UNIVERSITY OF CAPE COAST

REDUCING RURAL POVERTY THROUGH MICROFINANCE INTERVENTION: A CASE STUDY OF LOWER PRA RURAL BANK LIMITED SHAMA

FRANCIS ENIMIL ASHUN

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BY

FRANCIS ENIMIL ASHUN

DISSERTATION SUBMITTED TO THE INSTITUTE FOR DEVELOPMENT STUDIES, FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF CAPE COAST IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR AWARD OF MASTER OF ARTS DEGREE IN HUMAN RESOURCE MANAGEMENT

JANUARY 2010

DECLARATION

Candidate's Declaration

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

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

Name: Francis Enimil Ashun

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

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

Name: Dr Akwasi Kumi-Kyereme

ABSTRACT

The aim of the study was to ascertain how the introduction of microfinance programs by the Lower Pra Rural Bank in the rural areas of their catchment area has helped to alleviate the poverty situation in the Shama, Mpohor Wassa East Districts and Sekondi-Takoradi Metropolitan Area. It was also to establish whether or not the program has had any effects on the business operations of the beneficiaries and their livelihoods.

In all 10 groups were sampled out of which 60 respondents made up six members from each group were selected. The books of the bank were also examined to ascertain the number of people who have benefited from the program between 2004 and 2008. The data was analyzed using the Statistical Products and Services Solutions (SPSS). The statistical tools employed in analyzing the data were cross tabulation, frequencies and percentages. The results indicate that there have been some improvements in the living standards of the households of people who have joined the microfinance scheme. There have also been improvements in the business operations of the beneficiaries.

It is recommended that the bank should increase its lending program to other economic sectors, especially agriculture and other cottage industries in the district. Non-governmental Organizations and the local authorities must also get involved by offering grants to the others who are unable to access the bank's programs.

ACKNOWLEDGEMENTS

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DEDICATION

This dissertation is dedicated to my wife, Lydia Enimil Ashun, and my children Gabriel Luke, Wilfred Francis, Bibiana, and Hubert Henry.

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LIST OF ACRONYMS

ARB	Association of Rural Banks
BRAC	Bangladesh Rural Advancement Committee
CBO	Community Based Organization
CBRDP	Community Based Rural Development Program
DFID	Department for International Development
GNSPS	Ghana National Social Protection Strategy
GLSS	Ghana Living Standard Survey
GPRS	Ghana Poverty Reduction Strategy
GTZ	German Technical Cooperation
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LEAP	Livelihood Empowerment against Poverty
MASLOC	Microfinance and Small Loans Scheme
MFI	Microfinance Institutions
NGO	Non Governmental Organization
NHIS	National Health Insurance Scheme
NPL	Non Performing Loans
NYEP	National Youth Employment Program
PEAP	Poverty Eradication Action Plan
PPAP	Participatory Poverty Assessment Plan

PRSP	Poverty Reduction Strategy Programs
RCB	Rural and Community Banks
SAACO	Savings and Credit Cooperative
SIF	Social Investment Fund
TCOP	Technical Committee on Poverty
UNDP	United Nations Development Program

CHAPTER ONE

INTRODUCTION

Background to the Study

Poverty in Sub-Saharan Africa, including Ghana, is predominantly a rural phenomenon. About 51 percent of the poor in Ghana live in rural areas where they have limited or no access to basic social services including financial services (www.ruralpovertyportal.org). Throughout Ghana rural folks manage poverty in various ways by finding individual solutions to the problems: men are moving away from the farms to take up non-existent city jobs while women and children carry on small scale trading and families reduce cash spending which may lead to the withdrawal of their wards from school. Even though, the government of Ghana has been working with other development partners such as the International Fund for Agricultural Development (IFAD) to reduce poverty in Ghana there is still extreme poverty in the rural areas.

The poorest areas in the Ghana are the three northern regions where the people face chronic food insecurity and illiteracy is highest. In the Upper East Region nine (9) out of ten (10) people live in poverty. More than eight (8) out of every ten (10) people in the Upper West are poor; seven (7) out of every ten (10) people in the Northern Region is poor and little less than half the population in the Central Region is poor (Apt, 2007).

The rural poor by characteristics are considered unable to save, have little capital to trade, unable to acquire appropriate technology to apply to agriculture and thus continue in a spiral of endemic poverty. The poor in Ghana are without financial support, markets and the basic infrastructure needed to help improve their lot.

The poverty situation in Ghana is a cyclical one that the Government, Community Based Organizations (CBOs), Non Governmental Organizations (NGOs) and the Rural and Community Banks (RCBs) by their various intervention strategies are helping to reduce. Poverty reduction strategies being followed by the Government include: the Livelihood Empowerment Against Poverty (LEAP), National Youth Employment Program (NYEP), and The Microfinance and Small Loans Scheme (MASLOC).

The LEAP program is a Government of Ghana National Social Protection Strategy (GNSPS) which seeks to provide direct cash transfers to the extremely poor or the poorest of the poor, vulnerable and excluded sections of the population. It is a social protection intervention which seeks to reduce the incidence of poverty in Ghana.

The Ghana Statistical Service in Ghana Living Standard Survey (GLSS 2007) estimated that about 40 percent of Ghanaians are poor. It also indicated that about 14.7 percent of the population are extremely poor and are unable to access basic human needs and suffer from inter-generational or cyclical poverty. This type of poverty needs to be reduced through the direct infusion of money and hence the introduction the Livelihood Empowerment Against Poverty (LEAP) program by the government.

The National Youth Employment Program was established by the government of Ghana to provide employment to unemployed youth in the country. The program is one of the National Social Protection Programs established to help the disadvantaged to move themselves from abject poverty in the country. The NYEP offers employment to the youth to become teachers in the Ministry of Education, some are trained to become farmers and others are employed by the Ministry of Health as public health assistants.

The Microfinance and Small Loans Scheme (MASLOC) program was established by the Government of Ghana to manage microfinance and other poverty alleviation schemes introduced under the Ghana Poverty Reduction Strategy II (GPRS II) to help boost the private sector with adequate and easily accessible credit facility. The aim of the program was, according to the GPRS II, to service the millions of the poor people whose credit needs are not met by the existing financial institutions.

These strategies are premised on the concept that where poverty is extreme as happens in rural Ghana the poor lack the ability to get out of the poverty cycle by themselves. The various poverty reduction strategies outlined aim to end extreme poverty, not to end all poverty and to close the gap between the rich and the poor. Current global concerns about poverty reduction emphasize direct financial interventions in the rural economy.

Microfinance has been identified as one of the most effective means of directly influencing the rural economy to help reduce poverty by making available appropriate financial intermediation to the rural poor who are mostly unable to raise the necessary collateral to access credit from the mainstream financial market. The provision of microfinance is also a shift away from the advancement of subsidized and unsustainable credits and grants advanced mostly by the governments to a more suitable needs oriented, more sustainable financial intermediation in the rural communities. Microfinance Institutions consist of organizations such the Rural Banks, Savings and Loans Companies, credit unions, Susu companies among others. They employ character based methodologies rather the use of collaterals to reach out to the low income rural poor dwellers (Holt & Ribes, 1991).

Micro finance has evolved as an economic development tool. It involves the transfer of capital resources and the provision of other financial services such as micro insurance, education, simple business record keeping and technical assistance to small scale entrepreneurs and other poor but economically active clients (Zeller & Sharma, 1998). Holt and Ribes (1991) argue that access to microfinance raise the incomes and productivity of the rural poor to engage in to engage in micro and small entrepreneurial activities. With increased income in the hands of the rural poor they are able to save and invest in household consumption and human capital development (Hashemi, S., Schuler, S.R., & Riley, A.P. 1996).

Dalencey (1983) in a study on savings pattern in Cameroun found that savings among low income rural poor at a tea plantation applied about 36 percent of their wages to investment and development, especially in educating their children. A study by Gabianu (1997) in Ghana revealed that the poor rely on indigenous money collectors known as “susu collectors” in their bid to save to raise working capital to invest in their small businesses to improve household incomes.

Microfinance as a development tool involves short term loans with collateral substitutes such as group guarantors or compulsory savings. In Ghana the provision of microfinance services is usually accompanied with the provision of other non financial services such as business development training, advisory services, extension services, etc, aimed at building the capacity of clients. Institutions including the Grameen Bank of Bangladesh and K-Rep of Kenya (Yunus, 1994) have greatly influenced the methodology of microcredit delivery in Ghana. These institutions have revolutionized the methodologies and approaches to the delivery of Micro-finance.

Microfinance entails lending to a clientele who lack traditional collateral, business records, or an established credit history. The absence of the individualized collateral is substituted for by joint collateral. Having recognized the contribution of microfinance programs to the eradication of extreme or endemic poverty, Lower Pra Rural Bank attempts to help the poor rural dwellers in the Sekondi-Takoradi Metropolis and the Wassa Mpohor East Districts to start or strengthen their small businesses through the provision of micro credits to individuals and micro enterprises. The bank lends its own funds and deposits to identifiable micro groups and individuals in its catchment area.

Statement of the Problem

The government of Ghana has sourced funds from the Millennium Challenge Account of the government of the United States of America to on-lend to micro enterprises and individuals in selected deprived areas in the nations bid to lift such communities from the state of poverty.

Institutions such as Action Aid, the German Agency for Technical Cooperation (GTZ), the Apex Bank and other savings and loans companies such as Sinapi-Aba Trust have all, following the example of Grameen Bank of Bangladesh, been engaged in the provision of micro-credit facilities to rural women especially to help improve the lot of their communities.

