An Impact Assessment of Financial NGOs in Ghana

(A Case Study of the Clients of the Social Investment

Fund Microfinance Program)

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Abstract

"People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks. (Consultative Group to Assist the Poor, 2008; Consultative Group to Assist the Poor, 2008 para .2)There are diverse types of financial services who have emerged of which the non-governmental organizations identified as Financial NGOs in Ghana are offering services to the poor especially women. This study looked at three FNGOs and the impact of their financial services at four levels; the individual, household, enterprise and the community. The study comprised of both primary and secondary research; employing both qualitative and quantitative methods. Findings indicated existing clients had increased income and as a result 68 percent of the women indicated it had increased their decision making in the household. About 80 percent of the clients contributed to the household in asset acquisition, investing in children's education and the general well being of the family. Seventy-nine percent already participated in community activities. The study concluded that even though majority of the women had found the intervention beneficiary some felt they were worse off due to the inadequate loan sizes and stringent loan terms. Recommendations included participation of clients in reviewing of the microfinance services and products to address their needs.

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Finally to the Women of the 3 FNGOs I worked with, I say "Ayekoo" well done in showing such strength and determination in working towards giving your children a better life.

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List of Abbreviations

APED	Association of Progressive Entrepreneurs in Development
ASFIN	Association of Financial NGOs
CRAN	Christian Rural Aid Network
CU	Credit Unions
CUA	Credit Union Association
ENOWID	Enhancing Opportunities for Women
FNGOs	Financial NGOs
GOG	Government of Ghana
GCSCA	Ghana Cooperative Susu Collectors Association
GHAMFIN	Ghana Microfinance Institutions Network
IA	Impact Assessment
JSS	Junior Secondary School
SSS	Senior Secondary School
KSF	Kraban Support Foundation
MASLOC	Microfinance and Small Loans Centre
MFI	Microfinance Institutions
RCB	Rural and Community Banks
SIF	Social Investment Fund

1. INTRODUCTION

1.1. Statement of the Problem

Ghana has a population of 23.5 million, roughly half of whom live in the rural areas. Poverty has declined from 52 percent in 1992 to 28 percent in 2006, and Ghana is on course to exceed the 2015 Millennium Development Goals (MDGs) of halving her poverty.(World Bank, 2008). Women form about 49.5percent of the total population (Central Intelligence Agency, June 10, 2008). Most of these women live in poor communities both in the rural and the urban areas of the country. They engage in mostly micro enterprises and hardly have any access to credit. The only category of financial institutions that largely provides access to credit for the women is the Financial Non Governmental Organizations (FNGOs).

The FNGOs are amongst the five categories of financial intermediaries in Ghana.(Ghana Microfinance Institutions Network(GHAMFIN), 2003) They provide financial services to the poor, especially women, in both the urban and the rural areas of Ghana. (Ghana Microfinance Institutions Network(GHAMFIN), 2005)These institutions on their own are also grappling with many challenges which include low capacity, lack of empirical data on their operations which as a result makes them unable to attract investment opportunities to scale up their operations. Furthermore, the level of impact on the financial services provided to these women by FNGOs are not known due to lack of empirical data, low visibility and other challenges prevalent to unregulated institutions.

According to Todaro & Smith, the world's urban population is now approximately as large as its rural population for the first time".(Todaro & and Smith, .C. S., 2006 p. 316) As such projects similar to the Social Investment Fund in Ghana seek to address urban poverty by providing access to credit for the poor communities in the urban areas whose main populace are women.

This study therefore focused on the 3 FNGOs who are part of the 15 Microfinance Institutions (MFIs) accessing on lending funds to women with the Social Investment Fund (SIF) in Ghana. This study was conducted in 12 communities which were also part of the operational zones of the Social Investment Fund Programme. These communities are amongst the most deprived areas in the Greater Accra and Central Regions of Ghana.(Rural Financial Services Project, 2004).

The study looked at the impact of the financial services at the client level; that is the individual, her enterprises, household and the communities in which she resides. The study also looked at the development of the 3 FNGOs and their capability of providing financial services to the women.

This study will be the first of its kind as there has not been any study conducted by an independent evaluator on a collective of FNGOs. The findings will be most functional for all the main stakeholders. The policy makers will have information on FNGOs for planning purposes and provide visibility for FNGOs to access capacity building programmes and explore other investment opportunities. As mentioned earlier there has not been enough empirical data on this category of MFIs. However, the Ghana Microfinance Policy (GHAMP) recognizes the role of the FNGOs in the government's poverty reduction strategies.(The Office of the President, 2006) This study will advance the course to involve the FNGOs in their roundtable discussions on poverty reduction strategy programmes. Furthermore the development partners will have a better understanding of the FNGO's operations and their challenges and engage them further in their programmes.

1.2. Significance of the Problem

1.2.1. Ghana Context

Ghana is a country located on the Gulf of Guinea, only a few degrees north of the Equator, giving it a warm climate. The Greenwich Meridian also passes through Ghana, specifically through the industrial city of Ghana-Tema; so it is said that Ghana is geographically closer to the "center" of the world than any other country. (Reference for Ghana, 2008).

Poverty in Ghana is primarily rural. Seventy per cent of the country's poor people live in rural areas, where they have limited access to basic social services, safe water, all-year roads, and electricity and telephone services. The incidence of poverty is highest in the northern parts of the country. While poverty has a firm grip on the north, there has been a substantial decline in poverty overall. (Rural Poverty Portal, 2007)

The issue still remains that about 80 percent of the Ghanaian economy is in the informal sector (United Nations Development Program, 1997). As it pertains in most developing countries, the informal sector exists both in the urban and the rural areas. Seventy percent of the population resides in the rural areas. They are mostly women who in the rural areas are mostly engaged in mainly subsistence farming activities, and low-income generating activities, while in the urban areas they operate marginal enterprises in the informal sector.

The workforce within this sector requires low skill and informal methods of doing business. Access to finance for this sector has been a challenge due to the informal manner they operate their business. The microfinance sector in Ghana has been filling this gap to provide financial services to the informal sector. Often times they are used as financial intermediaries for the government credit programs and also collaborate with development partners.

1.3. Microfinance Sector in Ghana

1.3.1. The Institutions

The financial system in Ghana includes the main formal commercial banks and five categories of microfinance formal, semi-formal and informal institutions that mainly provide products and services to low income clients both in the poor urban communities in the rural areas. (Ghana Microfinance Institutions Network (GHAMFIN), 2006)

Ghana has an unusually diverse array of institutional formats suited to different markets and using different methodologies – most of them savings-led. The formal microfinance institutions are the 125 rural and community banks, 12 savings and loans companies as of the end of December 2007. (Ghana Microfinance Institutions Network (GHAMFIN), 2006).

The semi-formal microfinance institutions comprise an estimated 50 institutions registered as Financial Non Governmental Organizations (FNGOs) with active microfinance programmes, as well as 349 co-operatives and credit unions as of the end of December 2007. (Ghana Microfinance Institutions Network (GHAMFIN), 2005). They are usually self- regulated; the FNGOs for instance are not allowed to take deposits from the public and therefore tend to depend heavily on external (mainly donor) funding. Co-operatives and credit unions, on the other hand, can grant loans as well as collect savings from their pool of members.
Characteristic of the semi-informal microfinance providers is their ability to provide small-scale financial services, including non-collateralized short-term loans. Their operations are also characterized by close proximity to the livelihoods of many micro-clients.

Finally, the informal sector includes individual moneylenders, susu collectors, susu clubs, associations and companies, as well as traders who provide credit and sometimes operate informal savings schemes. These are non-licensed, non-regulated operators, though some are organized into groups with a co-operative structure.

The rural banks are regulated by the central bank and as such information is available, the FNGOs on the other hand are non-regulated and information on their activities is not readily available. Unfortunately, studies such as what was carried out by the Rural Financial Services Project on the sector are very few. This lack of systematic assessments of impact of these FNGOs is a hindrance for them to be able to explore new and emerging opportunities. The main goals of this current study will therefore focus on assessing their impact and increasing the visibility of FNGOs in Ghana. The findings will be presented to policymakers and other stakeholders. The findings of this study would be a learning process not just for the participating institutions and their clients but for the sector in general.

1.3.2. The Partners in the Microfinance Sector

One of the major challenges to the Microfinance Sector is the lack of reliable and concrete data on the sector. Ghana is currently considered as an "island of Peace and Stability" in the West African Regions. The country has had four consecutive free and fair elections and democracy and freedom of expression is deepening (Development for International Development (DFID), April 2008).

The stability in Ghana has drawn a lot of attention from investors and to the microfinance sector as well. The country is also benefiting from other investments of which notably is the $500 million Millennium Development Challenge Account (MCA) fund for five years from the United States government (Tran, 2008.) These funds will be channeled through to the Agriculture sector using the FNGOs and the Rural Banks as the conduit, to provide credit to the farmers and for agro processing. One of the main reasons these two categories have been selected is that a study carried out in 2004 on Poverty Assessment Study in Ghana showed that the Rural Banks and FNGOs managed to cover more of the poor households than the other micro-finance institutions in Ghana (Rural Financial Services Project, 2004).

The Social Investment Fund (SIF) was established in 1998 through the concerted effort of the Government of Ghana (GoG), the African Development Bank (AfDB), and UNDP. It is a special Fund set aside to provide direct targeted and sustainable assistance to Ghana's urban and rural impoverished communities. It supports sub-projects designed and implemented by Community-Based Organizations (CBOs). Its goal is to contribute effectively and rapidly to reducing rural and urban poverty in Ghana. (Social Investment Fund, 2008)

SIF has since 2003 been engaged in microfinance operations. The objective of this scheme is to enhance the access of the poor to financial services by increasing the availability of microfinance services to 20,000 clients and build the capacity of at least 15 microfinance institutions. Specific project objectives are to (i) improve socio-economic growth of poor urban settlements through better participatory management, job creation, public/private partnership and governance at local level; (ii) improve livelihoods in urban and peri-urban zones through increased access to basic quality services and socioeconomic infrastructure; (iii) facilitate access to income generating activities through capacity building and strengthened urban small-scale enterprise sector (Social Investment Fund, 2008.)

The Ghana microfinance institutions network (GHAMFIN) is the apex of all microfinance apex institutions in Ghana. The microfinance apex institutions represent each category of the rural microfinance institutions in Ghana. The ARB Apex bank represents the rural banks; the Credit Union Association for all the registered credit union; the Ghana Co-operative Susu Collectors Association for all registered susu collectors and the Association of Financial NGOs, the apex for the financial NGOs. The Ghana Association for the Savings and Loans companies is in formation to represent the savings and loans companies. (Ghana Microfinance Institutions Network (GHAMFIN), 2006)

GHAMFIN has over the years had a direct oversight of the Financial NGOs. The Network came up with the initiative in 2005 to spearhead an association for the FNGOs. This was mainly because the categories of MFIs in the country had associations which gave them a platform to advocate issues concerning their business. This was to enable the FNGOs to have a voice and also for policy makers to recognize the FNGOs contribution to the microfinance sector.

It was also necessary for the FNGOs to have an identity since the role they are playing in providing the financial services to women is part of the government's plan to reduce poverty in the country. To address the issue of economically marginalized women, one of the strategies adopted by the government is to encourage banks and alternative microfinance institutions to develop flexible packages to meet women's needs and constraints (National Development Planning Commission, 2005).

The Network as a key stakeholder within the Microfinance sector in Ghana will be able to share findings and recommendations from this study to other Microfinance stakeholders, interventions and to any other upcoming Microfinance projects for the sector. This would enhance the Network's image and increase its effectiveness within the Microfinance Sector.

1.3.3. Microfinance Initiatives in Ghana

The Government of Ghana (GOG) launched \$50 million (475 billion cedis) microfinance and a small loans scheme in 2006 (Tran, 2008) In 2007 the Barclays Bank Ghana also contributed to the fund. The MFIs are to serve as a conduit for this fund to be disbursed to micro enterprises in the rural communities. The government also made it a requirement that 20 percent of the District Assemblies Common Fund allocated to the respective District Assemblies must be set aside for microfinance loans for poverty alleviation. (District Assemblies Common Fund, 2008) There are projects funded by multi lateral agencies and the government which have microfinance components often disbursed through existing MFIs. These include the Social Investment Fund with funding from the African Development Bank and OPEC Fund for International Development, the Community Based Rural Development Project with funding from the International Fund for Agricultural Development and SPEED Ghana funded by DANIDA and GTZ.

However, the representation of the FNGOs in the above-mentioned projects has been very low. Some of the reasons have mainly been due to the lack of concrete data on the impact of their activities in the communities that they serve which would have justified any support. A collective assessment of FNGOs and their activities has not been carried out. As a result they are losing out on capacity building and investment opportunities provided by the Government, Development Partners Projects and donors earmarked for the microfinance sector. This excludes their clients from benefiting from these programs. There is the need for "proof" of their contributions and also useful information for the institutions themselves which would inform their decision making process in "improving" and providing better services to their clients.

Undertaking an Impact Assessment Study would provide that "proof" and support the evidence on the ground of the FNGOs contribution to the sector. The findings of the study would form as a base-line study in designing projects for the sector; it will also enable the participating FNGOs in the study and FNGOs in general to improve the practice of providing financial services to their clients. Findings would also enable FNGOs strengthen their relationships with policymakers, development partners and other stakeholders.

1.3.4. Benefits of the Study to the Microfinance Sector

This study will inform the government of Ghana in reviewing the next phase of its Poverty Reduction Strategy. As the government continues to provide funds for other Microfinance schemes it will apply the lessons learned in future microfinance projects.

Findings from this study will further inform DPs on the microfinance sector especially information on microfinance clients and other microfinance projects.

1.3.5. Benefits of an Impact Assessment Study to the Social Investment Fund (SIF)

The beneficiaries of the Social Investment Fund microfinance program are used as the case study for this research. The study will therefore inform SIF whether its specific objectives are being met, that is enhancing the access of the poor to financial services by increasing the availability of microfinance and the capacity of indigenous financial institutions such as the FNGOs.

SIF will be able to measure the monitoring indicators it had set for its microfinance programme at the initial stage. This will also help to assess the progress made so far in the lives of the clients in targeted areas based on the indicators identified to measure the impact of the programme in future. Finally it is also expected to help to unravel the weaknesses in the current programme so that they can be addressed for further refinement of the future microfinance projects.

1.4. Financial NGOs in Ghana

They have been classified as such to make a clear distinction between Non Governmental Organizations (NGOs) which provide financial services and those NGOs who provide non-financial services such as advocacy on issues of environmental protection, sanitation and rights of the vulnerable. NGOs whose core business is credit delivery may also deliver complementary non financial services such as; education in nutrition and health care.

