

UNIVERSITY OF CAPE COAST

MICRO CREDIT SCHEME AS A POVERTY REDUCTION STRATEGY OF  
THE GHANAIAN DANISH COMMUNITY PROGRAMME IN THE TOLON-  
KUMBUGU DISTRICT

BY

SAMATA GIFTY BUKARI

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## **DECLARATION**

### **Candidate's Declaration**

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

Candidate's Name: Samata Gifty Bukari

Signature:.....

Date: .....

### **Supervisors' Declaration**

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Name: Drs. N.K.T. Ghartey

Signature:.....

Date:.....

Co-supervisor' Name: Dr. Emmanuel K. Ekumah

Signature:.....

Date:.....

## **ABSTRACT**

The study set out to assess the effects of the Ghanaian Danish Community Programme (GDCCP) micro credit scheme on the lives of rural women and their dependants. Access to credit to the rural poor, particularly women, to engage in income generating activities was identified as a problem in the Tolon Kumbungu district from a baseline study by the GDCCP.

The survey was conducted on 264 women in the study area using interview schedules, questionnaires and focus group discussions to collect data from the field, which were coded and analyzed using the SPSS package to derive tables and graphs to present the data.

The major finding of the study was that access to micro credit improved the quality of lives of women beneficiaries and their dependants. Most of the women were able to improve on their processing skills that led to increased income and subsequently improved feeding, shelter, and increased school enrolment. The main problems identified with the operations of the scheme were unstable marketing for produce and inaccessibility to productive resources. In addition, most of the women who were weaned off by the GDCCP lacked adequate capital to continue with their income generating activities.

The study recommended the GDCCP to assist women to organize trade fairs to open up marketing avenues as well as expand the scheme to cover men in order to break the socio-cultural problems. Additional loans should be provided to the women groups to enable them purchase more raw materials and processing equipment to improve on production.

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## **DEDICATION**

To my daughter, Asana Shanni Mahama, in ever loving memory

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## LIST OF ACRONYMS

AAG	Action Aid Ghana
ADB	African Development Bank
ADRA	Adventist Development and Relief Agency
BILFACU	Bimoba Literacy and Farmers Cooperative Union
CCFC	Canadian Christian Fund for Children
CHPS	Community Health Planning Services
CIDA	Canadian International Development Agency
CLIP	Communities Life Improvement Programme
CRS	Catholic Relief Services
DACF	District Assembly Common Fund
DANIDA	Danish International Development Agency
DCD	Department of Community Development
DMTDP	District Medium Term Development plan
DNK	Dagbon Ninneesim Karimzong
DOC	Department of Cooperatives
ENOWID	Enhanced Opportunities for Women in Development
ERP	Economic Recovery Programme
FOP	Feminisation of Poverty
GDCP	Ghanaian Danish Community Programme
GES	Ghana Education Service
GLSS	Ghana Living Standard Survey
GOG	Government of Ghana

GPRS	Ghana Poverty Reduction Strategy
GSS	Ghana Statistical Service
GV	Ghana Venskabsgruppene Danmark
GWEP	Guinea Worm Eradication Production
HDR	Human Development Report
HIPC	Highly Indebted Poor Country
HPI	Human Poverty Index
ICCES	Integrated Community Centre for Employable Skills
IFC	International Finance Cooperation
IGAs	Income Generating Activities
IMCPR	Inter-Ministerial Committee on Poverty Reduction
IMF	International Monetary Fund
KVIP	Kumasi Ventilated Improved Pit
MDI	Multidimensional Index
MOFA	Ministry of Food and Agriculture
NDPC	National Development Planning Committee
NGOs	Non-Governmental Organisations
NPRP	National Poverty Reduction Programme
OECD	Overseas Economic Cooperation for Development
PAMSCAD	Programme of Action to Mitigate Social Cost of Adjustment
REP	Rural Enterprise Project
RUWA	Rural Women's Association
SAP	Structural Adjustment Programme

SARI	Savannah Research Institute
SCHIMP	Small holder Credit Supply and Marketing Project
SEWA	Self Employment Women's Association
SIF	Social Investment Fund
SSA	sub-Saharan Africa
SSEs	Small Scale Enterprises
TKD	Tolon Kumbungu District
TKDBS	Tolon- Kumbungu District Baseline Survey
UDS	University For Development Studies
UN	United Nations
UNDP	United Nation Development Programme
UNFPA	United Nations Fund for Population
UNICEF	United Nations International Children's Educational Fund
UNIFEM	United Nations Development Fund for Women
VIP	Village Infrastructural Programme
WATSON	Water and Sanitation Comunittee
WB	World Bank
WBR	World Bank Report
WDF	Women's Development Fund
WDR	World Development Report
WVI	World Vision International



## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background to the study**

According to United Nations Development Programme (UNDP)/Human Development Report (HDR) (2010), about 1.75 billion people in the 104 countries covered by Multidimensional Poverty Index (MPI), has a third of their population living in multidimensional poverty with at least 30% of the indicators reflecting acute deprivation in health, education, and standard of living. This exceeds the estimated 1.44 billion people in those countries who live on \$1.25 a day or less (though it is below the share who live on \$2 or less) Also, due to the effects of the global recession in 2009, 64 million more people fall below the \$1.25 a day income poverty threshold. Nonetheless, the past 20 years have seen substantial progress in many aspects of human development as regards health, live longevity, education and access to goods and services, yet not all sides of the story are positive. These years have seen increasing inequality both within and across countries. Notably, sub-Saharan Africa has the highest incidence of multidimensional poverty of about 458million people. Like development, poverty is a multi-dimensional problem and a relative concept which varies in space and time (HDR, 2010).

The HDR (2010) further indicates that the dimension of poverty goes beyond inadequate income to poor health and nutrition, low education, and skills, inadequate livelihoods, bad housing condition, social exclusion and lack of participation.

Maxwell (1999) observes that in the 1960s, the focus on the concept of poverty was on growth and income levels. In the 1970s, poverty broadened to include redistribution, basic needs and access to services. The Basic-Needs Approach to development was defined as the minimum consumption requirements for a physically healthy population, certain minimal standards of access to public services and amenities, access to employment opportunities, and the right to participate in decisions that affect livelihoods. In the 1980s, poverty was viewed as powerlessness, non-participation, vulnerability, insecurity, deprivation, exclusion, non-sustainable livelihoods and gender. In the 1990s, the focus of understanding poverty was shifted to human and social development (Maxwell, 1999).

The initiatives and approaches later took a back seat to Structural Adjustment Programmes (SAP) espoused by the World Bank and the International Monetary Fund (IMF), which according to Nikoi (1998) and Elson (1987), led to adverse effects on vulnerable groups, particularly, women and children. As a result, the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), the Enhanced Opportunities for Women in Development (ENOWID), and credit line for Small Scale Enterprises (SSEs), the Village Infrastructural Project (VIP), and Rural Enterprise Project (REP) were

initiated to support vulnerable groups particularly, women. The PAMSCAD initiative was funded by the Social Investment Fund, (SIF) - a multilateral set up with contribution from the Government of Ghana (GOG), the African Development Bank (ADB) and the United Nations Development Programme (UNDP) for poverty alleviation. Some other poverty reduction interventions included; the Community Health Planning Services (CHIPS), and Small holder Credit Supply and Marketing Project (SCHIMP). It is rather difficult in the absence of an overall evaluation to establish the impact of any of the projects as indicated by Nikoi (1998). However, Manuh (1991) and Ofei-Aboagye (1996) revealed that the schemes were ad hoc, short-term in character, too little and reached only few women and could not therefore answer the serious problems of unemployment that faced informal sector workers in Ghana of which women predominate. A similar observation was made in the First Poverty Reduction Strategy Paper (1-PRSP) of Ghana. Hence, the unemployment situation caused by the Economic Recovery Programme (ERP) and the Structural Adjustment Programme (SAP) needed to be tackled as an urgent measure, and policies formulated through vigorous employment programmes in all sectors to improve real incomes of affected people particularly in rural areas.

Poverty is overwhelmingly rural, with some 70 percent of the poorest people in developing countries living in rural areas. The World Bank Report (WBR) (2000/1) estimates that 1.1 billion people in Less Developed Countries (LDCs) are absolutely poor. From this figure, sub-Saharan Africa (SSA) alone has an estimated number of over 300 million people who live on US\$1 a day or less,

therefore making poverty a dominant feature in this sub region. Given the magnitude of poverty levels in SSA, according to the writers, it is unrealistic for governments in the region to be left alone to tackle this daunting task in the light of the financial crises faced by most of the countries in this region. In consequence, a declaration was made by 43 African micro credit finance organisations to donors, governments, and practitioners to give special attention to Africa's poorest families to enable them achieve sustainable development, (WBR, 2000/2001).

Despite Ghana's considerable achievement under the Economic Reform Programme from 1983, poverty remains a serious problem that requires the concerted efforts of government and donors. Adjei (2010) reports that almost 30% of the country's population live in poverty. The Ghana Poverty Reduction Strategy (GPRS) of 2003 to 2005 (2003) version reported that the incidence of poverty in Northern Ghana (Upper East, Upper West, and Northern regions was 88%, 84% and 70% respectively), though poverty levels have generally reduced over the past decade as reported in the Ghana Living Standard Survey (GLSS) of 2005 (GSS, 2008).

According to the Tolon-Kumbungu District Medium-term Development Plan( MTDP, 2010-2013) the standard of living of people in the district generally very low as compared to the National average as indicated in the District Poverty Mapping. The average income per household per month is about GHC20.00. The people's poverty is as a result of very little income earnings obtained from peasant and subsistence farming based on rain-fed agriculture, unfavourable

weather conditions such as erratic rainfall, perennial flooding and bush fires. As a result unemployment is prevalent.

According to Dr. Kwabena Duffuor, Minister of Finance and Economic Planning, data from GLSS of 2005 (GSSL, 2008) indicates that Ghana had made strides towards reducing poverty over the last 2 decades from 51.7% in 1992 to 28.5% in 2006. However, there remained pockets of deep poverty especially in the northern savannah area resulting in a wide poverty gap between the north and south of the country. He said official statistics showed that between 1992 and 2006, the number of the poor declined by 2.5 million in the south and increased by 0.9 million in the north. This condition had led to chronic food insecurity resulting in vulnerable livelihoods of the people. This notwithstanding, the Human Development Report (HDR, 2010) reveals that Ghana's per capita income after the rebasing in 2010 stands at \$1,300 which is evidence of gains made in reducing poverty. Yet progress in poverty reduction by the government is still needed especially in the 3 northern Savannah regions where there is the greatest concentration of poor people.

All over the world including Ghana, it is evident that women and men experience poverty differently and unequally. The HDR (2010) reveals that the disadvantages facing women and girls are a major source of inequality. It is evident that women and girls are discriminated against in health, education, and the labour market which has negative repercussions for their freedoms that could prevent the successful implementation of poverty reduction strategies. In addition, the Ghana Living Standards Survey (2005), Ghana Statistical Service (GSS)

(2008) reveals that women face higher levels of deprivation compared to men and levels of income poverty are high among households with higher dependency ratio.

Similarly, studies conducted by the International Finance Corporation (2007) for the World Bank Group in Ghana reveals that women generally suffer more from poverty as a result of certain cultural and traditional practices that prevent them from taking full advantage of opportunities that are available to them. For example, in some areas women have limited rights and protection under the law and cannot own or control land which may be used as collateral for loans to support or expand their businesses. They are not allowed in decision-making and have less access to education and credit. According to the Ghana Living Standards Survey (GLSS 5), GSS (2008) clear gender gaps in education reveal that almost twice as many females (2.7 million) as males (1.4 million) never attended school. Furthermore, only few women who have attained high educational, occupational and financial statuses and use them to provide the needs of the household are involved in decision-making which is still male-dominated.

Also, Awumbila (2001) reveals that poverty among women in Ghana is particularly evident in the savannah north among widows, the aged, childless women, and those with younger children who make significant contributions to household income but are not often included in household decision-making. It is also interesting to note that although the state depends on women's labour and unpaid work in the households, there is little recognition of women's multiple roles and needs in the allocation of resources (Tsikata, 2001). The International

Fund for Agricultural Development (IFAD)(2000) reports that women are the worst affected in terms of poverty in Ghana with more than half of the women who are heads of households in the rural areas being among the poorest 20% of the population.

This notwithstanding, a study by Kessey (2005) reveals that female entrepreneurs tend to allocate a greater share of profits for family and child welfare. Similarly, another study in Guatemala, revealed in the HDR (2010) that mothers educational attainment, cognitive skills and nutritional status have large impacts on children's human capital and nutrition.

The Development Assistance Committee of Overseas Economic Cooperation for Development (OECD) sought to achieve reduction in poverty by half by 2015 the proportion of the world's population living in extreme poverty and provide equal primary school education for both girls and boys, as well as reduce infant and maternal mortality by two-thirds and three-quarters respectively. Overseas Development Institute (ODI, 1999).

As a first step to reduce poverty, the United Nations Millennium Declaration in September 2000 delivered a global strategy on poverty, supported by 189 governments and international organizations around the world including Ghana. These meetings and conferences convened regularly to address the scourge, and the volume of international aid directed at the implementation of poverty-reducing initiatives show the concern and effort the international community has made towards poverty reduction. Yet not much effect has been realized on the lives of the poor.

The Government of Ghana gave a strong commitment to initiate comprehensive actions both within the macro-economic policy framework and operational mechanisms to reduce poverty in Ghana. Significantly, Ghana is among seventy low-income countries that received debt relief through the Heavily Indebted Poor Country (HIPC) initiative under the International Monetary Fund (IMF) and the World Bank (WB) Institutions in 2001. Therefore, poverty reduction was linked to the extended debt relief initiative of HIPC. The Ghana Poverty Reduction Strategy (GPRS, 1) reflected a policy framework that was directed primarily towards the attainment of anti-poverty objectives of the United Nations Millennium Development Goals (MDGs). In addition, the goal of the Ghana Poverty Reduction Strategy (GPRS) (2003-2005), (2003) was to develop the human resource base that will provide gainful employment opportunities and expand special programmes to support vulnerable groups, reduce gender and geographical disparities, enhance good governance and eventually increase production. In order to achieve a more rapid and sustainable poverty reduction, the poor need better access to assets such as land, technology, fair markets, social, and economic services in the form of credit and savings, participation, security and employment.

Over the years, an important condition for poverty reduction was found to be the availability of a range of appropriate and accessible financial services for the poor. Montgomery and Weis, (2006) describe microfinance as the key innovation to poverty reduction of the last 25 years in terms of means of reaching to the poor and the vulnerable. However, according to Bage (2010) about 900



million extremely poor people who live in rural areas of developing countries lack access to basic financial services that would help them manage their assets and generate income. Yet banks in Ghana have made little effort to reach out to this potential clientele due to the high cost of managing small loans. This has given rise to a variety of grassroot organisations such as credit unions, 'susu schemes', rural banks and non-governmental organizations that have become active in micro credit finance activities in both rural and urban areas.

Indeed, the benefits of credit to the rural poor, particularly women, cannot be overemphasized. The GLSS 4 (2004) argues that credit can play a very important role in rural development. Access to credit by rural people, particularly women, enables them to invest in income generating activities, and acquire improved technology that enhances production and productivity. Consequently, these could possibly improve their incomes, and purchasing power that will eventually enhance their living standards thereby reducing poverty.

Non-Governmental Organisations (NGOs) have long played a vital role in the mobilization of poor women in both urban and rural areas and are worth considering as actors in many alliances. NGOs cover a wide spectrum of activities ranging from the provision of credit through training, employment creation and marketing services to legal assistance and social welfare programmes, (United Nations (UN) Publications), (1995). To augment government's effort at reducing poverty, these NGOs, and donor agencies have embarked on diverse poverty reduction programmes among rural people in the Northern Region of Ghana. Some of these NGOs include: United Nations International Children's Education

Fund (UNICEF), Catholic Relief Service (CRS), World Vision International (WVI) and World Food Programme (WFP). Others are Action Aid Ghana (AAG), Maata-N-Tudu Association, Amassachina Self Help Association, Canadian Christian Fund for Children (CCFC), Bimoba Literacy & Farmers Cooperative Union (BILFACU), the Rural Women's Association (RUWA) and the Ghanaian Danish Communities Association (GDCA) with Ghanaian Danish Communities Programme, School For Life (SFL), and Communities Life Improvement Programme (CLIP) as its subsidiaries, The GDCA which set up the GDGP, the programme under study is discussed in the next paragraph.

The Ghanaian Danish Communities Association (GDCA) and the Ghana Venskabsgrupperne i Danmark (Ghana Friendship Groups in Denmark) are two parent non-governmental organisations (NGOs) that set up the GDGP and funded by Danish International Development Agency (DANIDA) to implement specific programmes in the Northern Region of Ghana. The project area is the Tolon-Kumbungu district but has since March 1999 expanded to include the Savelugu-Nanton district in the Northern Region as well. The overall goal of the programme is to improve the living conditions of the rural inhabitants of Tolon Kumbungu and Savelugu Nanton districts in particular and the Northern Region of Ghana in general.

The research therefore focuses on the benefits of the major economic activities of the GDGP micro credit scheme for women groups in the study district. An assessment is carried out on the availability of raw materials, marketing, the loan regime for female enterprises, mode of repayment of loans,

income levels, saving habits, and the overall effects of the scheme on the women beneficiaries and their dependants. It further examines the performance of the groups that are engaged in the micro credit scheme in relation to how the groups are formed and how they function. The research identifies the gaps in micro credit delivery and finds possible ways of filling these gaps to ensure an improved micro credit scheme. The period from 1994 to 2000 is the reference point chosen for the assessment, a time period long enough for an evaluation to be carried out. The study does not cover the effects of micro scheme on individuals outside groups in the operational communities.

From the foregoing discussions, it is clear that the availability of rural credit initiated by institutional and non-institutional sources, especially to women, is necessary for socio-economic development and economic empowerment.

### **Statement of the problem**

The government of Ghana, like other governments in many developing countries, has stressed supplying credit to the rural poor, particularly women, in order to enhance their productive activities to enable them improve on their standard of living as well as contribute to national development.

Todaro (2000) posits that in most countries worldwide women from the poorer strata have difficulties in accessing credit, safe facilities for savings and investments, and obtaining information about services, raw materials and markets, adequate storage facilities and transport, and equitable access to training and skill acquisition. Indeed, there is virtually no institutional provision for them as

entrepreneurs from official bodies. Such situations possibly demonstrates women's poverty. Consult Medium Term Development Plan of the District. Data on women's poverty Similarly, findings from a baseline survey conducted by the GDCP (1984) revealed among other developmental issues, lack of credit for engaging in income generating activities among the people particularly women in the present study district.

