

**GENDER ACCESS TO MICROFINANCE: A CASE STUDY OF
LOAN REPAYMENT DETERMINANTS IN GREATER ACCRA
REGION, GHANA**

BY

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DECLARATION

I hereby declare that this submission is my own work toward the attainment of Masters of Philosophy (MPhil) in Economics and that, to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the award of any other degree of any university, except where due acknowledgement has been made in the text.

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ABSTRACT

Most microfinance institutions globally, have majority of their customers as women with few men or even in some cases, no men at all. The study investigated the reasons for the gender imbalances in the microfinance industries guided by microfinance loan repayment determinants. A census of 74 microfinance institutions from four districts of Accra; Tema Metropolitan, Ashaiman Municipal, Dangbe East District and finally, Ningo/Prampira District Assembly were interviewed. A sample of 370; five customers each from these MFIs were selected. The paper used percentage method, simple correlation coefficients, cross tabulations, Chi-square tests and logistics regression analysis to discuss and interpret the results. The main finding of the study shows that, MFIs do not run gender discriminatory programs as it has seemed to be. However, some MFIs turn to prefer women to men simply because women save more, and also do not default loans payment compared to men. The research therefore recommended that MFIs must make effort to reach out for men through a reduction of exorbitant charges on their loans; since this is the most reason cited by men for their poor patronage. This also, would go a long way to reduce loan default challenges among men.

DEDICATION

This work is dedicated to my beloved parents, Mr. and Mrs. Ladey and my entire family; Akrofi, Adu, Emmah and Samuel for their lovely inspirations and supports for which this could not have been possible. All I say to you is God richly bless you.



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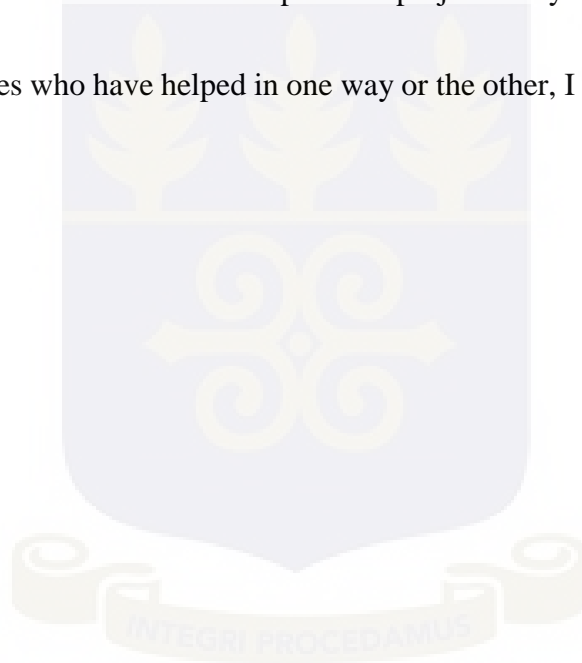


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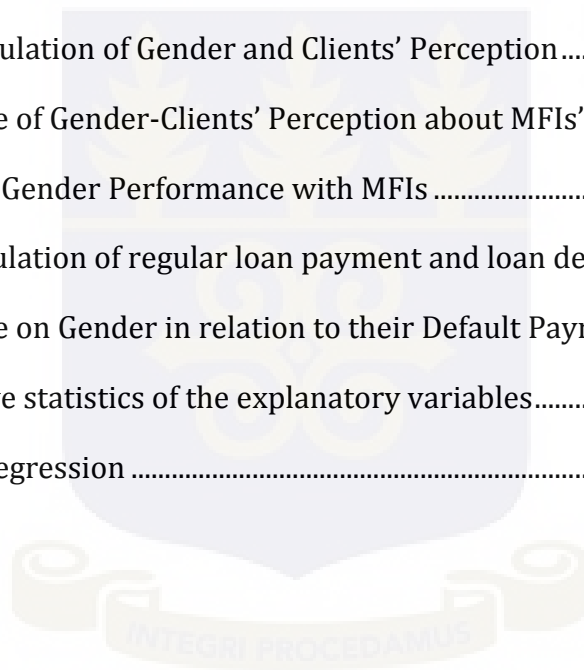
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ACRONYMS

ACCOSCA	Africa Confederation of Cooperate Savings and Credit Association
ADB	Agricultural Development Bank
CDF	Cumulative Distributive Function
GCB	Ghana Commercial Bank
GUA	Ghana Union Association
LM	Logit Model
LPM	Linear Probability Model
MASLOC	Microfinance and Small Loan Centre
MDAs	Ministries, Departments, Agencies
MDG	Millennium development goal
MF	Micro Finance
MFI	Microfinance Institutions
MMDAs	Metropolitan, Municipal and District Assemblies
MSEs	Micro and Small Enterprises
NBFI	Non-Banking Financial Institutions
NGOs	Non-Governmental Organizations
NiPDA	Ningo-Prampram District Assembly
OLS	Ordinary Least Squares
PHC	Population and Housing Census
PM	Probit Model
PRSP	Poverty Reduction Strategy Papers
ROSCA	Rotating Savings-and-Credit Association
SCA	Savings and Credit Associations
SHG	Self Help Group





CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The total wealth of three richest men in the world is greater than the combined gross domestic product of the 48 poorest countries in the world (Maina-Kiiru and Machakos Kenia, 2007, citing Ignacio 1998). The condition of having insufficient resources or income is referred to as poverty. Poverty in its most extreme form is a lack of basic human needs, such as adequate and nutritious food, clothing, housing, clean water, and health services. Extreme poverty brings terrible suffering and death to men and their environments, and even modest levels of poverty can prevent people from realizing many of their desires (World Bank, 2001).

Most of the world's poor people are women who live and function in the informal economy. They do not do any formal and wage-paying jobs and are forced to diversify their sources of income among different types of labor and entrepreneurship. They lack access to savings accounts and formal credit. Any lending that takes place among these poor women is either among family and close friends or through usurious money lenders who charge extremely high interest rates. They lack assets to use as collateral to access loans, such as land or substantial consumer goods. The banks would have nothing to seize if such borrowers were to default since they lack credit history, which would allow the banks to know the difference between a risky and safe loan. It is such information regarding potential borrowers and their histories that drives the formal banking market. That is to say, in poor communities of the developing world, there is too little reliable information for banks to take a gamble. Obtaining this information costs time and money. People in the informal economy often live in rural areas, so for

a bank to ensure against ex ante and ex post moral hazard, they must frequently send employees to monitor the financial activities of the borrowers. In general, banks are for people with money, not for people without.

According to Gert van Maanen, (2004), women have skills which remain unutilized or underutilized. Thus, they have skills and a capacity to produce for the market but have lacked access to financial services. They are therefore faced with usurious interest rates from friends and families. This greatly affects their earnings (Greeley, 2003). This is where Microcredit comes in. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

The term Microfinance basically means making financial provisions for low-income earners including consumers and the self-employed individuals, who traditionally lack access to banking and related services. Marguerite S. Robinson (2001) defines microfinance as small scale financial services for both credits and deposits. In the consonance with the Millennium Development Goal (MDG) number one, the fundamental idea of microfinance service is to provide financial services for the poor to help fight poverty. Most researches show that Microfinance offers the poor a way out of poverty. According to Zaman (1999), borrowing beyond a certain threshold increases one's income and thereby reduces poverty level. Therefore giving the poor access to financial services, like microcredit, micro savings and micro insurance, offer them an opportunity to borrow, save, invest and protect their families against risk thereby increases their income and productivity. In effect, poverty level among poor reduces (World Bank, 1998).

The developing world has recently identified microfinance participation as a program that satisfies the needs of the poor especially women in the rural areas. One cannot ignore but to attribute the sudden growth of microfinance institutions over the years in Ghana as a true result of improving lives; the only bank for the poor (Pollio & Obuobie, 2010). According to Pollio & Obuobie (2010), MFIs have increased rapidly in Ghana since the start of 2010, growing by 20-30 percent annually. They further indicated that MFIs currently provide financial services to about 15% of the country's total population compared with 10% for the commercial banking sector. In Ghana, most MFIs try to address the lack of access to financial markets by providing free collateral to productive self-employment individuals. The people now feel more self-confident as their businesses are insured against unforeseeable circumstances. The result of the Ghana's 2010 Population Housing Census (PHC), indicated that about 70% of the working populations are found in the private informal sector. The financial help of this group comes from microfinance services. It is known that loans from MFIs are normally for farming and non-farming purposes. Thus, farmers have access to funds to rear animals and cultivate their seasonal crops. Other non-farming activities such as trading are well supported by MFIs' microcredit services.

In Ghana, the operation of Microfinance Institutions (MFIs) has not been a new thing. Their role in developing the local economy cannot be over emphasized. This role has particularly been played through the establishment of Rural and Community Banks as major microfinance institutions. For instance, the total loans advanced to clients by all Community and Rural Banks was GH¢71.63 million in 2005 and this increased to GH¢115.10 million in 2006, thus indicating 35.4% increase (Bank of Ghana, 2007). Trends in loans and advances extended to small businesses, individuals and groups by the Non-Banks Financial Institutions (NBFIs) in Ghana amounted to GH¢ 50.97 million

in 2002 as against GH¢ 39.64 million in 2001 indicating about 28.6% growth. The amount of loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, suggesting 3.1% growth. In 2006 alone, total of GH¢160.47 million was extended to clients, which presents 48.8% higher than previous year's total loan and advances granted by these MFIs. The upward trending of NBFIs' credit to individuals, small businesses, group and other indicates marked improvement in level of microfinance in the country (Johnson and Osei, 2004).

1.2 Problem of the Study

This major problems which undermines the main concept of microfinance programmes has to do with gender discrimination. However, the research carefully examined the problem in relation to determinants of microfinance loan repayment.

Microfinance programmes are not beneficial to all as it has been wildly understood to be after all. They are seen to be discriminatory against men. Thus, it is very obvious that more women than men are the beneficiaries of the programmes. Many microfinance institutions practically set their targets around women to ignore men. Thus, women have increasingly become a key target group for microfinance programmes (ILO, April 1998).

The justification of MFIs to recruit more women than men unto their programmes is born on some studies that women often have the best credit ratings than men and therefore, targeting women has a greater positive impact on MFIs' programmes. According to Linda Mayoux, (2011), not only has it impacted positively on MFIs, but also on the entire households of these women. This is because women are more likely to invest additional earnings in the health and nutritional status of the household as well

as their children's education. Linda Mayoux further exposed that when credit is extended to women it has a much greater impact on household consumption and quality of life for children than giving men the same opportunity. Also, women have often proved to be better savers than men, better re-payers of loans and more willing to form effective groups to collect savings and decrease the delivery costs of many small loans. Women turn out to be more cautious and conservative in their investments of borrowed money and therefore their repayment is higher than men (Todd, 1996 and World Bank (2007). Due to some of these credit-worthy qualities of women, female entrepreneurs have been given particular characteristics, developing partly as strategies to overcome economic and other discriminations (Mayoux, 1995). However, there are few instances where studies have found out that males performed better compared to women in repayments of loans (Reta, 2011).

The success of MFIs greatly depends on the ability of the clients to repay their loans. MFIs can increase their outreach to more poor only when clients pay back their loans regularly. Many external donors also associate with MFIs that have high repayment performances record. One can therefore conclude that it is by this, why MFIs target more women than men. The problem however is that, though many studies pointed out that repayment by female borrowers are better than males in microfinance lending (Khandker et al., 1995), no study has been able to find out under what loan repayment determinants or conditions do females repay better than the male counterparts. To fairly conclude that women often have the best credit ratings than men, it is therefore important to ascertain the loan repayment determinants that can influence the repayment abilities of the gender classification under the MFIs programs.

1.3 General Objectives

In recent times in Ghana, women seem to form the majority in all MFIs programs. Is this actually the case, and if it is, can there be any justification? This study is to ascertain the underlining factors that held this view. The study also looks at factors that are considered to determine the individual client's ability to repay loans.

1.4 Specific Objectives

- To understand what views (perception) do people have about the general operations of the MFIs in Greater Accra Region of Ghana.
- To investigate if MFIs in Ghana operate under gender discrimination.
- To ascertain who do MFIs considered credit trustworthy between men and women.
- To identify what factors are likely to influence genders' ability to pay back loans.

1.5 Research Questions

The study research questions include;

1. What kind of perception do people have about the operations of MFIs in Greater Accra Region of Ghana?
2. Do the MFIs run a gender discriminatory programs in Ghana?
3. Men and women, who is credit-worthy to pay back loans?
4. What factors are likely to influence genders' ability to pay back loans?

1.6 Significance of the Study

In consonance with the United Nations Millennium Declaration on achieving the MDGs before 2015, the Governments of Ghana since 2000 have embarked on gender equality and women empowerment promotion. Microfinance although, may not be considered purely as a remedy to achieve such aim, it has and continues to play an important role in bridging the gender disparity gap by giving women upper hand than men. In such doing, microfinance creates gender imbalance instead by concentrating more on women than men. This practice made many to believe that only women participate in microfinance programs. With women constituting more than half of the population of Ghana, it is important that priority is given to them in all spheres of activity though, this must not be done in a way to drive away their men counterparts in the same field operation.

This research will bring information to policy makers on the level of women participation in microfinance programs. It will provide information to microfinance program benefactors, such as the NGO on the focuses of the program and how it benefits its beneficiaries. MFIs will be cautioned about such conditions that are likely to bring about micro loan defaults. Within men and women, who is likely to pay back loan, and also, why should they encourage more women than men or otherwise into their programs.

1.7 Scope/Limitations of the Study

Even though there are many MFIs across the country, the researcher only concentrated only on Greater Accra Region due to some factors include lack of fund. The study took a census of MFIs in four major districts in the region. These regions are classified under purely urban and rural communities. The districts are Tema Metropolitan (purely

urban), Ashaiman Municipal (purely urban), Ningo/Prampram and Dangbe East (rural communities). Even though this study is very useful for policy making and future references, the limitation to it is that, it does not cover the entire view of all MFIs in Ghana. This is because MFIs operations (their interest rate charges, their target populations and many more) vary across regions, areas classifications whether urban or rural, and districts. For example, MFIs charge higher interest rate on loans in the urban communities compared to that of rural communities as was found by this research. Nonetheless, policy makers can make inference with it to other regions and districts for only internal research.

1.8 Organization of the Study

The thesis is organized into six chapters:

Chapter One consists of the general background of the study, the problem statement of the study, the thesis objectives, the justification of the thesis and lastly, the thesis scope and limitations.

Chapter Two looks at the general overview of financial systems, gender and microfinance in Ghana. This chapter takes a careful look at the formal and informal financial system as well as the information on gender access to microfinance in Ghana.

Chapter Three studies both theoretical and empirical literature review of the study. This section gives some reviews of the concept of poverty in Ghana, the microfinance operations and the links between the two. The result of others' works on this study and their approaches are critically analyzed.

Chapter Four is made up of econometric theories, research study areas and research methodology.

Chapter Five gives the real analysis of the work. This is where the theory of the research is put to test in order to conclude on the real outcome of the study. Interpretation of the analysis is made in this chapter.

Chapter Six consists of total summary of research findings, conclusion and recommendations. This is the final chapter of the research where conclusions are made based on the previous analysis in Chapter Five. Hence the necessary recommendations bases on the final results are given.



CHAPTER TWO

FINANCIAL SYSTEMS, GENDER AND MICROFINANCE IN GHANA

2.0 Introduction

This chapter reviews the formal and informal financial system as well as the information on gender access to microfinance in Ghana. It is an undeniable fact that about 70% of Ghanaian population functions in the agricultural sector of the economy. Since the majority of these farmers practice peasant farming system, it is therefore obvious they live and function under informal financial system. These peasant farmers live under the mercy of rainfall for the growth of their businesses. They are therefore faced with poverty whenever rain fall fails them. This is where MFIs come into the picture. They encourage them to save as small as they can and in return, reward them by providing them loans in order to reduce their financial burdens.

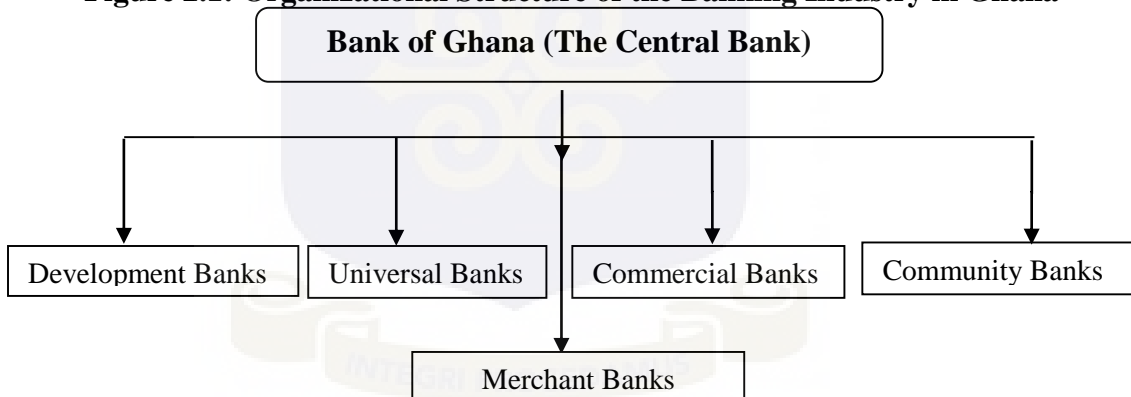
2.1 The Formal Financial System in Ghana

The formal financial system in Ghana is made up of the financial institutions licensed by the Central Bank under the Banking Law 1989 or under the Non-Banking Financial Institutions Law 1993 (NBFI Law 1993) to provide financial service. A financial institution is an institution whose assets are financial assets or financial claims – stocks, bonds and loans. Financial institutions serve the purpose of facilitating the accumulation and allocation of capital by channelling individual savings into loans to governments and businesses. The transactions of financial institutions consist of making loans to customers and the purchase of investment securities in the market place. Financial institutions also offer a wide variety of other financial services ranging from insurance protection to the sale of retirement plans and the provision of a mechanism for making payments, transferring funds and storing financial information.