It is estimated that there are about 80 FNGOs operating in all the 10 administrative regions of Ghana. The Ghana Microfinance Institutions Network (GHAMFIN) has on its register 50 FNGOs. The client sizes of these FNGOs ranges from 500-50,000 clients. The FNGOs provide financial services such as the facilitation of savings, loan products for income generating activities, education and smoothening of household income.

1.4.1. The Contributions of the FNGOs to the Microfinance Sector

The FNGOs are known to interface with entrepreneurs lower down the poverty profile. FNGOs are particularly important in making financial services available in the northern part of the country, where both commercial and rural banks are very few Steel & Andah(2004.) This makes them important partners in the fight against poverty, yet the impact of their contribution to the microfinance industry is not well-documented.

FNGOs have provided financial services and complementary non-financial services to their clients who ordinarily will not have access to financial services. The largest FNGO in Ghana; Sinapi Aba Trust (SAT) in Kumasi served over 49,000 clients as at the end of 2006 (Ghana Microfinance Institutions Network(GHAMFIN), 2006). As compared to Atwima Kwanwoma Rural Bank whose total number of clients was 68,000, only 7000 of the total clients were loan clients. The First Allied Savings and Loans (all located in the Ashanti Region) with its total clients 72,000 also has loan clients of 7000 as at the end of 2006. These two MFIs are the largest in their categories in terms of outreach. In terms of poverty outreach Rural Banks and FNGOs are the major micro financial providers for poor households (Rural Financial Services Project, 2004.) Services offered by FNGOs are erroneously perceived by some stakeholders as charity and thus not sustainable. Thus the question of whether FNGOs are able to continuously provide beneficial services to the poor effectively and efficiently has been raised by other stakeholders in the sector. As the impact of their services is less known empirically, a lot of opinions on the FNGOs whether positive or negative are perceptions.

Even though very little of the activities of this category of MFI is documented in terms of outreach to poor clients they rank second to the rural banks. See table below:

Table 1: Outreach of MFIs in Ghana 2004 - 2006

MFI Category	Number of institutions reporting 2004	Number of Borrowers 2004	Number of Institutions reporting 2005	Number of Borrowers 2005	Number of Institutions reporting 2006	Number of Borrowers 2006
FNGOs	28	105,530	25	98,386	27	114,942
Savings and Loans companies	10	39,890	10	58,598	8	77,513
Credit Unions	261	83,804	273	93,298	275	99,856
Rural and Community Banks	117	221,818	120	298,473	122	358,092

Source: (Ghana Microfinance Institutions Network(GHAMFIN), 2007)

1.4.2. FNGOs and Women Borrowers

Women formed 56 percent of clients of MFIs in Ghana for both 2004 and 2005 which is very close to the sub-Saharan Africa average for 2005 of 57 percent. Microfinance Information eXchange (MIX), (2005) Ninety- five percent of these were clients of FNGOs as compared to 45 percent of clients of the RCBs. GHAMFIN's recent data for the 2007 confirms that FNGOs continue to serve more women clients than any other MFI category in the country. Even though the percentage has reduced from 95 percent in 2005 to 90 percent in 2006 this reduction is due to the number of FNGOs reporting which was about twenty-five as compared to the previous year which was twenty-eight institutions. See the table below:

Figure 1: Percentage of Women Borrowers served by MFIs in Ghana

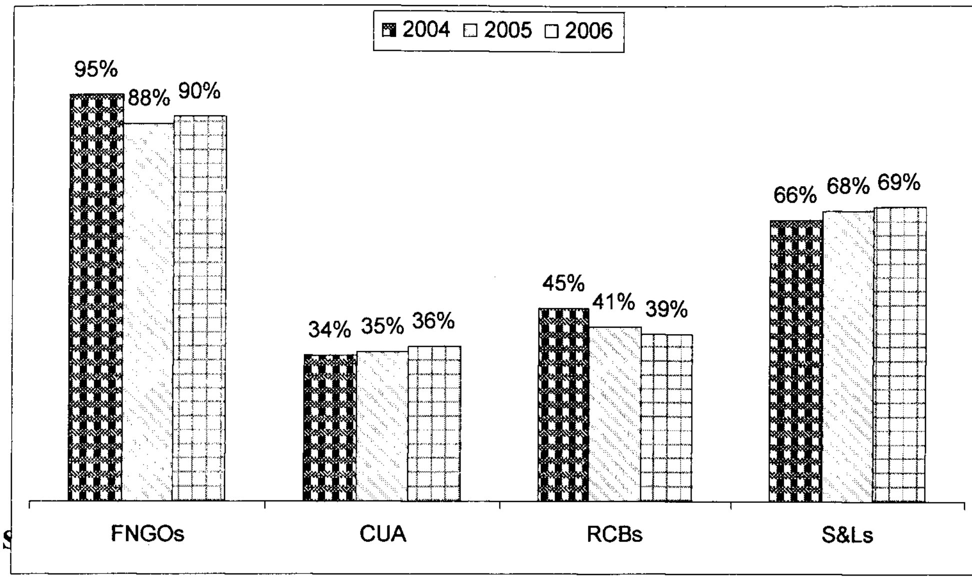


Fig 1 shows that RCBs are below the national average in all the years under review with the highest (45 percent) women clients in 2004.

Comparing changes in percentage of women per category (Fig1) the RCBs share of 95 percent in 2004 was reduced to 88 percent in 2005 and then increased to 90 percent in 2006, whilst S&Ls increased its share of 66 percent in 2004 to 68 percent in 2005 and then to 69 percent in 2006. Credit Unions showed a steady increase of 34 percent in 2004 to 35 percent in 2005 and again increased it to 36 percent in 2006. FNGOs which reported the highest percentage of women borrowers of 95 percent in 2004 dropped to 88 percent in 2005 but increased it to 90 percent in 2006.Ghana Microfinance Institutions Network (GHAMFIN), (2007)

RCBs clientele are usually salaried workers who live in the rural areas, cocoa farmers and SME businesses of which men form the majority. The RCBs operate as banks and their procedures are usually too complicated and intimidating for the women who are usually market traders or manage microenterprise such as selling bread and preparing food. The typical loan sizes of RCBs are too big to meet their needs, and smaller loans are too expensive for the bank to process.

RCBs till recently were not even recording gender data, although they have begun to adopt the good practices in microfinance. Most of the product and services provided by the RCBs, even though targeted to the rural folk, require collateral. Land and property in the rural areas are usually owned by families, and in the custody of men. S&Ls serve more low income clients in the urban centers, of which the majority is women. The S&Ls usually apply more of the individual lending methodology than the group methodology. Even though issues of collateral are applicable to S&Ls, they are able to serve proportionately more women than the RCBs. Ghana Microfinance Institutions Network (GHAMFIN) (2006).

The CUs typically rely on membership with a regular stream of income, the enable regular cash savings in small amounts. Credit unions do not have data regarding female clients who access group loans. The percentage of women among individual client is relatively low as compared to the other MFIs. As female clients favour more group loans because of the group guarantee system, it is possible that the women clients for CUs would be much higher if the composition of the group members were known.

However, FNGOs target most of their programs to women. In addition to providing financial services to the clients they provide other non-financial services such as sanitation, health, education and HIV AIDS Programs; to help improve the total welfare of the households and the communities they live in. The main objectives of most FNGOs are to contribute towards socio-economic development and improved quality of life for poor households by targeting women. The FNGOs facilitate the rural poor to save cash for anticipated opportunities: purchase of household assets or farm implements or commitments such as school fees or a marriage ceremony and emergencies such as sickness or death. The service empowers the women and heightens their self-esteem Andah (2006)

A client from Kraban Support Foundation a local financial NGO reported that before she joined the microfinance programme she had lost control in the up bringing of her children as she had so little to survive on. Now she does not count on her husband to make all the decisions. She has now realised that gone are the days when women depended heavily on a man. She is now in charge of her own life. Stories are told everyday and so are the negative stories of the activities of some FNGOs: the high interest rates, stringent repayment schedules and misconduct of field staff. Andah(2006)

1.4.3. Challenges Facing FNGOs

FNGOs in Ghana are not deposit-taking institutions and usually have limited resources for on-lending. This is prevalent amongst the local FNGOs who have no foreign affiliations. As a result a majority of the FNGOs in Ghana are dependent on donor support and concessionary loans. They barely have any commercial funding for the sustenance of the services they provide. This is detrimental to sustaining the livelihoods of the clients they serve. The majority of the FNGOs lack professionalism. They lack the capacity to attract the right caliber of qualified staff and fail to explore investment opportunities. FNGOs in Ghana are grappling with the idea that they need to be able to adopt commercial values and operate according to commercial principles to attain their social missions.

FNGOs in Ghana have been operating in isolation without sharing data. Even though much of the information on the services provided by FNGOs is anecdotal, the extent to which the services they offer impact the socio-economic lives of their clients is scarcely known.
If FNGOs are not assessing the impact of their services on their clients then how are they able to improve or develop strategies to sustain their institutions and improve the livelihood of the clients they are serving? FNGOs in Ghana are caught up in this dilemma. As much as they need impact assessments to enable them explore capacity building and investment opportunities, they lack the capacity and the resources to undertake such exercises. A few of the FNGOs that have been able to undertake this exercise have done so because of their affiliation with international NGOs who insist on this exercise as a requirement. The examples are Sinapi Aba Trust, which was funded by its partner Opportunity International, APED by World Vision and ADRA by ADRA International.

1.4.4. Financial NGOs (FNGOs) and Microfinance Projects in Ghana

FNGOs in Ghana are one of the main categories of Microfinance Institutions providing financial services to the poor. They like most microfinance institutions in the world are grappling with issues of funding for on-lending and high operational costs. They can hardly afford exercise of this nature; except for those who are affiliated with international NGOs to carry out Impact Assessment.

There is evidence on the ground of MFIs contribution to reducing poverty and building communities around the world but unfortunately there is not sufficient concrete data. "Microfinance programs and institutions are increasingly important in development strategies but knowledge about their impacts is partial and contested (Hulme, 2000 p.2). As reported by the (Rural Financial Services Project, 2004) in their study on the Poverty Assessment & Comparative Study of Rural Microfinance Institutions & Government and Donor Credit Programmes, Accra, Ghana that in terms of poverty outreach; the Rural Banks and FNGOs managed to cover more of the poor households than the other micro-finance institutions in Ghana. One of the reasons most government and non-government microfinance projects use the FNGOs as conduits to achieve their objectives of providing economic opportunities to the poor.

Due to their inability according to law to mobilize deposits from the general public, they mostly obtained their on-lending funds from government credit programs or development projects with microfinance components on rare occasions from the Commercial banks. Questions have been raised concerning the extent to which these Government programmes enhanced the effectiveness of the MFIs, or undermined their profitability through lower repayment rates and interest rate spreads below costs. (Rural Financial Services Project, 2004.) However they are more inclined to absorb the government credit programmes than the Commercial banks who cannot afford to obtain subsidized on-lending funds. The effectiveness of these arrangements in achieving this primary objective of alleviating poverty has been the bone of contention for policy makers and development partners. The only way to find this out is through program evaluation.

As Impacts Assessment studies are expensive most FNGOs Ghana are reluctant to undertake this exercise as a learning process to improve their services to their clients. Those who undertake this exercise do so when they are being pressured by their donors. FNGOs usually have low –skilled staff that will not be able to comprehend the complexities of such an assessment.

This is also one of the key reasons impact assessment exercises is almost always been supervised (donor –driven) by the development partners who provide technical support through external consultants. For these FNGOs the attitude is if the exercise is very important to the development partner then they should go ahead and they will give their support. In the recent (Rural Financial Services Project, 2004) Poverty Assessment report in Ghana there were two important findings that; poverty outreach and performance vary substantially across different government programmes. Outcomes depend on whether clients and methodologies are pre-determined by the government programme or left to the intermediary institution to apply on a professional basis, subject to the criteria specified.

Government programmes on the whole reach far lower proportions of women clients than RMFIs' own programmes their microfinance projects such as the Social Investment Fund have taken a more demand driven approach. They have partnered with the Rural and Community Banks and Financial NGOs to implement their microfinance projects with no interest rate ceiling.

Three of these FNGOs were the subject of this study. However the effectiveness of their microfinance project has not been evaluated by an external party. An initial attempt to undertake impact assessment study only resulted in narrative description of the impact with no scientific analysis. This is confirmed by Coleman (1999) that most existing impact studies are nonacademic project evaluations that are of a descriptive nature" .

1.4.5. Profile of the FNGOs in the Study

The three FNGOs included in this study were the only FNGOs working with twelve other rural banks on the SIF microfinance programme. The clients of Kraban Support Foundation (KSF) are located in poor communities with a very sparse population. Majority of the business the clients engage in is petty trading, stone quarrying and small scale farming. The clients of Enhancing Opportunities for Women (ENOWID) who are typically women are usually located in the market places of their communities. These clients were engaged in trading of worn clothing from the Europe and the Americas and a number of them are also engaged in the textile business as well.

The clients of Christian Rural Aid Network (CRAN) are located mainly in the fishing areas in the 3 communities in the central region. Some of them are also engaged in petty trading. Apart from KSF not all the clients of the other 2 FNGOs are SIF clients, however almost 95 percent of their clients are women. The communities were selected for this study because of their concentration of SIF beneficiaries and also availability of the non clients in the same communities as the clients. Except for KSF who uses individual methodology as well as group, the other 2 FNGOs use only group lending methodology to service their clients. Apart from KSF who facilitates savings for their groups the two FNGOs did not incorporate savings in their provision of financial services to the groups. The field work indicated that CRAN facilitated savings for its own groups but not the beneficiaries of the SIF microfinance program. See the table below for the profile of the three FNGOs

Table 2: Profile of the FNGOs for the Study

FNGOs	Districts used for the study	Number of Communities	Regions Served	Total number of Clients
Kraban Support Foundation(KSF)	Ga East Ga West Dangbe West	33	Greater Accra / Eastern Region	6,090
Enhancing Opportunities for Women(ENOWID)	Ga East AMA Assembly	12	Greater Accra Reg.	1,860
Christian Rural Aid Network(CRAN)	Abura Asebu Kumankese	100	Central Region Volta Reg.	5,064

Source: Field Data 2007.

1.5. Definitions of Terms

The Incoming clients are new clients who have been prepared to receive loans from the Microfinance Institution. The existing clients are those receiving loans from the SIF microfinance program and have been with the programme for three years. The FNGOs are the Microfinance institutions serving as an intermediary for the Social Investment Fund loans. The Social Investment Fund (SIF) is the project that provides on lending funds to the FNGOs and will be referred to as SIF in this study. The "susu" is an informal way of savings whereby the susu collector collects money from his or her clients for safe keeping in a bank and is paid a day's collection as a commission. SIF beneficiaries are the clients benefiting from the Social Investment Fund programme.