According to the Guinea Warm Eradication Production (GWEP) TKD (January, 2009 update) poverty in the district is not evenly distributed with one-third of the population described as poor. Therefore, TKD has among its objectives reducing poverty and income inequalities among the poor and vulnerable groups particularly, women, some of whom have been trained in various skills to undertake small-scale businesses to generate income for their families. These women are encouraged to source credit from banks and other microfinancial institutions, though, the cost of credit and its scarcity is described as a limiting factor.

In view of this, GDCP initiated the micro credit scheme in 1992 as a poverty reduction strategy to provide credit, training and other inputs to rural poor women who engage in income-generating activities such as rice processing, sheabutter and groundnut oil extraction. Since the inception of GDCP, semi-annual and annual reports, internal evaluations, midterm reviews, and end of phase appraisals have been carried out by DANIDA to determine the effectiveness or otherwise of the programme. In particular, a research was conducted on the Adult Centre for General Learning but the micro credit scheme

which is the main poverty reduction scheme for women has not been comprehensively and systematically researched into. One may be tempted to say that the scheme has generally been successful, given that for most of the period, recovery rates have been high. But the scheme has equally documented both successful groups and non-performing groups.

This situation calls for an empirical study to evaluate the effects of the scheme, particularly, on women and their dependants such as changes in income, health and nutrition, shelter, education and skill acquisition, the challenges and problems encountered and the sustainability or otherwise.

### **Research questions**

The study attempted to provide answers to the following questions:

- What are the characteristics and operations of the women groups?
- How does the operations of the women groups influence the quality of service of the micro credit scheme?
- What are the effects of group membership on household and community responsibilities of women?
- How do the benefits accruing to women relate to the micro credit scheme?
- What problems are encountered in the operations of the micro credit scheme?
- What are the alternative sources of finance available to women groups?
- What are the prospects available for business expansion?
- How can the operations of the micro credit scheme be improved?

## **Objectives of the study**

The general objective of the study was to assess the effects of the Ghanaian Danish Community Programme's micro credit scheme on poverty reduction among women groups and their dependants in the Tolon-Kumbungu District in the Northern Region of Ghana.

The specific objectives were to:

- identify the major characteristics and operations of the women groups;
- assess the scheme's quality of service;
- examine the extent to which community and household responsibilities are affected by group membership;
- assess the benefits of the scheme on women and their dependants;
- discuss the problems encountered in the operations of the scheme;
- explore alternative sources of finance and assess their relative importance;
- discuss the prospects for business expansion;
- suggest ways to improve the micro credit scheme.

## **Significance of the study**

The study provided data on women and micro credit and highlighted the nature and extent of the GDCP micro credit scheme. It provided useful information to development planners and policy makers, particularly, government.

It also informed donors on the extent to which their support to micro credit is contributing to poverty reduction and whether their financial support is justified.

The research identified the gaps in micro credit delivery and suggests innovative ways of filling these gaps to ensure an improved micro credit scheme.

### **Organisation of the study**

The study is organised into five main chapters. Chapter One presents the background of the study, problem statement, research questions, objectives, significance, and organisation of the study. Chapter Two focuses on review of related literature and analytical framework covering the following sub topics: the concept, magnitude, extent, and measurement of poverty. The characteristics of the poor, and the causes and effects of poverty are discussed. Significantly, women and poverty, micro finance institutions, government role in supporting micro finance, and its benefits, micro credit delivery by rural banks, micro credit schemes and poverty reduction with its limitations are discussed. In addition, groups, origins of group dynamics and group lending, management and importance of groups are covered. This chapter concludes with the discussions on savings mobilisation and interest rates, default risk and sanctions and the theoretical and conceptual framework. While Chapter Three covers the research methodology that includes, study area, its design and population, the data collection instruments and analytical techniques with the limitations of the study. Chapter Four discusses findings of the study with particular reference to the set objectives, and the final chapter (Chapter Five) presents summary, conclusions and policy recommendations deriving from the findings.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Introduction**

In this chapter, the review of literature and the theoretical issues relevant to the study begin with the concept of poverty, the magnitude and extent of poverty, measurements of poverty and then, focus on poverty particularly in Ghana. In this regard the characteristics, causes, and effects of poverty, and women and poverty as observed in diverse empirical studies are discussed and commented upon. Poverty reduction strategies and the operations of micro finance, particularly micro credit in rural Ghana, are all reviewed. With respect to theoretical and conceptual issues, the formation and dynamics of groups and their management as appear in the literature are reviewed for their relevance. The Ghanaian Danish Community Programme (GDCCP) is reviewed with emphasis on the micro credit scheme as it is the topic under study.

#### **The concept of poverty**

In the literature, poverty is not easily defined because of its relative nature. Nonetheless, various attempts have been made to define that concept. For instance, The Ghana Living Statistical Survey (GLSS 5), Ghana Statistical Service (2008) defined poverty using an economic index, characterising the poor as those



living on a per capita income of less than two-thirds of the national average. Very hard core poverty is defined as income below one-third of the mean (GSS, 2008). The criterion used to determine what these needs are and the cut-off points of those above from those below the poverty line varied widely across countries. Furthermore, Morse (2004) asserted that poverty was seen to be broader than just monetary income and terms such as social exclusion in relation to good quality services such as health and education were commonly applied.

Following from the preceding discussions, our exploration of the problem of understanding poverty revealed that there was no one correct, scientific and a comprehensive definition of poverty. Poverty levels were described as not static; but changed with changes in the economy and income levels. In this regard, researchers and social scientists had made attempts to describe poverty in various ways and with different emphasis. The main concerns touched upon in the literature were that poverty goes beyond the absence of money. It may include the absence of emotional, psychological and social needs that add up to make the individual well-being holistic. It is for this reason that this research seeks to assess the effects of the micro credit scheme on rural poor women in the Tolon-Kumbungu district and possibly suggest innovative strategies, micro credit interventions and initiatives for poverty reduction.

### **The magnitude and extent of poverty worldwide**

According to International Fund for Agricultural Development (IFAD), (2011) 1.4 million people in developing countries lived on \$1.25 a day or less and

specifically, 3 out of every 4 people in rural areas lived on less than \$1.25 a day. These conditions of poverty are transferred onto children with 22,000 of them dieing each day (Anup, 2010). This not withstanding, measured in terms of Human Development Index (HDI), progress around the world had been impressive. The world average HDI rose to 0.68 in 2010 from 0.57 in 1990 and 0.48 in 1970. This is reflected in the aggregate expansion of about a fourth in the health, education indicators and a doubling of income per capita. (HDR, 2010).

A study by the GPRS (2003) revealed that 56 infants out of every 1,000 born died before they were one-year-old, one in nine children died before age five because about one-third of these children were not immunized. Preventable diseases such as malaria, respiratory infections, diarrhoea, malnutrition and measles exacerbated this situation and mothers continued to die in childbirth as well. Fewer females were found at higher educational levels and this was transferred onto children with about a quarter of them not enrolled in schools or with high drop out rates. For example, the GSS (2003) Core Welfare Indicators Questionnaire (CWIQ) revealed that Northern Region has the lowest rate of 49.9% net school enrolment as against 69.9% in Western, Central, Greater Accra, eastern and Ashanti regions for children aged 6-11 years. Also, as regards youth literacy Northern Region has the lowest rate of 35.7 % as against Greater Accra with the highest of 86.3 %. Evidence on the low school enrolment and low youth literacy may be as a result of the poverty levels in the region.

From the discussion on the extent of poverty worldwide, poverty was seen to be most pervasive in developing nations and among rural people particularly women. The poor had similar characteristics such as low labour capacities, insufficient capital and low levels of technology for enterprise development. There were also inefficiencies in the use of resources, and, in some instances, excessive rates of child birth. It is thus, argued that poverty could only be reduced if the causes mentioned are tackled in a multidimensional approach (GPRS, 2003).

### **Measurement of poverty**

Measuring poverty was without doubt relevant for reviewing poverty reduction strategies. However, various countries set different poverty lines that determined who was poor, depending on the economic situation in the given country. The World Bank (1996) established U.S. \$1 per day poverty line. Therefore, any household with an annual income in 1985 purchasing power parity in dollars below \$370 was classified as poor. The United Nations Development Programme (UNDP)/Human Development Report (HDR) (1997) used the Human Poverty Index (HPI) that measured deprivations in basic human development by looking at five real live attributes of poverty. These attributes included: illiteracy, malnutrition, early deaths, poor health care, and poor access to safe water, thus, the overall socio- economic positioning. In Ghana it was difficult to find data on the poverty line; however the GPRS (2003) described the poverty line as the minimum amount of money needed to obtain the basic needs of life such as food,

water, clothing and shelter. The GLSS (1999) measured the very poor and the poor to include individuals with an annual income of ₵700.00 and ₵900.00 respectively.

Literature reviewed on the measure of poverty indicated that, different countries measured poverty differently. The internationally accepted measure was the US\$1 per day. The application of the poverty line cuts across national boundaries independent of the level of national per capita income that took into account the differing price levels.

### **Characteristics of the poor**

It is important to understand other characteristics of the poor, for example, their location and sources of income, in order to attempt to reduce poverty. According to Chambers (2005) the poorer rural people were hard to reach, unorganised, often sick, seasonally hungry, less educated and lived in remote areas that were far from urban centres and were more likely to be women and children.

Aryeetey and Kanbur (2005) reported that poverty in Ghana continued to remain a disproportionately rural phenomenon with regional variations being more pronounced in the Savannah, Volta and Mid-coast regions than in other parts of the country. About 86% of the poor derived their income from self-employment in pre-dominantly agricultural activities characterized by low production and low productivity that naturally resulted in low income. About 80% of the poor lived in households whose heads did not have formal education and

characterized by low level of education, low nutrition and inadequate access to health services that resulted into low health statuses, and high infant mortality rates.

This notwithstanding, a study by the International Finance Corporation (IFC) (2007) revealed that most economically active women in Ghana operated in the informal economy and were mostly involved in food crop farming, micro-entreprises and retail trade while the men dominated cash crop farming. However, it was observed that, conditions in the informal sector were not secured. For example, the sector experienced many problems such as, the provision of infrastructure, access to capital and institutional credit, marketing, managerial, technical skills and information, and harassment from state and municipal authorities. People in this sector had little or no education and this hampered their ability to overcome the many constraints (IFC, 2007).

From the above discussions, the characteristics of the poor seemed to be similar if not the same. The broad conclusion was that while the poor were heterogeneous, certain general conclusions could be drawn from the evidence. Poverty was predominantly a rural and primarily an agriculture phenomenon. The unique feature was the nature of deprivation in which people particularly women and children lacked socio-economic opportunities.

### **Causes and effects of poverty in Ghana**

Studies presented by the National Poverty Reduction Programme (NPRP)(2000) revealed that the major causes of poverty in Ghana were inter-

related and could be summed up to include: low income base, personal incapability, negative cultural practices, low level or lack of education, inadequate or inappropriate skills, dependency culture, poor health, poor social amenities, lack of access to productive assets and resources that led to low productivity. All these resulted in hunger and sickness, debt, inability to honour social obligations particularly education and health, a feeling of insecurity as well as vulnerability (NPRP, 2000).

The review of literature so far on the causes and effects of poverty indicated that, poverty was caused by inadequate or lack of productive resources and essentials of life such as adequate nutrition, shelter, clothing, education and freedom which resulted in disease and poor health, vulnerability, powerlessness and disempowerment, all of which in many situations affected women most.

### **Women and poverty**

Several studies all over the world including NPRP (2000), Todaro (2000), and Sharp et al (2002) indicated that women were more likely to be poorer than men. Referring to Little's (1994) introduction to her book titled 'Is the Future Female?', Segal (1987) wrote that: "After two decades of feminist research it was now easier to see that, men globally had greater wealth, power and privileges than women. Everywhere women remained considerably poorer and less educated than men, and are largely absent from positions of power in all politics, economic and judicial institutions" (Segal, 1987: 2-3).

Similarly, 60% of the world's hungry people were women. Also 50% of pregnant women in developing countries lacked proper maternal care resulting in over 300,000 maternal deaths annually from childbirth, (Millennium Development Goal Report 5, 2010). Reports from the United Nations (UN)/ Acquired Immune Deficiency Syndrome (AIDS) on Global epidemic in 2010 revealed that 35 million people lived with Human Immunodeficiency Virus (HIV) AIDS, and 65% of young people living with HIV/AIDS were women. Notably, 90% of all children and 60% of all women living with HIV/AIDS were in sub-Saharan Africa. More than 11 million children died each year from preventable health issues such as malaria, diarrhoea and pneumonia (MDG Report 4, 2010). It is observed that women's experience of poverty may eventually be transferred to children, especially girls through malnourishment, the substitution of women's work by young girls in household maintenance, and low investment in education and health.

Todaro (2000) further noted that in many countries, it was considered socially unacceptable for women to contribute significantly to household income, and hence women's work may remain concealed or unrecognised. Generally, what made women apparently much poorer particularly in the least developed countries was the fact that a greater proportion of their work which largely consists of subsistence production within the informal sector employment, domestic or reproductive and voluntary work was never captured in national economic statistics. For example, according to a UNDP/HDR (2001), global estimates suggested that women unpaid work produced an output of \$11 trillion

per annum compared to global GDP of about \$23trillion. This, combined with other factors, could perpetuate the low economic status of women and probably led to strict limitations on their control over household resources and their poverty status.

Furthermore, citing Brion and Tinker (1980), Little (1994) observed that women's inability to influence decisions about the distribution of resources and the citing of services is primarily a result of the unequal distribution of power between men and women, and the social structures within which this was grounded. They confirmed that female-headed households were generally poorer than male-headed households, a situation which was largely attributed to women's low average earnings. The writers concluded that women's earnings were significantly lower than those of men because women were frequently employed on part time basis, especially when they had child-rearing commitments.

However, this finding contradicted that of Kennedy and Peters (1992) who argued that women-headed-households were not always poor. According to them, women household heads who received remittances from migrant males may often be less poor than male-headed households, whilst widows, divorced and separated women were indeed often amongst the poorest of rural people, with limited independent incomes and property rights. Rhyne and Otero (1994) further revealed that women generally worked long and hard at their various tasks than men as revealed in the few studies carried out on womens work which possibly resulted in their poverty status.



Notwithstanding the long working hours and the hard work women did, a study in Ghana by Steel and Campbell (1982) revealed that men's wages were as much as 90 percent higher than those of women. This situation may largely be as a result of women's over-representation in low status work as could be found in the processing and trade sectors, with limited access to markets as reported by Dulansey and Austin (1985). This assertion was confirmed by Scott (1986) that women's income generating work tends to reflect domestic responsibilities performed as part of the service sector, where women cleaned, washed clothes and cooked as they did at home but for money. He added that the work using women's traditional skills generally involved little or no capital outlay and gave low returns that likely perpetuated their poverty status. This notwithstanding, Cheston and Kuhn (2002) revealed that women spent more of their income on their households, therefore, by helping women increased their incomes meant improving the welfare of the whole family. In this regard, micro finance that was likely to reduce women's poverty situation was discussed in the next session.

### **Micro finance institutions (MFI): Their nature and constraints on functions**

The term MFI refers to a wide range of organizations dedicated to providing financial services to the poor. These included credit unions, 'susu' schemes, cooperatives, private commercial banks, non-governmental organizations, non-banking financial institutions and parts of state owned banks that had adopted innovative ways of providing credit and savings to the poorest of the poor.

Bank of Ghana Report (2001) revealed that micro finance was an old concept in Ghana where people saved or borrowed small loans from individuals, friends and relatives to engage in small businesses or farming ventures. According to Alabi et al. (2007) the word 'susu' in Ghana is believed by some indigenous Ghanaians to be a Ga word, a Ghanaian Language, though some are of the view that it may be Akan, another local Ghanaian Language. The system was one of the microfinance schemes in Ghana that was reported to have originated from Yoruba, Nigeria in the early Twentieth Century (Asiama & Osei, 2007). 'Susu' is an informal financial identification for daily or weekly deposits collection on the West African markets. 'Susu' can be described as a form of banking because it is a system of trading in money, which involves regular and periodic collection of fixed amounts of deposits that are made available to the owners after specified period of time or when required or to borrowers within the scheme at a fee. Though 'susu' does not require collateral it relies on a guarantee system to reduce risks associated with 'clean lending'. In Ghana today, 'susu' can be classified into 3 key categories. These are 'susu' Clubs and Associations, Mobile Collection and Cooperatives. The mobile collectors offer a savings vehicle by collecting daily amounts voluntarily saved by their clients, which they return at the end of the month minus one day's amount as commission (Alabi et al, 2007). Also, Aryeetey (2008) reported that it was common in Ghana now to find (kiosks) established as offices at various points in cities and towns where their clients could actually walk in to make deposits and engaged in other transactions. He added that lending within 'susu' schemes was for short periods. According to Adjei (2010) evidence

of first credit union started in Ghana in 1995 by the Canadian Catholic missionary for parishioners as a thrift society within the parish. Rotating Savings and Credit Associations (ROSCAS) were organised regular ethnic-group or family-based “meetings”, where the most popular savings institutions emerged. It was however reported that individual bank savings deposits were rare due to inconvenience and minimum size restrictions.

A study by Ghana Micro Finance Institutions Network (GHAMFIN)/ United Nations International Children’s Education Fund (UNICEF) (2002) in the Northern Region revealed gender specific challenges to include: scarcity of loan able funds, above average illiteracy rates among women, inefficient production technologies, insufficient diversification of production base, workload and power relations, seasonality and low returns of women’s income generating activities and difficulties to sustain the gains as they were quickly eroded by additional household financial responsibilities. The study further revealed that 82.4% of MFIs offered group methodology and dealt only with females. About 83.3% cooperated with other service providers for the delivery of such combined product packages as against 53% for the Rural and Community Banking system. Again, majority of loans was short-term of about 12 months because of unstable inflation. Aryeetey (2008) confirms that women continued to make up 75% of all microcredit recipients worldwide, noting that exclusive lending to women began in the 1980s when Grameen Banks found that women had higher repayment rates and tended to accept smaller loans than men. Also, the idea of empowering women was used to justify institutions for their disproportionate loans to women.

A paper presented at the Micro-Credit Summit in Halifax in 2006 by Christopher Dunford (President of Freedom from Hunger) concluded that microfinance increased incomes and savings, improved nutrition and health and empowered women as well. Microcredit was a tool for socio economic development. Therefore, to make microfinance more effective as a poverty reduction tool, it should be provided to clients holistically by attaching non-financial services such as education on finances, sanitation, nutrition, and community responsibilities. In this regard, government's role in supporting the operations of microfinance was discussed in the next session.