However, the impact of such interventions have not been documented well enough to help assess whether the rural poor is better off today. Lower Pra Bank has been delivering micro-credit since the 1990s but the impact of such intervention is not known. Many microfinance institutions and the government seem to take the effects of the microfinance interventions for granted. The rural poor have come to accept the situation that the government and other institutions are providing micro finance and they must source funds from them. They look on such funds from the Government as non payable ‘free government money’ and may not apply them to viable economic ventures that may impact on their livelihoods as such funds seem to be available and cheap.

This situation is compelling many microfinance institutions to rethink their strategy of delivering credit to the rural poor and have been relocating to the urban and peri-urban areas to be able to maintain their sustainability. Therefore the underlying principle for the introduction of the microfinance facilities (the provision of appropriate financial intermediation for the rural poor for economic improvement) may not have been achieved.

This may be typified by high default rate of funds sourced from the government agencies. In the light of this, the study intended to investigate the quantum of funds the bank had disbursed, repayment rates, the attitudes of the recipients, their livelihood before and after accessing the funds.

Objectives of the Study

The general objective of this study was to analyze the role of Lower Pra Rural Bank in the provision of microfinance in alleviating poverty in its catchment area.

The specific objectives were to:

1. Analyze the effects of the microfinance interventions on the livelihoods of the beneficiaries,
2. Analyze the effects of microfinance interventions on the businesses of the beneficiaries and,
3. Make policy recommendations.

Research Questions

To determine the impact of the role of Lower Pra Rural Bank in reducing rural poverty through microfinance interventions the study would focus on the following research questions.

1. What was the extent and coverage of the microfinance program of the bank?

2. How had the microfinance program affected the business operations of the beneficiaries?

3. How had the microfinance program affected the livelihood of the beneficiaries?

Rationale for the Study

First the study would unveil the breadth and depth of outreach of the microfinance program at the rural areas. The knowledge would help economic planners to identify the vulnerable communities or segments of the populations to be targeted for special attention. The study would bring to the fore challenges being faced by the providers of microfinance. The revelation would help policy makers and implementers to improve upon the delivery and mode of implementation of the program.

Secondly the study would reveal the extent to which the poverty alleviating/micro credit program has succeeded. It would also show if the rural poor have been able to move themselves from endemic poverty through the acquisition of household assets, pay their children's school fees and are able to feed themselves at least a full meal a day.

Finally the study would show the effort the bank is making to complement those of the government and other institutions to lift the rural poor from the state of abject poverty to a state of relative well-being.

Organization of the Study

This research had been organized into five chapters. Chapter one is the introduction which looks at the background to the study problem, states the problem and outlines the purpose of the study and the rational for the study. Chapter two will deal with the review of related literature on issues such as poverty, microfinance, and the Government of Ghana and World Bank papers on poverty alleviation. Chapter three is devoted to the discussion of the research methodology. It examines the population, sample and sampling procedures, the instruments for data collection and their administration and finally the data analysis. The results and discussions of the data collected from both the books of Lower Pra Rural Bank and the field interview are presented in chapter four. Chapter five outlines the summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews available literature on poverty reduction and microfinance. The review discusses the concept of poverty in relationship to the poverty situation in Ghana. Various poverty reduction strategies as espoused by the International Monetary Fund (IMF) and the World Bank are also examined in relation to microfinance program interventions.

The Concept of Poverty

Poverty in sociology of development is a concept that defies definition. It is described in relative terms as a condition of deprivation when one community or economy is compared with another. It is also described as a condition of having insufficient resources, income or means to satisfy even basic human needs. Poverty is also described as a deprivation which includes issues such as hunger, lack of shelter and clothing, health care, education and access to policy making processes. Poverty connotes the lack of access to resources necessary to achieving a decent standard of living. It indicates lack of access to food, income, shelter, clothing and land among other physical resources. It is a disincentive to socio-economic development; therefore poverty reduction is a condition for investment and wealth creation (European Foundation for the Improvement of Living and Working Conditions, 1995).

Poverty can be characterized into two dimensions: distribution and duration. Distribution as characteristics of poverty is one that afflicts the few, the minority in some societies, and one that afflicts all but the few in other societies. Duration poverty is one that is described as transient or transitory. This type of poverty is a temporary phenomenon. Rural poverty is regarded as distributive poverty. Poverty also exists both on personal and community levels. Poverty at the personal plain relates to unemployment and the lack of a decent living condition. Community poverty manifests itself in the unavailability of basic services that allow individuals to be able to take advantage to change their living conditions (Townsend & Gordon, 2002).

Poverty can also be inter-generational. This, according to Bradshaw (2006), is "created by the transmission over generations of a set of beliefs, values, and skills that are socially generated but individually held. Individuals are not necessarily to blame because they are the victims of their dysfunctional subculture". Oscar Lewis puts it thus "once the culture of poverty has come into existence it tends to perpetuate itself. By the time slum children are six or seven they have usually absorbed the basic attitudes and values of their subculture. Thereafter they are psychologically unready to take full advantage of changing conditions or improving opportunities that may develop in their life time" (Lewis, 1996).

Characterizing Poverty Situations

Many development experts and researchers postulate that poverty is more than the lack of money income and irregular or low consumption patterns of the poor. The focus of poverty is now centered on well-being, livelihoods, vulnerability and social exclusion.

Well-being refers to good quality of life which according to Chambers (1997) encompasses wealth and the whole range of human experience. To Chambers (1997) and Sen (1993) the two basic elements of well-being are a secure livelihood to meet one's need, and realizing and expanding one's capabilities in order to achieve fulfillment. The Participatory Poverty Assessment (PPAs) of the World Bank supports the use of well-being as the central objective of human development. The PPA characterizes poverty as ill-being in terms of factors such as vulnerability, physical and social isolation, lack of security, self respect and powerlessness and the lack of dignity (Robb, 1999; Moore, Choudhary & Singh 1998).

According to the DFID (1998) livelihood comprises "the capabilities, assets and activities required for a means of living, a livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance its capabilities and assets…..while not undermining the natural resources base". Applying this approach poverty alleviation can focus on building the capital assets such as natural capital, physical capital, social capital human and financial capital of the poor. Natural capital are resources such as land, and livestock; physical capital includes man-made structures; financial capital includes cash and investments; human capital includes a person's mental, and physical skills and social capital involves social relationships a person is able to form in their community. Households and individuals can have secure livelihoods by consciously investing in all these types capital of assets.

Vulnerability as a concept captures changes in processes that lead to poverty (Moser, 1998). It refers to the exposure to contingencies and stress and difficulties in dealing with them (Chambers, 1997). Vulnerability which indicates an individual's or household's ability to maintain an adequate level of consumption despite adverse circumstances has two sides: external and internal. The external side of vulnerability is associated with risks, shocks and stress to which poor people are subjected to. The internal side is the means or the lack of it to cope with losses. Loss of assets makes poor individuals and households more vulnerable to the effects of poverty. Human capital, assets both physical and non material, cash and other social claims are all important sources of protection against vulnerability. Social claims such as being part of a solidarity group is an important source of claim for poor people that can keep them from losing their social status.

Another concept of poverty is social exclusion where institutional processes lead to deprivation (de Haan & Maxwell, 1998). It is the "process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live" (European Foundation, 1995). Deprivation which is characterized by low income, insecure employment, poor or lack of adequate housing, family and social alienation are a defining feature of social exclusion. Social exclusion leads to lower incomes and the inability of the socially excluded to fully participate in social and political activities of the community.

Empowerment refers to the development strategy that addresses some of the key dimensions of poverty that go beyond material deprivation. It aims to enhance the capacities of the rural poor households and individuals to participate in the development processes. It involves giving people confidence in their abilities. Empowerment is giving people control or the power to control the processes that affect their livelihoods. Its aim is to give the poor person the opportunity to participate in the political, social and economic arenas rather being mere passive recipients (Nelson & Wright 1995). The confidence gained by the poor through the empowerment processes enable them to demand or take advantage of opportunities to participate in various programs of the community, business or even the household.

The Poverty Situation in Ghana

Poverty in Ghana, like in all developing nations, is predominantly a rural phenomenon. The Human Development Index of the UNDP (1990) ranked Ghana among the poorest countries of the world. According to the IFAD (2009) poverty levels are highest in the three northern regions of Ghana namely Northern, Upper East and Upper West where the rate of poverty ranges between 69 and 88 percent. In 2008 the rural dwellers in Ghana constituted over 50% of the population of 23.4 million out of which over 40% of the rural population are poor. Agriculture is the dominant economic activity in rural Ghana except areas in the coastal belt where fishing is the main stay of the local economy. Poverty is more experienced by food crop farmers who are mainly subsistence farmers than by cash crop farmers. According to the Ghana Statistical Service (2008) poverty among food crop farmers many of whom are women is about 19 percent above the national average of 40 percent. This is due to the high instability of prices of perishable crops they produce.

Poverty in Ghana also has gender dimensions. Various IFAD reports indicate that about 60 percent of small scale subsistence farmers are poor and are mostly women. Rural poverty is more acute in the female population than felt by their male counterparts. Women represent about 51 percent of the total population of Ghana. Gender disparities with respect to access to and control of assets such as land, credit, human capital assets including education, health and social capital assets such as participating actively at various levels of politics as the protection of personal property and physical safety.