There are a number of financial institutions that provide a wide range of financial services. The operations of these institutions are largely regulated by the Bank of Ghana. Bank of Ghana serves as the Central Bank and supervises the other banks in the country.

There were initially 12 banks from the time of independence to 1983. However, as at 2010, there were 26 banks including private banks (Ghana Banking Survey, 2010). These banks are classified under five main groups according to the functions they performed. They are Development Banks, the Universal Banks, Merchant Banks, Commercial Bank and the Rural Banks (Aboagye-Debrah 2007). The Figure 2.1 below shows the Organizational Structure of the Banking Industry in Ghana.

Figure 2.1: Organizational Structure of the Banking Industry in Ghana



Source: Aboagye-Debrah (2007).

2.1.1 Development Banks

These are financial institutions dedicated to fund new and upcoming businesses and economic development projects by providing equity capital and or loan capital. Examples of development banks in Ghana are Agricultural Development Bank and National Investment Bank.

2.1.2 Universal Banks

These are banks whose main purpose is to take deposits from consumers and make home mortgages; it combines commercial banking with investment banking. Examples of universal banks in the country include HFC Bank Ghana Ltd, Ecobank Ghana Ltd, CAL Bank Ltd, Stanbic Bank Ltd, Standard Trust Bank Ghana Ltd, Guaranty Bank Ghana Limited, and Zenith Bank Ghana Limited.

2.1.3 Merchant Banks

These banks deal with international finance, long term loans to companies and underwriting. They were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies. Examples of merchant banks in Ghana are Amalgamated Bank Ltd and First Atlantic Merchant Bank.

2.1.4 Commercial Banks

These are banks whose principal functions are to receive demand deposits and to make short-term loans. Commercial banking is also known as *business banking*. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits. Since a commercial bank is required to hold only a fraction of its deposits as cash reserves, it can use some of the money deposited by its customers to extend loans.

2.1.5 Rural Banks

A Rural Bank is a financial institution that helps rationalize the developing regions or developing country to finance their needs specially the projects regarding agricultural progress.

2.2 The Informal Financial System in Ghana

“Informal finance” might be defined as embracing all financial transactions taking place beyond various countries’ regulations on banking and other financial sectors. This definition includes a wide range of financial activity whose operational scope differs across countries. There is a wide variety of informal savings and lending in Ghana. This includes the operations of Savings and Credit Associations (SCA) and many other forms. The players in the sector are sometimes professional moneylenders or part-time moneylenders. The sector players include estate owners, traders, grain millers, smallholder farmers, employers, relations and friends, mobile bankers known as *susu* or *susu* collectors, credit unions and cooperative societies. These players are in both urban and rural areas.

The sector players are classified into categories; those who accept deposits (Savings) and Credit Associations (SCA) or professional moneylenders. They are the *susu* collectors, credit unions and cooperative societies, The other category like estate owners, traders, grain millers, smallholder farmers, employers, relations and friends do not accept deposits and are part-time money lenders. (Ernest Aryeetey, undated)

Informal finance has not been very attractive for the private sector although the sector has considerable experience and knowledge about dealing with small borrowers. There are significant limitations to what it can lend to growing micro businesses. Globally, credit from moneylenders is often the most expensive. However, it is the most readily

available credit on the market. The demand that comes is normally from the poor who have no place in the formal financial market. Such credit remains, nevertheless, the only source of informal credit that does not require borrowers to satisfy specific membership obligations. Because it has short maturity periods and high interest rates, credits from this sector of the economy are not attractive for those seeking working capital and fixed investment loans. The rural poor peasant farmers, fish smokers and seller, small scale sellers (retailers) are normally the target group for these associations (Ernest Aryeetey, 2003)

2.3 The History of Microfinance

Although there has been much discussion and debate about microfinance in the last few years, microfinance is not new. Despite the sudden surge in donor funding and media interest, it has existed for many hundreds of years. The history of microfinance is traced back to the early 1700s when Jonathan Swift, an Irishman, had the idea to create a banking system that would reach poor. He then created the Irish Loan Fund that served poor rural people made up of women in Ireland who were not being served by commercial banks on short term small loans.

The idea was to bridge the rural/urban gap of Ireland. This idea took years to catch on, but then grew quickly and expanded globally. By the 1800's, the Irish Loan Fund had over 300 banks for poor and was serving over 20% of the Irish population (Jennifer Lindsay, 2010). In the 1800s similar banking systems showed up all across Europe targeting the rural and urban poor.

Friedrich Wilhelm Raiffeisen of Germany realized that poor farmers were being taken advantage of by loan sharks. He acknowledged that under the current lending system,

poor would never be able to create wealth; they would be stuck in a cycle of borrowing and repaying without ever making personal economic development. He founded the first rural credit union in 1864 to break this trend. This system was different from that of banks because it was owned by its members, provided reasonable lending rates and was created to be a sustainable means of community economic development. The idea of credit unions spread globally and by the end of the 1800s, these micro credit systems had spread all the way from Ireland to Indonesia.

At the end of the century, similar systems were opening in Latin America. Whereas in Europe the credit unions were owned by their members, in Latin America the institutions were owned by the government or private banks and were not as efficient as they were in Europe. In the 1950's donor funds and government subsidies were used to fund loans primarily for agricultural workers to stimulate economic growth but these efforts were short lived. The loans were not reaching the poorest farmers; they were often ending up in the hands of the farmers who were better off and didn't need the loans as critically as others. Funds were being lent out with an interest rate much below the market rate and there were not enough funds to make this viable long term. These loans were rarely being repaid, so the banks' capital was depleting quickly and when the subsidized funds ran out, there was no more money to pump into the agricultural economy in the form of micro credit (Jennifer Lindsay, 2010).

However this history was not too well known enough to catch the attention of the world to the practice of microfinance until 1974 when Muhammad Yunus often referred to as the "Banker to the Poor" after the title of his books by the same name came into the scene.

Muhammad Yunus was born in Bangladesh; he grew up surrounded by extreme poverty and the informal economy. He earned a Ph.D. in Economics at Vanderbilt University. He later returned to his home country and got involved in the fight against poverty at the time of the 1974 famine in Bangladesh. Back in his hometown in Bangladesh, Yunus saw the extreme poverty in his country. Yunus was angry with the formal institutions (e.g. the World Bank, Commercial Banks) who had failed to help his fellow citizens.

Yunus believed that formal institutions “*pronounced a death sentence on the poor*” because they “*rejected the poor as unworthy of credit,*” imposing a “*financial apartheid*” (Yunus, 1999, p. 149). Yunus decided he would help the poor by stepping outside of the formal institutions and providing small loans without collateral to groups of 5 borrowers; this became known as the Classical Grameen model (Kirsten Leikem, 2012). Yunus committed his efforts to poverty alleviation mostly among women and in 1976 travelled to Jobra where he loaned from his own pocket to 42 poor rural women of Jobra (Nicholas Franco, N.D citing Yunus, 2003). Yunus first loaned \$27 to the women for a profit of \$.02 on each loan.

Yunus’ Grameen Bank was created in 1976 as the result of the success of his first loan to the poor women. He was obtaining loans from the then government, which he used to loan to the poor (mostly the women) in Jobra. He kept on to this process until 1982 when the Grameen Bank was serving about 28,000 members. In 2003, the Grameen Bank was reported serving about 3.12 million members and later, about 8 million members by the end of 2009 of which 97% of the shares of the bank were owned by women (Grameen Bank, 2011). It is for these reasons that the Norwegian Nobel Committee decided to award him the Nobel Peace Prize for 2006; for his efforts to

create economic and social development from below and for finding a lasting peace through advancing in democracy and human right.

Microfinance today after many centuries continues to grow and expand. The Microcredit Summit Campaign reports more than 3,100 institutions of various types offering microfinance services to more than 92 million clients, over 80 percent of whom are women. The key priorities for microfinance practitioners include; achieving large-scale outreach, attaining financial self-sufficiency, playing a significant role in reducing poverty and to reach a significant percentage of each nation's poor with microfinance services.

2.4 Definition of Microfinance

Basically, 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. The term microfinance is often used interchangeably with microcredit, but in practice the two concepts have several key differences.

Some authors look at microcredit as a small amount of money loaned to a client by a bank or similar institutions. Microcredit can also be considered as micro loans to poor to finance self-employment activities or for other purposes but the dominant theme in microcredit is the use of working capital loans for micro entrepreneurs as a means to break the cycle of poverty. Micro saving can either be voluntary or part of a compulsory saving scheme promoted by an MFI to provide collateral for microcredit. Voluntary savings are a way for people to safeguard against crises such as illness, payment of

children school fees, natural catastrophes or to hedge against riskier but more attractive businesses.

On the other hands, microfinance is the practice of providing financial services, such as microcredit, micro saving, micro insurance, money transfer, micro leasing and likes to mostly the poor. Microfinance provides larger financial services to poor household than just giving out some amount of loans to the poor. Microfinance has the insurance capacity to reduce the clients' exposure to risk - induced losses and potentially, increase their ability to increase their income. It is also true that microfinance is not just limited to rural poor as it has been since understood but for all including the urban sector. For example, the Greater Accra Region of Ghana alone has more than 450 microfinance institutions operating the needs of the poor (GHAMFIN, 2008).

2.5 The Need for Microfinance in Ghana

The main goal of Ghana's Growth and Poverty Reduction Strategy is to ensure - sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment. The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population. According to the 2010 Population and Housing Census, about 80% of the working population is found in the private informal sector. This group is characterized by lack of access to micro financing, which constraints the development and growth of that sector of the economy.

Microfinance is perceived as a financially sustainable instrument meant to reach a significant number of poor people (usually women) who are not able to access financial

services because they lack assets as a form of collateral. For instance, according to Mayoux and Hartl, (2009), “Women have more difficulty than men obtaining agriculture-related financial services, whether in the form of credit, savings, leasing, lending, or insurance. This inequity is exacerbated by agriculture’s inherent riskiness - rainfall uncertainty, pest and disease outbreaks, and market price instability”. And even when the commercial banks finally agree to grant them the loan, they still need their spouse’s signature as one of the procedures of acquiring the loan (Mayoux and Hartl, 2009).

Access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development (World Bank- Africa Region, 1999). Microfinance as a sector has the potential to reduce poverty by bringing a significant improvement in the lives of the active poor who are largely women. Any little expansion in the income of the poor gives the entire household many options: they can increase consumption possibilities, allow the household the possibility of saving for the future, reduce the vulnerability arising from future income failures, give the children better educational opportunities, and many more of such advantages of an increase in the poor income (Ganga M. Tilakaratna and Upali Wickrama Singhe, 2005). A slight increase in a poor income may not be much in absolute terms, but the marginal benefits may be much higher in comparison to their rich counterparts. Therefore, a poor may always have a place in programs such as microfinance that will at least for a little, improve their income levels.

2.6 Microfinance Industry in Ghana

In the late 1970s, Ghana witnessed a tremendous growth in the non-formal sector through initiatives targeted at the poor spearheaded by NGOs such as Grameen Bank in Bangladesh and the affiliates of ACCION International in Latin America. In Ghana, the MFIs target certain type of enterprises and individuals at certain income status. These groups of individuals and the entrepreneurs are made up of the productive poor, especially women found predominantly in the informal sector operating micro and small enterprises (MSEs). These target groups most often lack access to institutionalized financial services. MFIs have developed innovative financial products that address the needs of these productive poor.

MFI in Ghana is defined to include institutions which act as intermediaries and can be formal, semi-formal and informal. Specifically, they include:

- Informal sector institutions which include unregistered savings and credit associations,
- Semi-formal institutions such as susu clubs which are prevalent in market places and ROSCAs which may be sponsored by an NGO, Bank or Development Agency and
- Formal institutions like Rural Banks, Cooperatives Credit Unions and department which may be sponsored by external donors.

The main services provided by MFIs are the provision of credit and individual savings, but may also include other financial and non-financial services. MFIs provide these to individuals or community groups who operate microenterprises but are typically unable to obtain credit from the formal financial sector. As at 2000, the formal sector of the industry had 105 rural banks, 200 credit unions, 8 Savings and Loan Associations and

many more Commercial and Development Banks (ADB, GCB, SSB etc). Credit unions have the most extensive coverage among the Microfinance Institutions in Ghana. It started in Ghana through the assistance of a Catholic Missionary, Father Mc. Nulty in the year 1955. Presently, there are 28 countries operating credit union movement on the continent of Africa. These countries are members of Africa Confederation of Cooperate Savings and Credit Association (ACCOSCA) with its headquarters in Nairobi-Kenya. Their aim is to promote the credit union idea throughout the African continent.

A credit union can be defined as a group of people with the same interest who have agreed to save together to form a financial pool, out of which they credit among themselves in times of need for productive or provident purposes. It is a financial co-operative owned and run by its members, who pool their savings together. They give out surpluses to others as loans. A credit union is a non-profit organization only formed to serve the needs of its members only. In the year 2004, the credit unions recorded was 250 and further increased to over 300 as at 2005 (Ghana Cooperative union Association, 2005). The Ghana Microfinance Institution Network (GHAMFIN) is the umbrella body of microfinance service in the country and currently, GHAMFIN membership is open to a diverse range of microfinance practitioners, such as savings and loan companies, rural banks, credit unions, financial NGOs, susu (savings) collectors, rotating saving business development service providers and apex bodies such as the ARP Apex Bank, the Credit Union Association of Ghana (CUA) etc.

The government established the Microfinance and Small Loan Centre (MASLOC) in 2004, as the apex body to oversee the administration, coordination and monitoring of small loans and the micro schemes in the country. Since its establishment, MASLOC has developed close working relationship with MDAs, financial institutions and other

stakeholders on recovery of credit facilities for the sub sector. The sub sector activities include the establishment of a fund to support microfinance activities, effective coordination through appropriate interventions and activities which include capacity of key institutions, and provision of direct resource to specific project with measurable indicators for employment and wealth creation.

It must be stated here that MFIs and their services in Ghana are fully supported by governmental institutions such as; Ministry of Finance and Economic Planning, Ministries, Departments, Agencies (MDAs), Metropolitan, Municipal and District Assemblies, (MMDAs) and the Bank of Ghana.

2.7 Gender Equality and Women Empowerment

Gender Equality and Women's Empowerment is a human right that is critical to sustainable development and achieving the Millennium Development Goals (MDGs). There are a lot of progress in recent years on gender equality though, women and girls account for six out of 10 of the world's poorest and two thirds of the world's illiterate people. Only 19% of the world's parliamentarians are women and one third of all women are subjected to violence whether in times of armed conflict or behind closed doors at home (United Nations, July 2011).

Gender equality means a society in which women and men enjoy the same opportunities, obligations and rights in all spheres of life. We can therefore say that there is equality between men and women when both sexes are able to share equally in the distribution of power and influence, have equal opportunities for financial independence through work or through setting up businesses, enjoy equal access to education and also have the opportunity to develop personal ambitions.

When women and men have equal opportunities and rights, economic growth accelerates and poverty rates drop more rapidly for everyone. Reducing inequalities between women and men is critical to cutting in half the number of people living in absolute poverty by 2015 (United Nations, July 2011). Despite much international agreement affirming the right of women, there are still many works in our societies today that are gender discriminative. And men appear to have more rights to many things than women.

Women are far less likely than men to be politically active and far more likely to be victims of domestic violence. Due to this, women are much more likely than men to be poor and illiterate. Women usually have less access than men to medical care, property ownership, credit, training and employment. Poverty is the main cause of unequal access to education, particularly for girls of secondary-school age. Women and girls in many parts of the world are forced to spend many hours in the kitchen fetching water, and cooking for the household. It is important to note here that cooking as a responsibility of woman is not undermined but considering it as a sole responsibility of a woman is what the text seeks to criticise. Where women's status is low, family size tends to be large, which makes it more difficult for families to thrive.

The roles that men and women play in our societies are not biologically determined. Rather, they are socially determined and they can be changeable. That is why most works considered to be 'men's work' can be perfectly executed by women and the vice versa. Although they may be justified as being required by our culture or religion, these roles vary widely by locality and change over time. It is for these reasons that most governments and NGOs all over the world have identified the limitations in the role function by women and therefore try to bridge the gap by encouraging them to take up

some responsibilities. These actions are supported by the MDG 3; promoting gender equality and empower women. The MDG 3 targeted to achieve elimination of gender disparity in primary and secondary education, preferably by 2005, and in all levels of education, not later than 2015. The effort to bridge the gender equality gaps has not been perfectly achieved though; gender gaps in access to education have narrowed. Gender equality in primary schooling worldwide has been achieved. There has been major progress across all developing regions in reducing gender gaps in primary to university school attendance all over the world (United Nations, 2013).

Women are financially empowered to take charge of the responsibilities in our homes; a responsibility that was formerly associated to only men. They now compete squarely with men in all kind of businesses. Many consider women to be hard working compared to men and therefore give out jobs more to them than men. It's of no doubt therefore that MFIs see working with women more trust-worthy than men.

2.8 Gender Access to Microfinance

Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities. Seventy percent of the world's poor are women. Yet traditionally women have been disadvantaged in access to credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy.

