



**TURUN KAUPPAKORKEAKOULU**  
**Turku School of Economics**

**ASSESSING THE IMPACT OF  
MICROFINANCE IN GHANA**

**(A Case Study of Sinapi Aba Trust)**

Master's Thesis in  
International Business

Author:  
Chris Mawuli Hlovor

Supervisors:  
D.Sc. Niina Nummela  
M.Sc. Taina Eriksson

30.10.2008  
Turku

## TABLE OF CONTENTS

1	INTRODUCTION .....	7
	1.1 Background .....	8
	1.2 Ghana as a context for microfinance.....	10
	1.3 Research problem.....	13
2	THE BASICS OF MICROFINANCE.....	16
	2.1 What is microfinance?.....	16
	2.2 Uses of microfinance as a tool for development.....	19
	2.3 Microfinance schemes.....	21
	2.4 Schemes of organizational lending .....	22
	2.5 Performance measurement of microfinance institutions.....	25
	2.5.1 Poverty and microfinance .....	26
	2.5.2 Identification of the poor .....	28
	2.5.3 Sustainable Livelihood Approach and vulnerability.....	29
3	MICROFINANCE IMPACT ASSESSMENT .....	31
	3.1 The objective of impact assessment.....	31
	3.2 The need for impact assessment.....	32
	3.3 Impacts and Levels of impacts.....	33
	3.4 Types of impact.....	35
4	RESEARCH METHODOLOGY .....	38
	4.1 Case selection.....	40
	4.2 Data collection.....	42
	4.3 Data analysis .....	46
	4.4 Validity and reliability .....	48
5	THE IMPACTS OF MICROFINANCE.....	51
	5.1 Regulation of microfinance in Ghana .....	51
	5.1.1 The structure of microfinance institutions in Ghana.....	52
	5.1.2 Microfinance licensing and regulatory framework.....	54
	5.2 Economic effects of microfinance institutions in Ghana .....	55
	5.3 Social effects of microfinance institutions in Ghana .....	58
	5.3.1 Human capital .....	58
	5.3.2 Social capital.....	60

6 CONCLUSIONS ..... 63

7 SUMMARY..... 67

REFERENCES..... 70

APPENDIXES ..... 83

## LIST OF FIGURES

Figure 1: The layout of research questions and the sequence of answering .....	15
Figure 2: The concept of microfinance and microcredit.....	17
Figure 3: Flow of funds in MF network (Octopus microfinance suite 2007) .....	18
Figure 4: The scheme of organisational lending .....	24
Figure 5 : The World Economic Pyramid (Prahalad & Hart 2002).....	28
Figure 6: Sustainable Livelihoods Framework (Diphorn 2007 & DFID 1999).....	30
Figure 7: Conventional model of impact Chain (Hulme1997, 2000) .....	32
Figure 8: Conceptual Framework of Levels and domains of Impact (Nelson 2001- Diphorn 2007) .....	34
Figure 9: Levels and Types of Impacts (Wrenn 2005 & Hulme 2000) .....	36
Figure 10: The structure of microfinance sector and target clientele.....	53
Figure 11: Economic effect after intervention (Review of figure 5) .....	58
Figure 12: Impact of MF after intervention (figure 9 reviewed after intervention)...	62
Figure 13: Final review of figure 9 superimpose on figure 5 .....	65

**LIST OF TABLES**

Table 1: Uses of microfinance in developing countries.....	19
Table 2: Common Impact Assessment Method (Hulme 1997, 2000).....	39
Table 3: Achievements of SAT (Adapted from SAT 2009) .....	42
Table 4; Data analysis process .....	47
Table 5: List of interviews .....	82
Table 6: Documents of MFIs policy and regulations in Ghana .....	89

**LIST OF ABBREVIATIONS**

ADB	Asian Development Bank
BOG	Bank of Ghana
CU	Credit Union
CUA	Credit Union Association
ERP	Economic Recovery Program
FNGO	Financial Non-Governmental Organization
GDP	Gross Domestic Product
GHAMFIN	Ghana Micro Finance Institutions Network
GNP	Gross National Product
HIPC	Heavily Indebted Poor Country
HR	Humanitarian Relief
IA	Impact Assessment
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MF	Microfinance
MFI	Microfinance Institutions
NBFI	Non-Bank Financial Institution
NGO	Non-governmental Organisation
PNDC	Provincial National Defence Council
PNDCL	Provisional National Defence council Law
PPAG	Planned Parenthood Association of Ghana
RCB	Rural and Community Bank
RRA	Rural Rapid Appraisal
RSFP	Rural Finance Services Project
SAT	Sinapi Aba Trust
SLA	Sustainable Livelihoods Approach
SRL	Special Rate Loan
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCDF	United Nations Capital Development Fund
UNIFEM	United Nations Development Fund for Women
WB	World Bank
WHO	World Health Organisation
WSBI	World Savings Banks Institute

## 1 INTRODUCTION

Armendáriz and Morduch (2005, 1) define microfinance as “*a collection of banking practices built around providing small loans (typically without collateral) and accepting tiny savings deposits*”. The collection may consist of pure banking services, or may include broader social activities, such as catering for the very poor (Armendáriz and Morduch 2005, 1). Microfinance is a result of innovation in saving and loan mechanism (Fisher and Sriram 2002) for the poor or those who could not be given credit of any kind in the formal financial sector. Microfinance has become a widespread tool for fostering economic development and poverty alleviation in developing countries (Wydick 2002). Over three decades, institutions are committed to the provision of fund to the poor as a means to improving their livelihoods (Colin 2006). Colin (2006) further claimed microfinance by its nature of operation generally reduces poverty in developing countries.

Research is still ongoing in the area of microfinance, to find out the levels of sustainability, generation of revenue as compared to operational cost, as a tool to elevating of the poor above the poverty level yet not so much research work on the impact or benefits of MF to the beneficiaries. MF became popular when Economics professor Muhammad Yunus founded, Grameen Bank, which created a new type of banking by granting millions of small \$50 loans to poor people without collateral;(Swope 2005, 5) helping to create a platform to develop the movement of microcredit across the developing world. The marketing importance of this thesis is that, following the Muhammed Yunus era, the poor is given the opportunity to change; using MF as the vehicle of economic and social change (development). Banks are now using MF as a marketing tool and setting up MFIs in the bid to increase profitability. The objective of this study is to assess the impacts that households and enterprises (beneficiaries) receiving finance from MFIs in Ghana go through as a result of the intervention.

There are two basic forms of microfinance institutions: those operating on funds received through donation and those that operate on funds from investment activities. The source of funding however affects the interest of operation. The source of funding determines whether the MFIs will place emphasis on creating social changes (MFIs set up by NGOs) or maintaining fiscal solvency (MFIs set up by Profit oriented financial institutions) (Colin 2006). These become the determining factor of MFIs adopting patterns or strategies that ultimately determine its success or failure in the core goal of allowing previously excluded economic actors to raise their standard of living (Colin 2006). Microfinance is entering a new era. Small-scale community lending programmes are consolidating and maturing into sophisticated financial operations. Established

banks are recognising the value of microfinance in extending their outreach to new customers – an estimated billion of whom are currently unbanked. In a climate of rapid change and increasing competition, the successful players have to be forward-thinking and equipped with durable and agile technical solutions for any eventuality (Temenos 2009, 2). Therefore the need to conduct impact assessment to aid policy makers and managers in designing innovative solution in MF industry (see Prahalad et al 2002; 2007).

## **1.1 Background**

Developing countries need ingenious and robust financial sector as the engine for delivering sustainable economic growth (Chatterji 2001, 3). This can be done by mobilising and allocating financial resources to their most productive uses. The sector is faced with problems such as relatively less developed non-bank financial institutions (NBFIs) and lack liquidity (Chatterji 2001, 3; Cox 2001, 1). This led to a very weak financial system which impedes outreach to beneficiaries (Chatterji 2001, 3). Furthermore developing countries said to have been characterized by a dual financial system with formal and informal financial sectors where the lower-income customers (mostly in the informal sector) are left out of the formal sectors. Despite the liberalisation of the sector, high governments' involvement led to overconcentration of credits to state institutions instead of the individual customers (Chatterji 2001, 3). The lack of access to the formal financial sector is as a result of lack of collateral (due to predominant poverty), required to insure against risks associated with lending and also due to high costs involved in small-scale financial services as well as weak legal enforcement system in developing countries (cf. Ray, 1998). The situation calls for developing new financial institutions, markets and products (Chatterji 2001, 8) such as microfinance scheme in the formal and informal financial sectors.

Considerably, microfinance is of importance as it can be modelled and implemented, to directly alleviate poverty by increasing income and investment. Focus should therefore be on strengthening indigenous organisations, extending outreach and encouraging and adopting best practices from developed countries tailored to fit into the local environment in developing countries. (Chatterji 2001, 8) Microfinance is becoming a mature industry in many parts of the world yet proven largely unable to penetrate into remote rural areas because the costs of doing so are high and the demand for credit quite limited. Most of the people who live in rural areas and in urban slums (and particularly the very poor) receive very little or no services at all. This created a very large gap between the needs of the poor for financial services and the ability of the

sector to provide these services. Due to high operational cost inherent in the implementation of MF, the gap cannot be easily bridged. These call for the MF programme or policy to be supported by non-governmental organisations (NGO) and support from government and world bodies like the United Nations (UN). MFIs in order to lend their unflinching support re-strategise marketing skills and introduced innovative services; there is the need for strategic marketing skills and innovative products and services calling for the need to measure the impact of MF intervention on the beneficiaries, thus impact assessment (IA).

Impact assessment is not different from good market and beneficiary research. IA identifies the effects on clients or beneficiaries, and aids the designing or innovation of programmes suitable to the needs of particular beneficiaries. Secondly, as MFIs receive indirect subsidies in both financial and technical form, there is the need for impact assessment to be conducted to measure the effects of the subsidies given to the MFIs. IA allows program managers and policymakers to compare the cost of improving families' socio-economic achievements through microfinance to the cost of achieving the same impact through other interventions. Thirdly, impact assessment together with measuring whether a given MF program is having a positive effect on beneficiaries, IAs provide important information to practitioners and policy-makers about the types of products and services that work best for particular beneficiaries. There is the need for policy-makers to identify why top-performing programs of MF have the effects they do; and then develop and disseminate best practice policies for MFIs to adopt. Furthermore, impact evaluations allow benchmarking the performance of different MFIs. (cf. Dean Karlan and Nathanael Goldberg, 2006)

The core task for the IA is to select an approach to MF that can meet the objectives of a specific methodology of MF implementation at an acceptable level of reliability (Hulme 1997 & 2000). Further, the approach must be compatible with the programmes context, feasible in terms of costs, timing and human resource availability. (Hulme 1997 & 2000) There are some questions that one must answer. Among which are; what are the objectives of the assessment? How is the information to be used and by whom? Also, what level of reliability is required and how complex is the program, what type of program is it, what is already known about it? Finally what resources (money, human and time) are available? The answers to these questions are unlimited, but for the purposes of this paper one of four categories available ranging from impact monitoring and validation, through simple and moderate approaches to more complex approaches will be used. (cf. Hulme 1997 & 2000) From table 1(Common Impact Assessment Method) are options of different methods of conducting IA. Considering the limited nature of resources (money, human and time) a case study method will be used.

The interest in the study of impacts assessment of MFIs is as a result of personal motivation. The personal motivation resulted from the practical experience the author had working in the financial sector and identify the need for innovation in the sector. Secondly, managers, donors, government institutions, and NGOs are constantly trying to inject innovation into the financial system and to broaden the network of the formal financial system to include the excluded; there is the need to improve the existing system of MF programme. For that matter the only way is to assess existing system in place in order to recommend improvements in the schemes. The third issue here is that working in the banking industry. The managerial or policy implication of this research can be traced to the current developments in financial sector. The market segmentation in the sector relegated the poor from the services of the formal sector. Therefore there is the need to regulating and manage the sector to build all inclusive financial sector. This claim is confirmed by the assertion that, by extending financial services to cover the poor the small and medium enterprises enhance economic growth. (cf. Aneel 2007) In this publication the poor becomes a potential market in the financial institutions as well. Secondly, in their publication fortune at the bottom of the pyramid, Prahalad, & Hammond (2002) clearly stated how the poor at the base of the pyramid pose a potential market to be explored the by MNCs. In this direction, the author deems it necessary to research into the changes that occur as the result of MF intervention by use of IA. This will be used to benchmark the policy and regulations in respect of marketing decisions towards the MF clientele and designing a tailor made services for the sector.

## **1.2 Ghana as a context for microfinance**

Africa consists of the majority of the world's poorest countries, and more than half of the continent's 780 million people are estimated to live below the poverty line of \$1.25 a day. (Grameen foundation 2009) Governments in the African region continue to give recognition to the relevance of accessing formal financial services as a solution to economic development (CGAP 2009). Most often, only about 5% of these poor people have access to financial services due to the exclusion of the poor from the formal financial sector (UNCDF 2009). In this direction, microfinance is extensively becoming a tool for promoting development and to alleviate poverty. From 2002, 31 countries in Sub-Saharan Africa revised their microfinance legislation laws when it was becoming integrated into the formal financial systems (CGAP 2009).

Microfinance in Africa is characterised by relatively miscellany of financial institutions and cooperatives or savings and credit mutual societies. There are a good number of village savings and credit banks, limited companies and companies limited

by guarantees (These constitute the MF schemes). The regulatory frameworks that exist are defined by the central banks of the implementing countries and then communicated to the Monetary Authorities in charge of the supervision of the sector. (CGAP 2009) Supervision is also the duty of the central bank with support from the ministry of finance.

In relation to growth, the microfinance programme saw an increased patronage in all the four regions of Africa namely, Central, Western, Southern, Eastern Regions. To confirm this, ten countries (Ghana, Kenya, Togo, Senegal, Mali, Burkina Faso, Cameroon, South Africa, Uganda and Ethiopia) used penetration rates for borrowers and savers in the MF sector. As a result the programme saw 25% increase in borrowers in 2007, with the loan portfolio of nearly one billion U.S. dollars representing 47% growth. In 2007 the Savings in the sector also grew by 60% with 1.8 borrowers. (CGAP 2008)

Ghana is one of the developing countries in sub-Saharan Africa with a population of 23,382,848 with a growth at rate of 1.928 % (CIA World Fact book 2009). Ghana was formed from the merger of the British colony of the Gold Coast and the Togoland trust territory. Ghana in 1957 was the first sub-Saharan country in colonial Africa to attain independence (CIA World Fact book 2009). Ghana is geographically located on the Greenwich meridian and is bounded on the north and north west by Burkina Faso (Upper Volta), on the east by Togo, on the south by the Atlantic Ocean, and on the west by La Cote D'Ivoire (known as the Ivory Coast). Ghana's total area is 238,537 sq. km (92,100 sq. miles). The topography is composed of plains and scrubland, rain forest and savanna. Ghana has a tropical climate with ten regions namely the Northern, Upper West, Upper East, Volta, Ashanti, Western, Eastern, Central, Brong - Ahafo and Greater Accra. Though the country is well endowed with natural resources, it still remains heavily dependent on international financial and technical assistance (CIA World Fact book, 2009). Gold, timber, and cocoa production constitute the major sources of foreign exchange. (CIA World Fact book, 2009)

Due to political instability that characterised the country just after independence, Ghana's economic reform started when in 1983 the government launched the Economic Recovery Program (ERP) (Berry 1994). Berry 1994 claimed, by the end of 1991, ERP led to improvement in the country's international financial reputation because of its ability to make loan repayments, although not eradicate foreign debt and its first entry onto the international capital market in almost two decades (Berry 1994; cf. Aryeetey 1996). In 1995 Ghana launched the first ever *vision*, Vision 2020 (Steel & Andah 2003) which was to initiate the institutional arrangements to promoting and analyzing of poverty reduction (Steel & Andah 2003 - Leite, Pellechio, Zanforlin, Begashaw, Fabrizio, and Harnack 2000). The microfinance policy framework was intensified by

the bid for poverty reduction seeking to balance growth in stability (Steel & Andah 2003). Furthermore, Ghana opted for debt relief under the Heavily Indebted Poor Country (HIPC) program in 2002. This was in the direction to introduce tighter monetary and fiscal policies, accelerated privatization, and improvement of social services. Inflation is one of the economic problems Ghana faces (CIA World Fact book, 2009). The economy of Ghana remained quite robust since 2005, in spite of the energy crises of 2006 and hikes in the petroleum products prices. There has been growth in the real GDP from about 5.8 % in 2005 to 6.2 % in 2006 (Afrobarometer<sup>1</sup> 2008). Currently, the GDP stood at \$17.72 billion with a growth rate of 6.3% (CIA World Fact book, 2009). The domestic economy continues to revolve around agriculture, which accounts for about 35% of GDP and employs about 55% of the work force. Ghana signed a Millennium Challenge Corporation (MCC) Compact in 2006, which aims to assist in transforming Ghana's agricultural sector (CIA World Fact book, 2009).

As of 1991-92 poverty was reduced from 51% to 43%, the poverty reduction took place around Accra. However it was still high in the rural areas (about 52%). The Government of Ghana in tackling the perennial problem of poverty, developed a strategy for poverty reduction in 2000 as well as the adoption of the Millennium Development Goal (MDG). One of the basic priorities under the MDG is Poverty Reduction Strategy. The vital tool to successful implementation is *microfinance* policy implementation; therefore the overall policy framework for an MF programme is informed by the poverty reduction strategy. The poverty reduction strategy seeks to balance between growth and development as well as empowering less privileged. (cf. Steel & Andah 2003)

Ghana still remains to be one of the developing countries in the world today using microfinance as tool for development. In sub-Saharan Africa, Ghana is among those countries battling with development and uses microfinance to “*sustain equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment*”. Microfinance is not a new concept in Ghana though, (Asiama 2007) it was believed to have started in Africa when the Catholic missionaries established microcredit union in 1955 in the Northern part of Ghana. (cf. Asiama 2007). According to Asiama (2007), in Bank of Ghana report on MF, the sector thrived and evolved into its present state due to different financial sector

---

<sup>1</sup> The Afrobarometer, is a cross-national survey research project, conducted collaboratively by social scientists from 20 African countries. Coordination was provided by the Center for Democratic Development (CDD-Ghana), the Institute for Democracy in South Africa (IDASA), and the Institute for Research in Empirical Political Economy (IREEP, Benin). Several donors support the Afrobarometer's research, capacity building and outreach activities, including the Swedish International Development Cooperation Agency, the Department for International Development (UK), the Royal Danish Ministry of Foreign Affairs, and the U.S. Agency for International Development.

policies and programs by different government since independence. Among the various policies and programmes are: Provision of subsidized credits in the 1950s; establishment of the Agricultural Development Bank in 1965 to address the financial needs of the fisheries and agricultural sector; establishment of Rural and Community Banks (RCBs); and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio; Shifting from a restrictive financial sector regime to a liberalized/open regime in 1986; and Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions (NBFIs) (Asiama 2007, 1). Asiama went on to assert that the policy and programmes implementation led to the emergence of three categories of financial institutions made of, formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks; Semi-formal suppliers such as credit unions, financial non-governmental organizations (FNGOs), and cooperatives, and finally Informal suppliers such as *susu*<sup>2</sup> collectors and clubs, rotating and accumulating savings and credit associations, traders, moneylenders and other individuals. (Asiama 2007, 1–2). With respect to the potential economic benefits of sustainable operation of microfinance in the sub-Saharan Africa, there is a compelling need for a holistic approach to facilitate development of the microfinance sector to let loose the development that comes with it. Ghana is chosen in this study as the whole of the sub region cannot be used considering the resources and time frame of the study.

### 1.3 Research problem

Research is still ongoing about the impact of microfinance in the areas of education, empowerment of women, poverty alleviation, but this thesis will focus on socio-economic effects of microfinance on households and enterprises. The study takes a step into finding out more about changes at household and enterprise units as a result of MF intervention. Microfinance received world attention and there was proliferation of microfinance institutions all over the world, with implementation in less developed countries like Bangladesh in Asia, Brazil in Latin America, and Ghana in Africa to mention but few. Since then, several research works have been conducted to ascertain sustainability, implementation, and its usefulness as a tool for alleviation of poverty.

---

<sup>2</sup> *Susu* is a locally generated word for the type of MF whereby daily collections of small amount of money is taken from the member and a lump sum is paid to the contributors at the end of the month less a day's contributions as commission.

Microfinance although, has been in existence for centuries, received the worlds' attention as prominent tool in poverty alleviation and recognition at the U.N. world summit in 2005 needs improvement in relation to sustainability and profitability. Microfinance though prominent on the agenda at the UN world summit 2005 still could not get to the last poor individual, due to implementation bottlenecks. MF was claimed to be the vehicle by which the poor access financial services yet the question still remains with criteria for selection of beneficiaries. In spite of this declaration made at Summit of the 2002 Monterrey Consensus, which stated: "*Microfinance and credit for micro-, small and medium-sized enterprises, including in rural areas, particularly for women, as well as national savings schemes, are important for enhancing the social and economic impact of the financial sector*". (International year of microcredit 2005) poverty still remains dominant feature in developing countries; a lot more poor people are still excluded from the formal financial sector. Consequently, the need arises for the policy makers to come out with innovative methodology that will cover every poor without strict selection criteria, methodology that will widen the outreach network to include and encourage household enterprise activities. There is also the need for policies that will really transform to its best the socio-economic impact of the beneficiaries. This can be achieved by conducting IA on those who benefited from the MF scheme implementation so far.

Ghana in sub-Saharan Africa was no exception to the importance of an MF phenomenon alleviating poverty, raising living standards, creating jobs, and boosting economic growth. (cf. Brandsma and Chaouli 1980, 5) After the proliferation, microfinance as an intervention phenomenon needs assessment to prove its effectiveness and further improvement. Impact assessment is the perfect term that describes the method by which sponsors and policy makers seek to get more information about program's effectiveness than the traditional method of regular accountability. Academicians and researchers, program managers, policymakers, donor field staff, evaluation departments, NGO personnel, and systems of implementing organisations explicitly promote impact assessment programs so as to know which of their activities call for improvement (cf. Hulme 1997, 1-2). The purpose of this study is **Assessing the Impacts of Microfinance in Ghana** become significant in order to understand the processes of intervention and their impacts so as to improve those processes (Hulme 1997).

In order to accurately assess the impact the intervention on beneficiaries in Ghana, the following sub-research questions were posed:

1. **How is microfinance implemented in Ghana?**
2. **How does microfinance affect beneficiaries economically?**
3. **How does microfinance affect beneficiaries socially?**

The first sub-problem is answered by use of secondary data (literature review). The literature review can be used to identify specific questions for the case study, and create a better understanding of how a programme is regulated in a particular instance. (Gustav 2006, 5) This section used the available secondary data to elaborate on the MFIs policy regulations in Ghana in chapter 5, while the second and third the author made use of primary and secondary data. To accurately conduct IA on a program such as MF, it will be incomplete if the author does not use units such as household and enterprise. Therefore the author made use of these units to assessing the socio-economic effects. In figure 1, the RQ 1, RQ 2 and RQ 3 represent the sub-research questions respectively. As shown in the figure secondary data used consist of documents elaborated in appendix 3 such as working paper, manuals, regulatory and supervision documents and guidelines for rural banking licence whilst the primary data consists of the empirical data collated in the study.