### **Government's role in supporting micro finance**

Government's performance of lending to the poor had not been very satisfactory. This might be partly due to political reasons. For instance, they disbursed too quickly but were unwilling to be tough on defaulters for fear of losing political supporters. A typical example was the poverty alleviation fund of the District Assembly Common Fund (DACF). The poor recovery rate of the fund as reported by the District Chief Executive of Asante-Akim North that since 1996 only 50% of the total amount of ₵500m granted to beneficiaries was recovered and such a situation was depriving others from benefiting from the scheme (Daily Graphic, Thursday 23<sup>rd</sup>, 2004). Similarly, a study by Adjei (2010) on the Government of Ghana's Micro and Small Loans Centre (MASLOC) revealed low repayment of about 25% as at 2009. In 2001, the government established an Emergency Social Relief Project to provide US\$57million in business loans to the

economically active poor at 20% interest rate between 2002 and 2004. This project was also faced with problem of loan recovery and repayment. The Women's Development Fund (WDF) supported the Ministry of Women and Children's (MOWAC) micro credit for women engaged in small agriculture and agro processing in several districts, disbursed 26.2 billion cedis to 50,000 women in 2002 and 10 billion cedis to 20,000 women in 2003. In addition, the Ministry of Food and Agriculture (MOFA) undertook a project on Food Crop Development Project for 112,500 people engaged in small scale food crop processing, storage and marketing in 8 districts. This therefore implied that special credit schemes with subsidised interest rates reached very few people and had extremely poor recovery rates as well as duplication of projects. However, a partial exception was the Enhancing Opportunities for Women in Development (ENOWID) project initiated in the early 1990s using funds from Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD). ENOWID made over 3,500 relatively small loans for over 6 years with a cumulative recovery rate of 96%.

However, with the increasing popularity of micro finance, governments' were tempted to use savings banks, development banks, postal savings banks to move credit, yet still caution must be taken to avoid the pitfalls of the past. Many governments had set up apex facilities that channelled funds from multilateral agencies to MFIs, which must be built on successful ones to enhance their sustainability. Governments could concern themselves with the regulatory framework that impinged on the ability of a wide range of financial actors to offer financial services to the very poor. For instance, in Ghana, the Agriculture

Development Bank (ADB), the National Investment Bank (NIB), the National Board for Small Scale Industries (NBSSI) and Rural Banks(RBs) were used to channel credit to the poor.

The Food and Agriculture Organisation (FAO), (1993) suggested that governments should shift from the provision of subsidized credit to the development of infrastructure such as roads and communication networks that would reduce the transaction costs of credit for the rural poor, especially women.

### **Benefits of micro finance**

The benefits of micro finance to the rural poor especially women could not be overemphasized. From several experiences of micro finance delivery these outcomes were documented:

- Johnson and Rogaly (1997) revealed that micro finance interventions could change social relations for the better particularly if credit provision was combined with other development activities as reported by United Nations Fund for Population (UNFPA)(1993) that women's productive and reproductive roles may lead to a viable strategy for improving their situation as well as reduce their fertility rates as the demand for family planning and maternal and child health care may improve.
- According to Aguilar (1999) studies in Ghana revealed that the combination of credit with education services in women's groups resulted in higher non-farm income, improved household nutrition, health care and

education for children, access to markets, confidence, and willingness to take part in decision making.

- Also a study by Adjei (2010) revealed that clients of Sinapa Trust Loans reaped significant benefits of appreciable improvement in the accumulation of financial, human and physical assets through participation in the programme.

Considering all the above facts, it may be safe to assume that the provision of access to financial services could play an important role in the fight against many aspects of poverty particularly among rural women. The delivery of micro credit by rural banks, an important aspect of microfinance is discussed in the next session.

### **Micro credit delivery by rural banks**

Rural banking system that was introduced in the 1970s to create formal financial institutions to offer financial services in the rural areas had since made tremendous strides. They mobilize deposits and lend to entrepreneurs of small and micro enterprises in the rural areas. To improve upon their services, they had adopted innovative strategies by establishing agencies and mobilization centres in their catchment areas to attract more savings. There had been an increase in the amount of credit provided by the rural banks for the financing of agricultural, small and micro scale production activities through prudent lending practices and high loan recovery rates, averaging about 73.4 per cent (Bank of Ghana Annual

Report, 2001). Yet, the rate of expansion in credit delivered seriously lagged behind that of savings mobilized.

From the foregoing discussions, the demand for rural credit, especially by women, is necessary for socio-economic development. It is important that credit be made accessible to rural people, particularly, women to enable them invest in income generating activities using improved technology to increase production and productivity. To this end, rural banks should be strengthened to improve and expand coverage of their services to the rural poor, particularly women groups to reduce poverty and thus, improve on their quality of life as discussed in the next session.

### **Micro credit schemes and poverty reduction**

Micro credit is reviewed in this section to highlight its History, operations, benefits, prospects, and constraints related to the poor. In recent times, many programmes engage in micro credit activities with the objective of reducing poverty as well as improving the quality of life of low income and disadvantaged people, particularly women. A report from the Consultative Group to Assist the Poorest (CGAP), (2000) revealed that micro credit came to prominence in the 1980s although early experiments dated back 30 years in Bangladesh, Brazil and a few other countries. Notably, micro credit made a difference by avoiding pitfalls of the past targeted-development-lending by insisting on repayment, charging interest rates that could cover the cost of credit delivery, and focusing on client groups whose alternative source of credit was the informal sector. The CGAP



(2000) further noted that micro credit served best those who identified an economic opportunity and were in a position to capitalize on it in an entrepreneurial manner if they were provided with a small amount of ready cash. Potential clients must also show commitment to repay their loans. In view of this, it may be likely that a great number of the poor, especially the extremely poor may be excluded from micro credit as is currently designed because they did not have any stable income.

Stoesz et al. (1999) suggested that micro credit, had evolved as an alternative to capital formation and large-scale infrastructure projects mounted by international aid organizations. It was a grass root initiative that used social solidarity in place of traditional property as security for the capital advanced. It was an important innovation for development because it facilitated the integration of the poor with mainstream institutions, and relied on their inherent capacity to be productive rather than the option of charitable handout. The assumption was that through labour and thrift the poor would pull themselves out of poverty and translate economic success easily into socio-political empowerment, especially, when micro credit programmes were organised in a manner that encouraged open participation.

Furthermore, the International Year of Micro Credit declared by the United Nations (UN) in 2005 emphasised the central role played by a healthy and stable financial sector in effectively reducing poverty in developing countries. It aimed to promote ready and secure access to financial services for significantly more poor people in the future (Adjei, 2010). A case study by Elijah (2010) on the

operations of the Microfinance and Small-Loan Centre (MASLOC) in the Savelugu/Nanton District of Northern Ghana revealed that the scheme had marked improvement on household economic variables such as increased level of incomes, savings, expenditures on consumption and acquisition of assets. Also, female clients paid back loans more than their male counterparts. However the scheme was faced with operational problems such as political interference, inadequate credit and lack of education among others.

This notwithstanding, Ghosh (2006) offered moderate criticism, that it was a mistake to view micro credit as the universal development panacea. He claimed that it could best be described as part of a wider process that included working towards reducing inequalities, better access to health and education services and more productive employment opportunities. Although, some studies claimed improvement in the quality of living standards (Afrane, 2002), others concluded the opposite, that micro credit and microfinance activities did nothing to alleviate poverty or had even worsened it (Bateman, 2007).

A study by Awumbila (2001) revealed that despite financial resources being very critical for improving women's social-economic status, numerous studies revealed that women had difficulty in accessing such productive resources because traditionally they did not own property which often served as collateral. She added that though access to credit in Ghana was generally not easy, men were often much more favoured than women because of the latter's low level of education, the small-scale nature of their businesses and improper book keeping which all affected their ability to convince banks about the viability of their

businesses to secure loans. Importantly, in rural areas business often varied with agricultural seasons with large percentage of enterprises starting and ending in any given year (Liedholm, 1990). This finding suggests that short term financing in small amounts is the greater need for the rural poor particularly women.

The experience of IFAD (1977) with the rural poor revealed that women were a potent force for poverty reduction because they were dynamic and largely an untapped force for development. For instance, they produced at least half the food consumed in the developing world (up to 80% in Africa) but had far less access than men to productive means, including loan capital. In practical terms, women must gain access to education in order that they would acquire knowledge and skills that would enable them to be more effective both in managing households and contributing to the growth of the national economy. Indeed, it was schools and adult education centres that the journey to ameliorate poverty, employment and decision-making begins (IFAD, 1977).

Despite the difficult situation, it had been established by Todd (1996) that women were found to be critical economic actors who shouldered most domestic burden and used the funds they received to contribute to the well being of the family and to national wealth. Given these consequences, Heyzer and Sen, (1994) suggested that the overall aim of poverty reduction must guarantee the entitlements of the poor, particularly women by strengthening their claim to resources. To this end, poverty reduction strategies must seek to empower women in their own right as full partners rather than treat them as dependants or as instruments for family survival or state objects.

Significant advances had been made on poverty reduction activities and pro-poor policies that figured prominently in the agenda of international agencies since 1960. Between 1970 and 1990 the rate of poverty reduced to only one-third of the level desired by the United Nations for 2015. In the 1990s, donors and international organizations renewed efforts to design poverty reduction strategies and mainstream poverty with varying success. The UN Millenium Declaration in 2009 set out a series of objectives to promote development and poverty eradication. These objectives became the Millenium Developoment Goals including; extreme hunger, income poverty, primary education, gender equity, child mortality, maternal health, HIV/AIDs, Malaria, and other diseases, environmental sustainability and global partnership for development, (HDR, 2010).

From the foregoing discussion, anti-poverty strategies had become inter-sectoral in nature, attempting to provide antidotes to the economic, social and political needs of man in recent times. Some of these strategies involved: providing access to credit and social services, creating new jobs and reducing unemployment, improving livelihoods and generating incomes, enhancing women's role in community activities, promoting micro and small enterprise development, promoting people's participation and capacity to manage change. Poverty reduction must involve both external and internal interventions and initiatives of individuals and groups that were concerned with sustainable development. Despite the numerous benefit of micro credit, it has limitations that are discussed in the next session.

### **Limitations of micro credit**

Aguilar (1999) and Goetz (1994) revealed some limitations that may be associated with micro credit despite the benefits. These included the fact that:

- In some cases, significant number of women did not control loan use and this made repayment sometimes increased pressure and tension between women which may often result in conflict.
- Most women engaged in low-paid traditionally female activities that may have resulted in small income earnings.
- Women's responsibility for expenditure on household consumption and unpaid domestic work limited resources such as time and energy that they could invest in economic, social and political activities.
- Some men may withdraw their own incomes and leave women to struggle with family and household expenditure which may lead to abandonment, domestic violence and eventually divorce.

### **Groups, origins of group dynamics and group lending**

All over the world many people spent much time in little groups talking, planning, and attending conferences. A democratic society therefore derived its strength from the effective functioning of the multitude of groups that it contained. For instance, groups of people found in homes, churches, communities and union halls must perform their functions effectively for the larger system to work well. A group is defined in several ways, but the essential feature is that, its members regard themselves as belonging to the group.

Micro enterprise programmes often employed group formation, particularly, for the poorest clientele because group lending was often associated with a reduction in administrative costs and improved repayment rates. Usually, a small group of members formed the basic unit for receiving a loan and collectively guarantee loan repayment. Group loans promoted social collateral as repayment was motivated through shared liability for default so a member's failure to repay jeopardizes the entire group's access to future credit. Members of the group should work in harmony, accept and support each other, and make the necessary efforts jointly for a successful future.

Many variations of this theme were initiated since the pioneering Grameen Bank. According to Hoff and Stiglitz (1990) group lending was essentially a response to information problems in rural credit markets. However, it was crucial to ensure that group size was small, with members belonging to a homogeneous group with an affinity with the group leader. Furthermore, self-managed groups tended to perform better than those supervised by outsiders such as extension agents or representatives of financial intermediaries. However, these groups needed to be managed well in order to achieve the desired goal as discussed below.

### **Management of groups**

Managing groups and its success forms an important aspect of the operations of credit delivery and its associated activities. The term management had been defined in a number of different ways. For instance, Stoner et al, (1995)

defined management as the process of planning, organizing, leading and controlling the work of organizational members and using available resources to reach stated objectives.

A study by Rhyne and Otero (1994) to determine the “best practices” in micro credit delivery revealed that group-based repayment with savings that guaranteed collateral was first class. However, the results of group lending varied and should be of interest to researchers. In this regard, some leading methodologies that provided financial services to micro enterprises were discussed. These included: solidarity group lending, credit union, village banking and transformation lending. The solidarity group lending through the Grameen Bank model, for example, became well established enough to make it the basis for large institutions. Village banking carried out simple enterprise activities to development innovation on refining the methodology to be sustainable and replicable. Credit unions faced a different challenge and transformation lending is only beginning to be explored systematically within the framework of the financial systems approach.

From the foregoing discussions irrespective of size, micro enterprises cannot do without purposeful management of their financial affairs identified by the authority which was assumed to reside in the entire membership.

### **Importance of groups**

According to Huppi and Feder (1990) groups provided the opportunity in many instances for achieving non-financial objectives, ranging from social

consciousness-raising to nutrition education. Cheston and Kuhn (2002) of United Nations Development Fund for Women (UNIFEM) noted that women gained increased bargaining power through group action. For instance in Nepal, about ten thousand groups were organized to access loans for various types of income-generating activities. Savings, which is an important component of micro credit is discussed next.

### **Savings mobilisation and interest rates**

Savings services could be as important to the poor as credit and were crucial in building self-sufficient financial institutions although Vogel (1984b), rightly described savings as “the forgotten half of rural finance” because few policy makers or donor agencies made savings mobilization at the local level a high priority for economic development. He contended that across many cultures and income groups worldwide, people saved for varied purposes. These included: emergencies, investment, consumption, social obligations such as education and health of children, pilgrimages, disability and retirement. For example, a report by FAO (1993) on savings in South Western Cameroon indicated that 98 percent of wage earning and 82 percent of non-wage-earning women sampled saved. Liedholm and Mead (1987) further posited that savings were equally important for enterprise growth and investment. The Grameen Bank experience also showed that women saved approximately US\$152 million out of US\$162 million group savings. This implied that women had inculcated savings habits within their groups (Yunus, 1993).



The ability to save money securely was important for the long-term financial health of households, and safeguarded periods of unemployment. Savings services could also be expanded into communities to include non-borrowers since more people want a good place to save than want loans. Importantly, lending to micro enterprises could be financed to a significant extent by savings from the same communities, provided savings services were designed with customer needs in mind. Therefore, it was strongly argued by proponents that savings should be given equal weight in micro enterprise finance programmes. However, in providing savings services, the principles underlying savings such as safety, convenience, ready access to money, and a positive return, should be taken into cognisance.

A similar study conducted by Adusei and Sarpong (2010) in Ghana revealed that contributors who had signed up to 'susu' schemes had seen positive impact on their savings that made it an ideal vehicle for deposit mobilization particularly in an economy like Ghana where inflation had always been a problem for policy makers. The report further indicated that several successful attempts to mobilize savings focused on the convenience offered by the informal system. For example, the Ghana State Insurance Corporation sent agents to the markets to collect contributions as does the Syndicate Bank in India, in its "Pygmy Deposit" programme. As regards interest rates, special credit schemes with subsidised rates reach very few people and with extremely poor recovery rates.

From the preceding discussions it is obvious that savings should be made an integral part of micro credit to enhance its sustainability. If beneficiaries

formed the habit of savings, mobilised resources could be expanded to cover many more rural women. Interest rates charged on loans varied from place to place but lower interest rates charged may lead to the rationing of the credit facility which may not benefit the intended target group of the rural poor woman.

### **Default risk and sanctions**

A report by the Food and Agricultural Organisation (FAO)(1993) indicated that traditionally, the risk of default was minimized via collateral requirements which were often limited to land and information about the creditworthiness of borrower. The use of substantial collateral obviates the need for assessing the creditworthiness of the borrower, but for those without assets, the possibility of using “social collateral” and the reputation of a potential borrower may be essential. Another form of collateral that could guarantee credit for women was jewellery which was an asset controlled by women unlike land, which in many cases is registered only under the names of male household members (FAO, 1993).

Similar studies by Rhyne and Otero (1994) revealed that loan default could be reduced by pre-screening and post-credit monitoring, character and analysis of cash flow by using information technology to track borrowers instead of assets and documents. Managing loan portfolios as well as accepting groups as guarantors may probably minimise loan default. Furthermore, direct supervision of loans may reduce default risk but may not necessarily be cost-effective. For instance, among four smallholder credit programmes operating in Jamaica, arrears

were substantially lower in one of the programmes that were supervised, but administrative costs was over 14 percent of loan value (FAO, 1993). Notably, a policy of gradually increasing loan sizes on repeated loans allowed the poor to develop creditworthiness such as the Grameen Bank experiment did in Bangladesh. Furthermore, a survey of 30 credit unions in Honduras by FAO (1993) showed that repayment delinquency clearly related to borrower's assessment of future loan opportunities.

The preceding discussions indicated that efforts should be made as much as possible to minimise default on loans which may jeopardise the delivery of micro credit and possibly render it a bane rather than a blessing. The review of literature on the operations of the Ghanaian Danish Community Programme (GDCCP), particularly, on the activities of the micro credit scheme is discussed extensively in the session that follows.

### **Ghanaian Danish Community Programme (GDCCP)**

#### **Background**

The GDCCP is an integrated rural programme with four main activities including: Community Projects Sector, Women and Loans Sector, an Adult Learning Centre (also known as the Dagbon Ninneesim Karimzong, DNK in Dagbanli), and Participatory Radio Broadcasting, (known as "Simli" Radio). The Administration Sector coordinates all sector activities. The GDCCP works with 17 local committees comprising 19 elected members, including the representatives of the chiefs and magazias in the study area. These local committees coordinate the

activities of the GDCP including the processing of loan applications. The GDCP collaborates with all decentralized departments of the District Assembly and NGOs in various poverty reduction strategies to complement government's effort in improving the lives of the rural poor particularly women.

### **Decision making processes and guidelines of the GDCP**

The Annual General Meeting, the Executive Council and the Executive Committee of the GDCP were the highest decision making bodies. The membership of the Executive Committee comprises the Chairman, Vice Chairman, the sector heads of the GDCP, co-opted decentralized staff (District Cooperative Officer, Community Development Representative, Ministry of Health (MOH), Ghana Education Service (GES), Ministry of Food and Agriculture (MOFA) and some representatives from the local committees, including women. Other committees of the GDCP were the Committee on Projects and Committee on DNK/Simli Radio.

The GDCP operates within some guidelines that enable effective and efficient functioning. For instance, one-third of all committees of the GDCA should be women. Only people resident in the programme area could benefit from the activities of the scheme. Basically the activities of the GDCP were participatory and demand driven including the micro credit scheme which is the study topic discussed into detail in the next session.

### **The GDCP savings and micro credit scheme**

The operations of the micro credit scheme of the GDCP started as far back as 1992, with seed capital of 100.000 Danish Kroner (GHC28.8592/ U\$19,323.3). The main objective was to provide credit to rural women in the study area in order to improve on their living conditions and thereby reduce their poverty levels. These women groups engaged in three main income generating activities including rice, groundnut and sheabutter processing which constitute the sources of information for this study.

