

MICRO FINANCE AS A TOOL TO REACH DIFFERENT POOR POPULATION GROUPS IN GHANA

ABSTRACT

Ghana, has about 40% of its population living on less than (¢2500 = \$.0.25) a day (GLSS 4). This situation has been exacerbated by the spatial variation in both population growth trends and poverty situations across regions. Population growth between the last two census (1984 and 2000), showed an increase of 2.7%. In the northern zone where poverty is more endemic, population growth seem to be high. This situation calls for national concerns in identifying strategies to mitigate the adverse impact. This study will identify the extent to which varying micro-financing strategies have been able to reach varying levels poor people. The Micro-finance Poverty Assessment Tool (MPAT) will bring to fore the varying poverty levels of clients of the institutions and non-clients representing the general poverty situation in Ghana. It seeks to inform policy makers and donors the category (less poor and extremely poor) of poor people being reached.

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INTRODUCTION

Reducing poverty through a number of perceived strategies has been the discourse in all global and national summits geared towards the achievements of developmental goals. Since the 1950-decade till the 2000-decade the perception of poverty and its measurement has changed from one decade to the other. This is as a result of the embryonic characteristics of the social phenomenon that permeates through all other dimensions of life and varies through time and space. The veracity of the socio-economic and cultural context of the poor within a specified space and time has continuously generated academic and policy debates as to which approach is best suited for mitigating its devastating effects. The concern for a prudent approach is heightened given the incidence of poverty on the continent and globally. Approximately, one-third of world's six billion population and specifically 300 million of the population in sub-Saharan Africa (SSA) are afflicted with poverty (UNDP, 2003; Benneh et al 1998).

This paper discusses the use of micro financing as a tool in raising the income levels, improve well-being, reduce vulnerability, ensure food security and enhance a more sustainable use of the natural resource base among the poor within a specified locality and time. It focuses on how the concept of providing credits and other non-financial services to different category of poor people with varying occupational and geographical resource endowment will enhance the achievement of the nation's and global objective of halving poverty by 2015.

The emergence of this strategy is as a result of the virtual failure of the mechanistic trickle-down effect from growth to an improvement in well being. Through the 1950-decade to the latter part

of the 1980-decade economic growth was assumed to be a predictor of well-being (Bourguignon *et al.* 2002). The non-realization of an improvement in well being was as a result of the decline or stagnant growth in the economies of less developed nations in Africa and Asia in the 1970 and 1980 decades. This invariably affected the mechanistic trickling down from growth to an improvement in well being. Thus, well being deteriorated especially, most Africa countries were heavily affected by the global stagnation of economic growth. With a number of Africa countries experiencing an annual Gross Domestic Product (GDP) per capita income of between USD250 and USD400, in the 1970 and 1980 decades, the decade was described as Africa's lost decade (Sahn, 1994). The evolution of the United Nations Development Programme (UNDP) report of Human Development Report (HDR) in the 1990's led to the conceptualization of social development as a factor determinant of well being. This conceptualization only deepened the ideology to reduce poverty through the provision of basic needs at the community level. The struggle to unearth the factors and indicators engulfing the socio-economic and cultural context of the poor person dominated the thinking of a number of world bodies including the International Monetary Fund (IMF) and the World Bank (WB).

Recognizing these challenges, the new result-based development discourse (bottom-up approach), exemplified in the United Nations Millennium Development Goals (MDGs), and the rewritten mission statements of the IMF and WB, coupled with the poverty reduction strategy papers (PRSPs) have all meant that the prospects for a better conceptualization of poverty and its measurement over the past decades have never been so good (Booth and Lucas 2002; Falkingham and Namazie 2002). Embedded in this new result-based development discourse was the designing of pro-poor policies, institutions and processes that will engender the poor person's ability to build and sustain capital.

Among the five forms of capital; human, financial, natural, social, and physical capital, (DFID, 1999), financial capital has been identified as one of the pro-poor entry points for the support of livelihoods. In Ghana, lack of financial capital has been identified as a contributing factor to low levels of consumption (GPRS, 2003). This has called for the design of credit delivery strategies that are suitable for the poor. These strategies are at variance with that operated by the traditional commercial banks and entail a wide range of strategies in its implementation. The complexities and dynamics of the poor person's socio-economic and cultural context need a wide range of financial services that are convenient, timely, flexible and affordable. Depending on their circumstance poor people need not only credit, but also savings, cash transfers and insurance. This emerging concept of empowering the poor through the provision of credit and its related issues have surfaced in less developed countries on the Asian and African continent and have been termed as micro financing.

Providing financial services for the poor means building an enabling financial intermediation atmosphere that will enhance a poor person's access and affordability to financial services on a regular and sustained basis. The attributes of this scheme suggests that in the provision of these services there should not be any specific laid down procedures to be followed by the financial institutions. On the contrary they should be dynamic to ensure a tailor-made mechanism in the provision of credit to various classes of poverty groups. The context in which this is expected to operate gets complicated in an economy where there are wide gaps in the incidence of poverty and its severity tends to vary across space and time.

The research tends to focus on whether the micro financing schemes in Ghana have been able to reach all the varying categories of poor people in the country. What are the strategies being

adapted to mitigate the wide gap existing in the north-south trend of poverty in the country? Finally how can the increasing widening of the gap be averted? In this context one is concerned with how certain indicators can be grouped in such a way that the best strategies could be replicated in localities with similar conditions.

