

## An Assessment of the Impact of Microfinance Schemes on Poverty Reduction among Women in Ghana

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### Abstract

Microfinance schemes which provide financial services such as (micro) credit, insurance and savings to the poor have become popular tools in the fight against poverty in Ghana. The popular assumption is that enabling poor households with access to credit helps households begin small and medium scale business which would enable them improve their incomes and eventually escape poverty. The main objective of this research was to analyze microfinance schemes on household income as well as measure household vulnerability to poverty after access to microfinance. The study used qualitative and quantitative research methods and approaches in the collection and analysing data. The results indicate a positive and significant impact of microfinance on household income. The research therefore argues that there is a role played by microfinance institutions on the improvement of household incomes. The research also reasserts that providing affordable financial services to the rural population still remains to be an important component of development strategy. On the other hand the research emphasizes that there is need to come up with innovative microfinance schemes that are supportive of their own role in assets accumulation and wealth creation for their clients. This will involve innovative targeting of potential clients, as well as streamlined microfinance regulations to protect their clients.

**Key Words:** Microfinance, Poverty, Financial products and services, Development Strategy

### 1.1 Introduction

The Government of Ghana since independence in 1957 has undertaken several development interventions aimed at addressing poverty among the citizenry. Some gains have been made in this regard, but a lot more still needs to be done to achieve this goal. To reduce poverty, access to financial services is vital for the development of the private and informal sectors of the national economy that hardly meets the requirements of mainstream financial services. For the past three decades (1980-2008), Ghana has adopted various policies towards poverty reduction among its citizenry. These policies can generally be put into three broad strategies;

- Policies to encourage higher economic growth and employment;
- Policies to encourage higher investment in physical and social infrastructure such as roads, water supply, sanitation, health and education, especially in poor and rural areas;
- Programmes such as the National Youth Employment programme(NYEP) and the women's Development Fund (WDF) which have a target of promoting employment and income generating activities among the poor who may otherwise be left out of the development process (Adjei, 2010. p6). Whilst microfinance focuses on the third category, it should be noted that sustainable poverty reduction is unlikely to be achieved in the absence of effective policies to promote economic growth and human development, which makes up the first two categories.

In Ghana, both Microcredit Institutions and Non-Government organizations (NGOs) have been contributing to break the cycle of poverty (Chirwa, 2002). One of the main features of both microcredit institutions and NGOs has been the overwhelming representation of women especially in Ghana where the traditional social structure, discriminates against women (Swain, 2006). Evidence from literature defines women's empowerment as "the capacity of women to become economically self-reliant with control over decisions affecting their lives and freedom from violence (Zeller et al., 2001). Empowerment is about changes in favour of those who previously exercised little control over their lives".

The Northern Region is one of the three poorest regions of Ghana. In the Northern Region, among every ten people, seven are poor (NDPC, 2005). In addition, gender disparity exists with respect to control and use of a range of resources such as land, credit and labour. The system of inheritance in the northern region is patrilineal hence all such resources are owned by men. Women are usually excluded from decision making processes which sometimes even directly affect their lifestyles. This has the potential of affecting women's start-up capital formation and consequently, women's livelihood, control of their lives and contribution to decision making in the family, community and national life is negatively affected.

In an attempt to address this, the Northern Region has experienced and is still experiencing an influx of

microfinance institutions (“micro-credit” institutions as indicated in Schindler 2010, 244) and non-governmental organisations (NGOs). Their microfinance schemes range from credit, savings, skills training or capacity building programs. However, most beneficiaries of microfinance schemes, especially, women in the Northern Region are yet to experience poverty reduction and empowerment in order to become equal members of their families as well as part of mainstream community and national life.

## **THEORITICAL ISSUES**

### **Microfinance and Poverty Reduction in Ghana**

With almost thirty per cent of the country’s population living in poverty, the Government of Ghana clearly faces an enormous challenge to reduce poverty especially in the three northern savannah regions where there is the greatest concentration of poor people. To achieve rapid and sustainable reduction in poverty, it is necessary to have an integrated policy strategy with the various elements of the strategy reinforcing each other (Adjei, 2010). The World Bank (2006) found that poverty can be reduced most effectively by a strategy with two equal important elements. The first element is to promote the productive use of the most abundant assets of the poor which is seen as labour. Policies must also target the promotion of infrastructure development and encourage income generation activities for the poor. The second element is to provide basic social service to the poor. The World Bank found that primary health care, family planning, nutrition and primary education are especially important in this regard.