1.6. Limitations

Accessing funding for this study was a challenge. Stakeholders in the industry expressed interest in the study however funding was not forth coming. The Social Investment Fund agreed to fund the study and a third FNGO was added to the sample. This study is not rigorous as funding was delayed by 6 months and only 20 percent of the budget was approved. Initially the research area for the study included the Northern Ghana which is the most deprived area in the country. Then in September 2007 there was torrential rainfall which caused widespread floods in Ghana and other African countries. This displaced about 260,000 people. Another area was selected for this study which is the Central region; which is the second most deprived region in Ghana.

The three MFIs had not collected baseline data on entry of the existing clients, this also affected the in depth analysis of comparing the before and after approach of clients participation in the programme. There was lack of longitudinal data and as such researcher had to rely on client memory. The effectiveness of the microfinance program was based on recall from the existing clients which is open to speculation. As a replacement for having no baseline data or a control group; instead incoming clients with different demographics and variables had to be compared to the existing group and used as a comparison group. It was then a challenge to attribute any impact on client based on their recollection and also in comparison with incoming clients.

Time and money was a huge constraint and thus the reason for using the incoming clients as a comparison group. One of the three MFI's did not have any incoming group (new client) in the Katapon community thus the reason researcher decided not to do comparison across districts or communities.

An assumption was made that all the FNGOs were engaged in providing in addition to loans, savings services. However, the researcher discovered in the field that two of the FNGOs were only providing savings services to their own clients in other areas and not the clients benefiting from the SIF loans. Data collected from the only FNGO providing savings could not be analyzed in comparative with the other clients. A couple of the clients were initially wary of taking part in the study some even dropped out, they found the study intrusive and the researcher and the MFIs reassured the exercise was to enable SIF and the MFIs improve on their services to them.

2. REVIEW OF LITERATURE

This section covers the review of relevant literature for Impact Assessment studies. This chapter covers the definition and the need for impact assessment studies; and current and major authors' views on the techniques. The methodological issues in undertaking Impact Assessment (IA) studies depends on the mixture of research methods chosen and gives the degree of rigor and reliability to the data collected for the study. The design of the impact assessment study in relation to triangulating of the information from different sources using either longitudinal or cross sectional data has an enormous impact on the reliability and credibility of the study.

This section also mentions tools available for Impact Assessment studies and the importance of using these tools as guidance to fit researcher's environment and not as a template. The design of an IA study in relation to the selection of research method and tools to undertake IA studies is basically due to resources available in terms of cost and capacity. This has been the major limitations in undertaking Impact Assessment studies especially for microfinance institutions.

In most developing countries microfinance has been used as one of the tools for development. As such most developmental projects have microfinance components for community development. The impact of these microfinance projects in relation to the partner institutions and their clients, sometimes called beneficiaries has been up for discussions among policymakers, development partners and the practitioners.

Some of the main pertinent issues has been the low capacity of the Participating microfinance institutions(PFIs) to undertake such exercises so it is most times being carried out by their development partners. The last section of this review gives a brief background of such PFIs in Ghana. There are issues also related to the development projects themselves, the question of sustainability and whether these projects have had any meaningful impact positive on the lives of the recipients/beneficiaries/clients or it creates a dependency and rather reduces their opportunity to come out of their poverty traps. Other school thoughts have also questioned methodologies used by microfinance institutions and microfinance projects in assessing their impact. That the quality and rigor of microfinance impact evaluations vary greatly. Goldberg (2005)

2.1. Definitions of Impact Assessment

An Impact Assessment (IA) is a research study that measures how the services of a microfinance institution (MFI) impact the lives of its clients in such areas as employment, income, nutrition, education, health, and gender equity. It is the primary tool used to determine the effectiveness of microfinance as a development intervention. Impact Assessment is a management mechanism aimed at measuring the effects of projects on intended clients. According to Kirkpatrick et al. (2001), impact assessment in its broadest sense is the process of identifying the anticipated or actual impacts of a development intervention, on those social, economic and environmental factors which the intervention is designed to affect or may inadvertently affect.

2.2. The Need for Impact Assessment

The microcredit movement exists to alleviate poverty. Yet the only performance indicators used to gauge the effectiveness of microcredit programs measure the profitability of the lending institution and the quality of its portfolio. "They don't tell us whether our clients become less poor due to the services we provide" (Cheston & Reed, 2000 p 4).

The story has changed slightly today, over ten years later, but there are a number of microfinance projects that still assess only the lender's strength; whose assessment of the projects stops with the assessment of the institution.

Many Microfinance Institutions (MFIs) today use Impact Assessment as a management tool for internal learning process to improve operational efficiency, product design and social effectiveness. Microfinance Institutions aim to improve the socio-economic lives of the clients they serve and contribute to building wider development of their communities. Impact Assessment helps them to know whether they are meeting their mission.

It is imperative for MFIs to measure their progress in relation to their goals and objectives in order to capture the benefits and counter or prevent possible problems. There is the continuing and quite rapid improvement in understanding how financial services can best be provided. Microfinance practitioners, donors, and governments have been interested in knowing the extent to which these credit interventions has been beneficial to clients.

Impact Assessment has been very much donor driven but for the donors it is an investigative tool to find out the impact of their interventions. According to Hulme (2000) Impact Assessments have become increasingly popular with donor agencies and consequently a significant activity for their recipient agencies. It has been criticized because the MFIs merely go through the motions and do not have a buy in and lack commitment to implement the necessary changes. But recently that has been changing. The Sinapi Aba Trust (SAT) Impact Team (Sinapi Aba Trust, 2004) in undertaking an impact assessment exercise with APED an NGO affiliated with the World Vision confirmed that every staff member of APED was in one way or the other involved in the evaluation especially; interviewing, data entry, quality control and analysis of results.

Copestake (2001) also points out that one of the starting points for discussion is the kind of client monitoring that can deliver such information. There is also the criticism that donor-driven impact assessment studies are not needed. However one of the main reasons most of these Impact Assessments are donor-driven is usually due to the cost involved. IAs do take a lot of resources (monetary and manpower) to carry out a rigorous impact assessment exercise to appreciate the real impact. The more thorough an impact assessment is the more resources are needed. Kirkpatrick et al. (2001) go further to confirm that rigor and quality of an Impact Assessment are partly determined by the level of funds devoted to the Impact Assessment and the quality of the personnel. The initiative to carry out an Impact Assessment study should not only come from partners of the MFI. The MFI should also see the need for this exercise and have a ownership so as to have the commitment to implement the recommendations from the study.

2.3. Concepts- Impact Assessment

Critics have questioned the rationale of having "outsiders" conducting the Impact Assessment (IA). According to (Afrane, 2002 p.39), the traditional approach to Impact Assessment comprises reviews and examinations of effects by "neutral" outsiders who are more likely to give unbiased and uninfluenced assessment. This method he added is being seen as monolithic in form and basically extractive in process and that is fails to identify and respond to changing needs and impacts of projects.

There are three approaches which are sometimes used especially for impact monitoring and are used for Impact Assessment studies as well; the Simple, Moderate and the Complex approaches Hulme (1997.) The Simple Approach is what is commonly used especially for Impact Monitoring and Impact Assessment exercise. The audience is usually development partners and the Program manager. The information is reliable but it not as rigorous and the cost is low compared to the moderate and complex approaches. However the moderate and complex approaches yields higher levels of reliability but are more expensive and time consuming. It takes 3 and 6 years respectively to deliver findings from using both the moderate and complex approaches

The purpose of Impact Assessment could be either to prove or improve. The "proof" and improving" methods really depend on the objectives of the Impact Assessment, whether to improve a situation or prove a situation. The Impact Assessment becomes more detailed when moving from the "proving to improving stage. "As the process moves from a "proof" towards "improving" the focus on the rigor of information required decreases". This method similarly moves from being an externally applied assessment towards a more flexible internal learning process".(Simanowitz, 2004 p.6). In both cases the institutions and their stakeholders are able to learn to either improve their practice or develop internal learning systems.

Findings from this current study will be presented to stakeholders including development partners and policy makers. Thus far, support for this category of MFIs has been recognized because of lack of data. They have been contributors to the governments' agenda of reducing poverty; this contribution has not been recognized so far one of the reasons is due to lack of data. This study will therefore take a "proof approach". "Provide conclusive evidence for donors or policy makers the Impact Assessment objectives will be more towards the "proof" end of the scale and the approach taken is likely to externally led and biased towards quantitative data" notes (Simanowitz, 2004 p 3.) As a key stakeholder in the microfinance sector the researcher is familiar with the intricacies and complexities of the sector. Adopting the "proof approach" to be adopted for this study would enable the researcher to play an effective in the sector as the "mouth piece" of the sector.

2.4. Cost and Capacity of Impact Assessments

Assessing impact is particularly critical in developing countries where resources are scarce and every dollar spent should aim to maximize its impact on poverty reduction. As such undertaking an Impact Assessment exercise will identify what is not working and suggest strategies to adopt to give the programmer a much higher impact in achieving stated goals. (Baker 2000 p. vi). confirms that "If programs are poorly designed, they do not reach their intended beneficiaries, or are wasteful, with the right information they can be redesigned, improved, or eliminated if deemed necessary".

However cost is one of the biggest elements in undertaking Impact Assessment. The methodology to produce a reliable, credible and a rigorous study, is totally dependent on resources available. (Hulme, 2000 p.10) confirms" resources available and the context impact studies increasingly seek to combine the strengths of different approaches and, in particular, seek to combine the advantages of sample survey and statistical approaches".

2.5. Impact Techniques

The objectives of undertaking an IA are likely to shape the design of an IA in different directions. The design of the IA needs to be expressed in a conceptual manner to depict the theory of change. Simanowitz (2004), IA needs to be based on a sound conceptual framework that can be used for developing hypotheses about possible impact channels and the types of changes that might be visible, and as a framework for analysis and understanding. The processes of change and its relation to various interventions need to be assessed and based on underlying assumptions or theories of change.

The objective will determine the cost and methodological approach, tools to use and whether there should be more focus on the Quantitative or Qualitative methods or both methods should be used. The Guidelines for Microfinance Impact Assessment states that objectives help to determine the types of impacts that will be examined (social and/or economic); the methodology that will be used (quantitative methods, qualitative methods or a mix), the types of data that will be collected, the level of reliability that will be required and the budget Barnes & Sebstad (2000.)

2.6. Impact Assessment Tools

An impact assessment tool is a mechanism to obtaining the answer to certain questions or revealing certain information about impact that researchers are looking for(Simanowitz, 2001).

The USAID and SEEP Networks have developed IA tools, the most notable of which are the USAIDs' Assessing the Impact of Micro Enterprise Services Tools (AIMs Tools). These are made up of two quantitative and two qualitative tools which are in tune with the new development in IA. They include more qualitative tools in Impact Assessment studies. These tools cover all the areas of research techniques in the methodological framework to achieve the objectives of the study. That is to make the findings more reliable, credible and show the level of rigorous that has been undertaken to measure the impact. For instance the AIMS Tools Impact Survey uses a cross-sectional design, which collects information at one point in time only (SEEP-AIMS, 2000)

MicroSave has also developed an innovative participatory market research methodology that builds capacity within MFIs. The toolkit is supported by 20 participatory rapid appraisal (PRA) tools. These tools are designed to learn more about customer perspectives on financial services and identify financial services, products and services needed by the clients (Anyango et al, 2002)

According to Cheston & Reed (2000), Integrated Learning System is an internal, decentralized, integrated monitoring, evaluation, management and training system that can be used for decision making at all levels, including clients, field workers, and donors. Further they added that the Client Monitoring System is an Access database that provides baseline data; on health, education, and financial status of individual lending clients at the time of the first loan and at subsequent points thereafter.

Many practitioner organizations may be more familiar with a longitudinal study design that includes baseline (pre-test) and follow-up (post-test) data collection rounds, which are the norm for many USAID-funded development projects.
'Designing an impact assessment study or system is about selecting a mix of methods which can complement each other, blending to give a holistic picture". (Simanowitz, 2001 p.2)
(Simanowitz, 2004 p.7) points out, "Each tool has different strengths and weaknesses. It requires different skills, and is suited to different information requirements". Chen & Snodgrass (2001) noted that a second, and equally important, lesson is the need to modify and test hypotheses, measures, indicator variables, and survey questionnaires to fit the characteristics of the local context and the specific program.

Cheston & Reed (2000) noted, “However most practitioners are of the view that they do not need tools that gives them the accurate 100 percent but due to lack of resources and availability of time. What they need is tools that will give them enough information to make informed decisions. First, as practitioners we need information that can reliably help us make good decisions. We don't have much time or money to spend on making sure the data are 99.44 percent pure. We appreciate the work that academics and others do to further the theory and practice of impact assessment, but for us, the test will always be whether these tools yield data that help us make better decisions”.

2.7. Impact Assessment (IA) Methodologies

2.7.1. Qualitative Approach

Qualitative methods are useful for understanding the reasons for events described in research or impact assessment. Because they generally are more in-depth and time-consuming than quantitative tools, qualitative tools generally do not gather enough information for general patterns to be described statistically (Simanowitz, 2001)

According to Baker (2000), Qualitative impacts measure social variables that are critical human development indices and represent real improvement in the quality of life of the poor. These variables are often difficult to capture but are very crucial in assessing the impact of MF services. These techniques often provide critical insights into beneficiaries' perspectives, the value of programs to beneficiaries, the processes that may have affected outcomes and a deeper interpretation of results observed in quantitative analysis.

“The benefits of qualitative assessments are that they are flexible, can be specifically tailored to the needs of the evaluation using open-ended approaches, can be carried out quickly using rapid techniques, and can greatly enhance the findings of an impact evaluation through providing a better understanding of stakeholders' perceptions and priorities and the conditions and processes that may have affected program impact” (Baker, 2000.p. 8)

2.7.2. Quantitative Approach

Quantitative methods are useful for getting broad descriptions of a situation, how it has changed or measured impacts. They can give rigorous information that can assist with analysing descriptions of patterns, for example what changes are associated with what characteristics or inputs. They are useful in supporting conclusions drawn from more in-depth study but on their own do not lead to understanding of why changes have occurred (Simanowitz, 2001)

Mayoux (2002) confirms that whereas quantitative methods seek to separate and simplify indicators and impact processes in order to measure them, qualitative methods seek to understand the complexity as a more accurate reflection of reality.

Based on the above the current research will be designed to test set of explicit hypothesis usually on the three levels: impact of the household, enterprise and the individual. Indicators would be derived from these levels. The research team will analyze the nature and degree of impact of the various credit schemes of the FNGOs; further examine the differential effects of the program factors like gender, business activities, access to social facilities, and participation in community activities.

