscored the fact that inequality is fundamentally a different issue from poverty and neither concept subsumes the other.

Another approach at measuring poverty utilizes the concept of relative deprivation. Poverty illustrates deprivation and the recent shift in focus from absolute to relative deprivation has provided a useful framework of analysis. Other indices for assessing poverty have been based on thoughts such as the concept of nutritional adequacy, the lack of power and the deprivation in the consumption of certain social services.

The above account gives a fair idea of the divergent notions and interpretations that have been associated with the concept of poverty over the years. In fact, the use of the concept has broadened over the years, away from the narrow considerations on income related indicators, to encompass wider societal economic, social and other concerns, including those on the environment, gender and empowerment. The consequences of poverty are equally complex as it is often reinforced by the interrelatedness of its causes, thereby exacerbating the problem (World Bank, 1992).

In a very elaborate study, the World Bank in 1992 noted that for Africa, the basic causes of poverty are the lack of access to services and opportunities and inadequate endowments. Some of the specific issues involved that may be most relevant for this study include the following.

- a) Inadequate access to employment opportunities.
- b) Inadequate physical access such as land and capital and minimal access by the poor to credit.
- c) Inadequate access to markets for goods and services that the poor can sell.
- d) Inadequate participation of the poor in the decision making process.

The persistence of widespread poverty in Africa has very serious social and economic consequences. The World Bank (1985) recognizes that the large number of people, in poverty implies an inefficient use of resources which increases the risks of social upheaval. The risks of social upheavals could be further increased by the high and growing inequality in many African countries. The Bank further acknowledges that with improved and expanded communication systems, the growing gap between the rich and the poor is becoming increasingly obvious and the marginalized sections of the community will invariably become restless, and most probably discontent. This may explain why various institutions, involving the Breton Woods institutions, national governments, NGO's, and Community Based Organizations (CBOs), have in recent years expanded their development focus towards mitigating the problems of urban and rural poor and avert any possible social and economic upheavals.

Available statistics show that growth in the number of these institutions has been very rapid in recent years. In the early 1980s there were about eighty (80) Civil Society institutions (NGO's and CBOs) registered in Ghana (Department of Social welfare, Ghana, 2003). By 1996, the number had reached six hundred and fifty two (652) in 2000; there were about one thousand two hundred and eleven (1211) of them rendering different types of services to the much marginalized sections of the Ghanaian Society (Department of Social welfare, Ghana, 2003).

Poverty Situation in Ghana

According to Sowa (2000), the poor have the following characteristics;

- i) Material deprivation - lack of income, resources and assets.
- ii) Physical weakness - malnutrition, sickness, disability, lack of strength.
- iii) Isolation - illiteracy, lack of access to education and resources, peripheral locations, marginalization and discrimination.
- iv) Vulnerability – to contingencies which increase poverty (for example, war, climate changes, seasonal fluctuations, disability).
- v) Powerlessness – the inability to avoid poverty or change the situation.

Poverty levels in Accra increased substantially between 1987 and 1992 (GLSS, 1995). This may be due to the fact that most of the adjustment policies had a direct impact on the urban public sector. The retrenchment policies as well as the pegging of increases in the Wage bill to only 5 percent of Gross Domestic Product (GDP) reduced the income of the urban public sector worker. However,

other urban areas as well as rural-costal and rural-forest localities had reductions in poverty levels (GLSS, 1995).

Rural-savanna was the poorest zone in the country with more than half its population classified as poor and more than a third being very poor-in 1992. In spite of the increases in poverty levels in Accra, it still remains the locality with the least poor, although, it is gradually declining to the national average (Ghana Living Standard Surveys, 1992).

Every human being needs a range of basic necessities, such as food, water, shelter, education, health care, for his or her daily life. The economic condition of lacking these essential goods and services as basic needs of life is called poverty.

The Millennium Development Goals

In September 2000, the United Nations Millennium Summit agreed on a set of time –bound and measurable goals aimed at combating poverty, hunger, HIV/AIDS disease, illiteracy, environmental degradation and discrimination against women.

The first Millennium Development Goal (MDG) is to eradicate extreme poverty and hunger. The target is to halve the proportion of people living on less than a dollar a day and those who suffer hunger by the year 2015.

Ghanaians should worry about poverty because currently statistics show that close to 27% of the population live in extreme poverty (Ghana Living Standard Surveys, 2000). Even though over the past 15years, the overall incidence of poverty has reduced slightly, the depth of poverty for those who are poor has

remained stable. This means the benefits of the government's poverty reduction efforts are not being enjoyed by the poorest people. If Ghana is to achieve its vision of middle income status, then level of poverty has to be seriously addressed.

It is a fact that NGO's, CBOS etc are government's development partners, who are aimed at bringing development to the door step of the vulnerable and the poor. Regarding the above, hence ID-Ghana's microfinance programmes to help eradicate poverty in some urban poor communities in and around Accra.

