

**UNIVERSITY OF EDUCATION, WINNEBA
(COLLEGE OF TECHNOLOGY EDUCATION, KUMASI)**

**AN INVESTIGATION INTO THE IMPACT OF MICROFINANCE ON THE
LIVELIHOOD OF WOMEN IN GHANA: A CASE STUDY OF SINAPI ABA
TRUST, KUMASI.**



JAMES BAANU – YENA

AUGUST, 2017

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IN GHANA: A CASE STUDY OF SINAPI ABA TRUST, KUMASI**

BY

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**A PROJECT REPORT PRESENTED TO THE DEPARTMENT OF
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DECLARATION

STUDENT'S DECLARATION

I, JAMES BAANU–YENA, declare that this dissertation, with the exception of quotations and references contained in published works which have all been identified and acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole for another degree elsewhere.

Signature.....

Date.....

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of thesis as laid down by the University of Education, Winneba.

Mr. Williams Kwasi Boachie

Signature.....

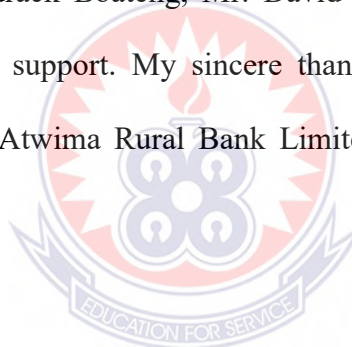
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DEDICATION

I dedicate this project to my dear and wonderful mother, Mad. Amma Tawiah who is part of my success in life. Mum, I love you and my prayer is that the Lord God should grant you, life to enjoy the fruits of your labour.

My Dear lovely Wife, Olivia Osei, I thank you for your prayers and support. And also to the kids, Jennifer, Sammy, Joshua, Atta Snr and Jnr. Thanks from Dad to you. To Uncle George Antwi – Adjei, Kwaku Joshua, Nana Opoku, Gabriel Kwakye, Rev. Thomas Yaw Mensah, Rev. Samuel Appau and the rest of family members, I say God bless you all for your support and prayers.

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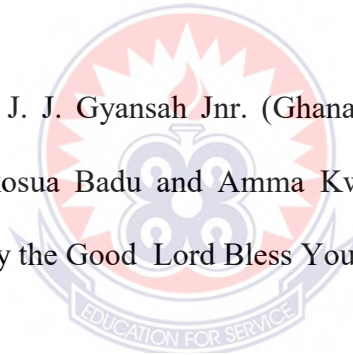
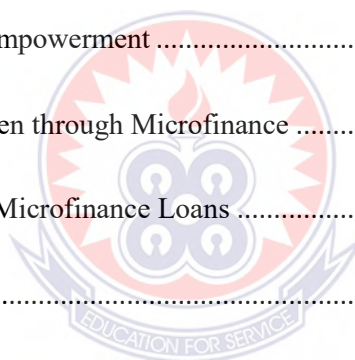


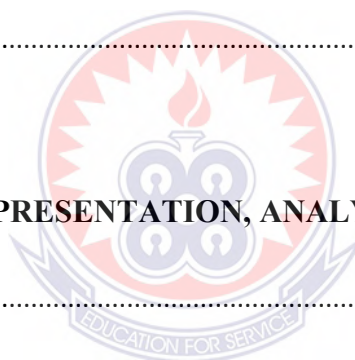
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ABSTRACT

The study was to investigate the impact of microfinance institutions in the livelihood of women using Sinapi Aba Trust, in Central Market and Bantama sub metro in the Ashanti region. The researcher gathered the data through the use of questionnaires and interviews. Questionnaires were given to women who could read and write to fill. Interviews were conducted with some staff of the MFI about the organization and the performance of Microfinance Scheme. A sample of forty of them was interviewed with questionnaire, outlining all the possible questions required under the study. The essence of this MFI is to help poor people especially women who lack access for finance and tries to provide a means through which poor individuals can financially sustain themselves. The researcher reveals that women default on loan less than men and credit extended to women has much greater impact on household consumption and quality of life at children. The reason is that, microfinance does not reach the poorest of the poor is because of discrimination by loans officers. Based on these factors, the study made recommendation to the government to pay more attention to the microfinance sector in Ghana. Rules and regulations concerning this sector should be made flexible for the establishment of more MFI's to enable them carry on banking services for the poor people.



CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Many poor people lack access to finance. Page 36 of UNDP's 1995 Human development report as cited by Cheston and Kuhn states that there are about 1.3 billion people living on less than \$1 a day and 70% of them are women. These same women are the most disadvantaged in gender balance at decision making levels, positions of power and wealth all over the world. (Cheston and Kuhn 2002a).

This poverty canker is causing serious harm to humanity, because at such a level of poverty it is not possible to have access to the basic necessities of life; access to credit, good health, education and life insurance to mention a few. Women who constitute 70% of the poor people described here play key roles in the running of most families worldwide. Some of the reasons for the continual problem of inadequate credit to women include low return on their activities and low level of education (Aboagyewaa 2008).

In view of these and other convincing reasons such as good repayment rating for women, their input to household development and the fact that microfinance target the poor, most of whom are women, to eliminate poverty, microfinance Institutions tend to focus more on women. Microfinance development seeks to address this lack of access to credit by the poor and tries to provide a means through which poor individuals can financially sustain themselves for themselves in this global attempt to alleviate poverty.

Women's financial input to the home brings them honour from their husbands and they are essential in development of the family since much of the household internal management

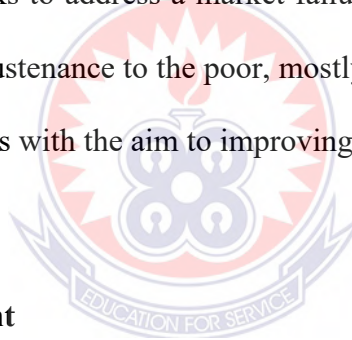
is handled by women. It is with this view that many Microfinance Institutions target women. Aside this, women have higher repayment rates than men and are more likely to channel their loans for the benefit of the family. Many Societies discriminate against women and this affects their livelihood and independence. Societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living (World Bank 2001).

There are two main rationals for investing in Microfinance. First, it can be seen as being part of integrated programme for poverty reduction in poor households. Second, it can be seen as a means of providing financially self-sustainable programs that increase access to finance for a large number of poor people. Under the first Rationale for investing in microfinance (integrated poverty programme) the focus tends to be on women because they are often the poorest and are responsible for household welfare, whereas in the second, women are the focus because they tend to have higher repayment rates and are more likely to use their funds for the benefit of the family. Grasmuck and Espinal (2000) came out that there is evidence that when a woman's business succeeds and she makes a profit, it goes to her family, while men typically give only 50-70% of their income to their families. Mayoux (2006) explains that Microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Where financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including:

- Increasing women's income levels and control over income leading to greater levels of economic independence

- Access to networks and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles
- Enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare.
- More general improvements in attitudes to women's role in the household and community

In general, Microfinance seeks to address a market failure by alleviating poverty through the provision of a means of sustenance to the poor, mostly women, using financial services in the form of loans and grants with the aim to improving their standard of living.



1.1 Problem of the Statement

Following this preamble, are clear outlines justifying research into the above chosen topic: There have been researches on different aspects of microfinance in various countries worldwide? Interestingly all these studies have concentrated on the developed world. In Ghana, literature on microfinance has centered mainly on the performance of microfinance institutions, this has made information on Microfinance in Ghana diffused. This research attempts to fill the gap in literature by assessing the impact of Microfinance on Ghanaian women (financial perspective, livelihood, business, family, community).

1.2 Objectives of the Study

The objectives of the topic are summarized below:

1. To explore the result of microfinance on the financial status of women in the selected places.
2. To investigate effects of Microfinance on the business, family and community of women.
3. To determine the repayment performance of Microfinance loans.
4. To make appropriate recommendations on how to improve the performance of microfinance.

1.3 Research Questions

1. What are the results of Microfinance on the financial status of women in the selected places?
2. What are the effects of Microfinance on the business, family and community of women?
3. What are the challenges facing in the repayment performance of Microfinance loans?
4. What are the appropriate recommendations on how to improve the performance of Microfinance in Ghana?

1.4 Research Hypothesis

After careful review of the literature covering the performance of Microfinance, the researcher came out with the following hypothesis to assist achieve the study objectives.

Ho: Microfinancing does not have any positive impact on the businesses of women in Ghana.

H_i: Micro financing has positive impact on the businesses of women in Ghana.

Note that, (H₀) is the Null and (H_i) is the Alternative Hypothesis.

1.5 Justification of the Study

The relevance of this study to the economic development of Ghana is as follows: Microfinance institutions can access the research and follow the recommendations to improve the performance of Microfinance, and allocate resources in a manner that would factually improve the living standards of women. The copy of the research which will be made available to the University to serve as literature review material for students who engage themselves in similar work related to women and Microfinance. The nation as a whole will benefit with information about current trends in microfinance. The government of Ghana will also benefit and determine whether microfinance institutions are up to task; this will help it in decision making and also help to know which sector of the economy needs more attention and allocation of resources. This has a long term benefit of cutting down government expenditure and the efficient utilization of public funds.

The Study will also prove that although Microfinance started overseas, like Bangladesh, it can also be applied and practiced more effectively in Ghana. Owing to these and many other unstated benefits to be derived from the research, researcher declares the topic appropriate and hence justified.

1.6 Scope of Study and Delimitation of Study

The study covers selected places in Kumasi in the Ashanti region of Ghana. The city is located in the forest zones of the country. Kumasi is a city in southern central Ghana's Ashanti region. It is located near Lake Bosomtwe, in the Rain Forest Region about 250 km (by road) northwest of Accra. Kumasi is approximately 300 miles north of the Equator and

100 miles north of the Gulf of Guinea. It is popularly known as "The Garden City" or "heart beat" of Ghana because of its many beautiful species of flowers and plants. Kumasi is home to a million and half people (National Population Council, 2005) and the native language is "Asante Twi" which is also the major communication mode used in commerce and transaction. Kumasi is home to several thousands of women mainly involved in petty trading. Research basically focused on markets of interest and the locations of the microfinance institution selected. The markets in the city include "Asafo," "Kejetia," "Bantama", etc. Places actually visited include Kotwi and Dominase, Central Market (Kejetia), Bantama, all within the Kumasi Metropolis. The MFI used for this research is the Central Market Branch of Sinapi Aba Trust, Kumasi.

1.7 Limitations of the Study

The scarcity of financial resources did not allow the researcher to visit all market concentrations in Kumasi. Also, the sample of forty (40) women is far lesser than the actual number of women who benefit from Microfinance hence data presentation and analyses will focus mainly on the sample size. The researcher had challenges interviewing some of the women because of language barrier and a high illiteracy rate. This delayed the filling of the questionnaire and took a lot of the resources. Others were not really responsive hence did not allow to interview them. Researcher however solved the language barrier by translating the English to their local language as helped them fill their questionnaires. Those who insisted they were not interested were allowed their freedom. On the other hand, I kept the sample size of 40 as the researcher was determined to hit that target. Hence, researcher interviewed those who were willing and available.

1.8 Organization of the Study

Subsequent to the front matter of this research, it is organized into five chapters. Chapter one presents the general introduction, problem statement, objectives, research questions, hypothesis, the scope and limitations of the study, and justification of the study. The second chapter reviews existing literature that primarily deals with discussions and review of literature related to concepts of the research. It is aimed at providing all readers with some academic background on the subject matter. This chapter reviews most of the important works related to the research.

Chapter three presents the research procedure. It contains research method selection, case study design, and the method of data analysis. This chapter also presents the profile of the case study company. The fourth chapter comprises of data presentation, analysis and discussion of the results of the study. Chapter five presents the summary and concise highlight of the various findings of the study and the conclusions of the researcher. Appropriate recommendations are also made in this chapter based on the research findings.

