

THE EFFECTIVENESS OF SINAPI ABA MICROFINANCE ON THE LIVELIHOOD OF RURAL WOMEN: THE CASE OF THE EAST GONJA DISTRICT OF THE NORTHERN REGION OF GHANA.

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Abstract

Microfinance is currently being promoted as a key development strategy for promoting poverty reduction and empowerment of women economically. This is because of its potential to effectively address poverty by granting financial services to households who are not served by the formal banking sector. The central focus of this paper is to examine whether the provision of financial services improve the business outcome of loan beneficiary. The paper adopted the mixed method research design to carry out its scientific investigation and employed multi – stage sampling technique to select 470 respondent. The overall results suggest that loan beneficiary enterprises have expanded while their business status improved while non- loan beneficiary enterprises and their business status have declined. It is recommended that, there is a need for human capital development of rural women so as to improve market access and financial information flows. There should be intensification of the functional literacy programme for adults being run by the non-formal Education Division (NFED) of the Ministry of Education; together with the Association of Microfinance Institutions, Rural and Community Banks, the Department of Community Development and agricultural extension services particularly in the area of record-keeping and planning.

Keywords: Financial Services, Microfinance, Credit, Businesses, Sinapi Aba, Ghana.

1. Introduction

Microfinance is the provision of a wide range of services such as credit, insurance, savings, deposit and payment services to poor and low-income households who are excluded from conventional financial services for lack of collateral [1] ; [2] ; [3] ; [4]. According to [2] the term microfinance refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings, credit; insurance and payment services. In addition to financial intermediation, many Micro Financial

Institutions (MFIs) provide social intermediation services such as group formation, development of self-confidence and training in financial literacy and management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a developmental tool. Microfinance activities usually involve :

Small loans typically for working capital.

Informal appraisal of borrowers and investments.

Collateral substitutes, such as group guarantees and compulsory savings.

Access to repeat and larger loans, based on repayment performance.

Streamlined loan disbursement and monitoring.

Secure savings products.

The practice of modern microfinance started with the establishment of Grameen Bank by Mohammed Yunus in 1976 which successfully demonstrated that extending credit to the very poor especially women improved their fortune tremendously [5]. On recognising the invaluable benefits of microfinance delivery, a resolution (UN, Resolution, 53/197, 1998) was adopted by the United Nations and the year 2005 was declared as the international year of micro credit.

The people of East Gonja District depend primarily on rain - fed agriculture for their livelihoods. Low output and incomes especially among the vulnerable groups, therefore contribute to seasonal hunger, which characterizes the lives of the people (SEND Ghana, 2010). Culturally, women do not have authority over land as compared to their male counterparts. They cannot take decisions on their own without the consultation of their husbands ; neither do they have control over productive activities such as farming, fishing and properties. But these women usually contribute to farming activities such as harvesting of farm produce, planting, weeding, fertilizer application and transportation of the farm produce, which are then controlled by the men. In addition, these rural women support their husbands to provide some household needs such as buying of kerosene, paying children school fees, clothing the children, buying drugs, household provisions, and house maintenance among others. Once these women are married they have no financial independence but have a duty to find the resources to support their husbands to be able to fulfil their household needs, as well as their gender based responsibilities.

In sub - Saharan Africa and for that matter Ghana, the husbands are tied with the responsibility of providing certain household necessities such as foodstuffs, meat, cloths, providing shel-

ter and paying school fees. Women on the other hand, perform most of the domestic and child-care duties [6]. It is deemed that an increase in women income often leads to improved living conditions of their children and household members, which is often seen as an integral part of good mothering (ibid). The above notwithstanding, developing literature in micro-finance industry has established that women throughout the world, particularly in developing countries have little command over productive resources, as asserted by [7]. The most affected have been rural women who are restricted with respect to their access and control over important productive resources such as land, capital and entrepreneurial activities in which they can engage, given their household role and social norms (ibid). [8] noted that “the women entrepreneurs have contributed to investment in household agricultural production from non-farm enterprise production”. When food crop production fails and seed for the next production season are not available from household production, women have contributed to the purchase of seeds. However, the gradual extinction of institutional systems such as the extended family which provided food and care for all members, climatic and seasonal changes, as well as ecological considerations have brought in their wake undesirable situations which have deepened the plight of the rural women [6].

