CREDIT DELIVERY BY FAITH BASED ORGANISATIONS AND ITS UTILISATION IN RURAL GHANA: A CASE STUDY OF WORLD VISION GHANA IN THE ATEBUBU DISTRICT OF THE BRONG AHAFO REGION

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DECLARATION

I do hereby declare that except specified quotations and ideas attributed to specified sources; this thesis is entirely my original work.

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DEDICATION

To my dear wife, Olive and my children Rachael, Esther, Samuela and Bernice Mensah Aborampah

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the typing of this work.

May God Richly Bless You All.

ABBREVIATION

IFAD………………………..International Federation for Agricultural Development

NGO's………………………Non-Governmental Organisations

APED……………………….Association of Productive Entrepreneur Development

GTZ……………….............German Technical Cooperation

CBO…………………………Community Based Organisation

CNCS……………………….Corperation for National and Community Service

FBO………………………… Faith Based Organisation

WVG………………………. .World Vision Ghana

NPO………………………… Non-Profit Organisation

SO………………………….. Support Offices

ADP……………. …………..Area Development Programme

WVI………………………… World Vision International

CDP………………………... Community Development Project

MoU………………………….Memorandum of Understanding

WAWI……………………….West Africa Water Initiative

OOEIM………………………Orphan Outreach Evangelistic International Ministry

UNICEF……………………. United Nations International Children Education Fund

SCBD…………… …………..Sustainable Community Based Development

PAP…………………………..Peak Activity Period

LEP…………………………..Loan Extension Period

RDS………………………… Rural Development Series

ABSTRACT

Rural micro finance as a development strategy has enjoyed a significant universal goodwill but limited success in the rural areas of third world countries. The importance of rural micro finance has become more revealing in the current national development process giving the thrust of rural poverty reduction in the overarching national policy framework, the Ghana Poverty Reduction Strategy. However, an effort at harnessing the potential of micro finance for rural development is bedevilled with numerous challenges that have rendered its importance apparent on paper but less efficacious on the ground, this means such projects often fail to sustain the process and production of benefits that is expected to set in motion the wheels of rural development.

In this study it is observed that Atebubu Amanten, a rural district has witnessed some micro finance interventions both from the state, religious organisations and external agencies. However, immense failure of such interventions has rendered micro finance interventions especially unattractive. In view of this the study sought to redefine the orientation of micro finance delivery from excessive focus on the repayment and access dynamics to the utilization processes which constitute the management and production stage of the rural finance process. Identifying and appraising the problems of credit utilization, it was established that the practice of religion and culture by the recipients, some of whom were illiterates, impacted negatively on their ability to utilize the credit. The study developed some conceptual models and recommendations to handle the problems.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background Information

Dickinson in his book Poor, Yet Making Many Rich: The Poor as Agents of Creation states that, in many countries in Sub-Saharan Africa, Churches have been much involved in sources related to health care, education and domestic water supply. The reason for this is partly historical and also due to the great need for such services. Provision of medical care and education in many African countries were started by the church through the agency of Christian mission societies during the colonial era (Dickinson: 1983:28).

Among these countries is Ghana, which for four decades after independence suffered repeated setbacks in her effort to induce a sustained economic development. Since independence, successive governments have developed and implemented a series of national development plans, notable among these plans are the first and second development plans (1951-59), seven-year plan (1963/64-1969/70), two-year plan (1968-1970, five-year plan (1975/76-1979/80) and the Vision 2020. The first two plans were predominantly macro-economic in their focus and premised on massive industrialization as means to draw the rural peripheries into the mainstream urban economy. The result was mass unemployment, rural-urban drift and poverty. The Ghana Poverty Reduction Strategy (GPRS), the current national development policy document emphasizes poverty reduction through prudent policies to create the enabling environment for the private sector to play frontline role in national development (Ghana Poverty Reduction Strategy, Analysis and Policy Statement, 2002).