OBJECTIVES

The main objectives of the study are to contribute to our understanding of how micro financing is being used as a conduit to reach poverty endemic areas in the country. This will help realize the extent of success possibly to be chalked from the paradigm shift of the mechanistic trickling down by earlier development theories to the new result-based bottom-up approach. The specific objectives are to:

- Assess the socio-economic status of households of clients of institutions own programme, Government-oriented and donor-oriented programmes and non-clients.
- Compute a poverty score for the sampled households for both categories of respondents.
- Compare the computed poverty index of a given locality to the average of that same locality and that of the national average.
- Identify best practices among selected micro finance institutions; and
- Recommend policies and strategies that will help strengthen the delivery of micro finance policy related programmes in the country.

STRUCTURE OF THE STUDY

The plan for the paper is in five chapters. The next chapter reviews the spatial variation of poverty in Ghana by showing the north-south trend of poverty inequalities. The third chapter discusses the methodology used in measuring household poverty status. In this chapter the choice of the Micro Finance Poverty Assessment Tool (MPAT) is justified as against the numerous forms of measuring poverty. The fourth and the fifth chapters validate and discuss results and summarize, draw conclusions and make appropriate recommendation.

SPATIAL AND TREND VARIATIONS OF POVERTY AND MICRO FINANCING IN GHANA

Introduction

In 1990 when the Human Development Index was first introduced, Ghana ranked 121st among more than 160 countries for which data were available (UNDP, 1990). In 1996, Ghana slipped to 174th out of nearly 200 countries and ranked 129th in 2003 out of 179 countries (UNDP 1997; 2000a; 2003). Although the position of Ghana declined within the period due to the increase in the number of countries covered within the last decade, the information reflect the general trend of low wellbeing in the country. As with a number of African countries in the 1980s and early 1990s, Ghana has become an aid-dependent country due to decline in income from primary commodities which form the bulk of the country's export. There has also been less investment in human capital compared to other counties at the same level of socio-economic development. In general about 32% of the adult population have never been to school whilst some 25% of others had been to school but failed to obtain any certificate (Ghana Statistical Service, 2002; Oduro,

2001; World Bank, 2000). This chapter provides an overview of the poverty situation in Ghana from studies undertaken in the 1980s and the 1990s.

Review of poverty studies in Ghana

Historically, poverty studies in the country have been based on national expenditure surveys with emphasis on the distribution of income and inequality (Assefa, 1980; Ewusi, 1984). In the 1960s and 1970s the main method was using income to study the welfare of Ghanaians. This was influenced by the methodology that existed at that time. Since the 1980s, the analyses of poverty have principally focused on consumption using the concept of a basket of consumables (Ghana Statistical Service, 2000). Beginning from 1987, five living standard surveys have been conducted in the country, with the latest in 2003. In the 1987/88 survey, the lower and higher poverty lines were set at ₵99,173 and ₵132,230 respectively and those for 1991/92 and 1998/1999 were pegged at ₵700,000 and ₵900,000. The main objective of the surveys was to examine the inter-temporal and spatial dimensions of poverty in the country.

In Ghana, various governments have recognised the implications of such pervasive poverty for socio-economic and human resource development and have launched various programmes to address the situation (Ghana, 2003a; 2003b). The first, the 10-year development plan of Governor Guggisburg from 1920-1930, was meant to develop the infrastructure of the country. In 1951, the Government launched the 10-year Accelerated Development Plan with the view to fast-tracking the socio-economic development of the country. Others that followed were the 7-year Development Plan (1961-1968), the Five-year Development Plan (1975-1980).

In spite of these laudable programmes, the economy of the country continued to deteriorate partly because of political instability which did not make it possible for the programmes to be carried through to their logical conclusions. One of the outcomes was that poverty deepened, especially in the late 1970s and early 1980s. In an attempt to kick-start the economy, various programmes were launched and the current programme for poverty reduction is one of a series launched in the 1990s. The programmes are:

- Making People Better - A Human Development Strategy for Ghana (1991);
- The National Development Policy Framework (Vision 2020) launched in 1994;
- The First Medium Term Development Plan (MTDP 1996 – 2000); and
- The Interim Poverty Reduction Strategy Paper (I – PRSP - 2001).
- Ghana Poverty Reduction Strategy (GPRS) 2002 – 2007.

The GPRS was launched after a wide range of consultations with government ministries, departments and agencies (MDA), NGOs and civil society organisations, as well as with people from selected communities. The GPRS aimed, among others, to improve the living conditions of the poor by implementing programmes that will achieve the following objectives (Ghana, 2003a):

- Increase access to basic needs of life in addition to developing a strong human resource base to enable the poor identify and take advantage of opportunities;

- Create conditions that will encourage the development of new ideas and the use of simple and reasonably less costly methods of production, processing, storage and marketing of goods and services to result in increased levels of production and employment;
- Provide direct support to persons living in very difficult situations and gradually being excluded from the process of development while putting in place policies that will prevent new cases of deprivation; and
- Ensure that the interest of girls and women are adequately considered in all actions and programmes.