These two elements are mutually reinforcing, in the sense that an increase in the productivity and income of the poor will make it easier for them to access social service such as health care and education, while an improvement in their health and education, through the establishment of targeted policies, will enable the poor to work more productively. It can therefore be said that a country that tend to implement both parts of the above strategy will be more successful in their effort to reduce poverty. Hence, if a country is able to implement and maintain any one of the two policies, its effort at poverty reduction will not be as successful as those that have implemented both elements effectively.

Ghana which has implemented mainly the latter of the above elements for instance has been successful in maintaining microeconomic stabilization with a consistent growth in its gross domestic product over the past five years, of which the highest figure of 7.3 per cent was recorded in 2008 (Adjei, 2010). There has also been an increase in financial sector lending to the private sector which is in contrast to the situation in the 1990s when public sector borrowing tended to crowd out the latter with its attendant high interest rates, of about 48 percent per annum, on treasury bills and consequently on borrowing. In addition, the country’s currency has been relatively stable in relation to the United States Dollar and other major currencies.

The government has been involved in the extension of basic social service to the poor which forms part of the second element. This has contributed to improvement in their performance in terms of human development, with indicators such as life expectancy at birth, infant mortality and adult literacy being much better than in some countries in the sub- region. On the other hand, Ghana has been less successful in creating opportunities for the poor in employment and income generating activities. Even though poverty levels have generally reduced over the past decades, as reported in the Ghana living Standard Survey (GLSS) of 2005/06 there is still evidence that progress in reducing poverty could have been faster with greater emphasis on measures to enhance opportunities for employment and income generation for the poor.

In most developing countries including Ghana, opportunities for wage employment in the formal sector of the economy are extremely limited, and the vast majority of the poor rely on self- employment for their livelihood. According to the World Bank (2000), micro, small and medium size enterprises together account for 66 per cent of total employment in Ghana. Better access to financial services enables the poor to establish and expand micro enterprises and thereby improve their income levels and create employment. Even in middle income countries such as Botswana and Egypt, where opportunities for wage employment are greater, many poor households rely on self- employment in micro enterprises for their livelihood.

### **Poverty Reduction, the Role of Microfinance**

According to the World Development Report (2000/2001), access to financial markets is important for poor people. Low income household and micro- enterprises can benefit from credit, savings and insurance service. These services help the poor to manage risk in the face of sharp fluctuations in agriculture yields and prices, economic shocks and even natural disasters. Savings and Credit facilities can help to make larger investment more affordable, and so allow people to take advantage of profitable business opportunities and increase their earnings potential (World Bank, 2008).

Murduch and Hashemi (2003) argues that the two predominant poverty reduction strategies carried out by most microfinance institutions are social intermediation and financial intermediation. Instead of a minimalist approach, some microfinance institutions adopt an integrated approach which ensures that a holistic view of the client is taken into consideration (Ledgerwood, 2007). Such institutions provide a combination of financial and social

intermediation, enterprise development and social services. Social intermediation involves organizing groups of poor people in order to offer services such as human and skills development training, healthcare, safe-drinking water and sanitation. Financial intermediation on the other hand primarily constitutes group formation for savings mobilization, and the subsequent provision of credit, insurance as well as money transfer and payment services.

### **The Need for Microfinance**

Conventionally, commercial banks often have little interest in offering microfinance services to poor people since most of them have no collateral. Most poor people do not own any land and buildings, equipment and machinery, or other assets. It therefore makes these poor people appear not to be fundamentally creditworthy. In addition, the processing of mostly small amounts that are deposited or withdrawn by the poor often ties up considerable (human) resources. These services are comparatively cost-intensive and are therefore perceived as significantly less profitable than transactions with large and established corporate clients.