### **Loan application procedure**

The scheme received applications for loans from the women groups, through their local committees. Upon receipt of applications, the Women and Loans Coordinator visited the group with a district co-operative officer to discuss their business idea, worked out a budget plan, and informed them about the guidelines of accessing credit from GDCP. The application with the agreed budget is forwarded through the Committee on Projects (COP) for recommendation, and subsequently to the Executive Committee for approval. The loans are then disbursed to the groups, (made up of between 15-20 members) by the Women and Loans Coordinator with an interest rate of 24% per annum. However, subsequent yearly loans given after previous loans were fully recovered, were paid to the groups through their bank accounts. Other loans included plough loans; young girls support scheme, made up of materials and tools given to participants who had undergone training in various courses, such as

soap making, dress-making, and carpentry at the Adult Education Centre (DNK). Also bicycles were provided for loan facilitators in the communities. The loan sector collaborated closely with Department of Cooperatives, and transacts financial operations with the Bonzali Rural Bank in Kumbungu and the Agriculture Development Bank in Tamale (GDCP Annual Report, 2000).

### **Loan cycle**

After approval of the loan, the group is visited regularly by the loans sector staff and sometimes together with the co-operative officer. The group is educated on various aspects of group dynamics and simple record keeping. Other issues on various aspects of health, sanitation, nutrition and civic education are discussed. Woman beneficiaries are expected to co-sign the loan agreement with two guarantors from the communities. Each woman is then given a loan card in which all repayments are recorded by the loans clerk of the GDCP during her visits to the groups on agreed market days (Ghana Friendship Groups in Denmark, 2000).

A contract is signed between the representatives of the community and the GDCP and a penalty for default in repayment of loan is clearly stated to the understanding of both parties. In situations of default of loans, compulsory savings of 10% of loan amount is used to repay the loan or defaulters may be summoned before the community chief or loan repayment may be rescheduled. But as a last resort, court action may be taken against defaulters by the GDCP. At the end of a loan cycle an internal evaluation is carried out by the staff of the

GDCP in consultation with the local committees to identify challenges and problems that could guide subsequent loans.

From the preceding session, the activities of the GDCP are discussed to highlight the operations of the micro credit scheme in particular. The two parent organisations that established the micro credit scheme identified lack of access to credit as a major hindrance to women income generating activities that may have contributed to their poverty status. The scheme operated with a revolving fund under some guidelines that could be sustained if managed well by the beneficiaries in the programme area.

### **Theoretical and conceptual framework**

The range of different theoretical perspectives and the conceptual framework for the study of poverty and its reduction through the provision of credit put forward by economists are reviewed in this section. The Little Opportunities framework adopted for the study assumed that the rural poor had little capital for investment, and hence little surplus capital outlay, a situation that can be broken through only by an exogenous force in the form of credit (Figure 1) Owusu-Acheampong 1986 “The Little Opportunities Cycle”.

### **The conceptual framework: Little opportunity cycle and the village banking model (VBM)**

The framework (Figure 1) adapted for the study is the Little Opportunities Circle developed by Owusu-Acheampong (1986). This framework maintains that

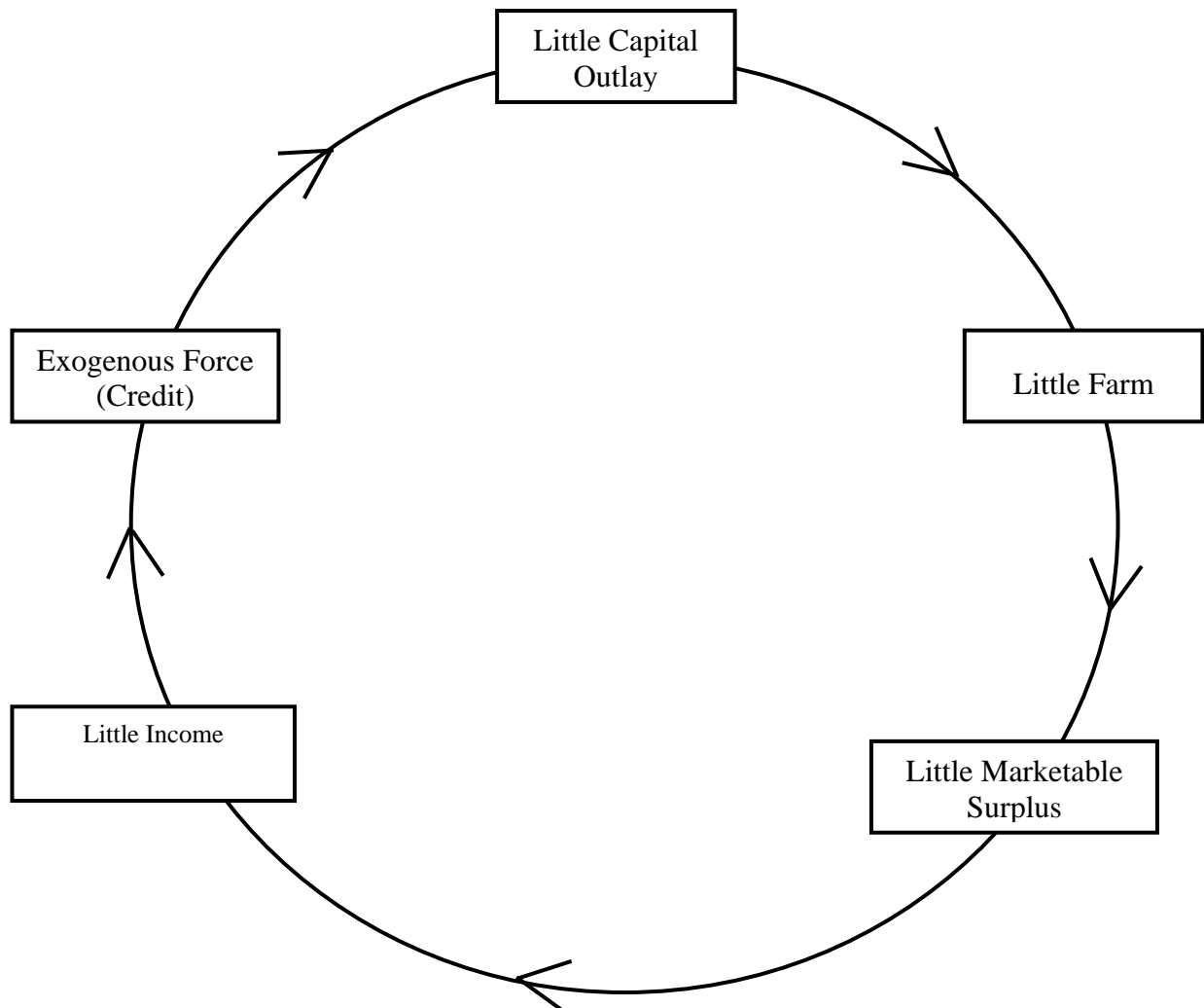
the rural community had low opportunities for investment, savings and capital accumulation that finally resulted in low production, low marketable surplus and ultimately low profit which could only be broken by an exogenous force which was credit. Similarly, Yunus (2003b) of Grameen Bank claimed that a virtuous circle could be established, thus, low income, credit investment, more income, more credit, more investment and more income.

Consequently, the supply of credit, training and enhanced opportunities to women groups would enable them increase investment in income generating activities, thereby increasing output and marketable surplus with increased incomes and savings. Eventually, socio-economic statuses (including, health, nutrition, sanitation, clothing, shelter and enrolment of children in schools) were enhanced and poverty reduced. The discussion on the operation of the Village Banking Model (VBM) follows to illustrate the importance of micro credit in poverty reduction.

### **The Village Banking Model (VBM)**

Village banks (VB) are community based credit savings associations that are established mainly to improve members' access to financial services, build community self-help groups and help them to accumulate savings (Holt, 1991).





**Figure 1: The Little opportunity cycle**

Source: Owusu-Acheampong, (1986: 34)

The study was based on the village banking model designed by John and Marquerite Hatch (1989) which attributed poverty, especially among women, to limited opportunities and access to external resources, as well as lack of or low personal savings. Village banks provided the tools to enable people to break out of poverty, with considerable emphasis on community management and

participation, loans for income generating activities, and incentives to save money, usually working with mutual support groups made up of 5 to as large as 163 members.

Village Banks had leaders that included: the president, secretary, and a treasurer who convened meetings, approved and supervised loan payments, received savings deposits, and kept up-to-date records. Full attendance at meetings was stressed and members were expected to participate in decision-making because the model assumed that greater member participation facilitated planning by pooling together resources and knowledge for effective group functioning.

According to Acharya and Bennet (1982) the social goal of village banking was to reduce poverty in families by increasing the incomes of poor women through self-help groups. VBM reduced risks by imposing joint repayment liability on members, tying loan levels to saving deposits, starting with small loans, and gradually increasing loan amounts as members build a credit history.

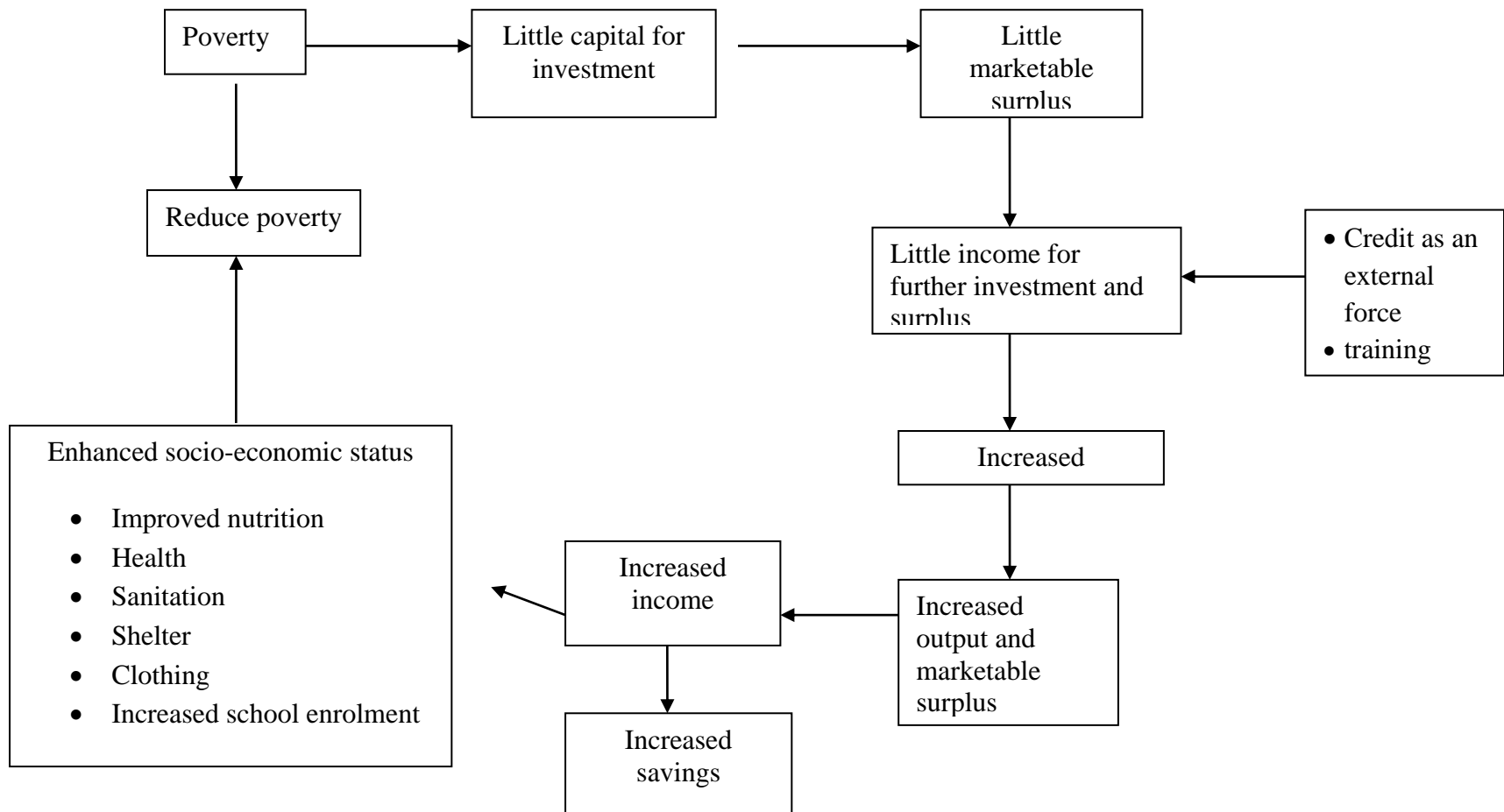
Transaction cost was minimised by transferring many of the administrative aspects of providing financial services to the banks. The VBM dealt directly with the communities and did not require coordination with commercial banks, government ministries, or apex institutions in its operations.

To attract borrowers, the VBM adopted simple lending innovations by using groups as collateral and making loans readily available in the communities thereby reducing cost of borrowing. This notwithstanding, the model had been

criticised that its small initial loans and group guarantees used may be insufficient to ensure risk management and financial viability. They criticised the model's low-cost and highly decentralised institutional structure which, in their view, may suffer from an intermediate-level institution that may be required to absorb excess savings, provide capital when local demand for funds exceeded supply as well as perform occasional supervisory duties and audits. The model targetted the most disadvantaged and difficult-to-reach groups who may require some training to help develop their businesses beyond subsistence levels.

As regards savings, the VBM required members to save a minimum of 20 percent per loan cycle and further assumed that the community managed village banks would be sufficiently strong financially to continue to operate as local savings and loan associations beyond the life of the project using the interest earned by the sponsoring agency. However, no village-banking programme had had the experience with a single village bank becoming financially self-sufficient.

Some Village Banks had opted to charge commercial interest rates because evidence showed that highly subsidized interest rates may influence loan repayment. For example, SCF/ El Salvador charged as low as 3% interest rate per year, and had the lowest loan repayment rate of 52% among other organisations. For some borrowers, highly subsidised interest rates indicate that the credit was a gift that did not have to be repaid and as such encourages inefficient investment. He further argued that financial services programmes could only be sustained with high repayment levels of loans (Holt, 1994).



**Figure 2: Conceptual framework on poverty reduction using credit**

Source: Adapted from Owusu-Acheampong 's (1986, p.34) Little Opportunity Cycle

The Village Banks had achieved repayment rates of above 90 percent. It was however evident that, programmes that had invested heavily in training and administrative oversight had been most successful at maintaining high repayment rates, and the vice versa.

From the foregoing discussions, Figure 2 is constructed to describe the various processes of the framework adapted for the study. The framework assumes that poverty resulted when there was little capital for investment in income generating activities, there would be little marketable surplus and hence little profits. In contrast, if credit was readily available and accessible, there would be an increase in investment, increased output marketable surplus, higher income, increased savings and enhanced socio- economic statuses ( such as, improved nutrition and health, clothing and shelter, ability to pay school fees and increased school enrolment) which may all contribute to reduce poverty.

## **CHAPTER THREE**

### **METHODOLOGY**

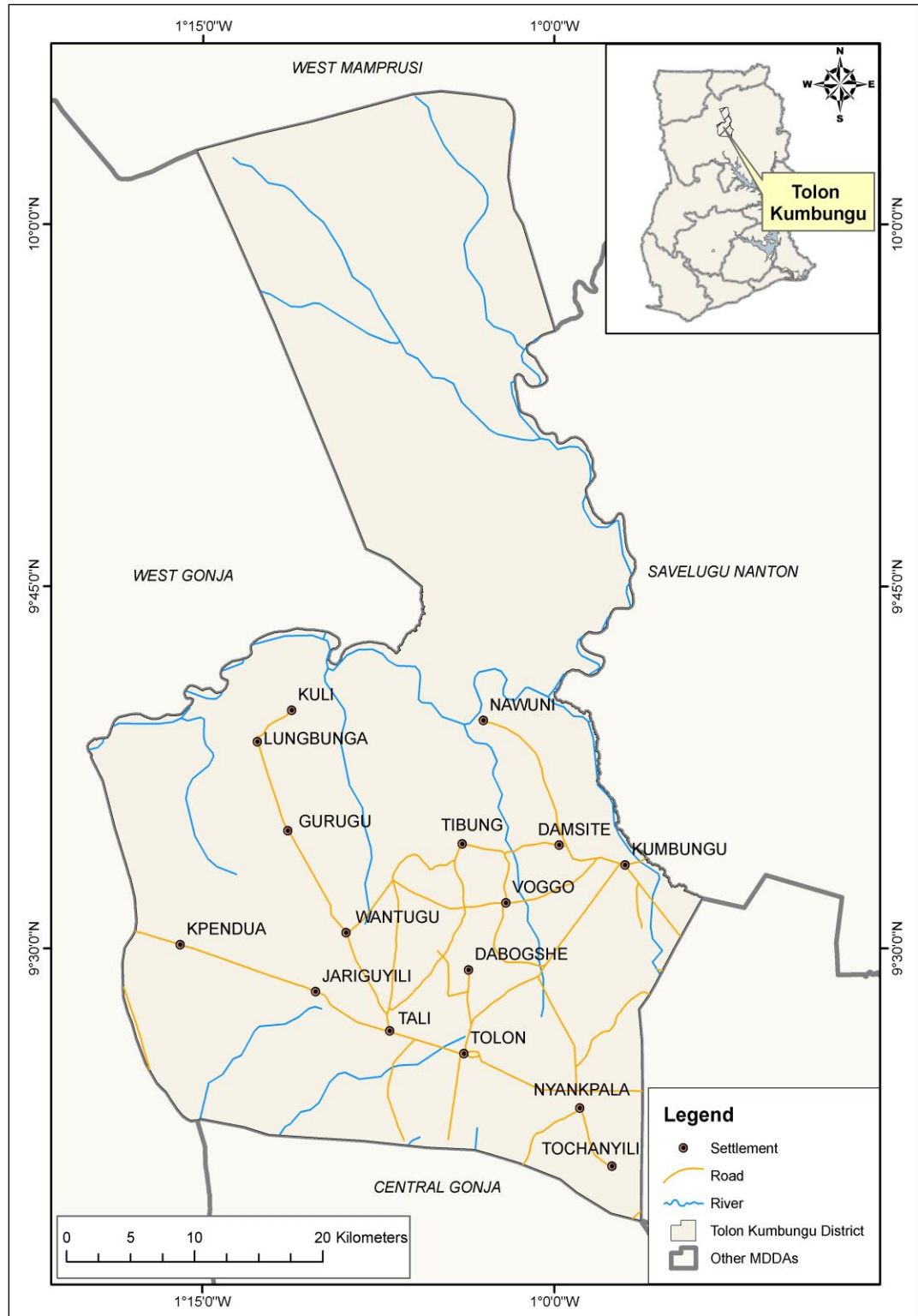
#### **Introduction**

This chapter describes the approach to the study and covers its design, the study population, the data collection instruments and the analytical techniques used. The limitations of the study are also acknowledged.