CHAPTER TWO

REVIEW OF RELEVANT LITERATURE

2.0 Introduction

The problem has been identified in the previous chapter and has established the premise to delve into the appropriate empirical literature on the subject. The researcher's next plan of action is the conduct and review of critical literature relevant to this study. Literature review seeks to present a body of knowledge to give more insight with regard to women and Microfinance based on similar work conducted by various persons. The significance of this literature review is to give access to diverse results of this study conducted earlier to further boost the information quality and integrity. The Chapter is structured to discuss all relevant issues in microfinance starting with the definition and explanation of key terms and concepts and a few others like; history of Microfinance, Microfinance and women empowerment, poverty alleviation of women through Microfinance and others.

2.1 Definitions and Key Concepts

2.1.1 What is microfinance?

Microfinance is banking the “unbankables”, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to attract any attention from the regular banks. If offered any savings service, their transaction values may be too low, and they are unable to offer sufficient collateral, if any, when applying for credit. In general, banks are for people with money, not for people without it. (Maanen 2004).

Microfinance is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor. Charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.” (Muhammad, 2003).

2.1.2 Moral Hazard

Moral hazard occurs when a party insulated from risk may behave differently than it would behave if it were fully exposed to the risk. This normally occurs in situations where there is information asymmetry. Information asymmetry is a situation in which one party in a transaction has more information than the other. This creates fertile ground for the party with more information to engage in unusual risks or activities unknown and harmful to the other, especially in a lender-borrower relationship.

2.1.3 Adverse Selection: The risk that those who are likely to engage in unusual risks will actively seek after a loan and would be selected over more suitable borrowers.

2.1.4 Microfinance Institutions:

A microfinance institution (MFI) is an organization that provides microfinance services, ranging from small non-profit organizations to large commercial banks. As cited by Appiah et al, ‘Microfinance institution is a body incorporated by the Ghana Companies code of 1963 (Act 179) as a “Non-Banking financial institution (Non-Banking) Law 1993 (PNDCL 328) and which is licensed by the Bank of Ghana to carry on the specific functions of acceptance of money from the public on either deposit account or current and lending of money.’” (Appiah et al, 2009).

2.2 History of Microfinance

Microfinance is dated as far back as 1870 when credit union groups saw the need to help alleviate the poverty in rural populations by improving their way of life. From 1900, the focus of Microfinance in Latin America was on the agricultural sector they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness (Global Envision 2006a).

Global Envision in 2006 reports that between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. These efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance institutions, or farmers' cooperatives in some cases, that received concessional loans and on-lent to customers at below-market interest rates. These subsidized schemes were rarely successful. Rural development banks suffered massive erosion of their capital base due to subsidized lending rates and poor repayment discipline and the funds did not always reach the poor, often ending up concentrated in the hands of better-off farmers.

The flagship of the microfinance movement is the village banking unit system of the Bank Rakyat Indonesia (BRI), the largest microfinance institution in developing countries. This state-owned bank serves about 22 million micro savers with autonomously managed micro banks. The micro banks of BRI are the product of a successful transformation of a state-owned agricultural bank by the state. The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in

many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. These gains, however, tended to concentrate in urban and densely populated rural areas. (Global Envision 2006b).

2.2.1 Grameen Bank

The pioneering bank in Microfinance is the Grameen bank which aims at providing banking services for the poor. “The Grameen bank was started in Bangladesh by Professor Muhammad Yunus. He received a Nobel peace prize in 2007. Currently, Grameen Bank serves more than 7 million poor families. The bank has been a model for the implementation of Microfinance by other institutions globally.” (Grameen Foundation, 2009).

Grameen Bank (GB) reversed conventional banking practice and created a system based on mutual trust, accountability, participation and creativity. They provide credit to the poorest of the poor in rural Bangladesh, without any collateral. As of August 2009, Grameen Bank had 7.94 million borrowers, 97 percent of whom are women. With 2,559 branches, Grameen Bank services 84,652 villages, covering nearly 100 percent of the total villages in Bangladesh (Grameen foundation, 2009).

2.3 Microfinance and Women Empowerment

Women bear a disproportionate burden of poverty (UNIFEM, 2009). They make up for the majority of low paid work and informal sector of most economies (Cheston and Kuhn, 2002b). They are essential in the development of families since they play a great role in raising homes. Thus gender equality is a matter of development effectiveness and not just a matter of political correctness and kindness (World Bank, 2002). The World Bank (2002) has recognized women’s access to financial resources as an important strategy for

poverty reduction and donors have increasingly directed microfinance services to women. Indeed, the proportion of women participating in these programmes is high (Mateja 2009) At the end of December 2007, 3,552 microcredit institutions reported having 154.8 million clients, 106.6 million of whom were among the poorest when they took their first loan. Of these poorest clients, 83.4 percent were women (SOCR, 2009).

The rationale behind targeting women is not only to enable them equal access to financial services. Muhammad (2004), the founder of Bangladeshi Grameen Bank, for instance writes that women have greater long-term vision and are excellent managers of scarce resources. It is also believed that they are more likely to spend their income on the household well-being (Cheston and Kuhn, 2002c; Kabeer, 1998; and Mayoux, 2002) and they reach higher repayment rates (Cheston and Kuhn, 2002b) While this might be true, it does not, however necessarily translate into poverty reduction (Mateja, 2009).

According to Cheston and Kuhn, 2002, there are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living (World Bank 2001). Studies in Latin America, and elsewhere, show that men typically contribute 50 to 68% of their salaries to the collective household fund, whereas women “tend to keep nothing back for themselves.”(Chant 2009). Finally, every microfinance institution has stories of women who not only are better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the

chance to contribute financially to their households and communities (Cheston and Kuhn, 2002d).

Majeta (2009) finds out that there is an assumed link between credit and empowerment of women and indeed, in a perfect setting microfinance could lead to the series of events described by Johnson and Rogaly (1997), namely, microfinance increases women's income and their control over that income, enhancing their knowledge and skills and increases participation in household decision making. All this brings along transformation in the society, social attitudes and perceptions change and women's status is enhanced. While such "graduation" of women seems very attractive, the envisioned scenario fails to take into account the broader context. Access to resources alone does not automatically translate into empowerment or equality; women must have the ability to use the resources to meet their goals (Cheston and Kuhn, 2002e).

2.4 Poverty Alleviation of Women through Microfinance

The basic aim of Microfinance is to break the cycle of poverty by providing financial means of sustenance to poor families more especially women. Microfinance has over the years improved not only the financial status of the individual livelihood of women but has also had a positive impact on their families, businesses and societies. IFAD News about Poverty Reduction reports that poor women often have the best credit ratings. In Bangladesh, for example, women default on loans less often than men, and credit extended to women has a much greater impact on household consumption and quality of life of children. Through their involvement in microfinance, many women become leaders, instigating changes in social practices and relationships and mobilizing social action.

Women's status, both in their homes and communities, is improved when they are responsible for loans and for managing savings. When they generate and control their own income, women gain a level of power that means they can make decisions independently and command more respect. In many traditional societies, especially in South Asia and in parts of East and Central Africa, women have been excluded from the market economy. Women in East Africa are expected to do all the farm work and look after the family, while any cash income is controlled mainly by men.

IFAD further reports that the pioneering women who first braved the market were criticized harshly but today, with microfinance institutions spreading across large parts of Kenya and Uganda, it is widely accepted that rural women can play an important role in the rural economy.

2.5 Repayment Performance of Microfinance Loans

It is true that poor women have better credit rating than their male counterparts. This is partly responsible for the focus of Microfinance on women. Cheston and Kuhn (2002f) revealed that “Simply getting cash into the hands of women (by way of Working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities.” All this is possible as a result of hard work which will contribute to generating enough returns to repay the loan. Sinapi Aba Trust of Kumasi revealed that loan recovery within the payment period is approximately 90%. Others may delay but payment is almost always completed. A major factor that has contributed to the good credit rating is training that is provided by some

MFI's as part of the loan process. This may be in the form of business training on the wise investment of the loan. Women in general however have good credit rating.

2.6 Approaches to Microfinance

The two main approaches used are the minimalist approach and the integrated approach. Microfinance of late has improved their services by adding additional features to the granting of loans. These include saving schemes, enterprise development, and micro insurance. The necessity for an MFI to choose between the two goals has led to the development of two opposing methodologies: the integrated approach and the minimalist approach (Bhatt and Tang, 2000).

2.6.1 Minimalist Approach

The main characteristic of the minimalist approach is the provision of financial intermediation which includes the provision of financial products and services such as savings, credit and loans. This is the primary service offered by many microfinance institutions. The minimalist approach, aside the provision of financial intermediation sometimes also provides social intermediation. Under this approach, the focus is usually on filling in the factors needed for enterprise growth such as accessibility to short term credit. They provide this short-term fund to their clients. They may also go the extra mile after meeting their financial needs to services such as leadership training and group formation. The argument for the minimalist approach is that unless the MFI is financially sustainable, it will be unable to grow, and thus, will exclude thousands of potential clients who could be helped by access to microcredit (Murdoch and Haley, 2002a).

Still under the minimalist approach, an institution may also adopt social intermediation which involves developing the human capital necessary to sustain the financial

intermediation for the poor (Social Intermediation). Minimalists concentrate more on financial sustenance before thinking of the possibility providing other services such as development and training programs. The advantages of the minimalist approach include Cost Saving as other extra services are avoided or met at low costs. Allows the MFI to concentrate or focus more on a specific area in producing a specific service.

2.6.2 Integrated Approach

The integrated approach combines a range of financial services, social intermediation together with enterprise development and social services such as education, training, health tips. Advocates for the integrated approach argue that MFIs need to focus on poverty alleviation as their primary goal, even if it means that the institution will remain dependent on subsidies (Swope, 2005).

An MFI's objectives will depend on the extent of services it will provide. Other factors like the demands of the target market may influence the kind of service. The integrated approach may include helping their clients in skills development through business training. They may for instance provide marketing and technological services (For example, all season farming agriculture with irrigation facilities). The MFI may also help its clients with automation, accounting, and loan performance. It aims at further developing their human capital and skills. Social services may also be provided under the integrated approach. However, an MFI should design programs that will suit this approach and also have means of financial sustenance.

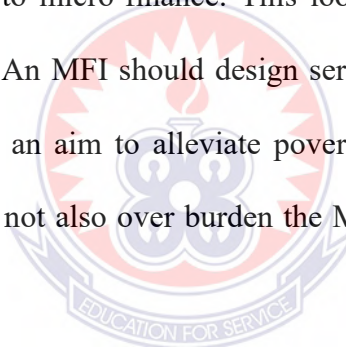
According to Graham Wright, author of *Microfinance Systems: Designing Quality Financial Services for the Poor*, "An MFI's ability to attract the poorest depends on the financial services it offers, and whether they have been designed to be appropriate for the

needs of the poorer members of the community” (Wright 2000). The integrated approach however has a stronger impact on poverty alleviation (Murdoch and Haley, 2002b).

In conclusion, it should be noted that the services provided by many MFIs are in line with their objectives and reasons for existence. This may depend on:

- Their corporate objectives, for example; where do we want our clients to go?
- The demands of the target market, for instance, are many of the clients illiterates?
- The nature of the clients and the demands of the market.
- The existence of other service providers.
- An accurate calculation of the cost and feasibility in issuing the various services.

Sustainability is a key issue to micro-finance. This looks at the cost and benefit of the additional services provided. An MFI should design services and products that will meet the needs of the clients with an aim to alleviate poverty and improve their standard of living. These services should not also over burden the MFI with reference to its financial resources.