Under the colonial administration, mission societies in some African countries received financial assistance through what were termed grants-in-aid to run health care and education services under their management. The autonomous churches in Africa intended the mission structures without the necessary resources to run them. The problem of financing these services has been exacerbated by the fact that due to great need in our societies, the churches and other religious organisations have had to build more hospitals, dispensaries, schools and also increase access to water. When a government is unable to build a clinic in a village, the people's tendency is to turn to a church or a religious organisation for help. The proximity of the churches to the people makes it difficult for them to turn a cold shoulder to these requests. (Dickinson: 1983).

Ghana after independence has experienced growing and deepening poverty, an evidence of intensification of vulnerability and exclusion among some groups and in some areas, especially in the rural areas (Ghana Poverty Reduction Strategy, Analysis and Policy Statement, 2002). According to the GPRS policy document, in 1999, five out of the ten regions in Ghana have more than 40% of their population living in poverty. These regions are Upper East, Upper West, Northern, Central and Eastern regions (Ghana Poverty Reduction Strategy, Analysis and Policy Statement, 2002). Poverty reduction has thus assumed a major development challenge and the subject of a significant policy focus in Ghana today.

Within this milieu, the rural areas which constitute about 69% of the country's population have become the focus of policy for a new economic direction to mobilize local resources and potentials to reduce poverty and enhance employment opportunities for overall national development. The size of the rural economy point to its importance as a source of capital for economic growth.

Since the 1980s development theorists have increasingly argued for the provision of smaller loans to micro-entrepreneurs and small holder farmers as an instrument in the fight against poverty. The idea that rural population might improve their living standards by becoming micro-entrepreneurs and that financial institutions should support their initiatives with small loans has found support over the last two decade. Credit as International Federation for Agricultural Development (IFAD) claimed in its 1982 annual report is the most important single weapon against rural poverty (Hulmes and Mosley 1996:44).

The new orientation emphasizes that the sustainable development of the rural poor cannot be premised on only meeting their basic needs, but more importantly on the encouragement of local initiatives. The challenge of contemporary financial intermediation is to explore what motivates causes and stimulates rural entrepreneurial development for investment in creating the knowledge that will push forward the frontier of rural financial intermediation.

In the 2001 Budget Statement and Economic Policy of the Government of Ghana presented to parliament, the Minister of Finance stated that 'Government will initiate policies and programmes to address the problems of continuous decline in economic growth rates; rising unemployment; an accelerating inflation rate coupled with rising interest rates which were stifling production; an unmotivated private sector; the deteriorating position of the cedi against the major currencies; and a huge Government debt and fiscal deficit'. This statement was made with respect to the poor performance of the economy in 2000 as a result of internal and external problems which culminated in a resurgence of domestic inflation, steep and an unprecedented depreciation of the cedi against the major currencies, continued depression of the prices of primary commodities on the world market. Subsequently the country experienced a fragile foreign exchange regime, low inflows of donor funds and ultimately weak macroeconomic fundamentals (Budget Statement and Economic Policy of the Government of Ghana, 2001). This could result to increase in prices of commodities that may be needed by the rural communities as well as the country as a whole. Again, the vicious cycle of poverty may recur by way of low income, low savings, low investment resulting to low purchasing power as a result to the level of income.

1.2 Statement of Problem

The continued failure of rural financial intermediaries to engineer a cost effective process of credit delivery for the rural beneficiaries in Ghana has become the subject of immense challenge to government, NGOs and donor agencies. In the face of these constraints given the difficult rural financial terrain and the repayment problems, credit for the poor in the rural areas has been treated more with contempt than a priority area of intervention.

The problem has always remained the availability and utilisation of the credit. Is credit easily accessible? If yes, then how is it utilised or how is it impacting on the people of the community? How much credit is readily available to the customer? And what are the terms of payment? What is the recovery rate? Does the practice of religion and culture affects the peoples' utilisation of credit? In a progressive elimination of rural poverty, access and repayment of credits are secondary to the utilization process as this stage underlines the creative mix of resources for production and wealth creation. Credit utilisation, an all-important aspect in credit benefit is missed as we continually think of rural credit delivery from the access and repayment perspectives.

The desire for a sustainable rural financial intermediation has remained a distant goal in Ghana given the continued neglect of the complex factors which impact predominantly on rural credit utilisation, and in many cases, deny adequate resource base to women and other vulnerable groups in the rural economy. To overcome the entrepreneurial disruptive elements inherent in the current process with their wider connectivities within the rural financial landscape, a research to explore the complex factors that impact on credit utilisation is a necessity.