Simanowitz (2004 p.7) mentions, "involving staff, clients and the community in the setting of indicators is important and makes the assessment more realistic". "Indicators will normally be selected by a combination of staff, clients or other community members or by external "experts".

The use of conventional approaches to IA had initially given more focus on quantitative and measurable indicators which had tended to neglect the social and psychological issues which are qualitative in nature. The new approach to impact assessment is to combine the relevant aspects of quantitative, qualitative and participatory methods. Whereby the quantitative method deals mainly with economic indicators, that is the business, turnover, employment, and the qualitative and participatory examines the social indicators. (Baker, 2000 p. 8) gives an in depth analysis in combining the two approaches "Integrating quantitative and qualitative evaluations can often be the best vehicle for meeting the project's information needs. (Chen & Snodgrass, 2001 p 186) notes that "The mix of core quantitative and qualitative methods allowed for both statistical validation of impact and qualitative interpretation of impact".

Qualitative techniques are incorporated to allow for the triangulation of findings Baker (2000)

The introduction of the participatory method approach in to IAs has given a more realistic and clarification of events, issues among other. Hulme (2000) confirms that the introduction of participatory approaches to impact assessment has extended the methodological menu for data collection and knowledge creation.

The innovativeness of the participatory Methods is that they question and look beyond the figures." "Participatory approaches challenge the validity and utility of the scientific method as applied to developmental problems " (Kirkpatrick et al., 2001.p.32)

There is the tendency for researcher to skew towards the quantitative data in IA studies; if it is a stakeholder who is familiar with the environment the likelihood of relying more on quantitative data will be reduced. The importance of involving the staff of the organization in this in IA cannot be undermined more so when is externally led. The researcher of this study cannot be viewed as an outsider.

Hulme (2000) stated that the new paradigm shift in IAs studies clearly identifies the importance of using both the qualitative, the quantitative methods and participatory methods thus allowing methodological complementarities in rigorous and comprehensive assessments. By involving the staff of the MFI undertaking in the IA the proposed study makes using these methods more effectively.

Most MF projects use a combination of the qualitative and quantitative approaches to determine impacts. The highlights of a research paper written by MkNelly and Dunford (1998), concluded that it provided a nice blend of both qualitative and quantitative results, often highlighting the quantitative outcomes with an anecdotal illustrative example. The research paper is also pointed out that the other key person s the value of non quantitative data to illustrate the validity of quantitative inferences. This paper was written in collaboration with the Program in International Nutrition, University of California for Freedom From Hunger; in assessing the Impact of Credit with Education on Mothers and their Children's Nutrition: Lower Pra Rural Credit with Education Program in Ghana.

2.8. Methodological Issues with Impact Assessment (IA)

The measurement of the impact of microfinance projects is flawed with a lot of methodological issues. One example has been the estimation of counter factual information in order to compare with the factual conditions of the target group. Depending on the objectives of the IA, there are various ways in capturing the data. There are various control groups approaches in capturing data; 1)"before and after approach", 2)"comparison of plan versus after realization", 3)beneficiary and staff appreciation. Critics believe these methods are flawed with bias. Coleman (2001p.5) points out that "first participants will generally tell evaluators (who are generally hired by the program itself) that the program is helping them, even if it is not "

According to Hulme (1997), the possibility of mixing social classes is highly likely as studies have shown that usually those who join the program are relative poor and the relatively rich are the non-participants especially when using the control group approach. The selection of participants may be biased.

Chen & Snodgrass (2001) confirm that "despite the elaborate efforts to make the control sample comparable to the client sample, we cannot be certain that selection bias has been eliminated. Persons with higher values of the impact variables (e.g., higher family incomes) may have chosen (or been chosen) to become clients of SEWA Bank for one reason or another, and this selection pattern, rather than Bank services, may explain their favorable positions in cross section analyses". Hulme (2000) reiterated that the major methodological problems that confront the IA of microfinance relate to attribution and fungibility.

In addition the issue of fungibility of funds is a challenge in assessing whether the fund was used for the program assessed or another program. Mosley (1998) also defined fungibility as a basic characteristic of money, which means that monetary units are interchangeable and can be used for a wide variety of purpose, moreover it is difficult to trace how a household allocates money including the money provided in the form of loans.

However fungibility is not an issue to microfinance because it improves impact. Hulme, (2000 p.7) aptly describes that "the assessor attempting to control for fungibility (to prove impact) has failed to recognize that fungibility is a process to be encouraged (to improve impact).

Goldberg (2005) also notes that microfinance programs do not pretend that women borrow whether or not their husbands have access to credit—they work through women to provide credit to credit-constrained households.

According to Schreiner & Yaron (1999), fungibility does indeed wreck before-and-after comparisons, it does not affect with-and-without comparisons between randomly assigned treatment and control groups because random assignment controls for all other factors that might affect outcomes. IA traditionally sets out to answer critical questions such as what caused any identified change. For most projects this means trying to determine if the changes that have occurred would have happened anyway, and the degree to which an observed change can be attributed to a given project or program. Thus it becomes difficult to 'attribute" change to the credit intervention provided by the MFI.

One of the ways to deal with the problem of attribution is through the use of control groups. The Control group methods require a comparison between a population that has already been targeted by a particular intervention and one that has not. Ideally, this assessment should be done before an intervention occurs and again afterwards, in order to determine if there is any difference between the two populations in question. Then again the use of the control groups also has its own challenges.

"A proper control group is particularly difficult to create for Microfinance Impact studies since the entrepreneurial spirit of the participant is presumably quite unique, hence merely finding similar individuals as a control group does not solve the problem' Karlan (2001.) If differences are found between client and non-client samples, it is impossible to know whether they are due to the effects of the program or if they simply reflect the inherent differences between the two groups. (SEEP-AIMS 2000).

The most commonly used is the comparison group that is composed of the program's incoming clients. They represent the best comparison group since they have not been in the program long enough to exhibit impact; yet they should be similar types of people as those in the client sample because they also chose to join the program. In addition, it is easier to select a comparison group from existing lists of incoming clients than it is to select non-clients at random. (SEEP-AIMS, 2000).

"For the proponents of the control group approach the point is that a simple "pre-post" (before and after) comparison can be useful, but does not yield enough information to definitively determine the impact of the program" Simanowitz (2004).

Goldberg (2005) points that out too, that a practical but imperfect solution to selection bias is to compare existing clients to incoming clients—since both groups have opted to join the same program there is the reason to think that some unobserved entrepreneurial ability is driving the estimate of impact.

2.9. Triangulation in Impact Assessment studies

According to Simanowitz (2000), each methodology on its own presents problems in terms of achieving credible and reliable information. MFIs often accept lower levels of certainty in their impact assessments, but still need their information to be as credible as possible. By combining results from a number of different sources it is possible to triangulate information and increase the confidence in its reliability.

Roche (1999), describes IA as in the end a matter of judgment. For that judgment to be as valid as possible, and to be seen to be as valid as possible, the evidence that is gathered needs to be cross-checked. The search for attribution outlined above is one means of cross-checking information. However, crosschecking or triangulation (a nautical term describing a navigation method which uses three points on the horizon to calculate a position) is important for many other purposes in impact assessment. Gaiha & Thapa (2006)explained, "Method triangulation consists of using various methods, such as interviews, observations, questionnaires, case studies and secondary sources ".

Baker (2000) points out that consistency checks can be built in through the use of triangulation procedures that permit two or more independent estimates to be made for key variables such as income, opinions about projects, reasons for using or not using public services, and specific impact of a project.

2.10. Longitudinal versus Cross –sectional

In general, longitudinal approaches are superior to cross-sectional designs when they include collection of data in two time periods from the same respondents. Interviewing the same group of clients at two different points in time, and comparing clients to non-clients at two different points in time, are better able to measure change and attribute it to the effect of the program. (SEEP-AIMS, 2000).

Longitudinal approaches are relatively more expensive, however, and their logistics and analysis more complicated. Sample sizes must be larger to compare results from two time periods. Because the same individuals would be interviewed in both time periods, sample sizes must be large enough to account for attrition between the baseline and follow up period. In some programs, client attrition can be as high as 50 percent over a two-year period, requiring that the sample size in the baseline period be twice as large as the targeted number for the follow-up. Still, if practitioner organizations have the institutional will, resources, and skill to carry out a multiyear longitudinal impact evaluation with comparison groups, this would be the best, most valid, and most widely accepted approach. (SEEP-AIMS, 2000).

To solve the potential biases in estimation of impact, Chen & and Snodgrass (2001) pointed out the AIMS Core Impact Assessments of SEWA (India), Zambuko Trust (Zimbabwe), and Mibanco (Peru) avoided this problem through the use of longitudinal data and non-client comparison groups.

Goldberg (2005) also confirms the absolute reliability of longitudinal data "Armed with panel data (longitudinal data, from two-or-more time periods) Khandker was able to employ a simpler model to gauge the impact of the three MFIs—a much less controversial estimate because it relies on fewer assumptions. Khandker's 2005 paper may thus be the most reliable impact evaluation of a microfinance program to date".

Cross-sectional is most inexpensive, simple, and straightforward option because sample size is small with one group. Institutions have prior contact and relationship with clients, so they are easy to sample and locate. Analysis is easy because self-reported change does not require comparisons of two groups. Most common approach used by practitioners but it is not considered particularly valid since self-reported change is not always truthful or accurate and there is no comparison group. Differences found could be, for example, because of general improvement in a program area or because better-off people tend to join the program.) (SEEP-AIMS, 2000).

However the Cross-sectional design approach is employed using longitudinal questions and vise versa. According to the Guidelines for Microfinance Impact Assessments, if a cross sectional design is used emphasis should be on the direction of change questions and others that lend themselves to reliable recall (eg money spent on children's education and investments in housing). "If a longitudinal design is used, recall questions on some quantitative variables such as income and expenditures should be included but relatively short reference periods should be used", Barnes & Sebstad (2000)

Organizations need different systems and approaches for measuring social performance. Such systems would reflect an institution's uniqueness and stimulate its effectiveness. It is important not to replicate indicators but identify the institutions' own uniqueness in the area of missions and its organizational goal and then delineate relevant indicators. "Social performance monitoring efforts have focused more on the side of tracking commonly used lists of indicators. Typically, these indicators have been replicated from other institutions or/and imposed by donors without any attempt to understand their relevance to a certain organization and culture, or to adapt them accordingly" noted (Pawlak& Matul 2003.p.2)

The objectives of assessment and the resources available determine how to adapt? the design for adapt for IA studies. However, managing the limitations of any of the designs adopted is crucial to the results of the study. However evaluators are making progress in solving some of the methodological problems. Evaluators are improving upon IA methodologies upon applications of methods ("with and "with out) for pre project baseline studies have helped to minimize some of the limitations.

2.11. Impact of Microfinance Projects

In recent years finance more so microfinance has also been viewed as an antipoverty tool because it helps the unemployed become employed, thereby increasing their income and consumption and reducing poverty. Goldberg (2005) writes that microfinance is an effective, and ever-improving, strategy for tackling the global poverty crisis.

"Providing the poor with access to financial services is one of many ways to help increase their incomes and productivity. In recent years, governmental and nongovernmental organizations in many low-income countries have introduced credit programs such as these targeted to the poor." Pitt & Khandker (1996)

In many countries, however, traditional financial institutions have failed to provide this service. Coleman (1999) confirms that Commercial banks generally do not cater to the needs of the rural poor. He also adds that the projects that most peasant borrowers would undertake are small scale, requiring small loans; therefore, the costs of obtaining the information necessary to select borrowers, evaluate their creditworthiness, monitor the use of the loans, and enforce repayment outweigh the potential profits to most lending institutions. Even though more commercial banks are now downscaling, but there is still wariness in providing financial services to the poor.

Most development programs in low income countries today are taking up a holistic approach in tackling development issues. For instance a programme may have a capacity building component, a civil works component and microfinance components. These components they believe enable them achieve their overall programme goals. Initially one of the tools used to assess their interventions was evaluation but recently a more in depth analysis is used which measures the more results approach (outcomes)to development rather than a resource approach in puts and outputs.

Hulme (1997p.1) "In part this reflects a cosmetic change, with the term IA simply being substituted for evaluation. But it has also been associated with a greater focus on the outcomes of interventions, rather than inputs and outputs."

Khandker (1998) points out that most projects identifies the fact that reducing poverty requires broad-based economic growth that generates employment and income for a large number of poor Sustained poverty reduction requires actions and policies that help improve both the productive and the human capital of the poor. Policy interventions must be well targeted if benefits are to reach only the poor. These policies include mechanisms in evaluating the effectiveness of their development programs. For instance how effective micro-credit programs are in reducing poverty and reaching the poor is an important policy question that merits careful program evaluation.

Despite the billions of dollars spent on development assistance each year, there is still very little known about the actual impact of projects on the poor. "There is broad evidence on the benefits of economic growth, investments in human capital, and the provision of safety nets for the poor. But for a specific program or project in a given country, is the intervention producing the intended benefits and what was the overall impact on the population? Could the program or project be better designed to achieve the intended outcomes? Are resources being spent efficiently? These are the types of questions that can only be answered through an impact evaluation an approach that measures the outcomes of a program intervention in isolation of other possible factors", Baker (2000).

Notwithstanding many Microfinance projects have had their fair share of crisis more so if it is governments directly delivery credit to the poor or when the government is involved one way or the other in the delivery of the credit by the financial institutions. (Rural Financial Services Project, 2004) notes that the Government credit programmes can promote these success factors only if they are well targeted and leave client selection and methodology up to the intermediary".

Some of these MF projects have been riddled with low loans recovery. The subsidized credit not only collapses the microfinance projects and renders them unsustainable. The MFIs involved in these projects become insolvent especially because of the subsidized interest rates and too much government interference.

Baker (2000) confirms that many directed credits became nonperforming loans because cheap interest rates encouraged unprofitable investments. In some cases borrowers intentionally defaulted because they believed that governments would waive or forgive their loans or not take action against defaulters in priority sectors. (Rural Financial Services Project, 2004). The Poverty Alleviation Fund tends to be perceived as a non-repayable grant by recipients, does not reach relatively poor clients, and tends to undermine the financial sustainability of the financial intermediaries.

Impact on Microfinance Projects usually measures the impact of microfinance programs on household income, enterprises and the communities. Microfinance projects main objective is to develop communities through economically empowering the members of the communities especially the vulnerable groups' women who have no access to finance. Findings from these impact exercises are to improve the MF programs or for future MF projects.