The implementation of micro-financing (MF) programmes is one of the strategies designed to achieve the broad objective of poverty reduction. This led to the emergence of a number of institutions, including rural banks, which became involved in the implementation of micro-financing programmes. In 1996, a number of groups involved in implementing micro-financing projects came together to form the Micro Finance Action Research Network (MFARN) with the aim of playing an active role in policy discussion, formulation and implementation of programmes related to micro financing in the country. The network consisting of the association of Rural Banks (RB), the Credit Union Association (CUA) and the Ghana Co-operative Susu Collectors Association (GCSCA) has become a formidable advocacy group in rural financing and poverty issues (Jones et al 2000). In 1998, the group changed its name to the Ghana Micro-finance Institutions Network (GHAMFIN). The objectives of GHAMFIN, among others, are to strengthen the capacity of MFIs through training to enable them improve upon their performance as well as sensitize government and stakeholders on issues relating to microfinance and through these contribute to the creation of employment opportunities, provide support for the poor and excluded, and empower men to participate actively in national development.

The basic needs approach has also been used to assess standard of living. The objective is to examine the status of people on some indicators such as education, health, housing, access to safe water and electricity. These are generally public goods and address issues associated with community/social poverty. Though conceptually difficult to measure in monetary terms, it helps to identify individuals across the very poor, poor and non-poor. This approach, embedded in the living standard surveys, provide information on the community stock of resources. At the community level, the presence or absence of some of these facilities have implications for the welfare for individuals. For instance, the absence of pipe-borne water in a community will not make it possible for people to use flush toilet, which will then affect quality of life.

Socio-spatial variations in poverty in Ghana

From the various surveys, some general patterns have emerged on the poverty situation in the country. Among them are the broad north-south divide in the levels of well-being, the rural-urban differentials and the variation by sex, occupation and location in certain areas. Between 1987/88 and 1988/89 the incidence of poverty in Ghana increased from 22% to 25% based on a lower poverty line while the overall incidence of poverty increased from 37% to 42%. On the other hand, results from the 1991/92 and the 1998/99 surveys show that the overall incidence of poverty declined from 52% to 42% and among the very poor, (less than ₵700,000) the incidence of poverty declined from 36% to 27% (Table1). Using the 1974/75 household survey Assefa (1980) reported that rural areas had more poor people than urban areas. For instance, the urban sector with only about 33% of the total population accounted for 45% of total national

expenditure. Poverty as a rural phenomenon still persists in the country (Ghana Statistical Service, 2000).

“Insert Table 1. about here”

Although there has been a decline in the incidence of poverty between 1991/1992 and 1998/99, the rates appear to be still high. Secondly, the incidence of poverty reduced only marginally in some areas, such as the rural savannah and rural coastal belts with rates of 70 per cent and 45 per cent in 1998/99 compared to the 1991/1992 values of 73 and 52 per cent respectively. In 1998/99, the three northern regions (Upper East, Upper West and Northern) recorded the highest values of 88 per cent, 84 per cent and 69 per cent respectively (Ghana Statistical Service, 2000). Along the coastal belt, the Central Region experienced an increase in poverty in the 1990s. This is an area where tourism has been promoted as a sector for growth since 1989. The Greater Accra Region recorded the lowest index of just 5 per cent. People employed in non-export agricultural produce were also among the poorest in the country. Finally, all things being equal being a female carried a greater risk of being poor. In other words, females were worse off than males in the levels of poverty. It is some of these observations that have informed the development of poverty reduction strategies in the country (Ghana, 2002).

METHODOLOGY

Introduction

This section deals with the population, sampling techniques, methods of data collection and analysis.

POPULATION AND SAMPLING.

Selection of micro finance institutions was purposive. They were selected based on the assessment of ARB Apex Bank, Credit Union Association (CUA) and Ghamfin on the activities and the performance of their members. Based on a list provided, 16 of the institutions were selected from the three zones, namely northern, middle and coastal. In addition, one credit union using Susu methodology to mobilize funds was selected, giving a total of 17 RMFIs.

Among the factors that governed the selection of micro finance institutions were variety in the type of MFIs (rural banks, credit unions, NGOs and Savings and Loans), their objectives in micro-financing, the different programmes being pursued, location and the age of the institutions. For the purpose of the study, MFIs in the northern zone were over-represented because of the pattern of poverty in the country which made it imperative to understand the capacities of institutions in that zone to reach the poor. Therefore, the sample does represent the outreach of MFIs in the country. Indeed, information on outreach at the national level is not available at the moment.

Within the coastal zone (Greater Accra, Western, Volta, and Central Regions) clients of four Rural Banks (RB), one Credit Union and two Non-Governmental Organisations (NGOs) were identified and selected. In the middle zone (Brong Ahafo, Ashanti and Eastern), two Rural

Banks, one Credit Union (CU), and one non-governmental organization (NGO) were targeted. From the northern zone (Upper West, Upper East, and Northern), three rural banks and one NGO were selected.

All the institutions studied relied on funds from their own resources, Government funds channelled through either the District Assembly Common Fund (DACF) or the Ministry for Women and Children's Affairs and donor sources such as International Fund for Agricultural Development (IFAD), the World Bank and other bilateral agencies.