1.3 Objective and Scope of the Study

The objective of this study is to;

a). Investigate how the access, utilisation and repayment, affect participation and utilisation of credits

b). Discover the gender differential access, utilization and repayment of rural credits

c) Assess the role of the practice of religion and culture in the socio-economic lives of the people and how it affects their ability to utilise credit.

d). Based on the findings, propose measures to improve the planning of micro finance delivery in the Atebubu Amanten district by APED of World Vision Ghana.

1.4 Research Methodology

The Research will make use of primary and secondary sources:

- We shall employ the triangulation method in our research.
- Primary data will be collected, using questionnaires, one on one interview. The questionnaires shall be administered to beneficiaries and benefactors of the credit facilities.
- Relevant books on the subject shall be consulted and utilised to augment the primary materials listed above.
- Analysis of the factors on the level of growth of beneficiary enterprises. This would illustrate the problem of small-scale and small-holder rural enterprises in terms of production entrepreneurs within the District economy income and supply, as well as identify potentials and constraints for rural micro finance developments.

1.5 Significance of the study

Faith-based organisations in the area of poverty alleviation could be facing problems between the point of designing and results due to a lot of factors which may be beyond their control. The concern then is to bridge the gap. Some of the factors are beneficiary targets, repayment, and transaction cost and support services. One critical element is the enhancement of the ability of the rural as well as small scale entrepreneurs to assume risk.

The demanding aspect of the task is the continuous search for effective means of promoting participation. In order to give meaning to this goal, it will require much effort in the area of credit utilisation which is central to both access and repayment and at the end enhances participation to broaden the base of development. The success of credit utilisation serves as a means of enhancing the living standard of both the rural and the urban folks. Again, the research is expected to unearth some of the various difficulties associated with managing credit in the rural areas, like repayment enforcement, collateral strategy, and official supervision. The findings of this study will also serve as a source of information for further research in the field.

1.6 Limitation of the Study

This work is limited to the Atebubu Amanten District of the Brong Ahafo Region where the World Vision small scale loan scheme through Association of Productive Entrepreneur Development (APED) is being implemented. Again, the researcher will only concentrate on their credit scheme with much emphasis on the utilisation.

1.7 Literature Review

One very fundamental feature of Ghana is the predominantly rural structure, which invariably is a common feature of any low-income country in the world today (Brown, 1986:15). Ghana has about 69 per cent of its population living in the rural areas. The rural communities in Ghana are of great significance not only because they need to be developed but also because they form the bedrock upon which any meaningful development programme could be based. To be able to design any meaningful development programme for rural development, one may first have to examine and appreciate the dynamics of the rural environment.

The church can be of immense importance in addressing some of these challenges by providing material technical assistance or needed social amenities like schools, clinics, water and toilets as it has done over the centuries. On the other hand, the church as well as other religious organisations through private business or investment subsidiaries, or in joint venture with others, can also set up farms and businesses, in order to create jobs, income, and goods.

This rural development approaches is to inform a new orientation to rural development strategies. Adalman in criticizing the basic needs approach favoured as a first measure, the radical "redistribution of assets" before growth promotion (in Lewis Ed. 1986:60). Lewis in this concept favoured access to engagement of productive resources which is an essential condition for the productive and the poor and also to pursue growth before finally deciding on redistribution. This invariably, reinforces rural finance for production to contribute to growth initiative. According to Mohammed Yunus, the initiator of the renowned Grameen Bank in Bangladesh, a virtuous cycle can be established; low income-low investment, more income, more credit, more investment, underscoring conspicuously the significance of credit in this process (Friedmann, 1986:24).

In Brown's (1986) rural development in Ghana, he identified what he referred to as surplus little capital outlay. The little opportunities cycle, he concluded, could only be broken at a point between little capital outlay and little income, and the external force which can break through the circle could be nothing other than credit. This again reinforces the position of rural finance in these processes. The needs of the poor cannot be prejudged, but rather a system that enlarges and directs their choices to meet their needs now and in the future.