Evidence exists to show that the formal financial system rarely provides access to poor entrepreneurs in developing countries. It is estimated that in most developing countries the formal financial system reaches at most the top 25 percent of the economically active population, leaving the bottom 75 percent without access to financial services apart from money lenders (Women's World Banking, 2003). This is mainly because the methodology used by commercial banks is usually in a cost effective manner. Until the advent of microfinance programmes in Ghana, especially rural banks in the mid 90s, loans for micro – entrepreneurs were provided primarily through government and donor – funded programmes including the use of development banks such as the Agricultural Development Bank. These had relaxed collateral requirements but otherwise used commercial banking methodologies in credit management. They generally charged subsidized interest rates. They also suffered from politicization and crony lending which resulted in low repayment rates and high arrears. This reflects a combination of high cost structures, low interest revenues as well as low repayment and subsidy dependency.

In recent years, a wide range of efficient and professionally – run microfinance institutions providing financial services at reasonable cost have become established in developing and transitional countries. Cooperatives, rural and community banks, non- governmental organizations, savings and loans companies and other rural financial institutions operating as microfinance institutions co- exist successfully. This co- existence ranges from small village banks with less than a hundred clients to large microfinance institutions with country wide branch networks. Some lend from funds mobilized through domestic savings and deposits, debt and equity while others use funds from the international social and philanthropic appropriate mechanisms by financial institutions and not perceived merely as a tool for the disbursement of funds which have been mobilized from external sources. Furthermore, the distinction between what is still 'just' a microfinance institution and what is a 'proper' bank is becoming increasingly blurred.

In recent times, microfinance institutions have moved from the margins of the financial system towards the mainstream. It is now widely accepted that populations traditionally excluded by the formal financial sector can, in fact, be a profitable market niche for innovative banking services. Microfinance has continued to become increasingly preferred by most poor people. The 1997 Micro – credit Summit, launched a global movement to reach 100 million of the world's poorest families with the aim of offering credit for self- employment and other financial and business services by the year 2005. In Ghana, microfinance can be seen as one of the key driving factors for the reduction of poverty under the Ghana Poverty Reduction Strategy and the Growth and Poverty Reduction Strategy.

### **Theoretical Framework**

Gender relations are said to be "multidimensional and complex" in almost all societies (Boulding 1989 in Wung 2003, 315). In order to understand these gender dynamics, the theory of empowerment and household analysis would be useful in this case. According to Kabeer (2005, 13-14), "empowerment refers to the processes by which those who have been denied the ability to make choices acquire such ability". She argues that for an intervention to engender change, it "...contributes to women's sense of independence, rather than simply meeting survival needs" (ibid, 15). Further, Kabeer (2005, 14-15) claims that empowerment can be examined through three interrelated dimensions: "agency", "resources", and "achievement". "Agency" entails a person's ability to make choices and being able to put them into action. Moreover, that "agency" is achievable through a medium called "resources". According to Kabeer the outcome of this agency is "achievements".

In assessing the relationship between microfinance and empowerment in terms of outcomes Mayoux (2002, 3) identifies three paradigms-the feminist empowerment paradigm, financial sustainability paradigm and poverty alleviation paradigm. The feminist empowerment paradigm focuses on identifying opportunities, constraints and bottlenecks a given "gender domain" (Connell 2009, 69) and using microfinance as a tool to challenge or address unfair and discriminating gender socio-economic arrangements and practices (Mayoux, 2002. 3).

However, the financial sustainability paradigm assumes that women's access to microfinance schemes automatically increases their economic power and well-being, which eventually leads to their social and economic empowerment. At the institutional level, financial sustainability paradigm focuses on profitability and self-sustainability. Finally, the poverty alleviation paradigm is interested in the provision of basic needs to the poor and women through access to subsidised microfinance schemes. Interestingly, the poverty alleviation paradigm sees the women empowerment as politically sensitive and western middle class feminist imposition on Third World women, for that matter of little relevance (ibid, 5). These paradigms as identified by Mayoux would help in assessing the goals and implementation strategies of the Borimanga Rural Bank in their delivery of microfinance schemes to women in Savelugu.