Selection of control group (non-clients)

As part of the MPAT methodology, a sample of non-client households is expected to be selected and used as control. It is data from this sample which are used to construct poverty profiles against which the results from the client households are compared. With the assistance of the Ghana Statistical Service and using results from the 2000 Population and Housing Census, 70 enumeration areas (EAs) were randomly selected from the three zones. Each selected EA consisted of 17 or 18 households, and this gave a potential sample size of between 1,190 and 1260 households.

Methods of Data Collection

The survey covered the whole country based on client and non-client households which served as control group. For the survey the country was divided into northern zone, consisting of the Upper West, Upper East and Northern Regions, the middle zone made up of the Brong Ahafo, Ashanti and Eastern Regions and the coastal zone covering the Volta, Greater Accra, Central and Western Regions.

Interviews were conducted with the help of standardized questionnaire for the data collection. Interview was selected because it was found to be convenient for all segments of the population (literate and illiterate), and especially the illiterate who are predominant in rural communities in Ghana. It also achieved a high response rate due to its face to face nature and as well enhanced a better clarification of the intuition underlying the questions prior to the giving of responses.

Quality assurance of data

To ensure that the data collected was comparable to other household survey, data collected was compared with the Ghana Demographic Health Survey (GDHS) and the Ghana Living Standard Survey (GLSS).

Method of data analysis

The Micro-Financing Poverty Assessment Tool (MPAT)

This study uses the Microfinance Poverty Assessment Tool (MPAT) developed by the Consultative Group to Assist the Poor (CGAP). The objective of the approach is to construct a multi-dimensional poverty index. Based on the Principal Component Analysis (PCA), it combines various welfare variables including housing conditions and characteristics, food security and vulnerability, livestock and consumption assets to calculate a household relative poverty index. For comparison, household indices are arranged in ascending order and classified into terciles or quintiles. The MPAT method, as a measure of relative poverty, has the advantage of collecting cross-sectional data which can be used to construct a multi-dimensional poverty index (Henry et al, 2003).

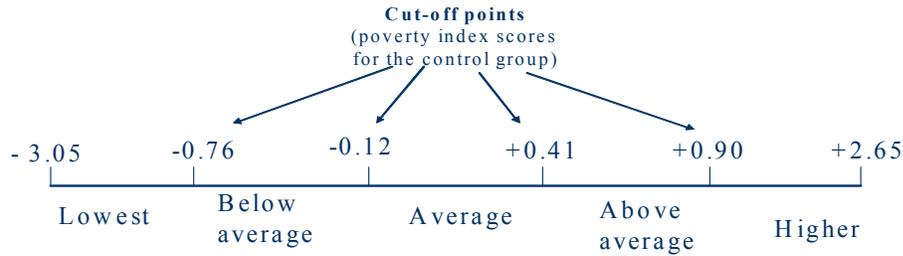
As an indicator-based method, the approach is to collect data from a group involved in an activity (such as micro-financing) and compare the profile of that population to a national sample from a population that is not involved in the said activity. The method collects data over a period in the past compared to other approaches which collect data at different points in time over a given period, in most cases over one year as used by the Ghana Statistical Service. Nonetheless, it provides adequate information for assessing the performance of groups at any point in time. The profile of the national sample becomes a standard for the measurement of relative poverty among the client population. Using the Principal Component Analysis [PCA], it calculates series of weights to obtain household-specific poverty index or score for each household. As inherent in the PCA, the computational process uses per capita expenditure on clothing, footwear, housing conditions, food consumption and ownership of some items as indicators (Table 2). The choice of these variables as benchmark is due to their acceptability globally as indicators of poverty based on MPAT. Due to its multi-dimensional nature, the approach is very sensitive in discriminating among different levels of poverty. Other advantages of the MPAT are that it is less expensive and data collection can be undertaken within a short time compared to other approaches.

“Insert Table 2. about here”

The PCA selects variables on their ability to discriminate. For instance, time taken to a secondary school was selected in the computation instead of time to a primary school because the presence of a primary school is almost universal and, therefore, using primary school as a measure of depravity will not be discriminatory enough. On the other hand, literacy level is based on completion of primary education on the assumption that one will be able to read and/or write in at least one language after primary education. Water is also incorporated in housing conditions because of the high correlation between housing quality and the availability of safe drinking water in the home, as was observed in Chapter 2. We are also mindful of the fact that quality of housing will be influenced by the material used and that in areas such as the northern zone where thatch is used for roofing, houses in the area will be given lower rating although they may be better than some houses in the coastal zone. In spite of these observations, the approach provides robust indices for the measurement of levels of well-being.

Computed household poverty score normally ranges between ± 3 . For our study, the computed household poverty score for the non-client household ranged between -3.05 and +2.65. The range is subsequently divided into three (terciles) or five equal groupings (quintiles) as shown in Figure 1. A score of zero denotes an average level of poverty, with the higher and lower scores connoting relatively less poor and extreme poor respectively. Through the approach, non-client households are equally divided into five (20%) and provides the basis for comparison with client household. Any deviation in the pattern of the distribution will connote a difference between the client and the non-client households. It is this approach that was used to compute indices for the study.