The main objective of microfinance schemes or programmes is to provide opportunity for the poor to access financial services in order to engage in income generating activities and to make them financially independent. This is expected to lead to economic empowerment of the poor rural women. According to [9], all over the world, women form majority of the poor because they are deprived of the paid job. However, despite many international agreements affirming their human rights, women are still much more vulnerable than men in all spheres of life either economically, socially, religiously and politically. It is argued that microfinance programmes have the potential to initiate a series of virtuous spirals of economic empowerment, increased well-being of women and their families and in wider spectrum, social and

political empowerment [10].

United Nations Development Fund for Women (UNIFEM) provides credit to women as away of strengthening them economically and politically. There have also been so many attempts in the past to solve or reduce poverty and empower women in rural Ghana. We have had the structural adjustment programmes and Economic Recovery Programmes that aimed at increasing the welfare of the people in urban and rural areas. We have also had microfinance Programmes such as Rural Finance Project (RFP), Rural Financial Services Project (RFSP) and Microfinance and Small Loan (MASLOC scheme). They all aimed at the provision of small loans to small and medium scale enterprises (SMEs). We have also had so many different models which were geared towards poverty reduction and improved the lot of rural women. The question to ask is that, are these women empowered socially, politically and economically as a result of microfinance services they have benefitted?

Several studies have been carried out on the effectiveness of microfinance, including Chua and Llanto (1996), [11] and [12]. However, their definitions of effectiveness were different from that stated in this paper. In particular, Chua and Llanto (1996), defined effectiveness as the ability of service providers to design and deliver financial products that meet the needs of the target clients. The measurement of effectiveness in their study was based on financial ratios and descriptive statements. Mean while, [11], compared the present- value social costs with the output of Grameen bank to analyse its cost effectiveness, thus, effectiveness in his study referred to the unit cost of output. He argued that cost effectiveness analysis is cheap (compared to cost benefit analysis) and it is a reliable way to measure the performance of microfinance. [13] studied "The Role of Microfinance in Asset-Building and Poverty Reduction: The Case of Sinapi Aba Trust of Ghana.

However, very few studies have been conducted to ascertain whether the financial institutions and the various interventions provided by the government, non-governmental and international organizations to empower women have had any pos-

itive impact. These deserve an in - depth scientific investigation so as to assess the effectiveness of micro - financing on women empowerment. It is against this backdrop that this paper seeks to analyse the effectiveness of Sinapi Aba microfinance on the livelihoods of rural women in the East Gonja District of the Northern region of Ghana.

1.1. Microfinance Evolution and Historical Development

The practice of modern microfinance started with the establishment of Gramend Bank by Mohammed Yunus in 1976 which successfully demonstrated that extending credit to the very poor especially women improved their fortune tremendously [5]. From the past to the present, the microfinance evolutions have been divided into three periods of time: before and during the 1980s, beginning of the 1990s, and the end of 1990s [14].

During the 1950s to 1980s, the microfinance service was restricted to the micro credit programmes subsidized by governments and donors with a focus on the agricultural sector [14]; [15]. The success of the micro credit programme in this period was out reach to the target clients, poor households and micro enterprises, by not requiring collateral.

From the shortcomings in the last period, gradual integration into mainstream financial sector started in the 1990s, which builds cost-efficient operations and expands the customer base, was applied by many microfinance programmes. In other words, microfinance programmes were transforming themselves into microfinance models by imposing financial sustainability as one of their objectives and extending their clients as generally poor people, not just the poor in the agricultural sector [14]; [15]. The prominent example is Grameen Bank. It should however be noted that governments and donor partners were still two important sources of capital for microfinance models in this period.

The end of the 1990s saw the transformation of microfinance models into microfinance institutions (MFIs) since operating in the form of microfinance models subsidized by governments and

donors was incompatible with the mainstream financial sector. This occurrence has resulted in a large scale of clients and qualified financial products; moreover, there has been the creation of networks that link MFIs together like commercial banks [14]. It is said that in this period (and presently) the border between MFIs and commercial banks are blurred. Microfinance evolution is summarise in Figure 1.