2.7 Microfinance in Ghana

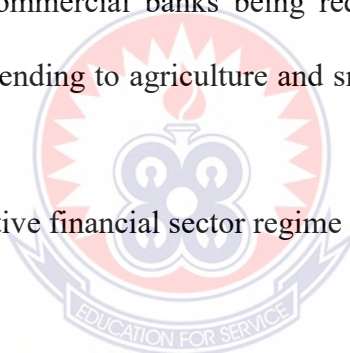
2.7.1 Country Profile

Ghana is located in West Africa and it is considered a developing country and rated as a fast growing economy. The economy of Ghana is one of the fastest growing in Africa. It is home to some 24 million people. (NPC, 2005). Microfinance is not a new phenomenon in Ghana. Women account for more than half of the population of Ghana and most are in the business of petty trading and small scale Agriculture. Ghana is home to a number of MFIs including Sinapi Aba, First Allied Savings and loans etc. In this section, the researcher will present a brief overview of microfinance in Ghana.

2.7.2 Evolution of Microfinance in Ghana

Microfinance has been helpful to many poor individuals in Ghana. The local term “Susu” denotes small funds granted to poor people to improve their standard of living. Asiama and Osei (2007) in their research revealed that over the years, the microfinance sector has thrived and evolved into its current state, thanks to various financial sector policies and programmes undertaken by different governments since independence. Among these are:

- Provision of subsidized credits in the 1950s;
- Establishment of the Agricultural Development Bank in 1965 specifically 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, to promote lending to agriculture and small scale industries in the 1970s and early 1980s;
- Shifting from a restrictive financial sector regime to a liberalized regime in 1986;



The policies have led to the emergence of three broad categories of microfinance institutions. These are:

- 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;
- Informal suppliers such as Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

2.7.3 Microfinance Institutions Network in Ghana

The Microfinance institutions in Ghana have been networked. This Network evolved from the concern of some Ghanaian Microfinance Institutions (MFIs) for the development of best practices in delivery of microfinance services. Their concern and initiative was promoted by a World Bank sponsored action research project, which sought to identify for wider application, innovative techniques of financial services delivery that had been successful in improving access of micro entrepreneurs to financial services.

(GHAMFIN, 2009).

Among their Aims include the coordination of MFI's activities in Ghana to ensure the development and sustenance of the MFI industry in Ghana. This they seek to achieve through the provision of training to its members to improve the service delivery of MFI to their clients, to help promote financial integration, to develop an information base on the microfinance industry in Ghana. Their other activities include capacity building, research knowledge development and publications, network management and marketing and public relations.

2.7.4 Stakeholders of Microfinance in Ghana

Again Asiama and Osei (2007) in their research came out with the structure and key microfinance stakeholders in Ghana. It consisted of the following:

- **Microfinance Institutions**, including The Rural and Community Banks, Savings and Loans Companies, Financial NGOs, Development and commercial banks with microfinance programs and linkages, Micro-insurance and micro-leasing services.
- **Microfinance Apex Bodies, namely:** Association of Rural Banks (ARB), ARB Apex Bank, Association of Financial NGOs (ASSFIN), Ghana Cooperative Credit

Unions Association (CUA), and Ghana Cooperative Susu Collectors Association (GCSCA)

- **Supporting Institutions:** Microfinance and Small Loans Center (MASLOC); The Ghana Microfinance Institutions Network (GHAMFIN); Development partners and international non-governmental organizations; Universities, training and research institutions.
- **Government Institutions:** Ministry of Finance and Economic Planning, Ministries, Departments, Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs), Bank of Ghana.

2.8 The Challenges and Criticisms of Microfinance

There have been criticisms to the microfinance approach to poverty alleviation. Some are discussed below:

- **Microfinance does not reach the poorest of the poor.**

Despite the concept of microfinance, targeting poor people, there are still challenges faced by poor people in trying to access credit. Ironically, these same institutions sometimes shy away from very poor people. The first reason that microfinance does not reach the poorest of the poor is because of discrimination by the loans officers (Simanowitz and Walter 2002). Poor people often lack collateral and the possibility of default is high. Poverty is a cancer in society. Very poor people often tend to withdraw away from public hence it is unlikely that Microfinance will actually attract these very poor people. The problem of adverse selection may also channel funds to people who are not the target of Microfinance. The exclusion of the poorest from microfinance is not an indication that the poorest cannot benefit from MFI services, but rather, it is an indication

of the failure of MFIs to design programs to fit the needs of destitute families (Marcus, Porter, and Harper 1999).

- **Microfinance is potentially harmful to women**

This might probably be a bit baffling for the mind, but it has been proven that Microfinance may eventually stir up conflict in the home more especially in developing countries. When the success of a woman threatens the esteem of her husband, there is likely to be a counter attack. For instance, a man may decide to control the use of her wives income and may channel them for his own benefit at the expense of profitable investment of household support. Some men feel that women's independence is a direct threat to traditional patriarchal power (Murdoch and Haley 2002c). In some cultures, if a man's wife works, and most especially if she generates more income than he does, it degrades the man's sense of masculinity (Cheston and Kuhn 2002f). This can lead to a power struggle as the man attempts to regain dominance over the household and in some cases; it escalates to domestic violence against women (Murdoch and Haley 2002d; Cheston and Kuhn 2002g).

- **Borrowing may create a heavy debt for some poor families**

It has earlier been explained that Microfinance involves poor people. It is likely that they may not be able to repay their loans. Furthermore, information asymmetry might lead to moral hazard which will have an effect on the ability to repay the loan. Economic conditions such as high inflation rate has the potential of increasing the interest rate of borrowing which can also affect payment in due time.

- **Microfinance is not universal in application**

Microfinance cannot be utilized by the very young, the old, the sick, or physically or mentally handicapped (Versluysen 1999a). Microfinance programs are also charged with excluding rural settlements devoid of infrastructure or access to markets. The most biting indictment against microfinance is that it requires the poor to be entrepreneurial (Versluysen 1999b). This is conflicting because not everyone has that entrepreneurial spirit to quickly take initiatives. One should bear in mind that people are dynamic and may not be addressed with just one particular style or model in order to alleviate poverty.

2.9 Conceptual Framework

The review of subsisting literature provide the commencement point in developing a conceptual framework to understand the impact of microfinance on women in Ghana in the study of Sinapi Aba Trust in the rescind context. After reviewing the literature, four factors were identified. These factors are depicted in the conceptual framework for this study (exhibit 2.1) which are Improving standard of living on women, microfinance and women empowerment, main source of income to beneficiaries family and poverty alleviation of women through microfinance.

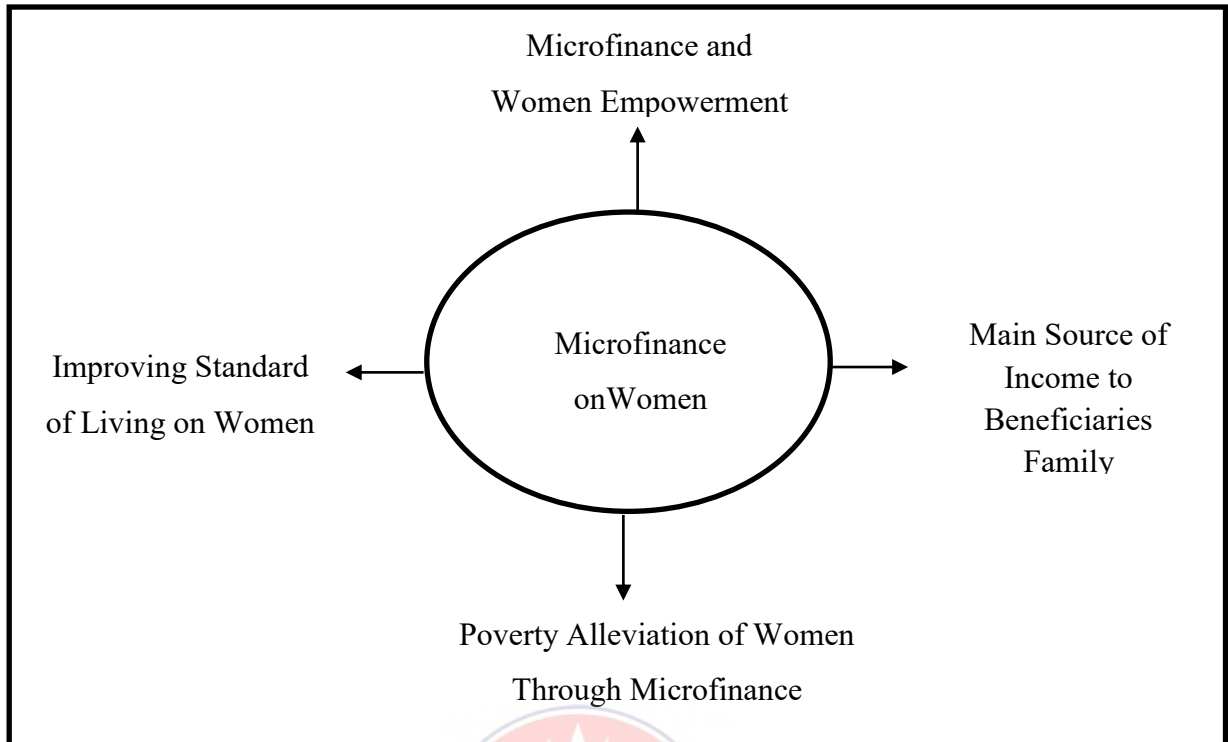
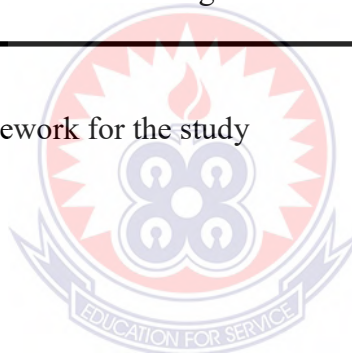


Exhibit 2.1: Conceptual framework for the study



CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter intends to focus on the research methods adapted for the study. The researcher outlines the main sources of data. The main sources will be primary and secondary data. These will be analyzed using statistical techniques that will help to interpret data and draw conclusions in the next chapter. It will focus on the relevant key areas in the following sub sections:

3.1 Sources of Data

3.2 Population of the Study

3.3 The Sample of the Study

3.4 The Data Collection Technique

3.5 The Method of Data Analyses

3.6 The Institutional Profile

3.7 Model Specification



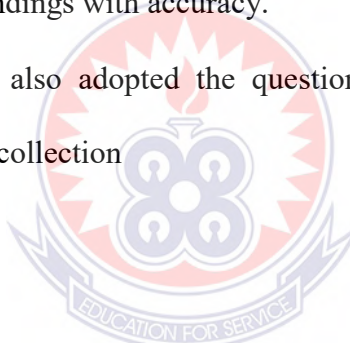
3.1 Sources of Data

3.1.1 Primary Data

The researcher undertook the study in selected areas of Kumasi to calculate the impact of Microfinance on women. The nature of the Kumasi metropolis and the trade industry makes it ideal and convenient to undertake this research (Kumasi has a number of Microfinance institutions to carry the research. Also, markets like the ‘Bantama’, ‘Kejetia’, ‘Dominase’, and ‘Kotwi’ made it easier to interview the women in question). This was through the use of questionnaires and Interviews. Primary data was the main source used in this research.

The researcher justifies the choice of using interviews and questionnaire owing to the following reasons:

- The nature of the work involved interaction with women to find out on how microfinance has affected them, hence the interviewer questionnaire technique. A sample of forty of them was verbally interviewed with questionnaire, outlining all the possible questions required under the study.
- Not all the women were totally illiterates, those who could were allowed to fill out questionnaires and present them to researcher. I aided this category as well.
- Interviews were conducted with some Staff of the MFI about the organization and the performance of Microfinance scheme. The questions were thoroughly and carefully balanced to address the findings with accuracy.
- The researcher therefore also adopted the questionnaire techniques as one of the effective tools to aid data collection



3.1.2 Secondary Data

The researcher used a little of secondary data as part of his methodology. Secondary data included that which company had already collected.