Microfinance on the other hand often targets women, in some cases exclusively. Female clients represent eighty-five percent of the poorest microfinance clients reached (International Labor Office, 2005). Microfinance services are mostly offered to women

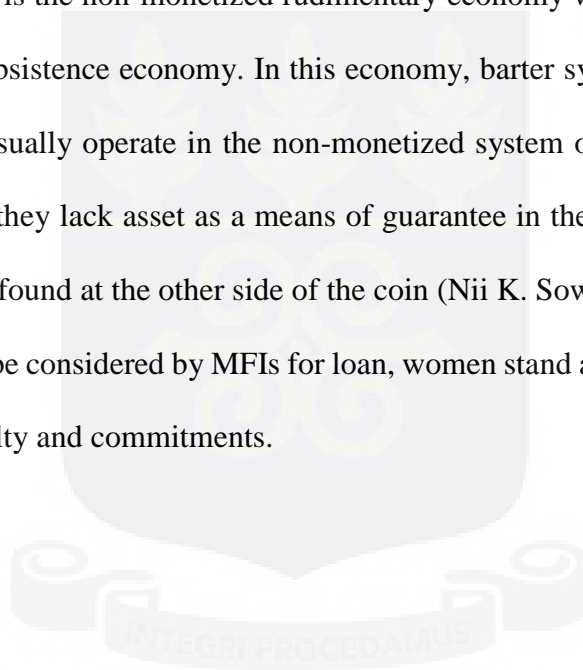
because of some qualities of women. Firstly, women benefit from creation of a social network and increased level of empowerment, in addition to economic benefits. Secondly, the group structure offers a source of mutual support and collective courage otherwise non-existent for most women accessing microfinance services. Thirdly, income directly and positively affects the health of family members when controlled by women and earned in small and regular amounts. Lastly, women are considered credit worthy compared to men.

Therefore, targeting women borrowers makes sense from a public policy standpoint. The business case for focusing on female clients is substantial, as women clients register higher repayment rates. They also contribute larger portions of their income to household consumption than their male counterparts. There is a strong business and a public policy case for targeting female borrowers.

Children of women microfinance borrowers also reap the benefits, as there is an increased likelihood of full-time school enrolment and lower drop-out rates. Studies show that new incomes generated from microenterprises are often first invested in children's education, particularly benefiting girls. Households of microfinance clients appear to have better health practices and nutrition than other households. Positive environmental impact is also achievable as microfinance programs may support green jobs and renewable energy systems. Microfinance therefore makes a strong contribution to the realization of the Millennium Development Goals (International Labor Organization, 2005).

2.9 Conclusion

According to Nii Sowa (2002), *“Finance is the oil for growth. It is indeed the life-blood of the economic system. The financial system is the vessel that carries this life-blood through the economic system. It is the system of institutions and operations that canalizes the financial resources into productive use.”* The country’s financial system is made up of formal (monetized) and informal (non-monetized) system. The formal system is the one that is made up of money economy where transactions predominantly take place with money as a medium of exchange. On the other hand, the informal financial system is the non-monetized rudimentary economy where people usually the poor practice subsistence economy. In this economy, barter system is the order of the day. The poor usually operate in the non-monetized system or the informal financial system because they lack asset as a means of guarantee in the formal sector, whereas the rich are also found at the other side of the coin (Nii K. Sowa, 2002). In deciding of who is likely to be considered by MFIs for loan, women stand a better chance than men due to their loyalty and commitments.



CHAPTER THREE

LITERATURE REVIEW

3.0 Introduction

The study puts this chapter into two sections; theoretical and empirical review. Both sections give some reviews on gender access to microfinance under the concept of poverty, the operations of microfinance in Ghana and the ability to pay back loans comparing men to women. The approaches and results of other studies in line with this study are reviewed in this chapter.

3.1 Theoretical Review

3.1.1 Poverty in Ghana.

Poverty can be looked at as the inability to attain a certain predetermined minimum level of consumption at which basic needs of a society or country are assumed to be satisfied. The core concept of this general definition of poverty is the fact that to be poor is defined by access to basic goods and services like food, shelter, healthcare and education. It is important to stress here that the food concept in this definition goes beyond just food but nutritious food under a hygienic condition including clean water and sanitation services (World Bank, 2001).

Many evidences show that poverty is a multidimensional social phenomenon. What constitutes Poverty vary across gender, age, culture, and other social and economic contexts. In both rural and urban Ghana, men associate poverty with a lack of material assets, whereas for women, poverty is defined as food insecurity. Generational differences emerged as well. Younger men in Ghana consider the ability to generate an income as the most important asset, whereas older men cite as most important the status

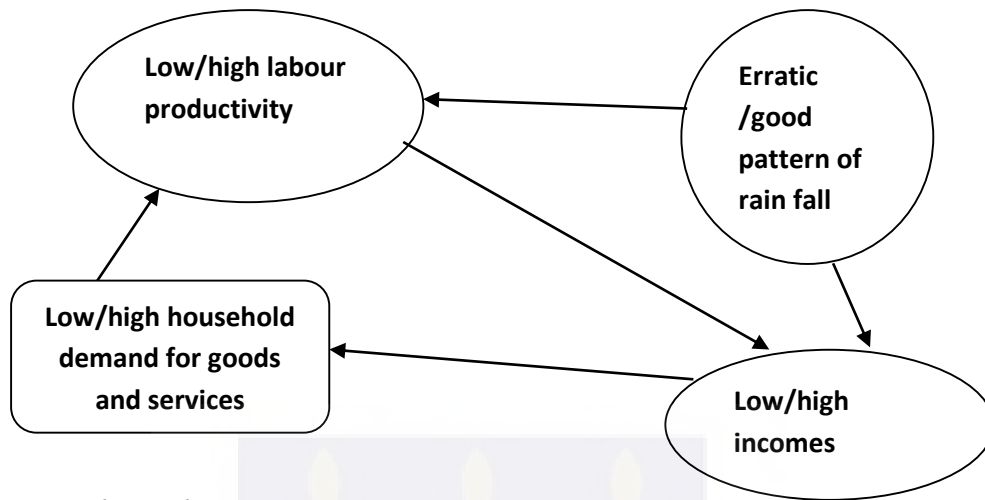
connected to a traditional agricultural lifestyle (Sefa Kwami Awaworyi and Jeffery Korankye Danso, 2010).

More than 70% of Ghanaian communities are in the rural areas deriving their livelihoods mainly from agriculture. Many times over the years the subsistence agriculture sector suffers a decline in productivity. The declining agricultural production for small scale farmers has to a large extent been caused by erratic rainfall since most of the subsistence agricultural productivity in Ghana is rain fed. Even when there is a reasonable amount of rainfall, peasant farmers who form majority of farmers still have to contend with low yields due to lack of proper or non-utilization of farm inputs to enhance high productivity.

Food insecurity is another major problem as they lack proper storage facilities. Also, there are no modern facilities to preserve the farm produce. Low agricultural production has serious implication on welfare not only in terms of food insecurity but also in terms of lost incomes thereby leading to inability to afford social services like health care and education. The effect of this decline has been lost incomes and food insecurity that eventually results in widespread poverty.

The following explain the general perception of the poor emphasizing on the interlink to low productivity within the vicious cycle of poverty as a result of depending on the erratic nature of rain fall pattern in Ghana. The success or the failure of the country depends to a large extent on the pattern of the rainfall. This also means that if the pattern of the rain fall is positive, it would positively reflect in the vicious cycle. Thus, high labor productivity would reflect in high incomes and finally resulting in high demand for goods and services among individuals in the communities as in Figure 3.1.1.

Figure 3.1.1: the pattern of rain fall as a determinant of poverty vicious cycle in Ghana.



Source: the Author's Construction, 2014/2015

3.1.2 Economic Poverty between Genders

Women, by the nature of their delightful works, suffer mostly the economic aspect of poverty. Economic aspects of poverty focuses on material needs, typically including the necessities of life, such as food, clothing, shelter, or safe drinking water. Poverty in this sense may be understood as a condition in which a person or community is lacking in the basic needs for a minimum standard of well-being and life, particularly as a result of a persistent lack of income. Women are considered to be the most victims here in the sense that they constitute the majority of our communities. The responsibility of raising children lies squarely on their shoulders whether they are supported or not.

3.1.3 The Formal and Informal (MFIs) Financial Institutions

The significant difference between the formal financial (conventional banks) and non-formal (microfinance) sectors are many. In Table 3.1.1 are some of the classical examples of the difference between the two.

Table 3.1.1 The difference between Conventional banks and the MFIs

Conventional Banks	Microfinance Institutions (MFIs)
A profit-maximizing firm	Non-profit Government or Nongovernment Organizations
Financial Intermediary between savers and investors in the economy	Funds from external sources provided to the poor
Deposit forms the bulk of the Liability	Savings (forced) of the clients only Deposits
Do not include social/educational Programs	Include social/educational programs
Physical Collateral required to get Funds	Social collateral through group and centre formation
Clients are relatively well-off	Clients are poor
Clients come to the bank	MFI goes to the people
Amount of loan is large	Amount of loan is small
Capital and interest usually paid at the maturity of the contract	Capital and interest paid in weekly or monthly instalments over a year.
Most clients are men	Most clients are women

Source: Habib Ahmed (2002), Financial Microenterprises.

3.1.4 The Services of Microfinance

Microfinance services are such that mostly credits meant to help the poor are very minute. However, these small amounts are far enough for productive poor entrepreneur women to start businesses such as buying fish to smoke for market, buying and selling cooking ingredients at retail prices, raising domestic animals and many more of such businesses they can find. Any income from these businesses might be small though, it is so beneficial to the entire household.

Microfinance Institutions also serve as guidance or counselors to the poor who is to take a risk into an uncertain business. On the event that they lose their business capital, microfinance gives them the opportunity to rise again as a result of an insurance policy packages given them. Thus, one function of microfinance is to look ahead of time and anticipate possible problems that are likely to befallen the poor and provide the necessary solutions.

Microfinance provides a wide range of financial services, such as loans and savings facilities, insurance, transfers payments and even micro-pensions to people excluded from the formal financial sector. It's meant to reach a wide range of individuals, typically self-employed, low-income entrepreneurs in both urban and rural areas. Many beneficiaries have access to social intermediation services such as group formation or development of self-confidence. They further benefit from enterprise development services such as business management and bookkeeping training, and social services such as education, nutrition training and health care. MFIs' clients therefore use financial services not only for business investments but also to finance health and education, for household consumption, household emergencies and to meet other cash needs (Marcella Corsi, Fabrizio Botti et al, 2006). MFIs are always in business because the re-payment rate on their clients' loans is much enough to re-lend to another. Globally MFIs charge re-payment rate over 95% (USAID, Strategy for Sustainable Development, 1998). By giving the poor hand up and not a hand out, microfinance can help break the poverty cycle in as little as a single generation.

3.1.5 Models of Microfinance

MFIs employ a variety of methods to reach their clients. These methods are called models. There are many forms MFI models take. Each community depending on the

environmental situation can generate its own model. Grameen Bank has identified about fourteen different microfinance models as at the year 2000 (Grameen Bank, 2000). Even in Ghana alone, one cannot fully know the number of models operated by MFIs since there is no fast and hard rules of operating under any specified model. However, there are common models that seem to be practiced by many in Ghana. These include Rotating Savings and Credit Association (ROSCA), the Grameen Bank and the Village Banking.

3.1.5.1 Rotating Savings and Credit Associations

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). This model is a very common form of saving for oneself. The members of the group are usually made up of neighbors, friends or family members (Harper, 2002). One important advantage of forming such group is that it provides an opportunity for social interaction. This group also called merry-go-rounds or Self-Help Group and is very popular with women (Yunus, 1999).

3.1.5.2 The Grameen Solidarity Group Model

In this model individuals made up of four to seven come together to form a group qualify to acquire specifiable amount of loan agreeable by all (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly or by any agreeable time of payment (Ledgerwood, 1999). Studies show that solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as the Grameen Bank, who use this type of microfinance model. The social benefits of this model are the mutual trust

arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Yunus, 1999).

3.1.5.3 Village Banking Model

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Hulme, 1999). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The loans are backed by moral collateral, thus the promise that the group stands behind each loan.

The sponsoring MFI lends capital to the village bank, who in turn lends to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Usually members are requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Hulme (1999) the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

3.1.6 The Role of Microfinance in Poverty Alleviation in Ghana.

Poverty reduction has been a key objective of most development policies and programs, including microfinance programs (Hulme and Mosley, 1996; United Nations, 1997;

President Mills, 2008). Microfinance has proven to be an effective and powerful tool for poverty reduction. Microfinance basically seeks to provide financial assistance to those who the banks have ignored over the years. Like many other development tools, however, it has insufficiently penetrated the poorer section of society.

The poorest form the vast majority of those without access to primary health care, good shelter, good food and basic education; similarly, they are the majority of those without access to microfinance. Microfinance makes an impact on more than just household income. Case studies indicate that microfinance has substantial effect on the nutrition and health of the poor, especially for children (Wright, 2000). Integrated Microfinance Institutions are known for their direct involvement in nutrition and health through provision of education on AIDS awareness and classes on nutrition and hygiene. Indirectly, microfinance has a positive influence on nutrition and health because increased income through participation in microfinance programs invariably will lead to higher nutrition and greater access to health care (Simanowitz et al, 2002).

It is an undeniable fact that the deprived communities in Ghana are unproductive due to liquidity constraint. As already discussed, many governments and donor communities believe that the liquidity constraint is the most important constraint impeding poor households and that if it is addressed it will be possible for households to escape poverty. Economists argue that to break the vicious cycle of poverty, there needs to be an outside force that will intervene at some point of the cycle to improve demand for goods and services. This could be done by injecting some liquidity that is believed to unleash the productivity of household labor (Maina-Kiiru and Machakos Kenia, 2007). Microfinance promises not only to break the vicious chain of poverty by injecting liquidity in to the vicious chain, but also promises to initiate a whole new

cycle of virtuous spirals of self-enforcing economic empowerment that leads to increased household well-being.

3.1.7 Microfinance and Gender Equality

The economics of gender and business administration (Brush, Carter Gatewood, Greene and Hart 2006; Ely and Padavic, 2007) generally state that men are more successful than women in doing business as business owners or employees. However, (Armendariz de Aghion and Morduch, 2004, 2005; Hashemi, Schuler and Riley, 1996; Kandker, 1998; Morduch 1999; Nafziger, 1997) in their literature indicated that women may be more successful or derive more benefits from microfinance businesses than their men counterparts.

Microfinance has been widely perceived as a program that sympathizes with women. However, its capacity to facilitate gender empowerment has attracted a lot of controversies. Many are of the view that microfinance helps women enjoy a greater bargaining power within the household when participating in microcredit programs (Marcella, Fabrizio, et al, 2006). Women are more likely to share loans and benefits of programs access with other household members, reducing intra household gender inequalities (Marcella, Fabrizio, et al, 2006 citing Kabeer (2001).

The reason by most of the microfinance programs to target women is for empowerment. Many have reasons informing their motivations for pursuing women empowerment. There are many who think that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Others on the other hand believe that investing in women's capabilities empowers them to make choices which are a valuable goal in itself but it also contributes to greater economic growth

and development. Some studies explain that when you increase women's resources, it results in the well-being of the family, especially children (Sarumathi and Mohan, 2011 citing Mayoux, 1997; Kabeer, 2001; Hulme and Mosley, 1997).

It has been argued also that microfinance reduces domestic violence due to a third party scrutiny provided by peer pressure of other group members. Some empirical evidence demonstrates a conflicting report on the impact of microfinance on domestic violence reduction. A report by Hashemi et al. (1996) indicates that domestic violence is consistently on a decline in Bangladesh whereas Rahman (1999) also reports that there is an increasing degree of violence in households because women participating in the Grameen Bank are perceived as a threat to men's traditional supremacy.

3.1.8 Women and Microfinance

Currently, the main aim of microfinance is to empower women to achieve gender equality. Women make up a large proportion of microfinance beneficiaries compared to men. Traditionally, women (especially those in underdeveloped countries) have been unable to readily participate in economic activity. However, microfinance provides them with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision-making, thus encouraging gender equality. Many poor women are able to keep their adolescent children in school unlike formerly when adolescent girls in particular are often forced to drop out of school to get themselves a man old enough to be their father as a husband to cater for their family needs. Microfinance increases household income and better financial stability, enables poor families to bear the costs of sending children to school.

Most microcredit institutions and agencies all over the world focus on women in most developing countries. Observations and experience show that women are a small credit risk, repaying their loans and tend more often to benefit the whole family (Sarumathi and Mohan, 2011). Microfinance supported these informal microenterprises through microcredit. The microcredit approach to poverty reduction is “the provision of small loans to individuals, usually within groups, as capital investment to enable income generation through self-employment” (Weber, 2006, pp.50).

Former World Bank President James Wolfensohn once said “Microfinance fits squarely into the Bank's overall strategy. As you know, the Bank's mission is to reduce poverty and improve living standards by promoting sustainable growth and investment in people through loans, technical assistance, and policy guidance. Microfinance contributes directly to this objective”. The emphasis on microfinance is reflected in microfinance being a key feature in Poverty Reduction Strategy Papers (PRSPs) (Kirsten Leikem, 2012). The table below gives some financial services and their benefits to women access to microfinance programs.



**Table 3.1.2: Increasing Women’s Access to Financial Services:
Recommendations**

Loans	<p>Offer small loans that women can invest in small assets or in income-generating activities that yield quick returns which are important because of women’s aversion to risk, inexperience with large-scale income generation, and time constraints.</p> <p>Target loans to productive activities.</p> <p>Initiate regular repayments as soon after loan disbursement as possible in order to instill financial discipline.</p> <p>Relax collateral requirements to include social collateral or women’s property (e.g., jewelry) or identify other forms of collateral substitutes and allow cash-flow-based lending.</p>
Savings	Design savings-led programs to increase thrift and women’s financial management in the household, as well as asset-building and risk mitigation.
Insurance	Identify opportunities for increasing access to appropriate insurance products and other mechanisms to reduce risk associated with investing in livestock and crop-based agricultural systems.
Group-based	Reduce costs and increase empowerment through group-based delivery.

Source: Sarumathi and Mohan, 2011, adapted from Mayoux and Hartl, 2009.