What can be drawn from the foregoing exposition is that, rural development strategies could be built around rural finance, instead of building credit around the strategies as an ancillary and not a strategic alternative. In a nutshell, all these have sketched around the politics and economics of what credit can potentially contribute to the broader process of social and economic development in the rural areas. Is credit as IFAD claimed in 1982 annual report, the most important single weapon against rural poverty? Or is it, as claimed by Adams and Von Pischke an input of only marginal relevance to the enhancement of the poor people's welfare? (Hulme and Mosley 1996:47).

Contemporary challenges of rural development are inclined towards the IFAD view, with some qualifications: credit is potentially a prime weapon against rural poverty. However, if the lessons of rural development over the years and the reviewed strategies in this work could hold any promise for rural development, then significant lessons sieved from these strategies are suppose to inform current rural development interventions of which, credit as a decisive component must satisfy the following qualifications:

- Participation – considering the poor as partners and not mere beneficiaries of development and as has been outlined by Robert Chambers (1987) in a review development project. The five major lessons that emerged out of his review to inform sustainable livelihood intervention should embrace:
- Following a learning approach in development.

- Putting people's priorities first.
- Secure people their rights in and gains from development.
- Reach sustainability through self-reliance.
- Ensure high calibre, commitment and continuity of technical advisory staff.

Robert Chambers argued working with and not for the poor. The challenge is therefore to foster an integrative perspective of conventional knowledge, lived experiences and folk wisdom for a coherent development initiative. The difficulty and complexity in financial investment for these at the lower segment of the income spectrum is the fundamental challenge to rural development. The idea that, the poor might improve their living standards by becoming micro-entrepreneurs and that financial institutions should support their initiatives with small loans has found many supporters over the developing world (Chambers,1987:78).

He went on to state that, the theory that dominated the analysis of rural finance in the post-war period through to the early 1970s was informed by the concepts of market failure and the consequent need for state action and economic planning to overcome this failure. In essence, they were that, a public interest state with benevolent politicians, partial and competent bureaucrats, could overcome this failure. Couple to this was the need to remove the exploitative and monopolistic tendencies of the money lenders and traders.

The above proposition could not equal its initial optimism with a call for a model in the 1970s following the evident weakness of the model. By the early 1980s, the Ohio school had emerged as a counter-revolution in rural financial paradigm challenging the established practices. The 'Ohio school' took a much more radical position in financial intermediation. Its theory is largely 'economistic' and sought to keep away from the 'messy reality' of politics (Blair, 1984:191). This Ohio position was a deregulation of rural financial markets in terms of interest rates, terms and conditions of loans and savings and market entry. The peculiar thrust of this model was the efficiency of the informal financial mediators and that loan rate and sectoral targeting, discouraged private-sector activity in rural financial markets and encouraged excessive demand that led to economic rationing. This state, they observed, favours larger loans to wealthier borrowers. The architects of the Ohio school include renowned economists such as J.D. Von Pischke, Dale Adams and Claudio Gonzalez-Vega. From the wide range of their publications, the following fundamental lessons could be drawn.

- A belief that credit is a facilitating and not a leading role in the process of economic development, and in consequence that financial services should be supplied to meet existing needs, and not in advance of demand. They further expanded this principle to assert that "debt is not an effective tool for helping most poor people to enhance their economic condition – be they operators of small farms or micro-entrepreneurs, or poor women.
- A belief in the efficacy of informal financial institutions in developing countries (informal money lenders, rotating savings and credit associations, and 'part-time' sources of credit such as suppliers, traders, friends and relatives) in meeting such needs in particular, an insistence that the costs are likely to be lower and their working practices more flexible than the Development Financial Institutions (DFI's), which have been set up to replace them.

- Emphasis on the crucial importance of savings mobilization as a necessary financial discipline for lending institutions, and as a means of enabling such institutions to get to know their market better.
- Scepticism concerning the ability of all credit institutions set up by government to escape the contamination of their portfolios by loan write-offs granted, following leverage exerted on government officials or legislators by powerful borrowers.
- Opposition to the idea of 'targeting' loans on specific types of economic activities or socio-economic groups.
- Hostility to the idea of subsidy for Development Financial Institutions in any form.