Figure1. Definition of quintiles



DISCUSSION OF RESULTS

Introduction

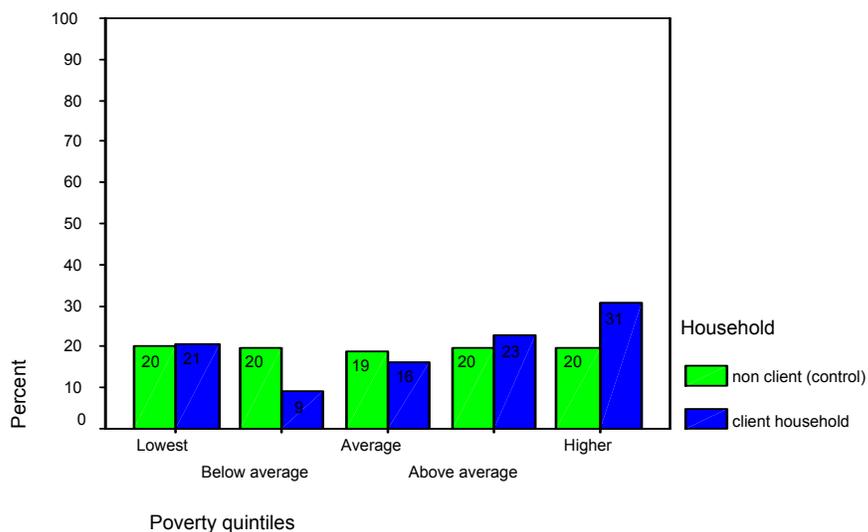
In response to the objectives and methodology, this chapter discusses the findings of the study. The relative measurement of poverty is used as against the absolute measurement of poverty and through the usage of the MPAT a rapid poverty score has been computed of each selected household. With the aid of quintiles the scores were compared at different levels to examine the extent to which a particular strategy is reaching a particular segment of poor people.

RESULTS

One aspect of the MPAT methodology is to compare the distribution of the clients of micro-institutions to the profile of a control group which is indicated in quintiles. The results indicate that compared to the control group, clients of MFIs were generally in the non-poor category:

over 30% of the clients were within the highest quintile followed by 23% in the above average quintile (Figure 2), giving a total of 54% in the two highest quintiles, compared to the expected 40%. The proportion in the lowest two quintiles is 30%, with 21% in the lowest quintile. What emerges is that clients of MFIs are found in all the quintiles, although it is slightly skewed towards the higher quintiles. In other words, the MFIs together serve a wide range of the Ghanaian population – from those in the lowest to the highest quintiles.

Figure 2
Pattern of Poverty of the Client Sample



Poverty profile by Zone

In addition to the national pattern, it was important to assess the pattern by ecological zones. The results showed that the patterns for the middle and the coastal zones are similar, hence the patterns for the coastal and northern zones are described in this section. Figures 2a-d show the

distribution of MFI clients of the two zones compared to the national pattern for the control group. The results show a marked difference between the profile of the clients of MFIs for the coastal and the northern zones. For instance, 73% of the clients in the coastal zone were in the two highest quintiles compared to only two per cent of the clients in the northern zone. At the other extreme, 80% of the RMFI clients in the northern zone but only one per cent in the coastal zone was in the lowest quintiles (Figures 2a and 2c). Using the national control group for comparison, the majority of the clients of MFIs in the northern zone were in the lowest quintile while the majority in the coastal zone were in the highest quintile.

The next step was to compare the distribution of the profile of clients in each zone with the control group for the zone (Figures 2b and 2d). Compared to the control population in the coastal zone, 59% were found in the two highest quintiles and 16% in the two lowest quintiles (Figure 2b). Using the control group of the northern zone for comparison with clients in the zone, 71% of the clients were found in the two highest quintiles and only 11% in the two lowest quintiles (Figure 2d). Based on within-zone control populations, the results indicate that micro finance institutions in the coastal and the northern zones deal with clients who fall within similar quintiles. Among the conclusions are that, at the national level due to the high poverty at the northern zone, it is relatively easy to reach more poor people compared to the rest of the country. Secondly, within each of the zones the clients of MFIs tended to be among the entrepreneurial poor which is the target of MFIs. Thirdly, national standards can mask within-zone conditions that are important for assessment and the development of interventions.