#### **Study area**

The Tolon-Kumbungu District covers an area of about 2,741 square kilometers and forms about one percent of the total landmass of the Northern Region. The district shares a border with the West Mamprusi District to the North, the West Gonja District to the West and South, and in the East with Savelugu/Nanton District and the Tamale Metropolis (Figure 3). The district has a population of 132,833 of which 66,033 are females (Ghana Statistical Service, 2002). About 83 percent of the people live in rural areas.

The indigenes are Dagombas. Other tribes such as Ewes (mainly fisherfolk) have settled along the White Volta. Islam and traditional beliefs are the dominant religions, with pockets of Christians scattered all over the district (Tolon-Kumbungu District Baseline Survey, 1996).



**Figure 3: Map of Tolon-Kumbungu District**

Source: Geography Department, UCC, 2010

Majority of the people in the district are farmers who cultivate mainly rice, guinea corn, groundnuts, beans, maize and cotton. The yield is usually affected by unfavourable weather conditions and human activities such as erratic rainfall and bush burning. There are two big irrigation dams at Bontanga and Golinga where food crops and vegetables are cultivated. Fishing is undertaken along the Black Volta. Also, sand winning, used for construction work in Tamale Metropolis is a major economic activity in the district (Tolon-Kumbungu District Medium Term Development Plan, 1996-2000).

The unpredictable nature of the weather as well as incomes from farming and other income generating activities has led to many young people particularly, female migrating to the southern part of Ghana for economic reasons. The migrants are popularly called 'Kayaaye'.

Brwuwer et al. (1999) in a baseline survey of the study area sponsored by UNICEF revealed that education in the district generally is not well developed, with low school enrolment and high dropout rates. Enrolment rates are currently 46% in primary schools, 50% in Junior Secondary Schools (JSS) and 60% in Senior Secondary Schools. Factors accounting for the high dropout rates, especially among girls, include child labour, poor parental care, poverty and ignorance. Poor sanitation in the district compounds the poverty problem of the people particularly among women that leaves them in poor health. Only about 33% of the population have access to potable water all year round. The rest of the people depend mainly on rivers, streams, ponds, dug out dams, and rainwater (Tolon Kumbungu District Baseline Survey, 1996).



The unpredictable nature of the weather as well as incomes from farming and other income generating activities has led to many young people particularly, female migrating to the southern part of Ghana for economic reasons. The migrants are popularly called 'Kayaaye'.

About 89.5% of the inhabitants have no toilet facilities and go on 'free range', 10.5% have traditional pit toilets, 5.3% use public KVIP with 2.0% using flushed toilet and 0.9% using bucket/pan latrine. In total, 9.3% have of the people have access to safe excreta disposal facilities which corresponds with 3.5% of the population covered by the Tolon-Kumbungu District Baseline Survey (TKDBS, 1999). Notably, 99% of the household use firewood for cooking, with only one percent using other sources of energy (TKDBS, September 1999). This practice aggravates the incidence of desertification and land degradation.

As regards housing, 93% of the inhabitants live in mud houses, two percent living in cement houses. 95% of the houses are roofed with thatch while 4.3 % have aluminium roof. Due to inadequate residential quarters in the district, majority of the workers of the Assembly and other decentralized staff and agencies live in Tamale.

The district has 19 health facilities that serve 278 communities. These include five health centres, nine CHIPS zones, two community clinics and two clinics and one private mission hospital (Kings Village Medical Centre).

The state of roads in the district is poor as a result, the northern part of the district, (known as overseas) which is across the White Volta normally cut off and canoes are used as the means of transport.

However, the district has a lot of opportunities such as the White Volta where irrigation farming is feasible. In addition, the district is endowed with vast truck of land and pasture suitable for livestock production. A number of research institutions including Savannah Research Institute, University For Development Studies, and Animal Research Institute (ARI) are located in the study district and this could be of enormous benefit to the people. Yet, these opportunities have not been fully tapped.

### **Study design**

The study employed a cross sectional design that assessed in a deliberate and structured way the effect of micro credit on poverty reduction among women and their dependants in the Tolon-Kumbungu District. According to Frankfort-Nachmias and Nachmias (1995), the method is perhaps the most prominent design employed in the social sciences. To meet these objectives, detailed information on client's internal operation along the lines of market research is required.

### **Study population and study unit**

The study population comprised the Women and Loans Coordinator of the GDCP, loan facilitators, specific women group beneficiaries and leaders of the micro credit scheme.

The women group beneficiaries of the GDCP micro credit scheme represented the unit of investigation. Membership of each of the women groups ranged from 10 to 20. Group members who have common interest enabled them

to qualify for credit. The groups had executive members made up of a president (magazia), secretary (often a male), treasurer, and organizing secretary (zonzongli).

### **Sample and sampling procedure**

A number of sampling procedures were employed. To get a representative sample, 95 percent confidence level was chosen with 5% margin of error. So five percent level of significance was used because of the high recovery rate, high monetary cost and the difficulty in contacting credit recipients who are scattered over a wide area. Women groups covered were estimated to be 80 percent.

Purposive sampling technique was used to select the Women and Loans Coordinator of the GDCP, all 6 loan facilitators, 11 group leaders, 27 women key informants, nine each from the 3 main income generating activities because they could provide the needed information on the micro credit scheme. Women beneficiaries of the micro credit scheme in the study area were stratified into 3 main income generating activities. The proportionate sampling was used to work out the figures, after which the simple random sampling method was employed to select respondents thereby enabling beneficiaries an equal chance of being selected for the study.

This process enabled all women engaged in the three activities to be covered. In all, a sample size of 246 women was considered appropriate for easy and effective handling. However, out of this number, 180 were successfully interviewed and used for the analysis. Also, 27 key women informants, nine each

from the three main income generating activities and 11 group leaders were purposively selected for focus group discussions and interview respectively.

**Table 1 : Sampled women beneficiary groups from 1996 – 2000**

Income generating activities	Total number of beneficiaries	Percent	Number of sampled beneficiaries
Groundnut loans	1153	22.0	54
Sheanut loans	2045	42.0	96
Rice loans	2031	36.0	96
Total	5229	100.0	246

Source: Field Data (2003)

### **Sources and techniques of data collection**

Both primary and secondary sources of data were used for the study. Primary data were collected from respondents by the use of questionnaires, structured interview schedules, and focus group discussions. An intensive study was done on existing secondary sources of data both from the GDCP and other organizations, from documentary sources such as books, journals, magazines, news papers, the internet, and unpublished theses. Other activities of related NGOs, relevant publications on human resource development (HRD) issues and documents were used to check on biases, which also served as additional independent sources of information.

A combination of data collection techniques (triangulation) was employed in the collection of data. These included semi-structured interview schedules and observation used for women groups and their leaders, and loan facilitators of the GDCP. Focus group discussions were employed for key women informants among the groups who were purposively selected, and a structured questionnaire was designed for the Loans Coordinator of the GDCP.

#### Questionnaires

A detailed questionnaire was designed for the Loans Coordinator who represented the GDCP. The questionnaire was mostly open-ended and covered relevant questions related to the operations of the micro credit scheme. The open-ended questions were to enable the researcher obtain in-depth information on the micro credit scheme from the respondent.

#### Semi-structured interviews (SSI)

Loosely structured interview schedules were also designed for the sampled beneficiaries of women groups, their leaders and loan facilitators. Open-ended discussions were also employed to elicit information from the women groups on the size of membership of their groups, loan amount received, activities they engaged in, processing and marketing issues, meetings and meeting procedures, savings habits, problems that were encountered as a group and how such problems were solved. Also information on the performance on loan repayment and quality of service was obtained for the assessment of the prospects for business expansion.

### Focus group discussions (FGD)

Three (3) separate focus group discussions were conducted with women engaged in the various activities, that is, groundnut processing, sheanut extraction, and rice processing. Each group was made up of 9 women. This was to enable the researcher obtain an in-depth information about the operations of the groups, who at this point could check on each other's information. For convenience, the community school block was used where possible for interviews or discussion sessions. In situations where school blocks were not available, respondents sat under the shade of trees away from the community to avoid interruptions. The researcher was the lead facilitator whilst a recorder was assigned to do the script recording in addition to tape recording. The researcher used FGD which seemed ideal because they offer women an opportunity to, validate their experiences, feelings and strengths. FGD also give women an ideal opportunity to share their experiences, listen to each other, clarify their own experiences and that of others in the same context.

### **Pre-test**

To ensure validity and reliability of the instruments used to collect data, the questionnaires, interview schedules and focus group discussions were pre-tested for accuracy and appropriateness of the instruments to be determined. The community selected for the pre-test was Jisonayilli, a rural community situated in the Tamale metropolis. This community was selected based on the fact that there

were some women group beneficiaries of the GDCP micro credit scheme within the community therefore, it was found to be appropriate for the pre-test.

Criticisms, suggestions, and possible field problems were identified. These allowed for modification of questionnaires with guidelines from the supervisors. It also enabled the researcher to make adequate preparations before the fieldwork began.

### **Method of data analysis**

Compiled data were analysed by employing both qualitative and quantitative methods. The data collected from the survey were summarized and presented in tables showing means, graphs, percentages, ratios, and frequencies used to examine findings in detail. Such descriptive statistics were used to describe the demographic characteristics of women, beneficiaries and their leaders, loan facilitators and the loans coordinator. A description was also done on data distribution patterns, access to micro credit and levels of poverty reduction. The main focus of the study was on the effects of the micro credit scheme on the lives of women beneficiaries and their dependants, so attributes such as income, health status, nutrition, shelter, and enrolment of children in school were all considered in the analysis of data.

### **Methodological problems and limitations of the study**

The major limitation of the study was funding. All the activities outlined above, transportation, feeding, lodging, typing and printing involved cost. In

addition, the fact that the researcher once worked with some of the groups as a staff of GDCP may affect respondent's objectivity. Sometimes the rains interrupted planned visits and these had to be rescheduled because the period for the fieldwork was in the rainy season.

### **Summary**

The methods employed in data collection for both the pre-testing and the main field survey included sampling and sampling procedures made up of purposive, proportionate, and random selection methods, that enabled beneficiaries equal chance of representation were all described. A combination of data collection techniques such as questionnaires, interviews and focus group discussions were employed to elicit adequate information on the study. Problems experienced in the field survey were numerated, together with the solutions found to cope with them. A description of the tools employed in the analysis of data conclude this chapter.



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **Introduction**

This chapter discusses the results of the study of the Ghanaian Danish Community Programme (GDCCP) micro-credit scheme. In this regard, the demographic characteristics of respondents as well as the operations of the micro-credit scheme as revealed by the study are all discussed in relation to existing literature reviewed. The findings of the effects of the GDCCP micro credit scheme on poverty reduction among beneficiaries in the study area are presented and discussed in the following sections.

#### **Demographic characteristics of respondents**

The demographic characteristics of the women belonging to various groups and loan facilitators are presented as background information. These include: the location, age structure, marital status, educational background, number of dependants and those in school, membership of groups, kinds of training received and the number of years that they had been engaged in the economic activity. The discussion also covers how household and community responsibilities are affected by group membership and assess the benefits of the scheme. Also, alternative sources of finance, prospects for business expansion and

problems associated with the operations of the scheme as well as suggestions on ways to improve the micro credit scheme form part of the discussion. The rationale for examining these variables is that they have implications for use of credit facilities, income generation and expenditure.

#### Age distribution of respondents

The age distribution of respondents is discussed because age has implications for economic activities and operation of groups. The age distribution of women beneficiaries ranged from 20 to 61 years. Majority of the women (70%) were between the ages of 21 and 50years. This age group represents the economically active group as defined in the 2000 housing and population census. The average age was 50 years. The details are presented in Table 2.

**Table 2: Age distribution of women beneficiaries**

Age in Years	Frequency	Percent
< 20	2	1.1
21-30	73	40.6
31-40	53	29.4
41-50	45	25.0
51-60	7	3.9
Total	180	100.0

Source: Field survey (2003)

Data on the age of the 11 group leaders revealed that 54.5% were between ages 51 and 60 years, whilst 18.2% were 61 years or more. Those between ages 21 and 50 years constituted 27.3% of the sample. This distribution may be due to the fact that by tradition, the elderly are considered for leadership positions. All 6 loan facilitators were between 21 and 40 years of age. It can be seen that the age range falls within the national economic active population age group as indicated in the 2000 housing and population census.

#### Level of education of respondents

The data on the level of education as shown in Table 3 revealed that 91.1% women beneficiaries of the GDCP micro credit scheme were without formal education and 6.1% had primary education, whilst 2.2% had Middle/Junior High School (JHS) education and 0.6% had Senior High School/Vocational Technical Education (SHS/VOTEC).

**Table 3: Level of education of women beneficiaries**

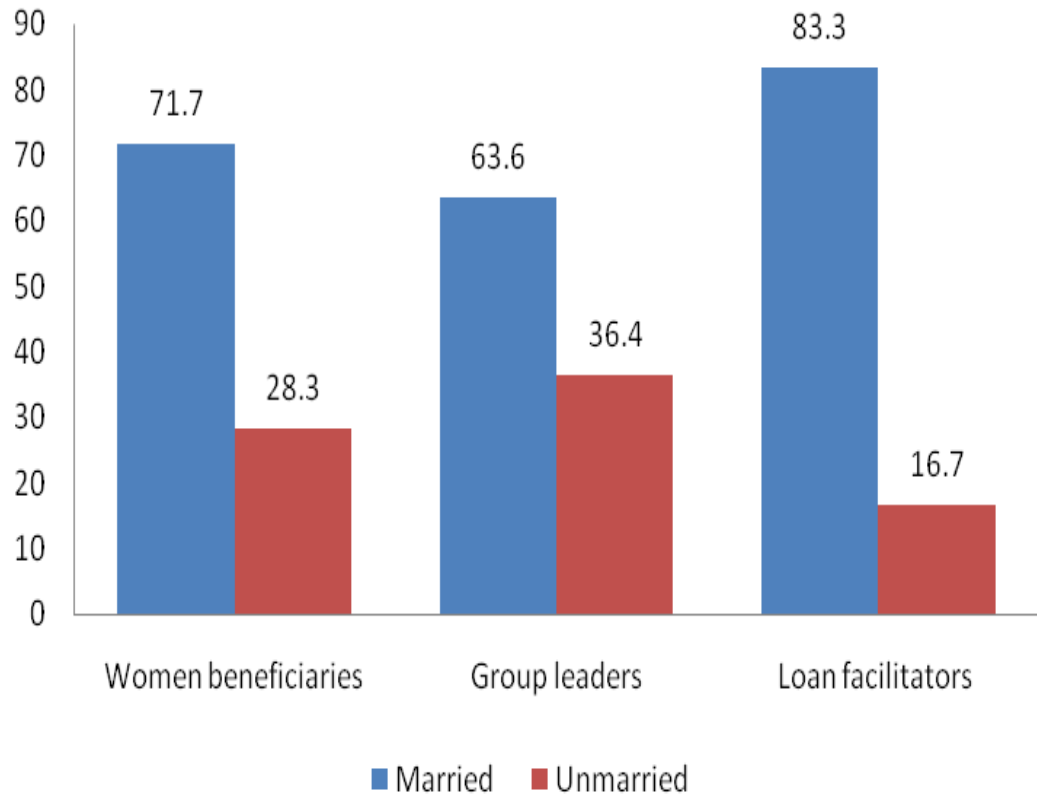
Level of education	Frequency	Percent
No formal education	164	91.1
Primary	11	6.1
Middle/Junior High School (SHS/VOTEC)	4	2.2
Senior/Vocational Technical	1	0.6
Total	180	100.0

Source: Field survey (2003)

All 11 group leaders had no formal education. Among the 6 loan facilitators 66.7% had no formal education whilst 33.3% had Middle School/JHS education. It is evident from the data that majority of the respondents had no formal education which conforms that of the UNICEF Baseline Survey (1999) that illiteracy levels are generally high among women with only 7% of women attending school. The high illiteracy rates of respondents may have implications on their businesses as well as access to credit from financial institutions. This may also explain why majority of secretaries to the women groups are males.

#### Marital status of respondents

Among the women beneficiaries, majority (71.7%) of respondents were married, whilst 28.3% of them were unmarried. Of the group leaders 63.6% of respondents were married whilst 36.4% were unmarried. While 83.3% Loan Facilitators were married and 16.7% unmarried. The chart below depicts the data on marital status of respondents.



**Figure 4: Marital status of respondents**

Source: Field survey (2003)

**Number of dependants women beneficiaries have**

Table 4 shows that 65.4% women beneficiaries have between 3 and 8 dependants, whilst 18.9% have 9 to 18 dependants. Only 10.0% had 2 dependants and 5.7% had no dependant. On the average, 34.4% had between 3 and 5 dependants.

**Table 4: Number of dependants women beneficiaries have**

No of dependants	Frequency	Percent
No response	12	5.7
2 people or less	18	10.0
3-5 people	62	34.4
6-8 people	54	30.0
9-11 people	20	11.1
12-14 people	9	5.0
15-17 people	2	1.1
18 people and above	3	1.7
Total	180	100.0

Source: Field survey (2003)

#### Number of dependants group leaders have

It was observed also in Table 5 that 54.5% group leaders had between 6 and 10 dependants, 36.4% leaders had between 11 and 15, while 9.1% had as many as 28 dependants. The large number of dependants that the group leaders have may be as the result of the extended family system where foster children can live with relatives, particularly the elderly.

**Table 5: Number of dependants group leaders have**

No. of dependants	Frequency	Percent
Between 6 and 10	6	54.5
Between 11 and 15	4	36.4
28	1	9.1
Total	11	100.0

Source: Field survey (2003)

#### Number of dependants attending school

In all, 55.0% women beneficiaries had 2 dependants or less attending school, 39.0% had between 3 and 7 whilst only 6.0% had between 8 and 12 dependants in school. The high school enrolment of (95%) revealed in the study may be attributed to recent educational programmes with emphasis on females. As confirmed by UNICEF (2001), the importance of girl's education and protection of children and women's rights have been increasingly advocated for by government agencies, NGOs and the media at all levels. This fact confirms that of Awumbila (2001) and shows an improvement in educational attainment for females over UNICEF's Household Baseline Survey (1999) that found the state of education in the Tolon-Kumbungu district to be generally poor. This situation may be attributed to the large disparity between boys and girls regarding access to formal education whereby girls have much less access than boys. For example, only 36% of the girls (aged 5-18 years) as against 53% for boys of the same age ever went to school.