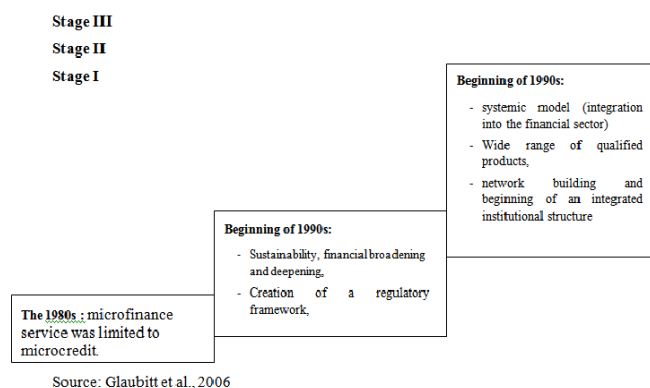


Figure 1: Microfinance evolution is summarise

The concept of microfinance in Ghana is not a recent phenomenon. Ghanaians have since time immemorial saved and borrowed in a bid to start a new business or boost existing economic ventures. Available literature suggests that the first Credit Union in Africa was established by the Canadian Catholic Missionaries in 1955 in the Northern part of Ghana (GHAMFIN, 2005). Microfinance popularly referred to as Susu have been practice in Ghana since the 1960s.

Microfinance in Ghana has evolved over the years, going through four main phases [16]. Stage one was basically the provision of subsidized credit facilities to individuals and enterprises by the state in the 1950“s under the assumption that the lack of capital was the cause of poverty. Stage two (1960s – 1970s) encompassed the provision of micro credit through Non-Governmental Organizations. Stage two, begun in the 1990s with the formalization of many micro finance institutions. The mid 1990s to date constitutes the last stage of the evolution of microfinance in Ghana, which has witnessed an increase in the commercialization of microfinance, as is evident from the number of MFIs currently operational in the country

(GHAMFIN, 2005).

According to [17]; [18] Microfinance in Ghana is categorized into three tiers; the formal sector which comprises of Commercial Banks, Rural and Community Banks (RCB“s) and Savings and Loans Companies (SLC“s). These institutions are incorporated under the companies code, 1963 (Act 179) and possess the legal identities as limited liability businesses. The second tier is the semi-formal suppliers of microfinance, and these include credit unions, financial non-governmental organizations (FNGOs) and Cooperatives. Whilst the third tier, which are the informal suppliers comprises of Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCA“s and ASCA“s), traders, moneylenders and other individuals.

The Bank of Ghana is the sole body responsible for licensing and regulating the operations of microfinance institutions (MFIs in Ghana are also supported by apex organizations such as the ARB Apex Bank, Ghana Cooperative of Credit Unions Association and the [19], [20].

Sinapi Aba Trust is an autonomous private non-governmental organization registered on May 30th, 1994 under the company’s code 1963 (Act 179) as a company limited by guarantee. SAT seeks to provide microfinance services to entrepreneurs in small and micro enterprises in Ghana with the objective of improving their business and enhancing income generation opportunities of the low income people to alleviate poverty, improve their standard of living, and consequently positively transform their lives. SAT is an implementing partner of Opportunity International Network, as well as a member of Grameen Foundation.

In 2011, Sinapi Aba Trust (SAT) – resolved to transform its financial service operations into a government regulated Savings and Loans Company (S&L) – Sinapi Aba Savings and Loans (SASL), one with controlling ownership remaining in the hands of SAT, a poverty-focused, non-government organization (NGO). Just prior to the conversion in 2013, SAT served nearly 150,000 clients through 48 branches in all ten of Ghana’s regions. During this same period, SAT success-

fully balanced serving the poor with financial sustainability: portfolio at risk over 30 days was just 2.8%, average outstanding loan size was \$803 (USD), and the vast majority of clients (85%) were women.

1.2. Conceptual framework

The conceptual frame work looks at two key definitions of effectiveness and empowerment and focus mainly on the model developed by [21], [22], [23], [24] which is adopted and modified to suit the purpose of this paper. They used their model to analyse the scope, domains and causations effects of microfinance on the services users. Their scope of analysis centres on individual and household levels with the assumption of pooled income.