Basically, the two financial approaches are divided between regulation and complete deregulation. Even though the Ohio orthodoxy appears to be overly economic in its focus and unyielding to contextual conditions, which cannot be overlooked in rural financial intermediation, it made quite a significant contribution to a new knowledge which have positively informed current rural financial initiatives. Its emphasis on credit plays a facilitating role with voluntary savings mobilization. As a character and capacity instrument in assessing borrowers are of crucial importance to contemporary financial initiatives. The political threats to the viability of rural financial institutions have been of major value in rural financial systems.

The work of the Ohio school is more of a critique than a policy manifesto, and is pervaded by deep ambiguity concerning the role of government in rural financial markets. What should be described as a hard line and stand is the school's insistence that any Development Finance Institution, which is unable to make profit, should be closed. This is so because in some parts of the developing world like Ghana, where most of the poor live in the rural areas that are not easily accessible, players in the informal financial markets are just reluctant to venture into rural credit and so the few bold ones who do also monopolise and take undue advantage of the rural folk. This could be likened to the Shepherds of Israel who were only interested in what they could get from the sheep and were not in any way willing or prepared to contribute to the upkeep of the sheep (Ezekiel 34: 2-4, NIV)

The other controversial issue about the Ohio school principles was the recognition of the informal financial markets as characterized by perfect competition and good for those who can use credit effectively. It has been argued that while some of the political discussions that have evolved around the Ohio school work provide useful insights about processes, it can in no way be viewed as an authoritative analysis of the politics of finance for the rural poor, or the poor in a more general sense. Ghana as a third world country suffers the practice of this behavior in the sense that many of the citizens may fall within the category of low income level and these financial institutions operate for profit and as such may not venture where they may eventually loose and as a result capitalize on the economic conditions available to operate.

A less deterministic framework that accommodates specific contexts and appreciates the possibility of experimentation and innovation by individuals, institutions, governments and donors is required. There is no single theory that can accommodate the differing political processes in financial intermediation exhaustively. The different levels of political processes in financial intermediation could be considered as:

- The nature of the state-autocratic or democratization
- The nature of domestic politics – identification of domestic political forces.
- Exploration of both general and context-specific influences of external actors.

At the global level one can identify the different strategies of financial intervention and a shift of policy towards more monetarists and market-oriented strategies.

According to Carey, it is argued that spiritual and material progresses do not go hand in hand. Some might even argue that they never can. However, most people would accept that improving the lives of the entire human family must draw not only on the talents, effort, and organisation of millions of people, but also on common values, such as the conviction that no one is truly well-off while others are desperately poor, and that the world's knowledge and opportunities should be available to all (Carey 2001: VII in Belshaw).

The role of the church as well as other religious organisations extends beyond the material welfare of its members and even beyond temporal concerns altogether. But there is an important area of common ground between faith and development. In most developing countries as stated by Carey, religious leaders are close to the poor and among their most trusted representatives. This implies that they are able to know them better than the other representatives and as a result attend to their needs as and when they arise.

At the center of the ideological spectrum, the policy of strongly assisting small scale entrepreneurs and small-holder farmers through subsidized credit has been largely discredited by the experiences in the 1970s and 1980s, thus the contemporary debate focuses on propositions to the right of centre. It can be crudely characterized as a contest between a soft right position (intervene to create financial intermediaries and other services that emphasizes cost recovery and rapidly become fully self-financing) and a far right position (deregulate interest rate and market entry requirements and left intermediaries evolve in response to market forces) as epitomized by the Ohio school.

In Ghana, the most recent policy document and economic orientation suggest that the state wishes to reduce its role considerably in the provision of social services and instead promote greater role of local government, the private sector, NGOs and other donors. The need to develop clear programmes for poverty reduction activities, institutional arrangements crucial in this initiative now rest on government and development agencies in the process. This orientation informing current intervention in financial intermediation is the major thrust of the Ghana's Poverty Reduction Strategy.