### **Economic activities of women beneficiaries and group leaders**

Among the respondents, about 52.9% of women processed rice, 27.7% extracted sheabutter and 19.4% extracted groundnut oil. The data further show that almost all the women engaged in additional economic activities such as weaving, cloth selling, food selling, petty trading, soap making, animal rearing, and farming.

Among the group leaders, 41.7% processed rice, 36.7% extracted sheabutter whilst 21.6% extracted groundnut oil. All of them also engaged in other activities such as soap making, farming, petty trading, and selling cooked food. This finding conforms that of Pittin (1982) that many women have two or more occupations which may be run concurrently.

It can be seen from the preceding discussions that almost all respondents engaged in more than one activity because of the seasonality of the raw materials of the traditional economic activities and the influence of the market trend. The findings conform to that of International Finance Corporation World Bank Group (2007) that most economically active women in Ghana operate in the informal sector and are mostly involved in micro-enterprises and retail trade.

### **Kinds of training received by women beneficiaries**

On the kinds of training, 33.2% of beneficiaries were trained in improved rice processing, sheabutter and groundnut oil extraction, farming and animal rearing, 9.2% in hairdressing, dough-nut and soap making, hat weaving and dressmaking, 8.4% in bank transactions and financial management, bookkeeping



and home improvement, whilst 7.1% trained in leadership skills. In addition, 6.7% received training in group formation and capacity building. This conforms to those of Awumbila (2001) and Christian Children's Fund of Canada/Micro-Enterprise Development/ Micro- Credit (CCFC/MED/MC, 2003) that improving women's access to quality and relevant education and skill training will help to improve their human resource base and income generating activities. The findings of the study also conforms to that of the Village Banking Model (VBM) as described by Kropp et al. (1989) that local capacities built in participatory management skills empowers the poor in other areas as well.

Several structures are put in place to enhance the operations of the micro credit scheme. In this regard loan facilitators whose profile is described below are engaged on voluntary basis to support women groups in the communities.

### **Bio-social characteristics of loan facilitators**

The kind of work the loan facilitators are engaged in is discussed in this section to determine their commitment in the activities of the micro credit scheme.

### **Occupational status of loan facilitators**

The main occupational status of the facilitators was assessed to elicit information on activities they do since this is important for the task. Majority 66.7% loan facilitators indicated that they were farmers, while 33.3% were petty traders. The number of years served as loan facilitator determined the experience

gained which ultimately had a bearing on work performance. As a result the number of years loan facilitators were recruited form an important aspect of the next discussions.

### **Number of years recruited as loan facilitators and responsibilities**

Loan facilitators were asked to indicate their length of service with the organization. The results show that 66.4% had been involved in the operations of the scheme for 6years, and approximately 33.6% had been involved for the period between 2 and 5years. For all the years of their involvement, they educated and monitored loan beneficiaries on appropriate loan use and repayment, organised regular meetings and coordinated activities between the communities and the programme.

### **Loan repayment**

Loan facilitators were asked to assess the timeliness of loan repayment by beneficiaries. The facilitators who rated it very good were 33.3%, those who rated it good were 33.3% whilst 16.7% rated it fairly good and 16.7% poor.

From the preceding discussions, loan facilitators play an important role in the operations of women groups of the micro credit scheme. How these groups operate is important and is examined in the context of this study.

### **Operations of groups**

On the issue of how groups could operate effectively, the consensus from the focus group discussions of the study was that members should respect and cooperate with one another, have patience, be honest, transparent, confident, hardworking, and follow group bye-laws on meetings attendance, paying group dues, and participating in other group activities. The respondents added that good leadership, as well as peace and unity could also enhance group effectiveness. On the contrary, factors such as dictatorship by leaders, mismanagement of group funds, gossips, cheating, petty quarrels and conflicts, lateness and absenteeism to meetings, and non-participation in other group activities could disintegrate groups. This corroborates with the Village Banking Model of loan repayment, savings, keeping up-to-date records and full attendance of meetings.

### **Group size, purpose and structure**

In response to how groups were formed, 4 out of 11 group leaders said groups were formed upon prior information and education on the activities of the GDCP, 3 of them said groups were formed on occasions such as weddings where many women meet, while one leader said she followed the steps of other women groups that had benefited from the GDCP micro credit scheme. The remaining 3 said their groups originated from a previous “susu” group. This finding corroborates that of Berenbach and Guzman (1994) that self-selection is vital as group members should share collective responsibility.

On the question of group size, 63.6% of the leaders revealed that their group had 11 to 20 members. The remaining 36.4% indicated their group membership to be between 21 and 30 members. This finding corroborates that of the Village Banking Model which encourages as small as 5 and as large as 163 members in a group but contradicts that of Yunus (1998) of the Grameen Bank and Rhyne and Otero (1994) that smaller groups of about 5 members tend to be more cohesive than larger groups.

On the reasons for forming groups, 4 of the leaders said groups were formed in order that members might assist each other; 4 deemed the formation of groups as a precondition for getting assistance from the GDCP, a respondent claimed that groups were formed to enable members develop techniques of rice processing business, whilst another one said the formation of groups helped members to obtain good prices for their produce through effective co-operation with other groups. Another leader maintained that groups were formed in order to overcome financial difficulties experienced by members.

Some of the women in the Focus Group Discussions confirmed that they formed groups in order to support one another with some weekly contributions (Susu) of about 5 to 10 cedis. The majority of the women said they formed groups in order to qualify for loans from the GDCP as other women so that they could support their husbands in the upkeep of the children. Eligibility for loans however, was based on the GDCP guidelines and the community members themselves. For instance 20% of respondents indicated that eligible members should be resident in the community and also show interest in the credit scheme.

Another 20% said women should already be engaged in an economic activity such as rice/groundnut/sheabutter production. They should also be patient, hardworking and willing to abide by the terms of the loan. Group leaders were also asked how they were selected in order to elicit information on democratic practices in the operations of their groups. About 33% respondents claimed they were voted into leadership offices, a similar percentage were selected, 16.7% were made leaders by group consensus, whilst the remaining 8.3% said it was through succession, whilst the remaining 8.3% said that the executive members were nominated.

### **Meetings and participation in decision-making by group members**

On the regularity of meetings 54.5% of the women groups responded that they met weekly, 27.3% met fortnightly, whilst 18.2% met monthly. Issues discussed at meetings included payment of dues, loan repayments and defaulters, improved businesses, welfare of members, timely attendance of meetings and conflicts among members. All the members took part in decision-making. This finding conforms that of the Village Banking Model (VBM) where members are expected to participate fully in decision making at meetings as it contributes to effective group functioning.

### **Monitoring of groups**

To elicit information on supervision and monitoring, the Women and Loans Coordinator was asked how often she met with women groups. In response,

she said they met quarterly and discussed issues on loan management and repayment, marketing, of produce diversification and expansion of businesses. Also topical issues on education, such as school enrolment and health, as well as retention issues were all discussed. How decisions on the operations of the micro credit scheme were taken also raised concerns for the study. The loans coordinator explained that when issues cropped up, based on information gathered from beneficiaries, she would make a proposal to the Committee on Projects and the Executive Committee for consideration before any action was taken.

### **Savings habits, payment and use of group dues**

On savings habits all the groups interviewed had bank accounts and pay group dues as well. Among the leaders 63.7% said each member of their groups paid between ₦5.00 and ₦10.00 while 36.4% said ₦3.00 or more was paid by every member of their groups. The findings revealed that, the amount paid as group dues varied from group to group and depended on the ability of group members. According to the group leaders 41.2% of respondents saved their dues, 23.5% use dues to solve problems they encounter, while 11.8% use it to cater for the welfare of members, and 17.6% purchased more raw materials with group dues, whilst 5.9% used dues to entertain visitors. As groups cannot be sustained without funds, payment of dues by group members is imperative. Dues if put to good and proper use gives group members satisfaction and makes them cooperate with each other. On the other hand, if dues contributed cannot be accounted for,

members may get dissatisfied and such a situation may create conflict among them.

### **Team work and benefits derived from group activities**

In all 64% of respondents worked as a team by attending meetings and participating in decision-making, engaged in communal labour; discussed business activities and saved together (susu). However, 36% said they did not work as a team. On benefits derived from group activities, 24.0% said they got financial support that increased their working capital, 18.8% had enhanced their knowledge and skills, 12.5% derived social and moral support whilst 12.5% learnt good sanitation practices. Also 6% had easy access to bank loan whilst 6.3% indicated that they worked as individuals.

Communication is an effective tool in the operation of groups and enterprise growth. In this regard, on the channels of communication used within and outside the groups, the organizer indicated that she went round to deliver verbal messages or engage the services of (tom- tom) beaters who used drums or sometimes wrote letters to communicate with group members. The group's contribution to the community as revealed by group leaders included communal labour on sanitation activities, tree planting, provision of potable water and financial commitment. This finding confirms the observation made by Berenbach and Guzman (1994) that the peer group itself often becomes the building block to broader social network.

### **Assessment of quality of service**

The quality of the services provided by financial institutions and programmes were assessed by the relative importance with respect to the clients' preferences and decision-making positions. The assessment is done at two levels: (i) Loan application and processing time and (ii) Respondents' perception of service quality.

### **Time it takes to apply and obtain a loan**

On the time it takes to apply and obtain a loan, the results revealed that 52.2% indicated a waiting period of 1 to 3 months, whilst 12.2% said it took 4 to 6 months; 27.8% mentioned 7 to 12 months and 6.7% mentioned 12 months duration or more. This finding conforms that of the loan facilitators of the GDCP micro credit scheme.

### **Types of credit employed and collateral requirements**

The Loans Coordinator indicated that group lending saved time and reduced transaction cost, and had high loan recovery rate (for example, 90% to 95% for group loans as against 60% to 65% for individual loans). In addition, the impact of group loans on beneficiaries can easily be assessed. For these reasons the GDCP preferred group lending to individual lending, though the latter is also practiced. These findings corroborated those of Konlan (2002), Ghana Micro Finance Institutions Network (GHAMFIN)/United Nations International Children's Educational Fund (UNICEF) (2002), and Yunus (2003a) of the



Grameen Bank that lending to groups decreased transaction costs for both borrowers and lenders alike while reducing the risk of default as groups serve as social collateral. Similar to the GDCP, Solidarity groups of the Grameen Bank, the Village Banking model, and ACCION International, all employed group lending that promise collective guaranteed loan repayment.

According to the Loans Coordinator, community members also served as guarantors of the loans in addition to the groups serving as social collateral. This finding confirms that of Yunus (2003b) of the Grameen Bank that group mutual guarantee method reduces risk and administrative costs per borrower. The finding also confirms that of Selinger (2008) that most non-bank financial institutions do not require collateral in the form of fixed assets but guarantors who are financially sound.

### **Loan size, adequacy, disbursement, duration of repayment, and recovery**

The loan size was assessed by respondents (loans coordinator, group leaders and women beneficiaries) because it determines the volume of activity in processing and production.

The Loans Coordinator explained that the amount of loan given to an individual in a groups varied from year to year. It also depended on the cost of the processing capacity of the loan beneficiary at the given time. For example, groundnut group were given the cost of 1½ bags of groundnuts per member, the cost of 3 bags of sheanuts were given to the sheanut groups per member while the cost of 4 bags of rice was given to the rice groups per member. This finding

confirms that of Berenbach and Guzman (1994) that with the Solidarity Credit Groups of the Grameen Bank, loan amounts begin small with short paybacks periods, allowing the entrepreneur to gradually build up his or her business.

Women beneficiaries of the GDCP micro credit scheme are given loans for three consecutive years if all previous loans are paid. The Women and Loans Coordinator disburses the first loans to beneficiaries in the communities. However, subsequent loans are disbursed to groups through their bank accounts. In response to the quality of the loan disbursement procedure, the loans coordinator rated the disbursement process as very good.

Data on the loan size for group leaders showed that 3 of them received ₱100.00 or less each, 2 of them received between ₱100.00 and ₱350.00 each while 6 others received more than ₱350.00 each. The loan amount obtained was not sufficient for 7 of the group leaders engaged in various income generating activities, but 4 of them indicated that the loan amount was sufficient while 3 respondents could purchase enough raw materials for their activities but 7 could not. Also 1 respondent was able to build her capital gradually with the loan amount obtained while 1 of them was expecting a bigger loan amount to enhance production. It is evident from the findings that in all 64% of group leaders received inadequate loans for various income generating activities.

#### **Amount of loan received by women beneficiaries**

Table 6 highlights amounts of loan received by women group beneficiaries within the study period. About 16.1% of respondents received between ₱100.00

and ₡150.00, the lowest amount, whilst about 65.0% received between ₡260.00-₡300.00 or more being the highest amount. On the average, the respondents received about ₡230.00 each as loan.

**Table 6: Amount of loan received by women beneficiaries**

Amount per person (₡)	Frequency	Percent
100.00-150.00	29	16.1
160.00-200.00	26	14.4
210.00-250.00	8	4.5
260.00-300.00+	117	65.0
Total	180	100.0

Source: Field survey (2003)

Rhynne and Otero (1994) observation that there are variations in loan sizes across regions and so it behoves on programmes to comply with local needs. According to the women group respondents 52.8% of them claimed they received adequate loans, whilst 47.2% of them received inadequate loans. The respondents who received inadequate loans explained that raw materials and processing costs were high.

#### **Duration of repayment grace period, interest charges and recovery of loans**

As to whether the repayment grace period of 3 months was enough, 63.6% group leaders out of the total number were satisfied with the grace period, whilst 36.4% claimed the grace period was insufficient. For the respondents who said the

grace period was insufficient, 18.2% gave an alternative period of 5 months whilst 9.1% suggested 6-10 months, with only 1 beneficiary suggesting 21-25 months.

The interest rate charged on loans was also assessed to determine its adequacy or otherwise. The Loans Coordinator indicated that the annual interest charged was 24% which is consistent with interest rates charged by most financial institutions although it is slightly higher than that charged by Village Infrastructural Project (VIP). The reason may be that the latter is a government's intervention specifically designed for the rural poor. However, studies by Amonoo et al (2001) revealed a negative relationship between interest rates and demand for credit.

The data on interest charges on loans revealed that 71.1% women beneficiaries regarded the interest on loans to be moderate, whilst 5.4% regarded it as low. But a considerable proportion of 23.9% held the divergent view that the interest on loans was high. This finding confirms that of Anamoh et al (2001) that an interest rate of 22% was high for beneficiaries of BILFACU Village Banking Model. But it contradicts that which pertains in most countries, where micro enterprise interest charges are much higher than those of formal financial institutions and still under-price informal sector alternatives. On what was an appropriate annual interest rate, 1 respondent indicated 2% or less; other respondents (1.7%) indicated that 3% to 5% rate was good enough, whilst a similar number mentioned 6% to 8%. But a lot more respondents mentioned different interest rates ranging between 9% and 18%.

Women beneficiaries were asked whether loans were repaid on time and 98.3% said loans were repaid on time whilst 1.7% defaulted. This timely repayment might be the result of the monthly repayment arrangement whereby loan clerks went round to collect moneys and the fact that loans were immediately given to groups that completed repayment. This finding is similar to those of the Grameen Bank (1993) and SEWAH, India (1972). On why loans were not repaid on time, the data revealed that 1.8% respondents had no ready market for their produce, whilst 2 others incurred a loss.

### **Misapplication of loans and loan default**

On loan misapplication, 18.2% of group leaders agreed that there had been such an issue, whilst 81.8% disputed loan misapplication. One loan beneficiary attributed misapplication to late arrival of loans, whilst 1 other beneficiary indicated misuse of loans. On how loan misapplication could be checked, 9.1% suggested that members within a group should monitor each other; other beneficiaries (9.1%) suggested timely disbursement of loans. An important element in the cost of lending is the risk of default which traditionally has been minimized via collateral requirements often limited to land and the use of information about the creditworthiness of the borrower (FAO, 1993).

### **Reasons for loan default and measures to minimize rates**

The Loans Coordinator explained that sometimes there were loan defaulters because of poor marketing and misapplication of loan funds. Data on

loan defaulters indicated 5% for groundnut processing, 10% for sheanut processing and 15% for rice processing which has the highest default rate among the three. This finding contradicts the earlier findings that sheabutter processors had problems with marketing produce.

Measures adopted to minimize loan default included regular education on the importance of paying back loans on time, diversifying economic activities based on marketing trend, and skill training on improved processing techniques, especially rice. To maintain an effective credit delivery system, the coordinator explained that groups were given credit as soon as the members finished paying the old loans. This view is shared by micro credit institutions such as the Grameen Bank that use loan repayment as a prerequisite to access subsequent higher loans.

### **Collaboration**

Collaboration is important because forging partnership with NGOs and other agencies that have a history and experience of working in the study area is necessary for consolidating and coordinating activities. A strong sense of mutual trust and respect with local communities is necessary for a significant impact on poverty reduction. The Loans Coordinator indicated that the GDCP collaborates with decentralized departments of the District Assembly and decentralised agencies such as Department of Cooperatives, Department of Community Development, as well as multilateral organisations such as, DFID, UNICEF and other non-governmental organizations and agencies to implement their sector

activities to achieve the desired goal of improving the standard of living of women in particular and national development in general.

This finding corroborates that of IFAD (2000) that opportunities for collaborative action substantially reduce the vulnerability of the poor. Nonetheless, problems were encountered with collaboration. For instance, some decentralised agencies see the GDCP as a donor agency and expect it to fund all their sector activities. To disabuse this idea from their minds, she suggested that regular workshops be organized to educate collaborating partners on such challenges.

### **Effects of group membership on beneficiaries and community responsibilities**

#### **Responsibilities of group members**

People form groups to support one another by sharing and assigning responsibilities. All these increase the benefits derived from groups and make members feel as part of the group. The data on the responsibilities of members revealed that 39.8% participated in group activities such as communal labour, meetings, and decision-making, 31.9%, paid their dues and loans regularly and encouraged other members to pay so that they could access subsequent loans in good time. 10.4% assisted group members to sell their products, 5.8% served as group treasurers and secretaries while 3.2% advised group members to cooperate with one another, and 4% assisted the women leader (Magazia). According to the group leaders, conflict management took the form of understanding, dialogue, teamwork, and free flow of information, transparency and the use of threats

among members. Sanctions placed on members who defy rules and regulations were penalty charges, warning signals, and expulsion from the group. The education in relation to school fees paid for dependants is discussed in the next session.

### **Household responsibilities of members in relation to the education of children**

Table 7 presents data on the distribution of amounts of school fees paid in a year for dependants by respondents. In all, 10.6% respondents paid between ¢10.00 and ¢50.00, the lowest amount, whilst 25.6% paid the highest amount of ¢250.00.