From this backdrop, we are in better position to explore the effects of the schemes on households. Carsten (2004, 60) suggests that "when we think of gender relations, we necessarily consider what goes on in houses and what anthropologists have often referred to as the "domestic sphere". According to Nukunya (2003, 50), "a household is a group of people who share the same housekeeping space and arrangements". This kind of domestic arrangement may involve more than one generation. They include wife, husband children, grand parents, in-laws, among others. In the context of Ghana, Nukunya (2003, 46) suggests that the traditional position of women (married or unmarried) is never wholly independent but subject to the influence of other household members. Since access to microfinance relates to women's productive labour, it is worth understanding household economics, that is the range of "value-creating activities" among members of a household (Kabeer 1991, 43).

Kabeer (1999, 437) argues that; "access, ownership, and control of resources are enshrined in social and institutional norms". The principles governing the "production and exchange" of these resources are defined by or through powerful individuals (ibid 437). This has the potential to generate "cooperation" and "conflict" in the process (Sen in Kabeer 2004, 126). In the same vein, Kabeer (2004, 127) notes that "inter-independence" within the household does not result in cooperation and conflict alone but involve the processes of bargaining and negotiation. According to Kabeer (2004, 132), women's decision-making power hinges on the cultural context of social organisation of production and distribution, as well as their levels of participation in intra-household and/or extra-household activities. These processes are largely informed by the 'structures of risk faced by different members should household cooperation break down' (ibid 127). Kabeer (2004, 134), reminds us that even though power play is always present in daily household interaction, power is most of the time concealed making it quite difficult to isolate for exploration. It takes a critical qualitative study to find the gender power politics in the household.

The use of empowerment theory and household analysis as theoretical frameworks for the study would be useful in answering the following research questions: why is poverty still pervasive despite microfinance interventions? What informs women's participation in the microfinance programmes? Are there any challenges in the implementation of microfinance schemes? What are the goals of the microfinance institutions in their service delivery? What is the level of influence on women in household decision-making process?

## **THE RESEARCH APPROACH**

The study used qualitative and quantitative research methods and approaches in the collection and analysing data for a fair representation of the different background and roles of respondents.

### **The research design**

The research problem, research questions and objectives form the premises of microfinance scheme and poverty reduction among women. Literature review and the theoretical framework focused on conceptual explanations. It also encompasses the research design, data analysis and collection conclusions and recommendations. Policy challenges, development considerations and Theoretical relevance are highlighted and were informed by literature on the roles of microfinance schemes and poverty reduction among women.

The design questioned and interviewed selected groups, and analyzed data to answer any question. Focus group approach was used to select generational clusters of women in their weekly group meetings, as well as Borimanga Rural Bank staff were also considered in this research. In-depth interviews were also carried out to investigate the role of microfinance schemes and poverty reduction among women in Savelugu. Instruments such as questionnaires, observations and interviews were used to collect data. The questionnaires were administered to individuals whilst the interviews were conducted on the Borimanga Rural Bank. All these were analyzed by the use of SPSS version 17. Observation was done on some women to find out if their lives were above the poverty line in their areas as part of the data collection process. Data was also reviewed from books, articles, the Internet and other relevant documents that have a link to poverty reduction.

### **Sample size and Sampling Procedure**

The sample size was estimated to be 140 in total, of which 10 were drawn purposefully from a microfinance institution (Borimanga Rural Bank), whilst the rest of the 130 were drawn out of 1050 from microfinance beneficiary groups. The study area has many microfinance schemes available including Borimanga Rural Bank,

Susu collectors, rotational group contributions as well as money lenders.

Ten (10) members from Borimanga Rural Bank were randomly sampled and interviewed. The interview was based on key factors like; the role of Borimanga Rural Bank in poverty reduction among women in Savelugu. The samples also indicated reliability, flexibility, efficiency and representation as agreed by Karma (1999).