Baker (2000) writes that " The knowledge gained from impact evaluation studies will also provide critical input to the appropriate design of future programs and projects". There are various impact assessment studies that have been undertaken, the majority of which is to measure program goals. However, undertaking an IA study can be a touchy issue especially for government microfinance programs. "Many governments, institutions, and project managers are reluctant to carry out impact evaluations because they are deemed to be expensive time consuming, and technically complex, and because the findings can be politically sensitive, particularly if they are negative"
Many evaluations have also been criticized because the results come too late, do not answer the right questions, or were not carried out with sufficient analytical rigor. A further constraint is often the limited availability and quality of data.

Most existing impact studies are nonacademic project evaluations that are of a descriptive nature suffer from the selection bias problem. Coleman (1999) confirms that none of Chen's

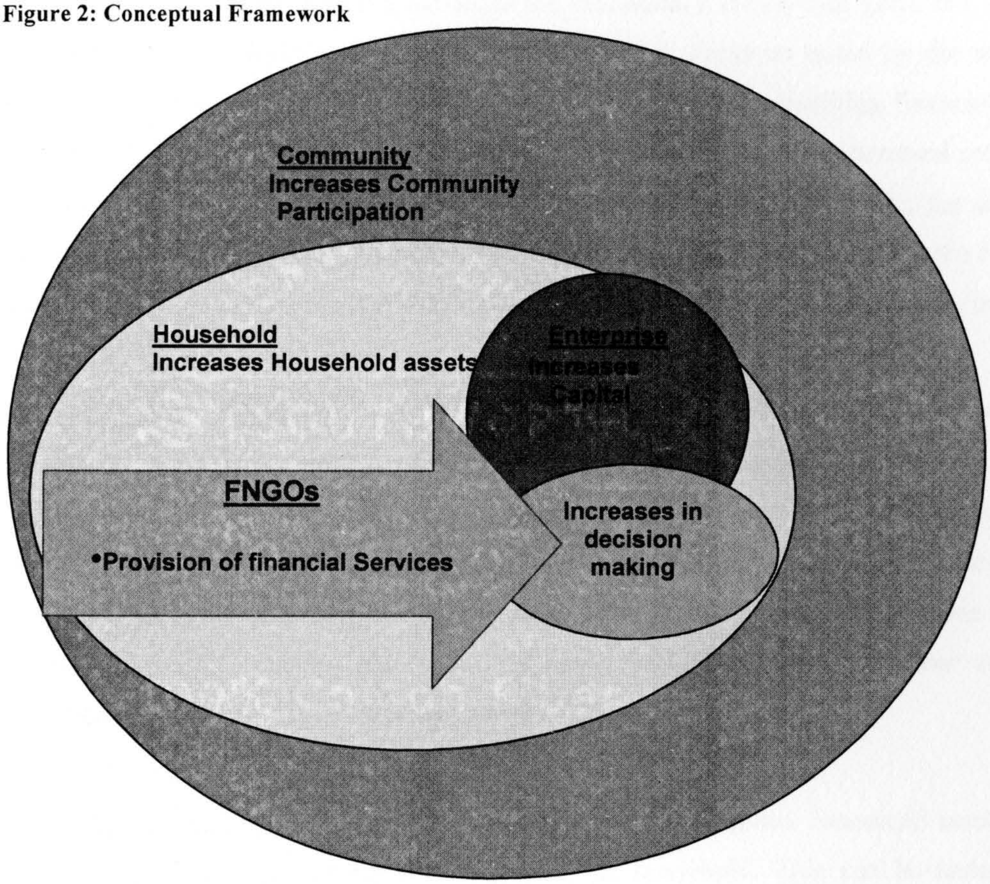
1992 review of 11 studies of the Grameen Bank in Bangladesh, none of which make any correction for selection bias.

"IA is an on- going process rather than a one time event which benefits neither the clients nor the organization" Simanowitz (2001.) There is no blueprint for IA. Information that is needed to make the exercise more useful and credible is contingent on organizational context and the audience for whom the assessment is conducted. This study will be looking at the impact of the Social Investment Fund's microfinance projects to the clients. Even though there still remain a lot of methodological challenges, the choice of tools and with available resources will increase the reliability of the study.

3. DESIGN OF THE STUDY

3.1. The Conceptual Framework

Figure 2: Conceptual Framework



3.1.1. Description of the Conceptual Framework

The Impact of the financial services provided by the FNGOs is felt at four levels: At the Individual, Enterprise, and Household and Community levels. The individual and the enterprise are within the household and the impact felt by the individual and the enterprise within the household affects the community.

3.2. Statement of Hypothesis (Appendix 1)

At the Individual level: in receiving financial services from the FNGO it increases the clients' income. This can be tested by the increase in personal income which as a result increases the individual decision making for the family and for the household. The increase and decrease in expenditure patterns also reflect the income changes. Also at the individual level the length of a client's relationship with an FNGO leads to clients growing its business and having income surplus after expenditure.

Receiving microfinance services increases the individual's ability and gives the individual confidence to participate in community activities. This could be tested by the number of clients who have participated in the community activities since receiving financial services from the FNGOs. Women clients receiving microfinance services have increased control over the household resources. This can be tested by the welfare of the family, the amount of money spent on food, education, health etc. The contribution of the woman to the household that increases her confidence and decision making regarding family matters is also increased.

At the Enterprise level:. Receiving microfinance services from the FNGOs increases capital for the enterprise. This hypothesis was tested by finding out from the clients if there has been any increase in stock for the enterprise or increase in capital. Microfinance services improve business practices at the enterprise level because most of FNGOs provide non-financial services such as development in business skills. This helps the clients to improve in record keeping and other business practices. This could be tested with the number of women reporting the maintenance of business records.

At the Household level: Receiving microfinance services increases household assets and in-kind savings and improves the well being of the household. This can be tested by the percentage of clients who acquired household assets within the last year and the increase in kind savings. The improved household amenities (electrification, sanitation, water, food security and health) since receiving the microfinance services could test the hypothesis.

At the Community level: Increased income for the individual increases the individuals' confidence and ability to participate in community activities. This would be tested by the participation of client in community activities (foras, durbars),. At the community level clients of FNGOs create employment opportunities especially within family members) in their communities. This would be tested by the number of people employed (both family members and outsiders in addition to the entrepreneur) at the enterprise since the clients received financial services from the FNGOs.

3.3. Purpose of the Research

Several different research methods, both quantitative and qualitative, will be used in the study to determine which of these hypothesized benefits have actually materialized. The envisaged theory of change on the client is at three levels; individual, the enterprise, household and the community will be tested. This study will also provide "proof" of the impact of the services provided by the Financial NGOs (FNGOs) to Policy Makers, Development Partners and the Microfinance sector in Ghana. The bottle necks identified on the provision of services by FNGOs would inform policy makers and development on the challenges facing FNGOs. This study would also provide visibility to FNGOs within the microfinance sector in Ghana. As their role in the poverty reduction programmes will be highlighted by their participation in the Social Investment Fund microfinance programme.

3.4. Research Objectives

- To assess the major changes that had occurred in clients' lives from the participation in the Social Investment Fund program.
- To further examine the extent to which these changes in their businesses have affected other aspects of their lives.
- To evaluate the degree of satisfaction of clients with respect to the organization's credit and training program.
- To determine the constraints faced by FNGOs in offering financial services to their clients.

3.5. Description of the Research Design and Procedures Used

The main objective of this study is to provide conclusive evidence for policymakers, development partners and other stakeholders in the microfinance sector on the impact of the services provided by FNGOs on their clients. This study will be more on the "Proof" end of the scale. According to (Simanowitz, 2004 p.3), "The Impact Assessment objectives will be more towards the proving end of the scale and the approach taken is likely to be externally led and biased towards quantitative data" This is not likely to happen with this study because the researcher is a major stakeholder in the microfinance sector and very conversant with all the players in the sector.

Currently IA studies are used to assess most development interventions. They have become one of the investigative tools used to measure especially microfinance programs. It is also very important to involve the MFI itself in the investigative process. The research methods, tools selected and objectives and the resources available determine the approach and design adopted in undertaking an IA study. It is also important to use tools available for IA studies as guidelines to design context specific tools as situations and environment of different MFIs will differ. The main purpose of this research was to test on the field the hypothesis developed "the theory of change" assumed as the impact of the financial services offered by the FNGOs to their client. The central methodological feature of this approach is the complementary use of a variety of methods.

3.6. Operational Area of the Research

The planning of the Impact study involved the FNGOs and their clients. However because of the limited time and resources a small sample size of selected FNGOs and their selected clients would used be for this study. Initially two FNGOs were selected, one in the Northern part of Ghana which is the most deprived area(very low economic activities) in the North and one in the South(booming economic activity). Due to the floods that hit the sub Saharan countries on the continent of which the affected areas in Ghana was the north. The second most deprived area in Ghana which is the Central region in Ghana was chosen for the sample. The Social Investment Fund which funded the study added a third FNGO and that increased the number to three FNGOs. SIF wanted all the FNGOs they were working with to be included in the sample.

The study focused on clients of the three FNGOs working with the Social Investment Fund in the Urban Poverty Reduction Programme and how their services have had an impact on their clients at the Individual, Household, Enterprise and Community Levels. This involved a small scale client survey, contrasted with a comparison group that could be rapidly identified (e.g. approved clients who have not yet received services), and cross-checked by rapid or participatory appraisal methods.

In this case the key variable studied was assessing the impact on the individual, household, enterprise and community level. Greater emphasis was on the impact of the enterprise and how it has transformed the clients' life at home and in their communities. As this study is focusing on impact at four levels, the issue of "fungibility" is irrelevant. It is not as important to determine what exactly the service was used for (what was used for the individual, the household, enterprise and community consumptions) but whether the service provided has impacted the four levels of the clients life.

3.7. Research Approach and Strategy

The reliability and the credibility of the study are enhanced by triangulating information from different sources. Information collected from the field on the services provided by the FNGOs through focus group discussions confirmed the weaknesses in their operations. The FNGOs were given a questionnaire to identify their area of needs in terms of training and most of them indicated their operations as an area that needed strengthening.

According to the Guidelines for Microfinance Impact Assessments, collecting data at more than one point in time generates more reliable information than depending on recall over an extended period, irrespective of whether a quantitative or qualitative approach is used (Barnes & Sebstad, 2000.) The decision to use a longitudinal or cross –sectional design for measuring changes depends to a large extent on the funds available and the timeliness of the results in relation to their intended use.

A cross sectional design but with longitudinal questions was employed for this study. The data were to be collected in a cross-sectional approach to serve as a base line .This was not the case of this study as baseline data was not available. However baseline data was collected from the comparison group and this could be used for future study.

Nevertheless the cross sectional approach using longitudinal questions was used with emphasis on the direction of change questions that were easy to recollect for the client eg money spent on children's education, which gave the information collected more validity. The base line data was not available for the existing clients which meant a less rigorous. The comparison group used was not the before and after of the existing clients but the new clients entering the program. The entering and the existing client level data obtained through quantitative methods were analyzed using the SPSS. The qualitative methods provided critical insights into beneficiaries' perspectives, the value of the programs to them, and as such gave the full meaning to the processes that have affected outcomes and a deeper interpretation of results observed.

This study used both primary and secondary data. The impact of the services provided by the Financial NGOs will be studied at the client level. The primary data was therefore used to focus more on information gathering from the client using a combination of qualitative, and quantitative. The qualitative methods helped explore the knowledge, feelings and opinions of the clients and the quantitative methods enabled statistical comparisons of clients. The qualitative and the quantitative methods complemented each other. The qualitative methods probed further the information generated from the quantitative methods and helped clarify and determine the impact in a more practical way.

The USAID, and the Small Enterprise Education and Promotion (SEEP) Network together have developed a set of five tools known as the Assessment of Impact for Microfinance Services (AIMS) Impact Assessment studies. These tools are in line with the new paradigm shift of using a combination of Qualitative, Quantitative and Participatory methods for IA exercises (SEEP-AIMS, 2000).

However these tools are too generalized, technical and not easy to absorb. In this study they were used as guidelines. To serve the researchers' purpose the AIMS Tools used to guide the study were the qualitative tools such as loans and savings use overtime, and client satisfaction tools. The client monitoring system was used to collect the data from the baseline clients on their health, education, standard of living and financial income. Other tools for the primary data used included as focus group discussions and field observation methods. Other tools such as the Micro Save tools were reviewed and certain aspects adapted to suit the research.

3.8. Sources of Data

Information gathered for the secondary data focused on information from the Financial NGOs on clients' data and clarified information collected from clients' on their operations. It also reviews other publications on the microfinance sector in Ghana. Primary data was also collected from the FNGOs to assess their operations and their reflection on the clients they are serving. Primary data was also used to collect data from the clients of the FNGOs.
Information was also collected from the District and the Municipal Council on the population size and the gender distribution of the communities and economic activities to inform the researcher in better understanding the profiles of the communities used for the research. Secondary data was also collected from the Social Investment Fund on their policies guiding their microfinance urban poverty reduction project, and their project appraisal document.

Statistics for the sector and other relevant information was collected from GHAMFIN. A significant amount of data from virtual microfinance resource centers was used as sources for the secondary data.

3.9. Sampling Procedures

Three FNGOs were purposively selected from two different regions. These FNGOs were selected because they were the financial intermediaries for the SIF's microfinance programme. All beneficiaries of the SIF loans were women and located in both urban and peri urban areas in their regions. These women were mostly engaged in trade and agriculture activities. Purposive sampling was used to select the FNGO and the groups, however random sampling was used to select the women clients from the groups.

The average group sizes of the number of the FNGOs and the communities resided was used to select the sample size randomly. The comparison group was incoming clients who were undergoing training to receive their first loan cycle in comparison to the clients who have gone through more than three loan cycles and have been with the organization for at least three years. These incoming clients were purposively sampled from all the three FNGOs. They were randomly selected from their groups. A total of 110 incoming clients was sampled in comparison to 120 existing clients. The incoming client was short of 10 incoming clients because one the communities had no incoming clients and they had to be included in the sample because SIF has served clients in that community. As a result comparison was conducted across districts and not communities.

KSF had almost three times the total number of clients compared to the other FNGOs. One hundred and twenty clients were randomly sampled in the SIF community which was about two percent of the total KSF clients. KSF had the largest number of SIF clients.

Sixty clients were sampled from the clients of ENOWID and CRAN representing both incoming and existing clients. Both FNGOs had half of the total SIF clients in comparison to KSF. A pretest was conducted to fine-tune the questionnaire and also equip the researcher with preliminary information to plan the roll out of the field work.

3.10. Methods and Instruments of Data Gathering

The research team reviewed the AIMS-SEEP tools and modified some of them as guidelines for the IA after studying other impact assessment tools as well. Specifically, for the first objective of the study all 120 existing clients were sampled for the Use of Loans and Savings tool. About 15- 30 existing clients were sampled for the focus group discussions in all communities where the SIF clients resided using the Client Satisfaction tools.