**Table 7: School fees paid annually**

Amount in Cedis (¢)	Frequency	Percent
No response	10	5.6
10.00 And below	19	10.6
10.00 - 50.00	31	17.2
50.00 -100.00	29	16.1
100.00 - 150.00	17	9.4
150.00 – 200.00	6	3.3
200.00 – 250.00	7	3.9
250.00 And above	46	25.6
Not Applicable	15	8.3
Total	180	100.0

Source: Field survey (2003)



The average amount of fees paid is ₦100. 00. This finding is reflected in Nikoi (1998) that the withdrawal of subsidies of the educational sector had increased the cost of education and led to the increased participation of parents in the financing of education at the senior high schools and other tertiary levels.

### **Regular provision of food to dependants**

The provision of food to respondents to their dependants is important as good nutrition means good health. Women's work and incomes are disproportionately devoted to children's nutrition and basic welfare. Therefore in welfare terms, any deliberate measure that inhibits women's access to income and resources is likely to have effects on nutrition.

The data on the provision of food to the family revealed that 93.3% respondents were able to provide adequately but 5.6% could not. Also 38.1% provided three square meals that made their children healthy; 30.0% fed their families on balanced diet. About 9.5% acquired knowledge and skills on good feeding practices from the GDCP. Furthermore, about 7.1% supplemented family feeding with profits they earned, whilst 5.3% supplemented family food with produce from farm and garden. The remaining 1.9% supplemented family food only when husband's grains were exhausted.

This finding corroborates an evaluation report by Christian Children Fund of Canada (CCFC)/Micro Credit Enterprise Development (MED)/Micro Credit (MC) (2003) in Tamale, that clients provided 3 meals for their families. Similarly, a study conducted in Gushegu by Quashie and Antwi (2000) revealed that access

to credit reduced hunger among beneficiaries. In contrast 6 respondents could only provide good food occasionally; whilst 2 could not for fear of exhausting the loan and 2 had low profits so the family food remained the same as they could not afford to improve it. These findings suggest that access to credit can improve household food which is important for good health of respondents and their dependants.

### **Participation in household and community decision-making**

Involvement in decision-making was considered an important aspect of the outcome of micro credit at the household/community levels and a pre-requisite for socio-economic development in general, in particular for women. The data on participation in decision-making in Table 8 shows that 90% respondents were involved in household decision-making whilst 10% did not take part in decision-making on issues concerning the welfare of their children.

This confirms the findings from a study in Tamale by CCFC/MED/MC (2003) that husbands consulted their wives, respected their views and sometimes received financial support from them. In relation to women's participation in community decision-making, the data revealed that 75.0% took part in community decision-making as against 25% who did not take part. From the findings it is evident that majority of respondents take part in household and community decision-making which is an important aspect of enterprise growth. The finding confirms those of Ardayfio-Schandorf (1995) that women with high socio-economic status usually are involved in decision-making both at the household

and community levels. Other sources of finance is discussed in the next session since it is relevant in the sustenance of income generating activities

**Table 8: Participation in household and community level decision making**

Decision making level	Household		Community	
	No.	%	No.	%
Yes	162	90	135	75
No	18	10	45	25
Total	180	100	180	100

Source: Field survey (2003)

### **Access to other sources of finance**

In all, 71.7% of respondents did not have access to other sources of finance, whilst 28.3% had. A further study on those who had access to loan indicated that 8.8% received it from relatives, 64.7% had it from sale of farm produce and animals, 11.8% used their own savings, another 11.8% also sourced it from NGOs whilst about 2.9% accessed finance from “Susu” contributions. On the reliability of alternative sources of finance to the respondents, 66.7% of respondents indicated it was reliable whilst 33.3% of them said it was not reliable. The prospects of business expansion follow in the next discussion as they are linked to credit available to respondents for production.

### **Prospects for business expansion**

In all, 87.8% respondents had prospects for business expansion, whilst the remaining 12.2% were not able to expand their business out. Of the (87.8%) respondents, while 16.3% bought more raw materials and increased production, 17.1% earned more profit that enabled them to accumulate own capital, to re-invest in their business. The ability to expand businesses could be attributed to the access to the credit facility, which possibly could lead to an improvement in profit and income. Also, members learnt new ideas in income generating activities from other members within the group. In contrast, some could not expand their business because they were unable to save as a result of inadequate loans and low profit which resulted from poor marketing of produce. Further assessment on the effect of the scheme on investment in own business revealed that 7.2% of respondents expanded their businesses, 22.8% well way, 44.4% quite well in a good way whilst 21.7% fairly expanded theirs, and the remaining 3.9% performed poorly. The benefits of the micro credit scheme as revealed in the study are enormous and therefore enumerated in the session that follows.

### **Benefits of the GDCP micro-credit scheme on women and their dependants**

The benefits as discussed by women beneficiaries, loan facilitators and group leaders are presented in the section that follows.

Focus group discussions on the benefits derived from the scheme revealed that women benefited enormously. These benefits included increased income and household expenditure, good nutrition, enrolment of dependents in schools good

health care, access to improved clothing and housing. Other social benefits included communal labour, and visits during funerals, weddings, outdoorings and sickness. Women admitted that they gained knowledge and skills from the group membership. One woman remarked that, “a group is one family, so if one member of the group gets a problem, the others were there to assist”. Another woman remarked that, “the GDCP helped us a lot, they woke us up from our sleep and we are now developed like our neighbours who had also benefited from the credit scheme”.

Some of the women revealed that the opportunity to access credit had increased their capital as well as volume of trade. They admitted that before the intervention, most of them had never travelled to Tamale, the capital of Northern Region but with the intervention some of them had the opportunity to travel to Tamale, to do business. The women also said that they shared ideas and learnt a lot from one another as a group. They further made friends and established good relationships with one another, the community and the GDCP. As regards adequacy of loan, the women said that various income generating activities attracted different amounts of loan. Some of them were of the view that they could work with larger amounts and that the loans they were given were inadequate.

### **Skill training, and savings mobilisation**

Majority of the women testified during the focus group discussions that they benefited from skill training. They said that they were taken through the

steps in group formation, loan procedures and management, payment of group dues, savings, and banking transactions. One woman remarked that training in loan management helped them to manage their money well: “The training we received was very beneficial for our activities”.

This notwithstanding, some respondents noted that after beneficiaries were no more given the loans after they have enjoyed it for 3 times and weaned from the scheme, some of the group members continued to be active but the absence of the loan was a problem to most of them who claimed that the profits they made from the previous loans were small and could not sustain their income generating activities. It is worthwhile to note that profits realised, as discussed below, enabled them to engage in some group activities.

#### **Amount of profit made in a week and how it is used**

Profits made by women are assessed because profits are essential determinants of the ability of the groups to repay loans, pay group dues on time, and supplement family income, particularly the upkeep of their children. Table 9 shows the amount of profit women made in a week. About 52% of the respondents made a profit between ₦5.00 and ₦15.00; 34% made a profit of between ₦16.00 and ₦30.00; whilst 11% made as high as ₦30.00 profit or more. About 2% could not recollect whether they made profit or not. The average profit realised was about ₦15.00 weekly. Profits realised is confirmed by Guyer (1986) that women associations that had benefited from credit and investment opportunities translate into improved incomes and increased resource control.

**Table 9: Amount of profit made weekly**

Amount in ¢	Frequency	Percentage
0.50 And below	13	7.3
0.60- 10.00	61	33.9
1.10 – 150.00	22	12.2
1.60 – 20.00	37	20.6
2.10 – 250.00	9	5.0
2.60 – 300.00	15	8.3
3. And above	22	12.1
Not applicable	1	0.6
Total	180	100.0

Source: Field survey (2003)

With regards to how profits were used, about 53.3% respondents said they used their profits for the upkeep of their children and to supplement family income, 21.6% saved the profits with “susu” groups and rural banks, 12.9% used profits to service loans, 9.4% purchased raw materials to expand their businesses, and 2.8% used profits to defray transportation and grinding costs. This finding goes to confirm an earlier one that when women are economically empowered, the nutrition of the family, particularly of children improve. The findings corroborate that of Todaro (2000) that where women’s share of income within the home is relatively high, there is less discrimination against them and they are better able to meet their own needs as well as those of their children. Similarly,

when household income is marginal, virtually 100 percent of the women's incomes is used to provide food for the household. Data on health, clothing, shelter and investment as revealed by the research is discussed below as their indicators of improved standard of living.

### **Health**

The data on the effects of the micro credit scheme on the health status of respondents indicated 5.6% rated theirs as very good, the health status of 23.3% was rated quite well and that of 52.2% was good, whilst 13.3% was rated fair. Only the health status of 0.6% was poor and that of 5.0% very poor.

Traditionally it is the responsibility of women and the elderly to provide family level health care which affects their socio-economic performance. Household health depends upon the provision of basic needs such as shelter, nutrition, water, fuel, and management of sanitation.

### **Clothing**

Data on the effect of the micro credit scheme as regards clothing revealed that acquisition of clothing for 3.3% respondents was rated excellent, whilst provision of clothing for 13.3% was rated as very good. Similarly, provision of clothing for 46.7% was rated good, and 3.3% fairly good. However, clothing for 13.4 of the respondents were rated as poor.



## **Shelter**

Shelter is an important item for women credit beneficiaries and their dependants. The data on shelter revealed that 1.1% respondents had excellent shelter, 13.9% had very good shelter and about 40.6% had good shelter. Also 27.2% had fair shelter, while 2.8% had poor shelter and 14.4% very poor shelter.

## **Business investment**

When respondents were asked to rate themselves on investment in their businesses, 7.2% rated their business investments as excellent, 22.8% rated theirs as very good, 44.4% rated theirs as good, 21.7%, rated theirs as fair whilst 3.9% rated theirs as poor.

## **Problems encountered in the management of the groups**

Problems associated with the operations of groups are presented in this section under four main headings including: 1) problems encountered by the loan coordinator, 2) loan facilitators, 3) women beneficiaries, and 4) group leaders. The Loans Coordinator revealed that the major problem encountered in the operations of the scheme was high illiteracy rate in the district that resulted in very slow understanding of business development. Another problem identified was the monthly rise in inflation.

On the part of the loan facilitators, the problems encountered in the operations of the scheme were as follows; of the facilitators covered very large operational area using bicycles for very long distances which resulted in high

maintenance cost of the bicycles, problems could be minimised they suggested that loan facilitators should be engaged on full time basis. Also they should be given loans to acquire motorbikes rather than bicycles as that will enhance their work.

The focus group discussions held by women beneficiaries revealed problems that they were faced with. The problems included loan embezzlement, gross indiscipline of irregularity, lateness and absenteeism for meetings. The women's leader (Magazia) and the male secretary did not keep proper records of accounts. Two of the women groups admitted that their secretaries at one time absconded with substantial amounts of their money. According to some of the women, their groups were no more functioning due to loan repayment problems. This means that proper measures should be taken by way of supervision to improve upon loan repayment.

A group leader (Magazia) remarked, "If we call meetings many women do not attend and they do not give any reason for their absence. We in this group do not even meet again since we were weaned off by the GDCP after 3 years of support". Another group leader (Magazia) also remarked, "God always wants us to speak the truth. When we call meetings, very few people will come to this very tree that we are sitting under, the few women who come will sit here until our heads get rotten"

Group leaders were also asked about problems they encountered involved in the operations of the scheme. The problems they identified included lateness to meetings, inadequate loans lack of processing equipment, and inadequate

transportation. Other problems cited by respondents were poor loan repayment and short duration of the grace period. Problems identified with marketing of produce was discussed as a major issue because of its importance in the management of credit schemes.

In all, 77.2% respondents had access to ready markets for their produce, while 22.8% did not have. The study attempted also to find out exactly where beneficiaries marketed their produce, and it was revealed that 93.9% used other markets within the district and 6.1% used markets outside the district. In all, 55.0% of respondents experienced unstable market conditions, 17.8% defaulted in repayment, and 15.4% had problems with competitors. About 10.1% complained of low demand for their produce and 1.7% had poor quality produce.

Also women had to travel long distances to markets that had deplorable conditions such as uncovered structures, unpaved and muddy roads that were virtually impassable during rainy season. There was no proper garbage or sewage disposal system as well as proper washrooms/toilets. Yet women had to pay regular market tolls to local authorities.

These finding confirms a study on the effect of Amassachina Self Help Credit scheme on beneficiaries in the Gusheigu Karaga District by Quarshie and Antwi (2000) which revealed that women in sheabutter extraction in four communities had problems with marketing their products. In the session that follows, challenges associated with purchasing raw materials and processing are discussed.

### **Challenges associated with raw materials and processing arrangements**

In a focus group discussion on challenges women encountered in the groups as regards raw materials, the consensus was that raw materials were seasonal so sometimes not available on the market. There was also scarcity of wood fuel, and calabashes for processing and storage. The problem with marketing produce could not be overlooked because it compelled women sometimes to sell their produce on credit and at cheap prices and this affected monthly loan repayment schedule. It was therefore suggested that repayment of loans should be rescheduled for a year's payment in bulk. Another problem was the inability of some women to continue their business on a large scale after weaning from the credit scheme. Other problems identified with some communities (Kpalsogu and Kpana) were lack of grinding mill and water that made women to travel long distances to other communities to mill their produce and to fetch water. According to them they had sent an application to the District Assembly for assistance in that direction. This confirms that of an internal evaluation report by the Women and Loans Coordinator that some of the communities had the problem with potable water supply (GDPC Annual Report, 2000). Some of the women said the loan amount was inadequate for their income generating activities.

Importantly, the sustenance of credit schemes depends largely on the availability of raw materials and other important resources such as water and fuel wood. An important observation is that if any one of the items fall short it is likely to affect production and subsequently reduce the expected income. Therefore,

efforts should be made to maintain production throughout the year by finding possible solutions to problems identified and possible ways of improving the micro credit scheme as discussed below.

### **Suggested solutions to problems**

The study also investigated respondents' opinions on how the identified problems could possibly be solved. Out of the total respondents, 36.6% suggested sensitisation on punctuality and regularity at meetings and mutual respect for one another, 24.4% indicated imposition of a penalty on defaulters of loan repayments, whilst 14.6% mentioned the possibility of accessing other sources of finance through the banks, NGOs. Also market avenues be established at strategic points. Other 6.5% respondents suggested re-scheduling of meeting days/time and appointment of female secretaries and screening of members, 5.7% indicated that members should live in harmony, support one another and work as a team and 12.2% suggested that loans should be increased and recovery period should be on annual basis. In addition, the elders among the group should advise members to solve problems among group members with persuasion.

### **Ways and means to improve the micro credit scheme**

Various responses were given as regards to the improvement of the scheme. Generally, the respondents said the operations of the micro credit scheme could be improved through timely delivery of loans, capacity building, and reduction in interest charges on loans, eliminating defaulters, monitoring,

supervision and evaluation. Majority of the women further suggested that loan amount given should be adequate for the volume of the particular activity as well as timely disbursement so that women could stock more raw materials against the lean season to enable them to maximize profit. Loans should be repeated for groups that have been weaned off and have proven to have good records of loan repayments. Women should also make it a point to attend meetings regularly where important group issues (for example, group's accounts) are discussed. Some of the women suggested that literacy classes should be established in the communities so that they could learn numeracy to help them keep records on their work. The women also expressed the wish that the scheme could be extended to cover all deprived persons in the district, particularly women and their husbands and the kayaaye (porters).

Another suggestion was the need for regular interactions and consultations with communities and member beneficiaries on the one hand, and the GDCP on the other hand to enhance unity and cooperation.

The loans coordinator suggested that the loan fund and logistics should be increased and enhanced by donors to enable staff to supervise loan beneficiaries more regularly. This suggestion is similar to that of the beneficiaries who requested that staff should pay them more regular visits. Although supervision of beneficiaries reduces default, it is seen to be expensive as indicated by Rhyne and Otero (1994). Respondents further suggested that the loan amount should be increased and interest charges be reduced, that credit recipients should repay loans on time, the duration for the grace period should be increased, and loans should be

provided to beneficiaries to purchase processing equipments, to enhance their work.

The data on the ways by which the operations of the micro credit scheme can be improved as indicated by women beneficiaries are as follows: 27.8% suggested that more women/girls and men/youth be assisted in the entire Northern Region because many people were poor; 21.1% said loan amounts should be increased and delivered on time; 15.0% revealed that, constant and regular visits, monitoring and evaluation of the activities of credit recipients by the GDPCP. 13.9% suggested moderate interest charges and discounts for recipients who repay loans before the scheduled period; 13.3% indicated that a review of current loan repayment schedule to provide long-term annual repayment. Also, 8.9% suggested that credit recipients should repay loans promptly to enable subsequent loans to be obtained on time.

On the issue of the future of the scheme, the general consensus of respondents was that it was good and sustainable, would empower rural women, develop the communities, improve their livelihood and reduce poverty. Only one respondent was doubtful about the scheme's future. Details of opinion on the future of the scheme are as follows: In all, 65.0% of women beneficiaries indicated a bright future, 14.4% thought that the scheme could reduce poverty, unemployment and subsequently improve the standard of living of the beneficiaries, 10.6% indicated that the scheme would assist rural women to increase their income generating activities and minimise the exodus of kyaaye (porters), 5% said it would reduce the problems of child care and empower

women and finally 5% of the respondents were of the view that the scheme still had more room for improvement.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **Introduction**

This chapter presents the summary, conclusions and recommendations of the study.

#### **Summary**

The study set out to assess the effects of the Ghanaian Danish Community Programme micro credit scheme on the living standards of women and their dependants. The main findings of the study are:

##### Characteristics and operations of women

The main characteristics of the women revealed that about 70% of the respondents were in the economically active ages of between 21 and 51 years while 90% of them were illiterates. The study also revealed that about 70% of the women were married and had about 6 dependants each with majority of their children attending school.

The respondents performed 3 main economic activities that included rice, groundnut and sheanut processing. They however performed other economic activities when the main activities were off season. About 69.0% of the women

were engaged in income-generating activities for 9 years and below, whilst the remaining 31.0% of members were engaged in the activities between 10 and 18 years. The study also revealed that women formed groups in order to qualify them to obtain loans from the GDCP as well as help one another with “susu” contributions. The study revealed that groups held meetings to discuss issues concerning their welfare, loan repayment, sanitation and other social activities, such as funerals, outdoorings and weddings. There was cordial relationship between members and their leaders. Majority of the women received varied skill training that empowered them to effectively participate in decision-making both at the household and community levels

In addition, raw materials for processing were procured in community markets or harvested during the season and processing done individually although loans were obtained in groups. The problem of the seasonality of raw materials was also revealed.

#### Quality of services and alternatives

The study revealed that the applications for loans were received mainly from groups of rural women in the programme area and the selection was based on first come first served criterion though it took a long time for the women to apply and obtain loans. It came to light that the loan amount received by beneficiaries varied from year to year as it was based on the cost of raw materials at the time. Also, the grace period of three months for loan repayment and interest rates charged were found to be satisfactory for many beneficiaries whilst the loan

recovery from some borrowers was not satisfactory. The study further revealed that though groups served as social collateral to minimize the risk of default, members of the local committees had to guarantee the beneficiaries of the loans as well. It came out that alternative financial resources were not available for the majority 71.1% of respondents.