This study therefore aims at ascertaining whether ID-Ghana's micro finance programme is helping to reduce poverty among the people of Nima so as to improve on the lives of the people.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter deals with the population, sample, and research instrument, design of instrument and data collection procedures. It also deals with the validity and reliability of the research instrument.

Population

The target group consisted of six hundred and seventeen (617) women clients of ID- Ghana and fifty (50) non-clients in Nima, a suburb of Accra. This information was received from ID- Ghana's Operations Manager and their credit officers on the field in Nima, Accra.

Sample

Taking the large population into consideration, the researcher selected one hundred (100) respondents who were women clients of ID-Ghana and fifty (50) women who were non-clients using simple random sampling and accidental sampling respectively due to time constraints and non-availability of enough finances to enable the researcher interview a larger number of respondents.

To ensure a fair representation of the respondents the study used the fish bowl draw, where each client was given a number and all the numbers written on papers and put into a container and the papers selected at random and replaced till the expected number of hundred (100) was reached. In case a number that had

already been selected came up again it was discarded and another one was selected.

Research Instrument and Design

The study used structured interview to collect data from the selected respondents. In the researcher's view, an interview schedule was much more convenient because most of the respondents were illiterates or semi-illiterates who could not read and respond to the questions if it were a questionnaire. Moreover the researcher's presence helped in the sense that, he was able to explain some of the questions to the respondents to ensure that, all the questions that they were expected to respond to were all answered.

In constructing the questions for the interview, certain principles were considered to ensure its accuracy. The wording of the questions was designed to be simple, clear and free from all technical terms. Most of the questions were structured in close-ended form and needed "Yes" or "No" responses so that the data could be easily interpreted and analyzed. Few of the questions were open-ended so that the respondents could give their opinions on some of the responses freely.

Procedure and Time Frame

The researcher visited the market places and other points and locations in the community of Nima to interview respondents that were selected. This was done with assistance from the field and credit officers of ID- Ghana who introduced the researcher to their clients to establish the link. The researcher used

one month to administer the interviews in close collaboration with the field and credit officers of ID- Ghana.

Validity of the Instrument

The content validity of the instrument was determined by my supervisor who offered suggestions and modifications of the items.

Reliability of the Instrument

To ensure the research tool was consistent, stable and accurate, the researcher administered the instrument on thirty (30) women traders who were clients of ID-Ghana in Nima but not part of the population sample using the pre-test procedure. Their responses were put to the Alpha Crombach test where the co-efficient of Alpha was 0.7. The co-efficient obtained confirmed that the research instrument was reliable.

Data Processing and Analysis

Statistical Package for Service Solutions (SPSS) version 15.0 was used for data analysis. SPSS analysis outputs were turned into well designed Excel template to generate indicator results and relevant inferences made. Some simple statistical measures such as percentages, means, modes, standard deviation and co-efficient of correlations were used to reduce the volume of data, making it easier to understand.

CHAPTER FOUR

RESULTS OF THE STUDY

Overview

This chapter deals with the presentation of results of the study, data analysis, and the findings which were related to the research questions. Lastly, it dealt with the summary of the major findings.

Presentation of the Data and Analysis

There were forty-three (43) items on the respondent's interview schedule. Below is the tabulation of responses followed by a brief commentary.

To determine the socio-demographic characteristics of the respondents

Table 4:1 Ages of Respondents

Age(Years)	Frequency	Percentage
20-29	14	14
30-39	41	41
40-49	30	30
50-59	15	15
Total	100	100

Source: Survey data, 2009

From Table 4:1, one-hundred (100) people responded to the item concerning their ages. Forty-one (41) of the respondents said they were within the range of thirty to thirty-nine (30 – 39) years of age which constituted 41% of the total number of respondents. The least age range fell between 20 – 29 years which constituted 14% of the total number of respondents.

Table 4:2 Educational Backgrounds of Respondents

Education	Frequency	Percentage
No formal Education	60	60
Primary	24	24
Vocational	10	10
Secondary	6	6
Total	100	100

Source: Survey data, 2009

From Table 4:2 above, all the respondents stated their educational background. Out of the number, sixty (60) respondents said they had no formal education which constituted 60% of the respondents. Twenty-four (24) of the respondents said they had only primary education which constituted 24%. Ten (10) respondents said they had vocational training whilst six (6) of them said they had secondary education which constituted 10% and 6% respectively. The above points to the fact that, majority of the clients had no formal education.

Table 4:3 Marital Statuses of Respondents

Marital Status	Frequency	Percentage
Not Married	18	18
Married	58	58
Divorced	20	20
Widow	4	4
Total	100	100

Source: Survey data, 2009

From Table 4:3 above, fifty-eight (58) people said they were married and that constituted 58% of the total respondents. Twenty (20) people said they were divorced constituting 20%. Eighteen (18) of the respondents said they were not married whilst four (4) of them said they were widowed which constituted 18% and 4% respectively.

Table 4:4 Rate of Single Parenthood

Single parents	Frequency	Percentage
Married but husbands unemployed	45	61
Divorced with children	16	21
Not married but have children	10	13
Widows with children	4	5
Total	75	100

Source: Survey data, 2009

From Table 4:4 above, out of the 100 respondents, 75 of them said they were single parents and this shows that majority of women were burdened with the up keep of their children.