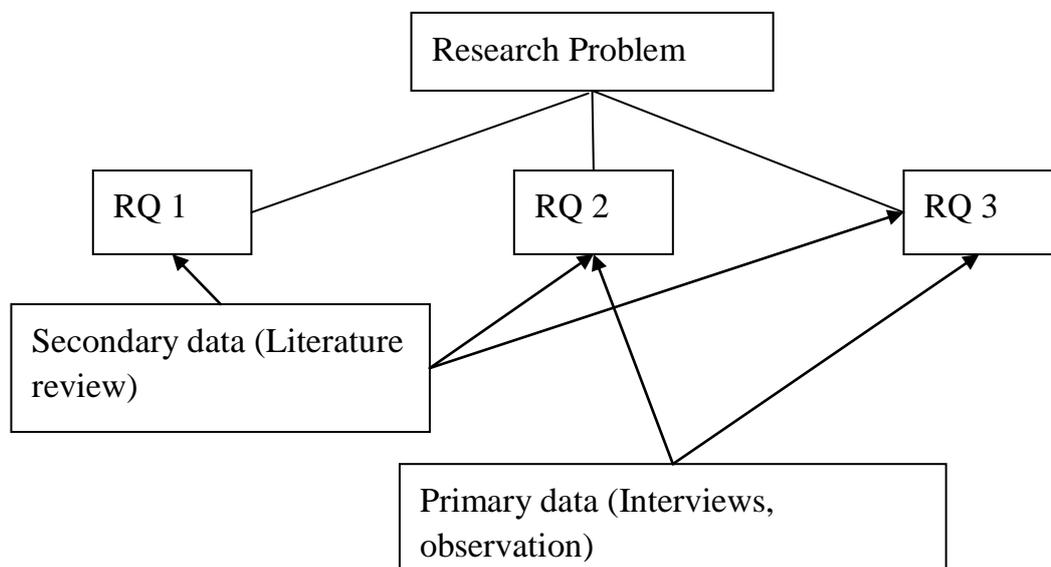


Figure 1: The layout of research questions and the sequence of answering

## 2 THE BASICS OF MICROFINANCE

Microfinance was started in a form of microcredit, focusing on small loans only and later saw a shift to covering a broader concept that includes savings, provision of insurance and sometimes distribution and marketing of clients' outputs. Financial services such as remittances and transfers of funds also made way into the services of microfinance institutions (Meyer & Nagarajan, 2006, 167).

Microfinance then has been recognised as “*an important liberating force*” and an “*ever more important instrument in the struggle against poverty*”. Although several authors have provided comprehensive reports on microfinance; the basic concept is the same everywhere (Rue 2008). Microfinance concept gained much attention as global phenomenon with the recognition of the need for all inclusive financial services in developing and developed countries (Rue 2008) for example in the region of, Asia and even in the United States of America. World bodies and organisations like United Nations(UN), World Savings Banks Institute(WSBI), United Nations Capital Development Fund(UNCDF), World Bank) hold in high esteem microfinance as a tool for developing education, raising standard of living, reaching those excluded from the formal financial sector, implementing socio-economic development, and empowering women. To sum it all, the U.N. recognised it as the major strategy for the implementation of the Millennium Development goal; as UN Secretary General, Kofi Annan, has identified microfinance as a vital strategy in achieving the first of the eight Millennium Development Goals (MDG) agreed upon by the world leaders at the Millennium Summit in 2000 which aimed at ending poverty by 2015.

### 2.1 What is microfinance?

Microfinance has seen many definitions since its emergence into the finance sector in all over the world. Microfinance is defined by different researchers in relation to the purpose of various kinds of research to be conducted. Microfinance according to Ledgerwood (1999,34) is when the poor household or individuals accessing financial services that could not previously access with a driving force to reducing poverty, empowering women, or other disadvantaged groups, creating employments, and or encouraging socio economic growth. Microfinance saw another definition from James C Brau and Gary Woller (2004) in a Comprehensive Review of the Existing Literature and an Outline for Future Financial Research. They define Microfinance as a strategy consisting of centres developing technical assistance to give aid to the micro-entrepreneurs, training and consultation services to help create self-employment and

income-generating activities among the very poor (Brau & Woller 2004,1). This also forms the social services referred to by Armendáriz and Morduch (2005). The varied definitions are not different from that of Armendáriz and Morduch (2005) as the basic principle of MF mentioned in the introductory chapter.

As stated in the chapter 1 microfinance is claimed to have started with microcredit, focusing on small loans only and later packaged to what is presently known as microfinance. It covers a broader spectrum that includes savings, provision of insurance and financial services such as remittances and transfers as well as other related financial services. (cf. Meyer and Nagarajan, 2006,) In the formal banking sector the banks require collateral in order to grant loans to the customers who need financial support in their private lives or in support of their small and medium scale enterprises (SMEs). The very basic role of microfinance is to make loans available in small sizes to these classes of financially under privileged in the society. Microfinance and microcredit are quite two different concepts. But more often than not, they are used interchangeably; in this study a distinction is made between the two. *Microfinance* refers to the provision of financial services such as savings, credits, insurance, money transfer and other possible available banking services to low income, as well as very poor individual and self employed in the society (Oosterhout 2005,31) whilst *microcredit* is part of microfinance providing only loan on small scale. Other services such as insurance, savings are excluded. MFIs are agencies or institutions targeting poor, small farmers, households and microenterprises in the less developed nations as their customer segment (Oosterhout 2005, 33) as shown in figure 2.

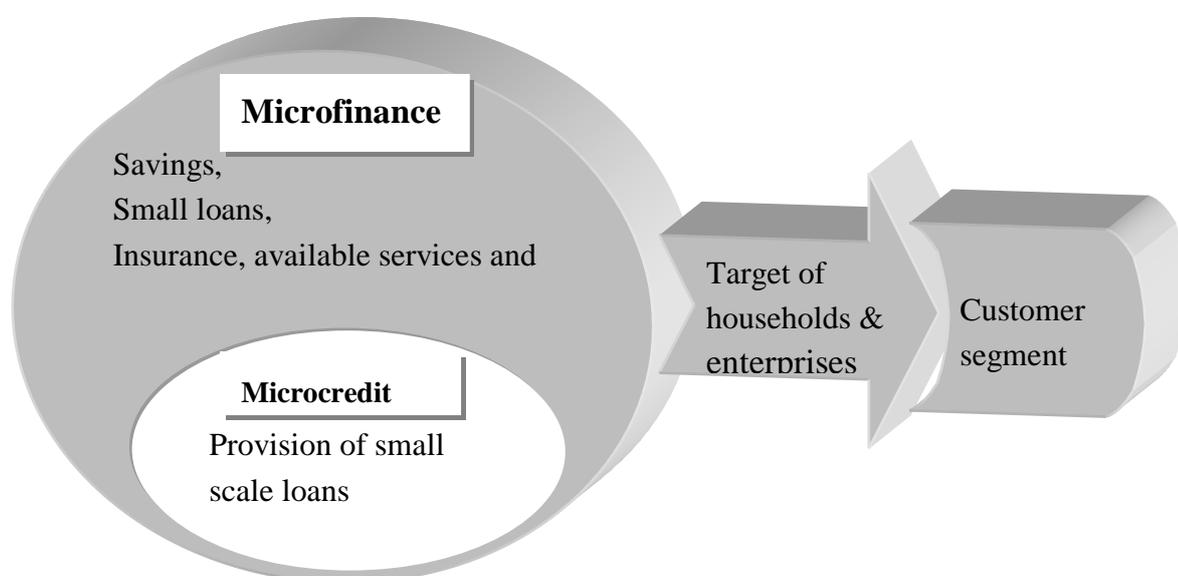


Figure 2: The concept of microfinance and microcredit

The customer segment in figure 1 represents the poor in the developing countries. The concept of MF operates in a simple model as shown in figure 2. The model is how

funds flow from the upper part to the lower part of the society as the poor or those excluded from the formal finance institutions benefit as the result of microfinance operations. The network operates in the bottom up effect such that microfinance institutions are funded by bodies like World Bank, Commercial and Merchant Banks, International Cooperation through NGOs. NGOs mostly define criteria to reaching the poorest to the MFIs; and then the fund is distributed to beneficiaries through their MFIs at considerable rate and in the form of insurance services either individually or collectively.

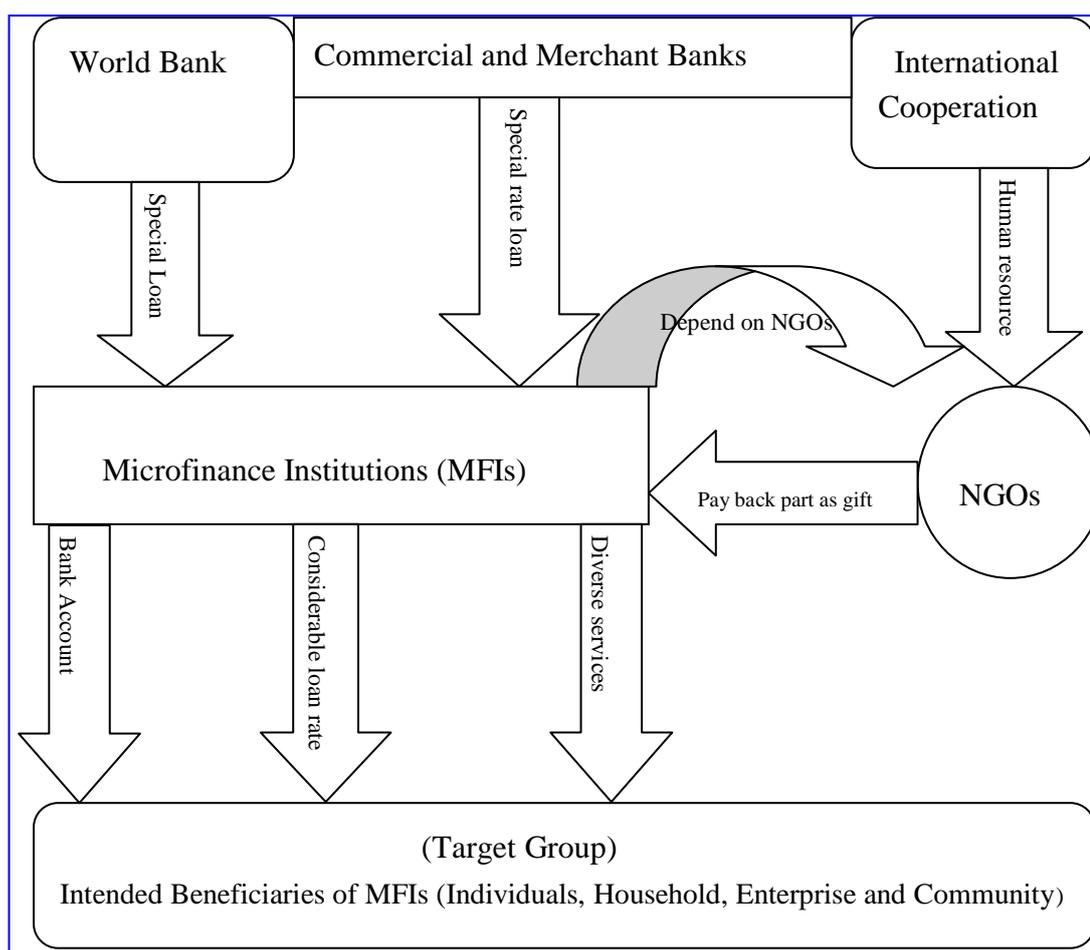


Figure 3: Flow of funds in MF network (Octopus microfinance suite 2007)

The concept of microfinance is the vehicle through which the segment of the excluded from the formal financial sector is reached. This segment of people (usually the active poor) constitute the target group making the intended-

beneficiaries <sup>3</sup> in figure 3 individuals, household, enterprise and community shown in the bottom of figure 3. The upper part of figure 3 is made up of three major groups of organisations (the World Bank, Commercial and merchant Banks and International cooperation); and the middle has the MFIs and NGOs. The WB in order to support and facilitate the poverty eradication policy of U.N., funds the MFIs with special rate loans(SRL); whilst commercial and merchant Banks in a form of acquisition of holdings(AH) and special rate loans also fund MFIs with profit motives. The international cooperation in the form of humanitarian relief fund NGOs which in-turn give back to the MFIs as gifts. The NGOs fund the beneficiaries through the MFIs in the form of gifts.

## 2.2 Uses of microfinance as a tool for development

Less-developed countries adopt the microfinance programmes, customise it to be applicable in their cultural settings, and use it to implement different development policies (cf. Swope 2005, 3). At the 2005 summit of U.N., MF was declared among others to be the tool of development in various aspects of life to addressing practical plans to achieving the MDG; by this, it was declared that MF is among the practical development strategies to be implemented in order to attain the MDG of reducing poverty by half by the year 2015. Bellow is the list of selected uses of microfinance in developing countries shown in table 1

Table 1: Uses of microfinance in developing countries

1	Engagement of the informal economy development
2	Investment in women empowerment
3	Grow domestic deposits( savings mobilisation)
4	Facilitation of National and international remittances
5	Progenitor of informal private sector development
6	Improving and developing slums in developing countries
7	As a bedrock for rural development

*Engagement of the informal economy development* - About 80% of the people living in developing countries derive the source of their income from informal sector. The

<sup>3</sup> The term intended-beneficiary is used because most MFIs advanced aid funds that are intended, to benefit very poor or vulnerable people and not purely self-selected clients. This is a vital issue because most MFIs present list of clientele as intended beneficiaries while a number of them are not poor; and secondly, some target groups present the client populations of MFIs as the poorest knowing very well that only a proportion of the clientele are poor and just a handful are the poorest.

employment is informal; operations in the economy are without security and very low human capital. Almost every activity in developing countries is informal therefore the need for MFIs to formalise the system (cf. Blumberg 2001 & IADB 2009). MF as a tool to investing in development of civil society; as a means of contributing to achieving the MDG; A good example is the experience of Bangladesh's Grameen Bank, which loaned more than \$4.3 billion to nearly 3.4 million borrowers in Bangladesh of who over half of them have now crossed over the poverty line. This was replicated all over the world in over 35 countries, at this point it smoothes the fluctuation in income in time of drought (cf. International Year of Microcredit Conference 2005).

*Investment in women empowerment*-Microfinance is used to support voluntary approaches to empower “women with skills, literacy, and social economic rights to engage in off-farm employment (Cheston & Kuhn 2001, 1; Levis Strauss foundation 2006). In addition, recognition is given to girls and women who usually receive less academic education than boys and men, those with poor access to health care, and those at greater risk of contracting sexually transmitted diseases, and are less able to start businesses, to obtain credit, or enter higher-level occupations (cf. International Year of Microcredit Conference 2005; Cheston & Kuhn 2001, 2; Ashe & Parrott 2001).

*Grow domestic deposits* (Mobilise micro saving)-The least developed countries are shown to have the lowest saving rate, just 6.7 percent of Gross National Product (GNP). The low level saving rate leads to negative growth rate of per capita income. Microfinance is used to promoting, in addition to credit, inculcation of savings that accumulate assets for poor people and benefit country reserves. Low saving rate is one of the serious resource constraints in developing countries and MF policy is working towards solving that (cf. International Year of Microcredit Conference 2005; Afrane 2007; Sebstad & Cohen 2003, 2-15)

*Facilitation of National and international remittances* as well as payment systems are important financial tools in developing countries. Remittances and transfers are key drivers of development as they facilitate flow of fund in the economy. The remittances increase household sources of income and saving, more especially when channelled through a formal financial system, as currently the case in some countries in Latin America and Asia (International Year of Microcredit Conference 2005). The clients receive remittances from relatives and other members of a MF groups as well as MFIs remitting funds to members in other locations.

Microfinance acts as *progenitor of informal private sector development*. For example the introduction of Mobile Banking services to formalise the informal sector. Microfinance is at the *beck and call* of small and medium enterprise (SMEs) development, MF nature growth of micro enterprises and fuels the expansion of suppliers and help increase infrastructure needed for larger businesses environment.

Microfinance further, created and increased the wealth for low-income individuals, new consumers markets for businesses of all sizes (cf. Sitaram 2007, 17-20). Furthermore, MF is an innovation in financial sector to help the poor in the society. A good example is Rabobank International which worked in Uganda and Tanzania to develop financial instruments-risk management tools such as swaps and derivatives to help small farmers to protect themselves against price fluctuations” ( International Year of Microcredit Conference 2005).

*Improving and developing slums.* Microfinance helps slum dwellers to improve on the infrastructural development through pooling towards a common fund or micro saving schemes (cf. Smets 2006, 10-15). This can be done by community organizations helping to mobilize resources of the urban poor to co-finance improvements in housing and investments in basic urban services (International Year of Microcredit Conference 2005; Smets 2006). One of these programmes is that of a case in India; housing programmes in slums began as advocacy movements, realised the need for providing financial and technical assistance to their target group. MFIs tend to focus on housing upgrades and infrastructure improvements, for instance the case of SEWA Bank’s involvement in the Parivarthan slum redevelopment scheme in Ahmedabad (Krishnan, Ramji & Taishi 2007, 13).

Finally, MF helped to *develop rural areas*, investment in food production, health, and vulnerability. Finance is the bedrock of rural development, therefore access to financial; hence microfinance is a tool for growth in impoverished rural areas. MFIs play important roles in developing and diversifying rural economies. MF policies as well target a rise in rural productivity, *a Green Revolution to raise food output* (International Year of Microcredit Conference 2005; cf. Krishnan, Ramji & Taishi 2007). Improved health services are not left out in its portfolio of policies. MF contributes to financing health initiatives and creates wealth for low-income people that enable them to afford health services (cf. Johnson- Rogaly & Oxfam 1997, 39). This goes a long way to reduce the credit risk inherent in lending to healthy clients (International Year of Microcredit Conference 2005).

### **2.3 Microfinance schemes**

Microfinance as adopted all over the world serves different groups of individuals, and households in varied settings; ranging from small businesses/SMEs to large business owners including; fishermen, farmers, traders, retailers, distributors, salaried workers, wage earners, labourers of different types, and housewives. The needs of these groups of people are not the same; it varies according to their priority. This call for different

schemes and policies to be used by different types of MFIs in order to address needs of the different target beneficiaries. The types of MFIs differ in organizational, institutional, legislative, and financial services. They operate in urban or rural areas, towns and villages, with number of members varying as little from fifty persons onward. (cf. Ledgerwood 1999 & Oosterhout 2005; cf. Staschen 1999, 25)

There are MFIs which operate as autonomous bodies free from government controls; others operate with banking laws of country of operation, some receive support from NGOs, Governments, as well as seed capital and technical supports. (cf. Ledgerwood 1999 & Oosterhout 2005)

## 2.4 Schemes of organizational lending

The beneficiaries of the MF schemes are mostly poor. Consequently, there is lack of data in the industry (Dailey & Parikh 2009, 2). Despite the lack of data on the sector, it is clear that a wide variety of implementation methods are engaged by different MFIs. The Grameen Bank (1998, 2000) has identified fourteen different microfinance models of which the author focused on few ones which contribute to the better understanding of this thesis as these schemes are the most selected and highly used schemes in the sub-Saharan Africa. The institutions adopt schemes useful to successful implementation of their objectives in consideration of the vulnerability of the area. The choices of these schemes are as the result of the blend of administrative strategy and sustainable livelihood approach (SLA) which is briefly discussed in chapter 2.4.3.

The schemes are; *Community banking* which is combination of, formal, informal and semi-formal structures are used to offer MF services. These institutions normally receive expertise and technical know-how and supports from NGOs and organizations which usually set them up. In this area the chosen communities receive training in respect of community banking (Grameen Bank 1998). An example is the case of Nigeria where community Banks are converted into MFIs. The Central Bank of Nigeria gave the approval for the conversion of all community banks in to MFIs (MicroCapital news 2006)

*Formation of Associations and group Lending-* In most beneficiary communities, associations are formed or groupings are made where MF services are received on the merits of been members of the various groups. Some of these associations are regarded as legal bodies in order to bring various financial services to members (Grameen Bank 1998). In China, the poverty-focused programs in Eastern Europe and Russia, microfinance and group lending are closely associates. Group lending refers to the practice of working with clients in small groups. Loans are made to individuals, but the

group as a whole is held jointly liable in case of non-repayment. Economic work on microfinance focuses on the incentives induced by joint liability in group lending as economic theorists became interested in group lending. Building on lending models pioneered by microfinance leaders like Bangladesh's Grameen Bank and Bolivia's Banco Sol are good examples. (Armendáriz & Morduch 2000, 2-8)

*Credit Unions* are self-help member-driven financial institutions where members save and take small loans at considerable interest rates. Usually, membership is of work related interest yet membership is open to all. Members are given voting rights over the selection of administrative board that makes policies for the union (Grameen Bank 1998).

*Cooperatives* are autonomous association of persons coming together voluntarily to solving peculiar problems such as economic, social and cultural aspirations mutually through democratically controlled ventures (Grameen Bank 1998) credit cooperatives engaged in microfinance tend to reach micro-entrepreneurs and the economically active higher segment of the low-income population( OECD 2007 ).NGOs in many at times serve as intermediaries, generating credit awareness among members and educating members on matters of credit financing. NGOs normally make very important contribution in setting up and maintenance of MFIs (Grameen Bank 1998).

This Grameen Bank is actually the model in use in Bangladesh. In this the Bank set out some villages or areas to service, among which groups of 5 persons are chosen and 2 people are given loans after which other members are given base upon repayment of the earlier members. The lending scheme becomes a collective responsibility which serves as motivation in the proper use of loan and on time repayment. (Grameen Bank 1998)

*Village Banking* is system of community-based credit and saving associations. These are made up of 25 to 50 low level income individuals who are seeking to improve their living standard through self help employment services. These groups receive seed capital or initial loan capital from for example NGOs and other sources. The poor infrastructure in the informal sector hinders access to formal banking institutions (Brandsma and Chaouli (1998,14)therefore the village banking is set up within the communities they serve and may be a small place for the manager, a bookkeeper, accountant, and not more than three loans officers, depending on the population of clients in the area (Rhyne 2001:61). Village banking is not normally subject to national banking laws but rather, they are run by bye-laws and by the administration team set up by the members. (Grameen Bank 1998)

*Small Businesses* consisting of SMEs which became the target of MFIs. Micro-entrepreneurs are identified as engine of development in both formal and informal types

of business operations help to increase income, employment, community development and improving different aspects of life (Grameen Bank 1998).

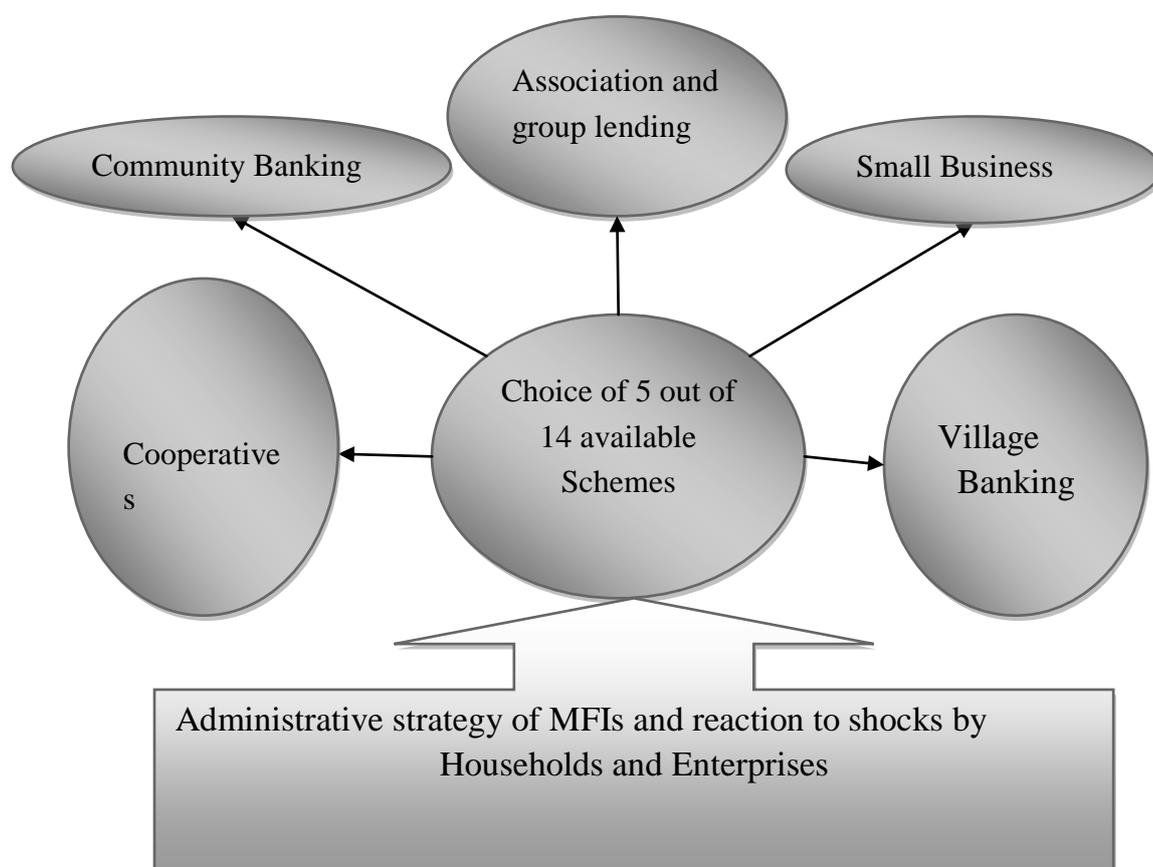


Figure 4: The scheme of organisational lending

In figure 4, the choice of any of the schemes depends on the administrative strategy in use by the MFI or the external factors prevalent in the community. In situations where the poor has become vulnerable and the only way of survival is to identify oneself with a scheme, then the sustainable livelihood can equally affect the adoption of a scheme by the MFI. In figure 4 the pivot on which the decision to select a scheme is the combination of administrative strategy and external factors explained in SLA.