Figure 2a

Poverty profile of clients in Coastal zone compared to National Control Group

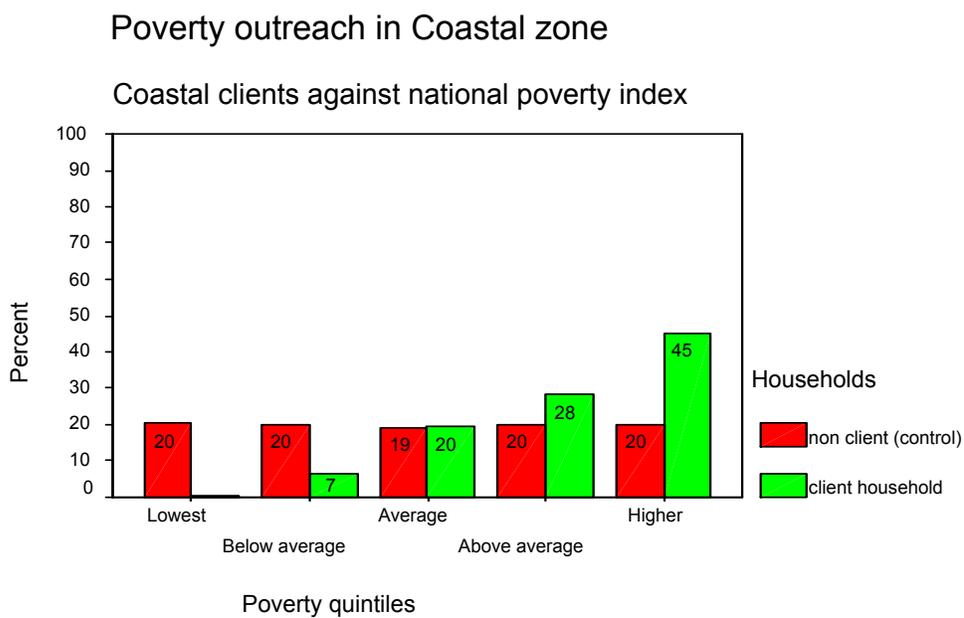


Figure 2b

Poverty profile of clients in Coastal zone compared to Coastal Control Group

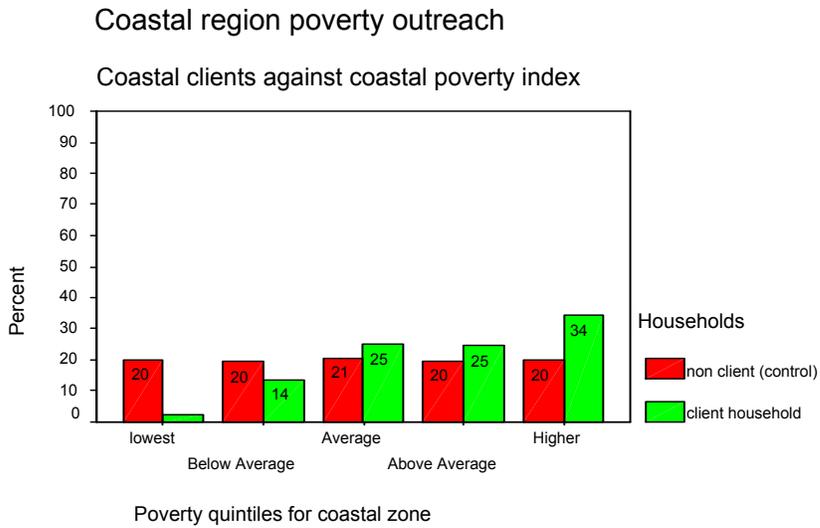


Figure 2c

Poverty profile clients in Northern zone compared to National Control Group

Poverty outreach in Northern region

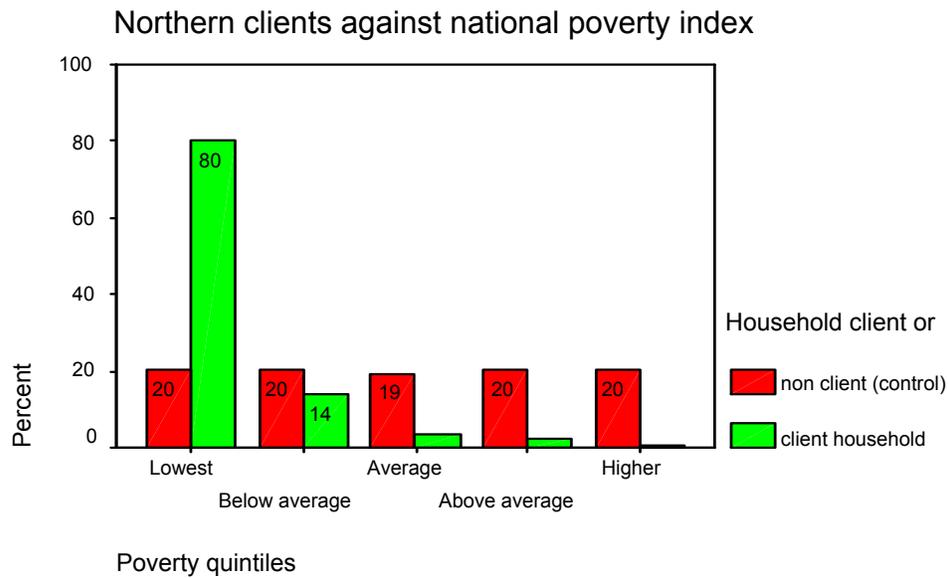
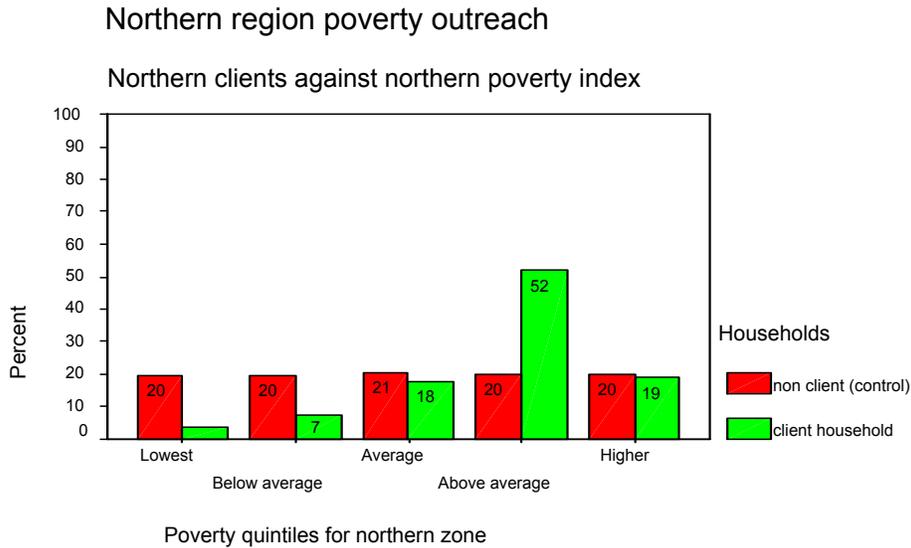