To address the second objective, a questionnaire was administered for both the incoming and existing clients, a total of 230. The results analyzed using the SPSS package.

The third objective was addressed using results from the analysis of the interviews. Due to the educational level of the clients, administering the questionnaire on a one on one basis with the client was the best tool. It gave a human touch, and allowed researchers to probe some of the answers and gave them an opportunity to clarify the questions. This method also allowed to clients to sometimes give more information than requested, which was very useful to the final analysis of the data.

Internally the governance and operations of the three FNGOs was also analyzed. This was done through administering questionnaires to the three FNGOs. The local dialect was used as the language in administering the questionnaires. All two hundred and thirty clients signed letters of consent before participating in the research. The loan officers from the three FNGOs and the research team had meetings with the groups and their leaders on the importance of the letters of consent.

Focus Group discussions were undertaken in all the researched communities of the existing clients for their views and impressions of the SIF microfinance program. Tape recorders were used and photographs taken during the Focus Group Discussions. Two members of the research team participated in the focus group discussions as the facilitator and moderator. Members were selected based on their willingness to participate and their reflective abilities. Even though data collected was difficult to analyze, this method of research allowed in-depth examination of issues through the dynamics of a peer-group discussion. Researcher was able to probe for greater clarification and solicited greater details allowing for in depth examination of issues. The AIMs tools adapted guided the FGD process which was really the high lights of the collection of the primary data. As the services provided by the three FNGOs were scrutinized and their perceptions and impressions were brought to light through this research tool.

3.11. Statistical Treatment

Descriptive statistics were used to describe and understand the relationship between the incoming and existing clients, using cross tabulation analysis. Frequencies, percentages and graphs were used to clarify and understand the results. The comparison of means on the income levels of both the incoming and existing clients was also generated. Standard deviation was also employed to look at the disparity of the income levels amongst the existing clients in comparison to the incoming clients. Inferential statistics were employed using the T-test to test the significance differences in income levels.

4. ANALYSIS OF THE DATA

4.1. Background of the Clients under Study

This section gives a brief description of the socio-demographic background of both the existing and the incoming clients. Among the variables discussed in this section are age, occupation, marital status, education and the districts they reside.

4.1.1. Distribution of the Sample

Table 5, below shows the representation of the communities and their districts in the study used as the sample size. Two FNGOs were operating in the four communities in the Ga East and as such accounts for the highest concentration of both incoming and existing clients in that area at 34.2 percent and 34.5 percent respectively. The AMA Assembly has the lowest representation of clients; only one community from the district was represented in the sample. (Appendix 2a)

4.1.2. Age Group of Existing and Incoming clients

The highest age group range of both the existing and the incoming clients fell between the ages of 36-45 years; forty percent for the existing clients and thirty-seven percent for the incoming clients respectively. (Appendix 2b). The second highest age group range for the incoming clients was between the ages of 26-35 which is twenty eight percent as compared to the age group range of 46-65 years, which is the second highest for the existing clients and is thirty six percent. The existing clients have eighteen percent of their clients above 56 years of age whilst the incoming clients have thirteen percent of their clients above 56 years of age. However one of the incoming clients is in the range of above 75 years. Seventy percent of the clients were married and thirty percent were divorced, widowed or single.

4.1.3. Occupation of the Existing and Incoming Clients

Majority of both the incoming and existing clients between the ages of 36-45 years were engaged in trading activities. The trading activities included hawking, having a stall in the market and selling food stuffs, textiles, stones from a quarry and fish mongering. Other activities mentioned were catering; block cement manufacturing, sewing and baking. The clients from the Malata community which housed a big market were mostly engaged in selling second hand clothing from the Europe. However both the incoming and existing clients from the Ga East, Ga West and Dangbe West area were mostly engaged in petty trading and farming activities. The Ga East area was particularly sparse.(Appendix 3)

4.1.4. Education of the Existing and Incoming Clients

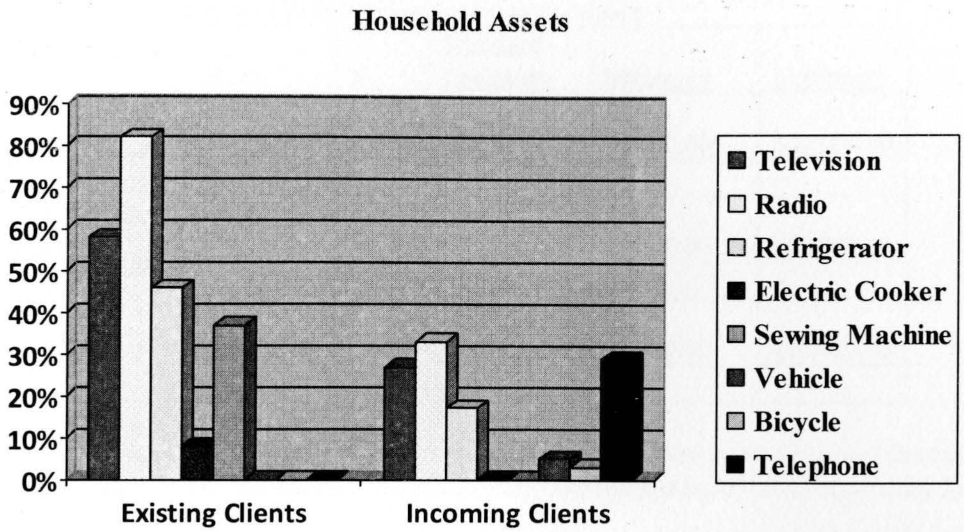
Levels of education amongst the two groups was very low; eighty-six percent of the ages between 18-25 years of both existing and the incoming clients had other types of education which were either adult form of education or other informative education.

Fourteen percent of the same age group had SSS certificate (secondary or level). Twenty-eight percent of the age group 26-35 years of both client group had no education, two percent had some information education, thirteen percent had middle school certificate, four percent advance level and ten percent had primary and JSS level and thirty eight percent had other forms of education; informal and adult education.

Forty percent of the age group between 36-45 years had no formal education, forty-three percent had middle school certificate, five percent advance level, seven percent JSS an SSS certificate level, four percent other informal type of education, for instance adult education and one percent information education. Between the ages of 46-55 years for both groups; forty-nine percent had no formal education, forty-one percent had middle school certificate, five percent had SSS school certificate, two percent for advance level, information education and JSS school certificate. Fifty percent of the ages 56-65 years had no formal education, forty three percent had middle school certificate and three percent JSS school certificate and information education. Seventy-five percent of the age group 66-75 years had no formal education. Twenty-five percent had middle school level certificates.(Appendix 3b) .

4.1.5. Household Assets of Existing and Incoming Clients

Figure 3: Household Assets



Both existing and incoming clients had some form of assets. However the type of assets owned differed in the two groups. Existing clients had more televisions, radios and refrigerators than the incoming clients. Existing clients had electric cooker and the sewing machines whilst incoming clients had none of these assets. Incoming clients had a vehicle, bicycle and telephones whilst the existing clients had none of these assets. The incoming clients that had majority of the assets and especially high earned assets such us vehicle belonged to the clients of ENOWID. The MFI was not targeting exactly poor communities they had higher loan sizes than the other two MFIs. Furthermore a lot of these assets were not purchased new. There was an influx of second hand goods from Europe and North America which includes items such as cooking pots and worn underwear.

4.1.6. Income Levels of Existing and Incoming Clients

Table 3: Average Income Levels of Both Existing and Incoming clients

	Mean	N	Standard Deviation	Minimum	Maximum
Existing Clients	789,196.43	112	793,837.910	40,000.00	600,000.00
Incoming Clients	484,261.36	88	419,522.539	10,000.00	250,000.00
Total	655,025.00	200	671,920.950	10,000.00	600,000.00

The difference in mean of 789 thousand (existing clients) and 484 thousand (incoming clients) was tested and found to be statistically significant i.e. $P<0.05$*(Appendix 5)*

Conversion rate : Old Ghana Cedis = $1= 9,600 cedis

Field Source: February 2008

The mean income for the existing clients is approximately $82, the minimum income level for the existing clients is $4 and the maximum is $62.50. The standard deviation shows the spread of the income level data which is at $83 for the existing clients. The incoming client has a mean of approximately $50.44 for the sample population reporting, the minimum income level for the incoming clients is $1 and the maximum income level is $26.04. The standard deviation shows that the spread of the income level data for the incoming clients is $43.70.

There is a wider disparity of income level amongst the existing clients than the incoming clients who had a more consistently lower disparity gap. The income levels of the existing clients as indicated above were higher than the incoming clients.

4.1.7. Expenditure Patterns of Existing and Incoming Clients

The expenditure patterns of the two groups differ, the existing clients are spending more on food and clothing and less on school fees compares to the incoming clients who are spending less on food, clothing and more on school fees. The existing clients were spending less on school fees, they had more clients between the age group range of 46-65 years and probably had their wards pass the school age compared to the incoming clients. The standard deviation of the existing clients in terms of expenditure patterns on food, clothing and school fees is lower than the incoming clients, showing that there is bigger disparity for the incoming clients on spending for those items than the existing clients. The maximum amount range spent on food, clothing and school fees for the existing clients is almost equal to the maximum amount of incoming clients.

The standard deviation indicating the bigger disparity in expenditure of the incoming clients shows that there are few incoming clients who are spending almost as much as the existing clients on the mentioned items.(Appendix 5)

4.2. Effectiveness of the Social Investment Fund Microfinance Program

4.2.1. The Individual Level Impact

The hypothesis that receiving financial services from the FNGOs increases clients' income was tested using increase income. This was difficult to test as the researcher had no baseline data and had to depend on client's recollections.

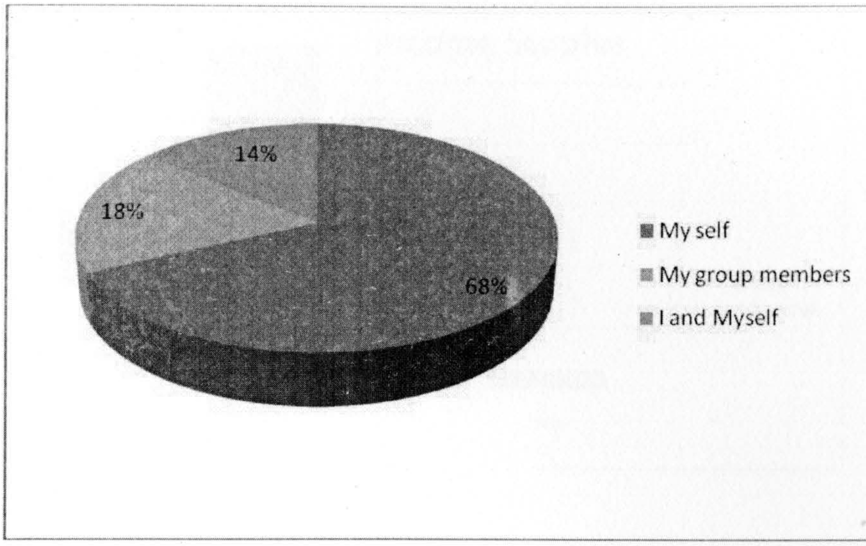
4.2.2. Increase in Income

However forty one percent of the clients mentioned that their income levels had increased because they could now contribute more to the upkeep of the household than previously. Twenty five percent said their income had remained the same. The other thirty four percent gave various reasons including having to pay school fees and the fact that prices had increased due to a hike in transportation costs; it is difficult to determine if there has been increase in their income levels.

4.2.3. Increase in Decision making

In accessing the loans the existing clients now made decisions on how to use their loans and savings. Sixty eight percent had made their own decisions in the use of the loans and savings, 14 percent made the decision with their husbands 18 percent made the decision with the group members.

Figure 4: Decision making



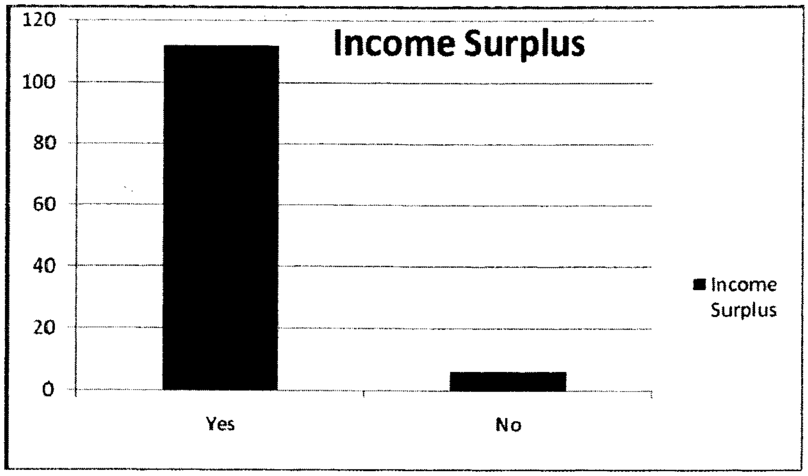
4.2.4. Increase or Decrease in Expenditure Patterns

The majority of the existing clients have been able to increase their expenditure patterns in their households due to the SIF loans. Sixty percent have been able to support the family financially. Fourteen percent had indicated specifically they had been able to send their children to school. Eleven percent had improved their standard of living. Eleven percent had indicated it had affected their business and not the household and four percent had not felt any changes.

4.2.5. Income Surplus

Ninety three of the existing clients indicated that they had income surplus after expenses and 7 percent had no income surplus.

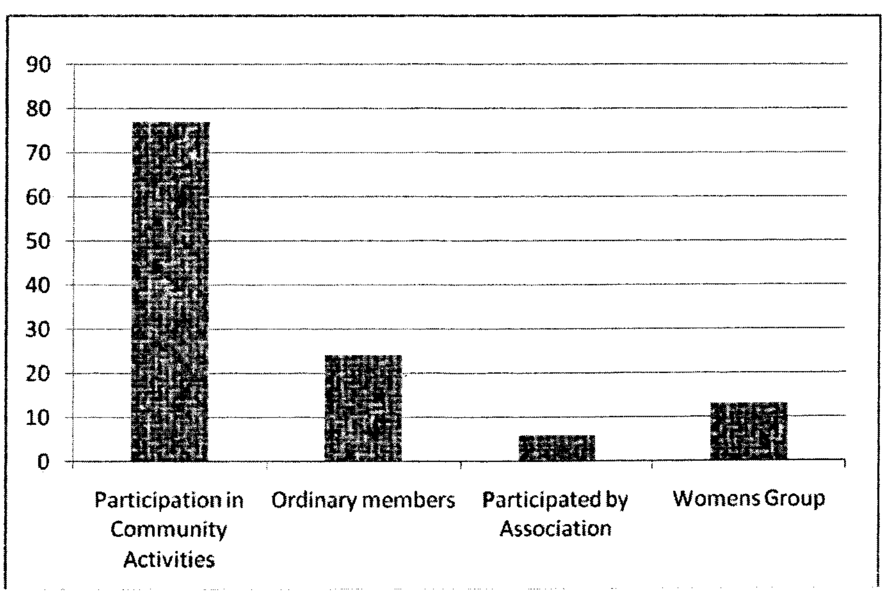
Figure 5: Income Surplus



4.2.6. Participation of Client in Community Activities

The clients receiving microfinance services from the FNGOs increases the individual's participation in the communities' activities and this was proven by the number of women who had participated in the activities of the communities they were residing.