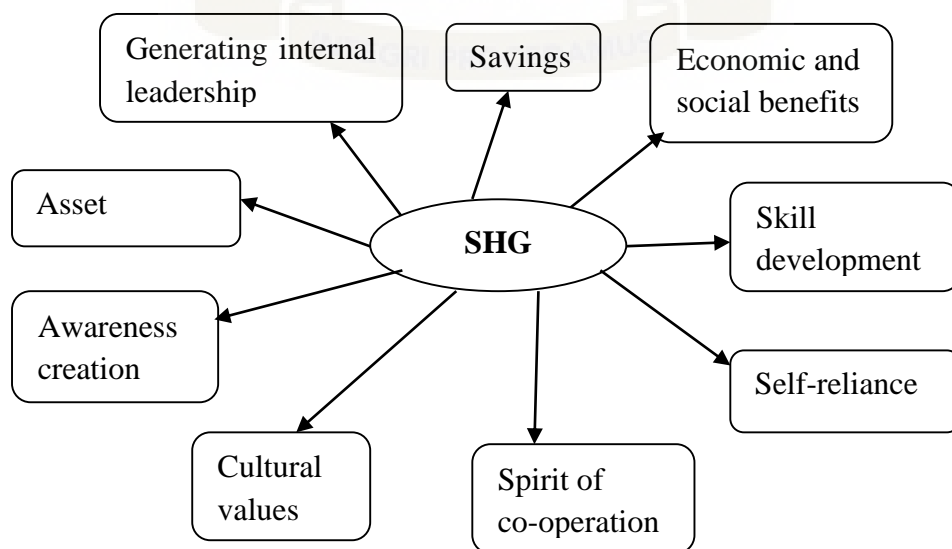
3.1.9 Impact of Microfinance on Livelihoods

The impact of microfinance on the livelihoods looks at changes in the lives of individuals (the beneficiaries) through acquisition of assets as a result of taking the services of microfinance. A number of studies indicate categorically that microfinance indeed provides for the poor both economically and socially. Littlefield (2003) stated that access to MFIs can empower women to become more confident, more assertive,

more likely to take part in family and community decisions and better able to confront gender inequities.

Microfinance achieves this through bringing these women together into groups to share ideas that will make them realize their importance in the communities they live (Julia Anne Paxton, M.L.S., M.A., 1996). Thus, microfinance reduces the isolation of women and gives them the sense of belongingness and self-importance through information sharing (Hulme & Mosley, 1996). Men are kept busy from indulging into social vices such as excessive intoxication and unnecessary fighting. Apart from the numerous advantages of women being in groups, by providing working capital to the poor people, their sense of dignity is strengthened and this can help to empower their participation in developing their homes (Alexander Ferka, 2011 citing Otero, 1999). The financial support also helps to empower women by supporting economic participation and so promotes gender equity. The figure below is an Impact Analysis on bringing these women together.

Figure 3.1.2: The Impact Analysis of Self Help Group (SHG)



Source: Hulme & Mosley, 1996

The table 3.1.3 below shows the impact of microfinance on the livelihood of the poor on the basis of economic and social impact.

Table 3.1.3: Impacts of Microfinance on Livelihoods

Financial Service	ECONOMIC RESULTS	SOCIAL IMPACTS
Acceptance of Savings	<ul style="list-style-type: none"> ❖ Earned income from savings ❖ Capacity for future self-investments ❖ Enables consumption Smoothing ❖ Ability to face external Shocks ❖ Decreased need to borrow money from informal sources at high interest rates ❖ Encourages purchase of productive assets ❖ Improved/balanced allocation of resources ❖ Increased economic opportunities and growth 	<ul style="list-style-type: none"> ❖ Reduced vulnerability due to natural and external shocks ❖ Household consumption more predictable ❖ Higher earned income from interest rates ❖ Feelings of the severity of poverty and desperation reduced ❖ Reduced social exclusion due to improved living conditions and quality of life ❖ Social, political, and economic empowerment ❖ Potential increase in wellbeing of women
Credit Availability	<ul style="list-style-type: none"> ❖ Encourages profitable investment opportunities ❖ Encourages entrepreneurship ❖ Adoption of better technology ❖ Expansion of existing micro-enterprises ❖ Promotes safe risk-taking ❖ Enables consumption Smoothing 	<ul style="list-style-type: none"> ❖ Higher household income ❖ More diversified income sources ❖ More predictable income ❖ Better educational opportunities for children ❖ Reduced severity of poverty ❖ Reduced social exclusion ❖ Social, political, economic, and personal empowerment
Insurance Services	<ul style="list-style-type: none"> ❖ More financial assets saved ❖ Reduced risks and losses ❖ Increased investments ❖ Reduced distress from unpredictable shocks 	<ul style="list-style-type: none"> ❖ Less volatile consumption patterns ❖ Greater income due to more investments ❖ Greater personal and economic security

Payments/Money Transfers	<ul style="list-style-type: none"> ❖ Facilitates more open trade and investments ❖ Reduces dependence on informal money sources ❖ Diversification of household economic activities 	<ul style="list-style-type: none"> ❖ Greater income, cash mobility ❖ Higher overall consumption
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Source: Asian Development Bank (2011)

3.1.10 Information Asymmetries and Repayment of Loans

Many MFIs fear to genuinely help the productive poor simply because of moral hazard consequences. Since MFIs do not consider any tangible assets as mortgage for giving out loans, many individuals who portray to be needy poor come for loan to pursue their own agenda instead of the reasons given before claiming the loans. This causes adverse selection problems for the MFIs. Since there are no records to communicate the financial history of clients in this sector, MFIs encounter adverse problems by overcharging the payment rates on the loans due to anticipated moral hazard problems.

Moral hazard and adverse selection problems arise as a consequence of asymmetric information between the lending institutions and the borrowers. In a situation where the lender is unable to distinguish between borrowers with high or low risk, adverse selection problem is inevitable. On the other hand, the tendency of borrowers spending their loan on projects which are not profitable, such that they are less likely to repay their loans and the inability of the lender to discover and discourage such behavior also amount to moral hazard (Tone Sindre Hoff, 2013 citing De Aghion and Moruch, 2004). The risk management and high transaction costs of processing, monitoring and administering small loans are the main challenges of delivering credit to borrowers in microfinance services (World Bank, 2008).

3.2 Empirical Literature Review

3.2.1 Gender Access to Microfinance Services

A study conducted by Marcella Corsi, Fabrizio Botti, Tommaso Rondinella and Giulia Zacchia; (2006) identifies microfinance as a gender-sensitive development tool. According to some of the results in their study, early and successful programs such as Grameen Bank in Bangladesh and BancoSol in Bolivia mostly considered women as the only beneficiaries. Even most of the recent studies also have their fair share to this perception; they gear in support to this claim.

Microcredit Summit Campaign (2005) has shown that majority of microfinance clients are overwhelmingly dominated by women. In the quest to investigate if there is a reason for which most of the MFIs concentrate more on women than men or in other words, if more women than men have access to microfinance services, a study by Khandker et al., (1995) and Hulme, Mosley (1997) have demonstrated that the focus on women is as a result of their higher saving and repayment of loan rates. And also, there are greater social and economic impacts of lending to women rather than to men (Marcella, Fabrizio et al, 2006 citing Khandker, 2003).

Women are deemed to be more conservative about their investment decisions than men because of limited labor mobility hence it also means that there is a possibility of effective monitoring by peer borrowers' in-group lending schemes and more effective social sanctions. In addition to this, serving women clients is also associated with a more positive impact on households, as women are more concerned about children's health and education (Marcella, Fabrizio et al, 2006 citing Blumberg, 1989). "*Give a man a fish, he'll eat for a day. Give a woman microcredit, she, her husband, her children and her extended family will eat for a lifetime.*" A study conducted by Tone

Sindre Hoff (2013) pointed out that while some claim that women are simply more responsible, some argue that women, having fewer borrowing options than men, are careful of jeopardizing their relationship with their MFI by defaulting. It is therefore likely we may expect to see the repayment gap diminish over time as financial access expands given the above premise (Tone Sindre Hoff, 2013).

This is of no doubt that most publications on microfinance pointed out women to be the most loyal participants to microfinance services. One thing that is not clear in these publications is to find if whether men are intentionally excluded out by the MFIs in their programs or on the other hand, could it be that men are generally not interested in the microfinance programs? By the assumption that microfinance is for both men and women, Isabelle Agier and Ariane Szafarz (2013) investigated to find if there are separate treatments meted out to men from women by MFIs through their individual desires for loans acquisition on the theme “do men and women benefit from the same credit conditions?”

The investigation with a sample size of 34,000 from Brazilian microfinance institutions presented an empirical analysis that indicated that there is no gender bias in loan approval, however, there is disparate treatment with regard to credit conditions hence there is a “glass ceiling” effect. Thus, the loan approval rate is gender-neutral; however, there is a glass ceiling on loan size that hurts the women entrepreneurs with larger projects (Isabelle Agier and Ariane Szafarz, 2013). The analysis presented further however that, there is gender gap in loan size which disproportionately increases with respect to the scale of the borrower’s project.

Contrary to the result by Isabelle Agier and Ariane Szafarz (2013) that loan approval is gender-neutral, Agier and Szafarz (2010) indicated that the cost of lending out to

women is often higher than lending out to men, because of their average loan size which often is smaller than that of men (Sindre Hoff, 2013 citing Agier and Szafarz, 2010). When loan size is small, the cost of repayment is high. While women are content with any smaller amount and are willing to pay back at a higher rate, men are only interested in a lump sum for which they are likely to default payment. That's why MFIs seem to focus on women more than men.

The net result from Agier and Szafarz (2010) study is that MFIs with a special focus on women make more profit as a result of a massive reduction in loans default cases. Aside making profit for themselves, the women keep their promise to work with the capital which tends to impact more on their entire households than giving men the same opportunity.

The financial perspective of D'Espallier et al (2009) shows that focusing on women can be positive. By the virtue of the volume of their loan sizes, they do repayment at a higher rate, which leads to lower risk and increases the profitability. However, their findings show that having a conscious gender bias significantly leads to an improvement of repayment though; it does not lead to an increased overall profitability. The positive repayment effect that is associated with a focus on women is set back by higher costs due to smaller loan sizes. It also becomes negative as some women cannot afford to pay the astronomically escalating rates of interest on their loans. And even when paid, it leaves them with no profit in their businesses hence aggravating the condition of these poor women (D'Espallier et al., 2009).

The popularity of women in microfinance's participation than their men counterparts is an issue for which many studies see as an opportunity to salvage the gender inequality canker. However, very few studies including Beatriz Armendáriz and Nigel Roome

(2008), have anticipated the consequences of this practice. According to the study, the bias in favor of loans to women in microfinance has been accompanied by an increasing trend to exclude men from microfinance services, particularly in the context of loans to those with very low income levels. The study ascertains the fact that this practice of exclusion might prove to be counterproductive, for it can generate frictions within households, as men feel increasingly threatened in their role as primary breadwinners within the household.

It further argues that the promotion of women in microfinance initiatives and the bias against men would rather create disequilibrium in areas like education, health, and well-being of household members. Mark Pitt and Shahidur Khandker (1998) did a publication on microfinance and gender using cross section data from Bangladesh for 1991-92. The study outlines some potential sources of bias in identifying and estimating the impacts of microfinance initiatives alone on outcomes such as household expenditures on health and education. The effect of this however may result in women disempowerment contrary to the initial women empowerment goal.

3.2.2 The Determinants of Loan Repayments

After MFIs have approved loan for individuals, they have a choice to repay or not to repay and suffer the consequences if any. Therefore for MFIs, the capability of borrowers to repay is an important issue that they need to pay much attention to (Brehanu & Fufa, 2008). A study by Armendariz de Aghion (1999) has shown that MFIs can reduce loan repayment default by lending to group. Ahlin & Townsend (2007) and Olomola (2000) have confirmed this accession through their independent studies on the effectiveness of group-lending mechanism. Bhatt and Tang (2002) investigated the determinants of loan repayments in microcredit programs through

group lending. Some of the determinants have to do with the borrower's socio economic variables such as gender, educational level, household income and characteristics of the business (type of business, years in business, etc.). In their study, they found that a higher education level was significant and positively related to better repayment performance.

Conversely, female borrowers, level of household income, type of business and borrower's experience had no significant effect on repayment behavior. In a study by Chaudhary and Ishafq (2003) to examine the credit worthiness of 224 rural borrowers in Pakistan using logistic regression, it was found out that borrowers with higher educational levels, involved in a non-farm business activity, which were using the loans for investment and were females, had a higher probability of repaying their loan.

On a broad classification, there are three factors that can affect repayment of loan. These are the characteristics of borrowers, characteristics of lenders and finally the characteristics of the loan itself (Nawai & Shariff, 2010 and Olomola, 2000); however, this study identifies and examines eleven (10) specific factors out of these general three factors.

3.2.3 The Loan Repayment Factors

3.2.3.1 Gender

The literature in this study points out that repayments by female borrowers are better than those by males in microfinance lending. For instance, in the analysis by Khandker et al., (1995) on the Grameen Bank customers it was observed that 15% of male borrowers had difficulty in making repayments compared to 1% of females. In 1996, Todd conducted a study on MFI customers in Bangladesh and has concluded that

women are more cautious and conservative in their investments of borrowed money (Todd, 1996). Similarly, the World Bank (2007) has shown that repayment is higher among female borrowers than men and this is due to more conservative investments and lower moral hazard.

There are many studies reviewed earlier in this text that emphasize the fact that most MFIs prefer to do business with females more than men due to high trustworthiness they have for them. For example, according to a perception analysis by Jones H., Williams et al., (2003), in Madhya Pradesh in India, many managers believed women clients more than men.

There are few instances where studies have found out that males performed better compared to women in repayments of loans (Reta, 2011). Also, Bhatt & Tang (2002), in their studies to investigate repayment of microfinance loans in the United States, it was found that women invest in risky and low return investments.

3.2.3.2 Age

Age is considered to have effect on loan repayment because it is assumed that growth comes with maturity and experience. One gains more experience and skills as the number of age increases and these things may have a significant effect on the repayment performance of loans granted by MFIs. Mawire (2012) and Abreham (2002) found experience to have a significant effect.

One of his findings is that age is positively related to loan repayments. Separate studies by Onyenucheya & Ukoha (2007) and Reta (2011) have also confirmed the earlier claim by Abafita (2003) that age has a direct impact on loan repayments. Early studies done

in the 1990s (Njoku & Odii, 1991; Arene, 1993; Okorji & Mejeha, 1993; Ezeh, 1993; Vigano, 1993) have found that age has a positive effect on repayments.

3.2.3.3 Loan Cycle

Most MFIs believe in the adage that says that 'one good turn deserves another'. Generally, it is true that all MFIs do not give loans for longer period as compared to what the formal banks do. The maximum duration an MFI can give loan does not exceed one year. One's repayment performance in the first loan determines whether such individual should be considered in his/her next demand.

Individual or a group of individuals who does well in the first loan is considered with higher amount in the second loan. This continues as long as there is no incident of default. The number of times these borrowers receive loan is termed loan cycle. This concept is referred to as 'dynamic incentives' which is described as the threat of not refinancing a borrower who defaults on a debt obligation (Godquin, 2004). According to Besley (1995) and Godquin (2004) this is a measurement to assess and improve subsequent loans to clients. Reddy & Prakash (2003), also agree to this accession by adding that 'dynamic incentives' encourages borrowers' repayment performance.

Limsombunchi et al. (2005) argued that higher loan cycle reduces information asymmetry problem contributing to better repayment performance.

3.2.3.4 Purpose of the Loan/Type of Business

It is important to emphasize here that the type of business for which loan is taken has a significant effect on the repayment. This is mainly due to the fact that different business ventures have different inherent risk levels associated with them. There are businesses that can be seen lucrative enough though, they have much more risk associated with

them. For instance, the success of any local agricultural business mainly depends on rainfall for that particular season. A fail in the seasonal rainfall means loss of business. Hence an individual or a group of individuals investing into such business at that season may inevitably counter loan default. For example Chaudh & Ishafqry (2003) found that repayment of agricultural loans were significantly poor compared to other types of loans. Interestingly, this is where more men rather prefer to do business. Women on the other hand take lesser risk businesses and therefore pay back loans compared to men. According to Todd (1996) and Agier & Szafarz (2010), women are considered better in repayments mainly because they use the loan for businesses that are low in risk. A study by Johnson (2004) also indicated that the types of businesses that women engage in have a quick turnover which matches the regular repayments imposed by most MFIs.

3.2.3.5 Frequency of Interest and Capital Repayment

There are very few studies in the literature that have looked at the relationship of the repayment frequency and default in loan repayments. The pattern both in amount and timing of cash flow in a business affect its ability to repay the loans and other commitments as they fall due (see the above arguments by Todd, 1996; Agier & Szafarz, 2010; Johnson, 2004). Especially in microfinancing the borrowers have no access to other forms of credit. Mokhtar et al. (2012) argue that repayments must match the business cycle in microfinance loans. Roslan & Karim (2009) found that large repayment periods have a negative effect. This is due to the borrowers using the income for other purposes when they have more time to repay.

3.2.3.6 Interest Payment on the Loan

According to Microcredit Summit Campaign Report (2012), only 200 million poor are served by MFIs compared to the 900 million poor people in the Asia Pacific Region

alone. This indicates that the demand has far exceeded the supply and this has made Microfinancing business a good market. The interest rate charged by MFIs just as any other good is subjected to the forces of demand and supply. Due to this, MFIs take the advantage of the vulnerability of loan seekers and over charge their rates of interest. This has a great effect on loan repayment as individuals may not make much profit on their businesses in order to pay the capital plus the huge interest. Chaudh & Ishafqry (2003) supports the argument by adding that subsidized interest rates has no significant impact on loan repayment.

3.2.3.7 Collateral

Many MFIs make so many efforts to reduce borrowers default rate. Some of these things they do include asking borrowers to bring collaterals. These serve as a guarantee that the clients will pay back the loans. At the event that clients fail to repay, these are sold to cover the cost for the loan. These collaterals are client's properties such as land, vehicles and the like. MFIs however, discover another form of collateral called group collateral. This allows clients who know each other well to form groups. The individual members in the group serve as collateral for one person. At the event that one member of the group run away with the loan (refuses to pay), the other members of the group would be held responsible to pay for the one who could not pay (Guttman, 2006).