The diagram (Figure 2) below explains the various linkages in the whole intervention process of measuring effectiveness of Sinapi Aba microfinance on its clientele.

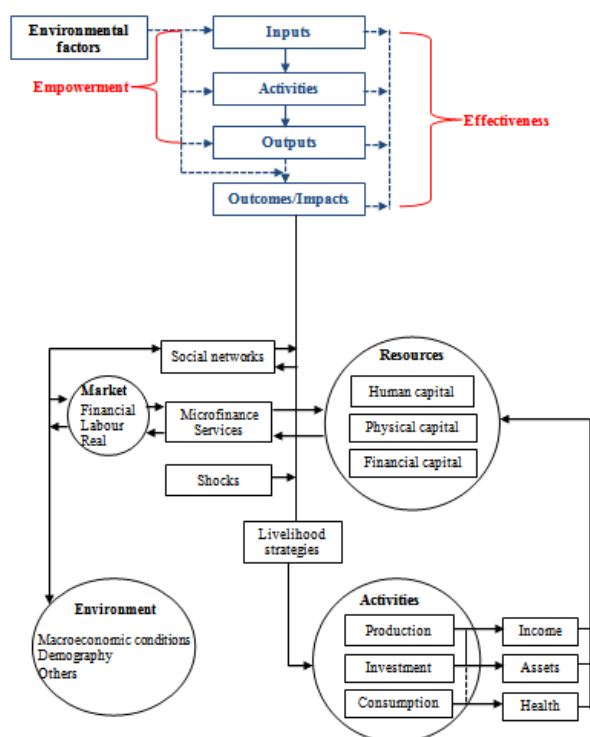


Figure 2: Conceptual Framework : Source Adopted and modified from [21], [22].

In general, “empowerment” refers to increasing the spiritual, political, social and economic

strength of individuals, households, societies and communities. It indicates the expression of self-strength, control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one’s values, capable of fighting for one’s rights, independence, own decision-making, being free, awakening, and capability [25].

Theological linkages among elements of microfinance intervention (see Figure 2) are as follows:

- If inputs such as set-up funds and workers are available then some activities can be organized.
- If activities such as group formation and member training are organised, then some outputs can be produced.
- If outputs such as number of clients, number of borrowers, and loan portfolio are realised then the desired outcome, mainly livelihood enhancement can be attained.
- Microfinance may create other impacts on clients such as empowerment of the women, improvement of the health care, and changes in rural financial policies.

· Apart from the above relationship, elements from microfinance interact through inverse linkages (i.e. inputs can be affected by activities such as outputs and outcomes).

· For example, outputs such as the number of saving accounts and saving portfolio created can determine the availability of loan able funds (i.e. one input) for then extend of operation. In addition, all elements of an intervention (i.e. inputs, activities, outputs, and outcomes) and their interactions are influenced by environmental factors such as the legal frameworks, locations, demography and infrastructure. For example, the number of poor households participating in microfinance would tend to be higher in communities located closer to markets (i.e. more off-farm job opportunities).

The term “effectiveness” in this paper refers to the ways in which Sinapi Aba microfinance interventions will achieve their desired outcomes. The effectiveness analysis shall investigate the whole intervention process of : mobilisation of inputs, production of outputs, organisation of necessary activities, and the achievement of desired outcomes.

The scope of analysis focuses on individual and house hold levels with the assumption of pooled income. Household resources are classified into three groups : human capital, physical capital and financial capital. This resource pool includes the house hold end owments that are mobilised from external sources, such as microfinance and social networks. Households use their resources pool for three sets of activities: consumption, production and investment (see Figure 2). Consumption includes activities to satisfy needs and wants using items such as food, clothing, health care, education, and entertainment. Consumption activities often do not contribute directly to the accumulation of physical and financial capital of households. However, consumption is important to maintain and increase productivity of human capital by ensuring good education and health status.

Production activities of house holds can be classified in to two groups : income-generating activities (including crop cultivation, animal husbandry, small business and wage labour) and activities to generate goods and services that are for consumption with in the house holds. Investment includes activities to build up resources and the asset base of the households for future periods. Products of investment may be tangible items such as real properties (e.g. land, houses), physical stores of wealth (e.g. jewellery), financial stocks (e.g. savings account), and productive assets (e.g. machinery). Investment may also be available in an intangible form such as social capital (e.g. streng then social networks) and human capital(e.g. pursuit of further education).