From Table 4:5 below, all the respondents responded to the item concerning the number of children they had and the analysis showed that thirty-eight (38) of the respondents which constituted 38% said they had two (2) children whilst 26% of the respondents said they had three (3) children. Sixteen percent (16%) of the respondents said they had only one child whilst 11% said they had four (4) children. Three percent (3%) of the respondents said they had five (5) or more children whilst 6% said they had no child.

The above analysis shows that 64% of clients had between 2 and 3 children.

Table 4:5 Number of Children

Number	Frequency	Percentage
No child	6	6
1	16	16
2	38	38
3	26	26
4	11	11
5 and above	3	3
Total	100	100

Source: Survey data, 2009

Table 4:6 Number of Children in School

Number	Frequency	Percentage
None	6	6
Some	12	12
All	82	82
Total	100	100

Source: Survey data, 2009

From Table 4:6 above, 82% of the respondents said they had all their children going to school whilst 12% said they had some of their children in school because those who were not in school had not attained the school going age. Six percent (6%) of the respondents said they had no child in school because they had no children.

The above finding confirms earlier studies done by CGAP in 2005, which states that most households are able to send more children to school for longer periods and make greater investment in their children's education under the impact of microfinance.

Table 4:7 Respondents' Occupation

Occupation	Frequency	Percentage
Trading	86	86
Others	14	14
Total	100	100

Source: Survey data, 2009

From Table 4:7, 86% of the respondents said they were traders whilst 14% said they were engaged in hair dressing, carpentry, driving. This points to the fact that, majority of the respondents were traders.

The above confirms some findings made in Luanda by the UNDP Human Development Report in the year 2000, which states that, 83% of women who were self-employed were traders.

The major findings made concerning the socio-demographic characteristics of the respondents were;

1. Majority of the respondents fell within the age range of 30 and 39 years.
2. Majority of the clients were single parents.
3. Majority of the respondents had no formal education.
4. Majority of the respondents were married.
5. A higher percentage of the married women had husbands who were unemployed.
6. The highest frequency of the number of children of respondents was two-to-three (2-3) children.
7. Majority of the beneficiaries of ID-Ghana's microfinance programme were traders.

The Operations of ID-Ghana's Microfinance Programme

Table 4:8 Respondents' Number of Years of doing Business with ID-Ghana

Number of Years	Frequency	Percentage
1-2	35	35
3-5	51	51
More than 5	14	14
Total	100	100

Source: Survey data, 2009

From Table 4:8 above, 35% of the respondents said they became members between one-to-two years ago. Fifty-one percent (51%) of them said they had been members between three-to-five years whilst 14% said they had been members for more than five years.

The above information confirms a UNCDF Microfinance Report which states that clients who join and stay in microfinance programmes have better economic conditions than non-clients (www.UNITUS, 2004).

All the respondents were asked whether they had ever accessed loans from ID-Ghana and they all responded in the affirmative.

Table 4:9 Amount of Loan Received from ID-Ghana

Amount(Ghana Cedis)	Frequency	Percentage
Below 100	2	2
100-200	41	41
250-300	22	22
350-500	35	35
Total	100	100

Source: Survey data, 2009

From Table 4:9, 41% of the respondents said they had received loan amounts between 100 – 200 Ghana cedis whilst 35% said they had received loans between 350 – 500 Ghana cedis. Twenty-two percent (22%) of the respondents said they had received loans between 250 – 300 Ghana cedis whilst only 2% said they had received below 100 Ghana cedis.

Table 4:10 Period for Accessing the Loan

Period	Frequency	Percentage
1 month	15	15
2 months	76	76
3 months	9	9
Total	100	100

Source: Survey data, 2009

From Table 4:10 above, 76% of the respondents said it took them two (2) months to get the loan whilst 15% said it took them one (1) month to get the loan. Nine percent (9%) said it took them three (3) months to access the loan.

All the respondents were asked to indicate the interest rate charged on loans by ID-Ghana and they all stated it was 10%.

Table 4:11 Repayment Period of the Loan

Period	Frequency	Percentage
Up to six months	69	69
Up to one year	31	31
Total	100	100

Source: Survey data, 2009

From Table 4:11 above, 69% of the respondents said they were made to pay their loans in six months whilst 31% said they were given one year to pay up.

Table 4:12 Mode of Loan Repayment

Mode of payment	Frequency	Percentage
You go to ID-Ghana Office	12	12
Collectors from ID-Ghana come to collect	88	88
Total	100	100

Source: Survey data, 2009

From Table 4:12 above, 88% of the respondents said collectors from ID-Ghana came to them to collect the money whilst only 12% said they went to ID-Ghana office to pay their loans.

The respondents were asked whether they saved with ID-Ghana and they all said they had since it was an individual's savings that qualified a person to access loan.