This comes at the backdrop of the fact that most clients of MF are poor who do not have any property for collateral (Gert Van Maanen, 2004). However, these poor people have skills and a capacity to produce for the market if give the necessary financial services (Greeley 2003). Many studies show that group collateral is much more reliable than asking a client to produce items which they may not even have. Many studies including Ahlin & Townsend (2007), Assefa (2002) and Reta (2011) show that it is

safety to rely on group collateral. It is beneficial to lend to borrowers in groups rather than individuals who does not belong to a group.

Collateral is therefore considered in this study as a factor that can affect repayment. It is classified as a dummy variable where group collateral is coded as 1 and other forms of collateral as 0. Collateral is included in the model to assess its level of predicting the loan repayment.

3.2.3.8 Visiting Frequency by the Loan Officers

The number of times loan officers visit a borrower plays an important role in repayment of loans. This helps to lessen moral hazard effect by borrowers. A study conducted by Field & Pande (2008) found that in the case of groups, the trust between the group members also increases with the number of visits by the loan officers. This has also led to improvement of repayment performance in groups. Many other studies including Okorie (1986); Abafita (2003); Norell (2001); Olagunju & Adeyemo (2007); Retta (2000) have indicated that indeed the number of eyes contacts lender have with borrowers significantly affects loan repayment.

3.2.3.9 Area Classification

Though not much research was done on the effect of area classification (whether urban or rural community) on loan repayment, it is assumed that urban communities would have high rate of repayment than rural communities. Perhaps due to the nature of businesses carried out by this sector's individuals. Most urban sector borrowers go into trading, on the other hand, the rural sector borrowers are into farming. It is also proven that businesses such as farming which its successfulness depends largely on rainfall do not give high rate of repayment (Agier & Szafarz, 2010). For example Chaudh &

Ishafqry (2003) found that repayment of agricultural loans was significantly poor compared to other types of loans. Interestingly, this is where more men rather prefer to do business.

3.2.3.10 Education

Education just like age goes with much more skills, integrity and mental maturity. Any highly educated person has integrity to protect. Hence education has positive effect on loan repayment. Studies done by Olagunju & Adeyemo (2007) and Oke et al. (2007) on Nigerian smallholder farmers and by Brehanu & Fufa (2008) in Ethiopia respectively have found that education has a positive effect on loan repayments.

The table below is a summary of the factors that affect repayment listed in the order of their characteristics; the borrowers, loan and the lenders.

Table 3.1.4: Characteristics of the factors that may affect loan repayments

FACTORS THAT MAY AFFECT THE LOAN REPAYMENTS	
Characteristics of the BORROWER	<ul style="list-style-type: none"> • Gender • Area Classification • Age • Education
Characteristics of the LOAN	<ul style="list-style-type: none"> • Type of business for which the loan is used • Interest payment on the loan • Frequency of Loan payment • Loan Cycle
Characteristics of LENDER	<ul style="list-style-type: none"> • Visiting frequency by the loan officers • The type of Collateral provided

Source: Author's Computation, 2014

3.3 Conclusion

The review of the related publications on gender access analysis to microfinance all pointed out that indeed MFIs favor women more in their programs. And this is because women prove to be more credit-worthy than men. Due to this accession, more MFIs would do whatever it takes to reach women having in mind that the risk of women running away with their loans is lesser compared to giving out to men. This practice seems to be widely accepted since it contributes to a reduction of poverty among women and also it gives way to women empowerment.



CHAPTER FOUR

METHODOLOGY

4.0 Introduction

This chapter presents methods of data collection techniques, the econometric model to be estimated and the estimation procedure. It described the variables (factors that affect repayment) used in the estimation and their expected signs on repayment.

4.1 Population

The study is centered on some parts of Greater Accra Region. This comprises of both urban and rural communities. All MFIs and their clients under the jurisdictions of Tema Metropolitan, Ashaiman Municipal Ningo/Prampram District and Dangbe East District are the target population. Two Districts (Tema Metropolitan and Ashaiman Municipal) are considered under purely urban districts and other two (Ningo/Prampram and Dangbe East) under rural communities.

It is also very important to state that not all people within these selected communities of interest are of useful for this study. Only individuals who have relevant information to the study were contacted and interviewed. For the purpose of this research all men and women working with any MFI who have at least ever taken loan were useful.

4.1.1 Profile of the Selected Areas

The Greater Accra Region is the smallest of Ghana's 10 administrative regions in terms of area, occupying a total land surface of 3,245 square kilometres or 1.4 % of the total land area of Ghana. In terms of population, however, it is the second most populated region after Ashanti Region, with a population of 4,010,054 accounting to about 16%

of Ghana total population as at 2010. 1,938,225 males and 1,938,225 females, according to 2010 Population and Housing Census (PHC). Greater Accra region was part of Eastern Region prior to 1982. It was later created from Eastern Region in 1982. It currently harbours the seat of government in Accra. The Greater Accra region is bordered on the north by the Eastern Region, on the east by the Lake Volta, on the south by the Gulf of Guinea, and on the west by the Central Region. It is smallest region of Ghana in total area, and is made up of 16 districts. These districts include Accra Metropolitan, Adenta Municipal, Ashaiman Municipal, Dangbe East, Dangbe West, Ga Central, Ga East Municipal, Ga South Municipal, Ga West Municipal, Kpone Katamaso Municipal, La Dade-Kotopon, La-Nkwantanang-Medina, Ledzokuku-Krowor Municipal, Ningo/Prampram, Shai Osudoku, Tema Metropolitan,

The target population for this study comprises of some communities under the stated districts;

- Ningo Prapram and its surrounding communities (under Ningo/Prampram District Assembly).
- The communities in Ashaiman (under Ashaiman Municipal Assembly).
- Ada Foah and its surrounding communities (under Dangbe East Municipal Assembly).
- The communities in Tema (under Tema Metropolitan Assembly).

4.1.1.1 Ningo-Prapram Community

The Ningo-Prapram District Assembly, (NiPDA) was created from the erstwhile Dangbe West District in 2012 with the promulgation of Legislative Instrument (LI) 2132. The Assembly is also divided into three (3) Area Councils namely: Prampram, Dawa and Ningo. The District Assembly covers an area of 572.7 km². It is bounded in

the North by the Shai-Osudoku District Assembly, the South by the Gulf of Guinea, East by the Dangbe East District Assembly and the west Kpone-Katamanso District Assembly. The current population of the District is estimated at 73, 386. Out of this, 47.6% are males and 52.4% are females. About 62% of the population of the district falls within the economically active age group (i.e. 15-64 years). The local economy of the district is made up agriculture, commerce and service.

Service activities, especially real estate activities form the backbone of the economy as the district is largely becoming a dormitory settlement. The total length of roads within the District area is 264.9 km made up of asphaltic concrete, surface dressed and unpaved roads. The District can also boast of two (2) first class roads (Tema – Akosombo & Tema – Aflao) and a second class road that links Dawhenya to Prampram. The main areas of agricultural activity are in food crop farming, livestock and fishing. Close to 65% of labour force are engaged in crop farming, fishing, livestock and forestry. And out of that percentage, $\frac{3}{4}$ are women. Major crops cultivated in the district include cassava, maize, rice, pepper and legumes. More so farmers in the District also cultivate fruit crops such as mango, pineapple, and cashew and water melon. Cabbage, lettuce, pepper and cucumber are also some of the major vegetables cultivated in the District. Some of the communities under Ningo including Ahwiam and Tsopoli and others are the focus of the study. These communities; Ahwiam and the likes are communities located within Ningo and Dawa (Ningo Prampram 2013 Fiscal Year).

4.1.1.2 Ashaiman Community

The Ashaiman Municipal Assembly (ASHMA) was established by LI 1889 on 30th November, 2007 as part of deepening of the decentralization process to enhance effective governance. It is a residential town where many workers of Tema (the

industrial city) and Accra (the capital of Ghana) live. Although it has large population, it was only 5 years ago when it got its own Municipality District and Local Assembly.

Ashaiman is among the new districts and municipalities created in 2007 by then President John Agyekum Kufuor which was inaugurated on 29 February, 2008. It has a total settlement population of about 190,972 as per the results of 2010 population census. The main occupation of the people of Ashaiman is trading in all kind of second-hand items. However, there are many more of the populations who participate in urban farming. Maize and vegetables such as cabbage, lettuce, pepper and cucumber are mainly cultivated.

4.1.1.3 Ada Foah Community

The Dangbe East District is in the Greater Accra Region. The District is located in the Eastern part of the Greater Accra Region within Latitudes 5°45 South and 6°00 North and from Longitude 0°20 West to 0°35 East and West respectively. At the south is the Gulf of Guinea, which stretches over 45 kilometres (27.9 miles). Ada Foah, the District Capital is located at the south-eastern part, about 20km off the Accra-Aflao road, along the coast and about 2km from the Volta River Estuary. Other major settlements are Big Ada, Kasseh, Goi, Anyamam, Lolonya, Akplabanya, Koluedor and many more. The District shares boundaries with Central Tongu to the North, South Tongu to the West, Ada West to the West and to the south with the Gulf of Guinea.

Apart from the sandy beaches and Ghana Sailing Club, another natural attraction in the district is the Volta River and its estuary. Ada Foah is the tourism center of the Dangbe East District with beaches, the estuary and many tourism attractions. With the river and the ocean, Ada Foah is famous for water sports like swimming, sailing, fishing and boat

cruises. The river shore is mostly blocked by holiday chalets as many people from Accra use the place as a weekend getaway. There is a ferry and boat harbor at the riverside where boats can be rented for a cruise around the islands in the river.

The Volta River forms the eastern boundary of the district before it reaches the Gulf of Guinea. The islands in the river and in the estuary are a wildlife paradise: marine turtles, birds, crocodiles and monkeys are some of the animals living there. The mangrove vegetation in the salty parts of the estuary is another attraction and an important ecosystem. It is however endangered by human activity along with rare animals that are often hunted down. The estuary also offers the best conditions for water sports like sailing, canoeing, fishing, water skiing, wake boarding and jet skiing. Another important water body and one of the most important salt mining areas in the country is the Songor Lagoon. Additional to visiting it and learning about salt mining it serves as a base for birdwatchers.

Because 82% of the population lives in rural areas the pressure on the land and on the resources is growing. Consequently, many young people are moving away from the district due to lack of job opportunities. The development of the district towards a tourism destination is expected to help reducing youth unemployment and change this migration trend. For this purpose special Youth Employment Programs have been put in place to provide youth with community jobs such as teaching assistants, health workers, environmental aids and agricultural workers.

There is no social security system in place that would help people with no income such as unemployed; children and senior citizens. So far, the traditional system of family support is still working in rural areas but gradually losing its basis as more and more young people move to the cities and turn away from the extended families, having only

few children themselves. Due to this, majority of the population works in the informal sector. Apart from commercial salt mining companies that employ about 300 people at the Songor lagoon there are no bigger companies employing the local population.

4.1.1.4 Tema Community

Tema, which serves as the administrative capital of the Tema Metropolitan is a coastal city situated 25 kilometers east of Accra, the national capital. The Greenwich Meridian (00 Longitude) passes through the city of Tema. Until 1952, when the Government of Ghana decided to develop a deep seaport there, Tema was a small fishing village. It became an Autonomous Council in 1974 and was elevated to the status of a Metropolitan Assembly in December, 1990. The Metropolitan shares boundaries with Ashaiman Municipal, Adentan Municipal, and Ledzokuku Krowor Municipal to the west respectively, to the east with Kpone Katamanso District, to the North with Dangme West District and to the South with the Gulf of Guinea. Tema is the eleventh most populous settlement in Ghana, with a population of approximately 161,612 people as at 2013. Tema is locally nicknamed the "Harbour Town" because of its status as Ghana's largest seaport. It is now a major trading center, home to an oil refinery and numerous factories, and is linked to Accra by a highway and railway.

4.2 Determination of Sample Size

Even though there are about 750 MFIs operating across the country, only 409 are licensed with the Central Bank as at October 2014, according to Bank of Ghana. One interesting thing that the researcher found about these MFIs is that, out of these numbers stated by the Central Bank, there are some MFIs who are very popular; they have branches across most of the regions of Ghana. For others, they are only popular within

some particular districts while many more are 'one man businesses' operating from their little corner of a particular community. They are not known even beyond the borders of the community in which they operate.

Coming to the target population, the researcher has further found out that there are some MFIs who have many branches; at least a branch in all the four districts of the study. Some others also appear just once out of the four districts. Therefore in order to have a holistic data across all the MFIs, the researcher had made a frantic effort to select MFIs only by their names across all the four selected districts of Accra. This therefore means that, a particular name that has many branches across all the four selected districts is counted only once.

Going by this exercise, it has been found that across the four districts, there are 74 different names of MFIs. These 74 MFIs formed the sample size for the selected MFIs. In each one of the 74 MFIs, every first 5 oldest and consistent (experienced) clients were contacted for interview. This was purposively selected because they are the leading user of credit with long years of experience and adequate information for the research at hand. These individuals are considered to be loyal to services of MFIs. Hence the total sample size for MFIs' clients is 370. Thus, 5 clients multiply by 74. Based on this procedure of selection, a total clients of 370 were sampled, and in addition, there were 74 MFIs.

It is important to state here that, most of the MFIs contacted were willing to respond to the questionnaire only on the condition of anonymity due to issues concerning their registrations with the Central Bank. In this case, names or any other things concerning identity of the MFIs were concealed in this study.

4.3 Sample Selection Technique

Purposive Sampling technique was used. This is a non-probability sampling technique which involves the sample being drawn from that part of the population which has the information needed for the research. Although the total number of both clients and the institutional workers could be known, it would be extremely difficult to use a Probability Sampling technique to conduct the interview. For instance, there are some clients who are not consistent and therefore cannot be reached during the period of the study. Hence it may not be advisable to insist on getting them. All first-five loyal clients given by the MFIs at the time of visit were interviewed. It must be stated that no special attention was given to the fact that there must be more males than females or the otherwise.

4.4 Model Specification

Loan repayment status is the dependent variable upon which the other factors are going to be tested. However, the status of the variable 'loan repayment' is dichotomous. The value '1' is assigned to when there is a default and '0' when not default (otherwise). It is therefore inappropriate to use the traditional Ordinary Least Squares (OLS) in this estimation. The likely problems one must encounter when using OLS estimations include Serial Correlation (Autocorrelation) and Heteroscedasticity since the variables to estimate are discrete choice models with categorical dependent variables. This position is emphasized further by Angrist & Pischke (2009) by acknowledging the fact that OLS only best generate fitted values outside the boundaries of 0 and 1.

In order to use a model that would be able to identify the independent variables, which can predict the loan repayment status, the researcher used the Logistics (logit) Model (LM). Although there are three common statistical methods that are widely used in

situations like this: the Linear Probability Model (LPM), the logit model (LM) and the Probit Model (PM). Except LM and PM, the LPM severely suffers some major weaknesses. Both LM and PM have similar characteristics. They are common multiple regression models which use the OLS method to estimate the parameters even when the dependent variable is a dichotomous or a binary variable. The problem of non-normality and heteroscedasticity of the error term are avoided unlike the LPM. They take the shape of a Cumulative Distribution Function (CDF) of a random variable (the 'S' curves). Therefore they do not suffer from the linearity assumption. The predicted value (the probabilities) always falls between zero and one (Gujarati, 2003). The only difference between LM and PM models is the formula used to define the 'S' curves.

The logit regression assumes that the residual follows a logistic distribution and has a slightly flatter tail compared to the PM. On the other hand, the probit estimator assumes that the residuals are normally distributed. The extra flatter the LM is than the PM indicates that the estimated probability in the LM approaches zero or one at a slightly slower rate compared to the PM. There is virtually no clear reason to choose one method over the other (Gujarati, 2003). However, LM is used in this study. The underlying theory of LM is given below.

$$P_i = E(y = 1|x) = x \beta \dots\dots\dots 4.1$$

Where x is a vector of explanatory variables, y is the dependent variable taking the value 1 or 0 and β is a confident vector. This equation 4.1 can be written as;

$$P_i = E(y = 1|x) = \frac{1}{1 + e^{-x\beta}} \dots\dots\dots 4.2$$

Or as

$$P_i = E (y_i = 1/x_{ij}) = \frac{1}{1 + e^{-(\alpha + \sum \beta_j X_{ij} + \epsilon_i)}} ,$$

Where,

y_i is equal to '1' if the borrower has default loan repayments at least once since receiving the microcredit loan (having a repayment problem) and '0' if the borrower never defaulted loan repayment (not having a repayment problem). P_i is the estimated probability of a loan repayment problem (high value of P_i implies a high loan repayment problem risk). Representing $\alpha + \sum \beta_j X_{ij} + \varepsilon_i$ as Z , we now have

$Z_i = \alpha + \sum \beta_j X_{ij} + \varepsilon_i$. Where,

Z_i is the probability of a loan repayment problem, α and β_j are an intercept term and parameter respectively. X_{ij} are the vectors of borrower characteristics, lender characteristics and microcredit loan characteristics and ε_i is the error term that is assumed to be normally distributed with mean 0 and standard deviation σ .

Therefore

$$P_i = \frac{1}{1 + e^{-z_i}} = \frac{e^{z_i}}{1 + e^{-z_i}} \dots\dots\dots 4.3$$

Where P_i is the probability of an event that a borrower defaults repayment of a loan.