Poverty in Ghana is not limited to the rural areas alone but can also be found in pockets of settlements in the urban centers. In cities such as Accra, Tema, Kumasi, and Sekondi-Takoradi large areas have developed into slums where people sleep in shacks, kiosks among other unsecured places. This is also the characteristics of many cities in the developing countries such as Brazil, Bolivia, India, Bangladesh, and the Philippines among others

Poverty Reduction Strategy Programs

The International Monetary Fund (IMF) introduced the Poverty Reduction Strategy Programs in the 1990's to assist poor nations to fight poverty. This was an initiative that established a poverty fund with the active participation of the countries who voluntarily signed up to it to ensure adequate funding and support for total eradication of extreme poverty as set out in the Millennium Development Goals. The program involved a moratorium on the repayment of a country's debt and the application of the funds accrued from the moratorium to fund specific poverty reduction projects that directly affect the well being of the poor especially in poor marginalized communities. Many countries in Sub-Saharan Africa including Uganda and Ghana signed up to the initiative.

The Ghana Poverty Reduction Strategy (GPRS) program outlines five critical areas to reduce poverty. These are macroeconomic stability, production and employment, human resource development, special programs for the vulnerable and excluded. Most poverty reduction strategies advocate rural development as a priority and identify interventions such as micro-finance for rural development. The Poverty Reduction Strategy Programs (PRSP) requires participation by all stakeholders especially the rural poor in developing and implementing the identified strategies to influence their livelihoods.

Most PRSPs promote education, direct capital injection, and rural health care including nutrition and the provision of affordable housing interventions as measures for improving or reducing poverty. By participating in the processes stake-holders are able to influence and share control over priority setting, policy making, resource allocation and access to public goods and services which require a detailed and systematic plan for monitoring implementation, progress and measurements of program impact.

The GPRS seeks to improve access of the rural poor to safe drinking water and proper sanitation facilities. The Government of Ghana is putting up new health facilities and strengthening existing ones in the rural areas. The National Health Insurance Scheme (NHIS) has also been established to help bring healthcare services to the doorsteps of the rural dweller. Health training institutions are being expanded and Community Health schemes are currently being promoted with the employment of hundreds of community health nurses deployed to the rural areas to complement the efforts of other health workers.

Uganda also signed up to the poverty reduction strategy program and in June 1997 launched its Poverty Eradication Action Plan (PEAP) which provide national priorities for poverty reduction and guide various sector polices. The Poverty Eradication Action Plan directly fed into the Uganda Participatory Poverty Assessment Project (PPAP) which consulted directly with poor rural communities on their priorities, needs and perceptions of the quality of service delivery and government policies. The Uganda PEAP program saw to the provision of domestic water for communities where such communities identified clean water as a priority.

Ghana has also made poverty reduction strategies integral part of the national development program with the launching of Ghana Vision 2020 revised to Vision 2015. The intention of the Government of Ghana on the Ghana Poverty Reduction Strategy program was to ensure sustainable, equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded.

The GPRS seeks to improve the welfare of the poor especially the rural poor by implementing programs that will bring about increased access to basic needs in addition to developing a strong human resource base to enable the poor to identify and take advantage of existing opportunities; create an enabling condition for the development of new ideas and the application of simple and less expensive methods of production, processing, storage and marketing of goods and services to engender increased levels of production and employment.

It is also to ensure that the interests of women and children who are considered more vulnerable to poverty conditions are adequately considered in all decision making. The intention is to eliminate endemic poverty and growing income inequality, especially among the productive poor who constitute a majority of the working population. The strategy for poverty reduction lays emphasis on economic growth, integrated rural development, and the expansion of employment opportunities for the poor and more specifically an improved access by both urban and rural poor to basic public services such as education, health, water and sanitation and family planning services (Khandker, 1998). It also sought to strengthen the capabilities of both the rural and urban poor and vulnerable to earn income, reduce gender and geographical disparities, and produce a healthier, and better educated and more productive population.

The strategies to achieve these include: accelerating economic growth with equity through the use of sound economic policies which emphasize employment generation, gradually developing firm targets for poverty reduction and improving database on poverty with a view to ensuring a more effective poverty reduction programming.

Others are strengthening the agricultural sector by improving productivity through the provision of improved seedlings, subsidized agricultural inputs such as fertilizers, irrigation facilities, increasing productivity in the manufacturing and services sectors, increasing investment in human resources through improving the quality and access to education, health services, nutrition, water and sanitation and, encouraging the development of local entrepreneurial class as well as reducing the isolation of poor communities through strengthening economic infrastructure such as roads and communication networks.

A participatory approach and consultative process are integral in making core policy decisions including health, agriculture and poverty. In order to improve ownership and participation the design of specific poverty reduction programs are managed by a Technical Committee on Poverty (TCOP) which includes representatives from the District Assemblies and the various Ministries and governmental agencies. The District Assemblies are also encouraged to involve NGOs and other Community Based Organizations in the formulation and implementation of poverty reduction plans and decisions. The objective is to increase responsiveness at the local level, while maintaining coordination and accountability at the central level, that is, the District Assembly level.

Microfinance as a Tool for Rural Poverty Reduction

Microfinance program is one of the poverty reduction strategies that have been adopted by developing nations. Microfinance or microcredit is defined by the Microcredit Summit (February, 1997) as programs that extend small loans and other financial services to the very poor people for self employment projects that generate income, allowing them to care for themselves and their families.

The microfinance movement is usually attributed to Mohammed Yunus' Grameen Bank founded in the 1970's in Bangladesh (Jolis, 1996). Microfinance programs have now spread to South and South East Asia, Sub-Saharan Africa, Latin America and even America and other Western countries. Microfinance aims to reach the poor with loans, savings and other financial services tailored to meet the needs of the poor and the unbanked especially in the rural poverty-stricken areas. It targets those in the poor bracket who have minimum of assets and are operating at the fringes of the formal finance systems to help them expand their business frontiers (Von Pischke, Adams & Donald 1983). It is recognized by development strategists that microfinance services enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. Since the 1970s when microcredit emerged as a development tool it has grown to cover almost every region of the world. Microfinance has thus become an enormous potential tool for poverty alleviation across the world.

A number of institutions including Rural and Community Banks, Credit Union associations and the Ghana Co-operative Susu Collectors Association have thus become involved in the delivery of microfinance to both the urban and rural poor. This is because, according to the World Bank, the development of a viable rural micro finance industry can be effective in reaching large numbers of the poor in both the rural and urban areas. There is also evidence that the poor have strong incentive to save to raise capital to trade often in preference to credit but they lack the appropriate financial instruments to do so. Hence the provision of savings facilities by microfinance institutions in the rural areas provides the incentive for them to save. Rural Microfinance Institutions play a critical role in providing a platform for rural clients to undertake deposits for capital mobilizations.

Microfinance has thus become very strategic in poverty reduction strategies because of the recognition worldwide that conventional lending institutions do not provide avenues for the advancement of small and micro financial intermediation for micro enterprises and poor non collateralized rural dwellers (Mihyo, 1995). Conventional banking institutions do not lend to down market to serve the needs of low income households. These financial institutions require borrowers to have a steady source of income out of which repayments are made according to agreed terms and conditions. However the incomes of many micro enterprises are not stable and so are unable to meet these requirements. A large number of small loans are needed to serve the poor, but the conventional lending institutions prefer lending large loans in small numbers to minimize administrative costs. They also ask for collateral with a clear title which many low income poor rural families do not have.

Bankers often consider low income households bad risks, imposing exceedingly high monitoring costs on their operations. “Walk into any bank and ask for a loan the bank manager will pull out a form and start asking about the value of your car, your house, salary and others. Before the bank will loan you money it wants to know in effect whether you already have lots of money”

(Yunus, 1994). Holt & Ribes (1991) suggest that the poor can be good borrowers and savers but the big conventional banks by their processes are unable to serve that segment of the economy. This, according to Mihyo (1995), is because they are unable to give unsecured loans to small clients. The poor are generally excluded from the formal financial sector of the economy and so rely on informal alternatives such as family loans, savings clubs, or money lenders, but these are limited by amount, rigidly administered, or available at exorbitant interest rates. There is also a misconception about the ability of the rural poor to save and use credit for economic activities which thus affect their repayment behaviour (Holt & Ribes, 1991).

Recognizing these problems microfinance institutions have emerged to provide the needed financial intermediation to that neglected sector of the population. Micro finance is recognized as an appropriate alternative method of providing the needed financial services to the rural poor who are excluded from the mainstream banking sector. It is attractive as a tool to help the poor since it is widely seen as improving the livelihoods of the rural poor, reducing their vulnerability, and fostering social as well as economic empowerment. This is because entrepreneurs need timely access to appropriate credit facilities to invest; households also need access to savings and credit products to improve their living conditions.

Microcredit often is recognized as a tool to generate economic activity in the low income rural economy. In Bangladesh there are over 1200 microfinance institutions in operation which extend credit to about 8 million people of whom over 90 percent are women and people in the rural areas. These MFIs in Bangladesh have helped create employment for over 70,000 people many of whom come from the rural areas (World Bank, 1999). Despite the success of microfinance in creating jobs all over the world, Barry, Armacost, & Kawas, (1996) estimate that only about 2 percent of the world's 500 million small entrepreneurs have access to financial services.