Microfinance institutions make use of varied models for the implementation of MF programmes which fall within formal or informal financial sector. MFIs operate in the *formal financial institutions* when they operate in accordance with the legal framework and the national banking laws of the country. Examples of formal financial institutions are; Private commercial banks, rural banks, development banks, credit institutions, financial brokers, insurance, investment companies and central bank (Aryeetey 1996).

*Informal financial* sector is made up of any financial service not operated in accordance with a legal framework. For example individuals, friends, shop owners, moneylenders, family members, landlords, salaried workers and numerous credits and

rotating saving associations (cf. Oosrehout 2005, 87). A major positive development (for example, the emergence of savings and loans institutions) from the 1980s in the financial sector in most countries is that, most countries saw the emergence of a number of semi-formal nonbank financial institutions reaching out to smaller borrowers and those the formal sector cannot reach out to. (cf. Nissanke & Aryeetey, 1995; Aryeetey 2008, 2). The MFIs mostly are registered institutions yet conduct businesses that in one way or the other not licensed by the financial authorities. They often operate outside the banking laws unsupervised. Other good examples are credit unions, and cooperatives which do not accept any formal deposits (cf. Oosrehout 2005, 87) In the case of Ghana, there was developments in the semi-formal non-banking sector, due partly to economic recovery and more liberal economic environment and was made up of institutions that provide financial in services and products to a large variety of target clients (Aryeetey 2008, 2) In Ghana, the formal financial institutions are limited liability companies licensed under the either the Banking Law 1989 or the Financial Institution “Non-Banking” Law 1993 by the Bank of Ghana (Steel & Andah 2003, 2-5). In this category, the Savings and Loans companies though restricted constitute the highest institutions active in micro loans using MF methodology. These will further be discussed in chapter 5.

## **2.5 Performance measurement of microfinance institutions**

The social and economic variables are completely different as earning of income, income level, access to loan, loan extension, loan repayment, savings as well as loan practices are concerned. (cf. Robinsin 2001 & Diphon 2007) Therefore MFIs’ performance impacts the poor and yet could influence and in the long run reshape beneficiaries (Diphon 2007, 33). Microfinance experts use economic and social indicators (financial and social performance) to measure microfinance performance as there is no clear method in MF performance measurement. In the bid to answer the question on measurement of MFIs social and economic indicators are used. The eradication of poverty became the reason behind the wide adoption of microfinance intervention in developing countries, for example Ghana. In order to measure the level of impact of MF in Ghana it will be important to define poverty and identify who are the poor people. Furthermore, sustainable livelihood approach (SLA) is considered mentioning as its concept may be useful with regards to assessing the degree of impact on livelihood assets, as well as livelihood outcomes of households and finally ascertaining the socio-economic benefits of households.

### 2.5.1 *Poverty and microfinance*

Poverty is a complex phenomenon, and therefore defining poverty has seen numerous views and classifications. The definitions of poverty take multidimensional concepts such as socio-political, socio-economic, and socio-cultural. One school of thought claimed “*poverty is pronounced deprivation in well-being*” (World Bank 2005, 9) and argued that by defining well-being poverty is defined in totality (Laurila 2008, 19).

According to Asian Development Bank (ADB) poverty is the deprivation of essential assets and opportunities to which everyone is entitled (World Bank 2005, 91). Every individual is entitled to access basics of life such as education and primary health care as well as households should have the right to sustainable labour reward. The individual and households should further have protection against external shock as in vulnerability context in figure 6 (World Bank 2005, 91). To better understand poverty, related poverty concept must be well understood. These concepts are; *Human poverty* which is the acute short of essential human capabilities, notably literacy and nutrition; second the *income poverty* which is also lack of sufficient income to meet minimum consumption needs and the third one is *absolute poverty* referring to the degree of poverty below which the least requirements for survival are not being met (World Bank 2005, 91). Furthermore, there is overlapping concept of poverty and vulnerability which are used interchangeably. According to World Bank (2005, 91) vulnerability is defined as the susceptibility of an individual, household, or community to external shocks and fluctuations (as in SLA framework in figure 6) (World Bank 2005, 91), while poverty is *pronounced deprivation in well-being*. In the context of this thesis the author referred to the vulnerability concept.

Microfinance researchers differentiate between the *extreme poor* and the *economically active poor*. Extreme poverty is regarded as those living below the minimum subsistence level; these are made up of the severely unemployed. (Robinson 2001, 18) While the economically active poor are those among the poor who one way or the other have some form of employment and therefore are not severely destitute (Robinson 2001, 18). These categories in poverty are derived by the drawing of the poverty line which determines the extent to which an individual fall within the poverty group. (cf. Hulme & shepherd 2003) However, both extreme poor and the economically active poor fall in the vulnerability context in figure 6. In the event of identifying the poor people vulnerable yet economically active bring to the fore the theory of *Fortune at the Bottom of the pyramid (BOP)*.

The concept of the BOP popularises the commercial viability of the worldly poor, which could be tapped by the world’s MNCs to alleviate poverty and remain viable (Prahalad & Hammond 2002; Prahalad & Hart 2002; see Prahalad 2007). Therefore the

concept BOP is in line with the idea of MF policy of alleviating poverty. The BOP concept definition of poverty elaborated on five major features characterising the tier 4 of the BOP in figure 7. Material deprivation according to Karnani 2007, Prahalad 2005 is the most intuitive and most widely used definition of poverty in the BOP literature (Rivera-Santos & Rufin 2088). Material deprivation occurs when income is too low that expenses incurred cannot be met in respect of basic needs such as food, shelter, and clothing (World Bank, 2000). The source of income to the poor is solely through informal employment in the form of small and medium size firms (Banerjee & Duflo 2007; Rivera, Santos & Rufin 2088).

Inadequate or complete lack of formal education which is as result of insufficiency of the acquired education to help the poor protect oneself or let alone avoiding poor decision making. (Rivera, Santos & Rufin 2008; the lack of education inhibits identification of income-generating opportunities, that may result in breaking new market opportunities. (World Bank 2000) subsequently the poor end up in very low income structure leading to withdrawal of wards from school (Banerjee et al 2007). Public schooling system in developing countries is often of a very poor quality which is most often characterized with truancy (Chaudhury, Hammer, Kremer, Muralidharn & Rogers 2005). This however is what represents the tier 4 of BOP in figure 7.

Health is claimed to be the third dimension of poverty after lack of education and low income; the lack of access to good health services, facilities and medication is the reason for developing region in tier 4 have had high prevalence rate of disabilities and shorter life expectancies rate (Elwan 1999; world Bank 2007) The poor health if not in totality, may prevent the poor from gaining jobs that are physically demanding (Rivera, Santos & Rufin 2008). The causes of poor health can be linked to access to good food, poor infrastructure in relation to sanitation, and access to good drinking water which are peculiar futures associated with tier 4 of the BOP market (cf. Banerjee et al 2007)

The lack of income which may further render the poor vulnerable, by way of exposure to risk in the form of exclusion from formal institutions due to lack of assets, and uncertain income; most of these risks are beyond the ordinary control of the poor. (World Bank 2007; Rivera, Santos & Rufin 2008) Insurance against vulnerability may not be sufficient or do not exist at all in most cases, (Banerjee et al 2007).

Poverty is not limited to income and material alone but also to when people lack influence to making decisions that impact one's life as well as the exclusion from formal institutions (World Bank 2007). One of the very basic problems in financial sector that call for a programme for all inclusive is exclusion of the poor from the formal financial sector. Stern, Dethier & Rogers (2005) assert that the exclusion from formal institutions is not only by discrimination from the formal financial sector but multifaceted by a low status in the social order in addition to lack of respect, fairness,

and responsiveness in times of crisis, from formal decision makers. (Rivera, Santos & Rufin 2088) Finally, to compensate for insufficiency and most often unpredictable revenues with it rippling effects, people at the BOP tend to pursue multiple revenue-generating activities (Barnerjee et al 2007).

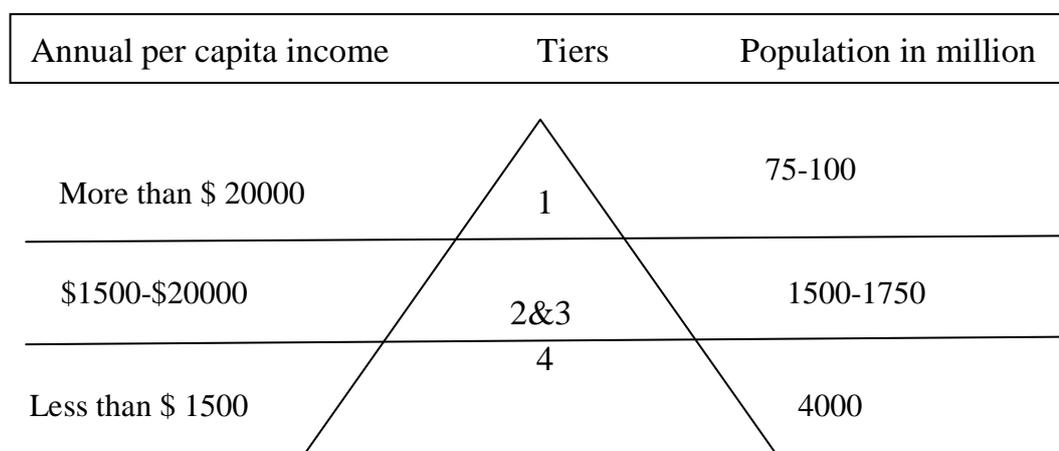


Figure 5 : The World Economic Pyramid (Prahalad & Hart 2002)<sup>4</sup>

### 2.5.2 Identification of the poor

Poverty line is generally referred to as the *per-capita* monetary requirements an individual needs to afford the basic bundle of goods and services (ADB 2005, 94) \$1 per day became the standard set line for determining who is poor (World Bank 2005, 94). However every country using the United Nations' general set standard have different criterion in drawing the poverty line. This could be done in accordance with the programme objective. Apart from using income, poverty line could be determined by the use of indicators such as, Level of income, lack of education, ill health, vulnerability, and voicelessness or what is termed by Rivera-Santos & Rufin (2008) as exclusion from the formal sector. These are not different from that of the World Bank (2005) as food intake, household assets and security, and access to health and education (World Bank 2005, 44). In Ghana, the poverty line is set at one US dollar (\$1) per day and the population below the poverty line is 28.5% as of January 1, 2009 (CIA World

<sup>4</sup> The figures were based on purchasing power parity in U.S. \$, and the source is U.N. Development Reports. These figure represents the concept of the bottom of the pyramid (BOP) which identifies the world most poor to be tapped by MNCs. NGOs, Government institutions, Financial institutions are all using this concepts in meeting divergence needs.(For example, U.N., NGOs, and world bodies using it to alleviate poverty whiles Financial Institutions are using it to enhance profit.

factbook 2009). The process of the poor surviving the vulnerability can best be explained by the sustainable livelihood approach.

### **2.5.3 Sustainable Livelihood Approach and vulnerability**

The sustainable livelihood approach (SLA) is the strategy by which the poor copes and or overcomes the vulnerabilities encountered within a geographical setting affected by both internal and external forces. This according to Diphorn (2007) is one of the numerous strategies to understand how poor households survive. The sustainable livelihood approach (SLA) was considered in the study because of its interpretation of shock, social issues and policy implementation which is considered relevant to the understanding of socio-economic issues. Households in Ghana are equally surviving these vulnerabilities which as a result they also constantly try to leave within means (cf. Diphorn 2007, 38). That is the reasons most communities in Ghana make use of the MFIs micro loans.

Microfinance as it is, can have a wide range of impacts on households involved in an MF programme, and further have wider social impacts. Different ways are used in measuring impact for example as Social Performance Assessments (SPAs) (Copestake and Wright, 2004), AIMS20 toolkit (Simanowitz, 2001& Nelson et al 2000) and Internal Learning Systems (Nojonen, 2005, 5).these will not be discussed in this thesis. Hussein (2000) argued that livelihood impact assessment highlights the need to understand the importance of a scheme to the livelihoods of beneficiaries to the scheme and other local people. Simanowitz (2001) Claimed IAs should have its bases on a sound conceptual framework that can be used as a framework for analysis and understanding impacts and one of such livelihood analysis approach is a *sustainable livelihoods framework* (Simanowitz 2001, 17) as in figure 6.

Neefjes (2000, 82) referred to sustainable livelihoods framework as people centred which explains the correlation between people and their livelihoods. Policies and all types of institutions as portrayed in figure 6. (Diphorn 2007, 38; DFID 1999; Wrenn 2005). SLA consists of four components which are: people living within a vulnerability context, followed by having a number of capital assets; upon which they draw to build their livelihood (which the Arthur presume to be the impact as a result of MF intervention); and finally, policies, institutions and processes (representing the MFIs and policy regulations) are made in the institutions to facilitate the creation of assets in the vulnerable environment within which they live (DFID 1999). The SLA framework is used in the thesis to clarify the extent to which MF intervention is affected by policy regulation of the area of implementation. There are five household assets namely

financial capital representing financial portfolio (Income saving, credit, capital etc.) of a household; secondly physical capital been the basic infrastructure (communications, roads, shelter, housing, water and energy) assisting the household; thirdly is social capital consisting the social resources (community process, social network, and group members) upon which they draw for exchange of trust and ideas; fourthly, human capital representing the skills, abilities and knowledge and health aspect of the household; and the fifth one is the human capital, in the form of public goods and services households get access to (Diphorn 2007).

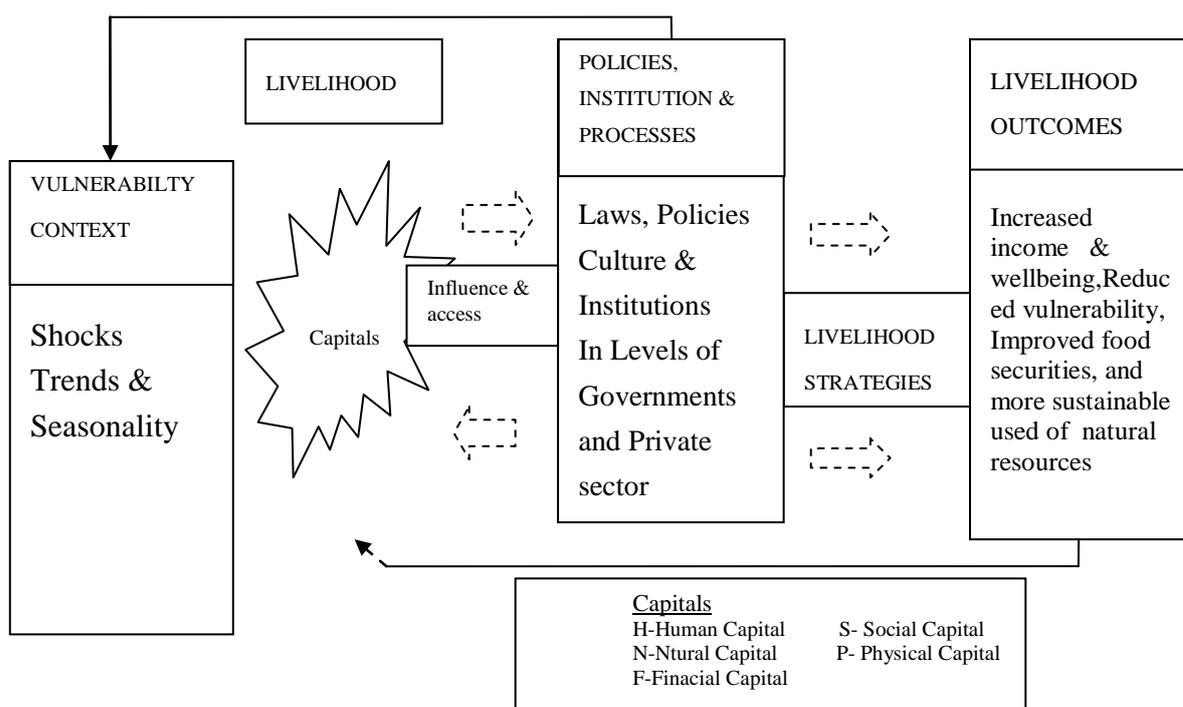


Figure 6: Sustainable Livelihoods Framework (Diphorn 2007 & DFID 1999)

In figure 6, the external environment in which people live is the vulnerability context consisting of trends, shocks and seasonality. Resources, national economic, governance and technology form the trend of the people whilst *shocks* are human health, economic, conflicts, and food-shortage shocks which people face. The forces and the changes that occur during the provision of goods and services, general price levels, health matters and employment patterns follow some kind of seasonal shifts. In Ghana all the vulnerabilities exist as a result shocks occurrence; MFIs were set up in communities which suffer one kind of the external vulnerabilities or the other. The research will use SLA in combination analysis of the impacts to ascertain the performance of MF interventions on members of a chosen case study.

### 3 MICROFINANCE IMPACT ASSESSMENT

Microfinance as it is, can have a wide range of impacts on households involved in an MF programme, and further have wider social impacts. Different ways are used in measuring impact for example as Social Performance Assessments (SPAs) (Copestake and Wright, 2004), AIMS20 toolkit (Simanowitz, 2001& Nelson et al 2000) and Internal Learning Systems (ILS) <sup>5</sup>(Noponen, 2005, 5). Couple of MFIs in Ghana have implemented most excellent business practices to achieve the purpose for which they are established. Many more are still fighting to attain success. This led to rising competition among MFIs for both funding and clientele outreach. The situation calls for MFIs performance assessment on clients. This chapter clearly elaborates the objectives and the need for conducting IAs.

#### 3.1 The objective of impact assessment

The basic assumption of all microfinance programs implementation is that, the intervention has changed human behaviours and practices in ways that bring about positive required outcomes. IAs critically assess these changes in values of major variables and on stakeholders (individuals, enterprises, households, populations, policymakers etc) which experienced the intervention as against the values of changes that would have occurred had there not been intervention as shown in Figure 3. Changes are as a result of mediation processes (particular features of the agent and of the economic, physical, social and political environment at the time) that influence both behavioural changes and the outcomes in ways that could not be predicted easily. (Sebstad and Chen 1995, Hulme 1997, 2000)

The assessment of the MFIs performance in Ghana requires the study of theories, behaviour and certain practises in the user community. In regards to MF outreach in user community (households, Individuals enterprises etc.), it is important to identify the intended beneficiaries and their level of poverty. To ascertain the impact level, it will be useful to know what impact evaluation is. Then these are used to determine the benefits and negative effects if any. The objective of MF introduction in Ghana is to reduce poverty, make available loan in small amount to those excluded in the formal financial sector. Therefore it is necessary to know what poverty means, who are the poor people. Furthermore knowing what is the meaning of impact and its indicators in Ghana. It was asserted earlier on by Hulme (1997) that it is difficult to ascertain the impact of MFIs

---

<sup>5</sup> For the purpose of this thesis the SPAs, AIMS20 toolkits, and ILS will not be discussed.

(Sebstad et al 1995); therefore valuation of the performance in Ghana may pose some difficulties to predict as well. In figure 7, the upper level represents the beneficiaries' former living standard before the MF intervention; whilst lower level represent the living standard after MF intervention. The impact which is the difference between these levels will either be positive or negative change depending on the modified behaviour and practices over a period of time. The mediating processes in the upper and lower levels determine the nature of impact. The impact may be negative or positive.

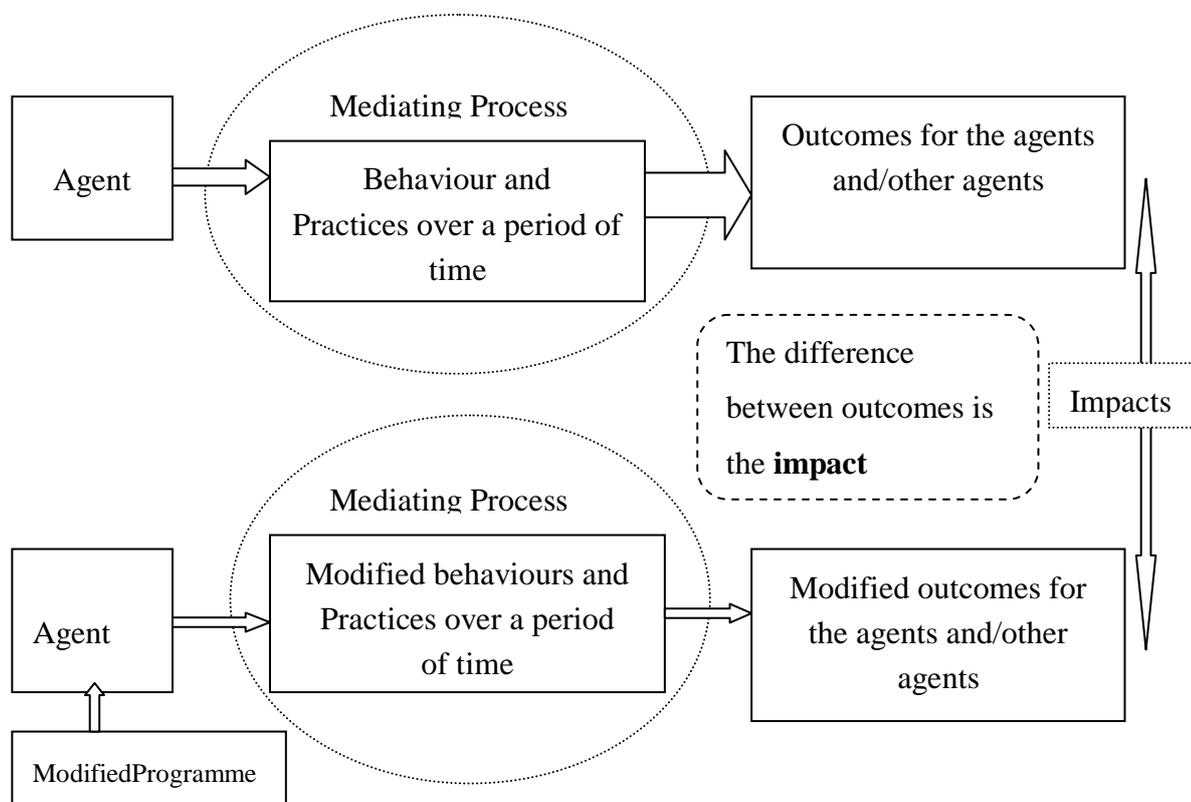


Figure 7: Conventional model of impact Chain (Hulme1997, 2000)

The agents in the figure 7 constitute MFIs and the beneficiaries while the mediating process is when the MFI strategically manages lending schemes in relation to the external factors. The end result is the outcome of the agents.