The primary objective of rural financial promotion is to enhance the living standards of rural population. The primary objective gives the direction and content of rural financial interventions. However, this primary objective is broken into intermediate or secondary objectives with the conviction that the pursuit of these secondary objectives and the strategies evolved thereof would be harmonized towards the achievement of the primary goal: improvement of the standard of living of the target population. Rural finance strategies would thus be viewed within the considered effective or otherwise. One criterion for this conclusion is whether the target group(s) profit directly or indirectly from the attainment of the objective.

The first intermediate objective with direct effects on the target groups is the development of accessible financial institutions. Accessibility in terms of the type of products or services, the business policies, and the location of the financial institutions. In rural areas, where there are no financial institutions, this secondary objective consists of building them up and advancing efforts for quasi-financial institutions like NGOs to mediate. In areas where they already exist, the second objective is to motivate and make them able to accept the poorer segments of the population as clients. The third intermediate objective which in the estimation of this study has not been given enough prominence but holds significant prospects for rural financial sustainability is the improvement of the efficiency with which credits are utilized by the various economic units.

The fourth-intermediate objective, which has strongly emerged as a force in rural entrepreneurial development, is empowerment. The following quote from Friedmann (1992:22) underscores the value of this secondary objective in rural development intervention via credit: “The struggle for survival can take many forms. Some are acts of individual enterprises in the informal economy, some are collective acts of protest and defiance; still others are centred in the community. All initiatives requires cooperation of others; most require some form of outside help from students, priests, and professionals who may provide the catalytic spark in the face of adversity. By making common cause with the pool and sometimes even sharing their lot, these volunteers are able to strengthen their resolves, provide technical counsel and mediate with outside agencies and the state”

In exploring the empowerment concept further, Friedmann indicated that an alternative development is centred on people and their environment rather than production and profits. In the empowerment process three kinds of powers have been outlined by Friedmann as social, political, and psychological. In the process of empowerment, political empowerment would seem to require a prior process of social empowerment through which effective participation in politics becomes possible. Social empowerment especially when oriented to women can lead to the release from household drudgeries, and the time thus won, like any surplus resources can now be variously applied in economic pursuits.

The expression of rural financial infrastructure should lead to the creation of self-perpetuating local income flow: the savings of all groups of rural population must be mobilized so that they can be lent out in the region as credit and lead to increase in local income and creation of more savings. The German Technical Cooperation (GTZ) in 1987 established five specific tasks in pursuing the secondary objective of creating and strengthening financial institutions for the target groups:

- Target groups must be trained on how to handle money and credit and learn how to contact the financial institutions.
- Investment opportunities must be opened up for savings, which already exist so that the savers may realize interest.
- Financial institutions are also to provide services in the strict sense, especially in the form of a business consulting service, which introduces innovations, and handle insurance schemes or arrange contacts with insurance companies.
- Savings and credit opportunities are to be provided for self-help projects.

The processes outlined in the foregoing discourse appear to hold relevance in the direction of rural financial intervention. However, the risk element and consequently the targeting of groups as basis for the direction of financial resources for investment in the majority of cases, makes the pursuit of these objectives quiet complex. This is due to the risky and unpredictable nature of the rural financial landscape.

Rural finance is considered a complicated and risky field of activity, which is characterized by scarcity and conflict. The risk factor in rural poverty reduction via credit is not given the prominence it plays as a single most critical factor upon which all efforts at which rural financial intermediation revolves. The search for a viable and sustainable rural financial intervention is inextricably linked to the risk reduction equation. Risk is an important factor in rural financial development. The existence of the Insurance Companies underscores the risk factor in the complexities of the business world. In the rural areas the level of risk in dealing with the poor does not create the needed environment for insurance institutions. This environment thus makes it very challenging for the existence and growth of financial institutions.

The position of Dreze and Sen in this area underscores the level of sentiments working against rural financial intermediation. They emphasized that "poor people suffer not only from persistently low incomes, but also from the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is ever present in the lives of many more. Poverty in this sense involves both fear of and the operation of events that drive down existing levels of income. On a more humorous note, Chambers put it as "another ratchet' clicks and the poor household slips deeper into poverty".

Mosley and Hulme in a response to Chambas concern expressed that how can financial services reduce the vulnerability of such households so that such ratchets are less likely to operate (Mosley and Hulme 1996:6).