The distribution of resources among activities depends on the household livelihood strategies which were built based on resources available, environmental conditions, and shocks. Household resources and activities are recursively related. In particular, household resources are used for income generating activities, housework and investment. In return, production and investment generate income and additional resources that flow-back to the household. Consumption activities, although not expected to contribute directly to income and asset growth, play acrucial role in ensuring a healthy workforce for the household.

Overall, resources play both roles (i.e. asinputs and a soutputs)of household activities

2. Research Design

Considering the nature of this study, it was more appropriate to adopt the mixed method for this investigation. The justification to adopt this research designemanate from the fact that it tries to illustrate a decision or set of decisions and it help to explain why they were taken, how they were implemented and the results achieved [26]. Basically, the tools that were used for data collection are; questionnaires, interview guide and focus group discussion guide.

2.1. Target Population

The target population encompasses women who have been engagedin Sinapi Aba microfinance activities for at least 5years and live in the East Gonja District and non-loan beneficiary who live in the study area for at least 5 years. The researcher chosethe respondents with long experiences because they are well informed and know in detail the operational activities of the microfinance so they can reflect better to the research.

2.2. Sample Size

The total sample size for the study for loan beneficiary is 270 (error of 5% at 95%) level of confidence to determine the true population value within the range of margin of precision indicated. The study made use of Cochran’s (1977) formula for the determination of sample size for categorical variables. In order to obtain an adequate sample size devoid of the two most consistent flaws of sampling identified by [27] namely, error in the process of determining the size and also the disregard for response and non-response and non – response bias. The formula below was therefore used to calculate the sample size.

$$N_1 = \{N_0 / (1 + n_0 / \text{population})\}$$

Where

n 1 =required sample size

n0 = required return sample size according to cochran’s formula = 384

n0 is determined using the formula

$$n_0 = (t) (t) * (p)(q)/(d)(d)$$

Were t = value for selected alpha level of 0.25
in each trail = 1.96

(p)(q) = estimate of variance =.25

d= acceptable margin of error =.05

Population size =900

$$n_1 = 384/(1+384/900) \{ (384 /1+0.42) \}$$

$$n_1 = 270$$

However purposive sampling was use to select 200 respondent for non- loan beneficiary. Therefore the total sample size for the study was 470 respondent.

A multi – stage sampling technique was used for the research work. In the first stage, a stratified sampling technique was used to put the study area into strata (six area councils). According to the [28] Population and Housing Census (G.S.S) report, the East Gonja has a total of two hundred and ninety four communities which are grouped into six area councils.

In the second stage, purposive sampling was used to select four (4) communities from each respective area council. The selection process was based on the number of loan beneficiary in each respective area council. The higher the number of client in each respective area council, the higher the chance of been selected. The researcher was guided by the fact that the population is heterogeneous and to reduced sampling bias and ensures equal representation, the above sample strategy was employ.

The strategy was also employed to select non-loan beneficiary respondent in each of the selected communities in each of the respective area council. [29], argues that in purposive sampling the choice of respondent is guided by the judgement of the investigator.

In the third stage, going by the dictates of stratified sampling, the researcher further performed simple random sampling in each of the stratum (communities) to determine which loan beneficiary from the membership list to be interviewed. The process of sampling at random in each of the stratum guarantees equal opportunities for all the names on the list to be selected. To facilitate ease in the simple random sampling, each name on the membership list was assigned specific unique

number and no number repeated anywhere on the stratum. A computer algorithm was then used to generate random numbers from each stratum.

3. Data Analysis and Discussions of Results

This section is the presentation, analysis and discussions of results. The central focus of the study is to determine the effectiveness of Sinapi Aba microfinance on the socio economic livelihoods of the rural women.

3.1. The Extent to Which the Provision of Financial Services Influence clients Businesses

The scientific investigation shows that, the financial service provided by the microfinance generally, has a positive effect on the business outcomes of the rural women in the district. This was based on inquiry into the business outcome of loan beneficiary and non-loan beneficiary with in the study area with in the same period of time. Seven variables were selected to assess the effect of the interventions on the various dimensions of businesses of service users which were termed as business outcomes (See table 1). The study assessed changes in business outcomes inceservice client joined the intervention using the three-category ordinal response shown in Table1.