### 3.2 The need for impact assessment

The study of impact of an MF recently became more important as ways and means are needed to improve on the process and models of microfinance. The Importance of MF to harness poverty, and provision of financial services to boost microenterprises as well

as making loans available to the poor in Ghana is not different from implementers in countries. There is a growing debate about whether impact assessment of microfinance projects is needed for improvement or not (Simanowitz 2001). The claim was that, with a possibility of enough proof from the industry; at least by *adequate market proxies*<sup>6</sup> for impact which will show the clientele satisfaction and eventually making successful repayment of the loans, renders impact assessments a foregone conclusion. Nevertheless, this may be too simplistic a rationale as market proxies will not be the true picture of client responses and benefits MFIs (cf. Simanowitz 2001) might have on the intended beneficiaries. Therefore, the fact still holds that impact assessment of microfinance interventions is necessary to inject innovation needed to revamp the industry. (cf. Simanowitz, 2001, 11).

Prahalad & Hart (2002) reaffirm their stand of the market potential that exist in the developing market. Prahalad & Hart claimed that the emerging market (referred to as BOP) is attractive, and when tapped by multinationals corporations the dominant poor in this market will be lifted above the poverty line and will still remain viable. Currently financial institutions are beginning to identify the potential in the intended beneficiaries of MFIs. This identification is compelling the institution to commercialise the MF schemes thus moving away little if not completely from the initial ideology of charity. (cf. Prahalad & Hart 2002) In the bid by MNCs to explore the viability of the market it turns out to be competitive. Sustainability has become an issue in the microcredit field. The implication is that, there is something deviant in the context of MF program. (Buss 2005) MFIs and organisations that depend on subsidies of any kind are not commercially viable (Buss 2005).

### 3.3 Impacts and Levels of impacts

From figure 7, it can be deduced that impact is the difference between the outcome in MFIs before and after the interventions. The activities of MFIs on agents after a period of time will represent the first outcome and then the second outcome will be modification as a result of MFIs intervention. To evaluate impact of MF, a look is taken at external factors like; price of product, new market opening, competition, increase in customers' income; therefore impact can be attribution of specific effect (cf. Hulme 1997, 13).

---

<sup>6</sup> The benchmark used to represent either the broad market or a segment of the market. The selection of the market proxy is critical in the determination of alpha, beta, R-squared, and standard error

The impact of an MF intervention occurs in different levels. The available units or level of impacts are individuals, household, enterprise, and institutions or community (Nelson 2001, 2-Hulme 2000, 82). The agents operate in any of these levels during the intervention and the impact or effect is determined by the variable in play. A level of impact in network relationships is such that, the community level consist of households levels, whilst the household level consist of enterprise or institutions and individual levels. This is well depicted in the figure 6 below (cf. Nelson 20012-5, MkNelly & Lippold 1998).

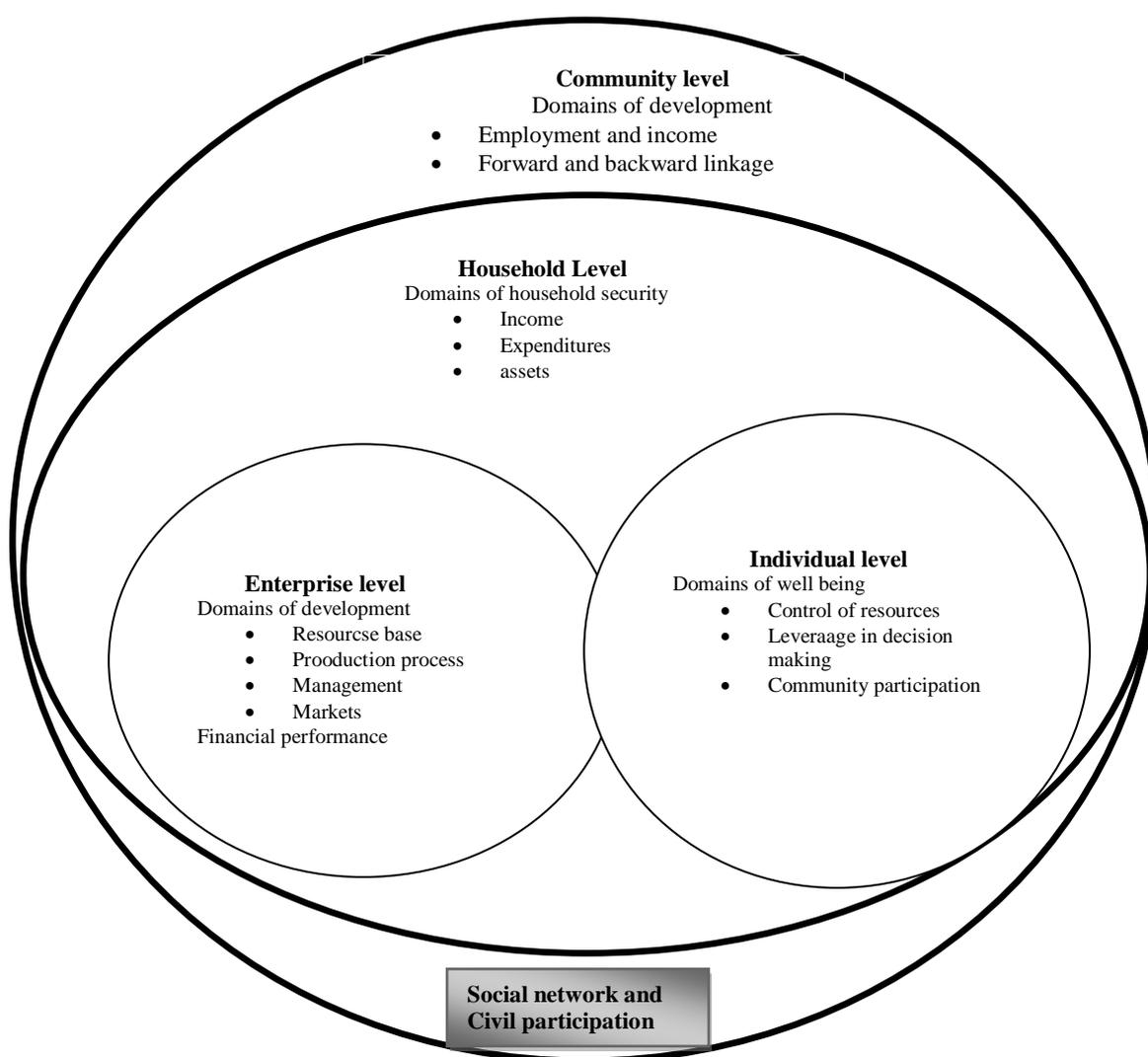


Figure 8: Conceptual Framework of Levels and domains of Impact (Nelson 2001-Diphorn 2007)

There is an intimate relationship between the microenterprise and the individual/household which makes it difficult to analyse or understand in isolation as a separate and distinct body, with regards to impact assessment. The conceptual frameworks in figure 8 shows that impact that occurs in other levels are connected to

the individual/household. In figure 8, at household levels exist contribution to net increase in income, asset accumulation and labour productivity. As a result, the household increases its' economic activities. The enterprise level is as a result of the changes in income, employment, assets, and volume of production. The individual level measures the clientele capacity to make decisions and make investments that improve business performance and personal income, which strengthens the households' economic portfolio and often translate into individual empowerment. The final level which is the community, microenterprises provide new employment opportunities, stimulate linkages to other community enterprises, and in turn attract new income from sister communities.(cf. Nelson 2001, 2-5; MkNelly & Lippold 1998; - Hulme 1997, 2000). The levels and domain of impact in figure 6 are represented by circle with the domain having indicators. The changes in the indicators

### 3.4 Types of impact

It is clear, that at every level there are different variables used by assessors in measuring impact and performance. For the purpose of this thesis two major impacts (*Household* and *Community impact*) will be identified. Researchers assert that more often than not, economic variables are used in IAs of microfinance institutions with particular attention to changes in income. Other most commonly used indicators have been levels and patterns of expenditure, consumption and assets. (cf. Hulme 1997, 7)

The indicators exist in all the levels of impact (Diphorn 2007). The network relationships that exist among the levels (causal effects) bring to the national level the economic impact; if the economic growth is as a result of an MFI services to several individuals at a household level. In the household level changes in indicators such as income, asset accumulation, housing and access to food will occur after the intervention of an MFI programmes. (cf. Ledgerwood 1999)

The social variables used are education, access to health services, nutritional levels, anthropometric measures and contraceptive use. In the bid to include empowerment of women, the indicators from the early 1980s are referred to as socio-political. (Goetz & Sen Gupta 1996) Records showed that women are given backbench in socio-political matters in most African communities. (In the bid to bridge this gap attempt are made by world bodies like the UNIFEM to empower women)The measurement of individual control over resources, involvement in household and community decision-making, levels of participation in community activities and social networks determine the extent of impart as the result of MF intervention(cf. Fuglesang and Chandler 1993-Hulme

1997, 2000). These will help programme managers and sponsors to make policy decision on implementation.

These relationships elucidate paths of impact by which microenterprise interventions can contribute to the goals of poverty alleviation and economic growth. It further result Individual and households improving their economic security while enterprises gain some amount of growth and increase their control over resource available and improve their standard of livelihood. Communities develop economically through enterprise activity that provides goods and services, attracts income, and creates jobs. To assess changes within the domain; indicators should be identified to evaluate the changes that occurred as result of the MFIs interventions. (cf. Hulme 1997, 2000- Nelson 2001- Diphorn 2007) To assess the socio economic impact, sustainable livelihoods approach (SLA) is used.

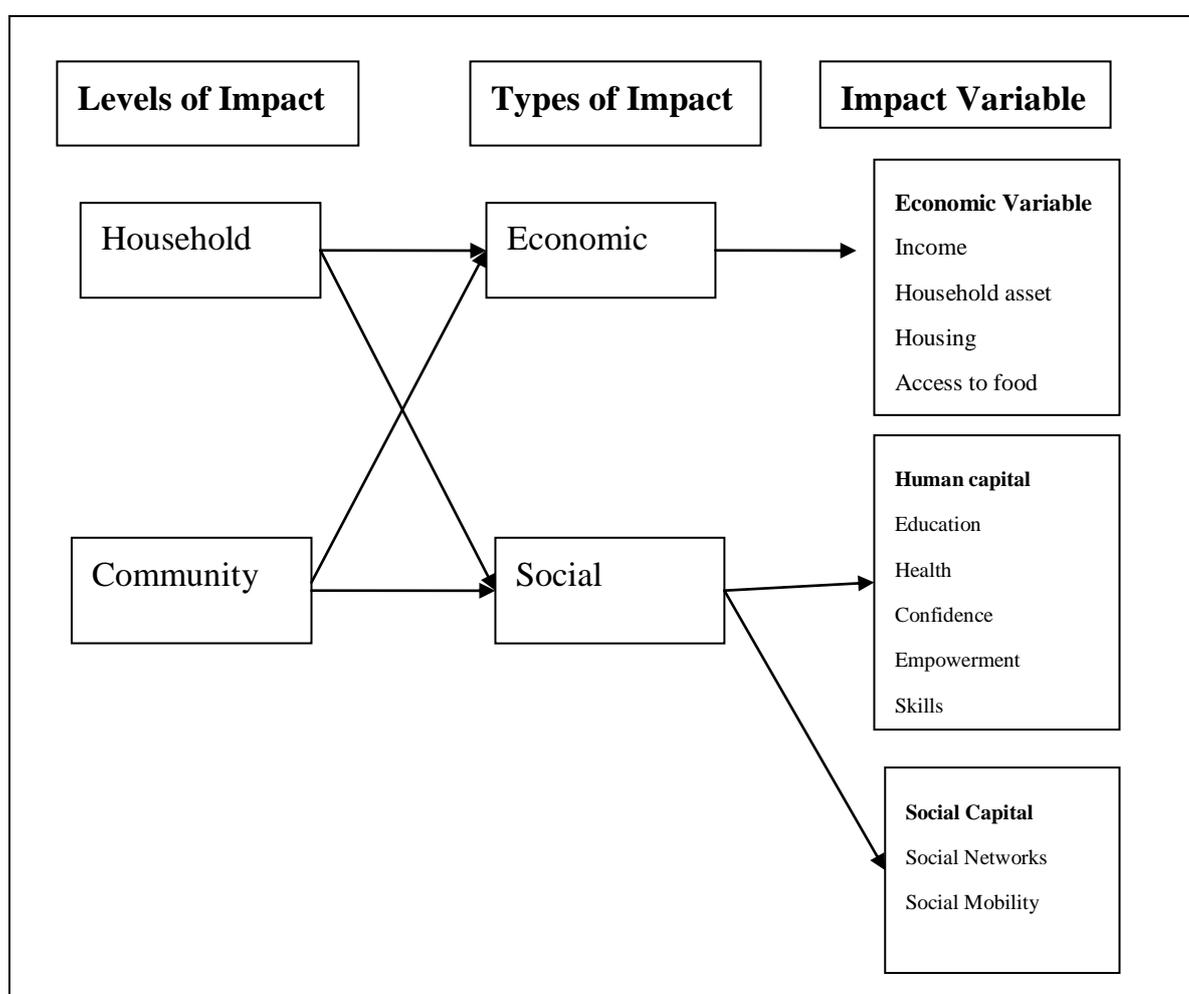


Figure 9: Levels and Types of Impacts (Wrenn 2005 & Hulme 2000)

The impact on beneficiaries as in figure 9 is in two folds economic and social. The economic effects can be identified with variables like income, household asset, housing and access to food while social impact identified with indicators further divided in two

folds namely human and social capital. Human capital has to do with indicators such as education, health, confidence, empowerment, and skills while Social Networks and Social Mobility.

## 4 RESEARCH METHODOLOGY

Methodology according to Welman & Kruger (1997, 2001) is the application of various methods, techniques and principles to creating scientifically based knowledge, with regards to objective methods and procedures in a field of study. Methodology is directed towards specific ways and methods to be applied to better understand the field and scope of the study (cf. Welman & Kruger, 1997). The research method used in this study is qualitative study.

Qualitative research refers to coming to terms with the meaning of a phenomenon by studying it in social context (Van Maanen 1983, 9; Marschan-Piekkari & Welch 2004, 6) More often than not qualitative research is conflated with research interview-based case study and the methods for data collection are usually participant observation, narrative interview and archival research (Marschan-Piekkari et al 2004, 6). The assessment of impact of microfinance is highly of social background therefore qualitative research is much appropriate. Furthermore, quality is referred to as what kind of peculiar features or characters something has (Kvale 1996, 67). Impact assessments in an MF industry presuppose direct chain of impact (specific features) associated with beneficiaries (See Wright & Copestake 2004, 259) by way of micro loan. According to Pawlak & Matull (2003) qualitative research leads to the understanding of why changes occur, and also follows up on novel ideas that follow as a result of regular monitoring and evaluation. In conducting IA the researcher seek to find out what bring about changes in beneficiaries and continuous monitoring of the changes and recommendation to be made for improvement.

The choice of qualitative over quantitative research is further affirmed by the fact that qualitative research takes contingency approach, implying that the research instrument should be chosen to suit the location or area of research (Marschan-Piekkari et al 2004, 8). For instance it was argued that qualitative research may be the best choice in developing countries, where the likelihood that secondary data required for random sampling is lacking and respondent may be unfamiliar with questionnaires (Marschan-Piekkari et al 2004, 8) due to illiteracy rate. Furthermore, qualitative research has the advantage over quantitative in culture settings just like developing countries in which particular emphasis is placed upon the development of social, and face-to-face and trust (Marschan-Piekkari et al 2004, 8) Qualitative method facilitates the capturing of clients stories and important impact statements (Afrane 2002). Given the emphasis of this study on the need to understand the MF process of intervention and how it impact the beneficiaries, in Ghana as a developing country and the need to facilitate the capturing of IA, it follows that the emphasis is on methods that is structured at the end of the spectrum (cf. Wright et al 2004, 260). And contingency approach with respect to the

fact that the location of Ghana and as a developing country; there is the need to consider the culture as well as capturing the story of the beneficiaries in Ghana, hence the author used qualitative study with case study approach.

There are different approaches used to conduct impact assessment. The approach used in this study is case study; a case study research empirically investigates a contemporary phenomenon in its real-life situation (Yin 2003, 13). In selecting the methods, the fact that microfinance program is presumably a phenomenon to change human behaviour and practices that lead to achieving (or increase the possibility of achievement) desired outcomes cannot be ignored. Therefore, there is the need for a research method that assesses the impact of beneficiaries (individuals and households) in real life situation, hence the choice of case study. In addition it will help increase the authors understanding of the microfinance intervention phenomenon (cf. Pervez 2004, 109). Case study is the preferred approach for a researcher when answering research questions like “how” and “why” (Yin 2003; Pervez 2004, 110) The sub research problem are mainly *how* and *why* therefore the choice of case study is pre-informed by that in this study.

Table 2: Common Impact Assessment Method (Hulme 1997, 2000)

<b>Method</b>	<b>Key Features</b>
Sample surveys	Collect quantifiable data through questionnaires. usually a random sample and a matched control group are used to measure predetermined indicators before and after intervention
Rapid appraisal	A range of tools and techniques developed originally as rapid rural appraisal (RRA). It involves the use of focus groups, semi structured interview with key informants, case studies, participant observation and secondary sources
Participation observation	Extended residence in a program community by field researchers using qualitative techniques and mini-scale sample surveys
Case studies	Detailed studies of a specific unit (a group, locality, organisation) involving open-ended questioning and the preparation of ‘histories
Participatory learning and Action	The preparation by the intended beneficiaries of a program of timelines, impact flow charts, village and resource maps, well-being and wealth ranking, seasonal diagrams, problem ranking and institutional assessments through group processes assisted by a facilitator

In table 2, there are five qualitative research strategies which usually used in impact assessment presented. There are two columns side to this table, the first column showed

the methods while the second showed the key features associated with each method. Each and every five of these methods have very good advantages depending on the prevailing real life situation at the time of conducting research. All the methods are appropriate but for the purpose of this study is to assess whether or not felt needs are being addressed by the MF intervention and case study is more appropriate to use (cf. Hulme 1997, 12). Case study is an ideal methodology when in-depth investigation is needed to understand (Yin 1994) why and how changes occur. According to Tellis (1997) case studies can be single or multiple-case strategy (Eisenhardt 1989, 534).

Case selection strategy follows identification of specific cases for replication rather than sampling logic (Eisenhardt 1989, 537). Yin (1994) also claimed by pointing out that generality of results, either from single or multiple case research is made to theory rather than populations (See Tellis 1997). A multiple case study is when a study contains more than a single case (Yin 1991, 52). The choice for a single in study can be it represents a *critical case* in testing a well formulated theory (Yin 1991, 46), when it represents an *extreme or unique case* (Yin 1991, 47), when a single case is *revelatory* (Yin 1991, 48) in that the researcher has the of a phenomenon previously inaccessible to scientific research. The three situations are the most commonly used, however, Tellis (1997) established that case studies do not need to have a minimum number of cases; neither should they be randomly selected, therefore the researcher can work with the situation that presents itself in each situation of study (Tellis 1997). In this studies the situation was that, the chosen case became the obvious choice as the other alternatives could not give access. Therefore, a single case study is used. The facts of the case selection is presented in sub chapter 4.1, a single case study is used for this study, because requirements and inflexibility of access of cases make the single case study the only viable alternative in this situation

#### **4.1 Case selection**

The selection of a case should not be a matter of most convenience cases (Yin 2003, 10), but be linked with the reasons for which the research is conducted. The most desirable process of selection will identify array of candidate cases (Yin 2003, 10) for consideration and then finally coming out with a choice of cases that correspond with the theoretical framework under study (Pervez 2004). This study identified cases involved in MF phenomenon. The author identified selected institutions of microfinance operating in Ghana and contacted seven of them as they best. Boafo Microfinance Ltd, Sinapi Aba trust, Citi Savings and loans Ltd, Dzadikuma co-operative credit Union, Dignity co-operative Society and Action Aid Ghana were among the MFIs contacted for

case selection. Several follow ups were made with no response to the mails dispatched from any of the selected institutions. Sinapi Aba Trust later gave a positive response which became the main case company.

Other factors taken into consideration when cases were selected were the time available for the study, financial resources for travelling and possible access by the interviewees (Pervez 2004, 113). Consequently, the author took into account the financial resource available and possible access to interviewees not forgetting the time limit. Furthermore, the number of cases suitable for a study cannot be decided as there are no set upper or lower limit for cases to be used (Pervez 2004, 114). As categorically stated in sub-chapter 4.2 Sinapi Aba Trust (SAT) became the only case for this study as there was a refusal of access by all the MFIs contacted. This study complies with the assertion by Tellis (1997) that case studies need not have a minimum number of cases; neither should they be randomly selected, therefore the researcher can work with the situation that presents itself in each situation of study (Tellis 1997). As mentioned; seven MFIs were contacted by email through contact personnel as it was the easiest to contact the institutions. However, according to King (1994, 34) the best way of recruitment method is to send letters with basic details of the study and then follow up with telephone calls. All the MFIs failed to reply to the emails the author send therefore the author follow up with telephone calls. After several telephone calls SAT gave access and necessary arrangement were made for interviews to be conducted. The author was compelled by the situation that presented itself to used single case in this study.

Sinapi Aba Trust (SAT) is an autonomous private and Not-For-Profit organisation which is established and duly registered in accordance with the company's code 1963 (Act 179) as a company limited by guarantee, which committed to promoting the economically active poor to enhance their lives through microfinance and basic business training (SAT 2009). Sinapi Aba Trust currently has 40 branches nationwide with clientele strength of (13079) thirteen million and seventy-nine people, SAT based its services in the urban areas with only 20% in the rural areas. The services provided by SAT are mainly credit provision and training with a very little percentage of savings mobilisation and business development. SAT was formed to basically to providing small and micro-credit services to active but poor and small but viable and micro enterprises that could not access financial services from the formal banking institutions due to obvious reasons such as lack of adequate collateral. SAT in the bid to promoting socio-economic development, operates in all the sectors that have to do with the entrepreneurial promotion at individual and enterprise levels. The areas of operation among others are indigenous manufacturing industry consisting of tailors/designers, shoe makers, plastic/leather bag makers, and furniture makers; the second one is the food industry consisting of Chop bars/food sellers, Ice cream producers, Bakers

/confectionery, and Restaurants; Agricultural industry consisting of poultry, vegetable growers ,retailers in agricultural products like; beans, maize, yams, and groundnuts is and finally the services industry Communication centres, Hair dressers, Schools, handicrafts/sculptures artists and retailing of second-hand clothing. (SAT 2009)

The loan portfolio as at 31<sup>st</sup> Dec, 2008 was GHC 1,8million-New Ghana cedis. (SAT 2009; Interview with Mr. Amankwah 2.4. 2009; GHAMFIN 2009) According to Mr. Amankwah the loan portfolio might be increased if the recovery rate is good. SAT operates in partnership with international organisations like opportunity international- deutsche and U.S.A, Grameen foundation-U.S.A, Developing world market- U.S.A, and Kolibri capital- Norway. On regional level SAT partners International Network of Alternative Financial Solutions (INAFI) and local level the partner institutions are Ghana Micro Finance Institutions Network (GHAMFIN) and Planned Parenthood Association of Ghana (PPAG).

Table 3: Achievements of SAT (Adapted from SAT 2009)

	2004	2005	2006	2007	2008
Loans Disbursed (GH¢)	9.27M	11.12M	16.95M	32.91M	48.28M
Outstanding Portfolio (GH¢)	3.70M	2.83M	6.73M	13.58M	16.73M
Operational Sustainability	93.68%	144.51%	117.13%	118.44%	118.73%
Number of Clients	51,393	34,632	51,686	56,879	76,005
Number of loans	66,125	62,565	69,266	71,767	72,829
Percentage of women	85%	95%	92%	94%	90%

The table 3 shows some achievement in figures the extent of loans advanced to beneficiaries. The total microfinance loans disbursed as of December 2008 amounts to 48.28m (New Ghana cedis) as against 9.27m in 2004. The outstanding portfolio of 16.73 showed that they still have funds available to beneficiaries. There has been an increased outreach level with 118.73% sustainability. The beneficiaries are made mostly of women constituting 90% of the total number of clients.