There are some of the issues that informed the sample size:

- Cost/finance
- Population size
- The interest of the population
- Consanguinity of the population

The study purposively chose the head of operations of the microfinance unit of Borimanga Rural Bank who was interviewed on the operations of the unit. The leadership of the women groups and other individuals who mattered most were also contacted. Data was collected from secondary and primary sources (Interviews, observation, questionnaires, documentary sources, journals, magazines, internets and other related literature)

#### **Sources of data**

Questionnaires, Interviews, Observation and Focus group discussions were used to obtain information from staff, women and leaders of women groups to form part of the primary data. Documents such as books, journals, magazines and the internet are sources of information and these were reviewed for this study as secondary data. Both structured and unstructured forms of interview were used for the study. A Framework was also developed to guide the interview process. This allowed respondents to express themselves freely. The structured interviews were administered to those who could read and write whilst the unstructured interviews were administered to those who could not read and write. The interviews were related to the roles of microfinance scheme in poverty reduction among women. During the study, self – administered questionnaires were used to elicit information from both literate and non – literate.

The researchers also observed the beneficiaries of microfinance schemes to ascertain the impact of microfinance schemes in their lives. Women leaders, group members as well as the children and the families of the beneficiaries were closely monitored during this study. Reconnaissance survey and an in-depth survey were used in this study. The researcher introduced himself to the leadership of Borimanga Rural Bank, familiarized and had linkages that built a relationship with women in the community.

## **RESULTS AND DISCUSSIONS**

### **Marital Status of Respondents**

Marriage is a necessary element in every society, and it has therefore become an increasingly important topic in academic and policy research. A burgeoning literature suggests that marriage has a wide range of benefits, including improvements in individuals' economic well-being, mental and physical health, as well as the well-being of their children (Lerman 2002; Ross et al. 1990; Waite and Gallagher 2000; Wilson and Oswald 2005; cited in Wood, Goesling and Avellar, 2007). Therefore this study found it suitable to consider the marital status of respondents to facilitate making better conclusions in relation to development in the community. The table below indicates the marital status of the respondents.

#### **Table 1: Marital Status of Respondents**

From the table, 90 respondents were found to be married representing 69%. It was revealed that 34 of the respondents were not married constituting 26.2%. The divorced were found to be 4 out of the total respondents comprising 3.1% and widows were 2 forming 1.5%. The study indicates that married couples constituted the majority, followed by the unmarried, divorced and widows. As a result of societies regard for marriage, majority of people in the community entered into marriage to avoid being looked down upon. Since a majority of the respondents are married it could be asserted that most of them engaged in micro finance because of the added responsibilities they faces in their families. This they do to be able to support their families appropriately when the need arises.

### **Educational Status of Respondents**

Empowering women via education is part of the development drive to build societies grounded in democratic and equitable values (COPE, 2010). In other words, education is the means to development in every nation. This research work found it necessary to investigate the educational level of the respondents in the town. This enabled the researcher to make informed judgments on the trend of development and the consequences. The table below shows the educational status of the respondents in the town.

#### **Table 2: Educational Status of Respondents**

From the table above, 40 respondents have no formal education and this represents 30.8% of the respondents followed by 33 respondents with primary education which represents 25.5% of the respondents. The third level is those with JHS/Middle School Education. They are 27 which represents 20.8% of all the respondents. Those who have Voc/Tech education are 14 and they represent 10.8% of the respondents. Ten (10) respondents

representing 7.7% of the respondents have SHS education and six (6) respondents representing 4.6% of the respondents have tertiary education.

The data in Table 2 above indicate that there is high rate of illiteracy among women in the town. The data further indicate that majority of people drop out of school. This is probably due to the early marriages among girls, especially the Muslim girls. It could also be deduced that most of those that are educated are formally employed and are paid substantial amounts hence have very little use of micro finance schemes. Whilst those that are illiterates engage in such jobs as petty trading and in cottage industries and would rather use all forms of micro finance to grow their business. Also, people that are educated are more likely to invest in businesses that are large than those that are not and the large number of illiterates in the study area could as a result lead to high percentage of them being below the poverty line.