3.2 Population of the Study

The population of this study covers women only; these were mainly located at the Bantama, Central, Kotwi, and Dominase markets.

3.3 The Sample of the Study

A sample of 40 women were taken. These were all clients of the Central Market Branch of Sinapi Aba Trust. However, in order to avoid concentrating on only women from the

central market, researcher visited three other places: Bantama, Kotwi and Dominase to collect the data. Thus the forty (40) women were from different geographical locations within the Kumasi Metropolis, and were all clients of the Central market Branch of Sinapi Aba Trust. This sample was able to provide the researcher with all the credible information needed for the study. The sample was obtained using Taro Yamane's formula below:

$$n = \frac{N}{1+N(e)^2}$$

$$n = 45 / 1.1625$$

$$n = 38.71$$

$$n = 40 \text{ sample size}$$

NB: n = Sample Size, N = Total Population

e = Margin of error, 1 = Statistical Constant

The researcher adopted a non-probability sampling and the required technique for the administering the questionnaires was convenience sampling technique. Because, this technique made it easier for the researcher to get access to the respondents amidst their busy schedules.

3.4 The Data Collection Technique

The researcher developed a questionnaire to collect data. These were sent to the places and markets of interest. Visitations were made to the Kumasi Central Market Branch of Sinapi Aba Trust to collect information about the company. Some female clients who were within the company's premises at the time of the researcher visit were interviewed with a questionnaire. Trips were made to Dominase and Kotwi. The Bantama Market was also

visited to further interview some of the market women. Questionnaires were given to women who could read and write to fill. Those who could not read or write were aided with translation while the researcher filled the traders questionnaire based on their answers. The researcher used the filled questionnaires for analysis. Verbal interview was conducted on some staff of Sinapi Aba Trust. Important notes were documented as the interview was being conducted.

3.5 Data Analyses Technique/Method of Data Analyses

Data was analyzed using the SPSS. Results were designed to show a clear relationship between microfinance and its impact on women. Valid conclusions were drawn after careful analyses and interpretation of data.

3.6 The Institutional Profile

Sinapi Aba Trust (also referred to as “Sinapi”, SAT or the Company) is a Christian Non-Governmental Organization (NGO) established in 1994 as one of the implementing partners of Opportunity International Network (OIN) - an International Christian Non-governmental Organization with the headquarters in Chicago, US. SAT is also a member of the Grameen Foundation. Majority of the institutional profile was made available to researcher from the company’s website.

The company was formed to primarily provide small and micro-credit services to viable small and micro-enterprises which lack financial assistance from the formal banking institutions due to obvious reasons such as lack of adequate collateral security. The name *Sinapi Aba*, which is the local name of the biblical mustard seed (Matthew 13:31-32), was adopted because it depicts the magnitude and potentials of the assistance that the

organization provides to its clients, if those who receive the assistance manage it with prayers, commitment, integrity, honesty and hard work. It also connotes that although the clients are poor people, their meager savings could mature into a gigantic “tree” if done with the above attributes.

Mission and Vision:

The company’s mission is to serve as the mustard seed through which opportunities for enterprise development and income generation are provided to the economically disadvantaged but active poor to transform their lives. In pursuing this mission the goal is to be the finest most effective and efficient leading non-governmental institutions in Ghana. For this reason, Sinapi Aba Trust(SAT) delivers a broad range of services that meet clients’ needs at reasonable professional fees and interest rates, which are competitive and consistent with our market expectations and efforts towards financial sustainability.

Sinapi’s vision is to become an institution dedicated to building a nation under the Almighty God where the strong help the weak and all the people have the dignity of providing for themselves, their families, their church and the community. In pursuing this vision, the aim is to be the market leader in the provision of micro-credit services in Ghana and a standard by which other institutions in the microfinance industry measure performance.

Main Activities:

Sinapi Aba Trust (SAT) proffers small financial assistance and entrepreneurial training, and advice individuals within micro-enterprise in the following sectors:

Manufacturing

- Tailors
- Shoe makers
- Plastic/leather bag make
- Furniture makers

Fig 0. 1 Manufacturing



Food Industry

- Chop bars/local restaurant/food sellers
- Ice cream producers/bakers/confectionary
- Restaurants

Fig 0.2 Food Industry



Small Trade Industry

Retailers in agricultural products like beans, maize, yam, tomatoes and groundnut

Fig 0. 3 Small Trade Industry



Fig 0.4 Service Industry

Service Industry

- Communication centers
- Hairdressers
- Schools
- Handicrafts/ sculpture
- Artistes



- **Agricultural Sector**
 - Poultry/vegetable growers

Sinapi Aba prides itself in **two** mainstream programs:

- Provision of micro-finance services to the economically active poor in Ghana.
- Non-financial and consultancy services to microfinance clients or implementers and other development oriented institutions.

Social intermediation:

Group formation

Sinapi Aba Trust encourages group formation among marginalized individuals in order to enter into solid business relationships. People have the privilege of choosing their own members, who are usually people in the same trade or sectors that *SAT* focuses on.

Through this group formation, they offer group lending through;

1. **Trust Board** – these are for lower income people who usually sell on tables. Their savings (progressive) are usually used to guarantee for each other. They are usually a client size of 40 people. They use the co-system. Loan size also small usually up to GH ₵1,500.00
2. **Solidarity**- the group size is usually smaller than that of Trust Board. This group is for individuals with their businesses established in little kiosks. Loan size also bigger than that of Trust Board, starting from GH ₵1,500.00
3. **Enhancement Solidarity**—this group size is also smaller than that of solidarity with the loan usually higher ranging from GH ₵5,000. Even though they are in a group, they also provide collateral.

These systems are all just to build trust. The names even connote such. The reason for this is that when there is a default, the rest of the members repay the outstanding balance. As such individuals will go in for people they trust; this enhances screening and makes it easier for the institution to trust them.

3.7 Model Specification

For the researcher to observe the effect of the explanatory variables or microfinance on women, the logic model below was adopted as treated by Damodar (2004).

$$Y_1 = a + B_1X_1 + B_2X_2 + B_3X_3 + \epsilon$$

Where:

Y_1 = Microfinance on woman (ie dependent variable)

X_1 = Improving standard of living through microfinance

ϵ = The random error

X_2 = Microfinance and women empowerment

X_3 = Main source of income to beneficiaries family

X_4 = Poverty alleviation of women through microfinance

Y_1 = Dummy variable ($Y_1 = 1$, if misstatement is detected, $Y_1 = 0$ if misstatement is not detected)

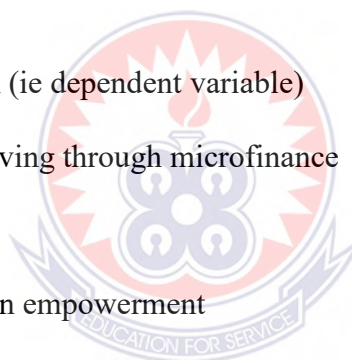
X_1 = Dummy variable ($X_1 = 1$, if affect microfinance on women, $X_1 = 0$ if otherwise)

X_2 = Dummy variable ($X_2 = 2$, if affect microfinance on woman, $X_2 = 0$ if otherwise)

X_3 = Dummy variable ($X_3 = 3$, if affect microfinance on women, $X_3 = 0$, if otherwise)

X_4 = Dummy variable ($X_4 = 4$, if affect microfinance on women, $X_4 = 0$, if otherwise)

All the independent variables are the same as explained above



CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.0 Introduction

This chapter analyses data collected from the field. The main objective of the chapter is to relate the theoretical issue to the real situation on the ground.

4.1 Socio-economic data on market women:

This gives the personal data pertaining to their age, size of dependents, level of formal education among other personal data.

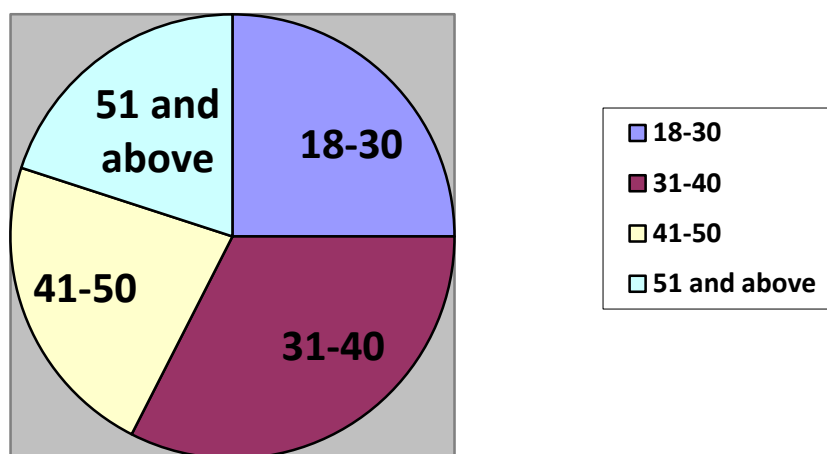
Table 4.1 Age of Respondents

| Age | Frequency | Percent |
|--------------|-----------|------------|
| 18-30 | 10 | 25 |
| 31-40 | 13 | 32.5 |
| 41-50 | 9 | 22.5 |
| 51 and Above | 8 | 20 |
| Total | 40 | 100 |

Source: Researcher's Field Survey, 2017.

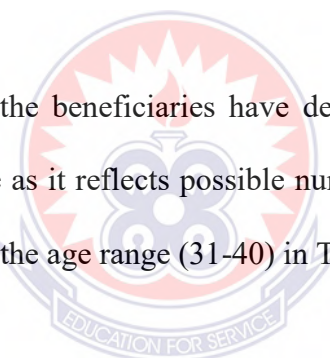
From table 4.1 above, majority of the women interviewed fall within an age range of 31-40. This is logical, as it constitutes persons who can still work to earn a living and be able to later pay back the loan. Therefore majority of the beneficiaries are women in the active age group.

Fig. 4.1 Size of Dependents



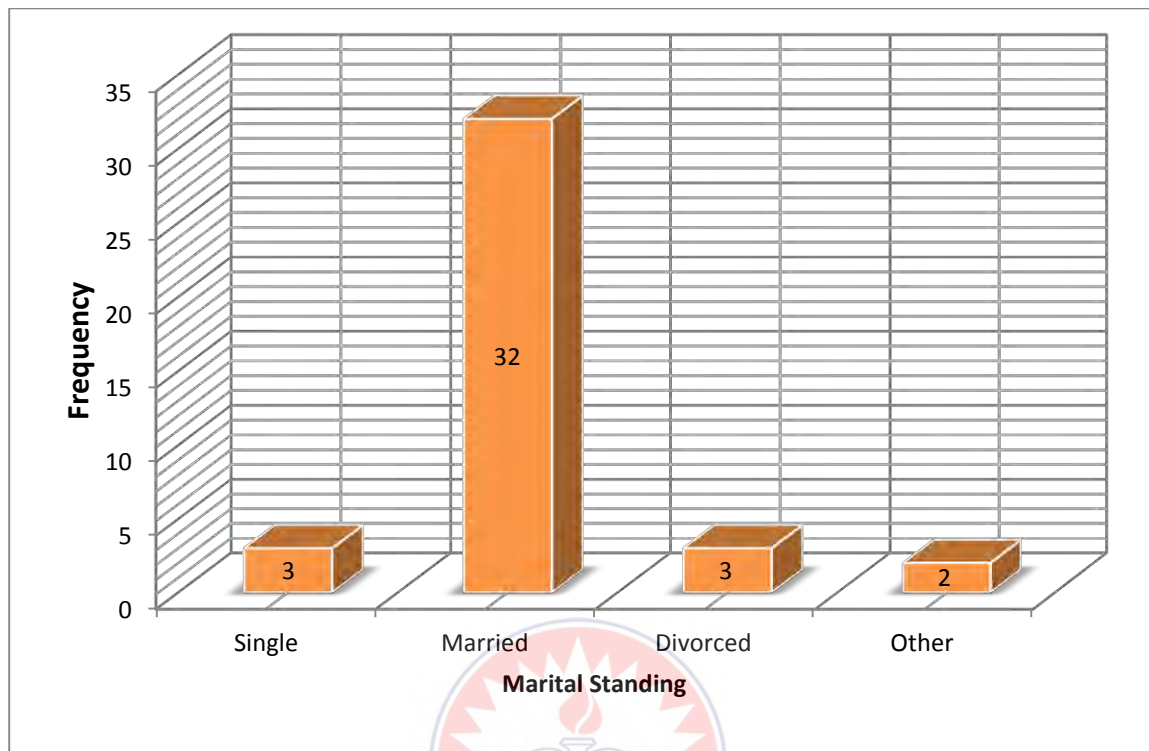
Source: Researcher's Field Survey, March 2017.