Table 1: Business Outcomes of Microfinance Intervention

Variables	Not at All	Marginal	Very Much
Expanded size of business	8.3	41.7	50.0
Added new products	43.3	28.7	25.0
Hired more workers	81.7	11.7	6.6
Reduced cost by buying in greater quantities	15.0	41.7	43.3
Improved quality of business	23.3	35.0	41.7
Developed new business	46.7	35.0	18.3
Increased business assets	21.7	41.7	36.7

Regarding whether clients have been able to expand their businesses as a result of being with the microfinance, 50 percent of service users said they had expanded their businesses very much. Data from the interviews revealed that most of the expansion in businesses occurred at the initial stages. This finding supports [30] assertion that informal businesses were unlikely to experience continuous growth. They claim businesses were more likely to reach a peak in growth after one or two cycles and there after remain in a steady state. About 41.7% of service users responded a marginal increase in their business. This reflects the norm : businesses expansion fluctuated with seasonal changes in demand for goods and services in the respective communities under study. Intotal, the quantum of expansion in business was rather small due to the perennial low demand for goods and services in the area of study, as the other variables will indicate.

The addition of new products refers to adding other products similar to that of the existing income-generating activity. For instance, a seamstress claimed to have started selling tailoring products (buttons, sewing thread, sewing machine parts, etc.) in addition to her normal sewing work. Adding new products was an important livelihood strategy for the poor women ; it essentially enabled them to reduce risk. When asked whether they had been able to add new products to their business ; about 43 percent of service users said they had not added any new products to their businesses, only 25 percent of respondents had very much added new products to their business. The addition of new products to an existing business was usually asporadic activity dictated by seasonalebb and flow of economic activity.

Does access to microfinance services help to hire more workers? Most service users (81.7 percent) did not hire more workers for their businesses. On the other hand when there was the need to employ some workers, interviews showed that wages were solow that , very few people were willing to work for the micro entrepreneurs. Some clients complained of the lack of labourers because few people were willing to work for the very low wages they paid. Interviews indicated that if

there was any need for labour service users, clients mostly rely on members of their house holds, a finding confirmed by [30] that rural microfinance hardly resulted in employment openings in informal micro enterprises. Buckley (1997) explains that in rural areas few informal businesses actually employ people on a consistent full- time basis. Other findings that support there as on why employment generation capability of microfinance interventions was modest were the limited rural markets which inhibited continuous business growth and the wides pread use of loans for purposes other than income - generating activities.

Buying in greater quantities in order to reduce cost was an often-used business strategy by interviewees. Majority of the service users (43.3%) had bought their goods in greater quantities as a result of the credit facility in order to reduce cost. A service user, claimed that as a result of the loans heno longer had to buy on credit at high prices from the middlemen : she could now afford to buy directly from the producers at relatively low prices. Severe fluctuations inprices of agricultural products mean tthat food vendors and other service users who used agricultural products in their income-generating activities or tradedin them could reduce cost by buying cheaply in bulk during the harvest season. While it is difficult to increase revenue due to poor markets, by buying in bulk, service users were able to reduce their input costs there by increasing the irprofit margins. Over80 percent of service users had employed this strategy intermittently (marginal)or consistently (very much) in their income- generating activities.

Quality of business products was concerned with making products and services more hygienic, safe and presentable. Some service users reported that initial training they received from the microfinance institution enabled them to improve the quality of their business products. Food vendors, for example, were schooled on how to make their food hygienic, safe and presentable. The majority of service users (41.7%) said the quality of their business products had improved very much (see Table 1).

Although business or occupational diversification is considered an important livelihood strat-

egy for the poor, close to half of service users had not developed a new business. About 46.7 percent of service users had not developed new businesses. An average of 18 percent of service users answered very much to development of new businesses.

The final variable examined how microfinance had enabled service users to increase their business as sets. About 36.7 percent of service users claimed to have consistently increased their business as sets as a result of being with the interventions. Close to half of service users said they increased business as sets intermittently. Like expansion in size of business, consistent increase in business as sets were mostly limited to the initial stages of joining the intervention. [31], observed a similar pattern in Burkina Faso where women made a one-time investment in productive capacity (buying larger cooking pots, improving markets etc.) in their first years with the intervention and the reafter invested very little in as set accumulation.