#### **How Micro Credit Facilities are used by Women, as A Result of Family Pressure**

The Microfinance Unit of Borimanga Rural Bank have programmes and policies to ensure financial accessibility to poor people and low income household in the form of micro credit, savings and insurance services. These services help the poor to manage risk in the face of sharp fluctuations in agriculture yields and prices, economic shocks and, even natural disasters. Savings and credit facilities provided by this Bank have helped the poor within Savelugu to make larger investments and also allow people to take advantage of profitable business opportunities and increase their earnings potential.

The survey was conducted to find out if the Microfinance Unit of the Borimanga Rural Bank was able to meet the needs of all their clients. The investigations came out with the following results and they are presented in the table below.

#### **Table 3: Are You Able to Meet All the Needs of Your Clients?**

From the table above, six (6) respondents state that the bank is able to meet all the needs of its clients and the reasons given in support of the answer above include the following; adequate funds to satisfy all the needs of the qualified applicants; the contributions from members are used for investments which generate enough revenue to satisfy the needs of customers; due to accumulated savings from their customers and the safe keeping, and prompt release of customers' fund to them any time there is a request for it. However, four (4) respondents mentioned that the bank is not able to meet the needs of all its clients due to the huge number of qualified applicants and also, not all applicants who make applications duly qualify for the financial services hence, their needs are not met.

#### **Examination of the Ways Microcredit Schemes are implemented**

This is to examine how microfinance institutions (Borimanga Rural Bank) implement their programmes and policies aimed at reducing poverty. The survey conducted in Borimanga Rural Bank revealed that there are two main methodologies employed in the process of giving financial and other social assistance to women in and around Savelugu. These are individuals and groups. With the individual method, women and men are expected to have collateral before any form of financial assistance can be given to them. With the group methodology women are encouraged to form groups to access loans.

This type of lending is quite different from the standard banking contract for small-sized clients where collateral securities are provided. Loans contracted from microfinance institutions however, take advantage of the borrowers' close ties within their community and therefore, most often the contracts involve groups of customers and not individuals. While loans are made to individuals within the groups all members are expected to support each other when problems of repayment arise. The joint and several liability condition is the most celebrated innovative feature of the Microfinance Unit of Borimanga Rural Bank's contracts.

The survey conducted to find out which of the two (2) lending methodologies is used by the Microfinance Unit of the Borimanga Rural Bank. The results of the study are presented in the table below.

#### **Table 4: Which of the Two (2) Lending – Based Methodologies do you Use?**

From Table 4 above, 9 out of the 10 respondents said group-based lending is what the microfinance unit uses to lend money to its clients. They gave the following reasons for the choice of this method. (1) The group is used as collateral (2) It allows for lower interest rate and also education on personal hygiene. On the other hand 1 respondent said the individual lending based method is used and a high amount of money is given.

Micro finance is also said to be of two types, namely micro finance in cash and micro finance in kind. The micro finance scheme practiced by Borimanga is that of the cash where they only advance cash assistance to their clients. However, there are other micro finance institutions which offer kind assistance to their clients. This usually takes many forms such as giving seeds and seedlings to farmers and after harvest they return an agreed upon amount of same or cash to the micro finance institution. Some also offer kind assistance in the form of animals to individuals and groups. Hence, as a very poor community, it might be good if micro finance institutions operating in such communities like Savelugu in addition to their cash micro finance practice the kind financing also.

### **Benefits of Microfinance Schemes**

The survey also revealed that beneficiaries of microfinance services have enjoyed some benefits. These benefits are both financial and material and beneficiaries said it helped them to either start or expand their business. They again, attested to the fact that the profits realized from the business are used to support their families such as paying the school fees of their children. In addition, the women generally agreed that the education they received in personal hygiene, importance of education, savings as well as on their civil rights and responsibilities as women has helped them.

#### **Table 5: Are Microfinance Schemes Beneficial?**

The above table shows that 95 out of 130 women interviewed which represent 73.1 % agreed that microfinance has been helpful. Also, 35 of the women which represent 26.9% say microfinance has not helped them as they have to sell their personal items to be able to pay back the loans they took and as a result, microfinance schemes have made them worse than before.