Figure 4.1 reveals that 31 of the beneficiaries have dependents ranging from 1 to 5 in number. This is especially true as it reflects possible number of children the beneficiaries may have from the majority of the age range (31-40) in Table 4.1



4.2 Marital Status of Respondents

Figure 4.2 Marital Standing



Source: Researcher's Field Survey, March 2017.

Figure 4.2 reveals that majority of the women were married. Thirty-two (32) out of 40 indicated they were matrimonial. Aside the source of funds from the MFI, some of them had other monetary supports from their husbands. Three of them were however divorced.

4.3 Hypotheses

The following hypotheses will be tested for the study on the impact of micro-finance on the livelihood of women in Ghana, more specifically, Bantama in the Ashanti region.

Ho: Microfinance does not have a positive impact on the livelihood of women in Ghana.

Hi: Microfinance has positive impact on the livelihood of women in Ghana.

4.4 Empirical Results and Discussion

The section presents and discusses the empirical results of the study. Participants of the study were asked about their occupation.

4.4.1 What kind of business do you do?

Table 4.2: Occupation of Clients

| Occupation | Frequency | Percentage |
|--------------|-----------|------------|
| Trading | 19 | 47.5 |
| Service | 11 | 27.5 |
| Others | 10 | 25 |
| Total | 40 | 100 |

Source: Researcher's Field Survey (2017)

From Table 4.2, we can see that most of the women in the study are engaged in petty trading since 19 respondents, representing 47.5% undertake trading as their occupation. Trading in this instance takes the form vegetable and foodstuffs trading, “Second hand clothes”, etc. Whereas 11 of the respondents, constituting 27.5% are in the service business, 10 of them, representing 25% are into other occupations.

4.4.2 Do you consider the interest rates charged by MFI's as high?

The researcher sought to know if the interest rate charged by the MFI's is high.

Table 4.3: Interest rate charged by MFI's

| Response | Frequency | Percentage |
|-----------------|------------------|-------------------|
| Yes | 40 | 100 |
| No | - | - |
| Total | 40 | 100 |

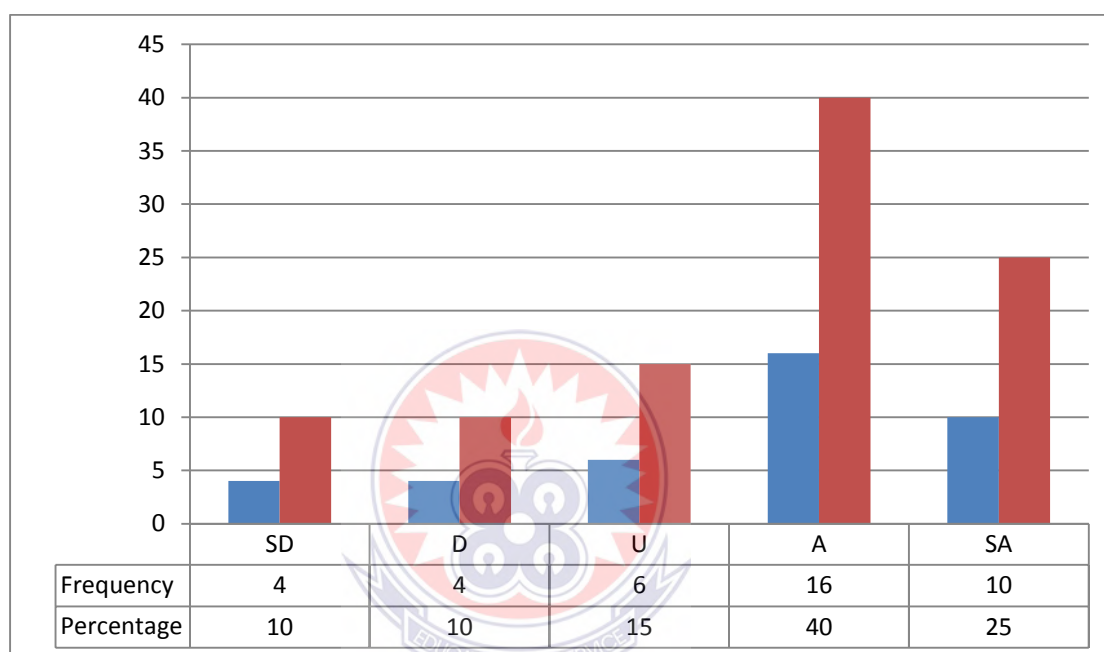
Source: Researcher's Field Survey (2017)

The data in Table 4.3 demonstrated that 40 of the respondents, representing 100%, vehemently agreed that the interest rates are high. It is argued that most of the MFI's charge high interest rates for sustainability. On the contrary, the MFI's are for profit motives so they charge high interest rates to maximize profits for their shareholders at the end of the financial year. This proposition is largely accepted by Julien (2009), Mitra (2009) and Chun (2013). They believe that MFI's charge high interest rates because of operational cost, cost of fund, loan losses and profit maximization. However, industrial experts in Ghana have bemoaned the high interest rates, and accused the MFI's of abusing the system and charging 50% or more annual interest rates. As a result of this, it is argued that the MFI's are increasing the burden of the poor, paving way to a vicious circle of debt and poverty (Kumar, 2006). Although, there is no proof to support this claim in Ghana, however, some empirical evidence in some countries gives credence to these propositions (see Mitra 2005; Rhyne 2001; Shylendra 2006; Sinha and Matin 1998) for the veracity and verisimilitude of this proposition.

4.4.3 To what extent has micro-finance credit you obtained from the MFI's improved your business as well as the standard of living of your family?

The study sought to juxtapose the interface between microcredit and the household well-being of MFI's clients.

Figure 4.3: Standard of Living



Source: Researcher's Field Survey (2017)

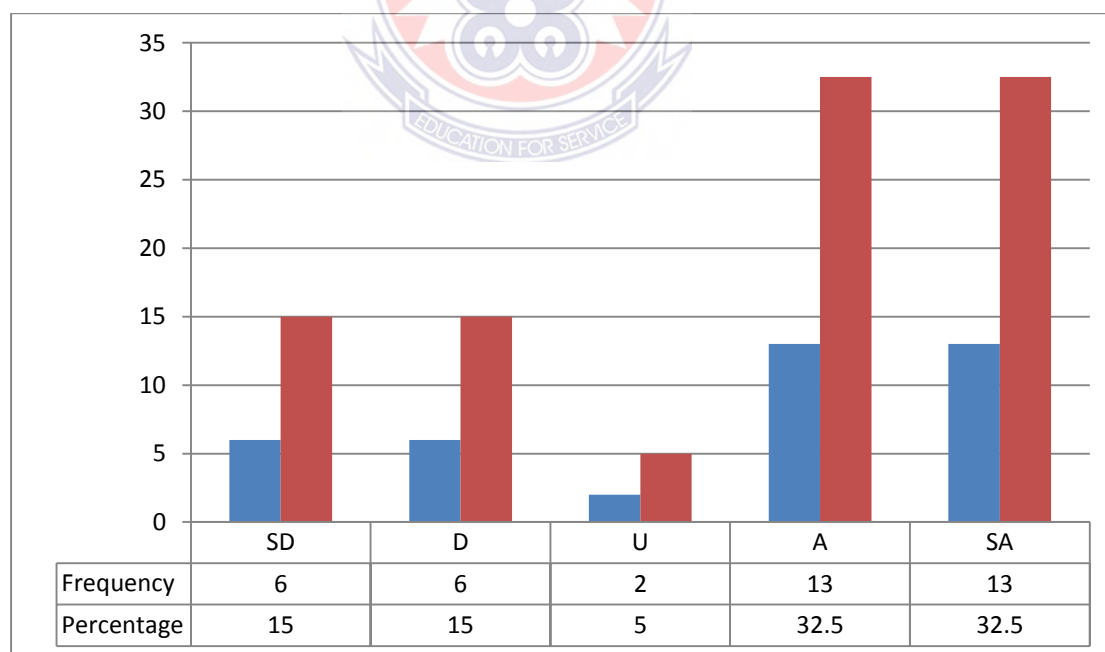
The respondents, as depicted in Figure 4.3 show that 16, representing 40%, passionately alluded to the fact that, loans from MFI's improved their business and standard of living of their family. 10 respondents, representing 25% also subscribed to MFI's ameliorating their standard of living. On the other hand, 4 of the respondents, constituting 10% fanatically rejected that micro-credits have improved their businesses and the well-being of their families. Whilst 15% of the 40 respondents were adamant. In average, the responses demonstrated that, 26 of the respondents representing 65% agreed that loans from MFI's have impacted positively on their

business and the standard of living of their families. Despite plethora situations of customers losing their “hard earned monies” to some unscrupulous MFI’s like DKM, Diamond Microfinance etc. the average response of 65% remains indicative of the fact that, MFI’s are still indispensable in providing funding to women and crucial in alleviating poverty whilst improving economic growth respectively. The Bank of Ghana should therefore, take measures to regulate these MFI’s instead of banning them from their operations.

4.4.4 To what extent have MFI’s increase Income and employment?

The study investigated if taking part in MFIs programmes does increase income and employment opportunity.