Table 4:13 Mode of Saving with ID-Ghana

Mode of saving	Frequency	Percentage
Daily SUSU	81	81
Weekly	10	10
Every two weeks	9	9
Total	100	100

Source: Survey data, 2009

From Table 4:13 above, 81% of the respondents said their savings were done on daily basis that is daily 'susu' whilst 10% said they saved on weekly basis. Nine percent (9%) of the respondents said they saved every two (2) weeks.

All the respondents were asked whether they had any insurance policy with ID-Ghana and they all said they had no insurance. This shows that ID-Ghana is not providing its clients with insurance which is one of the services under any good microfinance programme.

Table 4:14 Type of Lending Method

<u>Lending method</u>	<u>Frequency</u>	<u>Percentage</u>
Solidarity lending	89	89
<u>Individual lending</u>	<u>11</u>	<u>11</u>
<u>Total</u>	<u>100</u>	<u>100</u>

Source; Survey data, 2009

From Table 4:14 above, 89% of the respondents said ID-Ghana used the solidarity lending method to give loans rather than individual lending method.

This confirms what CGAP, 2002 has documented that many MFIs utilize lending methodologies that use social collateral in the form of peer groups to guarantee loan repayment. Under this system, borrowers take out loans in groups of five to eight individuals which is referred to as solidarity lending. If a borrower defaults on his / her loan, the entire group is often penalized. This has resulted in higher than 95% repayment rates in most microfinance programmes (www.CGAP).

A careful analysis of objective two (2), the study came up with the following major findings;

1. Majority of the respondents had been doing business with ID-Ghana for the past three-to-five (3-5) years.
2. All the respondents said they had received loans from ID-Ghana.

3. Majority of the respondents said they had received loan amounts between one hundred and two hundred (100-200) Ghana cedis.
4. A higher percentage of the respondents said it took them one (1) month to access a loan from ID-Ghana.
5. Majority of the respondents said they were made to pay up their loans within six (6) months.
6. The interest rate charged on the loan by ID-Ghana was ten percent (10%).
7. The loans collected by respondents were recovered by credit officers of ID-Ghana who went to the field on weekly basis.
8. All the respondents said they saved with ID-Ghana and majority of them said they saved on daily basis that is daily 'susu'.
9. All the respondents said they did not have any idea about an insurance policy operated by ID-Ghana.
10. The lending method used by ID-Ghana was solidarity lending.

The Type of Training ID-Ghana Organizes for its Clients.

All the respondents were asked whether they have ever received any training from ID-Ghana and they all said they have received training from ID-Ghana.

Table 4:15 Type of Training Received by Respondents from ID-Ghana

Type of training	Frequency	Percentage
Importance of saving	100	100
Managerial skills	58	58
Accounting skills/book keeping	52	52

Source: Survey data, 2009

From Table 4:15 above, 100% of the respondents said they had been educated on the importance of saving, 58% said they have had training in managerial skills whilst 52% said they had been taken through basic book keeping.

All the respondents were asked to mention the number of times they had been trained. Sixty-seven percent (67%) of the respondents said they had received training for about three times.

They were also asked whether the training they received had been beneficial to their business and they all responded in the affirmative and explained that they were able to determine their profit margin so that they don't touch their

capital. They also said they were now able to keep records of their stock and transactions.

The following major findings were made after careful analysis of the information received.

- i) Initiative Development Ghana had been organizing training for its clients in managerial skills, basic book keeping, and reasons why they should save.
- ii) Majority of the respondents had been trained for about three (3) times.
- iii) The training according to the respondents had been very beneficial to both their businesses as well as their families in terms of keeping proper accounts of their transactions, business expansion as well as taking care of their family's basic needs.

To find out the Effects of the Microfinance Programme of Initiative Development - Ghana on their Clients and Families.

Table 4:16 Benefits of ID-Ghana’s Programme to Respondents and Families

Benefit	Frequency	Percentage
Able to pay children school fees	89	89
Able to expand business	73	73
Improve standard of living	80	80
Able to buy food for family	90	90
Able to pay bills	75	75

Source: Survey data, 2009

From Table 4:16 above, 89% of the respondents said they were now able to pay the school fees of their children and wards in school, 73% said they had been able to expand their business, 80% said there had been remarkable improvements in their standard of living, for example, most of them have mobile phones which they could not own when they had not started doing business with ID-Ghana, 90% said they could now buy enough food to feed their family whilst 75% said they were able to pay their utility bills without delays.

According to a UNCDF report, access to credit allows poor people to take advantage of economic opportunities, whereby clients had overwhelmingly demonstrated that reliable source of credit provide a fundamental basis for planning and expanding business activities.

The above findings confirm what Daley–Harris documented that microfinance brings significant impact and the magnitude of the impact is positively related to the length of time that clients had been in the programme.

Table 4:17 Difficulties Faced in Loan Repayment

Place	Frequency	Percentage
No difficulty	89	89
Difficulty	11	11
Total	100	100

Source: Survey data, 2009

From Table 4:17 above, 11% of the respondents said they had difficulty in repayment of the loan whilst 89% said they did not have any difficulty in repayment. They cited poor sales and theft as the reasons why they found it difficult to pay the loan.