## 4.2 Data collection

Available to this study are approaches or techniques; for example a technique which explicitly select interviewees who will presumably generate the appropriate data (See Green & Thorogood 2005, 102). And snowballing whereby the participants or

informants who has earlier been contacted use their social networks to refer the researcher to other people who could potentially contribute to the study (cf. Lewis-Beck, Bryman & Liao 2004) More often than not, snowballing is used in selecting the correct but difficult to access population (Lewis-Beck, Bryman & Liao 2004, 1044) and offers the advantage of accessing the deprived and the socially disadvantaged (Lewis-Beck, Bryman & Liao 2004,1044).the beneficiaries of microfinance scheme are assumed to be the socially disadvantaged. The research sort to assess the impact microfinance intervention has on the beneficiaries (the less privileged in the financial sector and the active poor) in Ghana (Where there are a lot of socially disadvantaged). Consequently, snowballing technique the better option and therefore was used. The author made initial contact of Mr. Charles Amankwah of Sinapi Aba Trust who referred the author to the field managers who were interviewed. The field managers in turn recommend and selected clients of SAT who were also interviewed. The field manager selected the clients for interview on field trip with the researcher. Eight interviews were conducted; made up of three officials and five beneficiaries all from the case study Sinapi Aba Trust MFI. Out of these, one of the interviews with the sponsors had been lost due to a faulty recording, however the loss of this single interview do not have effect on the validity of the results of the study. Open-end questions were asked in the semi-structured interview questions.

Data collection methods in respect of IA have increased from single method approach (cf. Hossain 1988; Fuglesang and Chandler 1986) to mixed or pluralist approaches (Hulme 1997, 8.2000; see Hurmerinta-Peltomäki & Nummela 2004, 162-164). Hulme further argued that the choice of impact assessment method in recent days has become the matter of multiple methods and how to combine them (Hulme 1997, 8. 2000). According to Yin (1993) there are six sources of conducting a case study research; interviews, documentation, archival records, direct observations, participant observations, and physical artefacts are the most widely used methods (listed in Table 2). Yin (2009) further argued that these sources should be combined if possible; the combination of the sources amount to what is referred to as triangulation (Hurmerinta-Peltomäki & Nummela 2004, 164-165). Yin (1994) claimed there is no single source which has advantage over the other. To improve on the validity and reliability of a study; the researcher should use multiple sources. Stake (2006) further claimed that case study research in studying small number of cases, multiple data sources should be used to create an in-depth understanding of the case from multiple perspectives (cf. Reyes 2007). The multiple and extensive data gathering procedures available in qualitative case study, were applied in order to provide a fruitful, in-depth database (Stenhouse 1988, Borg & Gall 1989). The multiple sources are used as well in this study to make

sure that what is being deduced from the case is accurate and misinterpretation avoided. The author used combination of interviews, observation and documents.

An interview is a form of conversation that the researcher uses for the purpose of data collection; it can be structured, semi-structured or unstructured (David 2004). Semi-structured interview according to Bernard (1988) is a set of predetermined questions or script which may be conducted in groups or individually (See David 2004). It gives more room to the interviewees to freely express themselves, thus allowing the interviewee to give in-depth description of the information (Brewerton & Millword 2001, 70). The same questions are put in the same order to all the interviewees with the option to freely answer as wished. The unique feature of semi-structured interview is that all interviewees are given an equal opportunity (Structured Interview Guide 2008); Semi-structured interview have the advantages of easy to analyse, compare, and quantify (Brewerton & Millword 2001, 70). The ability to ask *open-ended questions* is one of very important features in conducting semi-structured interviews. An open-ended question encourages a full meaningful answer by use of the subject's own knowledge and understanding. Unlike *closed-ended questions* whereby the questions encourage short and or single-word answer. Open-ended questions also tend to be more objective and less leading than closed-ended questions. Open ended question are typically begin with words such as "Why" and "How", or phrases such as "Tell me about." Open-end question are basically statements which implicitly demand for a response (Reis, & Judd 2000, 237) in a bid to get the interviewees tell more about their understanding and knowledge in the field (of MF intervention). In this thesis the author asked open-ended questions in the structured interview (cf. Badger & Brenda 1992).

Participant observation was conducted on beneficiaries, as one of the data collection techniques. Direct observation according to Gosling & Edwards (2003) is watching objects, events, process, relationships and people's behaviour systematically and recording the observed (Gosling & Edwards 2003, 198: see Emory 1985). Direct observation is important if researchers want to cross-check and confirm answers to interview questions, or indicators of the programme can best be assessed by direct observation (Gosling & Edwards 2003, 198). Furthermore, observation helps to capture what the interviewees ignored or refused to disclose during the interview (Emory 1985, 157). It also helps the researcher to gain more understanding into the behaviour at hand for example as a result of MF intervention and provide accurate result if the respondent do not want to reveal their behaviour (Schmidt & Hollensen 2006, 47). Observation includes videotaping and physical examination of structure and premises (Schmidt & Hollensen 2006, 47). In the study, author physical observed and videotaped the group meeting of individual beneficiaries and factory premises of a small-business who was also a beneficiary. The observation in study was physical observation and videotaping

of the meeting of the regular meeting of selected beneficiaries the premises of the business man who produces natural fruit drinks. During the observation of the factory, the author took the opportunity to interact with interviewee's workers at work and have physical observation of new factory equipments. The factory acquired new equipments, a new factory building. A defaulting customer's residence was also visited by the author.

Historical research involves the study and analysis of data about past events (Law, Stewart, Letts, Pollock, Bosch & Westmorland 1998). This method reveals how past intentions and events were related (Law et al 1998). It gives in depth information about particular persons at particular times and places that present unique opportunities. Furthermore, historical research provides important information about the impact of the past on present and future events. The researcher as historian should conduct unequivocal observations and interpretations (Law et al 1998). Oral history can also be used when people are asked to tell their success stories about a particular situation or their own lives, and the results use to build up picture of what happen over time (cf. Gosling & Edwards 2003). Story is referred to as personal narrative which can be designed to study the personal experience of the narrator's life. Laurel Richardson (1994) defined this type of story as highly personalised and revealing text whereby the narrator openly talks about their life experiences (Andrews; Mason, & Silk 2005, 171) Telling the stories, enable the reader to share or learn how experiences are lived as a result of microfinance intervention. Success stories are collected in a form of secondary data published on the web pages of Sinapi Aba Trust; the case company.

Finally, it became important to answer the very first sub-research problem by collecting data from secondary sources such as documents in the form of reports, reviews, briefs, and authoritative statements. Johnson (2002) established that it becomes necessary to read official documents in order to describe current activities or practices. (Johnson 2002, 83) It helps the author to describe public services as to when the programme started and how the programme is run as well as its objectives Johnson 2002, 83). The documents are internal to the programme or industry, as it is important to giving the background information and implementation of the MF programme and will finally help in to developing the rest of the data collection and evaluation (Eta 2009) In order that the author of this thesis give a vivid account of the structure of microfinance implementation official documents were collected.

### 4.3 Data analysis

This chapter concisely elaborated on the way primary and the secondary data collected for this is analysed to meet the objective of this thesis. In so doing, the author took a critical look at several options of available techniques in analysing qualitative data. The analysis of a case study in qualitative research has been evidenced by Yin (2009, 127) that least developed researchers get stalled at the end of their analysis. Despite the recommendation on the available analytical approaches novice researchers more often get stalled (Yin 2009,127) therefore novice researchers continue to search for methods, recipes and tools with the to produce a needed analytical results(Yin 2009,127). Unlike quantitative where there are available statistical formulas to guide novice the qualitative researcher instead much rely on own style of rigorous empirical thinking along with sufficient presentation of findings and careful consideration of alternative interpretations (Yin 2009, 127) The issue of this author is no exception there was consideration of several analytical methods to enrich his familiarity with case study analysis. In spite of all these the author adopted the process involved in qualitative analysis as proposed by Miles & Huberman (1994). Explanation building is used in this study. This is because explanation building is relevant to explanatory case study (Yin 2009, 141). The impact of MF on beneficiaries can be assessed by building explanation of the case as per data collected.

According to Yin (2009)the elements of explanations associated with explanation building *explains* phenomenon, public policy, and or social science theory to establish the causal link about how and why something happen (Yin (2009,141). The causal link may reflect critical insight the policy process or phenomenon and if failed or succeed may lead to recommendations to be made. IA of microfinance set out to establish if the introduction of microfinance policy led to a positive or negative impact on beneficiaries, and further establishes the causal link about why or how did the positive or negative impact happened. This can also lead to a major contribution in the finance industry by moving towards semi-formal sector. The major disadvantage associated with explanation building is the researcher may be found drifting away from original topic or interest; however the author minimised this by constantly making references to the original topic of microfinance impacts (Yin 2009, 144).This notwithstanding the author went by the most commonly used procedure of qualitative analysis.

Analysing qualitative data according to Miles & Huberman the process composed of concurrent sub-process (Saunders, Lewis & Thornhill 2007, 493). The Qualitative data in this thesis are as gathered from observation, interviews, and documents; and author went through three stages of data reduction, data display, and drawing and verifying conclusions (Saunders, Lewis & Thornhill 2007, 493; cf.Tellis 1997). Data reduction is

simplifying and summarising or selectively focusing on some parts of the data collected, data display is organising the selected and reduced data to visual displays and or diagrams.(Saunders, Lewis & Thornhill 2007, 493) this further facilitates the coding and selection of themes which is the second stage. Data display involves representing or displaying with codes, in diagrams, tables, charts, narrative texts and networks (Saunders, Lewis & Thornhill 2007, 493: cf. Miles & Huberman 1994, 21). The author deemed used in this thesis tables and narrative text as it makes the rearranging of the documents as the data collected not only consist of interviews but documents and observed facts. The verification and drawing of conclusion consist of drawing conclusion on the findings (cf. Miles & Huberman 1994). Furthermore comparing data collected to establish meaning into the study. Table 4 set out the procedure involved in data analysis.

Table 4; Data analysis process

<b>Data collection methods</b>	<b>Analysis process</b>	<b>Definition</b>
Semi-structured Interview Observation and Documents	1  Data reduction	Selection of data, focusing, simplifying, transforming data in transcripts and document. and field notes.(See Miles & Huberman 1994)
	2  Data display	Involves data coding, and organising data to facilitate conclusion drawing. It takes the form of diagrams, graphs, network charts and or narrative text tables (Miles & Huberman1994)
	3  drawing verifying conclusions	Making deduction from the by verifying and drawing conclusion (See. Miles & Huberman 1994)

The author in order to prepare the data for reduction, the interviews was transcribed. The interview tapes was several times listened to, the video tape of the observation was also watched times without number in order to make the author become familiar with

the data (cf. King 1994, 25). The arrangement of the data became very easy due to the designing of the question under predetermined themes. The method of data organising, identification of themes and coding was then done. Finally, data was verified and conclusions drawn based on the predetermined themes, to establish the impact microfinance have on the beneficiaries.

#### **4.4 Validity and reliability**

Mere collection of data and analysing it is not enough to ensure the quality of a research (Soaunders, Lewis, & Thornhill 2000). In order to increase the quality of the studies much concentration will be on validity and reliability for the research design. Content analysis according to Krippendorff (2004, 18) is a research technique which makes replicable and valid inferences from text to the contexts of use. Techniques are specialised procedure that a researcher adheres to. Techniques must be reliable and results of technique should be replicable. Replicable in that, if triangulated, the different sources should arrive at the same answer (Krippendorff 2004, 18)

The application and combination of several research methodologies in the study of the same phenomenon is referred to as triangulation. Just like quantitative research, it is also used in qualitative research. Data triangulation is useful in conducting of research as the combination of empirical materials sources which is presumed to overcome the weakness or intrinsic biases and the associate problems that come with single source. (Yin, R.K. 1984) Case study in other words referred to as a triangulated research strategy (Tellis 1997) based on this assertion; the author assumed the use of triangulation in this single case study research. Triangulation occurs with combination of data, investigations, theories, and even methodologies (Feagin, Orum & Sjoberg 1991). Stake (1995) asserts that the procedures that are used to ensure accuracy and alternative explanations are called triangulation (see Jick 1979). The use of multiple sources of data in single case studies therefore amount to triangulation (cf. Yin, 1984) which arises from the ethical need to confirm the validity of the processes. In this study the author made use data source triangulation from the four types identified by (Denzin 1984). Data source triangulation is when the researcher uses different sources or methods for the same data to ascertain the same result in different contexts. The agreement between two methods or sources enhances the validity of the research (Jick 1997, 602). The other types Denzin(1984) identified but are not considered in this study are; Investigator triangulation, where several investigators examine the same phenomenon; *Theory triangulation*, involving different investigators with different viewpoints interpreting the same results; and finally Methodological triangulation,

where by another investigator used the same approach to increase confidence in the interpretation (cf. Tellis 1997)

Case study methodology dictates that, due to the small number of cases studied, multiple data sources should be used to create an in-depth description of the individual case from multiple perspectives. The multiple sources are then used to verify that what is being deduced from the case is accurate, and not misinterpreted. This process is referred to as triangulation. (cf. Stake, 2006) and it addresses reliability and validity concerns that arise in qualitative methodology. Reliability and validity concerns are discussed below.

Validity refers to the extent to which a research conducted accurately reflects or assesses the specific concept that the researcher is attempting to measure; Wide range of terms is used to describe the concept of validity of qualitative studies. The concept is dependent construct and inescapably rooted in the processes and intentions of particular research methodologies (cf. Winter, 2000, 1). Some qualitative researchers assert that validity is not applicable to qualitative research, however they realised the need for qualifying check or measure for conducting research (Nahid, 2003). Many researchers came out with their own concepts of validity and have more often than not generated or adopted what they will consider to be rather accurate to define validity. For example; quality and trustworthiness (cf. Lincoln & Guba, 1985 Mishler, 2000; Seale, 1999; & Stenbacka, 2001). Therefore validity in qualitative research is the conventional acts by the author to determining the extent to which claims about knowledge correspond to the reality being studied (Jeasik & Allen 2006, 320 - Eisner and Peshkin, 1990).

Two approaches to the question of validity in qualitative research is identified as *transactional* as an interactive process between the researcher, the researched, and the collected data that is aimed at achieving a relatively higher level of accuracy and consensus by means of revisiting facts, feelings, experiences, and values or beliefs collected and interpreted. The role and use of transactional validity in qualitative research varies to the extent the researcher believes it achieves a level of certainty. On the other hand; transformational validity in qualitative research is a continuous, emancipatory process that brings social change achievable by the research methods. These features in qualitative research are critical element in changing the existing social condition of the researched, which involves a deeper, self-reflective, empathetic understanding. (Jeasik & Trent 2006, 321; Lincoln & Guba 1985, 314)

The author employs multiple sources of data in single case study to ensure validity in the study. In addition to this, the author established that involved interactive process with the interviews, officials of the MFI and the data collected and finally the continuous aspect of emancipatory process to bring a social change that would be the past lives, the present life situation and the future has to be progressive. The author

because of the time limit involved in this study, made use of some success stories clients of the case institution and conjugated that the success stories are accurate historical presentation of the situation.

The accuracy of a research can be affected by the reliability of empirical data collected. Reliability is defined by many renowned researchers as the extent to which an experiment, test, or any measuring procedure gives the same result on several or repeated study (cf. Nahid 2003). The quality of research is as good as the investigator or the researcher; the researcher's ability of creativity, sensitivity, flexibility and skill in using the verification strategies will determine the reliability of the study (Morse-Barrett- Mayan- Olson& Spiers. 2002). The author in this direction used his skill to inculcate metrological coherence, make sure that appropriate sample used, collecting and analysing data and finally thinking theoretically.

Ex-Ante and ex-post analysis were necessary to establishing the effects or the extent of change the microfinance intervention has had on the beneficiaries after joining SAT. The problem here is how to empirically ascertain the factual situations of the programme beneficiaries since none of the data collection process preceded the baseline study which would have captured the beneficiaries' conditions before joining the MF scheme by SAT. In time of this limitation, the author was left with the choice of allowing the interviewees to comparing their past conditions to the present situation at the time of conducting this research. The presumption was based on the fact that the interviewees are in a fairly better position to remembering accurately the history of their past lives before they became members of the scheme. Inaccurate responses might occur relying on the mere memory of clients or clients might over exaggerate the situation; however the interviewer tried to increase the reliability by comparing the data collated from the clients to the data collated from the MFIs officials. Considering the fact that the impact assessment in conducted with respect to Ghana means the sample size could be more than what is used in this study. But the author minimised this defect by the interview conducted for the officials of the MFI. This assertion was based on the fact that the informant from the MFI sinapi Aba Trust, have first hand information on clients. The managers were always on the field monitoring and evaluating progress reports on beneficiaries therefore there is a good level of reliability.

## 5 THE IMPACTS OF MICROFINANCE

In this chapter the findings of the research will be elaborated. The chapter will give account of the outcome in the interviews conducted, observations, collection and review of the documents that answer the sub research questions. There are three main areas in the findings; microfinance regulation in Ghana elaborating on the structure to policy framework, economic impact finding how the intervention affects the economic related impact, and finally the social impact establishing how microfinance intervention affects the beneficiaries socially.

### 5.1 Regulation of microfinance in Ghana

Ghana is among the thirty countries in sub-Saharan Africa which revised policy regulations that guide the activities of institution and companies involved in MF. (cf. CGAP 2009). In Ghana, MFIs are in the finance sector; specifically under the non-bank financial institutions. It is therefore, regulated by the bodies responsible for deposit and non-deposit taking financial institutions. The regulation of the banking institutions in Ghana is the sole prerogative of the Bank of Ghana (BOG), the central Bank of the republic of Ghana. The BOG regulates all banking services and supervises the acts of all banking institution as well as the MFIs that operate in Ghana. In addition to the supervisory role, BOG issues and withdraws licenses of both formal and informal institutions in the finance sector. (cf. appendix 3)

The overall policy framework for microfinance is as a result of the strategic moves to alleviating poverty, which will seek to bring about balance growth nationwide, and macroeconomic stability. (Steel & Andah 2003, 3) Ghana in 1995 focused on poverty reduction as the core of its development strategy when the first version of *Ghana - Vision 2020* was launched. The Government of Ghana had prepared a *Development Strategy for Poverty Reduction*, an Interim Poverty Reduction Strategy Paper to take up the policy of the World Bank and the IMF. This actually informed the overall policy framework for microfinance. The strategy seeks to identify the main sources of poverty, and aims to clearly measure divisional strategies and programs as to how they contribute to reducing poverty. (Gallardo 2002, 17) Structured institutions and regulation for microfinance existed in Ghana, even before the formal recognition was given by the Government of Ghana to microfinance in 1999 through new BOG regulations specifically to only microfinance (Gallardo 2002, 17).

### 5.1.1 *The structure of microfinance institutions in Ghana*

The structure of the sector in Ghana falls under three major categories, formal, semi-formal and informal. Formal financial institution under the Banking Law 1989(PNDCL 225) or Financial Institutions (Non-Banking) Law 1993(PNDCL 238) are those institutions identified and licensed by the BOG to provide financial services under the Bank of Ghana regulation (Appendix 3). The institutions falling under the formal financial institutions are made up of Commercial Banks, Rural and Community Banks which mainly target the urban middle income and high net worth customers (Appendix 3, PR 5, 3), as a result the exclusion of class of low income clientele. These institutions at times collaborate with NGOs and use microfinance methodologies. The Non-Bank financial institution (Savings and Loan companies) are the predominant institutions.

The semi-formal financial system is made up of Non-governmental Organizations, Credit Unions (CUs). These are formally licensed by BOG. The NGOs are incorporated as companies limited by guarantee under the incorporated business act of the companies Law 1963(Act 179).The organizational objectives of the NGOs are directed towards poverty alleviation as their target groups are the very poor in society. On the other hand CUs are registered by the department of Cooperatives Thrift Society that is allowed to accept deposits from and give loans in turn to members only. Due to the introduction of new CU Laws, BOG allows an apex body in respect of Ghana Cooperative Credit Union Association to continue the regulation. (Appendix 3) However, the regulation of CUs is included in the NBFIs Law (Appendix 3)

The informal financial institutions are made up of the activities of *susu* groups of individuals savings collectors, rotating savings & credit associations, and savings and credit clubs run by operator. It further includes money lenders, trade creditors, self-help groups, and personal loans from family and friends. All these operate without any regulation what so ever. However the money lenders are obliged to take license from the police. (Appendix 3) The proliferation of rural and community banks, S&L companies, and credit unions eventually reduced the number of *susu* collectors.

The structure of the MFIs showed in figure 10 falls within three categories depending on the microfinance methodology the MFI used. The structure consists of commercial and rural banks, community banks, savings and loans companies, financial NGOs, primary societies of CUA, Ghana *susu* collectors association, development and commercial banks with microfinance programs and linkages, micro-insurance and micro-leasing services. The clients or end users are urban middle income, the very poor, and the economically active poor. Looking at the sector it is observed that the formal sector has provided very little or no service at all to the very poor in society or the destitute but instead concentrate on the urban middle income. The situation resulted to

unequal distribution of credits. On the other hand, the semi-formal sector focus is on the very poor. The NGOs do not operate by themselves but through other institution and give aid to their target group. The credit unions are mostly self help groups which benefit only members. The informal sector is completely unregulated individual and groups giving credits. The clients base of the informal sector range from destitute to commercially active but poor. Credits in this sector are mostly made without any formal documentation.

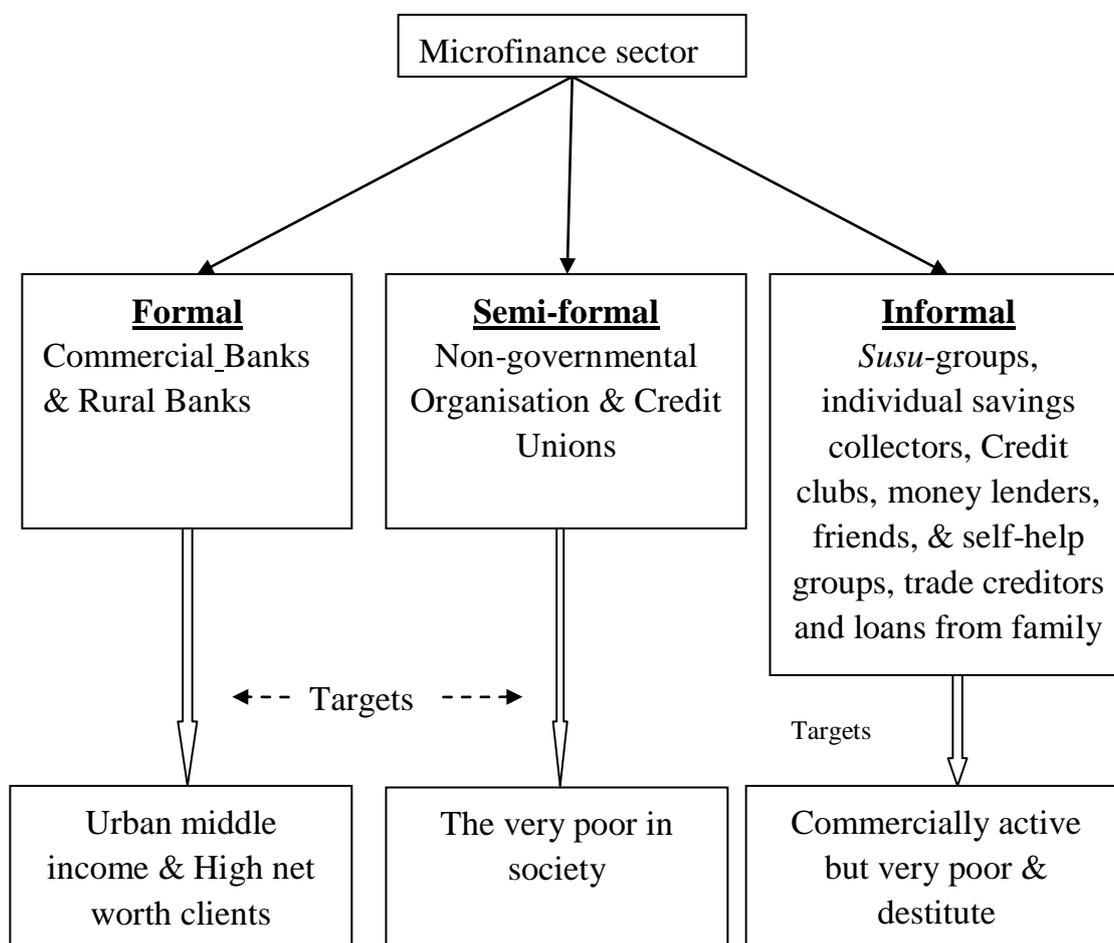


Figure 10: The structure of microfinance sector and target clientele

However there is an institution, Ghana Microfinance Institutions Network (GHAMFIN) a body formed to conduct performance monitoring of MFIs in Ghana. Membership of GHAMFIN is opened to formal, semi-formal and informal institutions. GHAMFIN serves as a knowledge centre for member institutions. (Appendix 3) It is the most active of the supporting institutions providing staff training and organizational capacity-building assistance and disseminating best practice guiding principles and standards for governance, as well as operations and performance efficiency (Appendix

3). The BOG plays a major role in licensing and issue of regulatory policies to the MFIs however it is assisted by Government Department and Agencies.