Figure 4.4: Income and Employment Generation



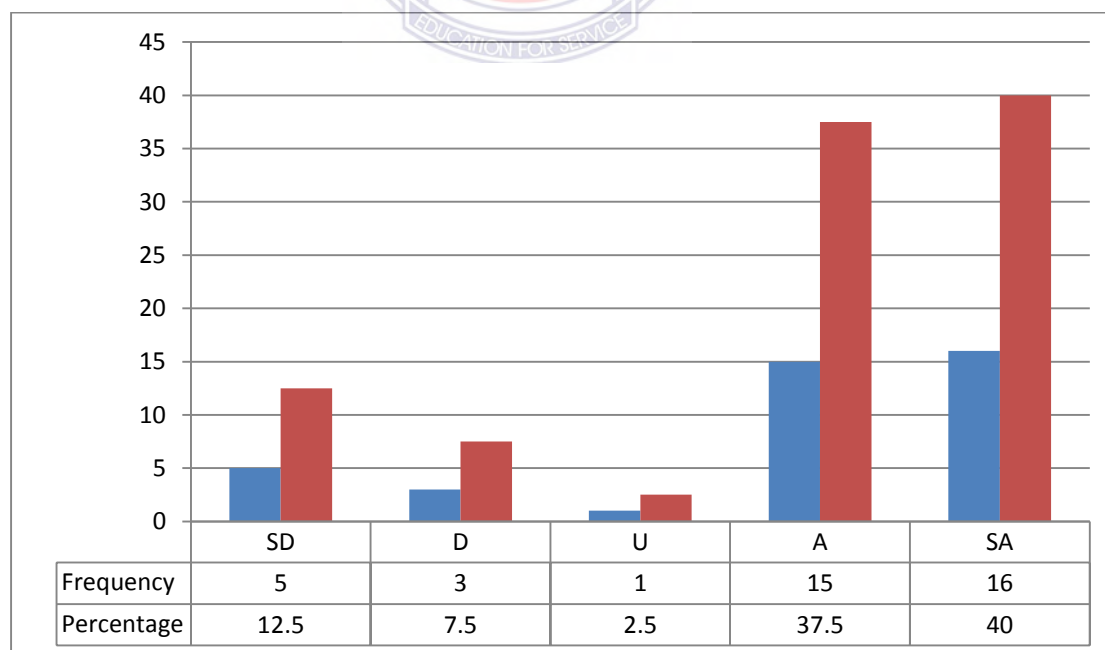
Source: Researcher’s Field Survey (2017)

The data and corresponding analysis as shown in Figure 4.4 above indicated 6 of the respondents, representing 15% strongly disagreed that income and employment have increased. Also, 15% also buttressed this claim which represented 6 respondents, 2 respondents representing 5% were undecided on the question while 13 respondents, constituting 32.50% agreed that income and employment have increased. This is followed by another 13 respondents epitomizing 32.50%, significantly attesting to the fact that participating in MFI's augmented their income and employment. In all, an average of 26 respondents comprising 65% agreed that income and employment have increased since taken part in the MFIs programmes.

4.4.5 Have MFI's loans empowered you since you started taking loans?

The data collected examined the empowerment of women as a result of micro-credits.

Figure 4.5: MFIs Empowerment



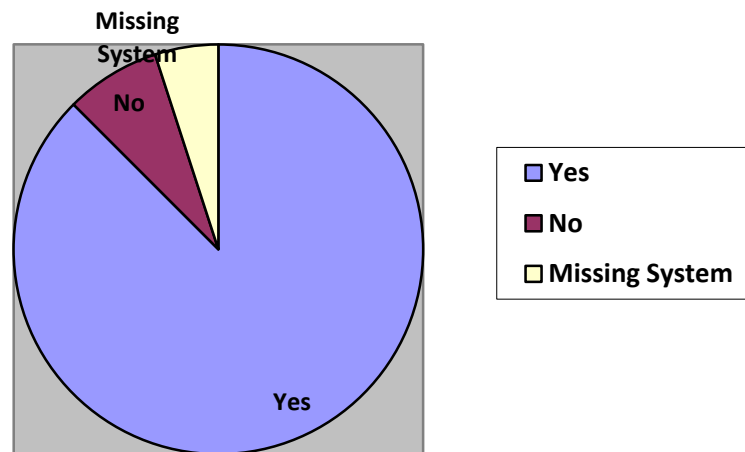
Source: Researcher's Field Survey (2017)

Figure 4.5 illustrates that out of the 40 respondents, 5 comprising 12.50%, dramatically disagreed that they have been empowered from the MFI's programmes, 3 of the respondents constituting 7.50% agreed with this. Only 1 respondent representing 2.50% abstained from answering the question. Besides this, 15 of the respondents comprising 37.50% said that micro-loans from MFIs empowered them. While 16 of the respondents, representing 40% emphatically accepted that MFI's have empowered them. A total of 8 respondents that corresponded to 20% rejected the notion that MFI's empowered them. Holistically, an average figure of 31 respondents consisting of 77.5% acknowledged that micro-credits empowered them significantly.

4.4.6: Repayment performance/ Loan recovery:

Sinapi Aba Trust educated researcher that the loan recovery from clients was 90% within the repayment period. This confirmed statistics the researcher obtained on loan recovery from the field study. Loans were given with training. The obvious is the 40 day business training as revealed by the staff. They are educated on how to use the funds and guard against moral hazard. Loans were to be used for business activities, mainly buying and selling or trading and not for the purchase of fantasies and luxurious items. They are admonished to work hard to pay the loan on time. They were also advised to do compulsory savings as part of the loan agreement. Future access to loans depended on the ability of the client to prove a good credit rating. They are threatened with police action in case of loan default.

Fig. 4.6: A chart displaying the number of women who were able to repay their loan on schedule



Source: Researcher's Field Survey, March 2017.

Figure 4.6 represents the number of women who were able to meet their business obligations in terms of loan repayment. The 'Yes' area represented those who could pay, the 'No' area is for those who could not pay. This information was gathered from the field research. In addition, 35 out of 40 representing about 88% of them could pay the loan within the payment period. This is valid because it is so close to the company's statistics (90%) for loan recovery.

4.4.7 Loan performance

Many of the borrowers were successful with the loan. This was also due to the business training conducted by the company. Two of the staff took the researcher round Bantama market and Dominase to some of the business transformation indicators of some of their clients. They usually visited the business centers of the clients and occasionally meet them in groups to monitor progress and performance

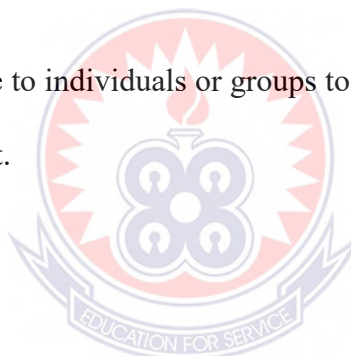
and also to provide the necessary help needed. This also led to the encouraging recovery of 90% within the payment period.

4.5. Discussion of the two Main Approaches used by the MFI

There are two main approaches to Microfinance: The Minimalist Approach and the Integrated Approach. Sinapi Aba trust practices these two approaches. As explained in chapter two, the Minimalist Approach is characterized by the provision of financial intermediation which includes the provision of financial products and services. These financial services include:

Loans

Loans are made available to individuals or groups to help them inject capital into their business for development.



Savings

SAT has incorporated within its Trust Bank and individual loans methodologies the concept of both progressive and compulsory savings. Compulsory savings are directly linked to credit disbursement. This can also be used by the client as collateral (collateral savings) in order to access loan from the institution.

Insurance

This is known as client welfare scheme. This is only for their clients. Clients can insure their loans against unforeseen contingencies like death, serious illness (stroke, mental handicap) fire outbreak. This is 2% of any loan the client takes from the institution.

Money Transfer

Sinapi Aba Trust has joined a network of money transfer called Cash 4 Africa. This also is only for their clients. An MFI may also adopt social intermediation. Social intermediation can be understood to be the process of building the human and social capacity required for sustainable financial intermediation. These are usually done through groups. Sinapi Aba Trust encourages group formation among marginalized individuals in order to enter into solid business relationships. Loans may therefore be given in groups.

Integrated Approach however combines Financial and Social intermediation with Enterprise development services and Social Services. The elements of the integrated approach have also been adopted by Sinapi Aba Trust. One of the company's core strength is the delivery of micro-credit with education.

The company integrates training programmes into the delivery of micro-finance services. Areas covered include:

- A. Entrepreneurial Skills
- B. Credit acquisition and wise use of credit
- C. Basic accounting principles and savings
- D. Good customer care

The research has already touched on some of the enterprise development services like business training and Managerial advice. Social services of Sinapi Aba Trust however are the periodic donations and contributions they make to the environment and institutions as part of the company's social responsibility to the environment.

Researcher summarized the approaches used and their degree of extent in the table and figure below:

Table 4.4: A table showing the extent to which Sinapi Aba Trust uses the integrated approach

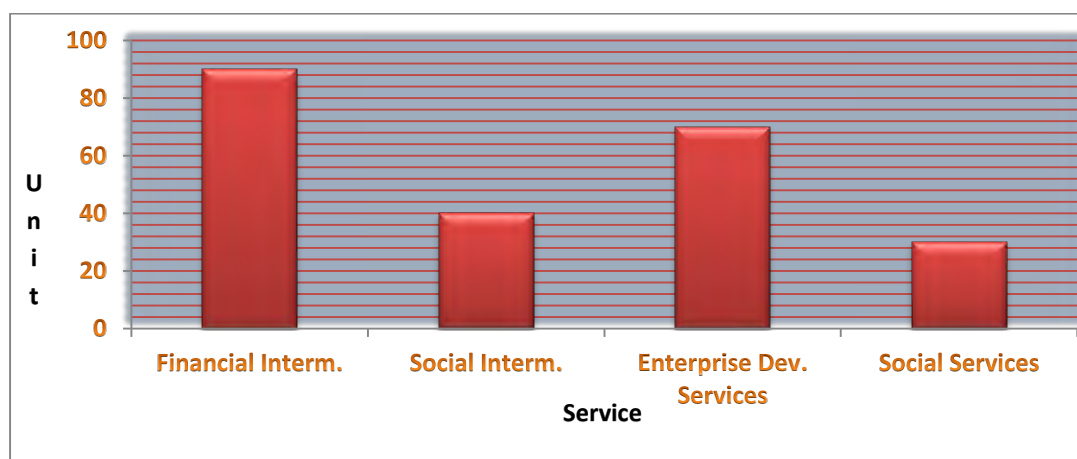
| Service | Financial Intermediation | Social Intermediation | Enterprise Development Services | Social Services |
|---------|--------------------------|-----------------------|---------------------------------|-----------------|
| Unit | 90 | 40 | 70 | 30 |

Source: Researcher's Field Survey, March 2017.



The graph of the table is presented below. Discussions to these follow after figure 4.7 below:

Fig 4.7: A graph showing the extent to which Sinapi Aba Trust uses the integrated approach



Source: Researcher's Field Survey, March 2017.

From Table 4.4 and Figure 4.7, it is observed that MFI offers four main services, the first two being Minimalist approach and the last two being the integrated approach. There are more units of financial and enterprise development services than social intermediation and social services. It should be noted that services of an MFI depends on their products, services and mission.

4.6 Testing of Hypotheses

The researcher used to test, otherwise called students to test in testing the hypothesis. Significant level of 5% is adopted for the study using the model $Y_1 = a + B_1X_1 + B_2X_2 + B_3X_3 + 3$

Where:

Y_1 = Impact of Microfinance on woman (ie dependent variable)

X_1 = Improving standard of living through microfinance

ϵ = The random error

X_2 = Microfinance and women empowerment

X_3 = Main source of income to beneficiaries family

Y_1 = Dummy variable ($Y_1 = 1$, if misstatement is detected, $Y_1 = 0$ if misstatement is not detected)

X_1 = Dummy variable ($X_1 = 1$, if affect microfinance on women, $X_1 = 0$ if otherwise)

X_2 = Dummy variable ($X_2 = 2$, if affect microfinance on woman, $X_2 = 0$ if otherwise)

X_3 = Dummy variable ($X_3 = 3$, if affect microfinance on women, $X_3 = 0$, if otherwise)

X_4 = Dummy variable ($X_4 = 4$, if affect microfinance on women, $X_4 = 0$, if otherwise)

Table 4.5: Inferential Statistics for the independent Variables

| Variable | T | Df | Sig. (2-tailed) | Mean Difference | SE of Difference |
|--------------------|--------|----|-----------------|-----------------|------------------|
| Main incomes | 45.002 | 63 | 0.075 | 15.03 | 0.334 |
| Standard of living | 2.412 | 63 | 0.067 | 36.59 | 15.166 |
| Empowerment | 6.072 | 63 | 0.056 | 1.48 | 0.244 |

From Table 4.5, the inferential statistics of the independent variables, they all have significant level of importance above the 0.05 indicating that microfinance has significantly improved the incomes levels, standard of living and empowerment of women as their significant percentages range 0.075, 0.067 and 0.056 respectively.