According to a publication by Micro Banking Bulletin #15, 2007, evidence show that women in trading are less likely to default on their loans than men.

Table 4:18 Type of House Respondents Lived in

Type	Frequency	Percentage
Improvised house (kiosk)	8	8
Compound house	83	83
Self contained	9	9
Total	100	100

Source: Survey data, 2009

From Table 4:18 above, 83% of the respondents said they now lived in rented rooms which they could not afford in the past, 9% said they now lived in two bedrooms self contain houses whilst 8% said they lived in kiosk.

The above information shows that there has been improvement in the standard of living of clients.

Table 4:19 Items/Assets Owned by Households

Item/asset	Frequency	Percentage
TV/Sound system	86	86
Mobile phone	73	73
Computer	10	10
Refrigerator	78	78
Gas cooker	73	73

Source: Survey data, 2009

From Table 4:19 above, 86% of the respondents said they owned television sets and sound systems, 73% said they owned mobile phones, 10% said they owned personal computers, 78% said they owned refrigerators whilst 73% said they owned gas cookers. All the above respondents said they could not afford some of these things in the past but now they can.

The above information confirms a study made in Bangladesh by the Bangladesh Rural Advancement Committee (BRAC), which stated that clients in a microfinance programme were able to increase household expenditure by 28% and assets by 112%.

Table 4:20 Number of People in the Household Covered by Health

Insurance

Number covered	Frequency	Percentage
None	10	10
Some	18	18
All	72	72
Total	100	100

Source: Survey data, 2009

From Table 4:20 above, 72% of the respondents said their entire family had been covered by health insurance, 18% of them said they only had some of their family members covered by health insurance, whilst 10% said they had none of their family members covered by health insurance.

All the respondents were asked whether they immunized their children against the six childhood killer diseases. Eighty-one percent (81%) of the respondents said all their children had been immunized against the six childhood killer diseases whilst the remaining 19% responded otherwise.

All the respondents were also asked whether they used family planning methods to control their family size. Eighty three percent (83%) of the respondents said they used family planning whereas 17% said they did not use family planning.

After a careful analysis of objective number four (4), the following findings were made;

- i. Greater percentage of the respondents said there had been improvement in their standard of living in several spheres. These areas include ability to pay ward's school fees, ability to feed their children well, and improvement in their businesses since their capital for trading had increased drastically.
- ii. Majority of the respondents said they did not encounter any difficulties paying back the loans.
- iii. Majority of the respondents said there had been improvement in their housing needs since most of them now had decent accommodation as compared to the past and had been able to acquire some properties that is, assets which they did not have in the past.

- iv. A greater percentage of the respondents and their families were covered by the National Health Insurance Scheme which was expected to solve the health needs of the respondents. The registration of respondents into the National Health Insurance Scheme was facilitated by ID-Ghana. They also created awareness about the need to control the birth rate (family planning) of their clients as well as immunizing children against the six childhood killer diseases.

To Determine some of the Effects of ID-Ghana’s Microfinance Programme on Husbands of Clients as well as Women who are non – clients.

Table 4:21 Number of Husbands Unemployed

<u>Employment status</u>	<u>Frequency</u>	<u>Percentage</u>
Husbands employed	13	22
Husbands unemployed	45	78
<u>Total</u>	<u>58</u>	<u>100</u>

Source: Survey data, 2009

Referring to Table 4:21 above, concerning married clients, it was seen that out of the 100 respondents, 58% were married. Out of this number, 78% of them said their husbands were unemployed whilst only 22% of them said their husbands were employed.

Table 4:22 Number of Unemployed Husbands who Assist their Wives in their Business

<u>Assistants</u>	<u>Frequency</u>	<u>Percentage</u>
Assists wives	38	84
<u>Do not assist wives</u>	<u>7</u>	<u>16</u>
<u>Total</u>	<u>45</u>	<u>100</u>

Source: Survey data, 2009

From Table 4:22 above, 84% of the respondents (that is, clients who's husbands were unemployed), said their husbands assisted them in their businesses whilst only 16% said their husbands did not assist them in their businesses.

Fifty-eight (58) of the married respondents were asked whether their businesses have had any effect on their husbands. Out of this number, 38 of them representing 84% said their unemployed husbands assisted them in their businesses. They further explained that, their husbands used to idle about during the day and were hired occasionally by people to take part in violent demonstrations that had no direct bearing on their lives. "Now they assist us in our business". Some women said any time they had to go out to purchase more goods for sale their husbands sell their goods for them as well as attend to other household chores. These keep them busy most at times hence they did not engage in the violent activities that they used to do in the past. They have become responsible husbands who think about the well being of their children and wives.

The above finding confirms a World Bank Report which states that the World Bank recognizes that the large number of people, in poverty implies an inefficient use of resources which increases the risks of social upheaval. The Bank further acknowledges that with improved and expanded communication systems, the growing gap between the rich and the poor is becoming increasingly obvious and the marginalized sections of the community will invariably become restless, and most probably discontent. This really points to the fact that young men who are unemployed and marginalized will be discontented and engage in activities that can disturb the peace of a nation.