Most literature on microfinance establishes that women are the greatest beneficiaries. Empowering the rural woman is an essential first step to eradicating poverty. It recognizes the capability of the rural woman to take charge of her own life to seek out opportunities to make life better for their households. IFAD (2008) suggests that the largest segments of the world's poor are the women, children and men who live in the rural environment. The Micro Credit Summit Campaign (2005) reported that 14.2 million of the world's poorest women now have access to financial services accounting for 74 percent of the 19.3 million poorest served by microfinance institutions. However, there is still a large gap between large individual loans often for men and small group loans mostly for women. The World Bank reports that where discrimination exists on gender basis there also is a greater incidence of poverty, slower economic growth, weaker governance and lower standards of living. All these result in under development

Microfinance enables the poor to leverage their initiatives, accelerating the process of building incomes, assets, and economic security. Microfinance gives the poor access to financial services in an honest way. According to Otero (1999), microfinance creates access to productive capital for the poor who together with human capital achieved through education and social capital and local organization building enables the poor to move out of poverty. Microfinance is recognized as a successful development tool because it makes available small loans for people who cannot get loans from the mainstream banks (Sadoulet, 2002). It applies innovative mechanisms to ensure repayment despite the lack of business records and absence of collaterals: group lending, progressive lending, regular repayment schedules and substituted collaterals.

Access to finance enables the rural poor to engage in small and micro entrepreneurial activities which lead to increased productivity and income. Insufficient capital may lead to inefficiency that could lead to the collapse of small scale ventures embarked on by the poor (Holt & Ribes, 1991). Microfinance impacts positively on incomes and reduces vulnerability due to deprivation as a result of poverty. Children's education, health outcomes of women and children, and empowerment of women are some of the important outcomes of microfinance schemes (Murdoch, 2002).

Microfinance Institutions in Ghana

There are many institutions operating in Ghana offering various microfinance products. These microfinance institutions could be categorized as formal, semi-formal, or informal. Formal microfinance institutions include Rural and Community Banks (RCBs), and savings and loans companies. Semi-formal include non-governmental organizations (NGOs) offering financial services to the poor such as the credit union institutions that offer small loans to their members but do not take deposits from the general public. The informal microfinance institutions include the susu collectors and private registered and unregistered money lenders. There are also governmental institutions such as the Microfinance and Small Loans Scheme (MASLOC), Social Investment Fund (SIF), and the Community-Based Rural Development Program (CBRDP) that offer microfinance services to the poor.

The realization that the traditional banking system was unable to lend to poor rural people who do not have collaterals necessary to access loans led to the introduction of the concept of rural banking in Ghana in 1976 to enable the rural folks to have access to financial services. The first rural bank in Ghana was established in 1976 at Agona Nyakrom in the Central Region. Presently there are about 127 rural banks in Ghana (The ARB News, 2008). The main role of these rural banks is to deliver tailored financial services in the form of micro finance to the communities in which they operate. They mobilize small savings from farmers, market women, artisans, mechanics, fishermen and other petty traders and then give them small mostly unsecured loans.

The rural banking system has become a key vehicle for development of the economy of Ghana. Available records from the Bank of Ghana show that there had been a steady upward growth in the total deposits and advances granted to the customers of rural banks between 2002 and 2006 which had been attributed to the intensification of micro financial activities of these rural banks.

Lower Pra Rural Bank in the Western Region was established in 1983 to offer rural financial services to the people of Shama and its environs who are mostly subsistent farmers and fishermen. It has nine (9) branches spread in the

Shama District, Mpohor-Wassa East District and Sekondi-Takoradi Metropolis. It has its headquarters in Shama. The bank has a fully dedicated microfinance department that gives loans to small and micro enterprises within its catchments area.

When the Ghana Government started the implementation of the Ghana Poverty Reduction Strategy Program it became clear that the rural banks and the nongovernmental organizations have not been able to reach all rural areas and there are large areas of Ghana that still needed the appropriate financial intermediation to move them from their poverty levels. This resulted in the establishment of Microfinance and Small Loans Scheme (MASLOC) to prudently manage Government and other donor funded microfinance funds. The MASLOC was to undertake a sound and judicious administration on fiduciary basis of Government and other development partner funds for micro and small scale credit programs and also become an apex body for the microfinance sub sector. The main targets of the MASLOC loan are the productive poor; however there is a component specifically targeting the disabled, the youth and women (www.yearofmicrocredit.org/docs/forum/Ghana_IYMC_Speech.doc, 2005).

Other financial organizations that have also been engaged in the provision of microfinance to the poor are the savings and loans companies. Some of these companies in Ghana are Procredit Savings and Loans Company, Sinapi Aba Trust and Opportunity International.

Impact of Microfinance on the Rural Economy

The introduction of microfinance has in many ways impacted on the rural economy and brought about many changes in agriculture, rural housing, women empowerment and savings, reduction in vulnerability of the poor to adverse circumstances, increased household consumption and reduced income poverty.

The development of the agriculture sector in any economy has been recognized as very important in attempts to reduce rural poverty. It requires the infusion of capital into the rural economy to enhance their capacity to acquire the needed technology to enhance production. In countries such as Ghana, Uganda, and Bolivia where agriculture development is central to rural poverty reduction there has been a renewed interest in finding the best ways in providing financial intermediation that would ensure sufficient supply of funds to the sector. Since most conventional banking institutions are traditionally very reluctant to enter the agriculture sector microfinance institutions have emerged to fill the void.

The Association of Microfinance Institutions of Uganda reports that in 2005 there were over 1,000 microfinance institutions operating as non – governmental organizations (NGOs), and Savings and Credit Cooperative (SAACOs) in Uganda. These microfinance institutions serve over 900,000 savers and 350,000 borrowers representing about 6 percent and 2.5 percent respectively of the population of Uganda.

In Ghana agriculture contributes about 40 percent of the GDP and about 60 percent of the total export earnings. Agriculture is the main source of livelihood to about 60 percent of the population. It is predominantly subsistence, traditional and rain fed. Women play important role in agriculture, often making decisions about acreages to be cultivated. Financing agriculture in Ghana has historically been problematic due to the high risks and costs involved and the lack of proven instruments for mitigating production and credit risks. There is also the lack of financial instruments adapted to the needs of small farm holders. Credit flow to the agriculture sector (including the fisheries subsector) as of March 2007 was only 4.6 percent of total bank credits (Bank of Ghana, 2008).

Banks in Ghana continue to shy away from the agriculture sector due to bad lending experience and the lack of collaterals from the farmers to meet the security requirements for loans and other advances. The agriculture sector continues to have the highest Non-performing loans (NPL) in the books of banks that do agricultural lending i.e. NPL of 25.8percent as at March, 2007 (Bank of Ghana 2008). This is one of the reasons for the low agricultural penetration by conventional lending institutions. There is the realization that the agricultural sector needs massive investments if the nation is to develop to move rural farmers and fishermen from their poor state. However Ghana lags behind in creating an efficient and sustainable rural financial system to serve the rural areas and agriculture.

To mitigate these problems many Rural and Community Banks have been encouraged by successive Ghanaian governments to establish branches in the rural areas to provide financial intermediation to these poor rural dwellers that are mostly into agriculture. The availability of microfinance facilities also enables these farmers and fishermen to better negotiate business arrangements with buyers and processors as they do not now depend on these buyers for credit to do their business.

Microfinance also helps to mitigate rural housing problems since many micro financing institutions have developed housing financing products to cater for the needs of the low income rural dweller. Microfinance housing loans are products tailored to the needs of the low income rural dwellers and are specifically geared towards the construction of houses. It takes the form of acquisition of inputs such as cement, roofing sheets, plots of land among other housing materials for the clients to discourage them from diverting the funds into other ventures the stages. The main objective of this housing program is to help poor households to own their own houses. In Ghana the HFC Bank has established a microfinance housing scheme called the Boafo Microfinance Scheme through which poor people have been helped to acquire their own houses.

In the Philippines the Government recognizing the need to provide affordable housing for its people especially low income earners established the Pag-IBIG Fund in the 1980s to provide funds for its members to put up their own houses. To date the fund has a membership of 1.2 million with a fund base of US $800 million. It is a provident savings fund and a housing credit system. The Pag-IBIG helps every Filipino to own their own houses by pooling the savings of its members and channeling them for the long term financing requirements of housing. To meet its objective of providing affordable housing to its members the Fund provides long term loans with repayments spread within 25 years at interest rates of between 9 percent and 16 percent depending on the loan amount (Tiwari and Fahad, 2004 Concept Paper on Microfinance Institutions in India).

Microfinance has over the years become a tool for the empowerment of women as most rural women have little or no access to funds and so make them subservient to their men folk. Low-income rural women in developing nations such as Ghana rely on small peasant farming and small household based micro enterprises such as petty trading and hawking.

Information from the books of Lower Pra Rural Bank indicate that about 95 percent of the loans granted in the Cottage Industry and Agro processing subsectors went to women groups (December 2008). According to Steel (2008) many women have been empowered through microfinance as it puts capital in their hands thus enabling them to earn independent income which makes them able to contribute financially to the wellbeing of their households and communities. Women empowerment advocates have espoused micro credit as a way of increasing the income of women to uplift them from their poverty. It has been suggested that when rural women are lifted from their poverty situation it affects the whole household and their communities. This has led to increasing emphasis being placed on women participation in microfinance programs.

According to Robinson (2001), microfinance and gender is influenced by financial self sustainability paradigms. The main consideration for this is that increasing access of women to microfinance will lead to sustained individual economic empowerment, wellbeing and development of the community. Quisumbing, A. & Meinzen-Dick, R. (2001) argue that to reduce rural poverty it is imperative to empower women through credit and education. Microfinance has had a positive impact on women all over the developing nations which have actively embraced the concept. These benefits can be enumerated thus: it has increased the level of income of women, the quality of life of women and children; it has also increased the savings habit of the rural poor women and has raised awareness and empowered women to contribute to various socio-economic activities. Rural women are now emboldened to take active part in socio-political discourse affecting their livelihoods and wellbeing.

