

**THE INFLUENCE OF MICROFINANCE ON THE LIVELIHOOD OF  
WOMEN:**

**A CASE STUDY OF MALLAM (GA SOUTH MUNICIPALITY),**

**GHANA.**

**BY**

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**STATEMENT OF AUTHENTICITY**

I, hereby declare that this submission is my own work and to the best of my knowledge, contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## **DEDICATION**

To my mum and dad, for inspiring me and always believing that I can achieve all my dreams. To my siblings - Anna and Priscilla, I know you look up to me, and I hope I am setting the pace for you to follow.

To God Almighty, to whom all the praise and the honour is due.



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## **ABSTRACT**

Microfinance, is viewed the world over as a useful tool for addressing poverty by governments, development agencies and stakeholders. Mallam, a community located within the Ga South Municipality is one such locality that believes that microfinance is a tool that can be utilized to eradicate poverty, owing to the number of microfinance institutions (MFIs) found there. Microfinance interventions in Mallam range from formal to informal finance schemes i.e. group loans, individual loans, money lending etc.

Over the years, there has been a growing need to tap into the market of the unbanked, poor people that are willing to borrow small amounts of money that would eventually uplift their standards of living. Advocates of microfinance have pointed out that even the poor are credit worthy and should be given the opportunity that most traditional banks have denied them.

Surprisingly, some commercial banks have observed that there's a growing inclination towards microfinance by many Small-Medium Enterprises (SMEs), and have opted to open up subsidiaries that would target SMEs by providing them with microfinance products. An example of such a commercial bank is that of Ecobank, that has opened EB Accion in collaboration with Accion International to provide microfinance to SMEs.

Initially, microfinance was seen by many stakeholders – government, civil society and donor community as a tool to get people out of poverty. But due to emphasis on sustainability, many MFIs have opted only to lend to the “entrepreneurial” – people with basic business and management skills with operational economic ventures. This is especially the case for MFIs that are registered firms with the main aim of profit

maximization. Therefore it is seen as a waste of resources to lend to a poor person who has no means to repay the loan.

Critics of this trend argue that microfinance was initially meant to target the poor of the poorest in the most remote areas of the world, while advocates argue that the cost of lending to the poor is high and they have to only lend to poor people that are able to meet their criteria, and successfully payback the loans inclusive of interest charges.

The conceptual framework in this paper was adopted from the sustainable livelihood framework, developed by Department for International Development – DfID. Furthermore, a quasi-experiment was used as it enabled the researcher to compare the livelihood outcomes of non-beneficiaries of microfinance to that of beneficiaries of microfinance. Group lending was the focal point of the paper as it targets the very poor of society who otherwise may not have the means to borrow individually.

Moreover, descriptive statistics, chi square and logit regression were employed in order to identify the relationship between variables that may affect the livelihood of a woman resident in Mallam. Factors identified by the researcher that were examined included, average income, average expenditure, quality of dwelling type, household sizes and general health status of the household. These variables were adopted from the Sustainable Livelihood Framework and the Microfinance Poverty Assessment Tool – MPAT.

The underlying reason for embarking on this topic was to ascertain if access to microfinance had ripple effects that will ultimately lead to an improved livelihood outcome. Results of the logit model, while controlling for dwelling type, education of respondent, income, acquisition of household assets indicates microfinance has a significant influence on clients as compared to non-clients.

The information in this report provides planners and policy makers with the vital basis that will help them in designing appropriate policies for the microfinance sector in Ghana. Planners and policy makers in this regard include the Bank of Ghana, Ministry of Finance and Economic Planning just to mention a few.

This study will therefore probe issues that have an influence on the livelihood outcomes of women and offer possible policy recommendations to remedy the situation.

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**LIST OF ACRONYMS**

MFI	Micro Finance Institutions
RCBs	Rural Community Banks
CU	Credit Union
SLC	Savings and Loans Company
FNGOs	Financial Non-Governmental Organizations
ROSCAs	Rotating Savings and Credit Associations
MIX	Microfinance Information eXchange
GHAMFIN	Ghana Microfinance Institutions Network
OISL	Opportunity International Savings and Loans
MASLOC	Microfinance and Small Loans Centre
LESDEP	Local Enterprises and Skills Development
LDCs	Less Developed Countries
DFID	Department for International Development
SLF	Sustainable Livelihood Framework
GSMA	Ga South Municipal Assembly
BOG	Bank of Ghana
GPRS	Ghana Poverty Reduction Strategy

# 1 INTRODUCTION

## 1.1 Introduction

Microfinance is not a new concept in Ghana as it has been a common practice for people to save and/or take small loans from individuals and groups within the context of self-help in order to engage in small retail businesses or farming ventures. It can be defined as the provision of basic financial services to the poor, helping them in the long term to create and grow small businesses (Republic of Ghana, 2006; Otero, 1999)

The informal sector in any given society plays a very important role in the economy, as not everyone has access to formal employment. This has led to existing entrepreneurs (80% of whom are women), to access the services offered by Microfinance Institutions – MFIs (LESDEP, 2012).

Factors such as male migration, the deaths of males in civil conflicts and wars, unprecedented adolescent fertility and family disruptions have resulted in most households in Sub-Saharan Africa being headed by women, who may have little or no formal education for them to access formal jobs. This has given rise to the feminization of poverty, i.e. women relatively poorer than men (Moghadam, 2005; Kabeer, 1994). Prevailing statistics display that women make up half of the world's population, yet account for 70% of the world's poor (Maxwell, 2003; Cornwall & Brock, 2005; World Bank, 2002). With prevailing economic situations, women often opt to go into some sort of business in order to make ends meet (Holcombe, 1995).

Initially, micro finance was largely gender neutral; it sought to provide credit to the poor who had no assets to pledge as collateral. However, it quickly emerged that women invested profits in ways that had a longer lasting impact on families and communities (Armendariz de Aghion & Morduch, 2005). Activities in the informal sector carried out by women include; hair dressing, baking, seamstresses and petty trading – selling of goods from tables and kiosks or carrying them from place to place (LESDEP, 2012)

Behind all microfinance programs is the assumption that the intervention will change human behaviours and practices in ways that lead to the achievement (or raise the probability of achievement) of desired outcomes. Desired outcomes, in this context signifies better financial literacy, better education for women and her children, access to quality health services and participation in social and political issues at community level, just to mention a few (Sebstad et al, 2005; Armendariz de Aghion & Morduch, 2005). Conventionally, economic indicators have dominated microfinance as most researchers are eager to measure changes in income despite the enormous problems this presents.

Other widely used indicators have been arrays of expenditure, consumption and assets. A strong case can be made that assets are a particularly useful indicator of impact because their level does not fluctuate as greatly as other economic indicators and is not simply based on an annual estimate (Mayoux, 2002; Kabeer, 2005; Kabeer, 1998)

However, evidence tend to be inconclusive as many researchers assume that if a particular microfinance intervention is successful in one area, then it would be automatically applicable in others. Sachs, 1999 in his research concluded that there

exist some deterrents to a successful microfinance intervention such as poor governance, lack of infrastructure and dispersed population.

## **1.2 Statement of Problem**

Poverty in Ghana is on the rise due to factors such as unemployment, lack of capital, just to mention a few, with women being the most affected. It is generally thought of in terms of deprivation either in relation to some basic needs or in relation to the resources necessary to meet these minimum basic needs. In the past, women have been relegated to matters of secondary importance mainly due to tradition. In the traditional setting, men have controlling power over women's livelihood i.e. physical, natural, health socio-economic. Parpart, 2000 argues that women face poverty differently and hence have been the target for most microfinance interventions.

In the light of the prevailing statistics of the feminization of poverty, the international community have made it a priority to halve global poverty by the year 2015. This has been made possible by defining a set of goals, targets and indicators for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women, collectively known as the Millennium Development Goals – MDGs. MDG goal number three is to 'promote gender equality and empowering of women' (WHO, 2003).

Another attempt to end poverty among women as suggested by the World Bank (World Bank, 2002) is 'putting resources into the poor women's hand while promoting gender equality at the household level and in society that would result in large developmental pay offs. Sections of literature (Bunning, 2004; Cheston & Kuhn, 2002; Endeley & Thompson, 2005; Holcombe, 1995) all approve the fact that

empowerment of women at the grass roots level entails capital injection into their various livelihood strategies.

On the other hand, traditional commercial banks tend to overlook the potential that this niche possesses for the reason that they often do not have the security (collateral) needed in order to obtain capital. Moreover, poorer sections of society also shun utilizing services offered by commercial banks due to their low income and the high interest rates charged by commercial banks. This has given rise to an influx of institutions that are willing to serve the niche market of the ‘unbanked’ sections of society.

The aim of this thesis is to primarily evaluate the success of microfinance interventions that are directed at women in achieving poverty reduction. However, sections of literature (Hulme, 2000; Montgomery, 1996) argue that while microfinance is advantageous, the belief that microfinance alone can reduce poverty is too simplistic. Rather than focusing on the simple ‘microfinance approach’ as opposed to integrated “credit plus” approach to microfinance service provision, this thesis draws attention to the importance of measures tackling the existing social norms and economic opportunities of women both beneficiaries and non-beneficiaries of microfinance.

### **1.3 Objectives of Study**

The principal objective of this study is to investigate if Micro Finance Institutions (MFIs) have contributed to poverty alleviation in the Mallam community. The specific objectives include:

- i. To identify loan purposes and income generating activities of female clients of micro finance institutions.

- ii. To investigate the role microfinance interventions play in the livelihood of women and that of their households.

#### **1.4 Research Questions**

In accordance with the stated research objectives of this paper, the overall research question is; has micro finance been valuable or detrimental to the lives of women? To answer this question, sub questions have been created for further investigation;

- i. What income generating activities do clients and non-clients of microfinance institutions engage in?
- ii. Has microfinance influenced the livelihood outcomes (income, expenditure and dwelling type) of clients of microfinance institutions in comparison to non-clients?

#### **1.5 Hypothesis**

Hypotheses provide a basis for inquiry and often influence methods for testing them (Ahiadeke, 2008). Therefore, two hypotheses were formulated i.e.

- I. Clients of microfinance institutions in Mallam have higher levels of income as compared to non-clients.
- II. Clients of microfinance institutions have higher levels of expenditure compared to non-clients

#### **1.6 Limitations to Study**

The main deterrent to this research was that of access to respondents. In order for questionnaires to be administered to beneficiaries, clearance from the board of directors of the MFIs was needed, and in some cases took over two months. And taking into account that the research was time bound, the researcher had to modify her

initial research location i.e. from Weija to Mallam in order to accommodate the institutions that were willing to take part in the research. Financial and time constraints also forced the researcher to limit the sample size (from 200 to 150 respondents) and the scope of the research. Furthermore, the researcher was limited to only three of the five microfinance institutions in Mallam, therefore making this paper not representative. Secondly, due to the inability of the researcher to speak the local dialect, the services of a translator had to be contracted. This prolonged the period of time the researcher had to spend with the respondent. It also led to loss of vital information due to lapses in translation during the course of the interview.

Another limitation was that some respondents were not willing to take part in the study for the fear of being ‘taxed’ by the government.

The unit of analysis were women in Mallam. It restricted itself to a few indicators such as income, expenditure and general well-being of the woman and her household.

## **1.7 Organization of the Study**

The study outline begins with chapter one, consisting of problem statement, objectives, research objectives, hypotheses and limitations to study. The second chapter gives an overview of microfinance interventions globally and in Ghana over the past ten years. Chapter three covers the review of literature pertaining to this study. Chapter four constitutes issues relating to the research methodology and area of study. The fifth chapter looks at the analysis of data and discussion of findings while chapter six consists of conclusions offers recommendations to policy makers and other stakeholders.

## 2 REVIEW OF LITERATURE

This chapter consists of a review of the literature and a concept that centers this study in the broader studies of microfinance and livelihoods. It highlights the lending strategies pursued in Ghana, types of microfinance institutions in Ghana and wraps up with leading criticisms of microfinance. Furthermore, the issue of livelihood is also delved into; looking at working definitions of livelihood, the measurement of livelihood and it concludes with a discussion on whether microfinance has a positive impact on the livelihood of women living in Mallam.

### 2.1 Microfinance as a Global Intervention

Over the past decade, the provision of microfinance has grown substantially extending billions of dollars in credit to millions of people worldwide (Ditcher, 2007). The presumption of microfinance has been that the poor in society lack access to formal financial services. Sections of literature (Thompson & Yeo, 1971; Baum, 2005) argue that the poor have been deliberately excluded from access to credit, owing to the fact that many formal institutions make it virtually impossible for the average person to access credit facilities in order to boost their economic ventures due to the need of collateral and high interest rates.

Globally, the success of microfinance is closely associated with Muhammed Yunus, a Bangladeshi economist who began providing small loans to poorer families in the society as a means of ending their poverty. His provision of small loans eventually turned out to be a successful venture as he observed 'significant changes in the quality of life' of his beneficiaries. In a bid to increase his scope of issuing small loans, Professor Yunus sought government support, leading to the establishment of the Grameen Bank.

The success of the Grameen Bank has been replicated world over leading to an increase in institutions replicating the Grameen Model. The number of MFIs has risen from 618 to 2,572, serving over 65 million clients between 1997 and 2002 (Seibel, 2001; Seibel, 2003)

In recent times, a steady growth of private financing of MFIs has the trend, with the bulk of funding being provided by development-oriented institutions and Non-Governmental Organizations (Cheston & Kuhn, 2002).

## **2.2 Definitions of Microfinance**

Microfinance has become a popular and fashionable word in financial and development circles. “Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients” (Republic of Ghana, 2006)

In addition to the above definition, (Otero, 1999) defines microfinance as “the provision of financial services to low-income poor and very poor self-employed people”. Basically, microfinance is simply the provision of small amounts of money as well as other services such as insurance, payment services and saving facilities to people that earn low income and are usually not able to access services of traditional commercial banks both in rural and urban areas.