Effects of the Microfinance Programme on Women Traders who are Non-Clients of ID-Ghana

Table 4:23 Effects on Women Traders who are non-clients

<u>Non-clients</u>	<u>Frequency</u>	<u>Percentage</u>
Have had some effect	41	82
<u>Have had no effect</u>	<u>9</u>	<u>18</u>
<u>Total</u>	<u>50</u>	<u>100</u>

Source: Survey data, 2009

Some other fifty women were identified as non-clients of ID-Ghana who did not have any link with any microfinance institution. These women were close to most of the respondents that were part of the population sample.

From Table 4:23 above, out of 50 respondents, 41 of them representing 82% said they have had some form of effect although they were non-clients of ID-Ghana.

The 82% from Table 4:23 said that, before ID-Ghana came there was high demand for loans from the traditional money lenders and this made it very difficult for them to access loans on relatively soft terms. After the coming of ID-Ghana the high demand for loans from the traditional money lenders in the community had reduced hence they had relaxed their terms of giving out loans. They had really reduced their interest rates from about 80% to about 30% to entice people to come for loans locally. This had given them the opportunity to go for such loans despite the interest rate.

The above findings confirm the findings made by Daley-Harris, 1998, that microfinance programme is capable of affecting the lives of non-clients in several ways.

To find out the Challenges Respondents Encounter when Assessing the Loan.

A total of 100 respondents were asked to identify some challenges they encountered before and after assessing the loans. They mentioned the challenges listed below;

- i) Initial amount of loan was too small.
- ii) Repayment period of loan was short.
- iii) Loans are not given to individuals.

iv) Groups for assessing loans far out number the credit officers who go to the field hence delays the loan processing period.

To suggest ways that ID-Ghana can use to improve its Services.

Table 4:24 Suggestions for ID-Ghana to improve its Services

Suggestion	Frequency	Percentage
Increase initial amount of loan	92	92
Extension of repayment period	86	86
Giving of individual loans	45	45
Engage more credit officers	38	38

Source: Survey data, 2009

From Table 4.24 above, 92% of the respondents said they would be grateful if the initial loan amount was increased, 86% said they would be happy if the loan repayment period was extended to go beyond the stipulated six (6) months as stated by majority of the respondents. Concerning giving of loans to individuals, 45% of the respondents said they would be grateful if that was done whilst 38% said they would be happy if ID-Ghana engages adequate credit officer to attend to them faster.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

Overview

In this chapter, the findings of the study is discussed and conclusions drawn. It finally ends with recommendations for improving microfinance programmes in the country and suggestion for further research work.

The researcher posed some research questions which he tried to find answers to. The research questions were as follows;

1. What are the socio-demographic characteristics of the respondents?
2. How is the microfinance programme by ID-Ghana operated?
3. What are some of the training programmes ID-Ghana organizes for its clients?
4. What are some of the effects of the microfinance programme of ID- Ghana on the children as well as husbands of clients?
5. What are some of the effects of the microfinance programme on women who are non-clients to ID-Ghana nor any other microfinance institution?
6. What are the challenges respondents' encounters when assessing the loan?
7. What are some of the ways that ID-Ghana can use to improve its services?

A structured interview schedule was prepared by designing an instrument to fully find answers to the questions.

Discussion

The findings followed in the order in which the research questions were arranged. It was found out that, majority of the clients of ID-Ghana fell within the age range of 30 and 39 years and had no formal education. Majority of the women were married and had children who attended school. Another revelation was that almost all the clients were traders and these findings answer the question about the socio-demographic characteristics of the clients. These findings confirm earlier studies made by some other researchers.

It was also found that, most of the clients had been doing business with ID-Ghana between 3 and 5 years and all of them had received loans several times. It was also revealed that it took clients one month to access loans and were expected to pay back within six months at an interest rate of 10%.

Credit officers of ID-Ghana went round to collect back the loans in installments from clients based on the terms of agreement for loan repayment and this was done on weekly basis. It was also revealed that, all the recipients of loans had savings with ID-Ghana and their savings were done on daily 'susu' basis. Concerning client insurance policy with ID-Ghana, majority of the clients did not have an insurance policy. These findings show the nature of the microfinance loan ID-Ghana gave to its clients.

Another important revelation made was that, ID-Ghana had been organizing training from time to time for its clients to enable them sharpen both their managerial and basic book keeping skills as well as educating clients on the benefits of saving.

Initiative Development-Ghana used the solidarity lending method to give loans to their clients.

Clients also agreed that the training programmes had been beneficial to their businesses and families in terms of expansion in business and provision of family's basic needs like feeding, shelter and clothing.