A World Bank midterm review of the Poverty Alleviation and Microfinance Project in Bangladesh (1994/1995) showed that overall incidence of poverty decreased from 52 percent to 50 percent. Data on 675 microcredit borrowers surveyed showed that there has been a positive change in their economic and social status. The survey indicated that there has been an increase in income for 98 percent of borrowers; 89 percent of the borrowers accumulated new assets and 29 percent of the borrowers had purchased land either to put up their own house or for agriculture. Food intake, clothing, and housing conditions have improved hovering around 89 percent, 88 percent, and 75 percent respectively and child education has improved for 75 percent of borrowers. These have been achieved due to an increased level of self-employment for women. Largely participation in microcredit programs by women has had a beneficial effect on household welfare by increasing women's income contribution to the household. Women have become aware of their political rights through the education given them at microfinance meetings (Hashemi, Schuler, & Riley 1996).

The poor are generally vulnerable to changing circumstances and microfinance helps to reduce their vulnerability. Microfinance helps borrowers reduce their vulnerability against adverse circumstances by building up household assets. These can be disposed off if necessary to raise funds in times of hardships. These assets can also be used as security when they also seek for credit from more conventional financial institutions.

Skills training given to microfinance borrowers and women's access to fund also contribute to the ability of a household to withstand crisis by offering a variety of responses to challenging situations. Reduction in vulnerability is very essential as they allow the poor to hold on their own in their communities. Gains made in good times are partially protected during crisis period and the cycle of poverty is broken.

Zaman (2000) in a study in Bangladesh found that those poor households who subscribed to the microfinance program had lessened vulnerability which has led to income and consumption smoothening. Another researcher in Bangladesh (Khandker, pg. 148) found that for every 100 taka (the Bangladeshi currency unit) lent to a female borrower, household consumption rose by 18 taka. Nutritionists argue that even small increases in consumption and increased regularity in consumption lead to better health and nutrition and enhance the ability of the poor to make long term plans for the family. Increased consumption combined with investment opportunities opened up by microfinance programs creates a stabilizing effect on the participating households.

Microfinance has also been recognized to reduce income poverty. With time and constant monitoring borrowers actually are able to make more profitable investments to lift themselves out of poverty. The Bangladesh Rural Advancement Committee (BRAC) expects its members to have their poverty situation to reduce by an average of 15 percent after three years of participation. Data from the Grameen Bank suggest 21 percent of members of their microfinance program lift themselves from poverty within four years of joining. About 5 percent of Grameen Bank Microfinance members lift themselves from poverty each year (Khandker, 2000).

Challenges of Microfinance in Reducing Poverty

Microfinance program face great challenges some of which include using the loans effectively, and the extent of the funds reaching the poorest of the poor. A third problem is that there is the danger of borrowers becoming dependent on microcredit, rather than using it as a means to move away from poverty. The fourth challenge is that successes in microfinance may not hold in the long term.

Not all poor people can operate businesses successfully. Microcredit if not administered properly may force poor people or groups of borrowers into debt they cannot repay, or into business they can barely subsist (Montgomery et al, 1996). In some cases the clients of microfinance are afflicted with indebtedness caused by insufficiently income-earning enterprises in which they invest. Hulme & Mosley (1996) found that an important proportion of enterprises financed by

MFIs do fail. For instance, 10 percent to 25 percent of those supported by BancoSol, a leading MFI in Bolivia, and 25 percent of activities funded by the Malawi Mudzi Fund failed. A failed investment oftentimes means repayment difficulties particularly for the poorest. Other investments may fail not due to the failure of the MFI's procedures but because of external risk factors that may negatively affect the enterprise thus causing default in repayments.

Another challenge that faces the microfinance program is its ability to reach the poorest of the poor. It has been realized in studies in Bangladesh that most microfinance loans do not reach the poorest of the poor. Instead they tend to concentrate on the moderately poor members of the society. According to Zaman (2000), the poorest have a number of constraints (fewer income sources, worse health and education, etc) which prevent them from investing the loan in high return activity.

The moderately poor microfinance borrowers benefit more because they can borrow larger amounts and so the MFIs find it easier to deal with them than the poorest of society that need tiny amounts which are more costly to process even for microfinance institutions. As microfinance institutions are under pressure to become more self-sufficient the incentive to lend to such desperately poor borrowers evaporates (Mayoux, 1997).

Conceptual Framework

All microfinance concepts assume that interventions will result in behavior change and practices that lead to the desired goals: to improve the living standards of the beneficiaries and eventually trickle down to the community.

There are many concepts that are applied in the measurement of the impact of poverty reduction programs; however, two of such concepts are applied in this study to gauge the impact of microfinance intervention in the study area. These are the 'asset based concept' and the 'household consumption' pattern.

The asset based concept considers the relationship between household assets and well being outcomes. It examines the acquisition of these assets after the introduction of poverty alleviation efforts and how they influence the livelihood strategies of the beneficiaries. The introduction of microfinance interventions can change the asset base and other income generating potentials of these assets of the poor. Beneficiaries of the program invest in new assets for both their households and their businesses and also increase the efficiency of existing assets and improve household risk management capacity (World Bank, January 2005). The asset based analysis of the impact of microfinance combines both qualitative and quantitative methods of household level analysis to reveal the relationship between asset and well being.

Another concept applied in assessing the impact of microfinance intervention is the incomes and consumption smoothening. Researchers such as Chen (1992) and Sebstad & Chen (1996) proposed the per capita food consumption as a measure or indicator of well being. Various studies have suggested that increased food consumption patterns of the poor are indicative of an improvement in their living standards as most do not have even one full meal in a day. Consumption patterns are known to improve when the poor take part in microfinance programs which result in increase in household well-being. Children are fed properly and child and maternal mortality rates decrease and more children are also enrolled and stay in school.

However the drawback on household food consumption and expenditure as measures of improvement in household living standards are that these depend on the propensity of the households to expend resources or consume food which may vary across households.

This study would combine these two concepts in analyzing the impact of the microfinance program of the bank on the livelihoods of the sample population.

A conceptualization of microfinance presents a link between causes and effects situation. The Microfinance Institutions (MFIs) microcredit programs provide a package of technical assistance and capital which change the behavior of the clients in the households and businesses. The MF loan is given to the beneficiaries to help alleviate their poverty by increasing their incomes and savings. This enables the beneficiaries to modify their microenterprise operations thus leading to increases in household incomes which in turn result in improvement in the household wellbeing. Increases in the wellbeing of the household result in improved child education and skills training, acquisition of household assets and increase in consumption and other expenditure geared toward improvement in their household livelihoods.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter focuses on the steps or procedures that have been carried out to gather data relevant for the study. The procedures covered are research design, population, sample and sampling techniques, research instrument, data collection procedure and method of data analysis.

Research Design

This study is a descriptive survey. A descriptive survey according to Babbie (1990) and Gay (1992) is useful for investigating a variety of problems including assessment of attitudes, opinions, conditions and procedure. Descriptive data are usually collected through questionnaires, interviews and observations.

The descriptive survey design was considered by this researcher as the most appropriate for analyzing the improvement or otherwise in the poverty levels of the rural dwellers before, during and after the introduction of microcredit interventions in the rural economy.

Population

The target population for the present study comprised the microfinance groups of Lower Pra Rural Bank. There are sixty (60) microfinance groups operating under the Lower Pra Rural Bank as at December 31, 2008.

Sample and Sampling Technique

The sample in this study is made up of sixty (60) members consisting of six (6) members each from ten (10) microfinance groups. First, the simple random sampling was used to select 10 out of 38 active microfinance groups. Lower Pra Rural Bank had 60 microfinance groups as at year end 2008. However ten (10) of the groups were not active and had not taken any loans for the past three years and were considered by the bank as nonexistent or dormant and their membership disbanded. Another twelve (12) were new groups that were being animated and had not yet taken their first loan. Therefore the ten (10) used for the research were sampled from the thirty eight (38) that had been active over the past year. The inactive groups were not added to the sampling because such groups even though existed in the books of the bank had either disbanded or the members have joined other non-governmental financial organizations operating in the district and so would have been difficult getting their members.

The names of the groups were obtained from the Microfinance Coordinator of the bank and were written on pieces of paper. These pieces of paper were folded and put in a container and thoroughly mixed and drawn one at a time without looking into the container. When a paper was selected and the name on is recorded, it was put back into the container before the next one was picked. This ensured equal probability of selecting each name. In the event that a name was drawn twice, the second drawing did not count. It was ignored and the paper returned to the container. This exercise continued until the tenth group was selected. In selecting the sample size the same method was employed to sample six (6) respondents each from the sampled group members.

Table 1: Sampling frame of microfinance members used in the study

Group Name	Population	Sample Size
Asomdwee Na Mpontu	15	6
Nkabom	18	6
Truth	18	6
Christo Ntsi	16	6
Ebusua	15	6
Etaquilla	14	6
Yeboaboa	16	6
Nyankopon	15	6
Boafo Ye Na	18	6
Adom Ara Kwa	15	6
Total	160	60

Source: Microfinance Department of Lower Pra Rural Bank, December 2008

Research Instruments

Questionnaires were used. There were two sets, one for the microfinance clients of the bank and the other for the Credit Manager of the bank. Close-ended and open-ended items were used to elicit more information. This was done with the help of the researcher. The questionnaire was developed according to guidelines suggested by Creswell (2002) and Payne & Payne (2005). All the items were generated from the research questions. The questionnaires were structured to solicit information on the background of respondents and the effects of the microfinance program on their livelihoods and businesses.