#### Effects on community and household

The study revealed that groups were formed to support one another through regular meetings where decisions affecting them were made. For instance, decisions such as participating in communal labour, and paying loans regularly to enable them access subsequent loans. At the household level most of the group members took up responsibilities of paying children school fees, and supplemented in providing families with good food regularly. Notably, their membership in loan groups has affected their responsibilities in several positive ways as the groups enabled them to share ideas and assign task to one another to achieve the desired goals of improving on their standard of living.

This notwithstanding, some of the women admitted that the groups could not be sustained after they were no more benefitting from the micro credit because members were reluctant to attend meetings.

#### Other benefits of the micro credit scheme

The other benefits derived from the scheme were social and economic. The social benefits derived included improved nutritional, sanitation and health

status, enhanced shelter and clothing, increased school enrolment, acquisition of knowledge and skills gained through training, regular meetings, participation in communal labour and decision making. On economic benefits, majority of women beneficiaries claimed they earned more profits that increased their income and savings and provided them the opportunity to do bank transactions. The access to the credit facilities enabled majority of the women to expand their businesses as well as buy more raw materials to store when it was in season and this enhanced their production.

#### Problems encountered within the groups

The main problems identified in the operations of the micro-credit scheme included the following: Inadequate raw materials, processing equipment and tools, lack of potable water, poor transportation and marketing of produce as well as lateness and absenteeism to meetings. Some groups that were weaned off could not sustain their meetings. In addition, the problem of high illiteracy rates among women beneficiaries resulted in slow education on business management. The movement of the loan facilitators using bicycles made the work tedious as the operational areas are large.

#### Suggested solutions for improvement of the GDCP micro-credit scheme

To improve the operations of the scheme, the women suggested that, the GDCP staff should disburse loans on time, pay frequent visits to the groups, build the capacity of beneficiaries through further training, increase loan size, reduce

interest rates, explore ready marketing avenues and extend the period of loan repayment. Also, the women appealed to the GDCP to include their husbands and many more poor women in the credit scheme. They further suggested that the GDCP should reach out again to groups that were weaned off but had proven to have good records of loan repayment. Some of them expressed the desire to have literacy classes to enable them learn basic numeracy that will enhance their record keeping.

### **Conclusions**

From the results of the study some definite conclusions have been drawn. The characteristics of the women beneficiaries were found to include a remarkably high illiteracy level, high dependency rate (about 6 children per respondent) and basically primary producers. These imply that they are among those classified as vulnerable and poor of society by the World Bank Report (2007) and Todaro (2000).

The study found that micro credit had benefited the women and their dependants in a number of ways including increased income, improved nutrition and health status, better upkeep of children, and acquisition of knowledge and skills. Consequently, the study suggests that micro credit schemes which aim at reducing poverty among the very poor and vulnerable in society should target not only women, but men as well.

## **Recommendations**

Based on the findings of the study, the following recommendations have been made:

- The GDCP should strengthen and expand its micro credit scheme to cover many more women as well as men.
- Problems such as the unavailability of raw materials in the off seasons should be adequately solved by providing larger loans for the women to buy and store raw materials.
- Women beneficiary groups should be encouraged to diversify their economic activities and link them to markets.
- The women groups should be enabled, through negotiations with local research institutes such as Savannah Agriculture Research Institute (SARI), the Agriculture Faculty of the University for Development Studies (UDS), Lowland Rice Development Project of MOFA and others, to focus on higher value-added products such as milled rice, body sheabutter pomade, and groundnut oil/paste.
- New technologies such as mechanized extraction of sheabutter, groundnut oil and rice processing should be introduced at affordable cost or on credit terms to enhance productivity.
- The use of improved stoves should be encouraged and alternative fuel should be introduced instead of fuel wood in order to protect the environment. The establishments of woodlots should be encouraged.

### **Suggestions for further research**

Further research is required to:

- Evaluate the impact of the training provided on credit beneficiaries.
- Explore the prospects and sustainability of collaboration with NGOs and International Agencies in micro financing.
- Investigate whether women have control over the credit they are provided to engage in income generating activities.
- Evaluate the effects of providing credit to both women and their spouses as well.
- Evaluate the impact of unequal distribution of power of social structures between men and women on women's poverty.
- Investigate the ability for women taken off the GDCP loans to continue with the income generating activities.

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**APPENDICES**

**APPENDIX A**

**QUESTIONNAIRE FOR THE WOMEN AND LOANS COORDINATOR  
OF THE GHANAIAAN DANISH COMMUNITY PROGRAMME (GDCP)**

This is a research project carried out with the approval of the Institute for Development Studies, University of Cape Coast. The main objective of the research is to find out the effects of the GDCP micro credit scheme on the quality of life of women in the Tolon Kumbungu district of the Northern Region of Ghana.

Please, kindly tick or fill the space provided below for your answers to questions. Confidentiality of your responses is highly assured.

**Section A: What are the objectives of the GDCP micro credit scheme?**

.....  
.....

2. Who qualifies to benefit from the micro credit scheme?

.....  
.....

3. How do clients apply for loans?

.....  
.....

4. Who processes the loan application?

.....

.....  
5. How long does it take to process a loan application?

1. Less than 3 months [ ]                      2. 3-6 months [ ]  
3. 6-12 months [ ]                              4. 12 months and above [ ]

6. What collaterals are required before giving out loans to women groups?  
.....  
.....

7. What form (s) of lending does the GDCP micro credit scheme employ?

1. Individual Lending [ ]                      2. Group Lending [ ]  
3. Individual and group lending [ ]  
4. Others (Specify).....

8. What one form of lending is preferred most by the GDCP micro credit scheme?  
.....

9. Give reasons for the choice.  
.....  
.....

10. What is the total number of group loan applications and actual recipients for the following years?

Year	Number of Applicants	Number of Recipients
1996		
1997		
1998		
1999		
2000		

11. What were the yearly total loans and savings given out to women groups over the last 5 years (1996-2000)?

Year	1996	1997	1998	1999	2000
Loans					
Savings					

12. Have some loan applications been rejected before? 1. Yes [ ] 2. No [ ]

13. Why are some applications rejected?

.....  
 .....

14. How much loan is given to an individual in a group based on the following economic activities?

Activity	Amount of Loan in Cedis.
Groundnut Processing	
Sheanut Processing	
Rice Processing	
Others (Specify).....	

15. How are loans disbursed to women groups?

.....  
 .....

16. How do you assess equity in the disbursement of loans by the GDPCP?

1. Very Good [ ]

4. Poor [ ]

2. Good [ ]

5. Very Poor [ ]

3. Average [ ]

17. Do women groups pay interest on the loans they receive?

1. Yes [ ]

2. No [ ]

18. If yes, what have been the interest rates charged over the period

1996- 2000?

Year	1996	1997	1998	1999	2000
Interest rates (Percentages)					

19. How are loans recovered from women's groups?

.....  
.....

19. What were the actual rates of loan repayments, and how do you assess repayment performance over the following period?

Year	Rate of Repayment (%)	Assessment of Performance of Repayment				
		Very Good (5)	Good (4)	Average (3)	Poor (2)	Very Poor (1)
1996						
1997						
1998						
1999						
2000						

21. In your view what could be the reasons for defaults?

.....

.....

22. Which of the groups default most?

GROUPS	DEFAULT RATE IN PERCENTAGES		
	Below 5%	5-10 %	10-15%
Groundnut processing			
Sheanut processing			
Rice processing			

23. What measures are taken to check loan repayment problems?



.....  
.....

24. What measures are used to enhance effective credit delivery?

.....  
.....

25. How many times do you meet with the women groups?

- 1. Weekly [ ]                      4. Once in four months [ ]
- 2. Monthly [ ]                      5. Other (Specify).....
- 3. Quarterly [ ]

26. What issues are discussed at such group meetings?

.....

27. How are decisions concerning the operations of the micro credit scheme arrived at?

.....  
.....

28. Does the GDCP collaborate with other agencies or organisations as far as micro credit scheme is concerned?                      1. Yes [ ]                      2. No [ ]

29. If yes, mention some of the agencies/organisations.

.....  
.....

30. What form does the collaboration take?

.....  
.....

31. What benefits are derived from such collaboration?

.....  
.....

32. Mention the problems that are encountered in the process of collaboration with other agencies if any.

.....  
.....

33. Suggest ways in which such problems can be avoided.

.....  
.....

34. What problems are encountered in operating the micro credit scheme?

.....

35. Suggest ways in which such problems can be avoided.

.....  
.....

36. Suggest ways in which the operations of the micro credit scheme can be improved?

.....  
.....

37. How do you see the future of the micro credit scheme?

.....  
.....

Thank You.

**APPENDIX B**  
**FOCUS GROUP DISCUSSION GUIDE FOR SELECTED WOMEN**  
**GROUPS**

This is a research project carried out with the approval of the Institute for Development Studies, University of Cape Coast. The objective of the research is to assess the effects of the GDCP micro credit scheme on the quality of lives of women in the Tolon Kumbungu district of Northern Region of Ghana.

Please, kindly answer all questions very objectively. Confidentiality of your responses is highly assured.

- 1) What are the objectives of the GDCP micro credit scheme?
- 2) What are the main activities that you are engaged in? (Probe for other minor activities).
- 3) When and under what conditions do you form groups?
- 4) Was the loan you received the last time adequate for your economic activities?  
(Probe for adequacy of loan)
- 5) How do you purchase raw materials for your work?
- 6) How has the savings the group made contributed to your individual activities?  
(Probe for explanation).
- 7) In what ways has the micro credit scheme affected your activities? (Probe for benefits, problems, prospects, etc).
- 8) What social activities are you engaged in?
- 9) What prompted you to join this group?
- 10) What factors enhance the effective functioning of your group?

- 11) What contribution has your group made to the community?
- 12) What are your obligations as members of a group? (Probe for attendance for meetings, issues discussed who takes part in decision-making, payment of dues, bank transactions and social commitment).
- 13) What in your opinion are the signs for poverty?
- 14) Suggest ways that the micro credit scheme can be improved.
- 15) How do you see the future of the micro credit scheme?

Thank You.

**APPENDIX C**

**INTERVIEW SCHEDULE FOR THE GDCP MICRO CREDIT LOAN**

**FACILITATORS**

This is a research project carried out with the approval of the Institute for Development Studies, University of Cape Coast. The objective of the research is to assess the effects of the GDCP micro credit scheme on the quality of lives of women in the Tolon Kumbungu district of Northern Region of Ghana.

Please, kindly answer all questions very objectively. Confidentiality of your responses is highly assured.

1. What are the objectives of the GDCP micro credit scheme?

.....  
.....

2. When were you involved in the operations of the micro credit scheme?

.....  
.....

3. What are your roles and responsibilities as a loan facilitator?

.....  
.....

4. How often do you meet your colleagues as a team? .....

5. What issues do you discuss about the operations of the micro credit scheme?

6. What are some decisions that are taken with women loan recipients?

.....  
.....

7. What other issues do you coordinate between the community and the GDPC?

8. What problems do you encounter as loan facilitator?

.....  
.....

9. Suggest ways that the problems can be solved?

.....  
.....

10. How do you assess the repayment of the loan?

11. What are the benefits of the micro credit scheme to the women?

.....  
.....

12. How are women involved in decision making at the community level?

.....  
.....

13. Suggest ways in which the operations of the micro credit scheme can be improved.

.....  
.....

14. What is your vision about the GDCP micro credit scheme?

Thank You.

**APPENDIX D**

**INTERVIEW SCHEDULE FOR WOMEN GROUP MEMBERS**

This is a research project carried out with the approval of the Institute for Development Studies, University of Cape Coast. The objective of the research is to assess the effects of the GDCP micro credit scheme on the quality of lives of women in the Tolon- Kumbungu district of Northern Region of Ghana.

Please, kindly tick or fill the space provided below for your answer to questions. Confidentiality of your responses is highly assured.

**Section A: Background information of women credit recipients**

1. Community/Zone.....

2. House number.....

3. Name of women’s group.....

4. Type of economic activity.....

5. Age:

1. Under 20 yrs [ ]

4. 51-60yrs [ ]

2. 21-40yrs [ ]

5. 61yrs [ ]

3. 41-50yrs [ ]

6. Educational background:

1. No formal education [ ]

iv. SSS/VOC/Technical [ ]

2. Primary [ ]

v. Tertiary [ ]

3. JSS/Middle [ ]





17. What problems do you encounter with marketing your produce?

- 1. Default payment [ ]
- 2. Poor quality product [ ]
- 3. High competition [ ]
- 4. Low demand [ ]
- 5. Unstable demand [ ]

**Section C: Quality of service**

18. How long does it take on the average to apply for and obtain a loan from the GDCP?

- 1. 1-3 months [ ]
- 2. 4-6 months [ ]
- 3. 7-12 months [ ]
- 4. 12 months + [ ]

19. What is your opinion about this quality of service?

- 1. Very Good [ ]
- 2. Good [ ]
- 3. Average [ ]
- 4. Poor [ ]
- 5. Very Poor [ ]

20. Do you have access to other sources of finance? 1. Yes [ ] 2. No [ ]

21. If yes where from?

.....  
.....

22. Are alternative sources of finance reliable? Yes [ ] No [ ]

23. How much loan did you receive from the GDCP the last time? .....



1. Yes [ ]

2. No [ ]

34. If answer is No, to question 33 please explain your answer.

.....  
.....

35. What relationship exists between you and your leader?

1. Cordial [ ]

2. Poor [ ]

3. Indifferent [ ]

36. Give reasons for your choice.

.....  
.....

37. Which of the following leadership styles best describes your leader?

1. Autocratic [ ]

3. Laissez faire [ ]

2. Democratic [ ]

4. Others (specify).....

38. How does the group leader influence the achievement of group objectives?

.....  
.....

39. What do you do for the group as a member?

.....  
.....

40. How do you communicate within and outside the group?

.....  
.....

41. What are some of the problems that you encounter in your group?

.....  
.....

42. Suggest ways that such problems are solved?

.....  
.....

**Section E: The benefits of the micro credit scheme**

43. How much profit do you make in a week? .....

44. What do you use the profit for?

.....  
.....

45. Do you save to survive you during the drought year? 1. Yes [ ] 2. No [ ]

46. Give reasons for your answer.

.....  
.....

47. How much school fees do you pay in a year?

48. Since you took the loan from the GDCP, have you expanded your business?

1. Yes [ ]

2. No [ ]



56. What changes has the micro credit scheme made in the following areas in your life

	Very Good (5)	Good (4)	Fairly Good (3)	Fair (2)	Poor (1)	Very Poor (0)
Contribution						
Nutrition						
Health						
Income Levels						
School Enrolment						
School Fees						
School Uniforms						
Clothing						
Shelter						
Acquisition of knowledge And skills						
Investment in own business						

57. What can you do now that was not possible without the service?

.....  
.....

58. How do you see the future of the GDCP micro credit scheme?

.....  
.....

59. Suggest ways in which the operations of the micro scheme can be improved.

.....  
.....

Thank You.



**APPENDIX F**

**UNIVERSITY OF CAPE COAST, INSTITUTE FOR DEVELOPMENT  
STUDIES INTERVIEW SCHEDULE FOR WOMEN GROUP LEADERS**

This is a research project carried out with the approval of the Institute for Development Studies, University of Cape Coast. The objective of the research is to assess the effects of the GDCP micro credit scheme on the quality of lives of women in the Tolon Kumbungu district of Northern Region of Ghana.

Please, kindly tick or fill the space provided below for your answers to question. Confidentiality of your responses is highly assured.

**Section A: Background information of group leaders**

1. Community/Zone.....
2. House Number.....
3. Name of women’s group.....
4. Type of economic activity.....
5. Age:
  1. Less than 20yrs [ ]
  2. 21-40yrs [ ]
  3. 41-50yrs [ ]
  4. 51-60yrs [ ]
  5. 61yrs+ [ ]
6. Marital Status:      1. Married [ ]      2. Unmarried [ ]
7. Number of dependents.....

8. Educational background:

- |                            |                           |
|----------------------------|---------------------------|
| 1. No Formal Education [ ] | 4. SSS/VOC./Technical [ ] |
| 2. Primary [ ]             | 5. Tertiary [ ]           |
| 3. Middle/JSS [ ]          |                           |

9. How did you form the group?

.....

10. How many members are in your group?

.....

11. Why did you form the group?

.....

.....

12. Who are eligible to become members of the micro credit scheme group?

.....

.....

13. How often do you meet as a group?

- |                    |                                  |
|--------------------|----------------------------------|
| a. Weekly [ ]      | 4. Quarterly [ ]                 |
| b. Fortnightly [ ] | 5. Once in every four months [ ] |
| c. Monthly [ ]     | 6. Yearly [ ]                    |

14. What are some of the issues that are discussed at group meetings?

.....

.....

15. Do all members take part in decision-making? .....

16. How were you and your executives selected as leaders?

.....  
.....

17. What positions do the other executives occupy?

.....  
.....  
.....

18. Does the group have bank accounts? 1. Yes [ ]            2. No [ ]

How often do you go to the bank to transact business on behalf of the group?

.....  
.....

19. Do members of your group pay dues? 1. Yes [ ]            2. No [ ]

If yes, how much? .....

20. What do you use the dues for?

**Section B: Loans, repayments and benefits**

21. How much did each member receive as loan the last time?

.....

22. Was the loan amount enough? 1. Yes [ ]            2. No [ ]

23a. Explain your answer if yes.

.....  
.....

23b. Explain your answer if no.

.....  
.....

24. How are loans recovered from group members?

- 1. Individual cash payment to loan clerks [ ]
- 2. Group cash payment to loan clerks [ ]
- 3. Individual payment to “magazia” of group [ ]
- 4. Group cash payment to “magazia” of group [ ]
- 5. Individual payment to group secretary [ ]
- 6. Group cash payment to group secretary [ ]

25. What is the prescribed repayment period? .....

26. Is the period of loan repayment long enough? 1. Yes [ ] 2. No [ ]

27. If no, suggest an appropriate repayment period. ....

28. What is the grace period for repayment?

- 1. Less than 3 months [ ]      3. 6-12 months [ ]
- 2. 3-6 months [ ]      4. 12 months and above [ ]

29. Is the grace period for repayment appropriate? 1. Yes [ ] 2. No [ ]

30. If no, suggest an alternative grace period for repayment .....

31. Have there been situations of misapplication of loan?

- 1. Yes [ ]      2. No [ ]

32. In what ways were the loans misapplied?

.....  
.....



43. How do you manage conflicts when they occur in your group?

.....  
.....

44. How are members who defy rules and regulations sanctioned?

.....  
.....

45. Suggest ways in which the micro credit scheme can be improved.

.....  
.....

46. How do you see the future of the micro credit scheme?

.....  
.....

Thank You.