Concerning what the effects of the microfinance programme of ID-Ghana on their clients and families, it was found that it had affected clients in a positive manner using the indicators outlined in Table 4:16. It was found in the Table mentioned that, clients could now pay school fees of their children, they could now provide balanced diet to their families, they could now pay their utility bill for example, electricity bills and had been able to expand their businesses in term of increase in their capitals as well as their goods. All these had led to improvement in their standard of living. These positive effects had enabled most clients to attend social gatherings like funerals and also sent their children for post-natal care to monitor how they were developing. They had also been empowered to the extent that they had been able to acquire good cloths and ornaments which they did not have in the past.

It was also clear that the housing needs of majority of the clients had improved since most of them claimed they used to live in kiosks and other wooden structures before they became clients of ID-Ghana.

Another revelation was that, through ID-Ghana's awareness creation, most of their clients had health insurance cover which was facilitated by ID-Ghana as well as clients engaging in family planning in order not to produce more children

than they could take care of. Clients were also educated to immunize their children against the six childhood killer diseases as well as medical outreach programmes organized by ID-Ghana in collaboration with other medical missions to ensure that their clients were healthy.

It was also confirmed that, husbands of female clients in the microfinance programme had indirect effects as a result of their wives benefiting directly from the programme which might reduce or completely eliminate restlessness and discontent among young men who were unemployed and might prevent them from engaging in social vices.

It was also revealed that, non-clients of the microfinance programme could be affected positively as a result of availability of loans from traditional money lenders at a relatively relaxed interest rate since majority of the people were getting access to soft loans from ID-Ghana.

It was also found that clients faced some challenges like the initial loan (first loan) amount was too small; loan repayment period was too short, only solidarity loans were given but not to individuals as well as the groups formed for accessing loans did outnumber the credit officers.

Finally, it was found that, ID-Ghana could improve on its services to its clients if they considered giving loans to smaller number of people in a group rather than a higher number of people forming the group. It was also suggested that, ID-Ghana should consider increasing the initial loan amount as well as the loan repayment period. It was also suggested that, ID-Ghana should engage more credit officers so that they can attend faster to the needs of their clients in the

various groups. The findings can be generalized to describe the entire Nima clients of ID-Ghana.

Conclusion

Microfinance has evolved as an economic development approach intended to benefit low-income women and men. More broadly, microfinance refers to a movement that envisions a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfer. Those who promote microfinance generally believe that such access will help poor people out of abject poverty.

The major conclusion of the study was that, there is a positive correlation of gains from microfinance with improvement in standard of living. This was as a result of borrowers being able to take care of their families by paying for their education, health care, shelter, and clothing. They were also able to expand their businesses, save money as well as acquire some basic assets which they could not afford to acquire in the past.

The study also made it clear that, females were the core borrowers and this affected household consumption positively since women are the ones who ensure that their children and husbands are well fed.

Microfinance has come to stay in light of the Millennium Development Goal which aims at reducing extreme poverty by the year 2015. One of the ways that poverty could be reduced is through the establishment of Microfinance and

Small Loans Centers (MASLOC) across the length and width of the country to enable the poor and deprived to access credit as well as save to enhance their financial status in the country. By doing so, poverty can be reduced since microfinance has proven to help reduce poverty in other parts of the world. The Government of Ghana also acknowledges this fact, hence the reason for introducing the Ghana Poverty Reduction Strategy One and Growth and Poverty Reduction Strategy Two (GPRS I and GPRS II) to guide the country's developmental process to attain or achieve its goal and objectives of reducing poverty.

Development partners like ID-Ghana and the several others in the microfinance business are to intensify their efforts so as to streamline their operations in terms of interest rates they charge and the monitoring of their clients in order for them to realize their objective of poverty reduction.

Suggestions and Recommendations

This study makes the following suggestions and recommendations for management consideration and for further studies.

- i. Financial services should be offered to the working poor who are considered 'unbankable' because it has been proven that they are capable of expanding their businesses and increasing their incomes. This shows that the poor are capable of transforming their own lives given the chance.
- ii. The working poor should be educated and encouraged to save and insure their businesses as well as their health since a healthy mind lives in a

healthy body. Once they are healthy, that will lead to increased productivity.

- iii. Women should be the primary focus of service delivery since it has been proven that, women are less likely to default on their loans than men.
- iv. Government and its development partners in the microfinance business should see microfinance as a development tool that employs social intermediation like, group-formation, training in financial literacy and management as well as savings and credit to improve the socio-economic status of the productive poor in the country.
- v. Women should be supported by government and its development partners to enhance their economic participation through microfinance. This will empower them, thus promoting gender-equity in the country and it will enable them to realize their fullest potentials in the society.
- vi. Clients of ID-Ghana who have been loyal and dedicated to their business with ID-Ghana and have no any default in loan repayment for about three years should be considered for individual loans. They should also be considered to pay back their loan to up to at least one year as well as given loans that are comparatively bigger than it use to be initially.
- vii. Initiative Development- Ghana should expand their area of operations to other equally deprived communities in other parts of the country apart from Accra and extend their services to those who need it. This will go a long way to reduce part of the rural-urban migration in addition to poverty reduction in deprived areas.