Contemporary literature often tends to use the words ‘microcredit’ and ‘microfinance’ interchangeably, when the two words have entirely diverse meanings. UNEP, 2013 states that microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services. Therefore, it is

safe to establish that, Financial NGOs offer micro credit facilities to beneficiaries as FNGOs are not in a position to demand clients to save with them before accessing the loan as compared to Savings and Loans companies, Rural Banks, Credit Unions and Susu Collectors who demand that a client saves with them in order to be considered for a loan facility.

The transition from micro credit to micro finance has brought a change in viewpoint, a growing realization that low-income people can now access loans and as well as save through the provision of microfinance services either by private entities or by the government (Armendariz de Aghion & Morduch, 2005).

Governments around the world view microfinance as an intervention for poverty alleviation through assisting many small enterprises as well as low income earners in an attempt to compensate for the lack of low cost financial and non-financial services, by either providing micro finance at no charge or at a subsidized rate (Fields & Pfefferman, 2003). For example, the main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". Examples of poverty reduction interventions taken on by the government of Ghana include Microfinance and Small Loans Centre – MASLOC and Local Enterprises and Skills Development – LESDEP.

## **2.3 Approaches to Microfinance**

The microfinance sector has two dominant schools of thought about service delivery to its beneficiaries, namely the welfare approach and the institutional approach (Armendariz de Aghion & Morduch, 2005).

### **2.3.1 Welfare Approach**

This approach focuses on poverty reduction through credit and other services provided by organizations that obtain funding either from the government or benefactor interventions or both. It centres on beneficiaries and transformations in their livelihood (Morduch, 2008; Sen, 1999; Morduch, 1999). It is often referred to as the poverty lending approach or the social mission approach in some sections of literature.

This particular approach to microfinance does not oblige the beneficiary to initially save with the organization as is the prevailing trend. As such, the poverty approach is termed as micro credit, as it only offers loans excluding other services such as insurance and savings. Typical examples of this approach are government interventions that give small loans to beneficiaries without the need for clients to save with them (Armendariz de Aghion & Morduch, 2005).

### **2.3.2 Institutional Approach**

Sections of literature refer to the institutional approach to microfinance as the sustainability or financial approach. It focuses more on commercial lending to its clients – savers and borrowers in a bid to make the organization be profitable. Key assumptions by pioneers of this approach are that it enables them to reach more clients and help reach more beneficiaries than could be targeted by government or donor support.

Due to the high operational costs associated with this approach, many private institutions have opted to take the financial approach in a bid to be self-sustaining. Advocates of this approach argue that provision of quality financial services to their clients will ensure that the clients are economically better off. Furthermore, they argue that MFIs are no longer in need of donor and government support as new customers are attracted to the MFIs, and existing customers continue to repay as well as take new loans. (Aryeetey et al, 1997 ; Morduch, 1999)

Practitioners of this approach most often state in their various mission statements to be following the dual bottom line i.e. sustainability and poverty lending approach. However, critics have counter argued that sustainability and poverty reduction are mutually exclusive.

## **2.4 Models of Microfinance Interventions**

Basically, two microfinance lending strategies exist. These are the individual lending approach and the group lending approach. Most MFIs specialise in either one of these strategies, or practice both of them in a bid to reach more clients.

### **2.4.1 Individual Lending**

Basically, individual lending is defined as single-client lending where repayment is solely on an individual. The loan facilities are given to an individual based on their ability to provide an assurance of constant repayment (Ledgerwood, 1999). Usually, the individual is not part of a group, and provides collateral for the loan or a guarantor or in some instances, the individual client may have to provide previous payslips (if in employment as proof of a constant flow of income), bank statements (to show a record of savings) or even permit his/her business to be inspected by the MFI (to insure that the client really owns the business).

### **2.4.2 Group Lending**

The group lending strategy enables the MFI to reach more beneficiaries, as it provides an innovative and promising means of delivering credit to the poor. Examples of group based lending methodologies include the Grameen Bank, Latin American Solidarity Group and the self-reliant village bank (Hoff & Stiglitz, 1993; Ghatak & Guinnane, 1999)

Interested members form a self-selected group of usually between five and ten members. Loans are either given to individuals in the group or to the group as a whole to share among themselves. Group members are jointly liable for loan repayments (Armendariz de Aghion & Morduch, 2005).

By replacing collateral with joint liability and working with groups rather than individuals, this strategy has made access to credit to the poor of the poorest easier and has also significantly reduced transaction costs incurred by MFIs.

Usually, before the loans are disbursed, group members undergo some training in basic financial and vocational skills.

Currently, microfinance institutions in Mallam and Ghana in general practice a blend of both lending strategies, in a bid to widen its clientele base. Individual lending approaches target middle to high income earners (or people with guarantors or collateral), while group lending strategies target low income earners who are willing to share liability with individuals with similar characteristics.

### **2.5 Why Microfinance and Women?**

Not all microfinance institutions focus primarily on women, nevertheless a recent study found that women make up 80% of the clients of the thirty-four largest micro-

lenders (Mody, 2000). Microcredit Summit Campaign 2000 holds that women make up to 75% of all clients. With these high percentages of women borrowers, one wonders why women make up such a huge proportion of beneficiaries of micro finance interventions.

Chant, (cited in Bradshaw & Linneker, 2003) states that among the poor, women are relatively poorer than men, with female-headed households being the poorest of the poor. Taking this into consideration, most MFIs especially the non- governmental MFIs have tailored their products to meet the needs of women, who are most often neglected in society due to their poverty standing.

Kabeer, 1994 gives reasons for women's poverty. These include;

- i. Women have fewer possibilities to translate work into income. This stems from their exclusive responsibility for reproductive and household work.
- ii. When women do have income they find it more difficult to transform this income into decision making capacity or to decide how it is used.
- iii. When women do make decisions, they are less likely to make decisions that would improve their own wellbeing and more likely to seek to improve the wellbeing of all, or of others.

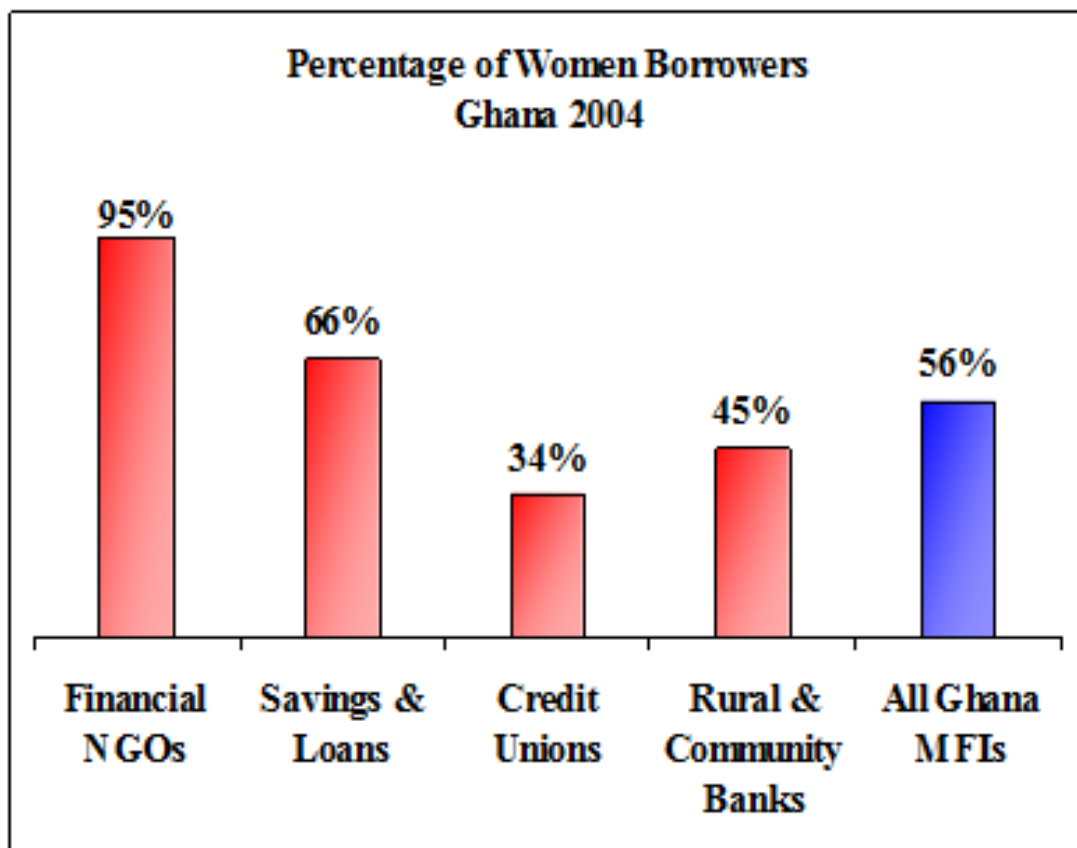
Studies into microfinance operations in Less Developed Countries (LDCs) such as Bangladesh show that access to credit empowers women. Access to credit is closely linked to increased earning capacity and control of assets by women at the household level. Greater decision-making and control at the household level, leads to greater demand for health care and education. Other resources in the hands of women also increase allocation to children living in the household (World Bank, 2005).

Research in Brazil showed that additional income in the hands of women is associated with larger improvements in child survival and nutrition than additional income in the hands of men (Thomas, 1990).

On the local scene, the Ghana Microfinance Institutions Network (GHAMFIN) in 2004 carried out a study that revealed that women make 56% of borrowers in the country, very close to the Sub-Saharan average of 57%.

GHAMFIN has classified microfinance institutions into the following categories; Financial Non-Governmental Organizations – FNGOs, Savings and Loans Companies – S&Ls, Credit Unions – CU and Rural and Community Banks – RCBs. The following diagram shows the percentage of women borrowers per institution.

**Figure 1 Percentage of Female Borrowers in 2004**



Source: GHAMFIN, 2005

Apart from women, being the most impoverished, Armendariz de Aghion & Morduch, 2005, p. 180 states that women, in comparison to their male counter parts have better repayment records. Based on this assertion, most MFIs have tailored their products to suit the needs of women in their localities.

Thirdly, Khandker (2003, quoted in (Armendariz de Aghion & Morduch, 2005, pp 180) argues that providing women with microfinance turns out to have stronger impacts on households. A 100% increase in borrowing by women, led to a 5% per capita increase in household non-food expenditure and a 1% increase in per capita household food expenditure in comparison to 2% increase in non-food expenditure and a negligible change in food expenditure.

Furthermore, (Aryeetey E. B.-D., 2000) argues that the empowerment of women through access to credit conveys direct welfare benefits of the family and the nation as a whole.

## **2.6 Criticisms of Microfinance**

Current debates about trends in microfinance are that of the trade-off between the social mission of microfinance and commercial mission of microfinance i.e. to provide financial services to large numbers of low-income persons to improve their welfare or to provide those financial services in a financially viable manner (Armendariz de Aghion & Morduch, 2005)

With the high cost associated with lending to the poor, many microfinance institutions have considered opportunities for maximizing poverty impact and depth of outreach (Simanowitz & Walker, 2002).

To achieve financial sustainability, a microfinance institution should cover the cost of funds, operating costs, loan write-offs and inflation with the income it receives from fees and interest. MFIs that are self-sustaining tend to be larger and highly efficient.

Adams & Mayoux, 2001 and Mayoux L. , 2001 argue that microfinance only increases the debt burden of a woman that is already poor. He states that, “a loan provided by the micro debt industry, for say \$100, is no more an empowerment tool than is a similar loan from an evil money lender or a relative, unless the extent of the lender somehow transforms the usefulness of the money borrowed – which it doesn’t.”

## **2.7 Microfinance in Ghana**

The concept of microfinance in Ghana is not a new occurrence as Ghanaians have saved and even borrowed in a bid to start a business or boost existing economic ventures. Evidence suggests that the first Credit Union in Africa was established by the Canadian Catholic Missionaries in 1955 in the Northern part of Ghana. Furthermore, informal methodologies of microfinance popularly referred to as Susu have their origins in Nigeria, spreading to Ghana and the sub region in the 1990’s (GHAMFIN, 2005).

Microfinance in Ghana has evolved over the years, going through four main phases (Asiama & Osei, 2007). Stage one was basically the provision of subsidized credit facilities to individuals and enterprises by the state in the 1950’s under the assumption that the lack of capital was the cause of poverty. Stage two (1960s – 1970s) encompassed the provision of microcredit through Non-Governmental Organizations. During this stage, the main aim was to reach as many poor people as possible, without

taking into consideration the financial sustainability of the NGOs. Stage three, begun in the 1990s saw the formalization of many micro finance institutions. The mid 1990s to date constitutes the last stage of the evolution of microfinance in Ghana, which has witnessed an increase the commercialization of microfinance, as is evident from the number of MFIs currently operational in the country.

The emergence of Rural and Community Banks – RCBs since the 1970s under special regulations by the Bank of Ghana furthermore complemented government's efforts to improve the socio economic status of rural dwellers. RCBs were established in a view of serving individuals and small enterprises within their catchment areas with loans as well as saving facilities.

Microfinance in Ghana is categorized into three tiers; the formal sector which comprises of Commercial Banks, Rural and Community Banks (RCB's) and Savings and Loans Companies (SLC's). These institutions are incorporated under the companies code, 1963 (Act 179) and possess the legal identities as limited liability businesses. The second tier is the semi-formal suppliers of microfinance, and these include credit unions, financial non-governmental organizations (FNGOs) and Cooperatives. Whilst the third tier, which are the informal suppliers comprises of Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCA's and ASCA's), traders, moneylenders and other individuals (Aryeetey et al, 1997; Aryeetey & Nissanke, 1998)

According to data made available to the Microfinance –MIX (MIX and CGAP, 2011); Ghana had a total of 79 microfinance institutions and as at December 2011, total loans disbursed to clients amounted to USD 225.1 million while total deposits amounted to

USD 238.6 million respectively. Furthermore, active borrowers were 301, 333 and depositors were 926, 497. However, the total outreach of these organizations is minimal due to the fact that these MFIs are located in urban and peri-urban settings, while the majority of the poor are in the rural areas (in Ghana's context are located in the Northern parts of the country) (GSS, 2000; GSS, 2002)

The Bank of Ghana is the sole body responsible for licensing and regulating the operations of microfinance institutions (MFIs in Ghana are also supported by apex organizations such as the ARB Apex Bank, Ghana Cooperative of Credit Unions Association and the Ghana Microfinance Institutions Network – GHAMFIN (Steel & Andah, 2003).