#### **Influence of Household Members on Beneficiaries in the Use of Microfinance Scheme**

The research also tried to find out if there is any form of dependence on beneficiaries (women) of microfinance by members of their household or family and the effects /influence such dependence has on the women.

#### **Table 6: Dependence of Household Members on Microfinance Beneficiaries?**

The above table shows that 90 out of 130 women interviewed which represent 69.2 % agreed that there is much dependence on them. According to them, their husbands now expect them to use the little profit they made from their business for the upkeep of the house and also pay the school fees of their children. This they say sometimes affects their ability to repay the loan they took, thereby denying them of future access to such facilities (micro credit).

They said it is sometimes serious when they have to use the loan for funerals and for medical care. Under such circumstances the only way to repay the loan is to sell some of their personal property thereby increasing their poverty level. Where they refused to use the loan for other purposes as directed by the husband rather than for the intended purpose, it caused some of them their marriages.

However, 40 out of the 130 interviewed representing 30.8 % believed that there is little or no dependence on them from their household or family members because they involved their husbands and all those who matter in their family during the process of taking the loan thereby preventing their family members from demanding from them. This means that microfinance institutions should involve those who matter in the lives of the women to get to understand the processes, the demand and the repayment of such facility before giving it to the women.

Generally, the women showed high level of dissatisfaction with the weekly repayment mode and therefore suggested a two weeks repayment mode. Similarly, the institution attested to the fact that they also face some challenges in retrieving their loans. Therefore, out of the ten (10) members of the institutions interviewed, eight (8) of them said they faced some difficulties in retrieving the loans. They mentioned some of the difficulties they normally encounter as follows; unwillingness on the part of the clients to pay for the loan; false information on the part of some clients making it difficult to trace them; high default rates; some cannot repay the financial services due to the fact that their businesses collapse, or there is no market for their goods so they become expired or obsolete; attitude of the clients and poor logistics for retrieving the loans. Nonetheless, there were two (2) respondents who said that they do not face any difficulties because their clients are always willing to save with them and those were the Susu Collectors.

Moreover, the following were mentioned by the individual respondents as the processes for paying back the credit facilities they are able to access. Cash Daily, weekly or monthly payments made directly to the offices of the institution. Also some of the officers from some of the institution go round themselves to collect the monies. Deductions can also be made from their various accounts.

The institutions interviewed also confirmed the above process mentioned as the pay back modes of the loans they give out to their clients. Nonetheless, there were some suggested solutions which the respondents gave to help eliminate the difficulties involved in accessing and retrieving financial services in the community. The proposed solutions to the difficulties include the following:

- ❖ There should also be a way of making financial services, especially credit facilities easily accessible in the community and that will help boost the SMEs sectors.
- ❖ It was furthermore, stressed that there should be some amendments of the processes and procedures in obtaining a loan and if possible a total elimination of the collaterals demanded by the institutions.

It was also mentioned that there should be a drastic reduction of the interest rates on loans. So as to enable SMEs access the needed financial services as well as attract more investors into the financial market.

### **Roles of Microfinance to SMEs and Its Support Systems**

As was stated by Akinyemi; cited in Onuba, 2008, financing of small and medium scale enterprises are vital instruments for the alleviation of poverty in society and therefore plays an imperative, though complementary role in nation building. As such, its contribution to economic growth and development cannot be over-

emphasized. Therefore, the responses from ten (10) microfinance institutions that were interviewed revealed the following, as the role microfinance plays in the SME sectors; Start-up capitals; financial services; indemnity; claim settlement; employment creation; expansion, growth and development of businesses; skill enhancement; entrepreneurial development; empowerment; and above all, the entrepreneurs are able to afford some basic necessities of life such as decent accommodation; education; health, among others which in effect leads to improvement in the living standards, leading to poverty reduction.

The head of Microfinance unit of Borimanga Rural Bank further explained that the unit brings hope to the hopeless in society, help them implement plans and build assets for the future, inculcate in them the spirit of saving and investment, help them build confidence and self esteem and capacities which enables them take part in decision making in society. They also try to fill the vacuums created by the formal financial sectors. Similarly, the individual respondents also confirmed similar views as to the role Microfinance plays in the SMEs sectors.