Suggestion for further Research

In my view, there is a need for more careful research on the outreach, impact and cost-effectiveness of microfinance programmes in Ghana to strengthen the microfinance industry.

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APPENDIX ONE

1. Age ____ / ____ / ____ (Day / M / Y)

2. Educational Level

❖ Primary and J.H.S. (1)

❖ Vocational (2)

❖ Secondary (3)

❖ Polytechnic (4)

❖ No formal Educ. (5)

❖ Others (specify) (6)

3. Marital Status

Married (1) Not Married (0) Divorced (2)

Widow (3)

4. How many children do you have?

0 1 2 3 4 5 or
more

5. How many children are in school?

No child in school (0)

Only some children go to school (2)

All children are in school (4)

6. Occupation

Trading (1) Others (2)

7. Are you a single parent? Yes [] No []

8. Who pays the fees of your children? Mother [] Father []

9. How long have you done business with ID- Ghana?

❖ 1 to 2 years (1) []

❖ 3 to 5 years (2) []

❖ More than 5 years (3) []

10. Have you ever received any loans from ID- Ghana?

Yes (1) [] No (1) []

11. If yes, indicate below the amount.

❖ Under ₵100.00 (1) []

❖ ₵100.00 to ₵200.00 (2) []

❖ ₵250.00 to ₵300.00 (3) []

❖ ₵350.00 to ₵500.00 (4) []

12. If No, to question 10 above, why?

.....
.....

13. How long did it take you to access the loan?

1 week (1) 2 weeks (2) 1 month (3) 2 or
more months (4)

14. How many times have you accessed this loan facility?

❖ One (1) []

❖ Two to four times (2) []

❖ Five times (3) []

❖ More than five times (4) []

15. What is the highest amount of loan you've ever received?

¢50.00 (1) ¢100.00 - ¢150.00 (2)

¢200.00 - ¢500.00 (3)

16. What is the interest rate?

❖ Less than 10% (1) []

❖ 15% -- 19% (2) []

❖ 20% -- 24% (3) []

❖ 25% -- 29% (4) []

❖ 30% -- 34% (5) []

17. How long are you expected to pay the loan?

less than 2 months (1) up to 6 months (2) up to 1 year (3)

up to 2 years (4)

18. How is the payment done?

❖ You go to ID- Ghana office (1) []

❖ You pay into a given account No (2) []

❖ Collectors from ID- Ghana come to collect (3) []

19. Repayment arrangement.

❖ Daily (1) []

❖ Weekly (2) []

❖ Two weeks (3) []

❖ Monthly (4) []

20. Do you save with ID- Ghana? Yes [] No []

21. If No, why...

22. How is your savings done?

❖ Daily Susu (1) []

❖ Weekly (2) []

❖ Two weeks (3) []

❖ Monthly (4) []

23. Do you have insurance with ID- Ghana?

Yes (1) [] No (0) []

24. If No, why...

25. Have you ever received training from ID- Ghana?

Yes (1) [] No (0) []

26. If yes, what type of training?

Education on importance of savings (1) []

Managerial skills (2) []

Accounting skills / book keeping (3) []

27. How many times have you undergone training from ID- Ghana?

Once (1) Twice (2) Three (3) More
than 4 times (4)

28. Has the training been beneficial in any way to your business?

Yes (1) [] No (0) []

29. Has your business been beneficial to your family?

Yes (1) [] No (0) []

30. Has there been an improvement in your business?

Yes (1) [] No (0) []

31. If yes, how has your business been beneficial to your family?

32. Is your husband employed? Yes (1) [] No (0) []

33. If no, what does he do?

34. If yes, what is his occupation?

35. Is your association with ID-Ghana had any effect on your husband?

Yes (1) [] No (0) []

If yes explain.

36. Have you ever had difficulty /ies in repayment of loans?

Yes (1) [] No (0) []

37. If yes, how?

38. What do you think ID- Ghana should do to improve their services?

.....

39. What type of house do you live in?

Improvised (kiosk / wooden structure, container / metal structure) (0)

Compound house (1)

Self – contained (2)

39. What assets or items do your household own?

TV / Sound system (1)

Mobile phone (5)

Bicycle (2)

Refrigerator (6)

Gas cooker (3)

Motor bike (7)

Car (4)

House (8)

40 i) Which of the following is true about meals in the household?

- One meal assured a day (1)
- Two meals assured a day (2)
- Three meals assured a day (3)

41. Is the household covered by health insurance?

- All are covered (2) some are covered (1)
- None is covered (0)

42. Are the children immunized against the six childhood killer diseases?

Yes (1) [] No (0) []

43. Do you use family planning methods?

Yes (1) [] No (0) []

APPENDIX TWO

1. Are you a client of ID-Ghana? Yes No
2. Do you access loans to support your trading business? Yes ... No ...
3. If yes, where do you get such loans?
4. What is the interest rate charged on the loans?
5. Though you are not a client of ID-Ghana, have their intervention had any effect on you?
Yes No
6. If yes, explain.