On the other hand, the probability that a borrower pays back his/her loan becomes $(1 - P_i)$. That is

$$1 - P_i = \frac{1}{1 + e^{z_i}} \dots\dots\dots 4.4$$

the $(1 - P)$, the probability of not defaulting the loan. The ratio of the probability of defaulting the loan to the probability of not defaulting the loan (odds ratio) can be written as;

$$\frac{P_i}{1 - P_i} = \frac{1 + e^z}{1 + e^{-z}} = e^z \dots\dots\dots 4.5$$

Taking the natural log of both sides of the above, the equation can be written as;

$$Z_i = \ln\left[\frac{P_i}{1-P_i}\right] = \alpha + \sum \beta_j X_{ij} + \varepsilon_i \dots \dots \dots 4.6$$

Z_i is the natural logarithm of the odds ratio in favor of having a loan repayment problem.

The model is a binary choice model so the use of the ordinary least squares estimation technique is inappropriate (Maddala, 1983). Thus, to obtain efficient parameter estimates, the maximum likelihood estimation technique is applied to the logistic regression. The likelihood function L for the model is given by:

$$L = \prod_{y_i=1} P_i \prod_{y_i=0} (1 - P_i) \dots \dots \dots 4.7$$

From equation 4.6, the probability of having a loan repayment problem can be obtained by the following equation:

$$P_i = Prob (y_i = 1/x_{ij}) = \frac{e^{z_i}}{1+e^{z_i}} \dots \dots \dots 4.8$$

This is the logit model and L (the natural log of the odds ratio) is linear with both the independent variables (X_i) and the parameters (β_i).

Thus, $X_i = X_1, X_2, X_3, \dots$, and $\beta_i = \beta_1, \beta_2, \beta_3, \dots$

4.4.1 Dependent Variable

The dependent variable (DEF = whether borrowers default payment or not). DEF is dummy variable taking the value “1” for borrowers who have ever defaulted microcredit repayment and “0” if they never defaulted loan payment.

4.4.2 Independent Variables

The independent variables used in the logit model are:

$X_i =$ (independent variables), but,

$X_1 =$ GEN = Gender of borrower (1 = female, 0 = male).

$X_2 = \text{AGE} = \text{Age of borrowers}$

$X_3 = \text{CYCLE} = \text{Loan cycle: Number of times a borrower has taken loan}$

$X_4 = \text{PURPS} = \text{Type of business: type of business conducted by borrower}$

(1= retailing business, 2 = manufacturing, 3 = agricultural business, 4 = other)

$X_5 = \text{FREQ} = \text{Number of times borrowers pay within a month}$

$X_6 = \text{INTEREST} = \% \text{ of interest on loans}$

$X_7 = \text{COL} = \text{the type of collateral a client used (1 = group, 0 = other)}$

$X_8 = \text{VISIT} = \text{Number of visits by officials.}$

$X_9 = \text{AREA} = \text{Area classification (1 = Rural, 0 = Urban)}$

$X_{10} = \text{EDU} = \text{educational level of borrower (1= none or up to primary school, 0 = higher than primary school).}$

4.4.3 Model Estimation

Finally, the model which specifies the estimation of this research followed from the above literature is given as $DEF = \sigma + \sum \beta_j X_{ij} + \epsilon_i$

$$\text{Thus, } DEF = \sigma + \beta_1 \text{GEN} + \beta_2 \text{AGE} + \beta_3 \text{CYCLE} + \beta_4 \text{PURPS} + \beta_5 \text{FREQ} + \beta_6 \text{INTEREST} + \beta_7 \text{COL} + \beta_8 \text{VISIT} + \beta_9 \text{AREA} + \beta_{10} \text{EDUC} + \epsilon_i \dots\dots\dots 4.9$$

Finally the estimation model becomes;

$$DEF = \sigma + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \epsilon_i \dots\dots\dots 4.10$$

4.4.4 Measurement of the Variables

The independent and the dependent variables are measured as followed in Table 4.1.

Table 4.1 Measurement of Variables

Variable	Measured Indicator	Expected Sign
Loan repayment status	1 - Default, 0 - Not in default	
Area classification	1 – Rural, 0 – Urban	(+)
Gender	1 - Female, 0 – Male	(-)
Age	Age of the borrower in years	(-)
Education	1 – higher than primary 0 – none or up to primary,	(-)
Loan cycle	Number of times collecting loan	(-)
Business type	1 - Retailing, 2 - Agriculture, 3 – Manufacturing, 4 – Other	(-)
Visiting frequency by the loan officers within a month	More visit per month	(-)
The type of collateral provided	1 – group 0 – property and others	(-)
Interest payment on the loan	% of interest on loan	(+)
Frequency of loan payment	Number of days	(-)

Source: Author's computation, 2014.

4.5 Research Design

It was found out that most MFIs do not license with the Central Bank. This had made obtaining information very difficult. Upon several persuasions, it was only under the condition of anonymity that information were given out. Each firm was served with a questionnaire for which the CEO, the general manager, a branch manager, or a field

officer is qualified to answer. The first five oldest and loyal customers who were contacted.

4.6 Data Collection Methods

First-hand information (primary data) were collected by the use of structured questionnaires and interview guides. Both closed and open ended questionnaires were combined to gather relevant data. The closed ended questions provided simple answers in different categories for respondents to make choices from while the open ended questionnaire gave an opportunity for the respondents to express their opinion on the issue raised. The advantage considered for using primary data is that they are more reliable since they come from the original sources and are collected especially for the purpose of the study.

Even though Secondary data sources are the foundation for which the theoretical and conceptual framework of the research is built using relevant literature from existing empirical studies and reports from books and journals, websites, and Government publications, first hand data in simple terms, forms the bedrock of explanations, inferences, comparisons and recommendations for this research. Much emphasis was placed on collection of accurate and reliable data so as to come up with objective evaluations and to make informed conclusions and judgments.

4.7 Data Analysis

The study was largely in-depth and qualitative in nature though some quantitative methods were used alongside descriptive and explanatory analysis, where appropriate. A few quantitative elements like regression analysis, graphs and charts have been used to give more meaning to data analysis and interpretation.

The analysis of the collected data is done in two sections. The first section consists of descriptive statistics using of SPSS version 16. The variables are presented in frequency tables and graphs for interpretation. Vital statistical tests such as Pearson Chi-square, Pearson Correlation and the likes were done to bring deeper understanding to the analysis. The second section looked at the contribution of the individual factors that can affect repayment on loan default. This analysis was made possible by the use of STATA version 13. Special attention was paid to analyze which gender is likely to default loan repayment.

4.8 Summary

74 MFIs were selected from Tema Metropolitan Assembly, Ashaiman Municipality Assembly, Ningo/Prampra District and Dangbe East District Assembly to find their opinion on gender targeting by MFIs, loan default abilities of men against women, the group of gender that is trustworthy by MFIs and many more. 370 Microfinance loan borrowers from the same areas as mentioned above were assembled to inquire from them about the services of the MFIs and how important their services are to their livelihood. Factors that affect loan repayments were identified and must be estimated in the next chapter.

CHAPTER FIVE

ANALYSIS, INTERPRETATION AND SUMMARY OF RESULTS

5.0 Introduction

The analysis of the data from the field was done by the use of both qualitative and quantitative methods. Except the identification of the microfinance loan repayment's determinants in Greater Accra (Ghana) using quantitative method of analysis, the rest of the study's objectives were analyzed qualitatively. Thus, the first three objectives of the study were achieved through the use of Descriptive Statistics while the fourth objective was achieved by the use of logistic regression. The study tested for the significance of the variables in the model after running the logit regression. The interpretation and discussion of the result was done as presented by the SPSS (version 16) and STATA (version 13).

5.1 Descriptive Statistics

5.1.1 Demographical Background of the selected Customers

The analysis of 370 MFI's customers across the study's jurisdictions shows that there were only 91 or 24.6% males out of the total respondents, while the remaining 279 or 75.4% were females. Again, there were 203 or 54.9% urban dwellers and 167 or 45.1% rural dwellers. Majority of the respondents constituting 87.6% have at least some level of education while only 12.4% have no form of formal education. These information are shown in Table 5.1.1 below.

Table 5.1.1: Demographical Background of 370 selected Customers

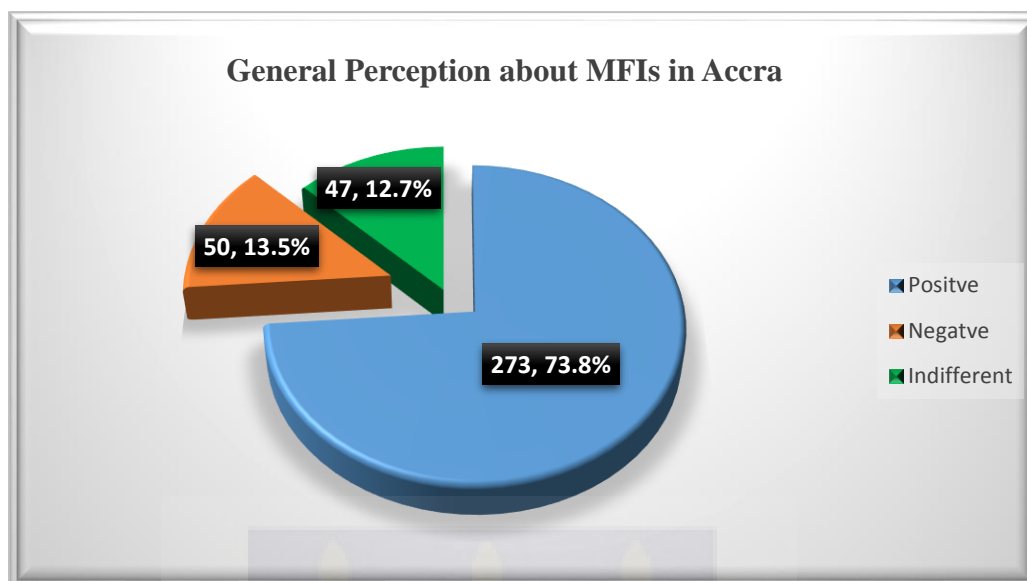
Variable		Number of respondents		Percentage (%)	
Gender	<i>Male</i>	91	370	24.6	100
	<i>Female</i>	279		75.4	
Area Classification	<i>Urban</i>	203	370	54.9	100
	<i>Rural</i>	167		45.1	
Educational Background	<i>Educated</i>	324	370	87.6	100
	<i>Uneducated</i>	46		12.4	

Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

5.1.2 Perceptions about MFIs in Ghana

According to Johnson and Osei, (2004) and many other researchers, the operations of MFIs improve lives of poor. In Ghana, even though one can conclude that there is an evident of MFIs improving lives as a result of a strong positive patronages, others think the MFIs turn to concentrate only on what they gain at the expense of their customers' interests. To understand the general perceptions about the MFIs' operations in Ghana, the researcher therefore asked some probing and revealing questions which shows the result in the Figure 5.1.1 below. Figure 5.1.1 first of all has given a pictorial view of the general perception about MFIs in Accra.

Figure 5.1.1: Customers' Perceptions about MFIs in Accra



Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

When 370 customers were asked to express their general view on the operations of the MFIs in Accra and Ghana for that matter, overwhelm majority constituting 73.8% boldly admitted that MFIs are doing well in terms of helping poor in Ghana. Only 50 respondents constituting just about 13.5% were in negative view about the MFIs. The remaining 12.7% constituting the minority have absolutely no idea on whether the MFIs are good or not, hence they are indifferent.

Judging from Figure 5.1.1 above, it's clear that a whopping majority of people have positive perception about the MFIs and their effort to reduce poverty in the informal sectors of Ghana. However, what is not clear is the proportion of males and females that constituted this overwhelming percentage. Table 5.1.2 below is a cross-tabulation of customers' perception in relation to their gender.

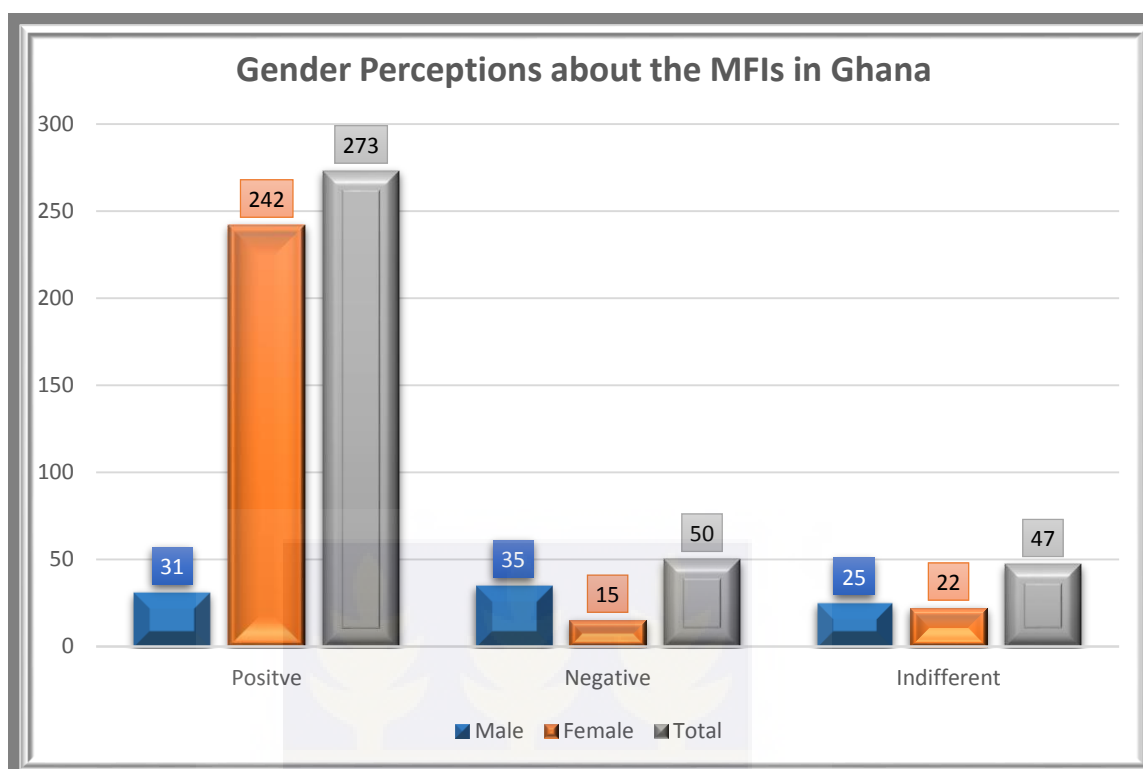
Table 5.1.2 Cross-Tabulation of Clients' Perception in relation to their Gender

Gender * Client's Perception about the MFIs Cross-tabulation						
			CLIENT'S PERCEPTION ABOUT THE MFIs			
			<i>Positive</i>	<i>Negative</i>	<i>Indifferent</i>	<i>Total</i>
GENDER	<i>male</i>	Count	31	35	25	91
		Percentage	34.1%	38.5%	27.5%	100%
	<i>female</i>	Count	242	15	22	279
		Percentage	86.7%	5.4%	7.9%	100%
Total		Count	273	50	47	370
		Percentage	73.8%	13.5%	12.7%	100%

Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

The result indicated that most men do not have good perception about MFIs in Ghana. Out of 91 males who responded to the questionnaire, there are only 31 representing 34.1% who have positive perception about the MFIs. There were a count of 35 males (forming the majority) representing 38.5% who thought the MFIs in Ghana do not do well to help in reducing poverty. They therefore have negative response to the perception test. However, there were 25 males representing 27.5% of the total number who cannot decide for themselves whether they were on the side of positive or negative. Hence this is a clear indication that the number of men who have non-positive perceptions about the MFIs are more than those with positive perceptions. This can better show in the Figure 5.1.2 below.

Figure 5.1.2: Gender Perception about MFIs in Ghana



Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

Coming to the females' perception, we have seen exactly the opposite of what we encountered with men. 242 out of a total of 273 females, representing 88.6% have positive perception whereas only 31 out of a total of 91, representing just 11.4% were the number of males who were of positive opinion about the MFIs. On the Negative Perception, out of a total number of 50 respondents, a whopping proportion of 35/50 representing 70% were males with only 15/50 representing just 30% were for females. There were a total number of 47 respondents who were in a dilemma to believe whether MFIs brings life transformational service to their door steps or not. Out this number, 25 representing 53.2% were males. The remaining 22 representing 46.8% were females as shown in Figure 5.1.2 above.

Further analysis was performed to see if there is actual a relationship between clients' gender and their perception. This test was performed with the aid of Chi-square test as shown in table 5.1.3. The Chi-square statistics in Table 5.1.3 indicated that the Pearson Chi-Square value is 1.021 with p value of 0.00. We could accept these odds as statistically significant at 1%. This tells us that most men have non-positive perception while most women have positive perception. This means that the probability that this occurrence happens as a matter of chance is 1 out of 100 occurrences. It is therefore true that generally, men do not have good perception about MFIs and their programs.