Providers of microfinance are often referred to as micro financiers or more commonly identified as microfinance institutions – MFIs (Microfinance Information eXchange, 2013). In Ghana microfinance institutions have been further classified into the following classes;

- i. Credit Unions

Credit unions are registered by the Department of Cooperatives as thrift societies that can accept deposits from and give credit to their members (Jean et al., 2005; 5). The apex body of the CUs, the Ghana Cooperative Credit Union Association (CUA) regulates the interest rates that CUs have to pay on members' savings and charge on loans, perhaps reflecting the initial welfare nature of credit unions (Steel & Andah, 2005). At the end of 2005 there were about 273 credit unions in Ghana (Jean et al., 2005)

- ii. Rotating Savings and Credit Associations –ROSCAS

Rotating savings and credit associations (ROSCAs), also known as Susu groups, are found in most parts of the country. Members contribute fixed amounts into a common pool at regular intervals (daily, weekly or monthly, depending on patterns of income flows). The joint fund is handed over to each member in turn until everyone is served. In Ghana membership of ROSCAs tend to be found among petty traders and employees.

iii. Savings and Loans Companies – S&Ls

The S&L companies are licensed under the Non-Bank Financial Institutions Law 1993 and are restricted to a limited range of financial services (Steel & Andah, 2003; Gueyie et al, 2013) confirm that S&L companies mostly serve the urban populace and that only one S&L institution has a rural branch. Their lending practice includes both group and individual savings with credit schemes with existing occupation-based groups.

iv. Financial Non-Governmental Organizations – FNGOs

FNGOs are incorporated as companies limited by guarantee (not for profit) under the Companies code. There exist about 29 financial NGOs in Ghana Jean et al 2004. Two types of NGOs that provide finance services can be distinguished; those whose core activity is finance are known as financial NGOs (FNGOs) and those NGOs who include financial services as a component of their activities. Financial NGOs could potentially transform into Savings and Loans companies in order to strengthen their operations by mobilising savings from the public, as evidenced by Sinapi Aba Trust (SAT) converting their most productive branches into the Opportunity International Savings and Loans Company.

The poverty reduction orientation of NGOs means that they penetrate deep into the poor clients' base using microfinance methodologies (Steel & Andah, 2003). In this regard, NGOs have played an important part in getting financial services to the northern part of the country where commercial and rural banks are relatively scarce.

v. Rural Banks.

RCBs operate as unit banks, and are owned by members of the community through purchase of shares (Gollardo, 2001; GHAMFIN, 2005). They operate as commercial banks but cannot perform foreign exchange transactions and operations are restricted to its geographical location.

RCBs constitute the largest player in Ghana with regard to geographical coverage, depth of outreach and number of products.

Rural Banks in Ghana operate under an apex institution known as the Association Rural Bank (ARB). The specific functions of the ARB include; cheque clearing; organising training programmes, supervision and regulation, rural deposit insurance and research and innovation.

## **2.8 Microfinance Activities in Mallam**

The author identified five MFIs working in Mallam. These were licensed as registered businesses with the Ga South Municipal Assembly and also licensed with the Bank of Ghana. MFIs operational in Mallam have their offices located near the newly constructed N1 highway. The following is a list of operational institutions within the research area:

- Opportunity International Savings and Loans
- EB Accion Savings and Loans
- Express Savings and Loans
- First National Savings and Loans
- Ga Rural Bank

From the five available MFIs, the researcher purposively sampled three institutions on the criterion of willingness to participate i.e. one rural bank and two savings and loans companies (Ga Rural Bank, Opportunity International Savings and Loans and EB Accion Savings and Loans).

The researcher chose to only concentrate on registered microfinance institutions due to the influx of sub-standard and unscrupulous lenders.

### **2.8.1 Opportunity International Savings and Loans**

Licensed in June 2004, by the Bank of Ghana, Opportunity International Savings and Loans (henceforth OISL), is a member of Opportunity International Network and is operational in forty seven countries across the world – Ghana inclusive. OISL is committed to providing opportunities to individuals living in less developed countries by providing the entrepreneurial poor with high excellence business and developmental services.

As a savings and loans company, OISL offers the general public a convenient place to either save or access their loans. This is done through the provision of services such as money transfers - Western Union, MoneyGram and MTN mobile money; micro

insurance; mobile banking; training and business advice and well as Automated Teller Machines – ATMs.

OISL has its presence in about 25 locations across Ghana and offers loans such as individual loans, group loans, Susu loans, agriculture loans, SME loans just to mention a few (Opportunity International Savings and Loans, 2012)

### **2.8.2 Ga Rural Bank**

With its headquarters at Amasaman, Ga Rural Bank was set up in the 1980s to provide banking services to the local community. With four functioning branches at Achimota, Kokrobite, Taifa and Mallam, the bank has until recently introduced microfinance to its clients, in a bid to address financial needs of small – medium enterprises.

In order to qualify for a loan facility; a beneficiary should belong to a group with a minimum membership of twenty people. Furthermore, the group should be homogeneous in trading and should be based within the catchment area of the bank (Ga Rural Bank, 2012)

### **2.8.3 EB Accion Savings and Loans**

A partnership between Ecobank group and Accion international, EB Accion was launched at the end of 2006, to provide micro financial services to low income earners. With Ecobank owning 70% shares, and 30% shares belonging to Accion, Ecobank brings to the table an extensive grid of banks to help standardize service delivery while Accion brings its technical expertise and leadership in the microfinance sector (EB Accion, 2012)

## 2.9 Definitions of Livelihood

Increased attention is being paid to livelihood in research and policy due to wide recognition that few rural as well as urban households (especially those in middle and low income countries) rely on a single source of income. Chambers & Conway, 1991 define livelihood as the capabilities, assets and activities required for a means of living. Livelihood is said to be sustainable when an individual is able to cope with and recover from stress and shocks, maintain or enhance capabilities and assets and provide sustainable livelihood opportunities (Carney, 1998). In disaggregating the concept of sustainable livelihood approach, FSNAU, 2009 describes livelihood as the way of life of a people which is made up of capabilities, activities and strategies needed and used by households and individuals for making a living.

In order to meet basic needs, Frankenberger, 1996 sees livelihoods security as adequate and sustainable access to income and resources. Livelihoods are formed within social, economic and political contexts. Institutions, processes and policies, such as markets, social norms, and land ownership policies affect women's ability to access and use assets for a favourable outcome. As these contexts change they create new livelihood obstacles or opportunities.

A very important trait of livelihood is that of interdependence. Very few livelihoods exist in isolation. A given livelihood may rely on other livelihoods to access and exchange assets. Traders rely on farmers to produce goods, processors to prepare them, and consumers to buy them. Livelihoods also compete with each other for access to assets and markets. Thus positive and negative impacts on any given livelihood will, in turn, impact others.

### 2.9.1 Conceptual Framework

The Sustainable Livelihood Framework - SLF developed by the Department for International Development (DFID) is a holistic approach to poverty that takes into account socio - economic indicators such as income. It consists of five components that are interrelated through relationships and feedback. The framework aims to present the five major components, their prominence and the nature of their interactions.

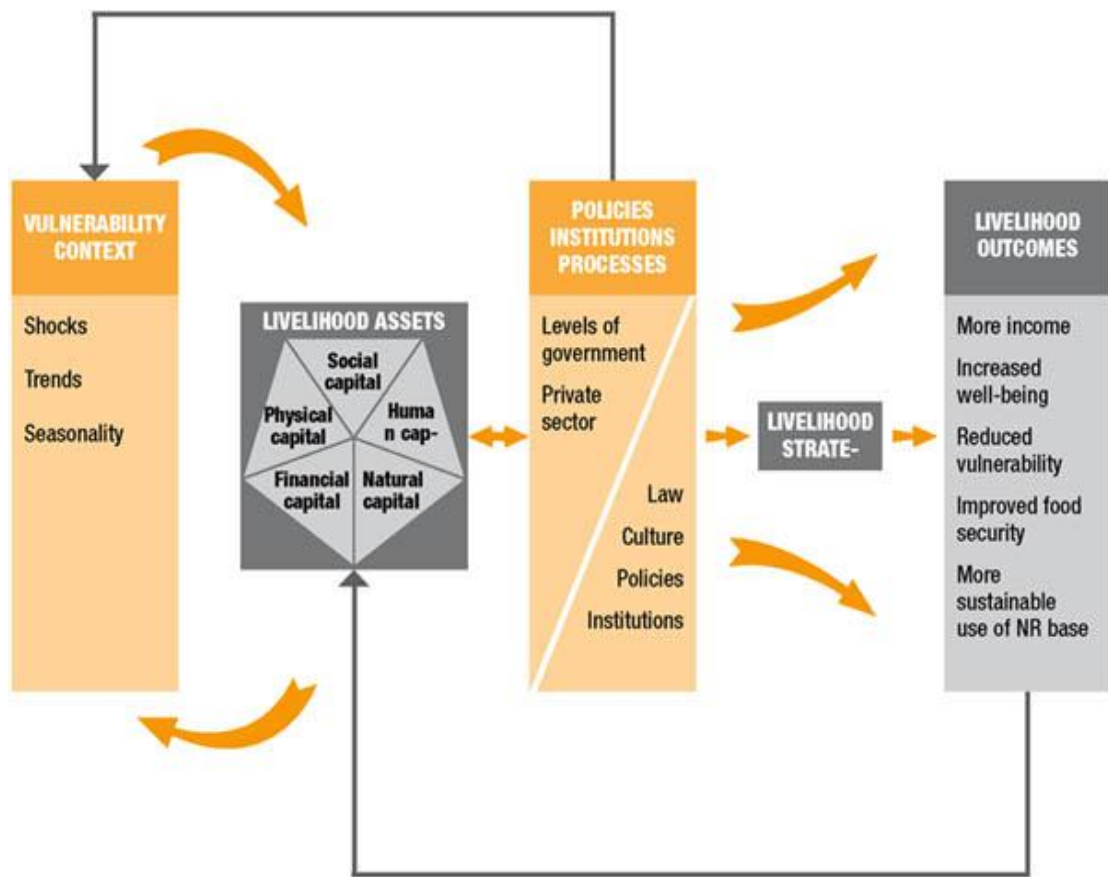
The concept of sustainable livelihood is an attempt by policy makers to go beyond conventional definitions and approaches to poverty alleviation, due to the fact that orthodox approaches are centred on certain facets such as income, without taking into consideration vital indicators such as vulnerability<sup>1</sup> and social exclusion<sup>2</sup> (Krantz, 2001).

Contemporary scholars have now shifted attention to factors that either constrain or enhance an individual's ability to make a living economically and in a social acceptable manner.

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<sup>1</sup>Degree to which people, property, resources, systems, and cultural, economic, environmental, and social activity is susceptible to harm, degradation, or destruction on being exposed to a hostile agent or factor.

<sup>2</sup>The failure of society to provide certain individuals and groups with those rights and benefits normally available them such as health, employment, education etc.

**Figure 2 DFID Sustainable Livelihood Framework**

Source: DfID, 1999

### 2.9.1.1 Vulnerability

This labels externalities (often uncontrollable) that may alter an individual's assets and livelihood opportunities. Externalities are classified into shocks (which environment and conflict related), trends (e.g. technology) and seasonality (employment and fluctuation of prices).

In the short term, an individual can do little about the extent to which externalities affect their lives.

### **2.9.1.2 Livelihood Assets**

In a bid to pursue positive livelihood outcomes, the SLF suggest that the following be available:

- a. Human capital – often referring to the quantity and quality of available labour
- b. Natural capital – natural resources such as water, air etc.
- c. Financial capital
- d. Physical capital – infrastructure that will positively contribute to productivity
- e. Social capital – needed networks for cooperation and support

The main assumption here is that as an individual acquires assets, she will be able to influence the next stage of the framework.

### **2.9.1.3 Transforming Structures and Processes**

In this context, structures refer to organizations that create and enforce legislation, manage natural resources and provide other crucial services. An example of such a structure would be the government. Processes refer to the interaction between individuals and the structure.

Structures are of high importance as they have the ability to create policies that may impact the poor if properly implemented.

DFIDs SLF goes on to emphasise that polices be implemented by competent structures.

#### **2.9.1.4 Livelihood Strategies**

Livelihood strategies basically refer to plans available to an individual in order to achieve their set livelihood goals. The underlying assumption is that the greater the diversity of a livelihood strategy, the higher an individual's pliability to vulnerability.

#### **2.9.1.5 Livelihood Outcomes**

Simply put, livelihood outcomes refer to outcomes of livelihood strategies. Outcomes may possibly include higher levels of income, greater food security plus reduced vulnerability.

However, it should be noted that livelihood outcomes are not always rational, as they are often conflicting in nature. An example would be the pursuit of higher income at the expense of a clean environment.

### **2.10 Measurement of Livelihood**

Over the years, various approaches and techniques have been used to measure the livelihood among men and women alike. A common approach is the income – consumption approach that uses the levels of income attained at both individual and household level to establish where the respondents are poor or not. This approach also measures expenditure used on food, housing, education, health and ownership of household items (GHAMFIN, 2005)

Another technique used to measure livelihood is the indicator-based approach. Here, a wide range of variables are used to amount for different levels of well-being. Variables used include; education, income, assets and quality of house. This approach is similar to the Human Development index as these two measure the same variables (World Bank, 1990; UNDP, 1990)

This thesis will employ a combination of the indicator-based approach and the income-expenditure based approach. Under the indicator-based approach, variables such as the standard of living and household assets would be used.

### **2.11 Does Microfinance Affect the Livelihood of Women?**

Two key non-financial determinants of microfinance influence at household and individual level are education and health. Hashemi, (2001) contends that households of microfinance beneficiaries tend to have better nutrition, health education and health practices in comparison to households of non-microfinance beneficiaries.