### **5.1.2 *Microfinance licensing and regulatory framework***

The licensing and regulatory framework dated as far back as 1896 with the Bank of British West Africa. The licensing and regulation system went through reform under varied activities as the industry is characterized by tiered structure of licensed financial intermediaries and of financial regulation. The MFIs which legally operate in Ghana operate with different legislation as follows: *Money Lenders* operate under Money Lenders Ordinance 1940 and 1957; *Credit Unions* under Co-operative Decree also 1968(National Liberation Council Decree 252) also NBFIs Law; *Rural Banks* under the Banking Law, 1989(PNDCL 225); *Savings & Loans Companies* under Financial Institutions (Non-Banking) Law, 1993 (PNDCL 328- NBFi Law) Association of Financial NGOs (Appendix 3). NGOs are microcredit oriented organisation having legal status through establishment under the provisions of the Law on Trusts and Charitable Institutions and must further register with the Ministry of Employment and Social Welfare. All MFIs must be legally licensed as such by the authorising body responsible.

In order that a financial institution is licensed or retain its operating license, it must meet some requirements; these requirements are referred to as prudential regulations which BOG expects from the institutions. The prudential regulations are; Provision for portfolio risk, recognition and classification of delinquent loans, mandatory liquidity reserves, solvency standards, capital adequacy, and guidelines for writing off of non-performing loans (Gallardo 2002, 26). In 2001 BOG as the regulatory body began to use the nature or type of activity of the institutions to determine the type of regulatory and operation licensing. The institutions among other things must comply with the capital adequacy and solvency requirements, definition of individual and group based loan for microfinance and small business, with single-borrower limits for individual loans, liquidity reserve requirements as well as classifying the micro loans into current and delinquent. (Steel et al 2003) These therefore led to the MFIs and other NBFIs to employing standard methods by qualified personnel to running their institutions. Regarding minimum capital requirements, the minimum capital requirements for Development Banks, Rural and community Banks, Cooperative Banks, Finance Companies, Private Lending Investors and Pawnshops are lower than the minimum requirement of Commercial Banks (Gallardo 2002, 26).

## 5.2 Economic effects of microfinance institutions in Ghana

Economic effects are economic related changes that occurred in beneficiaries lives as a result of MF intervention. The indicators used in this thesis to assess the economic effects on the beneficiaries are value laden and most at times perception (Afrane 2002, 4) therefore not easy to measure. As pointed out in figure 6, the degree of effect could be as a result of the laws, policies, institution and their level of governance as well as livelihood effects. Each of the economic indicators specified in figure 9 the interviewees indicated whether conditions with respect to each had either improved, deteriorated, or remain the same after beneficiaries became member of MFIs. In the economic domain, the indicators specified in this thesis are income, household asset, housing and access to food as well as enterprise activity.

*Change in Income* is basic to assessing the impact or changes in the standard of living. When members take a loan, it leads to increase in income as a result leading to experience of economic impact in the long run. The increased income has a ripple effect culminating into changes in household asset, housing, access to food and increase business profit. Therefore the increase in income as the result of joining the MFI is very important. According the interviews conducted in April 2009, all the interviewees claimed the increase in income have a positive impact on their economic lives style.

The implication of the increase in income is that, businesses grow. Practically, all the interviewees claimed that their businesses were supported and consequently had increased the stock of trading, increased customer level and some of them make new stalls. A middle aged woman said

*Now, I financed my business from the loan I contracted from Sinapi Aba Trust, but before that time I cannot say much because there was anything like this”.*

As business income increased some beneficiaries change or increased household asset (Interview 9.4.2009).In respect of households assets, even though some interviewees claimed their husbands take responsibility of the household asset, the husbands could increase the households asset with ease than when their spouse could not support them financially therefore, it still have indirect effects on households assets.

With respect to housing, there has been a significant change in the level of housing. More than half of the interviewees have started their building projects and others too were able to pay the rents and rent advances with ease. According to one woman, she was able to acquire a plot of land for development and as well as business continue to be good she will start the housing. Another client of SAT also said

*I think this is a positive effect as we have finish paying for the land we will soon start with the main structure.*

This is another confirmation of the positive impact of microfinance programme on the beneficiaries.

As income increases leading to business growth, increase in household assets and housing problems begging to fall in place and therefore thoughts of good diets will also begin to come up. The issue of access to food should ideally be the very basic but as some interviewees mentioned “*eating very good food means eating their future*” (Interview 9.4.2009) therefore access to food which is supposed to be basic to all has taken secondary position. Access to food is considerably increased in the lives of the beneficiaries. Some claimed because of lack of money they could only eat once or twice a day. Others too claimed they find it very difficult to feed their family. For that matter, they try to get some amount of food for the children in the morning until evening when they finally eat a heavy meal (Interview 9.4.2009).

*Our food stuff is made up of local food like; fufu, banku etc, but we did not increase the level or the quality. This is because if we intend to increase the food intake or quality we may be eating our future.*

This indicated that, the fear of the unknown made them even not ready to eat balanced diet.

Having presented the effects on individual at the household level the author took a look at the enterprise level. In the area of this research, the poor people are economically active but poor therefore could in one way or the other engage in economically viable ventures. Microfinance loan has had positive impact on entrepreneurial activity of each and every single beneficiary. The increase in income led to changes in the trading stocks, marketing stalls are built factory houses are renovated as well as new factory machinery was also acquired (Interview 9.4.2009; 10.4.2009). One of the interviewees who is an entrepreneur made the assertion that income in the form of micro loan from SAT uplifted his business and save it from collapsing when he could not finance the production to meet demand (Interview 10.4.2009). The microfinance impact at the enterprise level is highly recommendable to policy makers of MFIs. This is because the effects are not traceable only to individuals but to society as a whole which can also be used to support the concept of BOP by Prahalad et al 2002. All interviewees selected have in one way or the other a business

and the micro loan from SAT made it possible for if not all, most of them expanded their businesses.

Finally, it was established that the economic impact can be positive and lead to sustainable economic development if care is taken to forestall situation of over borrowing from different MFIs by clients. This was confirmed when an official of SAT claimed.

*We need credit bureau to check the credit status of our clients. They Borrow almost in all microfinance institutions making it difficult for them to pay back. The absence of credit bureau makes easy for clients to over borrow and at the end repayment becomes difficult.*

What this implies is that, clients take the opportunity of the proliferation of MFIs and take micro loans from different MFIs in the bid clear their indebtedness. Secondly, due to the small nature of microfinance loans typically in the range of \$50-\$100 or less, the clients may use the loan for self upkeep rather than investment. This result in what is referred to as *credit bubbles*. A case in reference is the situation in India recently published in the *Wall street journal* (13.8.2009). \$1.24 billion, according to Sa-Dhan, an industry association in New Delhi is an outstanding to be recovered (Wall Street Journal 2009). The research established that the situation of the clients could better if the amount is increased rather than pestering the poor with many small loans. The repayment policy should be changed to give the clients time as they complained bitterly of pressure due to fortnight repayment.

In final analysis, the research established that economic impacts are as a result of income. Access to income could be basic to success of the policy implication on microfinance. The beneficiaries have made clear as well the observation showed that there were significant changes recorded in beneficiaries soon after access to microloans from the MFIs. The author observed that changes for example increases in housing and food could hamper economic development which may eventually not lift beneficiaries above poverty line. The beneficiaries are trapped between investment decision and acquisition of basic necessity to life. Therefore the movement of people from the bottom of the pyramid will be of a very small margin. Figure 11 shows the economic liberation of fortune at the bottom of the pyramid (cf. Prahalad et al 2002) expected if multinationals making fortune in the tie 4 of the pyramid.

In figure 11, the arrows showed movement of people from the lower ties of the pyramid due to positive economic impacts to the upper tie. The top of the pyramid thus tie 1 gets flattened (no more pointed) as the result of the MF intervention resulted in positive economic impact. The tie 4 which is the bottom of the pyramid will

considerably reduce as the beneficiaries improve their standard of living as per changes induced by the intervention. The migration would have best be explained with figures if the study was of quantitative nature. The author used the opportunity to recommend further and frequent IA with quantitative approach. However the impact could be better than established if the MFIs are not profit motivated and reduce the high interest rates charged to credits. In figure 12 the socio-economic impact after client benefited from the micro loans were represented separately as economic and social in the lower part of the figure.

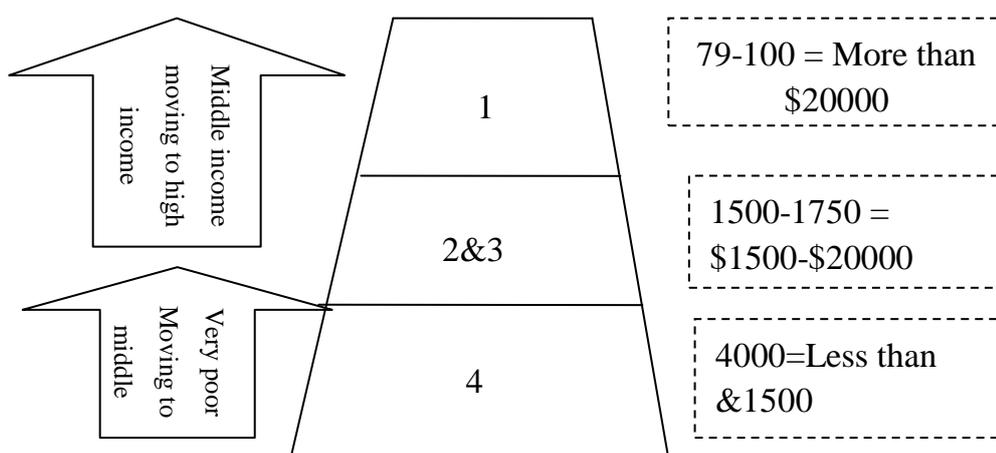


Figure 11: Economic effect after intervention (Review of figure 5)

### 5.3 Social effects of microfinance institutions in Ghana

With regards to social effects, the indicators are education, skill, health, empowerment, mobility and networking. The effects are as though some microfinance literatures indicated and also confirmed from this research have some negative effects. The negative effects are relatively outweighed by the positive effects. The social impact however is in two folds, human capital and social capital. The human capital includes education, health, confidence empowerment and skills while the social capital made up of social network and social mobility.

#### 5.3.1 *Human capital*

Education is very important to poverty alleviation. The impact on education is not very high as though the clients could at present, as the results of the intervention afford to pay schools fees of their wards with ease could not give extra educational facilities to their children. Some are satisfied with the ability to pay school fees and maintain them

at the same public school. In Ghana, it is believed that pupils in private school do perform better than their counterparts in public schools and therefore a better education will mean sending a child to private schools. Only one out of the interviewees was able to send the children to private school. The microfinance institutions in the bid to make sure that wards of clients acquire good and equal education which is believed to be central to poverty alleviation come out with products of education.

*We have programmes in place to make sure wards of our clients receive good education and even given work placements in SAT. This is not all but also programmes of special apprenticeship to clients' children*

This comment by an official showed that MFIs identifying education as important to poverty eradication, therefore taking a second look to improving it.

In respect of becoming skilful, the impact is fairly encouraging as almost all the interviewees claimed they sharpened their skills of trading, keeping of records of trade debtors and acquired innovative skills. At the enterprise level, it was deduced that better skills methods are used by most of the beneficiaries to harness business growth. A middle aged entrepreneur said

*In the Ga district, I became the resource person and I can tell you I am yet to add more*

This means the improvement in the skills won him that position. As the general saying goes “*a healthy mind in a healthy body* (Roman poet & satirist 55 AD - 127 AD)”. The clients’ health is very important as it gives insight into the social aspects to the poverty situation of the households. When the interviewees were asked about the effects of the income on their health only two could say that the increase in income did not have direct impact, because one of the interviewees husband’s place of work pays for their medical bills. Most of the interviewees claimed the intervention made possible for them to easily afford medical care and even confidently attend hospitals unlike previously when they could not afford to pay for the medical bills and will therefore have to shy away from attending hospitals. This is a clear indication of positive effect as a result of the intervention.

The confidence level of women in has also increased and their involvement in family decision making has also increased considerably (Dadhich 2001, 421). It was also observed that the women were now exposed to improved opportunities which really helpful.

*I attend decision making meetings of our community now but before I became a member of sinapi Aba Trust I do not think my existence in the community was noticed.*

This was a comment made by one of the ladies showing how the enjoyment of the microloan brought about her identity in the community activities. It was established that because of the loan or involvement in the scheme, women could easily raised funds and more involved in self employment activities degenerating economic development.

### 5.3.2 *Social capital*

With respect to mobility, it was observed from the study that due to the intervention, beneficiaries became confident to move about in their daily activities, attend social gatherings freely and contribute to communal activities. All beneficiaries testified that they have been given recognition in their families, churches, communities and among their peers. One woman has this to say about the relationship she established with the husband,

*Now my husband takes decision with me. Previously I do not have position in the decision making of the family. But now guess what? My husband waits for me if I am not around until I return to the house for us to decide on matters concerning the family*

The beneficiaries as well have considerable increase in personal and business networking. They are more related and easily contact families and business partners via mobile phones. Most of the interviewees gave evidence that improved self confidence leading to the fact that they now muster the courage to participate in community discussion while some too have taken social responsibilities that give them sense of belonging.

In spite of these positive effects there are some negative effects. These come in a form of pressure. The pressure comes from the MFIs to honour the obligation of repayment of microloan. These effects received hundred percent respond from interviewees. The other one is pressure of time and from family relations. To maintain the recognition attained in family and society beneficiaries are always suffering from time management with business, community responsibilities and family responsibility, and at the enterprise level, increase in business dealings means additional responsibility.

In addition to these, there is the possibility of marital problems as female beneficiaries assume to be treated with respect as they have increased their income level. Husbands believed their wives do not accord them the recognition as husbands since they are in control financially. One middle aged woman claimed

*The husband was not aware and the day he will be aware, that day will be the end of the marriage.*

However, this could be termed by gender activist as positive effect on women empowerment. The research confirmed a significant impact on women empowerment (BOG working paper 2008) and reduced women vulnerability. This is confirmed by comparing the number of female beneficiaries to their male counterparts.

To sum it up, the positive effects are higher than the negative effects. However the MFIs and their policy making institutions really have to commercially analyse the effects as the microfinance scheme has taken a commercial dimension in the present dispensation of economic recession. In figure 12, the socio-economic indicators showed the impact as the result of microfinance intervention in the lower part of the figure. The indicators represent the shaded figures, representing the impact. Microfinance has considerable positive impact in Ghana with some amount of negativity. The social impacts, beneficiaries experienced as a result of microfinance scheme in figure 12 are education, health, confidence empowerment, social network and social mobility. However there was an unexpected impact which includes purchase of complex handsets which might be a threat to repayment, though acquisition of simple feature phone will be good for communication purposes. Secondly, there is an unmet demand for better MFIs' product and services. Excessive credit may turn out be a curse rather than blessing, the recent case in India is an example.

The increases in income indicated the injection of small amounts of capital into households and microenterprises raising their levels of business activity. The level of impacts could be as a result of social factors explained in the SLA, in that after the mediation process whereby schemes are chosen for the implementation, government policies, laws and reaction from clients to shocks play can determine the degree of effects. The positive social impacts in figure 12 are education, health confidence, empowerments, skill and social mobility. On the negative side, the major negative impact indicated is from the stress and the pressure from family members as business activities increased. In addition, the result of the studies confirmed unintended impact. It was also established by the research that a higher percentage of the clientele are illiterates. Therefore, education should be one of the indicators that MFIs should work on if poverty is to be eradicated completely. Policy makers and managers will now analyse the impact level in respect of the positive and negative impacts before making decision.

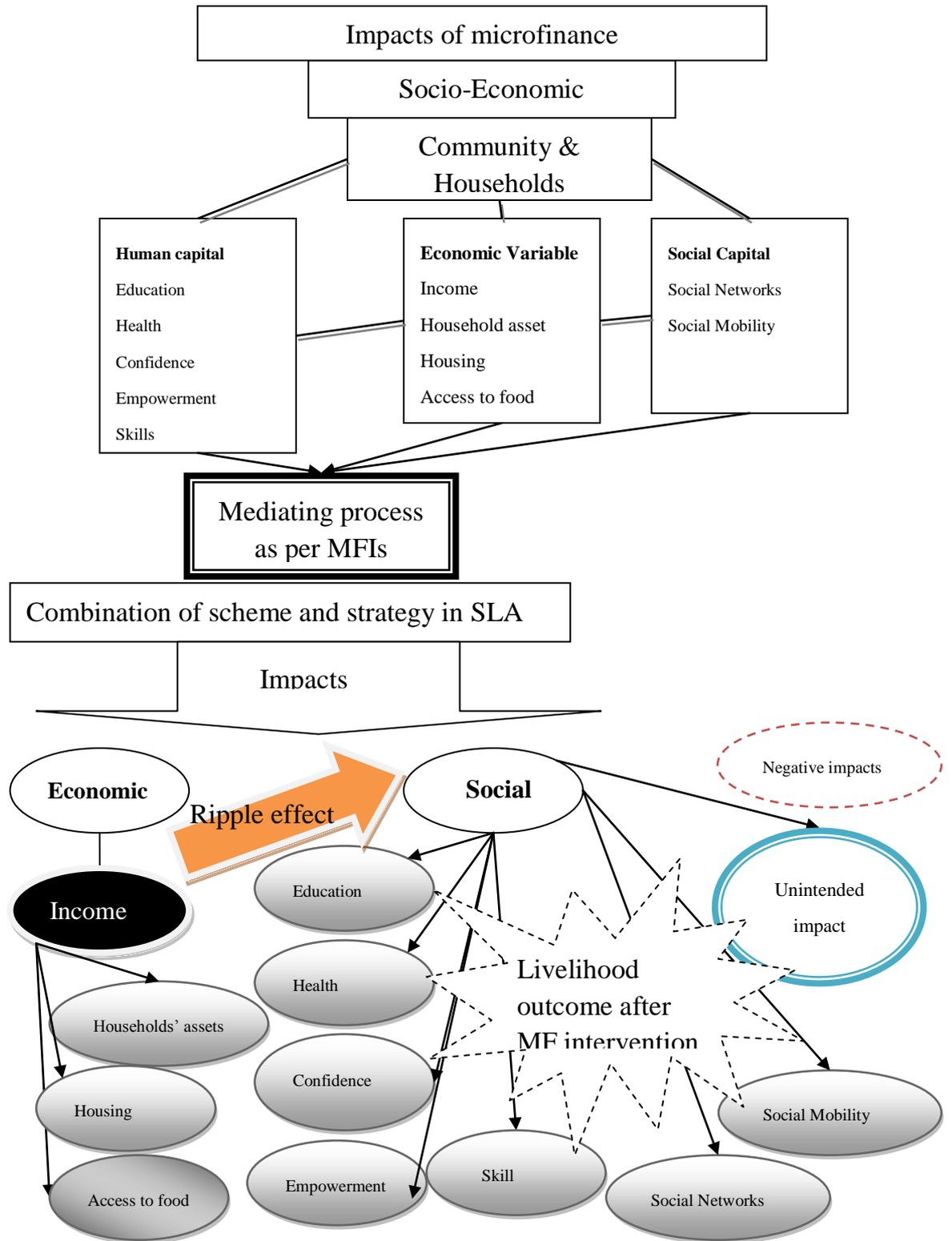


Figure 12: Impact of MF after intervention (figure 9 reviewed after intervention)

## 6 CONCLUSIONS

Having considered the context in which MFIs operate and how their course of alleviating poverty and reaching out to those who were excluded from the formal financial institutions; more importantly how MF scheme implementation impacts the socio-economic domain of individual and households as well as the enterprise. A conclusion is drawn based on the findings in relation to the sub-research questions and how they answered the research question.

The result of the studies showed considerable improvements in beneficiaries because of microfinance intervention. On the whole, the manifestation of research showed positive changes in the indicators such as income, household asset, housing, access to food, and entrepreneurship (Desai 2009) in the economic domain whilst in the social domain are education, health, confidence, mobility, and networking. However, the author further observed that, the community of the case study consist mostly of adults with age between twenty and forty years old most of whom are female. The female participation far outweighs their male counterpart, and individual members selected from households or who play leadership roles in the family. This could be good if empowerment of women (Cheston & Kuhn 2001) is to achieve poverty alleviation and eventually pose as a potential market for the MFIs to exploit. All members of MFIs are working to earn income or households relatively involved in enterprise activities as a result may need top-up income therefore, join MFIs by own preference. After joining the MF scheme of own choice, members benefited from the intervention schemes which eventually increase beneficiaries' income. The effects is that the economic gains which enable the women to contribute to family finances, as a result reduce total dependence on their husbands, improved self- confidence and, increase in social involvement in community related affairs, and improved self-value. This can also be said to have justified the advocacy of focus of microfinance projects and programmes on women in many countries rather than their male counterparts.

In relation to the household assets, beneficiaries owned most of them before joining the MF scheme. More than half the beneficiaries indicated that though they are enjoying the scheme for two years but did not intend changing or buying additional household assets. Should there be the need, they will do so but in consultation with their spouses. The author however made an unintended observation; it was observed that, each and every one of the beneficiary is using mobile phone. The developing countries are characterised by the use of sophisticated phones even if they do not make use of all the features. These phones are expensive yet they acquire it, Ghana is no exception to this development. Therefore most if not all, will be spending part of the income on maintaining mobile phones. This possibly will in the long run affect their savings ability

(Sedstad & Cohen 2005). The research further pointed out that injection of small amounts of capital into microenterprises are capable of raising the incomes level of beneficiaries to appreciable levels which will facilitate the achievement of the Ghana's MDG by 2020.

In respect of the social effects, the positive effects the beneficiaries have had is education, enhanced public respect and acceptance, self-esteem, active participation in community related activities, probable monetary contributions to community projects, and significant empowerment of women. The educational level of each member is very low; none of the interviewees could complete secondary level education. It was deduced that around half or less of the beneficiaries has had some kind of formal education. However, most of the MFIs client could read and keep records. This therefore informed the decision of all scheme beneficiaries to send children of school going age to school. The positive effect in health related matters are good signs of the continuation of the microfinance scheme, the retention of healthy and energetic beneficiaries is good to sustaining the MF scheme which will not lead to default as result of ill health and sudden death. (See Desai 2009; Sitaram 2007)

Concerning the negative effects, pressure of time resulting from increased business activities, family relations, pressure from the MFIs to repay the credits, interest rates too high for the beneficiaries, mistrust by spouses as female spouses become more mobile and unnecessary business networking will degenerate into marital problems. Secondly, the excessive small credits may become curse rather than blessing. Analysing these situations reveals that, frantic efforts are made by the microfinance institutions to get every available potential of the MF programme to improving the beneficiaries conditions, care should be as well taken to minimising the negative effects that threaten then programme sustenance.