This is similar to the responses of the figures summarized below:

4.6.1. H1: MFI's have impacted the livelihood of women positively.

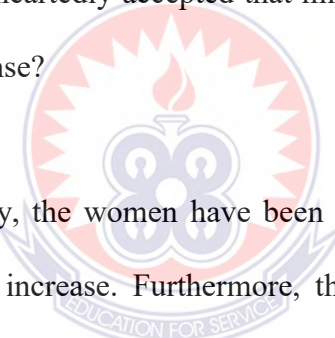
It is evident from the study that 26 of the respondents, representing 65% as shown in Figure 4.3 attested to the fact that micro-credits from the MFIs increase their well-being visavis their standard of living. The household well-being of members of the family of the respondents revolves around quality education for their children, access to medical facilities and having balance diet. Prior to the taking of loans from MFIs, they lacked good standard of living. Also, 65% of the respondents that said micro-finance increased their household well-being validated the empirical deduction of Rai and Ravi (2011); Wright (2000); Hashemi (2003); Morduch and Hashemi (2003); Robinson (2001); (Noponen, 2005); (Marconi and Mosley, 2004); Chowdhury and Bhuiya (2004) and Hashemi et al. (1996). Furthermore, Kabeer (2005) stated that *“it becomes apparent that while access to finance services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does “automatically” empower women.”*

Additionally, Income generation- Microfinance is a key element in promoting employment, helping the poor to increase their income and thereby creating jobs.

As depicted in Figure 4.4 supported the assumption that micro-finance generates income and increase employment for the female clients. With a total of 26 respondents forming 65%, positively agreed that micro-finance loans lead to income and employment generation. Before a female client is allowed to take a loan from the MFI's, she is supposed to be operating a savings account for six months period, after that she now has access to micro-loan. The loan and savings constitute an income to the client. The loan is used for the expansion of the business and profit from such

expansion act as an income. At times, loan facilities can be used to open another shop in another part of the city.

Since the owner of the first and second shops cannot sell in the two shops at the same time, she has to employ someone with the requisite gumption and connoisseur of skills to sell at one of the two shops. This positively correlates with the assumption that MFI's create employment. For more empirical evidence on how micro-loans increase income and employment to clients (see Chowdhury, et al. 1991, Kamal, 1996) and Mawa, 2008). More so, MFI'S inure to women empowerment in answering the first hypothesis as illustrated in Figure 4.5, we can see that 31 of 40 respondents constituting 77.5% wholeheartedly accepted that micro-loans have empowered them. Empowerment in what sense?

The logo of the University of Education, Winneba, is a circular emblem. It features a central figure that appears to be a stylized lamp or a similar symbol, surrounded by a sunburst or starburst pattern. The text "UNIVERSITY OF EDUCATION" is written around the top inner edge of the circle, and "EDUCATION FOR SERVICE" is written around the bottom inner edge. The logo is semi-transparent and overlaid on the text.

Evidenced from this study, the women have been economically empowered due to income and employment increase. Furthermore, they do not need to wait at their spouses for money before they can send their children to school or to visit a doctor. With their profits from their businesses and savings in the MFIs, their household well-being has been enhanced. Littlefield et al. (2003) posited that, women can be empowered when they have access to micro-credits which give them the impetus to be more confident, self-assured and be more proactive. According to Littlefield et al. (2003), in Nepal, 68% of women in an empowerment programme were making decision on the buying and selling of property, sending their female children to school and making decision on family matters. In addition to this, they found women in Ghana and Bolivia in micro-finance programmes to have increased self-confidence and improved their morale in the community (ibid.).

4.6.2 Regression Analysis

The results for the regression analysis are presented below.

Table 4.6: Model Coefficients for the dependent variable (Impact of Microfinance)

| Variables | Coefficients | Std. Error | Test | Sig |
|----------------|--------------|------------|-------|-------|
| (Constant) | 1.370 | 1.794 | 0.583 | 0.445 |
| Y ₁ | 3.011 | 1.445 | 4.343 | 0.037 |

From the p-values of the test in the last column of Table 4.3, all the variables are statistically insignificant at the 0.05 level of significance because their p-values are less than 0.05 signifying its insignificance. Ho: Microfinance does not have a positive impact on the livelihood of women in Ghana.

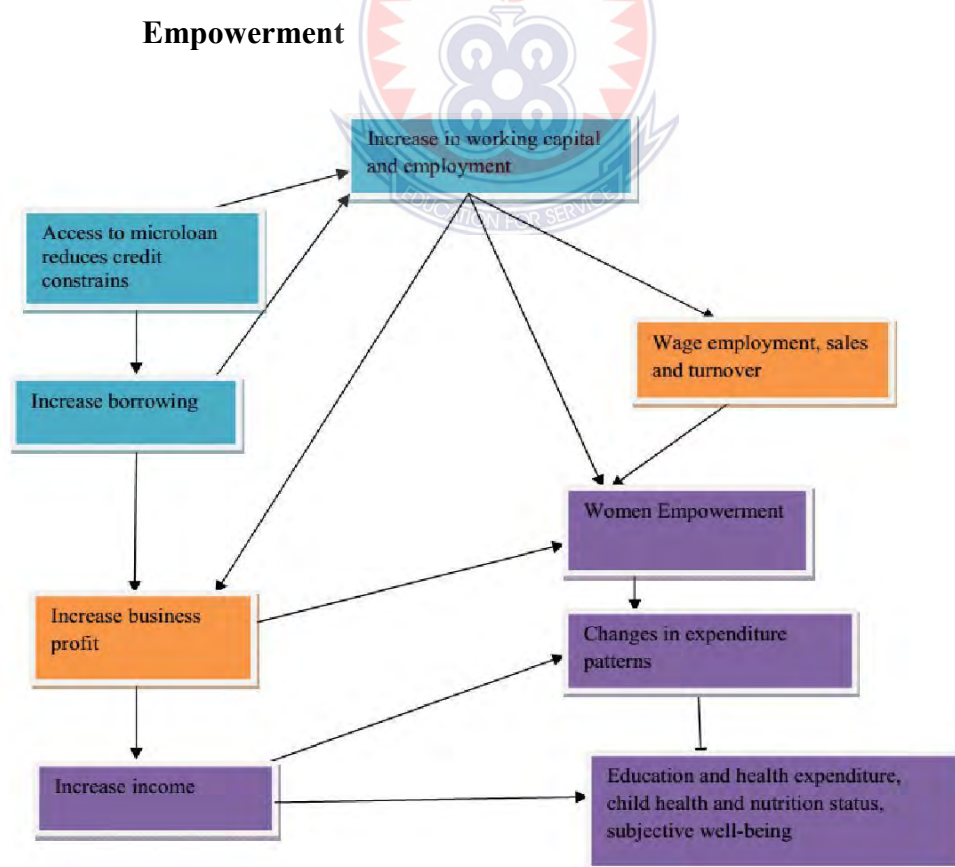
From the study it was observed that, 4 of the respondents, constituting 10% in Figure 4.3 fanatically rejected that micro-credits have improved their businesses and the well-being of their families, whilst 6 of the respondents in figure 4.4, representing 15% strongly disagreed that income and employment have increased through MFI's. Figure 4.5 illustrates that, out of the 40 respondents, 5 comprising 12.50%, dramatically disagreed that they have been empowered from the MFI's programmes overall, one could say that microfinance institutions have positively impacted on the livelihood of women in Ghana, and Bantama in the Ashanti region.

4.6.3 Hypothetical Impact Chain of Micro-Credits Empowering Woman

Taking a clue from the data above, this section explores the casual chain on how micro-credits facilitate women's empowerment. Figure 4.8 below depicts the

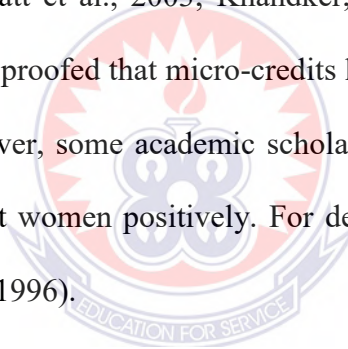
scenario. MFI's use enlightenment campaigns and adverts to let potential clients know the benefits of micro-credits. Women are the most sought clients, these women approach the MFI's and they open savings account, after six months they are entitled to take loans. These loans act as their working capital, which they use to expand their business. However, not all the loan beneficiaries use their loans for the intended purpose of expanding their businesses. There are plethora instances they use the loans for social activities such as funeral donations, wedding ceremony and the christening of newly born babies. Those who are successful with their loans can also approach the MFI's for a second loan after successfully settling their first loans. The blue boxes in Figure 4.8 demonstrate this as the input.

Figure 4.8: A Simple Causal Chain from Micro-credit & Savings to Women's



Source: Adapted from Duvendack et al (2011)

The orange boxes in Figure 4.8 represent the impact of the loans that these women have taken from the MFI's. If their businesses expand due to investment, there is the likelihood for increase in profits, income and employment. Figure 4.4 gives credence to this assumption. However, not all who take loans from the MFI's can make profits or break even. The efficacies of micro-credits of loan beneficiaries as seen in the purple boxes in Figure 4.8 can be compartmentalized into social, economic and political empowerments. In a nutshell, micro-credits lead to women empowerment. Figures 4.3, 4.4 and 4.5 from the data gathered from respondent's buttresses this assumption. The empirical deductions of (Schuler & Hashemi, 1994; Hashemi et al., 1996; Schuler, 1996; MckNelly & Dunford, 1998; Morduch, 1998; Pitt & Khandker, 1998; Mahmud, 2003; Patt et al., 2003; Khandker, 2005; Lakwo, 2006; Pitt et al., 2006; Rai & Ravi, 2011) proofed that micro-credits have a significant positive impact of women clients. However, some academic scholars have criticized the notion that micro-finance can impact women positively. For details on this (see Adams & Von Pischke, 1992 & Rogaly 1996).



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The main objective of this study was to investigate the impact of microfinance on the livelihood of women in Ghana, more specifically, Sinapi Aba Trust Ltd in the Ashanti region. Also, the study sought to find out the factors that affect access to microfinance and their impact on businesses, income, insurance, education, food and household decision making. After perusing through the data collected for the study, the following synopsis on the major findings were gathered.

5.1 Summary of Key Findings

In the course of this study, the following findings were divulged:

5.1.1 Most of the women who patronize the MFI's are traders, others are in the service business; in Table 4.2, 19 respondents, representing 47.5% undertake trading as their occupation. Trading in this instance takes the form vegetable and foodstuffs trading, "Second hand clothes", etc. Whereas 11 of the respondents, constituting 27.5% are in the service business

5.1.2 The MFI's charged high interest rates to their clients; For instance, in Table 4.3, 40 respondents, representing 100%, vehemently agreed that the interest rates are high. It is argued that most of the MFI's charge high interest rates for sustainability. On the contrary, the MFI's are for profit motives so they charge high interest rates to maximize profits for their shareholders at the end of the financial year. This proposition is largely accepted by Julien (2009), Mitra (2009) and Chun (2013)

5.1.3 The women's household well-being has ameliorated as a result of taking part in MFI's project; 26 of the respondents, representing 65% as shown in Figure 4.3 attested to the fact that micro-credits from the MFI's augment their well-being visavis their standard of living. The household well-being of members of the family of the respondents revolves around quality education for their children, access to medical facilities and having balance diet. Prior to the taking of loans from MFIs, they lacked good standard of living. Again, 65% of the respondents that said micro-finance increased their household well-being validated the empirical deduction of Rai and Ravi (2011); Wright (2000); Hashemi (2003); Morduch & Hashemi (2003); Robinson (2001); (Noponen, 2005); (Marconi and Mosley, 2004); Chowdhury and Bhuiya (2004) and Hashemi et al. (1996). Furthermore, Kabeer (2005) stated that *“it becomes apparent that while access to finance services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does “automatically” empower women*

5.1.4 Micro-loans increase the women's income and generate employment ; More than half of the women testified that they have been empowered for being part of micro-finance projects. In Figure 4.4, 13 respondents, constituting 32.50% agreed that income and employment have increased. This is followed by another 13 respondents epitomizing 32.50%, significantly attesting to the fact that participating in MFI's augmented their income and employment. In all, an average of 26 respondents comprising 65% agreed that income and employment have increased since taken part in the MFIs programmes.