Children are not left behind as they also gain through access to better education. Littlefield, Morduch, & Hashemi (2003) maintain that poor people with income obtained through microfinance activities invest in their children's' education i.e. children are more likely to go to school and as well as stay longer in school in comparison to children of non-microfinance beneficiaries.

Robinson (2001) and Zeller & Meyer (2002) states that microfinance has a positive influence on the livelihoods of women. As access to microfinance leads to an enhancement in the quality of life of clients, a boost in self-confidence and has also helped in diversifying their sources of income, therefore increasing their income.

Chowdhury & Bhuiya, 2004 assesses BRACs microfinance intervention in Bangladesh and came to a conclusion that microfinance led to an improvement in basic education, lower child survival rates, and children suffered less malnutrition related diseases than children of non – members.

Therefore, a growing body of knowledge have proven that microfinance was, and still continues to positively influence at household and individual level.

### **3 RESEARCH METHODOLOGY**

This chapter describes the different approaches that the author used to collect the needed information in order to perform a standard research in conformity with objectives, research questions and hypotheses noted in the first chapter.

#### **3.1 Profile of Area of Study**

A predominantly Muslim community, Mallam is a settlement located within the Ga South Municipal Assembly – GSMA. It shares its boundaries with Gbawe and Weija. As at January 2013, Mallam had a population of 11,047 persons (GSMA District Profile). The main ethnic languages spoken are Ga and Fante. Social amenities found in Mallam include a government school – Gbawe District Authority Cluster of Schools (located near Gbawe); a police station – Lafa Police station; and five private hospitals. The nearest government hospital is at McCarthy Hill – Ga South District Hospital. The Accra- Cape Coast and the Mallam – Gbawe roads are the two major roads in this community.

Economic activities in Mallam vary from petty trading to a few established companies. Trading comprises of wholesale to retail shops, the sale of second hand clothing and accessories just to mention a few. Other economic activities include hair dressing, dress-making and food vending. The few established firms operating here are predominantly financial institutions i.e. Ecobank, Ga Rural Bank, 1<sup>st</sup> National Savings and Loans and EB Accion Savings and Loans. Telecommunication service providers such as MTN, Tigo and Glo also have their offices in Mallam.

Housing in this community is primarily that of a compound house i.e. where two or more families share a house and facilities such as toilets, baths rooms as well as kitchens.

### **3.2 Research Methods**

In a bid to achieve best results, the researcher used triangulation– the combination of both quantitative and qualitative methods in order to increase on credibility and validity of results (Flick, 1992)<sup>3</sup>. Emphasis was placed on quantitative methods<sup>4</sup>; however qualitative methods<sup>5</sup> were also employed in order to supplement the former approach. During the course of this study, direct observations, interviews, surveys and secondary data were employed.

#### **3.2.1 Qualitative Methods**

This is often referred to as ‘ways of soliciting for data that is more descriptive in nature, rather than drawing on statistical inferences’ (Punch, 2005)

##### **3.2.1.1 Participant Observations**

Sell & Webster Jr., 2007 argue that participant observation is vital for research as it enables a social scientist carry out investigations in the ‘natural setting’. Physical structures, behaviours and actions were observed by attending group discussions among the women in both the control and treatment groups, and visiting clients at their residences and/or places of work. This was done in a bid to gain further

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<sup>3</sup>Denzin, 1978: 291 cited in Jick, 1979 defines triangulation as ‘a combination of methodologies in a study of the same phenomenon’. It is helpful in research as allows researchers to be confident about their results.

<sup>4</sup> An approach to research that uses numerical data and typically, has structured and predetermined research questions, conceptual frameworks and designs (Punch, 2005; Kleinbaum et. al 1982)

<sup>5</sup> This employs non-numeric and unstructured data, and typically has research questions and methods which are general at the start, and become more focused as the study progresses.

understanding of the relationships, interactions and cultural practices that may have an effect on this research.

### **3.2.1.2 Key Informant Interviews**

Interviews were carried out with key informants who had an interest in the topic under study. Informants included experts in the microfinance industry in Ghana, who represented the three purposively sampled MFIs. This method was useful as it provided basic information about the scale of microfinance in Mallam.

### **3.2.1.3 Transcription**

As earlier stated in chapter one, a major limitation to the study was the inability of the researcher to speak in the local languages – Ga and Twi. Nonetheless, responses from clients were recorded, with an interpretator administering the questionnaires while the researcher looked on and supervised the proceedings.

The process of data analysis began with the translation and transcribing of responses gathered in the field. With the help of a research assistant, all responses were translated verbatim from Ga and Fante to English. In some instances, responses were contextualized to give meaning in English.

## **3.2.2 Quantitative Methods**

Basically, quantitative methods is an approach to research that is deductive in nature and uses formal and systematic process in which numeric data are used to solicit information (Kumekpor, 2002). Quantitative methods were employed to generate empirical data drawn on the data that was collected in the field.

### **3.3 Data Sources**

In order for researchers to base and confirm their research and eventual findings, they need to consider the available sources of data. For this study, data was collected from both primary and secondary sources. Primary data were typically collected using a research instrument – questionnaire and observation, while secondary data was sourced from books, newspapers, journals, previous research, government reports and web information.

### **3.4 Methodology (Selection of Interviewees)**

This study employed the quasi experimental design in a bid to compare effects of microfinance on beneficiaries to individuals that have not gained from microfinance (non-beneficiaries). The quasi experimental design was adopted due to the unavailability of baseline information of clients before accessing microfinance. This impelled the researcher to basically compare beneficiaries of microfinance to non-beneficiaries, in a bid to make comparisons. Hulme, 2000 argues that quasi experiments compare the effects of an intervention with a replication of what the outcomes would have been, had there been no microfinance involvement.

Here, the researcher identified women with similar characteristics (in terms of age, marital status, levels of income, education). Respondents were then stratified into two groups i.e. control group – comprising of non-beneficiaries of microfinance and a treatment group comprising of beneficiaries of microfinance. This allowed for a clear identification of livelihood differences of the two different groups.

Furthermore, snowball sampling<sup>6</sup> was employed as it allowed the researcher to make use of presumed social networks that exist between members of a target population to build a sample.

The control group comprised of women that were non-borrowers of microfinance, i.e. they were eligible to obtain a loan but had not yet received it, while the treatment group comprised of women who had accessed loans (borrowers) in the past two years.<sup>7</sup>

### **3.5 Sampling Technique**

This study's sampling unit was drawn from female clients and non-clients of Mallam, in the Greater Accra Region of Ghana. In selecting respondents in both the treatment and control groups, snowball sampling and purposive sampling were employed.

Snowball sampling was used to select respondents who had accessed microfinance for at least two years to be interviewed. This is so because a sample must be homogenous or have similar characteristics such as age, income generating activity and marital status. This was done by contacting credit officers at the three purposively sampled MFIs in Mallam, where key informant interviews with the credit officers led the researcher to some of the clients of the institution who belonged to solidarity groups.

Respondents in the control group were selected in the same way as the treatment group. However, purposive sampling was employed to select respondents that had homogenous characteristics and were able to provide the much needed information

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<sup>6</sup> A form of non-probability sampling in which the researcher begins by identifying an individual perceived to be an appropriate respondent.

<sup>7</sup> Similar methodology was also used by GIZ in assessing client value of property insurance in Ghana (Magnoni, Chandani, & Zimmerman, 2012)

needed for the success of this thesis. The selection of non-clients was adopted from Hulme & Mosley, 1996<sup>8</sup>.

As noted in the literature review, two existing lending strategies are used by MFIs i.e. individual lending and group lending. Based on the arguments of Coleman, 1999, the researcher preferred respondents that used the group lending approach as it provided respondents with similar socio-economic characteristics. Thus, respondents in both the control and treatment groups belonged to groups comprising between 5-10 members.

### **3.6 Data Collection Instruments**

Babbie, 2010 defines a questionnaire as “a document containing questions and other types of items designed to solicit information appropriate for analysis” It is used for the purpose of asking questions to ascertain people’s thoughts and opinions about their feelings, towards various issues that affect them.

Questionnaires were the main data collection instrument used in this study due to the fact that data was collected in a standardized format and it also measured unobservable attitudes, values and preferences. Open-ended as well as closed-ended questions were used in the questionnaire. Open-ended questions allowed for the respondent to give her own answers, while closed-ended questions gave the respondent an opportunity for the respondent to select an answer from a list of possible answers provided by the researcher.

The underlying objective of using questionnaires was to find answers to the research questions of the thesis which substantiate the overall research aims and objectives.

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<sup>8</sup>Hulme & Mosley, 1996 employed this approach while conducting studies in Bangladesh and Indonesia.

Questionnaires administered in this particular study were designed for two groups of respondents i.e. clients and non-clients of microfinance institutions in Mallam. Key areas covered in the questionnaire are in accordance with DFIDs sustainable livelihood framework and MPAT<sup>9</sup>.

These include:

- a. Income levels
- b. Expenditure
- c. Dwelling types
- d. Number of dependants

For the sake of clarity, various options were made available to the respondent to choose from, either from single answers to multiple answers. Where multiple answers were needed, the author indicated it for easier understanding and correct responses.

Editing of data was done while in the field in order to ensure that all questionnaires were accurately answered. Thereafter concepts were categorized containing broad themes such as income, expenditure and bio data. Each category was suitably labelled.

### **3.7 Pretesting**

Pretesting is an integral part of a good research process as it is helpful in revealing some unavoidable problems related to converting a designed data collection instrument to actuality (Robson, 2002). Pretesting was helpful as it helped the researcher notice the need to engage the services of a translator in a bid to in minimise

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<sup>9</sup>Microfinance Poverty Assessment Tool was created by the Consultative Group to Assist the Poor – CGAP, in collaboration with International Food Policy Research Institute in order to have a standardized tool to measure poverty levels among clients of Microfinance Institutions (CGAP and World Bank, 2003)

lapses in responses obtained during questionnaire administration. Pretesting was carried out in Mallam.

Deficits of the questionnaires were evident and considerable changes were made.

### **3.8 Confidentiality**

Anonymity of each respondent was stated on the questionnaire, as the rationale of the study was purely academic in nature and not as a means of benchmarking the respondents and the institution. The success and reliability of data collected is dependent on the level of confidentiality between the researcher and the respondents.

In addition, contact details of the university (phone numbers and email addresses) were stated on the letter of introduction to assure respondents that the research was academic in nature.

### **3.9 Method of Data Analysis**

In testing for the hypotheses stated in chapter one, chi square tests will be employed as variables under investigation are categorical. In addition to this, chi square tests enabled the researcher to find out if there are significant differences observed in the income and expenditure of borrowers and non-borrowers. Furthermore, a null hypothesis  $H_0$  will be formulated, with levels of statistical significance set at  $p < 0.05$ . Results with  $p < 0.05$  are deemed statistically significant, whereas results with  $p > 0.05$  were deemed statistically insignificant.

A similar methodology will be used to find if there exists a significant relationship between access to microfinance and the living conditions of clients and non-clients.

Answering research question 1 and objective 1 (refer to chapter one), cross tabulation and frequencies were used to compare loan purposes and income generating activities of participants in the control and treatment groups.

Logit regression will be employed to answer research question and objective 2, as stated in chapter 1. Logit regression combines independent variables to estimate the probability that a particular event will occur. In this case independent variables such as income, education and the type of business activity one is engaged in will be used to estimate the probability of a woman having a better livelihood.

Let  $y^*i = (1)$  denote if a woman is client of an MFI, and  $y^*i = (0)$  indicate if otherwise. Furthermore, let  $x_i$  refer to a vector of explanatory variables. The logistic model defines  $y^*i$  as the underlying variables for the livelihood of borrowers and non-borrowers assuming if forms the following model:

$$y^*i = Bx_i + e_i, \quad i = 1, \dots, n.$$

where  $B$  = vector of parameters,  $x_i$  = the explanatory variables and  $e_i$  = the error term.

The explanatory variables included in the model are centred on factors that might influence the livelihood outcomes of women.

### 3.10 Ethical Considerations

Neuman, 2002 denotes the term ethics as ‘moral principles governing behaviour’. Simply put, ethics are rules that dictate what is right from what is wrong. It is important for every researcher to consider ethics in the research planning process. The author had to get clearance from the head offices of the microfinance institutions

based in Mallam. Letters of introduction obtained from ISSER and research proposals were submitted for consideration by MFIs.

All the head offices are found in various places in Accra, about 35km away from Mallam.

## **4 DATA ANALYSIS AND DISCUSSION OF FINDINGS**

This chapter delves into the discussion of results of data, hence giving further elaboration of the subject matter at hand. It also provides the reader of the general demographics of the sampled population.

### **4.1 Demographic Characteristics of Respondents**

Demography of respondents in a given study is vital as it gives an idea of the situation on the ground. Variables analysed and discussed form a basis for answering some research questions.

#### **4.1.1 Age of Respondents**

Age of respondents was converted into a 5 category ordinal rank. Employing a categorical variable rather than a continuous variable was deemed appropriate as some women were not willing to reveal their ages or did not know their exact ages.

Overall, 16% and 4% of respondents in the control and treatment groups were aged between 16-25 while 18% of the population was aged between 56 years and above. Ages 26-35, 36-45 and 46-55 represented 26%, 27.3% and 18.7% respectively.

This serves as an indication that economically active women in the Mallam area are middle-aged, possessing the ability to engage in various income generating activities.

**Table 1 Age Distribution of Respondents**

Age	Client		Non Client	
	Freq.	Percentage	Freq.	Percentage
16-25	3	4	12	16
26-35	23	30.7	16	21.3
36-45	17	22.7	24	32
46-55	19	25.3	9	12
56 and above	13	17.3	14	18.7

**Source: Field Survey, 2013**

#### 4.1.2 Marital Status of Respondents

Table 2 illustrates that married women make up 49% of respondents in the treatment group where as 44% of respondents in the control group are married. Single women in the control and treatment groups accounted for 36% and 21% respectively.