The commercial implication of the study deduced by looking at the result through the lenses of Prahalad et al 2002a and 2002b therefore the author deduced that the injection of the micro-capital have positive impact on enterprises. Furthermore, microfinance can be used to alleviate poverty if the MFIs in addition to the micro loan provide to the beneficiaries with training on innovative ways of doing business, skills, and also consider coming out with designing, and implementation services that are equally innovative yet not necessarily micro credit. According to Leaman-Cook & Stewart (1992) and Dunford (2001) the needs and the problem of the poor does not end at the provision of money alone. Therefore, it must be supported by those other services that will lead to provision of basics of life rather than income increase of credits.

It was further identified that MFIs are rather becoming urban centred meanwhile the poor are in the rural areas. Not until the poor in the rural areas access the MF loans the concept of BOP will register failure, meaning the poor will remain poor. This is because

if the poor people access micro loans they begin to move towards commercial viability by way of engaging in entrepreneurial activities. Then institutions can then commercially explore their viability at any point in time.

Thirdly, the actively poor are those who are engaged in entrepreneurial activities to earn income. This had had confirmation from the research and the author assert that MFIs have to contribute in a way that successful entrepreneurs are developed by way of regular impact assessments are conducted help in policy making and strategic policy to tapping the commercial viability. Finally, the beneficiaries complained of high interest rates. The high interest rates could deter beneficiaries from taking or accepting credits from the MFIs and this may derail the concept of the BOP.

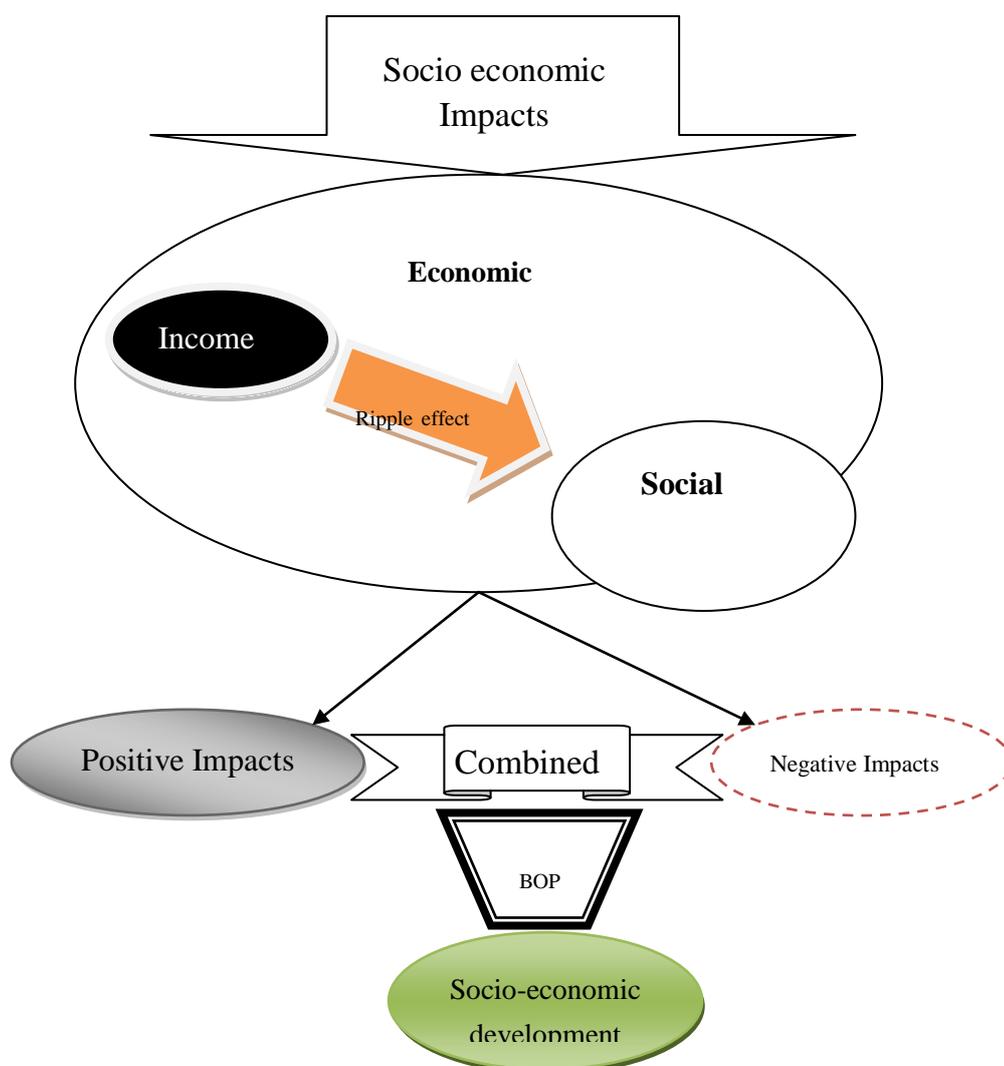


Figure 13: Final review of figure 9 superimpose on figure 5

In conclusion, the study have established that microfinance programme have impacted the socio-economic lives of the beneficiaries in several positive ways, more

especially in their economic conditions as well as access to essential life-enhancing facilities and services represented as the socio-economic development at the bottom of figure 13. On the other hand, some disturbing and unintended effects have been observed in the social dimensions in the lives of the beneficiaries. This implies that although microfinance projects are expected to enhance positive impacts, it also comes with it some undesirable effects. More research is therefore needed in the area of impact assessments with commercial implication so that the outcomes can inform the designers of methods that will reduce the negative effects identified, and compare results in different locations in the region of microfinance programs implementation.

In the final submission, it is established that when the positive impacts become sustainable (managed impact) with the injection of innovation proposed by the BOP concept of Prahalad et al (2002 & 2007) MF intervention will result in economic development. In figure 11, there was migration of the economic active poor to the top of the pyramid. If this situation becomes sustainable due to redistribution of income (Anders 2004, 3-9) through microfinance scheme the pyramid get expanded at the top and narrower at the bottom implying the opposite of the more people above poverty line; as a result, the economic development represented in green at the bottom of figure 13. Positive impact alone cannot result in economic development for that reason; the negative impacts are necessary evil and must be managed alongside or combined with the positive impacts.

## 7 SUMMARY

Microfinance is the provision loans in small sizes to the world's poorest people, (Ledgerwood 1999, 34; See Brau & Woller 2004) as per NGOs and or through commercial lenders. Providing financial services to individual or groups that traditionally could not previously access may have positive or negative impact is debatable. What is certain is that this relatively new industry is in for extensive haul. Microfinance is not a complete remedy to poverty. However, it has a positive impact on beneficiaries. Poverty is a peculiar feature associated with developing countries. In the developing countries, the active poor are excluded from formal financial institutions as they cannot afford to provide the collateral needed in order to access services from the formal financial institutions.

Microfinance is introduced to bridge the gap between the rich and the poor by way of MFIs giving out small loans in order to alleviate poverty. The cost involved in extending MF credit schemes to the poor in the remote areas, are high. Therefore MFIs are aided by both NGOs and governmental organisations to sustain them. The sustainability of the MFIs became more important if the poor are to be elevated above the poverty line. MFIs can only be sustainable when policy makers, managers and stake holders can identify the effects of the MF programme on beneficiaries, hence IA. The IA allows the policy makers, and programme managers compare the cost of improving the same socio-economic impact if not the intervention. The IA aids policy making decisions and introduction of innovative services.

The author has passion for microfinance programme and want to research into how best innovations can be injected into the financial sector in the developing countries. In addition to this, the author's interest in this work is as the result of work experience in the banking sector and therefore, will want to cease the opportunity to study the MFIs and identify lapses and make recommendations. The commercial implication of this study is the fact that financial institutions now target the excluded poor as a potential market for exploit. This was the concept of BOP by Prahalad et al 2002. Microfinance is a worldly phenomenon, but for the purpose of this study, the focus is on Ghana.

The concept of microfinance is not new in Ghana. It was claimed to have started in Africa when the Catholic missionaries established microcredit union in 1955 in the Northern part of Ghana. The Government of Ghana in the bid to tackling the perennial poverty associated with the country as a developing nation adopted the Millennium Development Goal. The MDG accepted MF phenomenon as an effective tool for poverty alleviation. Since the emergence of MF phenomenon, it has been introduced in several parts of the country. Research showed that different types of changes have taken place consequently. In order to measure the extent of changes to help policy makers and

managers of various institutions to make innovative policies to improve the MF programme; the research question *assessing the effects of microfinance in Ghana* was posed. The author further posed three sub research questions to accurately identify the regulatory framework and the socio-economic effects of microfinance in Ghana. The sub-research problems are; *how is microfinance implemented in Ghana, how does microfinance affects households and enterprises economically, and how does microfinance affects households and enterprises socially.*

Microfinance has been defined by many researchers in different ways. Even though each and every definition was characterised by the identity of related problems, the basic principle is the same. Microfinance in general is the making of loan in small sizes to people without collateral. It currently includes the provision of insurance services and services like transfer of money. Microcredit is seldom used interchangeably with microfinance however the latter refers to only the provision of small sized loans (Oosterhout 2005, 33). The microfinance intervention operates on a simple model. The model showed how funds flow from the top to the lower part of the network consists of the active poor as beneficiaries. The beneficiaries are made up of groups of varied individuals and groups. At the bottom of the model fourteen MF schemes were identified by Grameen Foundation. For the purpose of these thesis community banking, credit union, cooperative, village banking, and lending groups and associations were identified.

Impact assessment sets to identify and measure the extent of changes that occurred as a result of MF intervention. In order to assess the performance needs identification of theories-behaviours and certain communities. For example, in regards to outreach it is the identification of the intended beneficiaries, helps to ascertain the impact level. In the process of identifying intended beneficiaries, poverty was defined as deprivation of essential assets and opportunities to which everyone is entitled. An individual is regarded as poor if he or she leaves below the poverty line set by U.N. at \$2.00 per day. To further understand and affirm the need for IA poverty definition includes the concept of the fortune at the bottom of the pyramid by Prahaland et al 2002. The BOP concept identifies the active poor as commercially viable to be explored by the MNCs and remain sustainable.

To achieve the objective of the thesis an operationalisation table was drawn to logically lay out the pattern to follow. Furthermore the author adopted qualitative in this research. Qualitative research offers unlimited literature and methods in social science and helps in understanding of MF effects. A single case study was used as the research strategy. It became the obvious choice of the author when the situation so presented itself that the author was left with no other choice than single case study. Sinapi Aba Trust was selected as the case institution. In relation to data collection, semi-structured

open ended interview questions were posed. Eight interviews conducted with five beneficiaries and three officials of the case institutions. There was a technical problem with one of the recordings and therefore that was lost. In addition to these, there was data collection by success stories and authoritative documents to help answer research question one. The data collected need to be analysed by use of a technique that will describes different analytical approaches in the range of impressionistic, intuitive, interpretive analyses and systematic, strict textual analyses (Rosengren, 1981). Content analysis is therefore the technique used in this research. The quality of the thesis is not compromised with. In this direction the author concentrated on the validity and reliability for the research design. The validity of the research refers to how the author accurately conducted to measure the impact of microfinance whilst the reliability was the use of different methods that gave similar results in the research.

The findings established that the financial sector falls under formal, semi-formal and informal categories. Every financial institution is regulated according to the category of operation it falls within. The BOG plays a major role in licensing and issue of regulatory policies in collaboration with government department and agencies. The institutions to obtain and retain operating licence must meet the requirement of what is termed as prudential regulations set out by BOG.

The economic effects are identified with indicators such as income, household asset, and housing, access to food whilst the social effects identified with education, health, confidence, employment, and skill. The degree of changes in these indicators shows the level of impact as the result of the MF intervention. The changes register positive effects in beneficiaries; however there is handful of negative effects. It was established that the increase in income has ripple effect on the other indicators. The changed increase in income led to increase in household assets, considerable increase in housing as well as business growth. In relation to social effects the there was positive changes registered were in education, health, social recognition and networking. However, the changed increase in social responsibility and commitment to repay the loan on time posed untold pressure on the beneficiaries.

Finally the author deduced that the active poor have a very crucial role in the small business development (economic development) which is vital for their own development. For this reason, MFIs as a tool have much to add to the development of successful entrepreneurs as well as the achievement of MDG. The periodic conduct of IA in different location and comparing them is vital to strategic decision making (Cheston, Harperet, Hill, Horn, Salib &Walen (1999). On this note, the author proposed periodic IA researches to be conducted in different locations in the region for comparisons to enable the exploitation of the commercial viability of the rural active poor.

## REFERENCES

- Afrane, Sam (2002) Impact Assessment of Microfinance in Ghana and South Africa; A Synthesis of Major Impact and Lessons. *Journal of Microfinance* Vol.4, No: 1, 38-56
- Afrane, Sam (2007)) Promotion of Rural Savings through Microfinance: The Experience of Sinapi Aba Trust In Ghana. International Conference on Rural Finance Research: Moving Results into Policies and Practice < [http://www.fao.org/ag/rurfinconference/docs/papers\\_theme\\_4/promotion\\_of\\_rural\\_savings.pdf](http://www.fao.org/ag/rurfinconference/docs/papers_theme_4/promotion_of_rural_savings.pdf) > retrieved 16. 5. 2009
- Anders, Danielson (2004) Growth without Poverty Reduction? Examining Micro-Macro Links in Tanzania: Forum paper. University of Lund Sweden.
- Andrews, David L. — Mason, Daniel S. & Silk Michael L. (2005) *Qualitative methods in sports studies*; Berg Publishers.
- Aneel, G. Karnani(2007) Fortune at the Bottom of the Pyramid: A Mirage. Ross School of Business Paper No. 1035; California Management Review.< <http://ssrn.com/abstract=914518>> retrieved 15.5.2009
- Armendáriz de Aghion, Beatriz & Morduch, Jonathan (2000) Microfinance beyond Group Lending < [http://www.nyu.edu/projects/morduch/documents/microfinance/Microfinance\\_Beyond\\_Group\\_Lending.pdf](http://www.nyu.edu/projects/morduch/documents/microfinance/Microfinance_Beyond_Group_Lending.pdf) > retrieved 17. 5.2009
- Armendáriz de Aghion, Beatriz & Morduch, Jonathan, 2005. “*The Economics of Microfinance*” MIT Press:Cambridge MA
- Aryeetey, Ernest (1996) The formal financial sector in Ghana after the reforms, Report of a Study Sponsored by the World Bank Research Committee and Administered by the Overseas Development Institute; ISSER/ Legon-Ghana
- Ashe, Jeffrey & Parrott, Lisa (2001) Impact Evaluation of PACT’s Women’s Empowerment Program in Nepal: A Savings and Literacy Led Alternative to Financial Institution Building. Cambridge, MA: Brandeis University
- Asiama, Johnson (2007) A note on microfinance in Ghana *Working paper* < [http://www.bog.gov.gh/privatecontent/File/Research/Working%20Papers/Microfinancing\(1\).pdf](http://www.bog.gov.gh/privatecontent/File/Research/Working%20Papers/Microfinancing(1).pdf) > retrieved 25.5.2009
- Atkinson, R. (1998) *The Life Story Interview*. Sage: London.

- Badger, Elizabeth & Thomas, Brenda (1992). Open-ended questions in reading. *Practical Assessment, Research & Evaluation, A peer-reviewed electronic journal*. Vol.3 No:4 < <http://PAREonline.net/getvn.asp?v=3&n=4>. retrieved 9.6.2009
- Banerjee, A. V., & Duflo, E. (2007) The Economic Lives of the Poor. *Journal of Economic Perspectives*, Vol.21 No.1: 141-167.
- BBC News (2009) Country profile. Ghana < [http://news.bbc.co.uk/2/hi/africa/country\\_profiles/1023355.stm](http://news.bbc.co.uk/2/hi/africa/country_profiles/1023355.stm) > retrieved 7.1.2009
- Berry, La Verle, ed(1994). *Ghana: A Country Study*. Washington: GPO for the Library of Congress
- Brandsma, Judith & Chaouli Rafika( 1980) Private and Financial Sector Development Group, Human Development Group-Middle East and North Africa Region. World Bank report< [http://www.microfinancegateway.org/files/19801\\_19801.pdf](http://www.microfinancegateway.org/files/19801_19801.pdf) > retrieved 11.01.2009
- Brandsma, Judith & Rafika, Chaouli (1998) Making Microfinance Work in the Middle East and North Africa. Private and Financial Sector Development Group, Human Development Group, Middle East and North Africa Region, Washington D.C: World Bank Report 23076
- Brau James C. — Gary Woller (2004) A Comprehensive Review of the Existing Literature; *Journal of Entrepreneurial Finance and Business Ventures*, Vol. 9, No: 1, 1-26
- Brewerton, Paul & Millword, Lynne (2001) *Organisational Research methods*. Sage Publications: United Kingdom.
- Brog , W. R & Gall, M. D. (1989) *Educational Research*. An introduction, New York. Longman
- Budd, R. W. - Thorp, R. K. & Donohew, L. (1967). *Content analysis of communications*. New York: Macmillan
- Cavanagh, S. (1997). Content analysis: concepts, methods and applications. *Nurse Researcher*, Vol.4, No:3, 5-16
- CGAP (2008) Africa Microfinance Analysis and Benchmarking Report, A Report from MIX and CGAP< <http://www.cgap.org/gm/document-1.9.9035/Africa%20Report%20Final%20Copy.pdf>> retrieved 16.7.2009

- CGAP Microfinance Gateway (2009) The evolution of the African microfinance sector < <http://microfinance.cgap.org/2009/02/12/the-evolution-of-the-african-microfinance-sector/>> retrieved 14.7.2009
- Chatterji, Subhrendu (2001) The Domestic Architecture of Financial Sectors In Developing Countries. Background note to a presentation at the ODI' < <http://www.odi.org.uk/events/archive/chatterji.pdf>> retrieved 24.5.2009
- Chaudhury, N. - Hammer, J. - Kremer, M.- Muralidharan, K.- Rogers, F. H.( 2005). Teacher Absence in India: A Snapshot. *Journal of the European Economic Association*, Vol. 3, No: 2-3,658–667.
- Cheston, S., Reed, L.; Harper, V., Hill, L, Horn, N., Salib, S. & Walen, M. (1999) *Measuring Transformation: Assessing and Improving the Impact of Microcredit*, - Paper prepared for the Microcredit Summit Meeting of Councils in Abidjan, Côte d'Ivoire, 24-26 June 1999 <<http://www.microcreditsummit.org/papers/impactpaper.pdf>> retrieved 1-8-2009
- Cheston, Susy and Kuhn, Lisa (2001) Empowering Women through Microfinance. < [http://www.microcreditsummit.org/papers/+5cheston\\_kuhn.pdf](http://www.microcreditsummit.org/papers/+5cheston_kuhn.pdf) > Retrieved 16 .5 2009.
- Chirban, T. (1996) *Interviewing in Depth; The Interactive–Relational Approach*. Sage: London
- CIA World Factbook (2009) index mundi < <http://indexmundi.com/g/g.aspx?v=24&c=gh&l=en> > retrieved 7.1.2009
- Colin, McLain (2006) Source of Funding as Determinate of Microfinance's Impact on Informal Sector; *A Comprehensive Exercise Fall 2006 Carleton College*
- Copestake, J. G. & Wright, K. (2004). Impact assessment of microfinance using qualitative data: communicating between social scientists and practitioners using the QUIP. *Journal of International Development* Vol.16 No: 3, 355-367.
- Cox, Wintson (2001) Getting the Domestic Financial Architecture Right; < <http://www.odi.org.uk/events/archive/cox.pdf>> retrieved 20.5.2009
- Dadhich, C. L. (2001) Micro Finance- A Panacea for poverty Alleviation: A Case Study of Oriental Grameen Project in India. *Indian Journal of Agricultural Economics* .Vol. 56, No: 3, 419-426

- Dailey James & Parikh Tapan (2009) XML Data Standards for Microfinance Information Exchange <  
<http://people.ischool.berkeley.edu/~parikh/papers/datastandards.pdf>>  
 retrieved 17.5. 2009
- David, H. Jonassen (2004) *Handbook of research on educational communications and technology*; Association for Educational Communications and Technology: University of Missouri- Mahwah
- Dean, Karlan and Nathanael, Goldberg (2006) The Impact of Microfinance: A Review of Methodological Issues. < <http://www.givewell.net/files/Cause1-2/Independent%20research%20on%20microfinance/ImpactMicrofinance.KarlanGoldberg.2006.pdf>> retrieved 29.9.2009
- Denzin, N. (1984) *The research act*. Englewood Cliffs, NJ: Prentice Hall
- Desai, Kalpesh (2009) Microfinance – Impact on the India Market. < <http://www.scribd.com/doc/17890150/MicroFinance-Impact-on-the-Indian-Market-by-Kalpesh-Desai-in-The-Financial-Express-Micro-Finance-World-July-09>> retrieved 1.9. 2009
- DFID (1999) Sustainable Livelihoods Guidance Sheets< <http://www.nssd.net/pdf/sectiont.pdf>> retrieved 23.01.2009
- Diphooorn, Tim (2007) The performance of Microfinance institutions and Socio-economic benefits to members participating, Maters thesis in international development studies. University of Utrecht.
- Dunford, C. (2001) Building better lives: sustainable integration of microfinance with education in child survival, reproductive health and HIV/AIDS prevention for the poorest entrepreneurs< <http://www.microcreditsummit.org/papers/healthintro.htm>> retrieved 7.8.2009
- Eisenhardt, Kathleen M. (1989) Building Theories from Case Study Research. *Academy of Management Review*. Vol. 14, No: 4, 532—550
- Eisner, E. and Peshkin, A. (eds) (1990) *Qualitative Inquiry in Education: The Continuing Debate*. New York: Teachers College Press.
- Elwan, A. (1999) Poverty and Disability: A Survey of the Literature. Washington, D.C.: *Social Protection Discussion Paper Series - World Bank*
- Emory, C. William (1985) *Business Research Methods*; 3<sup>rd</sup> ed. Irwin R. D Inc. Homewood, Illinois. USA

- Fuglesang, A and Chandler, D (1993) *Participation as Process - Process as Growth*, Dhaka: Grameen Trust
- Fuglesang, A. & Chandler, D. (1986) *Participation as Process: What We Can Learn From the Grameen Bank*, Oslo: NORAD
- Gallardo, Joselito (2002) A Framework for Regulating Microfinance Institutions, The experience in Ghana and Philippines; The World Bank Financial Sector Development Department- Policy Research Working Paper 2755
- GHAMFIN (2009) Ghana microfinance Institutions Network <http://www.ghamfin.org/pages/members2.php?id=21&orgtype=> retrieved 29.05.2009
- Goetz, A. M. and Sen, Gupta, R (1996) 'Who Takes the Credit? Gender, Power and Control over Loan Use in Rural Credit Programs in Bangladesh, *World Development* Vol. 24No:1, 45-64
- Gokhale, Ketaki (2009) A Global surge in Tiny Loans Spurs Credit Bubbles In a Slum. *Wall Street Journal* 13 Aug, 2009< <http://online.wsj.com/article/SB125012112518027581.html>>
- Grameen Bank, (1998) *Microfinance- Credit Lending Models* < [www.grameen-info.org/mcredit/cmodel.html](http://www.grameen-info.org/mcredit/cmodel.html)> retrieved 15.5.2009
- Grameen Foundation (2009) Where we work: Sub-Saharan Africa [http://www.grameenfoundation.org/where\\_we\\_work/sub\\_saharan\\_africa/](http://www.grameenfoundation.org/where_we_work/sub_saharan_africa/)> retrieved 25.3.2009
- Green, Judith & Nicki, Thorogood (2005) *Qualitative Method for Health research*; Sage Publication California
- Gusta Jung, Carl (2006) Science works with concept of averages which are far too general to do justice to the subjective variety of an individual life.< [http://dissertations.ub.rug.nl/FILES/faculties/eco/2006/j.a.sassenburg/06\\_c2.pdf](http://dissertations.ub.rug.nl/FILES/faculties/eco/2006/j.a.sassenburg/06_c2.pdf)> retrieved 30.05.2009
- Hossain, M. (1988) *Credit for Alleviation of Rural Poverty: the Grameen Bank in Bangladesh*, Washington DC: IFPRI
- Hsieh, Hsiu-Fang and Shannon, Sarah E. (2005) Three Approaches to Qualitative Content Analysis< <http://qhr.sagepub.com/cgi/content/abstract/15/9/1277>> retrieved