Pre-testing of the Instruments

Fifteen (15) microfinance clients at Komfueku, a community in the Shama District, were used in the pre-testing of the instrument. These clients were not part of the sample used for the study. The instruments were pre-tested to enable respondents give their comments on the clarity, weakness, inadequacies, ambiguities and problems in the items in the instruments. Pre-testing was also important to test the validity or otherwise of the final data collected. As a result of such comments ambiguous questionnaires were either removed or revised to allow for clarity before the actual data collection commenced.

Data Collection Techniques

Data was gathered from two main sources: primary and secondary. The secondary data was gathered from books, journals, reports and publications from institutions such as the World Bank, International Monetary Fund, the UN and Lower Pra Rural Bank Limited. Field surveys were used in collecting the primary data.

Before undertaking the primary data collection exercise the researcher made initial contacts with the groups and also the bank selected for the study. The researcher sought permission from the leadership of the groups concerned. The researcher was introduced to the groups by the bank promoters. He then had a meeting with the leaders of the groups selected and microfinance promoters of the bank to explain the items to them. This was to ensure appropriate responses from the respondents and minimize the effect of the presence of the researcher on the behavior of the respondents. The respondents were assured of confidentiality of the information being solicited in order for them to respond to the questionnaire without any inhibitions. The researcher administered the questionnaires personally to the management of the bank and the clients sampled for the study. A minimum of three weeks was used for the administration of the questionnaires.

Data Processing and Analysis

The data collected were edited to ensure that responses were suitable. The editing also helped to exclude questionnaires which were not completely answered. The questionnaires were serially numbered for easy identification. All responses for each item in the questionnaires was entered into excel and analyzed with the Statistical Product and Services Solutions (SPSS) software. Frequencies and percentages were used to describe the responses.

Limitation to Data Collection

During the fieldwork the major problem faced was the absence of some of the sampled respondents during their meetings. This necessitated the visiting of some of the groups two or three times in order to have the full complement of the sampled respondents.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter discusses the three main sections of the study. The first section covers the analysis of the background information or the demographic data of the respondents of the study. The second covers the effects of microfinance programs on the business and household living conditions of the respondents. The third section also analyses the contribution of the bank to poverty reduction through the operations of its microfinance program.

Characteristics of Respondents

The results from Table 2 indicate that out of the total of 60 respondents covered 41 were females and 19 males. This indicates that even though majority of microfinance program participants are women there is a growing male participation in the microfinance program of the bank.

Table 2: Sex composition of respondents

Sex	Frequency	Percentage
Male	19.0	31.7
Female	41.0	68.3
Total	60.0	100.0

Source: Field Survey, 2008

As shown in Table 3, a greater number of the respondents were below the age of 50. Only one respondent, a female, was in the 60-69 year group which indicates that more elderly women than men engage in microfinance business. This indicated that many of the people who participate in the microfinance program are able bodied people who were active and willing to work. There were a total of 50 people made up of 13 male and 27 females between the ages of 30 and 49 who are engaged in microfinance. This can be attributed to those ages being the most able ages that people are most engaged in some businesses to help raise their families or contribute to household expenses. This also implies that more females are engaged in income generating activities to help in the improvement of their households. There were no persons under the age of 20 or over 69 in the sampled respondents. This could be attributed to the reason that one must be 18 years or above before one can become a client of the bank and also all the groups in the sample had been in existence for more than one year.

Table 3: Age distribution of respondents by sex

Age Range (Years)	Male (Frequency)	Female (Frequency)
20-29	5	5
30-39	6	13
40-49	7	14
50-59	1	8
60-69	-	1
Total	19	41

Source: Field Survey, 2008

Educational Levels

This was to know the educational levels of the participants of the microfinance program as pertains in the Shama District. A shown in Table 4, of the 60 participants, 13 made up of 3 males and 10 females had no formal education. Seven (7), 2 males and 5 females, had some form of non-formal education and could do basic reading and writing. It is interesting to note that all these 7 respondents joined the microfinance program before acquiring the non-formal education offered by Non Formal Education Division (NFED) of the Ghana Education Service in the Daboase district: 5 of these were farmers and 2 traders. Twenty two respondents comprising 9 males and 13 females had had some form of basic education with 17 respondents made up of 4 males and 13 females having had some secondary school level education. Only one person, a male, had a Higher National Diploma. The low presence of respondents with higher education implies that microfinance programs are patronized more by people with lower education. From Table 4 it can be seen that over 98% of the respondents have only secondary school education and below. This implies that people with low levels of education find it easier to access funds from the MFIs than the mainstream banking institutions.

Table 4: Educational level of respondents by sex

Educational Level	Male (Frequency)	Female (Frequency)
No Formal Education	3	10
Non Formal Education	2	5
Basic Education	9	13
Sec. School Education	4	13
Tertiary	1	-
Total	19	41

Source: Field Survey, 2008

Occupation of Respondents

The occupation of the respondents was also analyzed and the results are set out below in Table 5. From the table it is clear that most of the microfinance participants were in trading accounting for 36.7 percent. This is closely followed by people who are employed in the fishing business either as fishmongers or fishermen representing 28.3 percent. Respondents employed in the coconut oil processing business constituted 20 percent while farmers constituted only 15 percent of the respondents. The percentage of respondents engaged in farming is low because the bank considers agriculture a high risk loan default sector and so does not actively engage people especially food crop farmers in its program. Those engaged in farming are cash crop farmers engaged in coconut and cocoa plantations.

Table 5: Occupation of respondents

Occupation	Frequency	Percentage
Farming	9.0	15.0
Fishing	17.0	28.3
Trading	22.0	36.7
Oil Processing	12.0	20.0
Total	60.0	100.0

Source: Field Survey, 2008

Lower Pra Rural Bank and Poverty Reduction

Lower Pra Rural Bank uses groups formed within a locality by the bank's own staff called promoters to initiate its microfinance activities. The groups are organized with memberships of not more than 25 per group which meet on weekly basis. Furthermore this group is again organized into solidarity units of five (5) members each. It is these solidarity units that guarantee the individual members' loans in the form of group loan guarantees. Membership of such groups should be people of 18 years and above who are ready to work and contribute to compulsory weekly savings. It takes 16 weeks for the formation of groups to be properly animated for them to receive their first tranche of loan.

The bank gives an average of 8.7 percent of its total loans to microfinance clients who are engaged in activities such as agriculture including fishing and crop farming, cottage industry (coconut oil processing) and trading. As at December 2008 there was no minimum microfinance loan an individual can take but the business activity of the participant should be able to generate enough cash to be able to pay off the loan with its interest within twelve (12) months.

Table 6 shows the amount of loan the bank disbursed to both microfinance and non Microfinance customers from 2004 to 2008. The bank has between 2004 and 2008 disbursed a total of GH¢32,363,700 to 97,688 customers. Out of this an amount of GH¢ 2,810,500 was granted to 14,537 of microfinance customers some of whom are repeat clients who take about three tranches of loan within one year.

Table 6: Loans disbursement by the bank from 2004-2008

Year	Total Loans Granted(GH¢)	Total MF Loans(GH¢)	MF Loan Percent	Total Loans Customers	MF Customers	Per-cent
2004	3,246,000	258,500	8.0	25,701	2,765	10.8
2005	4,956,000	445,000	9.0	12,101	1,895	15.7
2006	6,823,000	581,000	8.5	24,104	3,110	12.9
2007	8,751,500	659,000	7.5	19,730	3,916	19.8
2008	8,587,200	867,000	10.0	16,052	2,851	17.8
Total	32,363,700	2,810,500	8.7	97,688	14,537	14.9

Source: Credit Department, Lower Pra Rural Bank Limited, Shama 2008

Loan Disbursement by Sector

The bank made various types of micro finance loans to its customers between 2004 and 2008. These types of loans can be classified into farming, fishing, oil processing (cottage industry) and trading. These are the dominant occupations in the Shama district. Table 7 shows the distribution of the total microfinance loans by the various occupations. Table 8 also shows the number of microfinance customers in the various occupations who received loans within the same period. Between 2004 and 2008 the bank disbursed GH¢ 296,030.00 to a total of 2,689 farmers in the district. An amount of GH¢ 404,211.00 was also given as microfinance loans to 3154 clients in the fishing sector. A total of 3,805 clients in the oil processing business (cottage industry) received GH¢ 559,107.00 and 4,869 traders were advanced GH¢ 1,551,152.00 between 2004 and 2008. The average loans disbursed to individuals within the microfinance loans in 2008 now GH¢ 1,500.00 and the highest single largest loan to an individual client was GH¢ 17,500.00.

Table 7: Loans disbursement per sector by the bank from 2004-2008

	2004	2005	2006	2007	2008	Total
Farming	29630	38900	63500	71000	93000	296030
Fishing	58110	48100	100000	90000	108000	404210
Oil Proc.	65110	152000	101000	113000	128000	559110
Trading	105650	206000	316500	385000	538000	1,551150
Total	258500	445000	581000	659000	867000	2,810500

Source: Credit Department, Lower Pra Rural Bank Limited, Shama 2008

Table 8: Number of microfinance clients per sector 2004-2008

	2004	2005	2006	2007	2008	Total
Farming	513	326	460	710	650	2,689
Fishing	540	358	700	856	700	3,154
Oil Proc.	787	518	950	1,050	500	3,805
Trading	925	673	1,000	1,300	971	4,867
Total	2,765	1,875	3,110	3,916	2,851	14,517

Source: Credit Department, Lower Pra Rural Bank Limited, Shama 2008

Sources of Finance for Business Prior to Joining the Microfinance Program

Of the 60 participants covered by the research 21 individuals had gotten their initial funding to start their business from family members and purchases on credit. This is closely followed by 15 people who started their businesses with funds from other private money lenders. Only 3 of the respondents had some funding from friends. It must be noted that most microfinance businesses are family centered with the whole family engaged in them. This could explain why family members help each other with funding to set up their businesses. Others also engage in trade by purchasing items/goods on credit terms for resale and effecting payments when stocks are sold out with terms between two weeks and one month. The amount of credit participants have been able to access from the bank ranges from GH¢ 1,500.00 to GH¢ 17,500.00. However it must be noted that almost all the participants started their businesses with own funds before accessing the other sources of funding.