**Table 2 Marital Status of Respondents**

Marital Status	Client		Non Client	
	Freq.	Percentage	Freq.	Percentage
Married	49	65.3	33	44
Divorced/Separate	5	6.7	7	9.3
Single	16	21.3	27	36.0
Widow	5	6.7	8	10.7

**Source: Field Survey, 2013**

The high percentage of married women in the treatment group can be attributed to the need to supplement income as a means of providing for their households. The high

proportion of clients having 3 or more children could affect the amount of time the two groups devote to income generating activities. In order to shed more light on this, a cross tabular analysis was run to find the relationship between the marital status of a client and the number of household members below 18 years. Results showed that 15 out of the 75 respondents sampled in the treatment group had 3 children below 18 years, while an additional 14 respondents had over 4 household members below the age of 18. This confirms the notion that clients of microfinance seek extra sources of finance in a bid to provide for their respective households.

#### **4.1.3 Educational Levels of Respondents**

The educational status of a respondent whether informal or formal plays a significant role in the success of their various business ventures. Currently, Ghana's educational system is as follows: primary school is equivalent to 6 years; junior high school is 3 years, while senior high school is 3 years. In this context, tertiary education denotes post-secondary qualifications obtained from training colleges, polytechnics or universities, just to mention a few.

Level of education for this particular study included a six category nominal variable. Table 3 sheds more light on the findings.

**Table 3 Educational Status of Respondents**

Education	Client		Non Client	
	Freq.	Percentage	Freq.	Percentage
None	8	10.7	16	21.3
Primary School	10	13.3	11	14.7
Junior High School	35	46.7	22	29.3
Senior High School	17	22.7	12	16
Tertiary	4	5.3	12	16
Other	1	1.3	2	2.7

**Source: Field Survey, 2013**

Results from the survey show that 29.3% of non-borrowers have gone up to the junior high school level of education as opposed to 46.7% of clients. Furthermore only 16% non-borrowers have post-secondary education as compared to 5.3% of clients.

The effect of the lack of education on enterprising women is the inability of one to keep proper business records and/or the misapplication of profits on trivial things. This is evident from the percentage of non-borrowers – 21.3% and clients – 10.7% who are illiterate.

#### **4.1.4 Occupation of Respondents**

Results from the survey indicate that the majority of respondents in the two groups are entrepreneurs<sup>10</sup>. In this context, employees denote people who are in some form of paid work, but also have a small business to supplement their income. Employees accounted for 8% of non-borrowers as compared to 2.7% of clients.

<sup>10</sup> Someone who organizes operates and assumes risk for a business venture.

The high number of entrepreneurs in Mallam is attributed to the high levels of unemployment. This then leaves women with no choice but to look for alternative sources of income rather than look for employment.

**Table 4 Occupation of Respondents**

Occupation	Client		Non Borrower	
	Freq.	Percentage	Freq.	Percentage
Employee	2	2.7	6	8
Entrepreneur	65	86.7	63	84
Retired	8	10.7	3	4
Other	0	0	3	4

**Source: Field Survey, 2013**

## **4.2 Livelihood Assets of Respondents**

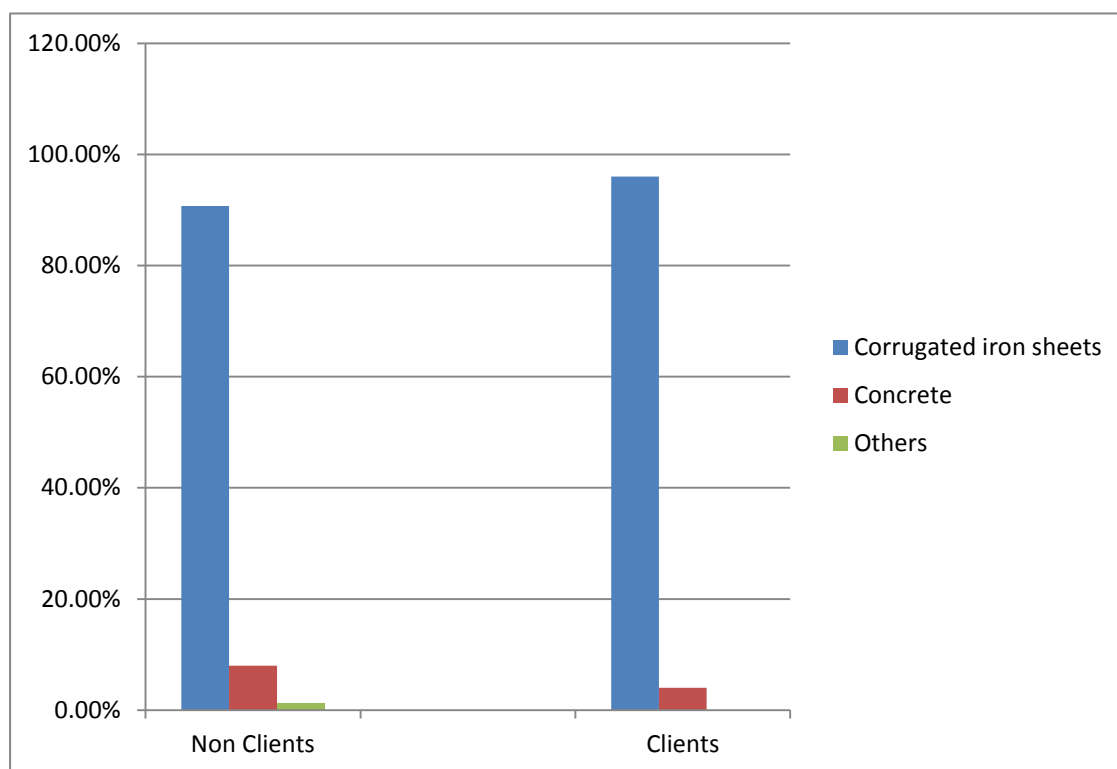
In this context, livelihood assets of respondents denote the dwelling type of respondents in the control and treatment group in addition to household assets that a respondent owns.

### **4.2.1 Dwelling Type of Respondents**

Dwelling types (also referred to as living conditions) are used as indicators of socio-economic status of individuals in society. It is an important indicator as it suggests the resources that are available at the respondents' disposal. In this particular case respondents were asked to describe their housing conditions including the type of roofing material used, type of floors and walls in their respective homes.

When asked about the type of roofing material used in their respective homes, 90.7% of non-clients used corrugated roofing materials<sup>11</sup> in comparison to 96% of clients.

**Figure 3 Roofing Types of Respondents**



**Source: Field Survey, 2013**

Chi square tests revealed that there isn't a statistically significant relationship between the roofing type of an individual and access to microfinance. Hence there is no difference between the roofing type of clients and non-clients  $\chi^2(2) = 2.114, p(0.347) > 0.005$ .

Furthermore, when asked about materials used for flooring in their various homes, 77.3% of non-clients and 76% of clients used cement for their floors. Other flooring materials included mud floors (8% and 4% for non-clients and clients respectively) and tiles accounting for 14.7% of non-borrowers and 20% of clients. The relationship

<sup>11</sup> A type of sheet iron or steel strengthened for use by having a series of alternating grooves and ridges forced into it, and usually galvanized for weather resistance.

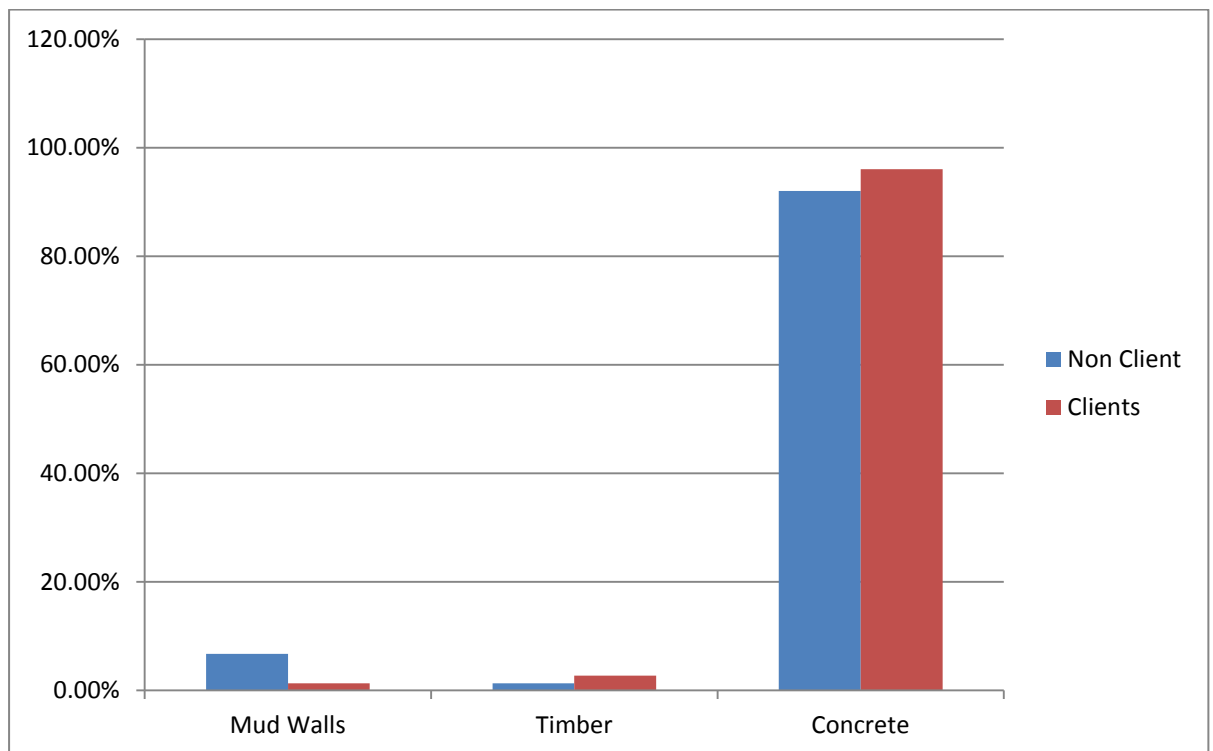
between the materials used for flooring and group type (client and non-borrowers) was found to be statistically insignificant  $\chi^2(2) = 1.624, p(0.444) > 0.005$ . Thus, there exists no association between an individual's type of floor and her ability to access microfinance.

**Table 5 Floor Types of Respondents**

Floor Type	Client		Non Borrower	
	Freq.	Percentage	Freq.	Percentage
Mud Floor	3	4	6	8
Concrete	57	76	58	77.3
Tiles	15	20	11	14.7

**Source: Field Survey, 2013**

When asked about the materials used for walls, results showed that the most common type of material used was concrete accounting for 92% of non-borrower and 96% of clients.

**Figure 4 Type of Walls of Clients and Non - Clients.**

**Source: Field Survey, 2013**

The relationship between the materials used for walls and group type (client and non-client) was found to be statistically insignificant  $\chi^2(2) = 3.064, p(0.216) > 0.005$ .

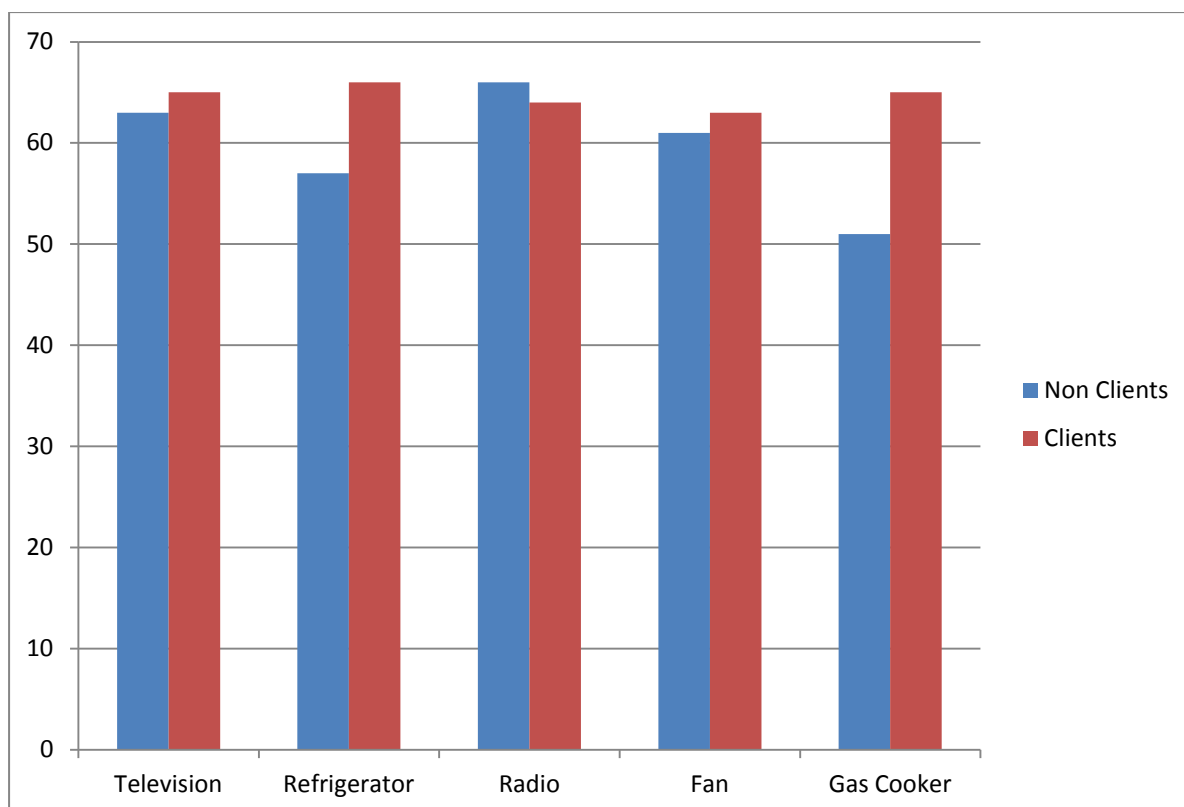
Therefore, results based on the overall living conditions of respondents in the treatment and control group suggest that there exists no relationship between dwelling types and group type (client and non-client).

#### **4.2.2 Household Assets of Respondents**

Household assets are a vital variable to consider as they provide a basic tangible assets that can easily be converted to cash i.e. they may be seen as a ‘capital base’ from which productivity can be derived.