The responses obtained from the interviewees are presented in the table below for easy reference.

**Table 7: Roles/Benefits of Microfinance to SME Sector**

From Table 7 above, the responses obtained can be categories into three main forms;

- ✚ Employment, expansion, growth, development and sustainability, constitute the highest with 66.9%.
- ✚ Employment, expansion, growth and development are the second highest category, which form 32.3%.
- ✚ Employment and expansion is the third category that comprises the roles or benefits of microfinance to SME sector. This constitutes 0.8%.

The philosophy behind the above categories of responses were that financial accessibility-microfinance, enable people start new jobs, expand the existing ones by investing back part of the profits, through which the business will grow and would be sustained.

**CONCLUSION**

In conclusion, microfinance schemes play important roles in the growth and development of women and as well aid in poverty reduction, through the provision of financial services that creates new employments, expand, grow, develop and sustain existing businesses, building capacities, self esteem and confidence and many more which in turn leads to poverty reduction. They are consequently considered as principal driving forces of economic development and women empowerment. Therefore, making microfinance easily accessible to women will enable Ghana attain the middle income status by year 2016 and also, will catch up with the industrial world whose developments were as a result of the development of their private sectors. The study recommends that microfinance units should encourage supplier credit instead of cash loan to the beneficiaries. This would help halt the issue of using credit for other purposes rather than the intended purpose. Also, microfinance units should strive to achieve financial self-sufficiency by increasing repayment rate, decreasing administrative expenses and strengthening its overall institutional efficiency. If the microfinance units do not manage to become financially self-sufficient, it may not survive overtime as funding could dry up.

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**Table 1: Marital Status of Respondents**

	Frequency	Percent	Cumulative percent
<b>Married</b>	90	69.2	<b>69.2</b>
<b>Single</b>	34	26.2	<b>95.4</b>
<b>Divorced</b>	4	3.1	<b>98.5</b>
<b>Other</b>	2	1.5	<b>100.0</b>
<b>Total</b>	<b>130</b>	<b>100.0</b>	

Source: (Field Survey, 2011)

**Table 2: Educational Status of Respondents**

Education	Frequency	Percent	Cumulative percent
<b>Primary</b>	33	25.4	<b>71.5</b>
<b>JHS/Middle</b>	27	20.8	<b>92.3</b>
<b>Voc/tech</b>	14	10.8	<b>46.2</b>
<b>SHS</b>	10	7.7	<b>35.4</b>
<b>Tertiary</b>	6	4.6	<b>4.6</b>
<b>No formal education</b>	40	30.8	<b>100.0</b>
<b>Total</b>	<b>130</b>	<b>100.0</b>	

Source: (Field Survey, 2011)

**Table 3: Are you able to meet all the needs of your clients?**

Ability responses	Frequency	Percent
Yes	6	60.0
No	4	40.0
<b>Total</b>	<b>10</b>	<b>100.0</b>

Source: (Field Survey, 2011)

Table 4: Which of the two (2) lending – based methodologies do you use?

	Frequency	Percent
<b>Group</b>	9	<b>90</b>
<b>Individual</b>	1	<b>10</b>
Total	10	100.0

Source: (Field Survey, 2011)

Table 5: Are microfinance schemes beneficial?

	Frequency	Percent
<b>Yes</b>	95	<b>73.1</b>
<b>No</b>	35	<b>26.9</b>
Total	130	100.0

Source: (Field Survey, 2011)

Table 6: Dependence of household members on microfinance beneficiaries?

	Frequency	Percent
<b>Yes</b>	90	<b>69.2</b>
<b>No</b>	40	<b>30.8</b>
Total	130	100.0

Source: (Field Survey, 2011)

Table 7: Roles/Benefits of microfinance to SME sector

	Frequency	Percent
<b>Employment and expansion</b>	1	<b>8</b>
<b>employment, expansion, growth and development</b>	42	<b>32.3</b>
<b>Employment, expansion, growth, development and sustainability</b>	87	<b>55.9</b>
Total	130	100.0

Source: (Field Survey, 2011)

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