Table 9: Sources of finance for business prior to joining the microfinance program

Source	Frequency	Percentage
Friends	3.0	5.0
Family	21.0	35.0
Money Lenders	15.0	25.0
Purchased on credit	21.0	35.0
Total	60.0	100.0

Source: Field Survey, 2008

Effects of Microfinance on Business Operations

This question generated varied responses from the respondents. Significantly, it can be seen that to the respondents their participation in the microfinance program of the bank has had a beneficial effect on their businesses. Results from Table 10, indicate that 24 of the respondents for trading had now stopped buying their trading stocks on credit and are now using the microfinance loans as capital for their business. Three (3) of respondents said they can now purchase more items for trading implying that they have expanded and diversified the number of items they purchase for trading. Seventeen (17) of the respondents indicated that they have had increases in working capital to meet other expenses incurred in the day-to-day running of their businesses. They do not now have to take money from their trading capital to meet recurrent expenditure. Three (3) respondents who were all traders said they had been able to put up their own shops or changed their temporary trading structure to a more permanent one. A further 13 beneficiaries said they have used the loans to acquire more assets for their businesses. These assets included farm irrigation materials, boilers and oil extractors, boreholes to pump water to irrigate farms and gas and Chorkor smokers for smoking fish.

Table 10: Effects of microfinance program on business operations

Effects	Frequency	Percentage
Can now purchase stock with cash	24.0	40.0
Increased in trading stock	3.0	5.0
Increase in working capital	17.0	28.3
Put up my own store	3.0	5.0
Acquired more trading assets	13.0	21.7
Total	60.0	100.0

Source: Field Survey, 2008

Effects of Microfinance on Household Living Standards

In addition to the effects on the businesses of the beneficiaries they were also asked about the effects on their household living standards. The results are shown in Table 11. Thirty (35) people responded that the microfinance loan had helped them to be able to get income to pay their children's school fees. This means that the well being of their children are of paramount importance to them when they join the microfinance scheme. This combined with the five (5) people, four (4) females and one (1) male, who said they are able to purchase clothing for their children, which implies they consider the well being of children to be a contributing factor for people joining the microfinance scheme. Of the thirty (30) beneficiaries who responded that there are able to pay their children school fees thirteen (13) were males and seventeen (17) females. This shows that women in the rural areas generally are more involved with their children's education than their male counterparts.

Nineteen (19) respondents said that the MF scheme has helped them to contribute to housekeeping for the family. Of this number eighteen (18) were women with only one (1) person being a male. This provides a proof that when women are able to earn income they generally contribute significantly to the wellbeing of the household by providing for their needs. Four people said they are now able to pay for their monthly utility bills as they fall due, while one respondent each said that they can now save more and also pay for their rents respectively.

Table11: Effects of microfinance credit on household living standards

Effects	Male (Frequency)	Female (Frequency)
Ability to pay children's school fees	13	17
Able to contribute to house keeping	1	18
Able to purchase clothing for children	1	4
Able to pay for civilities	2	2
Able to save more	1	-
Able to pay rent	1	-
Total	19	41

Source: Field Survey, 2008

Household Food Consumption

This question was to ascertain the effects of microfinance on the food consumption pattern of respondents prior to joining the program and then the pattern after they have taken their first loan cycle. The food consumption patterns of the households of the respondents are shown in Table 12. Prior to joining the microfinance scheme, seven (7) respondents said they only had one full meal per day. This group included two (2) males and five (5) females. Thirty six (36) people made up of thirteen (13) males and twenty-three (23) females said they usually have two full meals a day (in the mornings and evenings) while seventeen (17) respondents said their households had three meals a day.

The next question sought to describe the food consumption patterns of the respondents after joining the microfinance scheme. It revealed that only one person said the household take only one full meal a day and the interesting observation is that the responder is male and unmarried. Fifteen (15) respondents said they now have two full meals a day; of these five (5) are males and ten (10) females. Forty four (44) respondents made up of thirteen (13) males and thirteen (31) females said they now have three meals a day.

This is very significant because it can be seen that while seven (7) households had only one meal prior to joining the scheme this had reduced to only one household. There has also been a reduction in the households which were having two meals a day from thirty-six (36) to fifteen (15) households. There was, however, an increase in the number of households that were having three full meals per day from seventeen (17) prior to joining the MF scheme to forty-four (44), an increase of more than 158 percent.

Table12: Meals per day prior to and after joining microfinance scheme

Number of Times	Before (Frequency)	After (Frequency)
Once	7	1
Twice	36	15
Three times	17	44
Total	60	60

Source: Field Survey, 2008

Ownership of own House prior to and after joining Microfinance Program

The purpose of this question was to see how the microfinance scheme has been able to help families to put up their own modest accommodation. From Table 13, seven (7) respondents had their own small house units before they joined the scheme. Of these, six (6) were women and only one (1) was a man. These were also spread among the various occupations. The only male respondent was in the fishing business; two (2) each from farming, trading and oil processing respectively who had their own houses before joining the scheme were women. Fifty three (53) of the respondents had no houses of their own but were living in rented accommodation. This situation changed after they had taken part in the Microfinance program. From Table 13, nineteen (19) respondents had been able to put up their own houses after they had joined the program. Of these 8 were in the fishing business, 6 in trading and 3 and 2 are in farming and oil processing respectively. From Table 14, sixteen (16) of the nineteen (19) respondents who had been able to put up their own houses after joining the microfinance program were women and only 3 were men. Before joining the microfinance program there were only one male and six females who already had their own houses.

Table 13: House ownership by sector prior to and after joining microfinance program

	Before		After	
Sector	Yes	No	Yes	No
Farming	2	7	3	6
Fishing	1	10	8	9
Trading	2	20	6	16
Oil Processing	2	10	2	10
Total	7	47	19	41

Source: Field Survey, 2008

Table 14: House ownership by sex prior to and after joining microfinance program

	Before		After	
Sex	Yes	No	Yes	No
Male	1	18	3	16
Female	6	35	16	25
Total	7	53	19	41

Source: Field Survey, 2008

Ownership of household and other Assets

The question sought to know household and other assets that respondents possessed before joining the microfinance scheme and how ownership of such assets have increased since joining the microfinance scheme. The rational for this was that many microfinance experts use consumption smoothening and household and other asset acquisition expenditure patterns to measure the wellbeing of the beneficiaries.

It is evident from Table 15, that prior to joining the Microfinance program only one (1) respondent, a male had a motor cycle, and four (4) people consisting one (1) male and three (3) females had trucks used for their businesses. However after taken a series of microfinance loans eight (8) people made up of five (5) males and three (3) females had been able to purchase trucks to aid them in their businesses. Forty (40) male and six (6) female respondents owned Television Sets prior to joining the program. Six (6) more female respondents were able to acquire television sets after they have taken part in the microfinance program.

Thirty one (31) owned Radio Players and Stereo equipments such as DVD and VCD players when they joined the program. These were made up of twenty six (26) males and five (5) females. However, fourteen (14) male and one (1) female respondents acquired radio and stereo equipments after they joined the microfinance program. Forty-six (46) respondents comprising forty (40) males and six (6) females had cell phones prior to joining the microfinance scheme of the bank however after joining the program ten (10) females but no male acquired mobile telephones. None of the male participants had household furniture before joining the program but twenty four (24) of them acquired some after taking part in the program. Only one female had some household furniture before joining the program but after joining none purchased any furniture. While some of the respondents used charcoal and firewood to do their cooking twenty (24) respondents, ten (10) males and fourteen (14), used gas stoves. After joining the program twenty (20) more respondents, five (5) males and fifteen (15) females, had acquired gas stoves.

Four (4) female respondents had sewing machines, while eight (9) of those engaged in fishing use chorkor smokers (an improved smoking system over the traditional smokers). Three more respondents, one (1) male two (2) females acquired chorkor smokers after joining the program. Only one male respondent had motorized boat (canoe with outboard motor) prior to joining the program. Seventeen (17) respondents all females had purchased sewing machines since joining the Microfinance program and 41 made up of 6 males and 35 females had acquired refrigerators and deep freezers for use as cold storage for the sale of fish. One respondent who was a farmer has been able to use the microfinance loan to acquire an irrigation machine for use in his vegetable farm. This had enabled him to do all year round farming. Four (4) respondents one (1) male and three (3) females engaged in the fishing business had installed gas smokers after receiving various amounts of microfinance loans. While only one (1) male respondent had a motorized canoe prior to joining the program seventeen (17) respondents, ten (10) males and seven (7) females in the fishing industry acquired motorized fishing boats (dugout canoes with outboard motors) and fishing nets, hooks and lines.

Table 15: Assets owned by respondents before and after joining the scheme

Assets	Before Joining MF Frequency		After Joining MF Frequency	
	Male	Female	Male	Female
Bicycles/Motor Cycles	1	-	-	-
Cars/Trucks	1	3	5	3
Radio Players	18	5	5	-
Stereo Equipment	8	-	9	1
Mobile Telephones	37	6	-	10
Household Furniture	-	1	24	-
TV Set	40	6	-	6
Gas Stoves	10	14	5	15
Sewing Machines	-	4	-	17
Refrigerator/Deep freezers	-	3	6	35
Chorkor Smokers	-	9	1	2
Gas Smokers	-	-	1	3
Motrorized Canoes/Fishing Net/ Hooks & Lines	1	-	10	7
Ploughs/Irrigation Pumps	-	-	1	-

Source: Field Survey, 2008

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary, conclusions and recommendations drawn from the research findings.