In this study, household assets included a two category (yes, no) nominal variable where respondents were asked to state the basic household assets that they owned in their respective homes.

**Figure 5 Household Assets**



**Source: Field Survey, 2013**

57 of the 75 respondents sampled in the control group owned a refrigerator in comparison to the 66 out of the 75 respondents in the treatment group. The high number of clients owning refrigerators is attributed to the type of income generating activity they're engaged in. Figure 5 illustrates that 34.7% of clients were engaged in petty trading<sup>12</sup> and by virtue of their businesses needed a refrigerator for storage of perishable goods.

<sup>12</sup> The sale of groceries and other house hold items.

Ownership of household assets is an important issue in the field of microfinance. Because of the moral hazard associated with microfinance, prospective clients are asked to show what assets could be liquidated in case of a default in repayment. The presence of more household assets put an individual in a better position to acquire a loan.

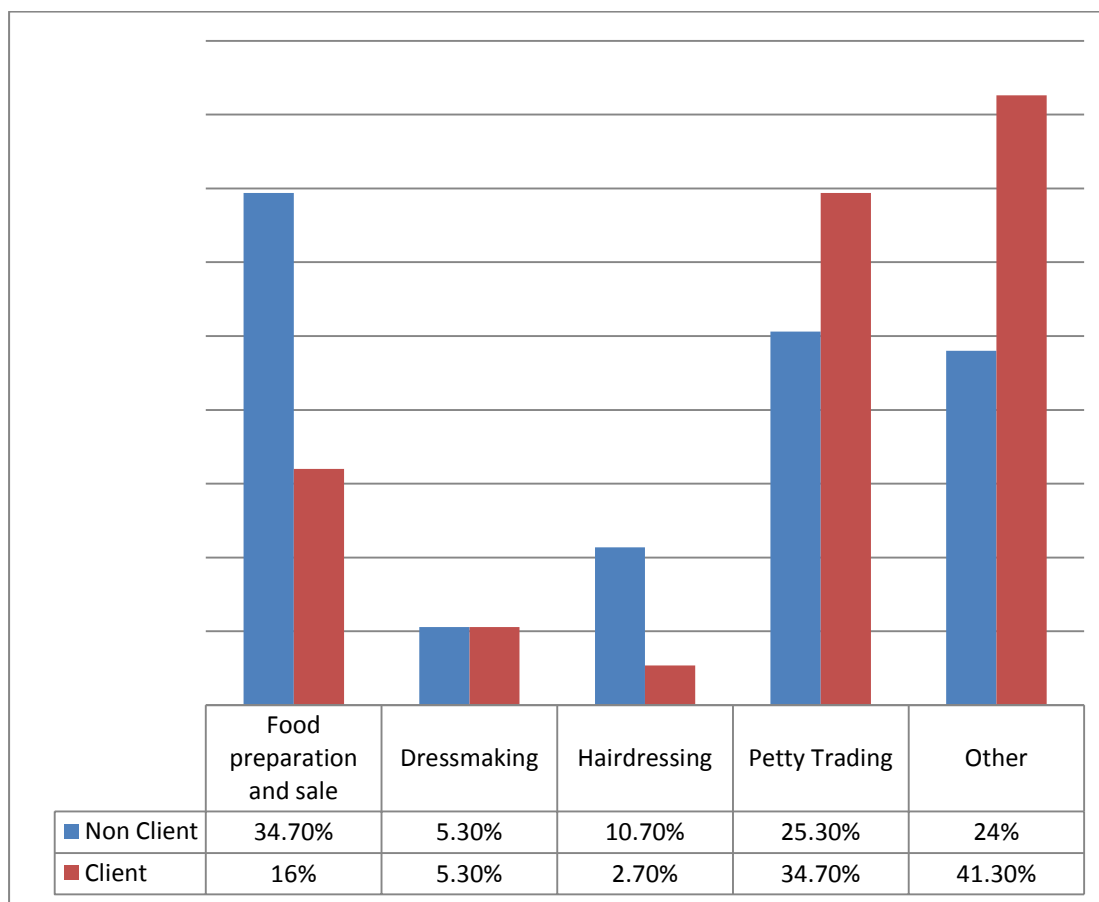
### **4.3 Livelihood Strategies of Respondents**

A key issue of the examination of livelihood strategies is the scale at which the assessment is carried out. This particular paper concentrates its efforts on livelihood strategies at the individual level.

#### **4.3.1 Type of Business Activity**

This section answers objective 1 and research question 1 stated in chapter one. The types of business activities in which clients as well as non-clients engage in, serves as an indicator of the amount of income realised, profitability and eventually the degree of influence of microfinance, more especially on the livelihood of women in the treatment group.

Categorization of variables in this particular instance was informed by the knowledge acquired during field observation.

**Figure 6 Business Activity**

**Source: Field Survey, 2013**

Food preparation and sale constituted 34.7% and 16% of non-clients and clients respectively, with business being conducted mostly in the morning and evenings. Petty trading formed 25.3% of non-clients in the sample as compared to 34.7% of clients. The high percentage of petty traders is attributed to the selection criteria of MFIs, preferring clients with a steady flow of income.

Income generating activities falling under 'other' included cross border trade (mostly to Togo and Ivory Coast), cold store, tie and die and the baking of bread. In the light of this, 24% and 41.3% represented participants in the control and treatment group respectively.

### 4.3.2 Monthly Net Profit of Respondents

The monthly net profit of respondents in this paper employed a five category ordinal variable. Profits were put into categories as respondents did not have necessary book keeping skills to give exact figures of monthly profits, thus the researcher opted to solicit possible amounts posted as profits on a monthly basis.

Empirical results indicate that 60% of non-clients and 69.3% of clients have their net profits fall within the GHC1-400 bracket. However, it was noted that participants in the treatment group did not post profits above the GHC801-1200 and GHC1601 and above threshold. This could be attributed to either poor sales or the repayment obligations that respondents had to their respective MFIs.

**Table 6 Net Monthly Profits of Control and Treatment Groups**

Monthly Net Profit	Client		Non Client	
	Freq.	Percentage	Freq.	Percentage
GHC1-400	52	69.3	45	60
GHC401-800	23	30.7	15	20
GHC801-1200	0	0	11	14.7
GHC1601 and above	0	0	4	5.3

*(Net monthly profits is used to proxy income. Actual values were not used for net monthly profits and expenditure, thus hypotheses 1 and 2 are shown to be not a priori)*

**Source: Field Survey, 2013**

Furthermore, a cross tabular analysis was run to find the link between sales and net profits of clients and non-clients. Results revealed that 42 of the 75 sampled participants in the control group posted monthly sales between GHC1-1000 with

profits not exceeding GHC400, in comparison to 48 of the 75 sampled participants in the treatment group that posted monthly sales ranging from GHC1-1000 with profits not exceeding GHC400.

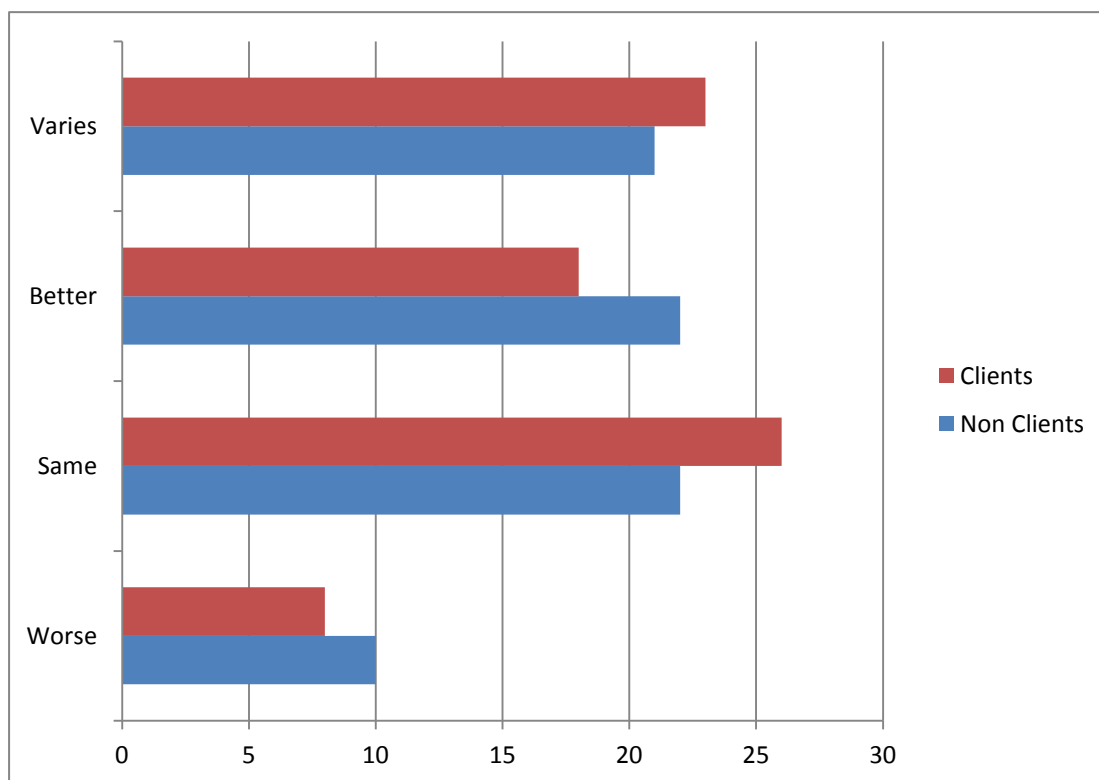
### 4.3.3 Trend in Profit Levels of Respondents

Overall, profit performance over the past three months was reported to have remained the same. To be precise, 34% of clients reported that their profits levels were still the same. This maybe attributed again to the type of business activity they are engaged in as well as the repayment of loans to their respective MFIs.

Results also revealed that 29% of participants in the control group reported profits either remaining the same or getting better over a period of three months.

Participants that engaged in hawking posted profits that varied over a period of three.

**Figure 7 Trend In Profits Over The Past Three Months**



Source: Field Survey, 2013

#### 4.3.4 Monthly Household Expenditure

**Table 7 Monthly Household Expenditure of Clients and Non Clients**

Monthly Household Expenditure	Client		Non Client	
	Freq.	Percentage	Freq.	Percentage
GHC1-200	38	50.7	27	36
GHC201-400	34	45.3	32	42.7
GHC400-600	3	4	11	14.7
GHC601-800	0	0	2	2.7
GHC801-1000	0	0	3	4

Source: Field Survey, 2013

Findings suggest that clients of MFIs tend to spend less as compared to non-clients. Respondents in the treatment group did not exceed the GHC401-600 bracket, as compared to respondents in the control group that had 2.7% and 4% spending over GHC601-800 and GHC801-1000 respectively.

Expenditure denotes the amount of money used on utilities such as water and electricity and food consumed.

Factors affecting household expenditure include income and number of dependents below the age of 18.

#### **4.4 Vulnerability of Respondents**

In this particular instance, vulnerability labels externalities (often uncontrollable) that may alter an individual's assets and livelihood opportunities. The researcher decided to measure vulnerability in terms of the number of dependents below the age of 18 and the overall household diet (Baiyegunhi & Fraser, 2010; Maxwell D. , 1996; Maxwell S. ,1996)

##### **4.4.1 Number of Dependents below 18 years in Household**

The number of dependents an individual has affects her ability to provide for her household. An example would be that of an individual having a steady flow of income – GHC 100 with only 2 dependents would be able to provide for her children and herself, as compared with an individual who receives a similar amount of GHC 100 but has 5 children. The individual with 5 children wouldn't be able to provide for her family as she would have to trade-off between basic need of her household and other necessities.

In the light of this, results suggest that 33% of non-borrowers had a total of three dependents below the age of 18 as compared to 12% of clients. Furthermore, a total of 29 respondents sampled in the control group had no dependents below the age of 18 as compared to the 18 respondents in the treatment group.

The researcher opted to use 18 years as a proxy as it the age at which an individual is considered an adult and able to fend for themselves (GSS, 2002)

**Table 8 Number of Dependents below 18 years**

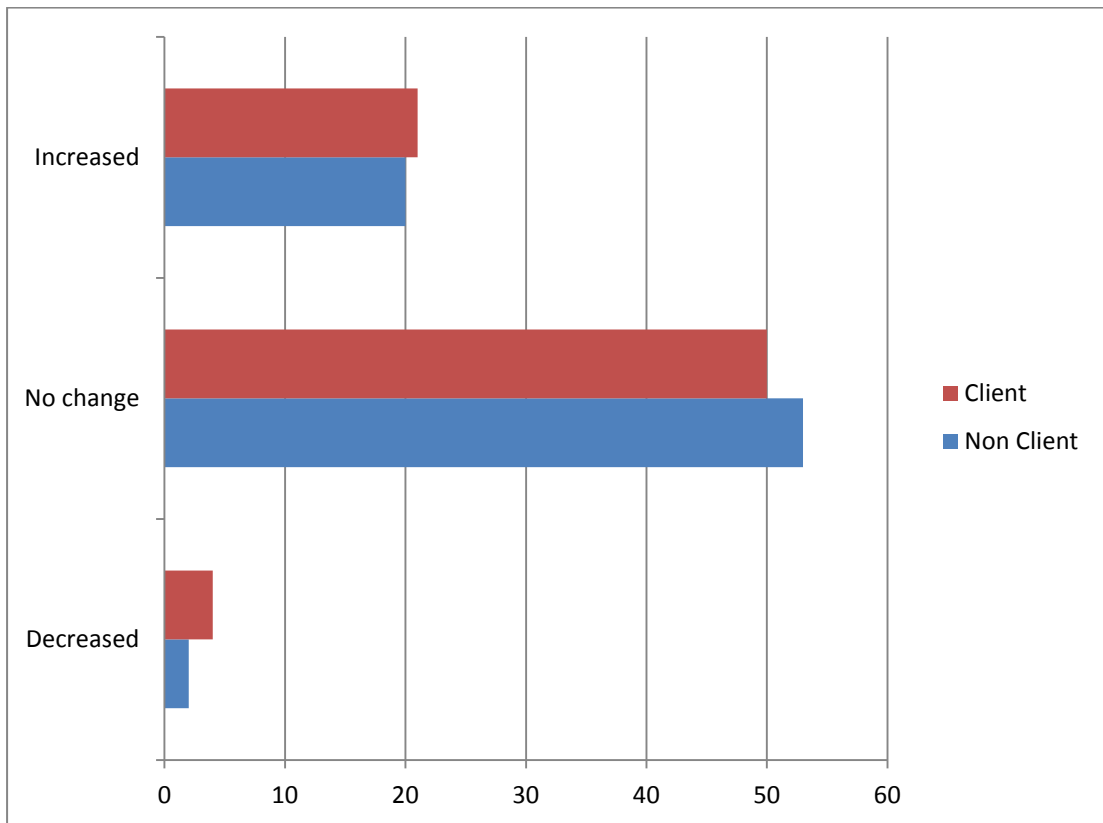
	<b>Client</b>		<b>Non Borrower</b>	
<b>Dependents Below 18</b>	<b>Freq.</b>	<b>Percentage</b>	<b>Freq.</b>	<b>Percentage</b>
Four and above	17	22.7	9	12
Three	25	33.3	9	12
Two	0	0	1	1.3
One	15	20	27	36
None	18	24	29	38.7

**Source: Field Survey, 2013**

#### **4.4.2 Household Diet of Respondents**

The underlying assumption of finding out the diet of respondents over a period of three months was to ascertain whether microfinance to some extent had an influence on the eating habits of clients and non-clients.