Figure 2d
Poverty profile of clients in Northern zone compared to Northern Control Group



Poverty profile by Region

The poverty indices for both the clients and the control group by region are shown in Table 5.1. The results indicate that for six of the regions - Northern, Upper East, Upper West, Eastern, Greater Accra and Ashanti - the poverty profiles of both the clients and the control population were about the same. For the three northern regions, both were in the below average to the lowest categories, showing the high level of poverty in that zone. In the other three, both the clients and the non-clients were in the above average to highest categories. For the four other regions, the profiles of the clients of the RMFIs and those of the control group differ markedly. For instance, in the Brong Ahafo Region the index for the control group is -0.139, indicating high level of poverty whereas the index for the clients is 0.725, which is in the above average category. Even allowing for some reporting errors, this wide difference is worth noting, since it may be related to the type of institutions surveyed in the region.

“Insert Table 3. About Here”

SUMMARY, CONCLUSION AND RECOMMENDATION

Introduction

Worldwide, the concept of micro financing as a strategy to target and reach the poor for support emerged in the 1970s. In Ghana, the process started in the 1980s as one of the strategies for poverty reduction and wealth creation. As a recent strategy, the scope of micro financing in Ghana is relatively small compared to countries such as Uganda and Bangladesh (Zaman, 2004). Nonetheless, the institution is impacting on the lives of some people in some areas. This study was, therefore, undertaken to assess the depth of outreach of selected micro-financing institutions and in the process identify some good practices. Although only 17 of MFIs were studied, the results provide evidence-based insight into the operations of five categories of MFIs in the country.

The findings also provide a benchmark for assessing the various categories of MFIs and their scope of operations. This will, among other things, inform further research and contribute to the search for strategies to improve upon micro-financing in the country.

Main Findings

Among the main findings of the study are:

- There were wide variations in the background of clients by zone when the status of RMFI clients was compared with those of the national average. Of the three zones, the clients of MFIs in the middle and the coastal zones showed less variation in the status of clients compared to the control group. In the Northern zone, the clients were predominantly in the lower quintiles when the national pattern was used for comparison. When the population of the zone was used as control, most of the MFIs clients were in the average to the highest quintiles. In other words, MFIs clients tended to be within a certain economic category (the entrepreneurial poor) irrespective of location. Secondly, the results indicate that at the national level, MFIs can achieve better outreach when they operate in poor geographical areas.
- Two out of every three clients in the rural areas of the MFIs studied were in the two lowest quintiles. This was similar to the observations from the various studies on poverty from the Ghana statistical Service.
- The MPAT methodology provided a useful method for the study of poverty in the country and provided results similar to those that have been obtained from other studies such as those from the Ghana Statistical Service. The approach of comparing the beneficiaries in a programme to a general population is a method that can be applied to other studies.

RECOMMENDATIONS

Following from the studies, recommendations are grouped under policy dimension, operations of MFIs, improving outreach, research, monitoring and evaluation.

POLICY DIMENSION

Spatial Dimension

The MFIs which showed better outreach than the rest are those located in relatively poor areas such as the northern zone. Given the level of poverty in that zone relative to the rest of the country, government and donor agencies should continue to give high priority to the zone in poverty-reduction strategies. Within the zone, MFIs should develop new portfolios that respond to relatively poor people in the area since their current portfolios respond to the needs of the relatively well off in the zone.

At the national level, the rural banks and the FNGOs which reach people in the lowest quintile should develop portfolios that identify and target the very poor in their catchment areas.

Coverage of MFIs

The study covered five of the six types of micro finance institutions in the country. Such a variety of institutions provides opportunity to reach different segments of the micro finance market, depending on objectives of the portfolio. Therefore, APEX Bank and other regulatory institutions should develop strategies aimed at assisting the different categories of MFI to develop, based on their strengths. As part of the process, MFIs with the potential to grow should be encouraged, and if possible, upgrade themselves.

Maximizing on operations

Some of the MFIs operated projects based on funds from their own resources, government or donor sources, with varying rates of interest. The low interest on funds from government and donor sources, with its implications for profitability, should be reviewed. MFIs should negotiate with government and donors for rates of interest on funds from these sources which will enable them get some profit. Apex Bank and other regulatory bodies should initiate such dialogue.

To achieve the objective of supporting the poor, the parameters developed by the various institutions, especially the rural banks, should be re-examined with the view to widening the scope of operations to include other innovative approaches. The approach of one of the NGOs provides an alternative paradigm for supporting the poor in their communities.

Social Mobilization

Social mobilization to generate a group emerged as one of the strategies used to select potential clients. By engineering a group, some of the very poor who may not be invited into any group can be brought together to form their own groups. This will make it possible to design programmes that will meet the needs of such members.