Summary

The descriptive survey design was used for this research. The study population included all the thirty-eight (38) active microfinance groups of the bank out of which ten (10) groups were sampled. The simple random sampling technique was used to select sixty (60) respondents from the ten (10) sampled groups.

The first research question sought to find the extent and coverage of the microfinance program of Lower Pra Rural bank. The study showed that the bank has sixty (60) microfinance groups (out of which thirty-eight (38) groups were active) spread throughout the Shama, and Mpohor Wassa East Districts and the Sekondi-Takoradi Metropolis of the Western Region. The bank trains these groups in basic record keeping and meeting procedures for at least sixteen (16) weeks before the members qualify to take their first loans. The loans are repaid in a cycle of between 16 to 26 weeks. Every member, depending on the number of weeks in a loan cycle, is eligible for an average of three loan cycles in a year.

The second research question was on the effects of microfinance program on the business operations of the respondents. The respondents gave varied and multiple answers to this question. Most gave between two (2) and three (3) answers to the effect microfinance loans has had on their business operations. The major sources of funding for the businesses of the respondents prior to joining the microfinance program were found to be private money lenders and purchases made on credit;

On the effects the microfinance on their business operations, most of the respondents said that they can now purchase stock with cash and so have reduced or stopped purchasing items on credit for their businesses. Others said that they now have enough working capital to meet their recurrent expenditure; a few had been able to increase their stock holdings and also put up new permanent stores while almost all of them had also been able to acquire more assets for their businesses;

The third research question was on the effects of microfinance program on the household wellbeing of the participants. About 50 percent of the respondents said they are now able to pay their children’s school fees. Their children are able to stay in school without being sent home for non-payment of school fees. There had also been improvement in the contribution of the participants to household expenditure. Participants were now able to purchase clothing for their children and were able to pay their schools fees;

Household food consumption patterns for the respondents had also improved since joining the microfinance program. Before joining the microfinance scheme only 17 households had three meals a day but this increased to 44 households after they had joined the program;

On the question of ownership of houses prior to and after participation in the microfinance program 7 respondents had their own houses before joining the scheme. However, this increased to 19 respondents after they have participated in the microfinance program. It must be added that those who had been able to put up their own houses had taken more than two cycles of loans. Some were in their sixth loans cycle; and

There was also a marked increase in the acquisition of these household assets after the respondents had taken the microfinance loans. The items that were purchased most included Television Sets, Mobile telephones, Radios, Gas Stores, and other household furniture. Others are refrigerators and other fishing equipment including canoes.

Conclusions

From the analysis the following conclusions could be made. More women take part in microfinance programs than men. Poverty is endemic in the rural areas. The bank gives at least 10 percent of its budgeted loans to microfinance groups. The dominant economic activities that the microfinance beneficiaries undertake are trading followed by fishing. Few farmers are able to access the microfinance loans of the bank. According to the bank some participants also use the loans taken from the bank for consumption purposes and other household expenditure and so are unable to repay their loans leading to some of the groups defaulting on their repayments.

Recommendations

In the light of the findings and conclusions outlined, the following recommendations are made.

The results of the study indicated that most of the microfinance loans were being given to traders. The capacity of microfinance institutions should be enhanced to by the government and other donor organizations enable them increase lending to clients in other sectors of the economy such as agriculture and small scale cottage industries.

The bank should increase the number of participants in the microfinance scheme to cover more eligible people. The number of farmers who are also in the scheme should be increased by tailoring specific scheme that take into consideration the nature of the business to enable them put more land into cultivation. In this regard, local authorities and other non-governmental organizations could collaborate with the bank to give more training on business management to the participants to enable them apply the loan to their business to result in their expansion which would ultimately lead to improved businesses and well-being for their households.

The bank should also explore the feasibility of engaging the credit staff in the acquisition of farm equipments such as irrigation pump machines for farmers and outboard motors to fishermen. This would ensure that the funds were not diverted but applied to the businesses of the beneficiaries. Micro insurance could also be undertaken by the bank to protect its investment and also to create a safety net to the participants in case of disasters.

Recommendations for Further Study

1. The impact of microfinance on food crop farmers should be investigated further; and
2. A further study should also be undertaken to explore how microfinance can be used to alleviate urban poverty.

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APPENDIX A

Questionnaire for Customers

The purpose of this questionnaire is to gather information on the effects of Lower Pra Rural Bank Micro finance Scheme in reducing rural poverty in the Mpohor-Wassa East and Shama Districts. Any information provided will be strictly held confidential and used only for academic purposes.

Background Information

Please kindly respond as honestly and truthfully as you can. Tick **(√)** where appropriate.

1. Sex Male [ ] Female [ ]

2. Age…………………………….

3. Highest educational attainment.

   No formal education [ ]

   Non formal education [ ]

   Basic School [ ]

   Second Cycle [ ]

   Tertiary [ ]

4. Occupation

   Farming [ ]

   Fishing [ ]

   Petty trading [ ]

   Oil Processing [ ]

Others (specify) [ ]

Effect of microfinance on business

5. Before joining the microfinance scheme what were your major sources of finance for your business?

   Friends [ ]

   Family [ ]

   Money Lenders [ ]

   Purchased stock on credit [ ]

6. How much have you benefited from the micro finance scheme so far?

   GH¢…………………

7. How has the micro credit affected your business operations?(tick as many as are applicable)

   Now purchase stock with cash [ ]

   Increase in trading stock [ ]

   Increased my working capital [ ]

   Put up my own store [ ]

   Acquired more trading assets [ ]

Effect of microfinance on household living standards

8. How has the MF credit affected the living standards of your household since you joined the microfinance program? (Tick as appropriate)

   Able to pay children's school fees [ ]

   Contribute to housekeeping [ ]

   Able to purchase clothing for children [ ]

Able to pay for utilities [ ]

Able to save more [ ]

Able to pay rent [ ]

Any other………………………………

9. Before joining the microfinance group how many times did your household have meals in a day?

Once [ ]

Twice [ ]

Three times [ ]

10. After joining the microfinance group how many times does your household have meals in a day?

Once [ ]

Twice [ ]

Three times [ ]

11. Did you own a house before joining the Mf scheme?

Yes [ ]

No [ ]

12. Have you been able to put up a house after joining the scheme?

Yes [ ]

No [ ]

13. Do you own any of the under listed items? (Tick as are applicable)

Item	Before Loan	After Loan
a) Bicycles/Motor Cycles		
b) Cars/ trucks		
c) TV sets		
d) Radio Cassette Players/Radios		
e) Stereo /DVD/VCD Players		
f) Mobile telephones		
g) Household furniture		
h) Gas stove		
i) Sewing Machine		
j) Refrigerator/Deep freezer		
k) Ploughs and irrigation machines		
l) Chorkor Smoker		
m) Gas Smoker		
n) Dugout Canoe with outboard		
o) Fishing Nets, Hooks and Lines		
p) Fishing Boats (motorized)		

APPENDIX B

Questionnaire for Bank Officials

The purpose of this questionnaire is to gather information on the effects of the Lower Pra Rural Bank Microfinance Scheme in reducing rural poverty in the Shama District. Any information provided will be strictly held confidential and used only for academic purposes.

Title and position of respondent…………………...

1. How is a microfinance group formed?
2. Who qualifies to be a member?
3. What is your acceptable number of clients in a group?
4. How long does it take for members to access microfinance loans?
5. Does the program embody compulsory savings for the borrowers?
6. Why was the microfinance scheme established by the bank?
7. What is the total number of loan clients of the bank as at December 31, 2008?
8. How many of these clients are microfinance clients?
9. How is the microfinance loan accessed?
   - i) By Individuals
   - ii) By Identifiable Groups
   - iii) Both

10. What are the major activities of these microfinance clients?

   i) Agriculture (farming and fishing)

   ii) Cottage industry

   iii) Transport

   iv) Petty trading

   v) Others (specify)

11. What criteria do you look for before one qualifies to access the microfinance loans?

12. What much loan can be accessed at a time by

   a) Groups?

      i) Maximum……………………

      ii) Minimum……………………

   b) Individuals?

      i) Maximum……………………

      ii) Minimum……………………

13. How are the loans secured?

   i) Collaterals specify………………

   ii) Guarantee by other customers

   iii) Group solidarity

14. How, in your own estimation, has the microfinance program of the bank improved the livelihoods of the participants?

15. Please complete the attached

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENTS

2004	Total Loans Disbursed	Number of clients	Total MF Loans Disbursed	Total Number of MF Clients
Agriculture				
Oil Processing				
Trading				
Fishing				
Total				

2005	Total Loans Disbursed	Number of clients	Total MF Loans Disbursed	Total Number of MF Clients
Agriculture				
Oil Processing				
Trading				
Fishing				
Total				

2006	Total Loans Disbursed	Number of clients	Total MF Loans Disbursed	Total Number of MF Clients
Agriculture				
Oil Processing				
Trading				
Fishing				
Total				

2007	Total Loans Disbursed	Number of clients	Total MF Loans Disbursed	Total Number of MF Clients
Agriculture				
Oil Processing				
Trading				
Fishing				
Total				

2008	Total Loans Disbursed	Number of clients	Total MF Loans Disbursed	Total Number of MF Clients
Agriculture				
Oil Processing				
Trading				
Fishing				
Total				