In this instance a three category nominal variable was used and respondents asked if they had noticed any changes. Respondents were asked whether their diets and that of their household had decreased, increased or not changed at all.

**Figure 8 Trend in Household Diet over the Past 3 Months**

**Source: Field Survey, 2013**

Findings reveal that 70.7% and 66.7% of non-clients and clients respectively noticed that their diet had not changed at all.

#### **4.5 Average Amount of Money Received from Microfinance Institution (Treatment Group)**

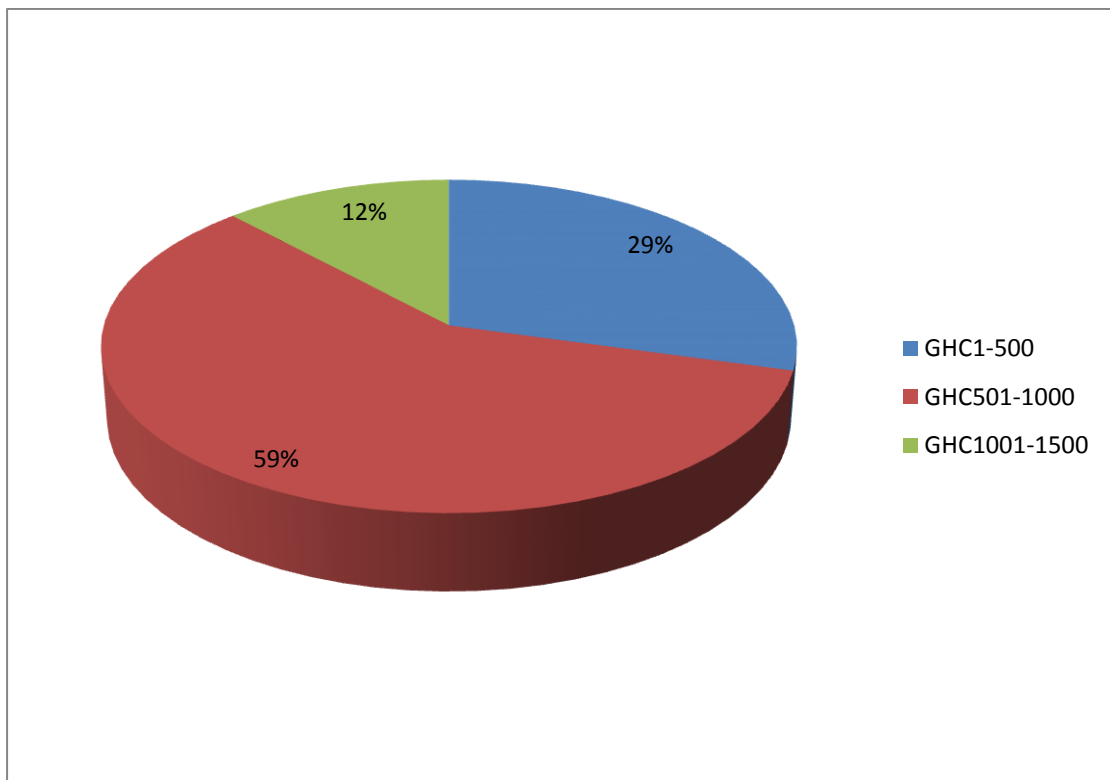
For first time borrowers in the treatment group, the maximum amount that can be given to them as a loan facility amounts to GHC 500. This is however subject to an individual's credit worthiness, line of business and levels of income. However, in

some cases clients prefer to get loans lower than the maximum set amount. Clients in the second cycle<sup>13</sup> are eligible for loans amounting to GHC 1000.

Results from the survey reveal that 29.3% of respondents obtained loans between GHC1 – 500, while 58.7% and 12% of respondents obtained loans between GHC501-1000 and GHC1001 – 1500.

Clients that received loans of up to GHC 1500 were considered ‘loyal and promising clients’ by their respective MFIs. The following figure illustrates the results.

**Figure 9 Amount of Money Borrowed by Clients**



**Source: Field Survey, 2013**

<sup>13</sup> Received a loan on two occasions from the same MFI

#### 4.6 Impact of Microfinance on Respondents Life

This section answers research question 2 and objective 2 as stated in chapter 1. In finding the association between microfinance and variables aforementioned in the literature review and methodology, logit regression was run and the results reveal the following;

**Table 9 Results of Logit Regression**

Variable	Standard Error	Coefficient
Marital Status (Married)	-0.413	0.655
Education (Educated)	-0.385	-0.42
Income	-0.411	0.746*
Fuel Use For Cooking (Gas)	-0.429	1.370***
Decision Making	-0.43	0.798*
Business Activity	-0.611	0.472
Acquisition Of Household Asset	-0.468	0.771*
Dwelling Type	-0.473	-1.138**
Constant	-0.883	-2.705***

N=150

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Source: Field Survey, 2013**

The table above illustrates a logit model looking at the association of microfinance on the livelihood of women. Results of the model, while controlling for dwelling type, education of the respondent, income, acquisition of household assets indicates there is an association between microfinance on clients as compared to non-borrowers, but cannot infer causality. Thus, the probability of that a woman who has accessed microfinance will contribute to the acquisition of household assets is significant at

10%. Moreover, the probability of microfinance transforming the dwelling type of a client is significant at 5%.

Considering the business activity one is engaged in as a factor, results show that clients are 0.472 more likely to benefit from microfinance than non-borrowers. However, this difference is not statistically significant ( $p > 0.005$ ). This could be attributed to the type of business activity one is engaged in, as well as a string of other factors not considered in this study.

The study also showed a non-statistically significant relationship between marital status and benefit from MFIs even though the data showed that those who are married are more likely to benefit from microfinance. As expected, those who were educated depend less on MFIs than the less the educated. Even though it is not statistically significant, the data showed that the educated women are 42% less likely to depend and benefit from MFIs credit. Thus the educated women are able to get formal employment and as such gain monthly income which mostly discourages them to depend on MFIs for loan. On the other hand, the uneducated women are dominant in the informal sector and therefore lack the collateral to take loans from the formal financial institutions. They therefore depend on MFIs for financial support.

A positive relationship exists between microfinance and livelihood, signifying that access to a loan has potential to expand the business credentials of a woman in addition to an increased contribution to the household.

Sections of literature (Frankenberger, 1996; Morduch, 2007) suggest that effects of microfinance often trickle down to members of the household in terms of health and education of household members. Results from the survey indicate that 93.3% of respondents in the treatment group had noticed an increased contribution to their

children's' education. In an interaction with one of the respondents, Ms Naa Quaye attributed her children's education to the loan she got from EB Accion savings and loans.

*“I had my first child at the age of 16, and was forced to drop out of school. I lived with my aunt in Awoshie who travelled to Togo and brought goods for resale. She taught me the trade, and with time I was able to stand on my own. I got a loan worth GHC600 and that changed my life. Now my son is 10 years old and is in school; and with the proceeds of business I am able to send him to school, put a roof over his head and feed him”*

Testimonials from women in the treatment group also corroborated that the access to loans had an effect on their general vulnerability.

*“With the loan I managed to acquire from Opportunity International Savings and Loans I managed to supplement my husband's efforts in caring for me and the family. Now, my husband has stopped giving me 'chop money' and has concentrated his efforts in acquiring a piece of land in our home town. I am happy to help share responsibility with him. – Serwah Hayford,”*

## 4.7 Discussion of Findings

### 4.7.1 Hypotheses Testing

This section summarises the contribution of empirical data in answering the hypotheses stated in Chapter one. The study employed chi square tests in assessing the relationships between microfinance and the variables under examination, and those found to be statistically significant were highlighted. Furthermore, cross tabulations were also used as they enabled separate analysis of the control and treatment groups.

- i. Hypothesis 1 – Clients of microfinance institutions in Mallam have higher levels of income<sup>14</sup> as compared to non-borrowers.

In order to test this hypothesis, an alternate hypothesis  $H_A$ , was formed i.e. clients of microfinance institutions in Mallam do not have higher levels of income as compared to non-borrowers.

Cross tabulations revealed that 30% and 10% of non-borrowers fell within the income bracket of GHC1-400 and GHC401-800 respectively where as 34.7% and 15.3% of clients fell within GHC1-400 and GHC401-800 income bracket.

Chi tests results show there isn't a statistically significant relationship between income level and group type (client/non clients). Hence there is no difference between the income of clients and non-borrowers ( $X^2(3) = 17.189, p(0.001) < .005$ ). Therefore, reject the  $H_A$  and accept the null hypothesis,  $H_0$ .

- ii. Hypothesis 2 – Clients of microfinance institutions have higher household expenditure as compared to non-borrowers.

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<sup>14</sup> In this instance income denotes net profits of respondents.

An alternate hypothesis,  $H_A$  was formulated i.e. clients of microfinance institutions do not have higher household expenditure as compared to non clients. Results indicate that the relationship between microfinance and household expenditure is statistically significant  $X^2(4) = 11.494$ ,  $p(0.002) < .005$ ). Therefore, this paper accepts the  $H_0$  and rejects the  $H_A$ .

Cross tabulations indicate that clients are more likely than non-clients of MFIs to fall within the GHC1-200 and GHC201-400 monthly expenditure threshold.

Generally speaking, results appear to show that non clients are significantly more represented in the higher income and expenditure brackets (GHC400 and above), contrary to the hypotheses. Possible explanations for this trend may include:

- Micro entrepreneurs are notoriously poor at estimating their profits, or unwilling to state them. Furthermore, there could have been some biases in responses (though there's no particular reason why clients would systematically bias estimates downward and non-clients upward unless in hopes of getting a loan).
- There could have been some differences in the amount of time that the two groups devoted to their businesses, since some of them are doing their businesses part-time. However, there is again no reason to think there is a systematic bias; indeed, the non-clients are more likely to be employed in a regular job. Furthermore, since clients are more likely to be married, they may spend more time on family obligations and less time on their business (but this would work if the data also show that they have more children in the household; since female heads of households presumably also have responsibilities).

#### 4.7.2 Significant Findings

The objectives of this study were to identify loan purposes and income generating activities of clients as well as to investigate the role of microfinance in the livelihood of women.

From the interactions with respondents, the main purpose for accessing a loan was for recapitalization or expansion of their existing businesses. Loans were only disbursed by MFIs after clients met all the criteria for getting a loan such as being in an active economic activity and having a steady flow of profits.

Income generating activities observed in this study ranged from food preparation and sale, to dressmaking to tailoring to cross border trade and petty trading just to mention a few. Overall, 25.3% of respondents engaged in food preparation and sale while 30% of respondents engaged in petty trading. Interesting, 32% of respondents engaged in 'other' forms of businesses such as cross border trading, tie and die and baking of bread.

Income generating activities were conducted in markets, independent establishments, shopping complexes, hawking and stores attached to places of residence representing 20%, 24.7%, 6%, 16% and 33.3% of the population respectively.

However, not all income generating activities were eligible for loans. These include the brewing and sale of locally brewed hard liquor popularly known as '*Akpeteshie*'<sup>15</sup>, the sale of charcoal, carpentry just to mention a few. The reluctance of MFIs to finance such business ventures range from environmental protection and awareness

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<sup>15</sup> Home brewed alcoholic spirit produced by distilling palm wine or cane sugar juice.

(in the case of charcoal) and the sale of *Akpeteshie* in Ghana is deemed illegal, thus MFIs do not want to have an association with financing an illegal activity.

Results from the logit regression run revealed a significant relationship between access to microfinance and the livelihood outcomes of women in the treatment group. Findings of the logit regression corroborate assertions by Sachs, 1999 and Aryeetey E. B.-D., 2000 that the empowerment of women through the provision of microfinance has a direct impact on a woman life.

Furthermore, when respondents in the treatment group were asked about the process of obtaining a loan, responses included compulsory savings (for a minimum of six weeks), filling of forms, opening of accounts, undergoing of interviews and inspection of businesses. In some cases in-depth training in financial and non-financial issues occurs ranging from between two and eight weeks. However, respondents unanimously attested to the fact that the process of obtaining a loan was too long and that the 'grace period' they receive is too short. Grace period refers to the period of time where a client is not expected to start repayment of a loan.

When asked for possible solutions, the women replied by wanting a reduction in the period compulsory savings and that undergoing of interviews be scrapped out.

## **5 SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

This paper sought to examine the implications of microfinance on the livelihoods of women in Mallam, drawing on philosophical ideas from the Sustainable Livelihood framework developed by the Department for International Development. To address the problem, relevant literature was reviewed and a quasi-experimental design was employed due to the unavailability of baseline data on respondents.