Credit is also considered a debt, and for those who are subsisting far below the 'minimum economic level' taking loans constitutes considerable risk. According to the conventional wisdom of finance, borrowers seeking to increased exposure to risk: if this is the case then lending to the poor people is likely to raise this income but will, for a proportion of borrowers, increase the likelihood of a crisis because of business failure.

Rahman and Hossain proposed that the vulnerability of the poor can be understood in terms of a set of 'downward mobility pressure'. These downward mobility pressures are:

- Structural factors within the economy, particularly demand for labour, demand for the product and services of the poor people.
- Crisis factors, such as household contingencies or nature disasters.
- Life-cycle factors, particularly the proportion of economically active and dependent persons in a household(Ralman and Hossain 1992)

In examining why credit market often fails those on the lower segment of the financial market enumerated the following reasons to explain why smallholder farmers or micro-entrepreneurs – are unable to borrow for socially beneficial projects:

- No lender is (legally permitted) to pass on the extra costs associated with lending to unknown customers in small quantities;

- No insurer is willing to compensate for borrowers' and lenders' risk-aversion (and for the presumed absence of collateral) by offering insurance against non-repayment due to natural hazards;
- Even if the first two points are untrue, potential borrowers are willing to borrow because of risk-aversion, although the expected value of the profits out weights the expected cost of their investment, including interest and insurance repayments;

- Social and private values of cost and benefit diverge because of externalities or otherwise, so that some projects which are socially profitable do not survive scrutiny on the basis of private costs and returns.

The Rural Development Series (RDS) of GTZ corroborated the foregoing views by asserting that:

- Leaving capital at the disposal of others involves risk. This is especially true in the rural areas of developing countries. Not only are the natural and weather-related risks of agriculture considerable; the often underdeveloped infrastructure, such as lack of transportation or electricity, increases the risk for borrowers of obtaining the required inputs and of marketing their products.

The risk of borrowers they concluded become the risk of the creditors if the latter do not protect themselves sufficiently and the risks in the credit portfolio of rural financial institutions which accept savings as deposits can ultimately endanger the security of the deposits.

- All of the participants in the rural financial markets of developing countries – the borrowers, the financial institutions and the savers – have fewer opportunities than their counterparts in urban areas and in developed countries to limit their risks. It is especially difficult for creditors, example, financial institutions, to isolate themselves from the risks of their borrowers. Financial institutions “defend” themselves against the investment risks of their borrowers within banking securities. The target groups of the rural poor, however, usually do not possess such forms of securities. Because of costs and risks, financial institutions can only provide products and services that are regionally limited. Every policy aimed at a better and more comprehensive provision of financial services must contend with the problem of costs and risks, otherwise it will remain merely wishful thinking.

The high mortality rate of financial institutions or agencies in rural development is due to a number of factors, which include:

- Inability to make an accurate and realistic estimate of probability of default with the result that the interest rate is set too low.
- Investments of agency resources in administrative activities, which do not lower the default rate but simply, add to the agency overheads.
- Political interferences in the agencies/organizations loan portfolio, staffing policy or interest rates policy.
- Retreat by the agency/organization from the frontier of poor borrowers previously excluded from the credit market into the safer pastures of lending to rich borrowers with collateral, so that it ceases to fulfill its function of extending credit market downwards and becomes a conventional credit institute.

How can a rural financial institution reduce, eradicate or cope with the risk factor? It would be useful to assess the various strategies directly or indirectly in dealing with the risk factor. Direct methods are those by which the lender expends resources directly (in the form of administrative expenditure on screening), enforcement of insurance and hopes to gain a more than proportionate reward in the form of a lower default rate. Indirect methods on the other hand are those by which the lender provides borrowers with an incentive to take actions which provide information about the riskiness of lending to them and-or which reduce the risk of default.