Political interference

Political interference in the selection of potential clients emerged as a constraint in the identification and support for people who really need help. Where procedures were followed, the distribution and outcomes were just the same as the use of resources from the MFIs themselves. Interference, according to the managers, not only skewed distribution, but also affected record-

keeping and re-payment rates in some cases. It will still be useful to channel loans through rural banks, but then government functionaries should allow procedures established for granting loans to function as intended so as to help improve efficiency. The effect of the interference on operations is not helpful in a number of ways, including its effect on record-keeping.

CAPACITY BUILDING

Human and Infrastructural facilities

In some of the MFIs, we observed poor level of infrastructural facilities such as ICT and transport as well as skills for mobilizing and assisting potential clients. This affected the operations of some of the institutions. Institutions such as Apex Bank, Ghamfin and the co-ordination desk for microfinance have been established to support the operations of MFIs. Ghamfin, in collaboration with Apex Bank should:

- Develop standard training programmes within the country for operators of micro-financing institutions. This can be done in collaboration with one of the tertiary institutions in the country.
- Provide continuing education on the operations of micro-financing to staff. As a first step, exchange of staff can be organized. This will help to transfer skills among current operators.
- Assist some of the institutions to modernize their operations in order to improve upon their performance in even some of the basic areas as record-keeping.

CONCLUSION

Micro-finance institutions in the country, in line with the challenge to improve the living conditions of Ghanaians have adopted various strategies to reach the poor. With resources from their own operations, the government and donor institutions, the micro-finance institutions have introduced products for potential clients. At the national level, MFIs can achieve better outreach when they operate in poor geographical areas. However, when the background of clients is compared to the control group in the same zone, institutions tend to reach the non-poor in that zone. This situation was very glaring in the case of the northern zone where at the national level, the clients of the institutions were mostly in the lowest quintile. But compared to the non-client sample in the northern zone the MFIs dealt with those in the highest quintiles. Secondly, clients and non-clients in rural areas dominated in the lowest quintiles. Thus, in Ghana, location should become an important factor in targeting clients in some regions and in rural settings. Within the zones, attention would need to be given to categories of occupations with the intention of reducing the glaring variability by occupation. The results present challenges to micro-financing in the country; and with this initial survey, it should be possible to assess changes in outreach of institution in future.

APPENDIX I

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APPENDIX II

Table 1

Poverty Trends in Ghana in the 1990s by Region (in Percentages)

| Region | Extremely Poor (Less than ₵700,000) | | Poor (Less than ₵900,000) | |
|----------------|--|-------------|--------------------------------------|-------------|
| | 1992 | 1999 | 1992 | 1999 |
| <i>Western</i> | 42.0 | 13.6 | 59.6 | 27.3 |
| Central | 24.1 | 31.5 | 44.3 | 48.4 |
| Greater Accra | 13.4 | 2.4 | 25.8 | 5.2 |
| Eastern | 34.8 | 30.4 | 48.0 | 43.7 |
| Volta | 42.1 | 20.4 | 57.0 | 37.7 |
| Ashanti | 25.5 | 16.4 | 41.2 | 27.7 |
| Brong Ahafo | 45.9 | 18.8 | 65.0 | 35.8 |
| Northern | 54.1 | 57.4 | 63.4 | 69.2 |
| Upper West | 74.3 | 68.3 | 88.4 | 83.9 |
| Upper East | 53.5 | 79.6 | 66.9 | 88.2 |
| Total | 36.5 | 26.8 | 51.7 | 39.5 |

NB: Poverty was measured through expenditure pattern.

Source: Ghana Statistical Service, 2000: Poverty trends in Ghana in the 1990s.

APPENDIX III

Table 2
Variables used in constructing poverty index

| <i>Components</i> | <i>Indicators</i> |
|---------------------------------|---|
| Geographical Location | Urban or Rural location in rural savannah |
| Food Security and Vulnerability | Coping Strategy: frequency of reducing number of meals |
| Quality of the House | Index for type of ownership, access to water, electricity, quality of roof, walls toilets, etc. |
| Assets of the Household | Motorcycle, bicycle, TV, stereo, radio, fridge, stove, sewing machine, fan, iron, etc. |
| Access to basic needs | Time (in minutes) to the nearest secondary school and pharmacist. |
| Education | Literacy and level of schooling of HH head, per cent of adults who have completed primary schooling, ratio of literate adults |
| Occupation | Number of adults self-employed in food crop agriculture and distance to the nearest food market. |
| Expenditures | Clothing and footwear expenditures per person. |

APPENDIX IV

Table 3
Indices of Poverty by Region

| Region | Index of Poverty | |
|---------------|-------------------------|-------------------------|
| | Control Group | Client Household |
| Western | -0.018 | 0.760 |
| Central | -0.051 | 0.753 |
| Greater Accra | 0.789 | 1.174 |
| Eastern | 0.235 | 0.481 |
| Volta | 0.173 | 0.691 |
| Ashanti | 0.422 | 0.483 |
| Brong Ahafo | -0.139 | 0.725 |
| Northern | -1.099 | -0.934 |
| Upper West | -1.231 | -1.209 |
| Upper East | -1.442 | -1.513 |