Chapter one summarized the thesis by reviewing briefly, the research problem, research questions, objectives and a discussion of the limitations to study while the second chapter reviewed relevant literature.

The third chapter provided insights into the methodology applied in the study, with chapter four analyzing the data. Chapter five discussed findings of the paper with regard to the hypotheses stated in the opening chapter and general findings of the study.

Empirical investigation carried out on this paper suggests that access to microfinance in Mallam has a positive influence on socio-economic variables employed in this study. However, it was not statistically significant.

Firstly, evidence suggests that expenditure on basic needs such as food and water improves after accessing a microfinance loan facility.

Such findings offer a ray of hope to millions of women world over and in Mallam specifically, who would want to improve their wellbeing and that of their immediate families.

I suggest that findings of this paper be taken into consideration at the policy formulation and implementation stage as way of spreading the benefits of microfinance from a small community like Mallam to the rest of Ghana and possibly to the entire sub region.

## **5.2 Conclusion**

Microfinance has proven to be an important tool in development process. It has managed to give an opportunity of access to finance to those who were previously denied such access and who have often been excluded from development programmes, these are mainly women. Recognising positive effects women have on household welfare, women have become major recipients of microfinance services. While positive effects mentioned call for continued provision of loans to women, they nevertheless have to be considered in more detail if they are to be used as arguments for targeting women to achieve poverty alleviation.

Spending the loan on household consumption serves well in the short term but does not leave room for investment in business that might be beneficial in the long term. Aiming for greater livelihood outcomes might push women into greater indebtedness and decrease additional services MFIs might otherwise offer, such as business training and gender awareness rising, which could form the basis for a more efficient use of loans.

## **5.3 Recommendations**

Based on observations and participation encountered during the survey, the following are recommendations the researcher would like to make in a bid to inform policy makers on the current situation.

### 5.3.1 Financial Literacy

During interactions with respondents and representatives of Microfinance, the author noted that much emphasis was placed on the repayment of loans by clients rather than equipping them with needed skills in basic book keeping and reconciliation. Instead, representatives of MFIs made clients aware of the repercussions they may face in the event that the default in payments.

In as much as the researcher acknowledges the fact that MFIs are in a profit-oriented business, the author would like to suggest to policy makers (GHAMFIN<sup>16</sup>, Bank of Ghana etc.) to compel MFIs to educate enterprising women on how to manage their operations and finances. It was observed that clients in both the control and treatment groups were not literate in areas of book keeping.

Practical ways of implementing this would be holding sessions that reinforces basic book keeping and reconciliation skills. This could be done throughout the loan repayment period (as is the case now, where such sessions are only held on a one-off basis i.e. before the disbursement of loans). This would also serve as a means of checking if women are practicing their newly acquired skills.

In a society with patriarchal attitudes, improvement of financial literacy of women would reinforce women's independence through education and vocational training, thus leading to the autonomy of women in their decision making.

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<sup>16</sup>Ghana Microfinance Institutions Network

### **5.3.2 Promotion of ‘Savings Culture’**

Respondents in the treatment and control group did not save regularly. Participants in the treatment group only saved as it was a prerequisite for obtaining a loan; and once the loan cycle was over, the account remained dormant.

In order to instil a culture of saving among Ghanaian citizens and more specifically women of Mallam, policy makers in collaboration civil society groups and MFIs should sensitize entrepreneurs to open accounts with registered institutions (especially formal institutions) and save a portion of their income no matter how small it is for future purposes.

In reality, the only means of promoting the savings culture is that people should develop the habit and increase savings with time. It could a portion of income as small as 1% or even 10% depending on your levels of income. Furthermore if these savings are kept in registered institutions, interest is also paid on your deposit.

### **5.3.3 Promotion of Micro Insurance<sup>17</sup>**

With the recent spate of fires in markets and other areas of economic activity in Accra and across Ghana, victims are left to start all over again. A few respondents in this particular study had either been victims of fire outbreaks in the past or knew of someone who had experienced such a misfortune.

The provision of micro insurance packages should be encourage by regulators, so as to mitigate risks involved in various lines of business that women engage in. Of the three microfinance institutions sampled in this study, only Opportunity International

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<sup>17</sup>Often referred to as a system by which people, businesses as well as organizations make payments to share risk, in a bid for them to concentrate more on income generating while mitigating other risks.

Savings and Loans offered an insurance package for its clientele for the duration of the loan.

One practical way of promoting micro insurance is by the use of direct sales. In this context, microfinance institutions not only promote their loan facilities but encourage potential clientele to take up insurance policies in a bid to mitigate future risks.

However, in collaboration bilateral partners such as GIZ<sup>18</sup> and institutions such as the National Insurance Commission and Bank of Ghana; MFIs should be compelled to provide insurance packages to its clients as way of differentiating themselves from competitors.

#### **5.3.4 Niche Marketing**

People living with disabilities do to have access to services offered by MFIs. Currently people living with disabilities and impairments are not adequately served. However, this opens an avenue for up and coming organizations to specialize in offering tailor-made microfinance services for this niche market.

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<sup>18</sup>Deutsche Gesellschaft für Internationale Zusammenarbeit (commonly referred to as German Development Corporation)

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## 7 APPENDICES

### 7.1 Questionnaire

#### CONFIDENTIAL

THIS STUDY IS BEING CONDUCTED BY MAGDALENE LARBI FROM INSTITUTE FOR STATISTICAL, SOCIAL AND ECONOMIC RESEARCH (ISSER) - UNIVERSITY OF GHANA IN PARTIAL FULFILLMENT OF THE AWARD OF A MASTER OF ARTS DEGREE IN DEVELOPMENT STUDIES. THE PURPOSE OF THE STUDY IS TO FIND OUT IF MICROFINANCE HAS INFLUENCED THE LIVELIHOODS OF WOMEN. YOUR PARTICIPATION IS VOLUNTARY AND YOU ARE FREE TO WITHDRAW AT ANY TIME. ALL RESPONSE IN THE SURVEY WILL BE RECORDED ANONYMOUSLY.

Questionnaire Code: \_\_\_\_\_

Beneficiary selected: Client of MFI [ ]

Non – Client of MFI [ ]

#### Demographic information

1. Name of respondent \_\_\_\_\_

2. Age of respondent

1. 16-25 [ ]

2. 26-35 [ ]

3. 36-45 [ ]

4. 46-55 [ ]

5. 55 and above [ ]

## 3. Marital Status:

1. Married
2. Divorced/ Separated
3. Single
4. Widow

## 4. Highest level of education attained

1. None
2. Primary School
3. Junior High School
4. Senior High School
5. Tertiary
6. Others (specify) .....

## 5. How many household members are 18 years and below?

1. Four or more
2. Three
3. Two
4. One
5. None

## 6. What are your sources of income?

1. Rent
2. Agriculture
3. Commerce/Service
4. Remittances
5. Other

## 7. Status of accommodation

1. Rented
2. Owner (Fully paid)
3. Family house
4. Squatter
5. Other .....

## 8. Occupation

1. Employee
2. Entrepreneur
3. Technician
4. Retired
5. Other .....

Business Information

## 9. Sector

- 1. Trade
- 2. Manufacturing
- 3. Services
- 4. Other \_\_\_\_\_

## 10. Business type

- 1. Sole proprietorship
- 2. Enterprise
- 3. Partnership
- 4. Limited liability

## 11. Type of establishment

- 1. Market
- 2. Shopping complex
- 3. Independent establishment
- 4. Attached to residence
- 5. Hawker

## 12. Location ownership

1. Rent
2. Owner (fully paid)
3. With family
4. Squatter

## 13. Monthly Sales

1. GHC 1-1000
2. GHC 1001-2000
3. GHC 2001-3000
4. GHC 3001-4000
5. GHC 4001 and above

## 14. Monthly net profit

1. GHC 1-400
2. GHC 401-800
3. GHC 801-1200
4. GHC 1201-1600
5. GHC 1601 and above

## 15. Improvement of your profit in the past three months.

1. Worse
2. Same
3. Better
4. Varies

## 16. Monthly household expenses

1. GHC 1-200
2. GHC 201-400
3. GHC 401-600
4. GHC 601-800
5. GHC 801-1000

Quality of Housing

## 17. What type of roofing material is used for your home?

1. Corrugated Iron Sheets
2. Thatch / Grass
3. Concrete
4. Others \_\_\_\_\_

## 18. What flooring does your home have?

1. Mud Bricks
2. Wood
3. Concrete
4. Tiles
5. None

## 19. What type of walls does your home have?

1. Mud walls
2. Iron sheets
3. Timber
4. Concrete

20. What is the fuel used often for household cooking?

1. Firewood
2. Charcoal
3. Gas
4. Other

Food Security and Vulnerability

21. Number of meals per day?

1. Once
2. Twice
3. Three times
4. None

22. Serving frequency of luxury food per week?

1. Once
2. Twice
3. Three times
4. None

23. Serving frequency of inferior food per week?

1. Once
2. Twice
3. Three times
4. None

24. Are you consulted in decision making in your household?

1. Yes

2. No

### Livelihood Strategies

25. Type of business activity

1. Food preparation and sale

2. Dressmaking / tailoring

3. Hairdressing

4. Petty trading

5. Other .....

26. For how long have you been in this business?

1. Less than one year

2. Two years

3. Five years

4. Ten years

5. Other .....

27. What was your source of capital for this business?

1. Savings

2. Money lender

3. Family member

4. Other

28. Did you ever consider microfinance as a source of capital?

1. Yes

2. No

29. If yes, if yes how much money was borrowed?

1. GHC 1-500

2. GHC 501-1000

3. GHC 1001-1500

4. GHC 1501-2000

5. GHC 2001-2500

30. Which of the following improvements have been observed in the household ever since you started your business?

Improvement Observed	Yes = 1	No = 0
Increased contribution to household assets		
Increased contribution to children/ dependents education		
Improved household diet		
Acquisition of Household Assets		
Better health care for you and children		

31. What effect has your business had on your

	Decreased =1	No Change = 2	Increased = 3
i. Level of Income			
ii. Diversity of Income			
iii. Housing Condition			
iv. Household Diet			
v. Capacity to Save			

32. Do you have training in the following fields?

1. Agricultural
2. Finance and Credit Management
3. Gender Issues
4. Social and Political Issues
5. None

Asset Based Information

33. Do you own any of the following appliances?

Assets	Yes = 1	No = 0
i. Television		
ii. Refrigerator		
iii. Radio		
iv. Fan		
v. Gas Cooker		

34. What mode of transport do you use?

1. Troto
2. Taxi
3. Okada
4. Bicycle

5. Own vehicle

35. What is your overall assessment of clients of MFIs?

1. Poor

2. Average

3. Rich

4. Don't Know

36. How has your family's diet improved over the past three months?

1. Able to consume more animal/dairy products

2. Able to consume more vegetables

3. Able to eat three meals a day

THANK YOU FOR YOUR PARTICIPATION

**7.2 Cross tabs and chi square tests for income of control and treatment groups.**

Crosstab

			Monthly net profit				Total
			GHC1-400	GHC401-800	GHC801-1200	GHC1601 and above	
Group type	Non Clients	Count % within Monthly net profit % of Total	45 46.4%	15 39.5%	11 100.0%	4 100.0%	75 50.0%
	Clients	Count % within Monthly net profit % of Total	30.0%	10.0%	7.3%	2.7%	50.0%
Total	Non Clients	Count % within Monthly net profit % of Total	52 53.6%	23 60.5%	0 0.0%	0 0.0%	75 50.0%
	Clients	Count % within Monthly net profit % of Total	34.7%	15.3%	0.0%	0.0%	50.0%
Total		Count % within Monthly net profit % of Total	97 100.0%	38 100.0%	11 100.0%	4 100.0%	150 100.0%
		Count % within Monthly net profit % of Total	64.7%	25.3%	7.3%	2.7%	100.0%

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.189 <sup>a</sup>	3	.001
Likelihood Ratio	22.997	3	.000
Linear-by- Linear Association	8.317	1	.004
N of Valid Cases	150		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 2.00.

### 7.3 Cross tabs and chi square tests for monthly household expenditure of control and treatment groups.

Crosstab

			Monthly household expenses					Total
			GHC1-200	GHC201-400	GHC401-600	GHC601-800	GHC801-1000	
Group type	Non Clients	Count	27	32	11	2	3	75
		% within Monthly household expenses	41.5%	48.5%	78.6%	100.0%	100.0%	50.0%
		% of Total	18.0%	21.3%	7.3%	1.3%	2.0%	50.0%
	Clients	Count	38	34	3	0	0	75
		% within Monthly household expenses	58.5%	51.5%	21.4%	0.0%	0.0%	50.0%
		% of Total	25.3%	22.7%	2.0%	0.0%	0.0%	50.0%
Total		Count	65	66	14	2	3	150
		% within Monthly household expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	43.3%	44.0%	9.3%	1.3%	2.0%	100.0%

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.494 <sup>a</sup>	4	.022
Likelihood Ratio	13.722	4	.008
Linear-by-Linear Association	9.746	1	.002
N of Valid Cases	150		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 1.00.

#### 7.4 Logit Regression

Group Odds Ratio	Odd Ratio	Std. Err.	Z	P>z	[95% Conf.	Interva l]
Age (36-60yrs)	1.308	0.570	0.62	0.538	0.557	3.0725
Age (Above 60 yrs)	0.472	0.281	-1.26	0.207	0.147	1.5170
Marital status (married)	1.925	0.794	1.59	0.113	0.857	4.3221
Education (Educated)	0.657	0.253	-1.09	0.275	0.309	1.3968
Net Profit	2.108	0.867	1.81	0.070	0.941	4.7215
Fuel Use for cooking (Gas)	3.935	1.688	3.19	0.001	1.697	9.1227
Decision making	2.221	0.955	1.86	0.063	0.957	5.1570
Business Activity	1.603	0.980	0.77	0.441	0.484	5.3113
Acquisition of household asset	2.161	1.011	1.65	0.099	0.864	5.4040
Housing condition	0.320	0.152	-2.4	0.016	0.127	0.8101

LR chi2(10) = 37.19 Prob> chi2 = 0.0001