Table 5.1.3 Chi-square of Gender-Clients' Perception about MFIs' Services

Chi-Square Tests			
	<i>Value</i>	<i>df</i>	<i>p – value</i>
<i>Pearson Chi-Square</i>	1.021	2	0.00
<i>Likelihood Ratio</i>	93.530	2	0.00
<i>N of Valid Cases</i>	370		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.53.			
b. Computed only for a 2x2 table			

Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

The correlation test in Appendix 3 indicates that there is a negative relationship between gender of clients and their perceptions. This actually confirmed the results in both Figure 5.1.2 and Table 5.1.2 above. Thus, as the number of men rises, the positive perception they carry about MFIs and their services decreases. On the other hand, as the number of women increases, the non-positive perception among them concerning MFIs and their programs decreases. Note that from the cross-tabulation in Table 5.1.2, there were 242, representing 86.7% of women who have positive perception, 22

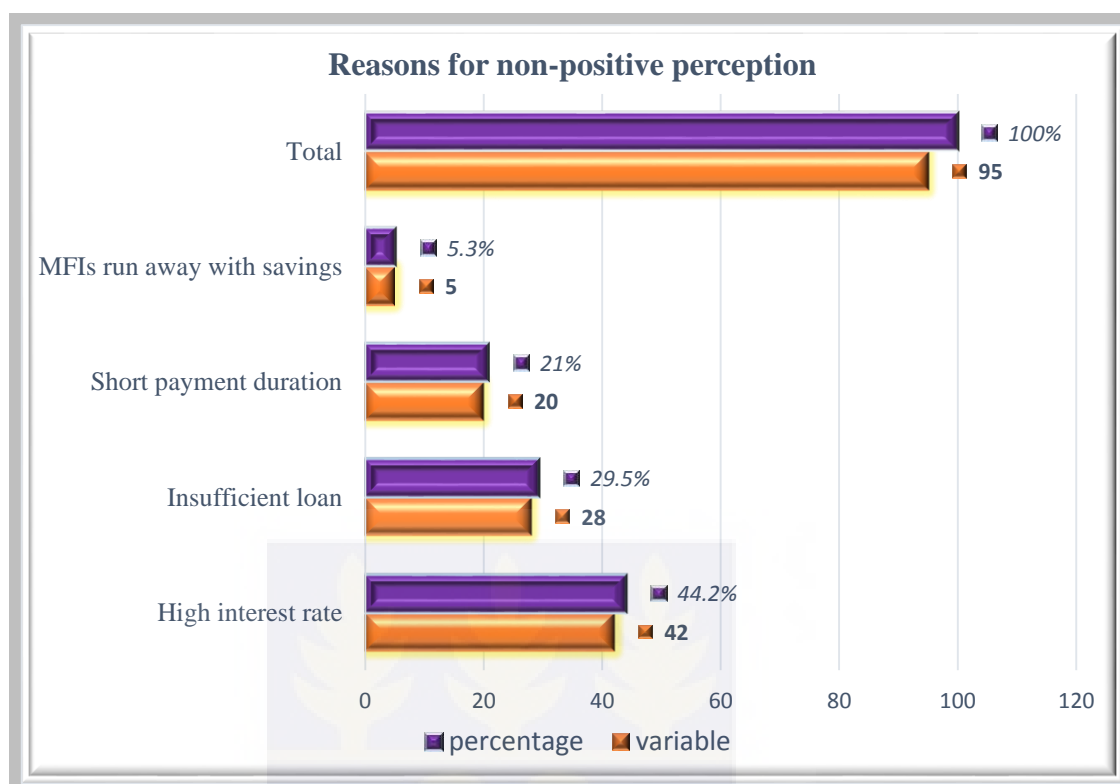
representing 7.9% of women were neutral while just a handful of 15 representing 5.4% of the women's population were of negative opinion.

The Pearson correlation value of -0.444 has the coefficient of determination of about 20% (thus, -0.444^2). This means that, keeping other exogenous factors unchanged, about 20% variations in the perceptions are related to differences in gender of the clients. This Chi-square test is significant at the 1%.

5.1.2.1 Reasons for Non-Positive Perceptions among MFIs' Customers

As a whole, most clients of MFIs have positive perception about the MFIs programs as programs that transform their livelihoods. However, there are 95 respondents out of 370 who have non-positive perceptions about the MFIs in Ghana. When these customers in question were asked the reason of their non-positive perception about the microfinance programs, there were 44.2% forming the majority who say MFIs charge exorbitant interest rate, 29.5% say MFIs do not give enough loan for business transactions, 21% say MFIs do not give enough time to pay back the loans that they owed and finally, 5.3% also say some MFIs run away with their hard savings. This is shown in Figure 5.1.3 below.

Figure 5.1.3 Reasons for Non-Positive Perception



Source: Author's Computation from Survey Data on MFIs' Customers, 2014.

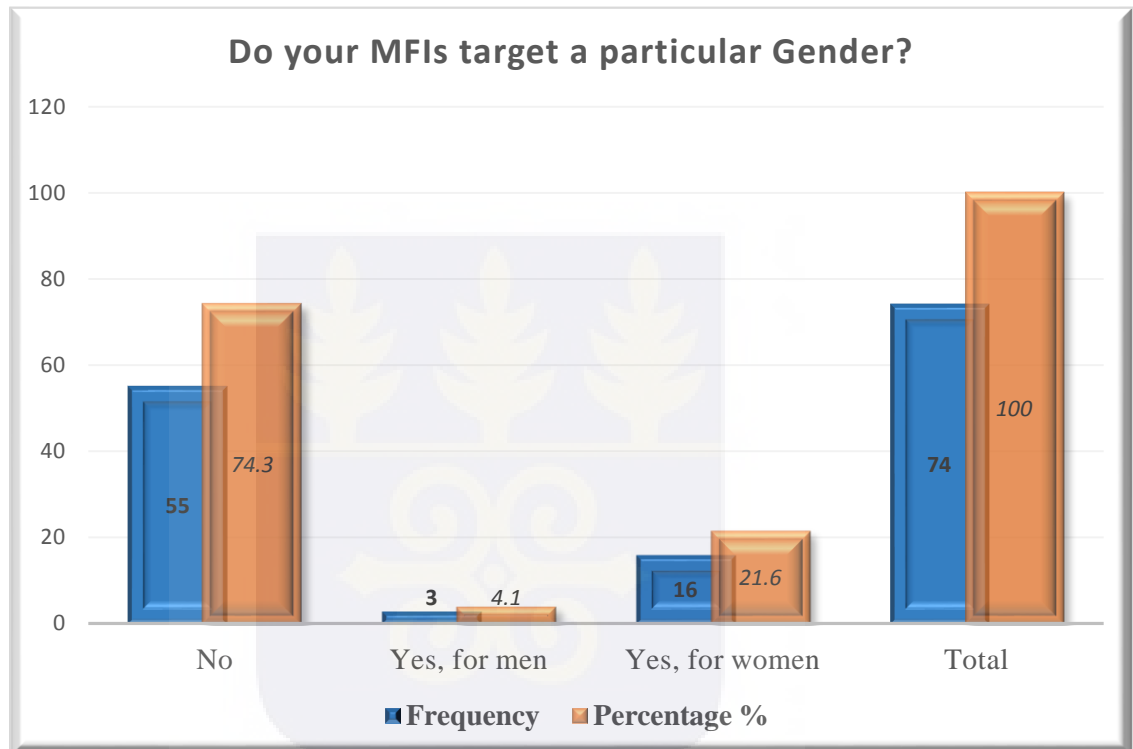
These results actually emphasize the theory of some researchers revealed that MFIs charge higher interest rates compared to any other banks from the formal sector. According to these researchers, not only do the MFIs over charge interest rates on loans, but also give clients short period to pay back.

5.1.3 Gender Discrimination among MFIs in Ghana

In Ghana and many other places, more women go into microfinance programs than men. It is however, not clear whether the MFIs programs are made to target women more than men or it is for some reasons that appears to be so. In the quest to understand this, the opinion of the MFIs were sought. When questioned whether they have a target for any particular gender, the responses show that 55 out of 74 MFIs, representing

74.3% do not discriminate against any gender. However, 16 MFIs forming 21.6% admitted that their institution is formed purposely for women. Only 3 MFI representing 4.1% targeted men as indicated in the Figure 5.1.4 below.

Figure 5.1.4: MFIs' Opinions on Gender Targeting in Ghana



Source: Author's Computation from Survey Data on 74 MFIs, 2014.

It is therefore clear that most MFIs in Ghana do not discriminate against men. However, most MFIs admitted that they favor women more than men in the course of their operations. This revelation was found out when the researcher further probed to know why more women rather than both gender patronize MFIs.

Table 5.1.4 Accessing Gender Performance with MFIs

Question	Response	Frequency	Percentage
<i>Which group of Gender has more access to loan</i>	Equal access	40	54.1%
	Favoring men	6	8.1%
	Favoring women	28	37.8%
	Total	74	100%
<i>Which group of gender demand for loan more</i>	Men	20	27%
	Women	37	50%
	Both equally	17	23%
	Total	74	100%
<i>Which group of gender pays back loan regularly</i>	Men	8	10.8%
	Women	66	89.2%
	Both equally	0	0%
	Total	74	100%
<i>Which group of gender defaults more</i>	Men	34	45.9%
	Women	22	29.7%
	Both equally	18	24.3%
	Total	74	100%
<i>Which group of gender saves more with you</i>	Men	6	8.1%
	Women	42	56.8%
	Both equally	26	35.1%
	Total	74	100%

Source: Author's Computation from Survey Data on 74 MFIs, 2014.

The Table 5.1.4 shows the results of a series of questions to know why though MFIs do not discriminate against any gender, they turn to associate more with women than men. Out of 74 MFIs interviewed, 54.1% said both men and women have equal access to loan. However, 37.8% of the MFIs admitted that they favor women more than men compared to only 8.1% who said they prefer giving loan to men than women. Perhaps, this revelation is as a result of more women demanding for loan than men. From the

table, it is shown that 50% of MFIs said women make demand for loan while only 27% said the otherwise. The reason that could be assigned to why more women demand for loan is simply of the fact that women save more with the MFIs and this is enough guarantee to go for loan.

When it comes to who pays back loan regularly, none of the institutions say both gender pay equally. Rather, 89.2% said women pay regularly while only 10.9% goes in favor of men. Also 56.8% goes in favor of women for saving with them compared to just 8.1% that goes for men, while 35.1% said they both save equally. The results though indicate that both genders have equal access to loan, it is quite clear that men do not like saving with MFIs. The few that save also default more. Thus, about 45.9% of MFIs admitted that men default their loans' payment compared to about 29.7% who say women default more. However, there is another group of MFIs forming about 24.3% who also think that loan default is equal between genders.

5.1.4 Regular Payment of Loans between Genders

One of the objectives of the research is to examine which gender is trustworthy to be considered for loan by MFIs. The above descriptive statistics table has given enough evidence pointing out that women patronize MFIs in their numbers. Sizeable numbers of MFIs deliberately give them priority over men in all transactions because they are trusted more than men. One cannot fail to point out that this happens as a result of the fact that women pay back loans regularly and have less loan defaulters compared to men.

Though we have seen clearly in Table 5.1.4 above that more men than women have a record of default. In order to examine into detail the relationship between men and

women who repay loans regularly and the probabilities that they can default, the researcher is employing the service of cross-tabulation as shown in Table 5.1.5.

Table 5.1.5 Cross-tabulation of regular loan payment and loan default

Gender of respondent * Whether a borrower has ever Defaulted					
			WHETHER A BORROWER HAS EVER DEFAULTED		
			<i>No</i>	<i>Yes</i>	Total
GENDER OF RESPONDENT	<i>male</i>	Count	64	27	91
		Percentage (%)	70.3%	29.7%	100%
	<i>female</i>	Count	251	28	279
		Percentage (%)	90.0%	10.0%	100%
Total		Count	315	55	370
		Percentage (%)	85.1%	14.9%	100%

Source: Author's Computation from Survey Data on MFIs' customers, 2014.

It can be seen that 27 men representing 29.7% out of 91 men default loan payment. On the other hand, only 28 female representing just 10% out of 279 women default loan payment. Men therefore have tendency of defaulting loan compared to their women counterpart, giving the same repayment conditions.

Table 5.1.6 Chi-square on Gender in relation to their Default Payments

Chi-Square Tests			
	<i>Value</i>	<i>df</i>	<i>p-value</i>
Pearson Chi-Square	20.903	1	0.00
Likelihood Ratio	18.565	1	0.00
Linear-by-Linear Association	20.847	1	0.00
N of Valid Cases	370		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.53.			
b. Computed only for a 2x2 table			

Source: Author's Computation from Survey Data on MFIs' customers, 2014.

The Pearson Chi-square value from the table is 20.903, with a significance or probability (p) value of 0.00. We can therefore accept these odds as statistically significant and conclude that there is a relationship between the gender of a client and the probability that such client can default; that more of the clients who default are males. Generally the Chi-square statistic summarizes the discrepancies between the expected number of times each outcome occurs (assuming that the model is true) and the observed number of times each outcome occurs, by summing the squares of the discrepancies, normalized by the expected numbers, over all the categories.

It is known from the Pearson Chi-square in Table 5.1.6 that there is a relationship between the gender of a customer and the probability that such a client may default MFIs loan payment. By a rule of thumb, one can say that when a client is a male, he has a higher probability of defaulting. Let us now look at the Pearson correlation between a higher record of loan default and gender as shown in Appendix 4. We can therefore conclude that there is a negative relationship (-0.238) though not very strong,

between gender and loan default. This Correlation is significant at the 0.01 level (1-tailed). The coefficient of determination is 5.7%. This means that about 5.7% of the variations in loan defaulting is related to the probability that the person defaulting is a man. This could account for the reason why some portion of MFIs prefers women more than men, because the above result shows that women pay loans regularly and default less compared to men.

5.2 Quantitative Analyses

5.2.1 Estimation of the Factors that determine Loan Default Payment

The fourth objective of the study is to find out factors that affect loan repayment and their significant contributions. The logit regression is estimated using maximum likelihood estimation technique. Internal validity was checked to ensure that there is no autocorrelation problem and indeed, there is no such problem. The correlation matrix between the variables can be found in Appendix 5. The descriptive statistics of the exogenous variables are as follow in Table 5.2.1

Table 5.2.1 Descriptive statistics of the explanatory variables

Variable	Mean	Std. Dev.	Minimum	Maximum
<i>Age</i>	41.26	7.292	25	60
<i>Loan Cycle</i>	6.31	5.234	1	24
<i>Payment frequency (per month)</i>	3.30	1.121	1	4
<i>Interest rate</i>	5.05	2.002	2	10
<i>Visit (per month)</i>	3.87	2.688	0	20

Source: Author's Computation from Survey Data on MFIs' customers, 2014.

The minimum age of MFIs' clients according to the survey is 25 years with a maximum age of 60. The survey has shown that there are at least some faithful clients who have good record of completing the payment of their loans with a loan cycle of 24. However, there are first timers who have a record of completing just a loan cycle (period). Some MFIs request to be paid part of their capital and interest as high as 4 number of times within a month while others clients are asked to pay once a month. Though there are different interest rates for different categories (urban and rural) of clients, the maximum for all categories is 10% per month with a minimum of 2% per month. Some clients can be visited as high as 20 times within a month while there are some clients who have not been visited at home at all. The reason assign to this is that those clients who pay their savings at the stand points (MFIs' offices) are likely not to be visited at their homes by microfinance (MF) officials. On the other hand, there are other categories who sit at their businesses (home) for the MF officials to come for their savings. This group of individual can be visited as high as the number of times they save within the month.

The base model is therefore estimated, this is the model which includes the entire sample and a dummy capturing whether borrower default or not. This result is shown in the Table 5.2.2. The Table 5.2.2 shows the result of the coefficients of the logit index. These coefficients generally indicated the effect they have on the logit index or score through their signs.

Table 5.2.2 Logistic Regression

Default	Coefficient	Std. Err.	z	P > z
Gender	-1.857862***	0.6846447	-2.71	0.007
Age	0.0051408	0.0377834	0.14	0.892
Loan cycle	-0.0738862	0.0478714	-1.54	0.123
Loan purpose	0.664998***	0.2048232	3.25	0.001
Payment frequency	0.0369589	0.1172076	0.32	0.753
Interest rate	1.583495***	0.274972	5.76	0.000
Collateral	-1.6999562**	0.639815	-2.65	0.010
Visit	-0.9603719***	0.2077526	-4.62	0.000
Area	3.356153**	1.405266	2.39	0.017
Education	-2.40825***	0.7432631	-3.24	0.001
Constant	-5.487266	3.859078	-1.42	0.155
*** 1% significant level, **5% significant level, and * 10% significant level				
Number of obs = 370,		LR chi2 (10) = 193.20		Prob> chi2 = 0.0000
Log likelihood = -58.934801		Pseudo R2 = 0.6211		

Source: Author's computation from Survey Data 2014.

The result shows that the model is robust with a log likelihood function value of (-58.934801) when all coefficients are 0.0000. On the other hand, the probability of the model being plausible is 0.0000 indicated by Prob > chi2 of 0.000. The Pseudo R-squared measures the portion of the variation explains by the model. The pseudo R-squared from the estimation is quite high (0.6211) which generally indicates a good model.

In order to determine the magnitude of the values that influence microfinancing repayment, we estimate the marginal effects of the variables found in the table 5.2.2. Marginal effect (dy/dx) means the change in the dependent variable resulting from an infinitesimal change of a continuous dependent variable or a discrete change in a dummy independent variable. For example, when the marginal effect of a variable is 0.5, a unit change in x leads to a rise in the probability of one of the outcomes of y by 50%.

However this research is only interested in knowing how positively or negatively is microfinancing repayment factors affect default payment. Therefore the analysis of the study only concentrated on the signs of the coefficients of the independent variables.

The fourth objective of this study is to identify microfinance loan repayment's determinants that are likely to influence client's ability to pay back or to default payment. Ten exogenous factors were tested. These include; Borrowers' Gender, Age of the borrower, Educational background of a borrower, whether a borrower live in urban or rural area (Area classification), the number of times the individual has collected and finished payment (Loan cycle), Purpose of the loan, how often a borrower asked to pay within a month (Payment frequency), Interest rate, type of Collateral used and finally, how often a borrower is visited. From a total of 10 explanatory variables used in the regression model, 7 variables (Gender, Purpose of loan, Collateral, number of Visits by MFIs' officials, Area classification, Education and Interest rate) had statistically significant influence on the loan repayment performance of the borrowers. Three independent variables (how often a borrower pays part of the loan, Loan cycle and Age of a borrower) have no significant effect on defaulting loan repayment.

Gender

According to Khandker (1995), who tested this model on the Grameen Bank customers, indicated in his work that gender affects microfinancing repayment. Specifically, he noted that women have better repayment ability than their men counterpart. In this analysis, gender has negative relationship with default. Coding default as 1 and also female as 1, this means that the probability that a borrower may default given that she is a woman is very low. This means that as the number of women in microfinance business increases, the loan default rate will inversely decrease. This negative sign is the expected result following from the literature. It is significant at 1 percent. Hence the accession by Khandker (1995) after testing this model has been proven right.