5.1.5 Summary of findings based on the approaches to Microfinance used by the MFI. The two main approaches used by Sinapi Aba Trust are the Minimalist and Integrated Approaches. The Elements of the minimalism approach are:

Financial intermediation where Sinapi Aba Trust provides financial services like loans and savings for their clients.

Social intermediation: Sinapi Aba Trust builds the human capital needed for the effective performance of the loan. Example is the group formation that promotes solidarity among members.

The Elements of the Integrated Approach are a combination of financial and social intermediations coupled with enterprise development training and social services:

Enterprise Development Services: is the delivery of micro-finance with education. Sinapi Aba. Trust integrates training programmes into the delivery of micro-finance services example; entrepreneurial skills, credit acquisition and wise use of credit, basic accounting principles and savings and good customer care.

Social Services: Sinapi Aba also tends to donate and contribute to community developments in areas of education and health, but these donations are made to some organizations in a form of their corporate social responsibility.

5.1.6 Summary of findings based on the impact of Microfinance on the business, family and community of women.

Microfinance thus has also contributed in the business boom of most of the clients interviewed. It should be noted that the enterprise development training offered by the MFI has also contributed to the success of their businesses. This leads to another phenomenon known as the integrated approach (discussed in chapter two) where the MFI does not only provide financial intermediation but also develops the human capital needed to help the performance of the loan. Enterprise development is a clear example of this. There was also a positive reflection on the families of these women. Majority of them could contribute to the financial needs of the family. Research also showed that women can play great roles in their community as shown in the previous chapter.

About 31 one out of the total sample of forty could play significant roles in their societies due to micro financing. Duties such as general monetary contributions and taxes result from empowerment. Recall from chapter two's review of relevant prior literature that men typically contribute 50 to 68% of their salaries to the collective household fund, whereas women "tend to keep nothing back for themselves." (Chant, 2009). Researcher findings on this also showed that 36 of them representing 90% experienced in improvement in family poverty alleviation whereas as a result of that 34 out of the total sample of forty, representing 85% could effectively contribute to decision making. These agree with the study and hence justify the fact that women are more likely to channel their finances for the immediate benefit of their families and the socio-economic development of their communities.

5.2 Conclusion

The study evaluated the impact of MFI's on women's empowerment, using the Bantama sub metro in the Ashanti region. All the women attested to the fact that the interest rates are high. Furthermore, a large percentage of the women agreed that MFI's credit facilities augmented their incomes, standard of living, employment etc. and as a result of these, they have been empowered. In addition, the study was based on a small scale with just 40 respondents and only in the Bantama sub metro. As a result of this, the outcome of the study cannot be generalized in the analytical term. Further studies need to be done on a wider coverage to determine how MFI's empower women.

It was evident from the study that, women continue to play important roles in the socio-economic developmental aspects of life. Their input in the family cannot be over emphasized. This research has proven that monetary access to poor women does not only enhance their financial status and individual livelihood but also has an impact on their families, businesses and communities, thus the poverty alleviation of the woman has a multiplier poverty alleviation effect, which the researcher named "chain reaction." The empowerment of the women enables them to effectively contribute to their participation in the family in decision making and community input as well. The poor indeed are bankable.

The findings from the study, showed the good credit rating of women in their ability to repay the loans. This research has shown that it is necessary to develop the human capital as part of the micro loan process. This was discussed in the various approaches adopted by Sinapi Aba Trust which are the Minimalist and Integrated Approaches.

Recommendations have also been made concerning loan size, services, development of MFIs, loan recovery, further studies, to mention but a few. From this research, the researcher concluded to a towering extent that Microfinance indeed has had positive impact on living standards, empowerment and poverty alleviation of women.

5.3 Recommendations

The primary objective of micro-finance policy is to make financial services available to the poor, especially the women who are being considered to have an impediment to access loans from conventional banks. From the findings of the study, all respondents agreed that interest rates are high. As a result of this, many women will be denied access to credit facilities. The government, policy makers and stakeholders should peg the interest rate to be reasonable for clients. Further to this, the regulatory authority, such as the Bank of Ghana should sanction any of the MFI's who increase interest rate arbitrarily, and further view the emergence of MFI's as a blessing in disguise so that future policies won't envisage banning the operations of MFI's due to the behavior of the few recalcitrant ones.

The researcher would also recommend that the first finding concerning the improvement of financial standing and living standards of women owing to micro financing. Several women clearly complained of the size of their loan, they said although the positive effect of Microfinance was being felt, they could do better if the loan size was increased to enable them inject more capital into their businesses. These women proved to be good credit raters by their ability to repay. However, in order not to increase risk of default to the MFI, more appropriate training and extra monitoring should accompany an increase in the loan size. Those with long term customer

relationship with Sinapi Aba Trust, by this researcher mean, for instance, those who have accessed the loan say, more than three times, and have good repayment and investment should be considered first in the loan increase. This, researcher believes in further increase their financial status and savings and improve their individual living standards.

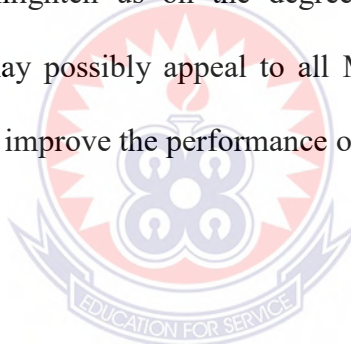
Based on the finding pertaining to the effects of Microfinance on the business, family and community of women, Microfinance has a multiplier (chain reaction) effect. Researcher second finding proved that a sound financial standing of the women will benefit her family, business and society. The woman commands respect and is more involved in decision making. Her business booms and has more to support her children, husband, society as proved by the research. This means, financial access to the poor can further alleviate poverty and improve communal input. This indirectly contributes to the socio-economic development of the nation as a whole. The problem here in is that because regular financial institutions shy away from these poor people, how can they give them this financial access? The government therefore should pay more attention to the Microfinance Sector in Ghana. Rules and regulations concerning this sector should be made flexible for the establishment of more MFI's to enable them carry on banking services for the poor. GHMAFIN can play a principal role in this regard.

The researcher discovered that the loan recovery rate (within the repayment period) for these women is 87.5% which is close to 90% as stated by the company. This is a good testimony and shows that it is possible to provide financial service to the poor. Researcher thinks the company is doing well in this regard, and also with the trainings and strategies applied in the loan process which has contributed to this good rate. This

is a good testimony and they should continue and even strive to further increase the loan repayment rate to 99.99% and above!

Based on the findings above on the approaches used by the MFI, the entity should carry on with the way they do their things since it has contributed to their overall banking success and also brought about competitive advantage over MFIs who only adopt the minimalist approach.

Researcher makes recommendation for further study on the effect of integrated approach to Microfinance on the socio-economic and human capital development of women. This would enlighten us on the degree of relevance of the integrated approach, and which may possibly appeal to all MFI's in Ghana to redefine their products and services to improve the performance of Microfinance.



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APPENDIX A



UNIVERSITY OF EDUCATION, WINNEBA
(COLLEGE OF TECHNOLOGY EDUCATION, KUMASI)

(QUESTIONNAIRE FOR MARKET WOMEN)

Impact of Microfinance on Women (A case study of Sinapi Aba Trust, Kumasi)

Questionnaire as a methodology to aid data collection and presentation

Kindly provide me with your details by helping completing this form.

A. Personal Data

- Age: 18-30[] 31-40[] 41-50[] 51 and above []
- Size of dependents: 1-5[] 6-10[] 11-15[]
- Marital standing: Single[] Married[] Divorced []
- Employment Status: Self-employed [] Working for someone []
Currently unemployed []
- Level of formal Education: SSS [] Polytechnic [] Bachelor's degree []
Masters Degree [] Other [] None []
- Specific Occupation.....
- Classification of Occupation: Trading [] manufacturing [] Service []
Heavy duty [] Food processing [] Agriculture [] Other []
- Major Source of Funding: Rural Bank [] Credit Unions [] Venture
Capital [] MFI [] Relations and Friends []
Others.....

- Minor Source(s) of finding: Rural Bank [] Credit Unions [] Venture Capital [] MFI [] Relations and Friends []
Others none []
- Place of Residence.....

B. Impact of Microfinance on individual livelihood:

Has there been an improvement in your personal living standard as a result of microfinance?

Yes [] No []

If yes, how?

If no, why?

Does Microfinance enable you run a savings account as a result of extra cash to spare?

Yes [] No []

What are some challenges you face in obtaining your loan?

[] repayment problems

[] Screening process

[] Moral Hazard Influence

[] Loan Size

Other (Please specify).....

None []

C. Impact of Microfinance on business/occupation.

• Is your business booming owing to micro financing? Yes [] No []

• If yes, in what major aspects of your business has been transformed?

- Increased cash inflow
- broader asset base
- Physical Expansion
- Knowledge of the market

Other (Please specify)

- How many new employees have you recruited as a result of business improvement?.....
- What are your average current sales as compared to the past?
 GH¢.....per day presently as compared with GH¢.....per day in the past
 GH¢.....per week presently as compared with GH¢.....per week in the past
 GH¢.....per month presently as compared with GH¢.....per month in the past
 GH¢.....quarterly presently as compared with GH¢.....quarterly in the past
- Have you benefitted from any enterprise development training pertaining to your business? Yes No
If yes, what form did it take? (Eg business training, technological skills, managerial advice, savings advice, etc; Please specify).....
.....
.....
- Is the business able to meet its current obligations? (Loan repayment, target sales, etc) Yes No
- Where is the location of the business?.....
.....
- How many new branches have you established as a result of Microfinance?.....

D. Impact of Microfinance on family

- Has your family seen an improvement in poverty alleviation through your access to microcredit? Yes [] No []

- How has Micro credit improved your family's living standard?
 - [] Feeding
 - [] School fees
 - [] Health
 - [] Other

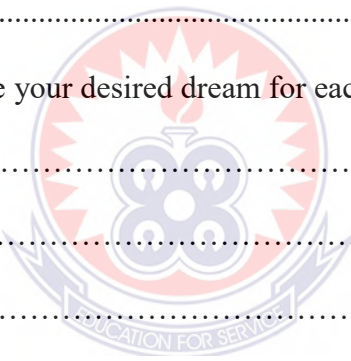
- Are you respected in your family?.....
For which reasons.....
.....
.....

- Do you contribute effectively to family decision making?.....
.....

- What is the main source of income to your family? About what percentage of the total income comes from you?
.....

- Has Microfinance really improved the **financial** standing of your family?
.....
If yes, how?.....
.....
.....
If no, why not?.....
.....

- What other services have you benefited from the MFI?
.....
.....
.....
.....
- How has these contributed to your living standard in terms of:
 - a. Personal Savings?.....
 - b. Basic Necessities?.....
 - c. Skill acquisition?.....
- Do you have any future plans concerning your business, family, self?.....
.....
- If yes, briefly state your desired dream for each of them in the next five years:
Self.....
Family.....
Business.....
- How do you think MFI or the benefits you have gained are going to help you achieve these?.....
.....
.....



E. Impact on Society

- Have you been empowered in your society owing to micro financing and/or business training?
- How does your society distinguish you?

- In your own words, briefly give a brief account of the positive contribution you make to your society/community as a result of micro financing

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