Figure 6: Number of Women Participating in Community Activities

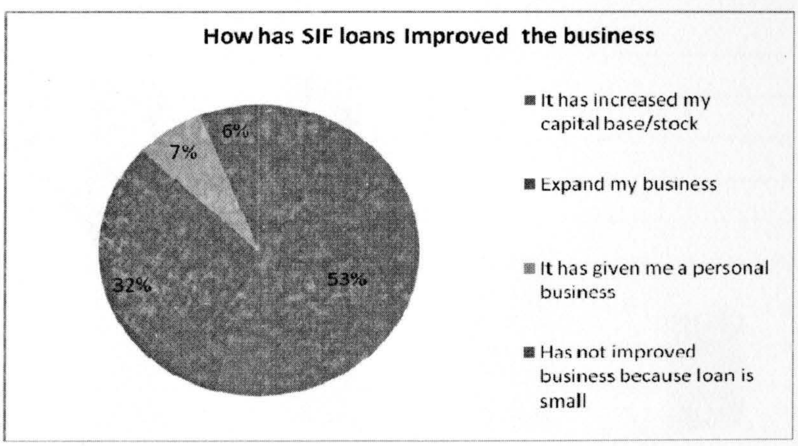


Majority of the women as depicted by the graph have now being able to participate in community activitites; 64 percent of the total existing client population. Twenty percent are ordinary member of the society, 5 percent participates in community activities by the fact their husbands were community leaders and 11 percent were part of the their Community Womens groups engaged in organising activities for women in their communities.

4.3. Enterprise Level Impact

At the enterprise level increase in capital has been one of the indicators used to test the hypothesis that participation in the microfinance program has increased client capital.
When asked the changes that had taken place as a result of spending the loans, about 70 percent said it had increased their capital and stock in the business. Twenty four percent said it had increased their profit margins and 6 percent had seen no changes after accessing the loans. However when asked how it had affected the business directly, 53 percent have been able to increase their capital base and stock, 32 percent had expanded their business, 7 percent have opened a small business and six percent have }"" not been able to improve their businesses because the loan sizes were too small.

Figure 7: Improvement of Business



4.3.1. Improvement in Business Practices

Improvement in business practices as a result of the participation in the microfinance program was tested with the number of women reporting the maintenance of business records.
Ninety percent of the existing clients had businesses before joining the program whilst the rest of the 10 percent started the business with the loans. When asked how they managed the business before accessing the loans 31 percent were keeping records and 82 percent were not

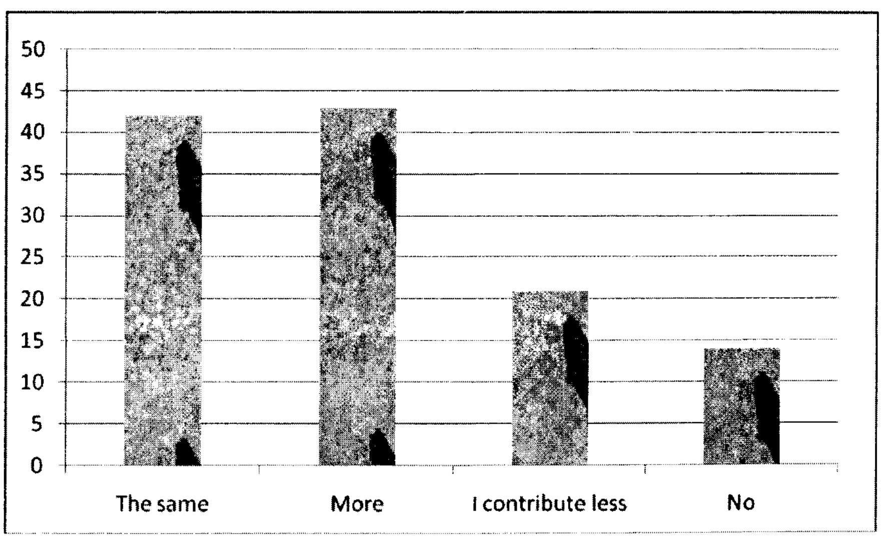
keeping records. However about 42 percent now keep records and 72 percent do not keep records.(Appendix 6)

4.4. Household Level Impact

4.4.1. Contribution to the household

Refering to figure 3, existing clients have contributed to the household assets in the last year. The majority had purchased radio, televisions, refrigerators, and sewing machines. When asked how they were contributing to the household before they accessed the loans, about 80 percent contributed to the household by paying school fees, and generally taking care of household expenses. Eleven percent were taking care of their husbands and 5 percent were playing a suplementary role. On the question of how they were currently contributing to the household, 35percent are contributing the same, 36 percent contributing more, 18 percent contributing less and 14 percent not contributing to the household.

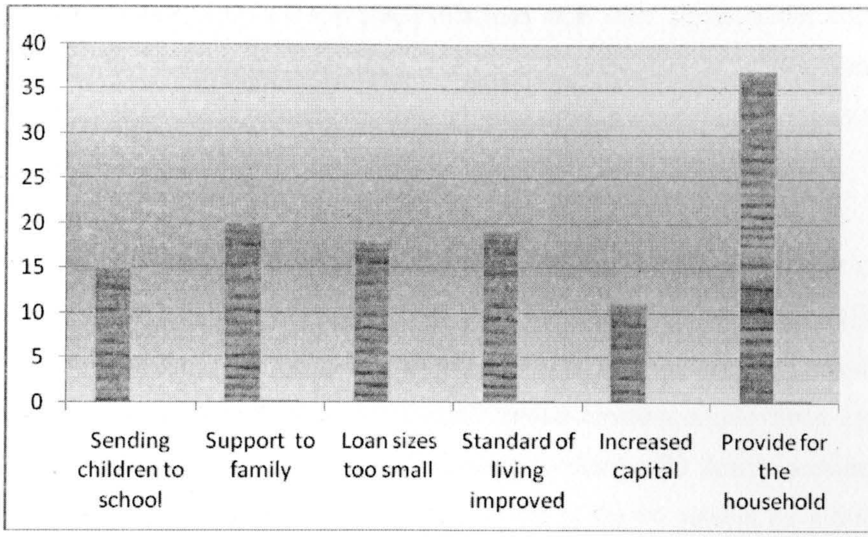
Figure 8: Contribution to the Household



4.4.2. Effect of the SIF loans to the household

On the question of how the SIF loans has affected the household, 37 percent have been able to provide for the household, 16 percent have been able to improve their standard of living, 17 percent have supported their family financially. Thirteen percent have been able to send their children to school and 9 percent have increased their capital.

Figure 9: Impact of the Loans on the Household

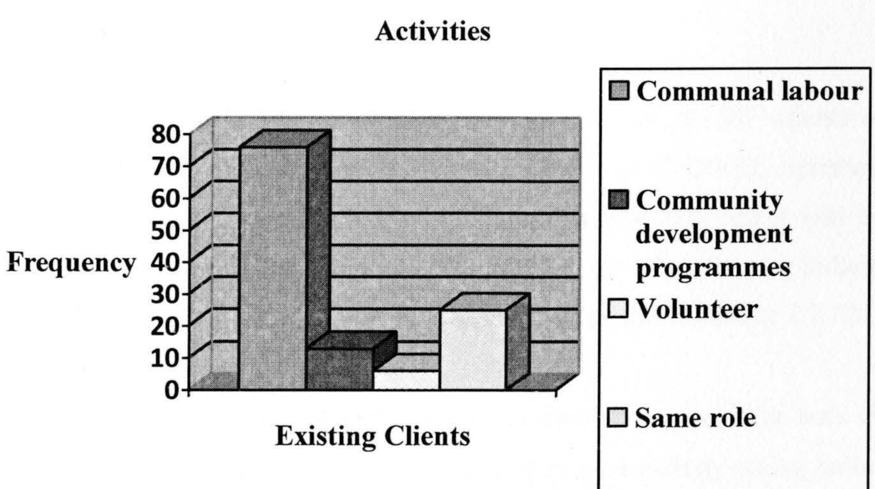


4.5. Community Level

4.5.1. Participation in Community Activities

Increased income for the individual enhances her participation in community activities. On the question of what community activities the individual participated in within the community before accessing the loan is depicted on the table below:

Figure 10: Activities in the Communities



Seventy- nine percent of existing clients participate in community activities through community development programmes and communal labour which includes cleaning up exercises. Five percent participate by volunteering and 21 percent play the same role before they accessed the loans. They all had good relations with their communities and expressed concerns about the challenges they have within their communities. They complained of unemployment in their communities, not enough schools to educate their children, getting the community involved in activities to improve themselves has been a challenge.

They added that of lack of basic amenities and lack of infrastructure is a major concern for the communities and has progressively affected the economic opportunities available to the youth in the communities. On the question of number of people they have employed from their communities to test the hypothesis of participation creating employment opportunities within family members. Sixty-six percent have been working with family members as most of the business or enterprises are home based. The rest of the 44 percent have not employed family members but regularly are supported by the family especially their children.

4.5.2. Loan Funds Usage

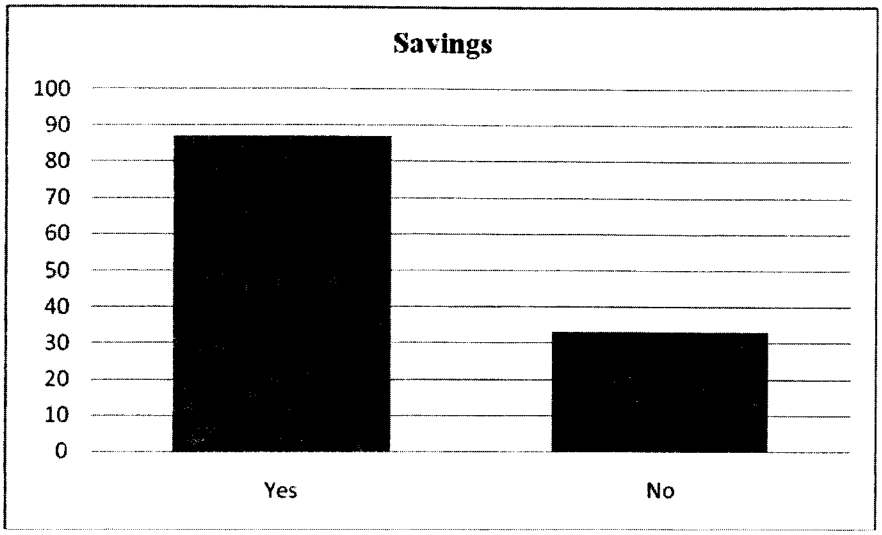
Ninety percent of the existing clients claimed to have used their loans for the business, and the other 10 percent used it for other activities such as farming, loan repayment and for investments. Additional uses of loan funds included savings, school expenses and other services. The majority had invested the money in their businesses because it was declining; they wanted to expand their business and increase their earnings. They had also used the funds to stock up and added new products and some have also been able to rent stalls in a market.

4.5.3. Savings

CRAN and ENOWID did not promote savings amongst the SIF clients even though they were promoting savings amongst their clients. Clients of ENOWID, informed researchers that the MFI had not requested savings from them because MFI felt it will be too much of a burden on the clients. However some of the clients have been saving individually with other financial institutions, this was the case with some of the clients of CRAN who saved with rural banks in their locality.

It was part of KSF's lending methodology to facilitate savings for both the incoming and existing clients. Fifty seven percent indicated they were already saving before they joined the SIF programme. Out of the total 120 clients of KSF, 87 clients had savings facilitated by the KSF, 33 clients at some point had savings but withdrew the savings to take care of emergencies at home. However, they were preparing to continue savings at beginning of their next loan cycle.

Figure 11: KSF clients Savings



4.5.4. Client Satisfaction Analyses

The focus group discussion in this study was used to explore and probe the services that were being offered to the three FNGOs to the beneficiaries of the SIF loans. The focus group discussions were conducted in all the communities of the existing clients. They were held in seven communities in the Ga East, Ga West District and the Dangbe West District in the Greater Accra region and three communities in the Abura Dunkwa district of the Central region. The average number attending focus group discussions was 15-20 members per a community. The topics covered were the loan sizes, loan disbursement and administration, loan terms, interest rates and customer service.

Loan Sizes: All the communities complained the loan size was inadequate. They recommended that loan sizes be based on an individual's request. They wanted the loan sizes increased to enable them earn enough returns to expand their businesses. The communities especially those in the Ga West and Ga East district added that their communities were sparsely populated and so sales turnover was very low.

Loan Disbursement & Administration: There was always a delay in the disbursement of subsequent loans. A number of the members complained that some of their operations are seasonal; and added that this is one of the major reasons some of the group members had problems repaying their loans in their community. As a result some of the members engaged in multiple borrowing. The communities in the central region preferred the loans to be disbursed to them individually instead of the loan disbursed by the group leaders. According to the members the group leaders had the authority to decide who gets the loan and the amount that should be granted. Some of the members also added that even though loan sizes were determined by the FNGOs, some members in the group usually got the amount they applied for and others did not; and those who did had a reduced amount. They argued that this method of disbursing causes dissent among the group members.

Loan Terms: The members from all the communities argued that the loan sizes were too small to get the volume of sales to earn enough margins to make the weekly repayments. Some of the members wanted the loan period to range from six months to nine months and others wanted the loan period up to a year. They added that the trading business was doing poorly. Especially those in the Malata community had mentioned that some of their members borrowed to pay off their loans. They find this situation distressful because they find themselves using their savings to make the repayment and cannot even give offertory at church because of the repayment.

Interest Rates: Most of the members were not aware of the interest rates charged and this applied to all the members/clients of all the three FNGOs. They knew how much they had to pay on the loan but not the interest rates. They did not have a problem with the interest rate only the repayment period. The FNGO that covered the Malata community was picking up interest upon disbursement of the loan and the members were very concerned with this practice. Two of the FNGOs did not facilitate savings for the groups. The members of the Pantai community complained that they had been promised interest on their savings had not been affected by the FNGO.