Age

Age is said to have negative relationship with default according to Mawire (2012), Abreham (2000), Abafita (2003), Onyenucheya & Ukoha (2007) and Reta (2011) based on their research. They explained their accession that age comes with experience and that, as a person advances in age, the probability of defaulting loan repayment reduces. However, the survey indicated that Age has a positive relationship with defaulting which means that as one advances in age, the likelihood of defaulting loan repayment is high. And this is so because relatively, aged cannot do hard or extra works to pay back loan should the initial plan for taking the loan fails. This is not significant even at 10% significance level though, it makes sense.

Loan Cycle

Loan Cycle refers to the number of times one has collected loan and finished paying. Before one requests for a second loan, it means that s/he has completed paying the first one. These cycles continue until there is a failure on the part of one partner, and

therefore one expect the relationship between loan cycle and defaulting to be inverse following from the literature. Of course according to the analysis, there is a negative relationship between loan cycle and the probability to default with loan cycle's coefficient being -0.0738862, however, not statistically significant, not even at 10 percent. Thus, as one's loan cycle increases, the probability that the person can default the loan payment reduces. On the other hand, there is a positive relationship between more loan cycle and non-defaulting (regular repayment).

Loan Purpose

A study by Chaudh & Ishafqry (2003) shown that one's business purpose for collecting loan has a great contribution to repayment. According to Chaudh & Ishafqry (2003), repayment of agricultural loans were significantly poor compared to other types of loans. A study by Johnson (2004) also indicates that the types of businesses that women engage in have a quick turnover which matches the regular repayments imposed by most MFIs. It has been found that, trading or retailing is a popular business that its default probabilities are less and therefore it is expected to relate inversely to default payment. In this research, though trading has been coded as 1 as well as default, the result shows positive relationship between loan's purpose and default payment, however this result is significant at 1 percent significance level. The reason for this departure from the existing literature was found to be the fact that, retailing businesses are not as lucrative in the villages as compared to towns. Petty traders can keep their items for so long without anybody buying due to poor condition of the people in the community. In this case, perishable goods go bad without making a dime profit on them. And this means that as more as one engages himself/herself in this non-profit making petty trading business, the higher probability of defaulting loan repayment.

Loan Payment Frequency

There are few studies that looked at how frequency a loan plus interest payment can affect borrowers' repayment. Roslan & Karim (2009) and Agier & Szafarz, (2010) noted in their research that paying frequently reduces the chances of default. Meaning that as frequent as one pays the capital plus the interest payment on the loan, the lesser the chance of defaulting the total loan payment. This means, a high frequency of payment must be inversely related to one's probability of defaulting. However, the outcome of the analysis in this research seems not to agree with the accession by Roslan & Karim (2009) and Agier & Szafarz, (2010). This research found out something otherwise. It has been revealed that, very frequent payment increases the default probability. Thus, as frequent as one is forced to pay his loan, there is a high probability that s/he defaults. The explanation to this was found that, borrowers need time to work with the loan before payment. Spacing the payment periods can actually give enough time for borrowers to make profit before paying the interest, though not significant even at 10 percent.

Interest Rate

There are few literature among others address the relationship between high interest rate and default payment. According to a study conducted by Chaudh & Ishafqry (2003) in the Asia Pacific Region, subsidized or lower interest rates have no significant impact on loan repayment. In this study, it has been found that high interest rate has a positive significant impact on loan defaulting. The contribution of high interest rates on defaulting loan repayment is positive. On the other hand, high interest rates on a loan reduces one's profit margin and hence the ability to pay back the loan reduces. This

means that more default will occur as the interest rates are astronomically soaring high. This is significant at 1%.

Collateral

Group collateral is therefore considered in this study as a factor that can affect repayment. It is expected that default rates among clients with group collateral should reduce hence an inverse relationship. The survey has confirmed this accession by Guttman (2006), Armendariz de Aghion (1999) and Van Tassel (1999) which indicated that it is secured to lend to clients in a group using the group members as collateral. Coding both default and group collateral as 1 and any other forms of collateral as 0, the negative coefficient of collateral in the output shows that as the number of clients who use group collateral increases, the probability that a client default repayment reduces. This is statistically significant at 5 percent significance level.

Visit Frequency by the Loan Officers

Researchers such as Field & Pande (2008) Okorie (1986), Abafita (2003), Norell (2001), Olagunju & Adeyemo (2007) and Retta (2000) all have shown in their studies that as often as MFIs' officials pay friendly visit to borrowers, the probability that borrowers default loan payment must reduce. In this study, the number of times MFIs' officials visit their clients contributed to default rate. In general, higher number of visits have negative relationship with default payment. This indicates that more visits reduce the chance of a borrower to default. This is statistically significant at 1 percent significance level.

Area Classification of a Borrower

It is assumed that urban communities would have high rate of loan repayment than rural communities. This is due to the nature of businesses carried out by these sector workers. Most urban sector borrowers go into trading while those of the rural sector borrowers are into farming. It is also proven that businesses such as farming whose success depends largely on rainfall do not give high rate of repayment (Agier & Szafarz, 2010). For example Chaudh & Ishafqry (2003) found that repayment of agricultural loans were significantly poor compared to other types of loans. This is actually proven right. Since rural area and default are both coded as 1, the relationship between default and area classification affects the rural area. This means that as more borrowers come from the rural sector of the economy, the higher would default rate be. This is significant at 5% significant level.

Education

Any highly educated person has integrity to protect. Hence education has negative effect on loan defaulting. Studies done by Olagunju & Adeyemo (2007) and Oke et al. (2007) on Nigerian small holder farmers and by Brehanu & Fufa (2008) in Ethiopia respectively have found that education has inverse relationship with defaulting (a positive effect on loan repayments). The result shows exactly the expected result by showing the inverse relationship. This accounted for the reasons why there are fewer cases of loan default in this research since majority of the customers at least have some level of education. And this is significant at 1 percent significance level.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSION AND POLICY

RECOMMENDATIONS

6.0 Introduction

This chapter gives a total summary of the findings and also, a final conclusion of the study. It also makes some major recommendations.

6.1 Summary of Findings

This study was conducted to identify the general perceptions about the MFIs in Ghana, investigate if MFIs in Ghana operate under gender discrimination, identify which gender in Ghana is trustworthy to pay back loans and finally, identify microfinance loan repayment's determinants that are likely to influence client's ability to pay back loans. Primary sources of data from both MFIs and their customers were used to carry out the study. There was a census of the 74 MFIs within the study areas. Convenient sampling was used to select 370 customers of the MFIs; 91 males and 279 females. There were 203 urban dweller as against 167 rural dwellers. Majority of the respondents constituting about 87.6% have at least some level of education against just about 12.4% who have no form of formal education. Descriptive statistics were used to analyze the first three objectives while a quantitative study was used to find the microfinance loan repayment's determinants that are likely to influence client's ability to pay back loans. The summary of findings are as follow:

- Overwhelming majority constituting about 73.8% of MFIs' customers have positive perception about their MFIs in Ghana. They believe that the operations of the MFIs in terms of helping poor in the informal sector of Ghana are fantastic. Only few customers constituting just about 26.2%

thought otherwise. The main reason cited by this few individuals who have non-positive perception about their MFIs happen to be that the MFIs in general charge exorbitant interest rates on their loans. Out of this percentage, men constitute the majority. This revelation actually accounted for the reason why MFIs are mostly dominated by women.

- Though, MFIs do not discriminate against men, there are few who turn to associate more to women than men. This is because they find women more loyal and available to relay on as a result of their numbers.
- Women are considered trustworthy by the MFIs to pay back microfinance loans. They are better payers of loan than men. Men on the other hand have bad repayment records. The probability of a male borrower to default microfinance loan is higher than that of a female. MFIs therefore considered giving out loan to female less risky a gamble compared to men.
- The result of the econometric model showed that, borrowers who are males have higher probability of defaulting repayment compared to females. Education play a significant role on repayment. Uneducated individual has high defaulting rate than that of an educated borrower. The number of visits MFI officials pay to borrowers have inverse effect on defaulting rate. Urban borrower has high probability of defaulting loan compared to rural borrowers. This is due to the fact that most rural borrowers use groups that they belong to as a collateral more compared to urban borrower. Loans extended to borrowers using group as collateral rather than individuals' properties as collateral have high repayment rates due to a reason that, it reduces the

information asymmetry between the lender and the borrowers. Thus, adverse selection and moral hazard problems reduced in such cases.

6.2 Conclusions

The conclusion of this study has being that; MFIs in Ghana do not run a particular gender targeting programs. The doors of MFIs do not discriminate; it open to all. Even though there is a general acceptance of MFIs and their poverty reduction programs in Ghana by all, women engage more into their programs compared to men. This is due to their strong positive perception they carry more than men about MFIs. They have a strong commitments to effectively work with MFIs without defaulting.

In Greater Accra, Loan repayment determinants such as Gender, Purpose of loan, type of Collateral, number of Visits by MFIs' officials, Area classification (whether rural or urban), Education and Interest rate have significant influence on loan repayment. MFIs find it less risky for a female to borrow than being a male. Educated borrowers are not likely to default MFIs' loan when given. Many number of times MFI officials visit their customers has a positive telling effect on how prompt the customers pay their loans without defaulting. The urban borrower have high probability of defaulting loan compared to rural borrowers. Loans extended to borrowers using group as collateral rather than individuals' properties as collateral have high repayment rates.

6.3 Policy Recommendations

The study has given the necessary recommendations of the findings and these include the following;

- The significance of MFIs in helping poor in the informal sectors of Ghana's economy cannot be over emphasized. However, this success story is no believed

by men. Men are of the opinion that MFIs charge exorbitant interest rates on loans, and that make repayment extremely difficult. MFIs must therefore consider lowering their interest charges to bring more men into the program. MFIs must listen to the plight of their customers in time of difficulties especially, when it comes to loan repayment. This would further project the existing good image they currently possess among Ghanaians.

- Though MFIs do not run gender discriminatory programs, only few section of males are found on board to participate. MFIs must therefore revise the terms and conditions of their program that would look more attractive to men. MFIs must make the effort to involve men by including special polices for men alone.
- Women are more trustworthy to pay back MFIs' loans compared to men. MFIs must ensure that men who demand for loans have enough savings with them. This can enable them to fall back on these savings should the borrower default payment. On the other hand, let it not be said to men that they cannot be trusted, rather, encourage then and let them feel being part of the programs. This will help to address most of the trustworthy issues between men and the MFIs in Ghana.
- Loan default rate can be reduced in Ghana if male customers who come for loan are put into proper monitoring since men have higher probability of defaulting than their counterpart women. MFIs must organize workshops to train customers with low education backgrounds since they have higher tendency of defaulting repayment. MFIs official must not renege on their efforts to visit customers both at homes and their working places. This would go a long way to motivate them from defaulting repayment. MFIs must consider giving out loans

to customers who belong to group(s) and that, they can be able to use the group(s) as collateral for taking loans. This is because the group guarantors (borrowers who are guaranteed by group) have less probability of defaulting.



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APPENDIX

Appendix 1

Questionnaire for MFIs

SECTION A: DEMOGRAPHICAL DATA	
No.	
A1	Name of the Institution
A2	What is your current position in this Institution?
A3	Name of the area
A4	Area classification [A] Rural [B] Urban
A5	For how long has this institution being in existence (in months)?
A6	What is your average current interest rate for? Account holders None account holders ...
A7	How long have you being with this Institution (in months)?
SECTION B: GENDER ACCESS TO MICROFINANCE	
B1	Does your institution have any target group? [A] No [B] Yes, we target more men [C] Yes, we target more women.
B2	Between men and women who saves more? [A] Men [B] Women [C] Both default equally.
B3	Between men and women who demands for loan more? [A] Men [B] Women [C] Both default equally.
B4	Do both men and women have equal opportunity to demand for any amount of loan? [A] Yes [B] No, we favor men more [C] No, we favor women more
B5	From your records, who pays back loan regularly? [A] Men [B] Women [C] Both default equally.
B6	Which gender has more record of default? [A] Men [B] Women [C] Both default equally.

Appendix 2

Questionnaire for Microfinance Borrowers

No.	SECTION A: REPAYMENT FACTORS	
A1	Area classification	[A] Rural [B] Urban
A2	Gender	[A] male [B] female
A3	Age
A4	What is the highest level of education completed?
A5	What do you do for living?
A6	Are you married?	[A] Yes [B] No
A7	Are you the head of your family?	[A] Yes [B] No
A8	What is the size of your family?
A9	Are you working in group or as an individual?	[A] In group [B] As an individual
A10	Have you ever taken microcredit loan before? (If No >>> B1)	[A] Yes [B] No
A11	How many times have you taken microcredit loan?
A12	What is the maximum amount you ever collected?	GHc.....
A13	What was/is the purpose of the loan?	[A] Retailing [B] Manufacturing [C] Agricultural [D] Paying children school fees [E] Other specify
A14	What was the term period of the loan in weeks? Week(s)
A15	How many times do you pay part of the capital plus the interest within a month? times a month
A16	What percentage of your loan portfolio have you paid?%
A17	What have you given as collateral for the loan?	[A] Collateral free [B] Group members [C] Family property [D] Other, specify ...
A18	Have you ever encounter problem with repayment? (If No >>> A20)	[A] Yes [B] No
A19	If yes from A18, what problem(s) have you encountered?	[A] Very high interest rate [B] Not making profit on business [C] Term of payment not flexible enough

		[D] Money borrowed locked up in some other business [E] No much pressure to retrieve the money by the lenders [F] Other, specify
A20	Have you ever defaulted repayment? (If No >>> A23)	[A] Yes [B] No
A21	If yes from A20, what is the main reason why you are not paying?	[A] Very high interest rate [B] Not making profit on business [C] Term of payment not flexible enough [D] Money borrowed locked up in some other business [E] No much pressure to retrieve the money by the lenders [F] Other, specify
A22	What action is the lender taking to collect the loan back?	[A] Use of traditional arbitrator [B] Use the force of law to take you to court [C] Sell of collateral [D] Other, specify
A23	Do you know the interest payment on the loan? (If No >>> A25)	[A] Yes [B] No
A24	If yes from A23, how much? %.
A25	Do you think the current interest payment on your loan is too much?	[A] Yes [B] No
A26	For me, high interest rate doesn't matter so long as I get faster access and the loan repayment scheme is flexible enough.	[A] Strongly agree [B] Agree [C] Neutral [D] Disagree [E] Strongly disagree
A27	Did you get all the money you requested for? (If Yes >>> A29)	[A] Yes [B] No.
A28	If no from A27, what percentage were you given?%.
A29	Do you think your gender has anything to do with your ability to get access to microcredit loans? (If No >>> A31)	[A] Yes [B] No
A30	If yes from A29, what could account for that?	[A] MFIs favor men more than women

		[B] MFIs favor women more than men.
A31	How often do the MFIs officials visit you at home within a month?
A32	Does your MFI give you advice/consultancy on how to manage your business?	[A] Yes [B] No
A33	Does your MFI provide training/workshops for you concerning your business?	[A] Yes [B] No
SECTION B: GENERAL PERCEPTIONS ABOUT MICROFINANCE BUSINESS IN GHANA		
B1	How long have you being saving with this MFI?
B2	What is your general perception about microfinance business as a means of transforming your living conditions? (If positive >>> B5).	[A] Positive [B] Negative [C] Indifferent
B3	If your answer in B2 is [B] or [C], what in your view could account for it?	[A] MFIs over charge their loan's interests [B] MFIs do not give sufficient loans to start business [C] Loan payment duration is too short [D] they run away with your savings
B4	Would you recommend microfinance business to other people?	[A] Yes [B] No [C] Don't know.
B5	What can you say now about your finances compare to the time when you have not joint this MFI?	[A] The same [B] Worsening [C] improving

Appendix 3

Correlation between Gender of Clients and their Perceptions about MFIs

Correlations			
		gender of respondent	perception about the MFIs
gender of respondent	Pearson Correlation	1	-.444**
	Sig. (1-tailed)		.000
	N	370	370
Perception about the MFIs	Pearson Correlation	-.444**	1
	Sig. (1-tailed)	.000	
	N	370	370

** . Correlation is significant at the 0.01 level (1-tailed).

Appendix 4

Pearson correlation between Loan Default and Gender

Symmetric Measures					
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.238	.059	-4.694	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.238	.059	-4.694	.000 ^c
N of Valid Cases		370			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Appendix 5

Correlation Matrix

	area	gender	age	education	Loan purpose	collateral	Interest rate	visit
area	1	.241**	.176**	-.086*	-.051	-.756**	-.718**	-.170**
		.000	.000	.049	.162	.000	.000	.001
	370	370	370	370	370	370	369	370
gender	.241**	1	.212**	-.196**	-.245**	-.414**	-.177**	-.061
	.000		.000	.000	.000	.000	.000	.121
	370	370	370	370	370	370	369	370
age	.176**	.212**	1	-.050	-.017	-.207**	-.149**	-.045
	.000	.000		.171	.372	.000	.002	.194
	370	370	370	370	370	370	369	370
education	-.086*	-.196**	-.050	1	-.011	.029	-.076	.155**
	.049	.000	.171		.417	.291	.074	.001
	370	370	370	370	370	370	369	370
Loan purpose	-.051	-.245**	-.017	-.011	1	.095*	.129**	-.196**
	.162	.000	.372	.417		.035	.007	.000
	370	370	370	370	370	370	369	370
collateral	-.756**	-.414**	-.207**	.029	.095*	1	.675**	.133**
	.000	.000	.000	.291	.035		.000	.005
	370	370	370	370	370	370	369	370
Interest rate	-.718**	-.177**	-.149**	-.076	.129**	.675**	1	.083
	.000	.000	.002	.074	.007	.000		.055
	369	369	369	369	369	369	369	369
visit	-.170**	-.061	-.045	.155**	-.196**	.133**	.083	1
	.001	.121	.194	.001	.000	.005	.055	
	370	370	370	370	370	370	369	370