4. Non-Loan Beneficiary Business Outcome

Table 2: Business outcomes of non-loan beneficiary

Variables	Not at all %	Marginal %	Very much %
Expanded size of business	61	29	10
Added new products	57	30	13
Hired more workers	80	11	9
Reduced cost buying in greater quantities	67	20	13
Improve qualities of business	71	17	12
Develop new business	59	21	10
Increase business assets	75	13	12

Emanating from the probed was that 61 percent of the respondent indicated their inability to expand their business. They respondent said they

do not have enough capital to expand their business. They pointed out clearly that their source of funding are from three source, their own savings, families and friends which are usually small.

As high as 75 percent of respondent said they were unable to increase business asset as indicated in Table 2. Clearly, in so long as business are unable to increase in size, ability to increase business remain insignificant. This reflected further in huge quantum of respondent unable to improved quality of their business which stood at 71 percent. Again the study revealed that a large proportion (80%) of non-loan beneficiary were unable to hire workers. They attest to the fact that their profit margins are relative very low and in most cases non - existent. They engaged the services of their families and friends to take care of their business any time that they are absent.

Regarding whether non beneficiary have been able to reduced cost by buying in bulk quantities ,67 percent of respondents answers not at all,20 percent said marginal and 13 percent said very much. A respondent at mankango has this to say “I need more capital to be able to buy in greater quantity in other to reduce cost. Better still, it is even a very good strategy to buy in bulk and store them when prices are low and sell them later at the lean season when price will go up. My son where is the capital?” she asked.

4.1. Income Generation

The generation of income is another indicator used to examine the socio – economic livelihoods of service users as presented in Figure 3.

The majority of the service users interviewed responded positively and indicated that they had realized an average of 77% increment in incomes as shown in the Figure 1, while 11% noted a decrease, 7% remained the same and the 5% non-response. The clients were asked if their incomes had increased, decreased, or remained the same. The majority responded that their incomes increased. Business profits are an important income source for all groups. Those who run businesses like farming have higher incomes than for example women evolved in petty trading. These incomes have helped clients to solve some basic household

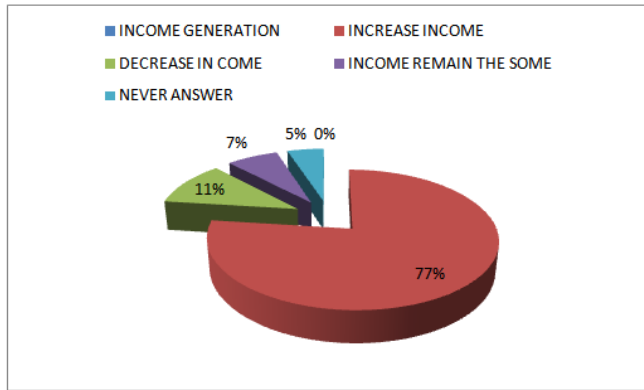


Figure 3: Income Generation of Service Users

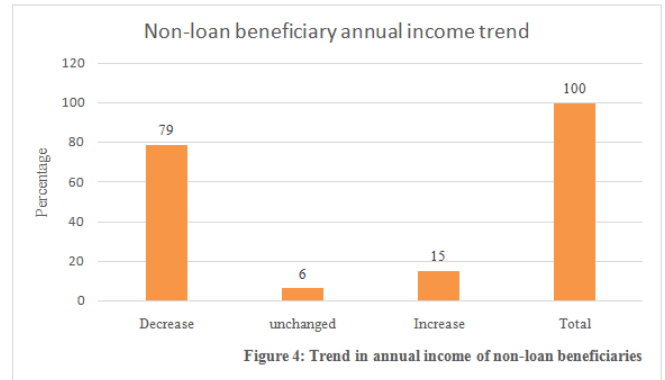


Figure 4: The analysis and presentation of results of non-loan beneficiaries

problems. They saved and now were able to deal with crises and as a consequence they could break the poverty trap. However the above findings agree with the work of [32], when they team of researchers carry out their work on the impact of microfinance in Asia and the Pacific and have the following to say “Household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non- borrowers (control group). [32], notes that, in Bangladesh, a 29.3 per cent annual average rise in income was recorded and 22 percent annual average rise in income from no-borrowers. Sri-Lanka indicated a 15.6 rise in income from borrowers and 9 per cent rise from non- borrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers with 24 per cent increase reported from non-borrowers. The effects were higher for those just below the poverty line while income improvement was lowest among the very poor.”