Customer Service: Across board the group members mentioned that they had very good relationship with the staff of the FNGOs. However the Pokuase community felt the management of the FNGOs had not paid much attention to their complaints. The community in Katapon wondered why they were still paying the same processing fees regardless of the loan sizes.

The nine communities complained about the inadequacy of the loan sizes. The clients of ENOWID who had to pay the interest upon disbursement were very concerned with this policy and had threatened to move to other financial organizations that had approached them. They also were concerned about the loan terms. The researcher realized that most of these women were engaged in enterprises that were not lucrative the things they were trading in were already flooded in the market. The clients of ENOWID who were engaged in selling second hand clothing stated that the only time they were making sales was on Saturdays and yet the MFI expected them to make payments weekly. Clients did not know the interest rates they had been charged, but they knew the installment they had to make. It is an election year and they have been approached by other government microfinance programs specifically MASLOC and other financial institutions.

Clients in the Medina area were concerned they were to provide collateral for their 4th cycle. They also raised the issue of late disbursement of funds which affected their planning and missed economic opportunities. The majority of the groups seemed to be in existence due to the SIF program and as such any delay in the disbursement began to disintegrate the groups. Generally they were pleased with the loan officers who they mentioned treated them with respect however some of them felt management had to pay more attention to their needs as the loan officers could not address all their needs. Most of the communities used for this study needed other development infrastructure to make microfinance more effective. Even though most of the concerns raised related to the services provided by the MFIs, the conditions in their communities also exacerbated the situation.

5. SUMMARY AND CONCLUSIONS

5.1. Restatement of the problem

This study is to provide proof to policymakers and development partners of the contribution of the FNGOs to the microfinance sector in Ghana and to explain the challenges faced by the FNGOs in their provision of services to a population with exceedingly limited access to credit. As mentioned earlier this study will give visibility to the FNGOs as such an independent study has never been done for the sector. This study has also identified the weaknesses in the governance and management systems of the MFIs. Findings should inform the Social Investment Fund in its planning purposes to increase its support and meet its objectives of building the capacity of the MFIs working with women in the SIF communities.

5.2. Description of the Procedures

The sample of the study was taken from the incoming and existing clients of the three FNGOs who were working in the SIF identified communities. Primary data was collected from the women using questionnaire to collect data on how the SIF programme has impacted their lives on four levels; the individual, the household, enterprise and the community.

The focus group discussion was used to collect primary data on clients views on the services and operations of the MFIs. Secondary data was collected from both online and other sources to review the literature of other microfinance impact assessment studies which guided this study. Other field data were also collected from stakeholders in the sector to understand the demographics and the communities used for the study. Triangulation was adopted to confirm data collected from both primary and secondary sources. The cross sectional approach was adopted using longitudinal questions to help clients to recollect on their expenditure patterns.

The FNGOs were also administered with questionnaires: to assess their management systems and capability in delivering the services, to confirm the views collected from the focus group discussions and identify the strengths and weaknesses of their operations.
Observation techniques were also used to understand the views expressed during the focus discussions and were especially helpful in understanding the socio-economic challenges in the communities where they work and reside. There was no baseline on the existing group

and thus the researcher used the incoming clients as the comparison group. Statistical treatment was used to generate the results from the questionnaires collected from the clients. A T-test was undertaken for the income levels of both the incoming and existing clients.

5.3. Findings

5.3.1. Comparative Analyses

Most of the women are traders; they mostly commuted on a daily basis to the capital in search of jobs or to work. Except for the AMA Assembly District which was a slum area in the capital, all the communities have been affected by rural –urban migration. Education among the age group from 18-25 age range group of both the incoming and existing clients was very low.

The women were mostly engaged in income generating activities. The findings also showed that most of these women used the majority of their earnings on the up keep of their households. A lot of the household assets acquired were second hand from the Europe and the North America. The majority of clients purchased refrigerators which were second hand and also had environmental health hazards. The income levels of the existing clients had a bigger disparity than the incoming clients. There was a wide spread of the income levels instead of a few clients earning a very high amount in comparison to the other members.

Both existing and incoming clients spent a lot on food and school fees; however the standard deviation shows that there is lesser disparity in the spending patterns of the incoming clients than in the patterns of the existing clients. Only a few of the existing clients are spending the higher amounts on food and school fees than the incoming clients who are spending a higher amount on the food and school fees.

5.3.2. Assessing the Operations of KSF, ENOWID and CRAN

Weak capacity is one of the major reasons for FNGOs having been unable to attract investments and deliver the quality services to the clients. The results from the three FNGOs on their institutional development needs would help identify capacity needs and inform SIFs on how to address the capacity needs of the FNGOs.

The three FNGOs were given questionnaires to assess their areas of need in institutional development and areas in their operations where they have received less training and other aspects of their operations in relation to the service delivery to clients. MFIs were requested to rate their Governance, Leadership, Management and Operations on a scale of 1-10, 1 being the least important and 10 the most important training item.

On Governance and Leadership, all three FNGOs agreed they have received training however, KSF rated its Governance and Leadership 4 whilst CRAN rated its 5 and ENOWID rated its 6. KSF rated its management which includes portfolio management, institutional policies and reporting 7: CRAN rated its management 10 and ENOWID rated 8. KSF rated its operations management 5 which included their delivery of services in the area of loans disbursement and monitoring and ENOWID rated 3. The low rate in the delivery of services was consistent with the findings on the field, that the group leaders amongst the ENOWID clients were playing the role of loan officers. During the focus group discussions the clients of ENOWID mentioned that assigning such a role to an executive member of their group gave them too much power because they decided who in the group received a loan and the amount of loan to be granted.

KSF rated their financial management 8, CRAN and ENOWID rated 5 and 4 respectively. KSF has been in operation 11 years, CRAN 10 years and ENOWID 10 years. KSF operates in 33 communities, CRAN in 100 communities and ENOWID in 12 communities. On the question of what their target has been within the last three years on the SIF programme and whether there had been any variances: KSF mentioned that within the last three years their target in terms of disbursement has been a total of GHC740,000 but it has only received GHC449,000. This was the case for all the three FNGOs, the amount requested was not what was granted. This confirms the findings from the focus group discussions across all the communities that the loan applied for by the clients was sometimes reduced. The average recovery rate for CRAN from 2005-2007 is an average of 88 percent, 96percent for KSF and 98.5 percent for ENOWID. This confirms the problems CRAN had in recovering the SIF's loans in the communities researched.

There were huge differences in the interest rates charged by all the three FNGOs, KSF charged 29 percent, CRAN charged 17.5 percent and ENOWID charged 15. Of the three FNGOs ENOWID had the lowest interest rates of the SIF loans. ENOWID had the biggest loan sizes amongst all the three FNGOs. Its average loan sizes ranged from GHC500 – GHC1,500, as compared to CRAN and KSF whose loan sizes ranged from GHC 100-GHC

350. In the area of loan processing CRAN used 2 days to process the loans, ENOWID processed loans in 4 days and KSF used 3 weeks.

All the clients from the focus group discussions complained about the delay in disbursement and more so the clients of KSF. All the three FNGOs mentioned that even though they had other sources of funds the interest rates for the SIF loans were low and were a good alternative source of funding for their operations. All three FNGOs stated that they all had monitoring mechanism such as daily visits to clients, weekly meetings and group member's pressure. In terms of challenges facing them in their business, all three FNGOs acknowledged that loan delinquency and low capitalization was a constraint to their operations. Some of the successes of participating in the SIF programme were the fact that the women said they could now feed their families three square meal.

This confirms what 80 percent of the women indicated during the administering of the questionnaire that they can now take care of household needs. All the three FNGOs appreciated the SIF microfinance programme scheme; however the reduction in the loan amount requested and the delay in disbursing the funds to them were constraints to their operations. CRAN added that there was a perception that the loans were government and as such the reason for the low recovery of loan in the communities they served. They also added that the prior list of clients given to them violated the primary purpose of group formation and also affected the repayment. They also appealed to SIF to support them to build their capacity to address the weaknesses in their organization.

5.3.3. Effectiveness of the SIF Loans

The notion that receiving financial services from the FNGOs has increased income, could not be proven scientifically however clients 41 percent of clients mentioned their income level had increased because they could contribute more to the household. Twenty five percent stated it had remained the same and the other 34 percent mentioned they had other expenses to cater to and as such could not determine any increase. There were no baseline data so the researcher had to rely on recollection from the clients to determine whether there has been an increase or decrease in income or spending. The majority of the client were also not comfortable discussing their incomes and at such the researcher was not sure of the authenticity of the figures. However the MFIs confirmed the ranges and indicated there was the possibility they were earning the income levels stated. The existing clients also agreed that because they were contributing more to the household they were now more in charge of making decisions about the welfare of the children especially the children. The majority had also indicated that their income surplus has increased.

At the enterprise level increase in capital has been one of the indicators used to test the hypothesis that participation in the SIF program has increased their capital. The majority had their capital increased however without the baseline data it was a challenge to confirm the increase in capital. The clients also added they have been able to expand their businesses. The improvement in business practices; record keeping was not proven as majority of the clients mentioned that they were not keeping records. The existing clients had contributed more to the household because they were earning less income and the majority had indicated that they were contributing to the household because they were the household providers.

Existing clients were already engaged in community activities before accessing the loans. They seemed very much aware of the challenges within the community and participated in its development. Most of their enterprises were operated from their homes so they worked with family members or their children; stock was kept at home and the point of sale usually was very close to their houses.

Existing clients mentioned that they used majority of their loans for their enterprises by stocking up or renting stalls to expand their businesses. CRAN and ENOWID did not promote savings amongst the beneficiaries of SIF but facilitated savings for clients outside the SIF communities. These clients however had their own form of savings with other MFIs and were engaged in other traditional forms of savings such as the susu scheme. On the other hand, KSF lending methodology incorporated savings and majority of their members had savings. Those who did, had withdrawn it for emergencies and would build up their savings before they could access any further loans from KSF. KSF did not differentiate between its own clients and the SIF beneficiaries.

The focus group discussions indicated the quality of services delivered to the clients. Generally, the customer relations were ranked very high with the clients who had indicated that the loan officers were very respectful and kind to them. Clients were nonetheless not pleased with the customer service; they complained that their needs were not met on issues relating to loan sizes, repayment period and loan terms. There was a lack of information flow to the clients generally. The majority of the clients claimed they had been approached by other MFIs and that it was the lower interest rate that attracted them to the SIF loans. In assessing the MFIs it became clear that there was a lot of inconsistency in running the SIF Microfinance Programs. KSF charged an interest rate of 26-30 percent, CRAN charged 17.5 percent and ENOWID charged 15 percent. Clients were being approached by other government microfinance programme and their frustration with the MFIs will pushed them to engage in multiple borrowing and further push into debt.

5.4. Conclusions

All the communities needed other government interventions such as education for both primary and secondary level and adequate social services to render microfinance more effective.

Most of the communities lacked any sustainable socio -economic activities. At the MFI level, the institutions were poor in capacity to be delivering financial services to the poor urban. MFIs were not following the SIF microfinance guidelines especially in the area of promoting savings. The different interest rates charged by the all three FNGOs distorted the market and affected repayment.

CRAN had a problem recovering most of the loans as they adopted different methodologies when delivering the SIF microfinance program. They did not take the SIF clients through a rigorous assessment as they did with clients from the non SIF communities. According to CRAN the clients perceived the loans as the government's money. There was an over reliance on group leaders to perform the role of loan officers because MFI had a thin staff. ENOWID was not targeting the poor urban; their clients had the biggest loan sizes and highest earned assets. The low level of education amongst the client group meant the MFI needed to explain further to the clients the loan processes. Improvement in business practices could not be validated as one of the indicators for the increase in capital at the enterprise level. MFI did not provide any basic business skills training to the clients to improve their record keeping.

The clients were engaged businesses that were no lucrative. A case in point are the clients of ENOWID at the AMA District Assembly who were all engaged in the second hand clothing businesses.

These second hand clothing businesses were competing with very cheap clothing from China. Most of the clients had agreed that the SIF loans had served as a stop gap and even though had increased their capital they spent so much on the household that capital accumulation for the future was bleak. On a short term basis they have been able to provide and support their households financially and send their children to school; in the long term they will not be able to cope in the event of a sudden crisis affecting their household and enterprise. One of the groups had been told to provide landed properties and cars as collateral because some of the members in the group had previously defaulted.

The majority recognized the benefits of the program however they felt that the loan sizes were too small and loan terms too stringent to sustain their businesses and some felt they were worse off. Monitoring from SIF seemed to be very weak because many of the concerns could be addressed by the monitoring unit of SIF. The SIF microfinance operational manual was not informing the operations of the FNGOs and as such added to the inconsistency in the implementation of the SIF microfinance program by all three FNGOs.

The main objective in conducting this study was to provide proof and collect data to improve the practice of microfinance. The majority of the clients had agreed that major changes had occurred in the client's lives after their participation in the SIF microfinance program. These changes included increases in income and increases in decision making. These changes have also affected the client's at their enterprise level. A majority has been able to increase their capital and they have been able to increase their expenditures in the household and contribute to its well being including sending their children to school. In evaluating the degree of satisfaction from the clients and in assessing the MFIs, areas have been identified to improve the microfinance program and the process has also determined the constraints faced by the MFIs in offering financial services to their clients.

6. Recommendations

MFIs will have to be furnished with the proposed baseline template to collect data from all their clients at the entry point. The reporting format from SIF to the FNGOs needs to be more comprehensive. The present reporting format is inadequate and does not capture views from the clients and the portfolio at risk measurement. Due to time constraint a more extensive analysis could not conducted on the three FNGOs. Emphasis was more on the services provided to the clients.

The baseline data collected on the 110 incoming clients could form the basis for further study in which a more scientific methodological approach using longitudinal and cross sectional analysis would render a study of this nature more rigorous. Rendering a more rigorous and credible study would require more funding and more time. IA studies using a longitudinal data usually take more than a year or two to complete. Further studies should also investigate the impact of FNGOs and their clients with more emphasis on FNGOs accessing commercial funds instead of FNGOs engaged in government microfinance programmes.

SIF needs to review capacity building programmes offered to the MFIs and their clients. Most of these women do need training on the type of enterprises to engage in within the context of their communities. There needs to be a comprehensive package that will pull the women out of the poverty traps and to be able to withstand any external shocks. The field monitoring should include reviewing of FNGOs relations with their clients and addressing constraints faced by the clients. The clients should be involved in reviewing the microfinance programs and their needs should be incorporated into the programs. GHAMFIN, in consultation with the microfinance sector in Ghana needs to begin to search and develop indicators that will measure the quality of services and incorporate them into its Performance Monitoring and Benchmarking programmes.