- Hulme , D & Shepherd, A (2003) Conceptualising Chronic Poverty; *World Development*, Vol. 31: no.3, 403-423
- Hulme, David (1997) Impact assessment methodologies for microfinance Institute for Development Policy and Management. Paper prepared in conjunction with the AIMS Project for the Virtual Meeting of the CGAP Working Group on Impact Assessment Methodologies. University of Manchester UK
- Hulme, David (2000) Impact assessment methodologies for microfinance Institute for Development Policy and Management *World Development* Vol. 28, No: 1, 79-98
- Hurmerinta-Peltomäki, Leila & Nummela, Niina(2004) *First the Sugar, Then the Eggs. . . Or the Other Way Round? Mixing Methods in International Business Research.*ed by Marschan, R. & Welch, C. *Hanbook of Qualitative research Method for International Business*; Elgar, Edward: Cheltenham UK
- Inter-American Development Bank-IDB (2009) Microfinance Institution doing business with IDB group. <  
<http://www.iadb.org/resources/business/MicrofinanceInstitutions.cfm>>  
retrieved 16. 5. 2009
- International year of microcredit (2005) <  
<http://www.yearofmicrocredit.org/docs/>> retrieved 15.5.2009
- Jeasik Cho and Allen Trent (2006) Validity in qualitative research revisited <  
<http://qrj.sagepub.com/cgi/content/abstract/6/3/319>> : Sage publication  
19.6.2009
- Jick, Todd D. (1997) Mixing Qualitative and Quantitative MethodsÖ Triangulation in Action. *Administrative Science Quarterly*. Vol.24, No: 4, 602-611
- Johnson, Gail (2002) *Research Methods for Public Administrators* Greenwich publishing group
- Johnson, Susan — Rogaly, Ben & Oxfam Y. (1997) *Microfinance and poverty reduction*, Oxfam Publication
- Krishnan, Aparna — Ramji, Minakshi & Taishi Yusuke (2007) Low Income Housing in India: Challenges and Opportunities for Microfinance. A report for Habitat for Humanity India.<  
[http://www.hfhi.org/housing\\_finance/pdf/low\\_income\\_housing\\_in\\_india.pdf](http://www.hfhi.org/housing_finance/pdf/low_income_housing_in_india.pdf)> retrieved 16. 5. 2009

- Kvale, Stainer. (1996) *Interviews: An Introduction to Qualitative Research Interviewing*. London: Sage Publications.
- Laurila, Noora (2008) *Characteristics and behaviour of the poor consumers in the emerging markets - master's thesis*. Turku school of economics
- Law, M.- Stewart, D.- Letts, L.- Pollock, N.- Bosch, J., & Westmorland, M.( 1998) *Guidelines for Critical Review Form – Qualitative Studies* <http://www-fhs.mcmaster.ca/rehab/ebp/pdf/qualguidelines.pdf> retrieved 13.6.2009
- Ledgerwood, Joanna (1999) *microfinance Handbook; An institutional and Financial Perspective* World Bank Washington D.C
- Levis Strauss Foundation (2006) *Sustainable Microfinance for Women's empowerment; International Mutual Learning Workshop* < [http://ifmr.ac.in/cmfwp-content/uploads/2006/08/SUSTAINABLE%20MICROFINANCE%20FOR%20WOMEN\\_Indiaworkshop.pdf](http://ifmr.ac.in/cmfwp-content/uploads/2006/08/SUSTAINABLE%20MICROFINANCE%20FOR%20WOMEN_Indiaworkshop.pdf) > retrieved 16. 5. 2009
- Lewis-Beck Michael S., Bryman Alan & Liao Tim Futing (2004) *The Sage encyclopedia of social science research methods*. USA
- Lincoln, Y.S. & Guba, E.G. (1985) *Naturalistic Inquiry*. Beverly Hill, CA: Sage.USA
- Manoranjan, Shama (2005) *Emerging Contours of Microfinance: Where Do We go From Here?* *The Business Review*, Cambridge: Vol. 4, No: 1
- Marschan-Piekkari, Rebecca & Welch, Catherine A. (2004) *Handbook of Qualitative Research Methods for International Business* .ed by Edward Elgar – Glasanda House – Montpellier Parade, UK.
- McCracken, G. (1988), *The Long Interview*, Sage, Newbury Park, CA,
- McTavish, D.-G., & Pirro, E.-B. (1990). Contextual content analysis. *Quality and Quantity* Vol. 24, 245-265
- Meyer, Richard L.,— Nagarajan, Geetha, (2006). “Microfinance in Developing Countries: Accomplishments, Debates, and Future Directions. *Agricultural Finance Review* Vol. 66, No: 2, 167-193

- MicroCapital (2006) On Microfinance and Microcredit Investment; Nigeria Strengthens Microfinance Sector with New Regulations for Community Banks: < <http://microcapitalmonitor.com/cblog/index.php?/archives/277-Nigeria-Strengthens-Microfinance-Sector-with-New-Regulations-for-Community-Banks.html> > retrieved 17. 5.2009
- Millennium Development Goals < <http://www.icms.com.au/microcredit2005>,> 27.10.2008
- MkNelly, Barbara and Karen Lippold. (1998) *Practitioner-Led Impact Assessment: A Test in Mali*. AIMS report. Washington, DC: Management Systems International
- Morse, J. M.-Barrett, M.- Mayan, M.- Olson, K. & Spiers, J. (2002). Verification strategies for establishing reliability and validity in qualitative research. *International Journal of Qualitative Methods* Vol.1, No:2, <http://www.ualberta.ca/~ijqm> retrieved 20.6.2009
- Nahid, Golafshani (2003) Understanding Reliability and Validity in Qualitative Research; *The Qualitative Report* Vol. 8, No: 4,597-607.
- Nelson, Candace (2001) Learning from the client; assessment tools for microfinance practitioners, The small Enterprise Education and Promotion Network, Washintngton D.C.
- Neuendorf, Kimberly A. (2005) *The Content Analysis Guidebook*; SAGE,
- Nissanke, M. & Aryeetey, E. (1995) *Financial integration and development insub-Saharan Africa* Report prepared for the Africa Technical Department, AFTPS, World Bank, Washington, D.C
- Noponen, Helzi (2005) The Internal Learning System—Assessing impact while addressing participant learning needs. *Journal of International Development* Vol.17, 195-209; E2, 1st floor, Greater Kailash Enclave Part 1, New Delhi, 110048, India
- OCED (2007) Effect of Microfinance Operations on Poor Rural Households and the Status of Women< <http://www.oecd.org/dataoecd/46/15/39503711.pdf> > retrieved 18.5.2009
- Octopus Micro-Finance suite. < <http://www.octopusnetwork.org/DiscoverMicroFinance.aspx>> retrieved 5.11.2008

- Onselen, C. Van. (1993) The reconstruction of rural life from oral testimony: critical notes on the methodology employed in the study of a Black South African sharecropper. *Journal of Peasant Studies* Vol.20, No: 3, 494–514
- Oosterhout H. Van (2005) where does the money go? From Policy Assumptions to Financial Behaviour at the Grassroots. Faculty of Geosciences, University of Utrecht.
- Pawlak, Katarzyna & Matull, Michal (2003) Realising Mission Objectives: A Promising Approach to Measuring the Social Performance of Microfinance Institutions. *MFC Spotlight Note 5* <  
[http://www.mfc.org.pl/doc/Research/ImpAct/SN/MFC\\_SN05\\_eng.pdf?PH\\_PSESSID=637fd56a5ca9a5f22f596d8921ff5033](http://www.mfc.org.pl/doc/Research/ImpAct/SN/MFC_SN05_eng.pdf?PH_PSESSID=637fd56a5ca9a5f22f596d8921ff5033)> retrieved 29.9. 2009
- Pervez, Ghauri (2004) *Handbook of Qualitative Research Methods for International Business*. ed by Edward Elgar — Glasanda House — Montpellier Parade, UK.
- Prahalad, C. K. (2007) *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Kindle Edition), Wharton School Publication
- Prahalad, C. K., & Hammond, A. L. 2002a. Serving the world's poor, profitably. *Harvard Business Review* 48 - 57.
- Prahalad, C. K., & Hart, S. L. 2002b. The fortune at the bottom of the pyramid. *MIT Sloan Management Review* Vol.39, No.3, 7 – 20
- Ray, Debraj (1998). *Development Economics*. Princeton University Press: Princeton
- Reis, Harry T. & Judd Charles M. (2000) *Handbook of research methods in social and personality psychology*; Cambridge University Press,
- Reyes, Nenetzin A. (2007) Addressing culture in therapy: a multiple case study. Doctoral dissertation: Texas Tech University
- Rhyne, Elisabeth (2001) *Mainstreaming Microfinance*. Kumarian: Green Haven, CT.
- Rivera-santos & Rufin (2008) Myth or reality? Understanding the impact of BOP initiatives on poverty; Track11: Emerging market economies. Session format :competitive <  
[http://aib.msu.edu/events/2009/AIB\\_2009\\_Conference\\_Program.pdf](http://aib.msu.edu/events/2009/AIB_2009_Conference_Program.pdf)>  
 retrieved 15.08.2009

- Robinson M. S. (2001) *The microfinance Revolution; Sustainable Finance for the Poor*. World Bank, Washington D.C.
- Rosengren, K. E. (1981). *Advances in Scandinavia content analysis: An introduction*. Beverly Hills, CA: Sage
- Rue Marie-Thérèse (2008) WSBI Position Paper on the Regulation of Microfinance Services- DOC 0608/08, June 2008
- SAT (2009) Sinapi Aba Trust  
[http://www.sinapiaba.com/sat/index.php?option=com\\_content&task=view&id=12&Itemid=26](http://www.sinapiaba.com/sat/index.php?option=com_content&task=view&id=12&Itemid=26) retrieved 29.05.2009
- Saunders, Mark - Lewis, Philip & Thornhill, Adrian (2007) *Research Methods for Business Students* Pearson Education Limited, Edinburgh Gate.
- Schmidt, Marcus J. & Hollensen, Svend (2006) *Marketing Research: An International Approach*; Pearson Education,
- Seale, C. (1999). Quality in qualitative research. *Qualitative Inquiry*, Vol. 5, No:4, 465-478.
- Sebstad, J & Chen, G (1996) *Overview of Studies on the Impact of Microenterprise Credit*, Washington DC: Management Systems International.
- Sebstad, Jennefer & Cohen, Monique (2003) *Financial Education for the Poor; Financial Literacy Project Working Paper Number 1* <  
[http://www.microfinanceopportunities.org/docs/Financial\\_Education\\_for\\_the\\_Poor%20April%202003.pdf](http://www.microfinanceopportunities.org/docs/Financial_Education_for_the_Poor%20April%202003.pdf) > retrieved 16. 5. 2009
- Sérgio, Pereira Leite —, Pellechio, Anthony — Zanzorlin, Luisa — Girma Begashaw, — Fabrizio, Stefania & Joachim, Harnack (2000) International Monetary Fund (IMF) occasional paper 199-Ghana: *Economic Development in a Democratic Environment*
- Shashikala, Sitaram (2007) *Promoting urban social development through self help groups in Karnataka; Evaluation Working Paper*. <  
<http://www.adb.org/Documents/Evaluation/PPER/Karnataka-Urban-Infrastructure-DevelopmentProject/Karnataka-Urban-Infrastructure-DevelopmentProject.pdf> > retrieved 16. 5. 2009
- Simanowitz, A. (2001). From event to process: Current trends in microfinance impact assessment. *Small Enterprise Development*, Vol.12 No:4, 11–21
- Smets, Peer (2006) Small is beautiful, but big is often the practice: Housing microfinance in discussion; *Habitat International*, Vol.30:No. 3, 595-613

- Soaunders, M.—Lewis, P, — Thornhill, A. (2000) *Research Methods for Business Students 3<sup>rd</sup> Ed* Gosport: Pearson Education Limited.
- Solidarity for youth and disable development (SYDD) Home page <  
[http://syddghana.org/syddimages/ghana\\_map.jpg&imgrefurl](http://syddghana.org/syddimages/ghana_map.jpg&imgrefurl)> retrieved  
8.11.2008
- Staschen, Stefan (1999) Regulation and Supervision of Microfinance Institutions  
:< State of Knowledge  
([http://www.mfc.org.pl/doc/backgroundmaterials/Regulation\\_and\\_Supervision\\_of\\_MFI.pdf](http://www.mfc.org.pl/doc/backgroundmaterials/Regulation_and_Supervision_of_MFI.pdf)) > retrieved 18.5.2009
- Steel, William F. and Andah David O. (2003) Rural and Micro Finance Regulation in Ghana. Implications for Developpent and Performance of the Industry. Africa Region Working Paper Series No. 49
- Stenbacka, C. (2001). Qualitative research requires quality concepts of its own. *Management Decision*, Vol.39, No: 7, 551-555
- Stenhouse, L. (1988) Case study methods in Keeves, J.P. (Eds), *Educational Research, Methodology, and Measurement*: Pergamon Press, Oxford
- Structured Interview, Practical Guide (2008) U.S. Office of Personnel Management Theodore Roosevelt Building 1900 E Street, NW Washington.
- Swope, Tessie (2005) Microfinance and Poverty Alleviation; Partial Fulfillment of the Requirements of the 2005 Independent Study on Microfinance <  
<http://tars.rollins.edu/olin/rurj/mpa.pdf> >retrieved 15.5.2009
- Tellis, Winston (1997) Introduction to Case Study: *The Qualitative Report*, Vol.3 No: 2 < <http://www.nova.edu/ssss/QR/QR3-2/tellis1.html>> retrieved 29 .4.2009
- Temenos (2009) T24 for Microfinance and Community Banking.<  
<http://www.temenos.com/Documents/Files/Sectors/Microfinance/T24%20for%20Microfinance%20and%20Community%20Banking%20v2.pdf>>  
retrieved 8. 7. 2009
- Tesch, R. (1990). *Qualitative research: Analysis types and software tools*. Bristol, PA: Falmer: Sage

- UNCDF (2009) Microfinance matters; To Build Inclusive Financial Sectors in Africa.<  
[http://www.uncdf.org/english/microfinance/pubs/newsletter/pages/2005\\_04/news\\_launch.php](http://www.uncdf.org/english/microfinance/pubs/newsletter/pages/2005_04/news_launch.php)> retrieved(14.7.2009)
- Weber, R. P. (1990). *Basic content analysis*. Beverly Hills, CA: Sage. USA
- Welman, J.C. & Kruger, S.J 2001. *Research Methodology*. Oxford Southern Africa, Cape Town.
- World Bank (2005) Introduction to poverty analysis. World Bank Institute  
<http://siteresources.worldbank.org/PGLP/Resources/PovertyManual.pdf>  
 .retrieved 23.5.2009
- World Bank. (2000) Attacking poverty. *World Development Report 2000/2001*Oxford University Press
- World Bank. 2007.: *Development and the next generation*. Washington, D.C.: The World Bank; *World Development Report 2007*.
- Wrenn, E. (2005). *Micro-finance Literature.Review*  
[http://www.dochas.ie/documents/MicroFinance\\_literature\\_review.pdf](http://www.dochas.ie/documents/MicroFinance_literature_review.pdf)  
 .retrieved 9.11.2008
- Wydick, Bruce (2002) Microfinance among the Maya: tracking the progress of borrowers. Wydick, B. *Journal: Development and change*, Vol.33, No: 3:489-509.
- Yin, R. K. (1994) *Case Study Research: Design and Methods*. (2nd ed.) Thousand Oaks, CA: Sage.
- Yin, R. K. (2003) *Case Study Research: Design and Methods*. (3rd ed.) Thousand Oaks, CA: Sage
- Yin, R. K. (2004) *Case Study Research: Design and Methods*. (nd ed.) Thousand Oaks, CA: Sage
- Yin, R. K. (2009) *Case Study Research: Design and Methods*. (4th ed. Vol.5) Thousand Oaks, CA: Sage

Table 5: List of interviews

Interviewee Code	Duration of interview	Status	SEX
I-1	1hr	Client(SAT)	Female
I-2	48minutes	Client(SAT)	Female
I-3	39minute	Client(SAT)	Female
I-4	37minutes	Client(SAT)	Female
I-5	59minutes	Client(SAT)	Female
I-6	1hr 45minutes	Field-Manager (SAT)	Male
I-7	52minutes	Manager(SAT)	Male
I-8	Missing data	Manager(SAT)	Male

## APPENDIXES

### Appendix 1 Operationalisation of study

Research problem	Sub Problems	Theoretical Background	Themes / Questions		
Assessing the effects or impact of microfinance in Ghana	How is microfinance regulated and used in Ghana?	Structure of MF Industry in Ghana	MF Structure		
		MF Licensing and Regulatory Framework	MF Regulation		
		MF Performance Supervision System in Ghana	Performance and Supervision		
		MF Tool for Poverty Alleviation in Ghana	Poverty Alleviation		
	What are the economic impacts to beneficiaries	<b>Economic impacts</b>			
		Income	5-11	5-12	
		Household asset	12-14		
		Housing	15-17		
		Access to food	18-22		
		Enterprise Level	9-11		
	What are the social impacts to beneficiaries	<b>Social Impact</b>			
		Educational	23-26	13-17	
		Health	29-30		
Empowerment		29-30			
Skill		31-32			
Mobility and network		33-36			

## Appendix 2: Semi-structured Interview Questions

### a) STRUCTURED INTERVIEW QUESTIONS-BENEFITIARIES

Microfinance from the time of its emergence in Ghana after she signed the MDG agreement to alleviating poverty is believed to have had significant impact in communities of introduction.

This interview is been conducted to measuring the effects MF have on the beneficiaries. All information obtained from the interview is confidential and the persons involved remain anonymous. The research has no connection with funders, microfinance institutions or any organised group of people. It is completely an academic work and will therefore remain objective in its finding.

#### Basic information

1. Could you please tell me in brief about yourself (for example your age, level of education and type of work you are doing)?
2. Could you tell me about your family?
3. How long have you been a member of this microfinance institution?
4. What made you to join this microfinance group?

#### Economic effects of microfinance (Income, Household asset, Housing, Assess to food)

##### Income

5. Could you tell me whether you apply for micro loan as a member?
6. Have you been given, and what is the amount you are given?
7. What problems do you have accessing the microfinance loan from your MFI (Name of MFI)?
8. Could you briefly tell me how and on what, you used the loan contracted from your MFI.....? (Name of MFI)?
9. How much money does your current business require?
  - a. Could you tell me how the expenses from your business financed
  - b. How is other personal obligations financed?
10. What is the significance of funding from various sources?
11. How do the incomes from the microfinance supplement your business?

##### Household assets

12. How many household assets do you have before you join the microfinance institutions (the name of MFI)?
13. Now that you have benefited from the loan from (the name of MFI) can you tell me the changes you made in your household assets?

14. Would you increase your household assets if there is an increase in the amount of from ... (name of MFI)?

### **Housing**

15. What are the problems you about accommodation before you benefited from the microfinance loan from (MFI)?
16. How has the income from the loan affected your housing situations?
17. Do you have another source of financing your housing?

### **Assess to food**

18. Can you say the income from the loan and your business has any effect on your menu?
19. What type of food your household could not consume before the improvement in your income level?
20. What is the effect of your income on your dietary presently?
21. What type of foodstuff you cannot afford even after the increase in income level?
22. How do plan to make your family dietary menu better than now?

### **Social effects of microfinance (Education, Health, Confidence, Empowerment)**

#### **Education**

23. How does access to the loan brought improvement in your educational level?
24. In the family who is responsible for educating your children?
25. Are you able to send all your children to school before the loan from (the name of the MFI)?
26. Were you able to send any of your children to good school before and after you join.....? (The name of the MFI)

#### **Health**

27. The health status of your family might have undergone some changes after you contracted the loan, can you tell me what are these changes?
28. Can you briefly describe how increase in your income changed the health status of your family?

#### **Empowerment**

29. In the family who takes major decision?
30. Before you join..... (Name of MFI) do you boldly play major roles in the family decision making process; How can you compare that with the present situation?

#### **Skill**

31. The way you previously run your business has there been improvement the skills?
32. Could you please describe how the increase in income level has some effect on your confidence level before and after you became a member of.....? (The name of MFI)

**Mobility and network**

33. You have been given a loan by the group; has that any effect on your relationship with other people or business partners?
34. How was your social and business network before and after the loan?
35. How significant is the increase in your source of income to your business relationship or personal relationship?
36. How do you think government policies can improve the MF programme for the better?
37. How do you see yourself presently as compared to when you did not join SAT?

## **b) STRUCTURED INTERVIEW QUESTIONS-SPONSORS**

Microfinance from the time of its emergence in Ghana after she signed the MDG agreement to alleviating poverty is believed to have had significant impact in communities of introduction.

This interview is been conducted to measuring the effects MF have on the beneficiaries. All information obtained from the interview is confidential and the persons involved remain anonymous. The research has no connection with funders, microfinance institutions or any organised group of people. It is completely an academic work and will therefore remain objective in its finding.

### **Basic Information**

1. Can you tell me briefly about your background?
2. How long have you been working with..... (The name of MFI), and what is your schedule?
3. How does your company comply with the regulatory policies of MF in Ghana?
4. Do regulatory policies affect the implementation of the MF programme in Ghana?

### **Economics effects of MF**

5. What is the loan portfolio for the beneficiaries?
6. What criteria are used in selecting beneficiaries?
7. How do you think, the loan advanced to the members are used to improving their housing standards?
8. Do you think the loan portfolios to the beneficiaries are diverted to other areas than reasons for the loan; what could have been the reason for that?
9. How do the loans make it possible for the beneficiaries to increase their household assets?
10. How do the MFI collect data on beneficiary information?
11. How do your institution conduct monitoring and evaluation of members?
12. What are your observations about the members' progress in respect of business, housing and access to food?

### **Social effects of MF**

13. Your MFI has been granting loan to its members, can you tell me how these micro loans affect the education and health issues of the member.
14. In your opinion how do the loans improve the social capital of the beneficiary communities?

15. How do you think the MF programme can improve the standard of living of beneficiaries than the present condition of members?
16. Is there any other benefit that will beef up good social effects rather than through direct micro loans?
17. Will describe any other way that your institution had helped beneficiaries apart from loans?

### Appendix 3: Document of MFI regulation

Table 6: Documents of MFIs policy and regulations in Ghana

Code	Documents	Year	Regulation & Policy
PR1	Bank of Ghana Notice to Banks and Savings and Loans companies	2008	
PR2	Financial Institution (Non Banking) Law	1993	
PR3	Act of the Parliament of the Republic of Ghana Entitled the banking act, 2004	2004	
PR4	Bank of Ghana banking supervision department	—	Guidelines for rural banking licence
PR5	Rural and Micro Finance Regulation in Ghana: Implications for Development and Performance of the Industry	2003	
PR6	Non-bank financial institutions business [BOG] rules	2000	Regulation
PR7	A Framework for Regulating Microfinance Institutions. The Experience in Ghana and the Philippines	2002	working Paper
PR8	Regulation, Supervision, and Access to Microfinance: The Case of Ghana	2005	Regulation and supervision
PR9	Requirements for non-bank financial institutions licences	2004	Regulation
PR10	Non-bank financial institutions business	2000	
PR11	Credit Union getting to know us	—	Manual
PR12	CUA/RSFP Loans	—	Committee Manual
PR12	BOG Working Paper	2007	A Note on Microfinance