4.2. Non – Loan Beneficiary Income Level

The results shows that more than half of the respondents (79%) noted a decrease in their income level, while only 15% noted an increase in their income level. However, 6 % income remained unchanged. Respondents who indicated a decrease in their income level attributed their situation to unstable inflationary trend, and unstable weather pattern. Majority of traders believe that prices

of goods and service keep on increasing periodically at relatively higher rate. This in their view reduce their purchasing power hence affecting the smooth operation of their businesses. A trader at Kafaba market said this “my shop used to be full with provisions and I used to sell close to two hundred Ghana (GHC200) on ordinary days and close to four hundred and twenty Ghana on market days (GhC420), today I can no longer buy in the same quantity I used to buy due to price hikes of goods and services in the market and clients can no longer buy the same way they used to. Look today, I sold only twenty Ghana (GH¢20). Can I feed my family with twenty Ghana (GH¢20) and still be in business? She asked”. Many of the business women shared similar concerns. The famers also complained of climatic and seasonal changes as a major problem affecting the smooth operation of their farming activities. The claim they can no longer predict the weather making their farming operation very difficult and complex. What the study find interesting is the 15% of non-loan beneficiaries who indicated a rise in their income level within the period under study. They are not involved in one enterprise activity. The change businesses according to seasonal demands. A respondent said, “One has to be smart these days. I was involved in watermelon business during the fasting season, business was good and fast moving. I buy relatively cheap from the hinterland and hence have higher 109 profit margins. I am thus assured of cash when needed, however business started to decline when the fast-

ing ended and the raining season set in, I have therefore spread my tentacles to yam and maize business where turnover are relatively good now. This strategy has helped me sustain my business as I am now able to hold my head up high in my community. I am better able to take care of my children, help my husband pay their school fees. I no longer have to go round seeking for help exposing issues in my life to the outside world". I now feel more accomplished and in full control of my life" trader Abrumasa. Based on the survey results, it can be concluded that the non-loan beneficiary income have not improved as compared to loan beneficiary category. However this finding is in sharp contrast with [33] were the team of researchers reported a positive impact on non-loan beneficiaries against microfinance beneficiaries in Botswana, they cited high interest rate and misapplication of funds for microfinance beneficiaries as key contributory factors to this predicament.

5. Major challenges

Most of the clients lack proper written records and could therefore not easily separate business incomes from their private resources. In the informal sector it is usually difficult to separate enterprise activities from household economics.

6. Conclusion

Salient conclusion scan be drawn from the discussion of the effect of microfinance interventions on businesses of service users. Seasonal economic fluctuations seem to significantly influence income-generating activities of service users. Microfinance services did not engender much business expansion or did it culminate insignificant increase in business assets. Income-generating activities of service users had a negligible effect on employment generation. These including other factors, discussed suggest that it is not a very good strategy to use microfinance as a means of generating direct employment opportunities in rural areas. Finally, service users 'businesses seem to benefit from microfinance primarily through

being able to buy in bulk at lower prices including buying agricultural products at cheaper prices during the harvest period.

From the empirical data obtained from the field it can be concluded that non- beneficiary business status is relatively worse-off as compared to loan beneficiary within the study period.

Microfinance institutions are asset to the developing and transition countries. The services they provide are tailored to meet the needs and aspirations of the local inhabitants and most especially the rural poor. They do not serve or solve all the problems of the poor, but the serves as a means of helping them to boost their social and economic livelihoods and augmenting their status. According to Hume et al (1996), microfinance schemes are of paramount importance when the targeted problem is in its initial stage and not when it has emanated.

7. Recommendations

To better improve on their economic and social livelihood, there is the need for human capital development of rural women so as to improve market access and financial information flows and management.

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