These different methods have been in one way or the other used by financial agencies all over the developing countries, but not one of them has been considered the most effective in dealing with the risk factor. The high mortality rate of rural financial agencies has led to a state, where there is a continued shift from the peripheral target group to lower risk groups. Given the difficulties in dealing with the rural poor, different strategies have been evolved in this direction, one strategy, which gives some discretion, is the payment of loan installments. The most obvious of such a strategy is the intensive loan collection. This was practiced by the renowned Grameen Bank collecting loan repayment at a specific time each week at/or near borrowers premises, thereby reducing the borrowers transaction costs and increasing the pressure to repay.

The other alternative is the incentive to repay, where financial agencies remits a part of the interest payment due from the borrowers who repay on time (Schmidt and Kropp: 1987:24). In each case, the strategies devised are weighted against the cost of implementing them, so the strategy-cost equation is a significant determinant factor here. The key question is whether the additional costs, whether of supervisory labour required to monitor a scheme of this type or of discounts for prompt repayment, bring about a more than proportionate reduction in default rates, and thereby improve its cash flow.

Another method of combating the moral hazard in lending without collateral consist of requiring the borrower to contribute a specified amount each month to a compulsory savings scheme, the proceeds of which can be used to insure against certain named events which may cause the borrower's project to fail and the borrower to defaults. This strategy, to the extent that the propensity to default on loans is caused by unexpected ill-fortune of this type, insurance against such events will also lower the default rate, and save agencies officials, the cost of demoralization, threats, and so on associated with the high and rising default rates.

A number of writers, for example Von Pischke and Yaron have argued the desirability of introducing voluntary savings schemes for agricultural and micro-enterprise borrowers, whether or not savings are compulsorily used as insurance against loan default. The argument advanced is based on the fact that:

- Saving in the form of a bank deposit increases both the size and the liquidity of the savers' net worth, and this provides an effective insurance to the savers against insolvency and consequent default. In other words, savings provide a partial, but administratively cheap form of loan insurance.
- The existence of savings deposits provides a lender with free information by distinguishing those potential borrowers who are most likely to repay. In other words savings act as a screening device. The argument here is in terms of reduced

administrative cost of screening rather than lower probability of default because borrowers will feel more obligated to repay loans if they feel that the money they are borrowing belongs to their neighbours and colleagues rather than to an impersonal institution (Von Pischke :1980:54).

This strategic alternative involves the transfer of the monitoring and prompt repayment enforcement of financial agencies to borrowers rather than being done by the lender alone: that is indirect reduction of risks. Financial incentives to repay (such as half a percent off the interest rate for on-time payers), the involvements of members of the local administration in the screening process, public exposure of defaulters, comes under this category. The most common strategy among the indirect strategies and which is very popularly referred to as cooperatives. The other aspect of peer monitoring is most of the time built into the group lending system to enhance repayment. This peer pressure is tied to a condition that no member of the group can receive credit as long as any member of it is in default, and which is often used as a substitute for collateral. The problem of the group concept will immediately be apparent. The first is that, consideration of minimizing administrative cost or at any rate the lenders administrative cost favour larger groups, whereas consideration of minimizing default favour small groups which will stand a better chance of effectively monitoring one another's behaviour.

It is a common knowledge that whilst groups generate positive effect of peer monitoring, they also potentially generate the perverse effect that group members who are tempted to default may ask another member to bail him/her out of the situation, Intra-group borrowing to repay. Peer monitoring could also be exploitative by using the difficulties of the less fortunate to tie them to conditions, which eventually defeats the goal of rural finance, worse still is the formation of groups within a discriminatory environment. Those below the social hierarchies would not be able to access these opportunities and again where this social hierarchy reflects in the intra-group conduct cloud rather generate a backwash effect. The social penalty imposed on defaulting group members by those who do not default can significantly undermine effective rural entrepreneurial spirit. Gender-neutral approach to rural credit intervention has in numerous occasions encountered significant challenges that most of the time threatens the sustainability of such initiatives.

In the majority of rural communities in developing countries there exists stark gender differential access to both material and symbolic resources. The socio-economic environment most of the time defines the status and the roles of the gender groups. Any attempt therefore to re-engineer a different course for development without an appreciation of the gender and socio-economic dynamics in the rural areas would certainly pose serious threats to financial intermediation. In their work on the influence of other forms of deprivation on the poor, Mosley and Hulme asserted that poverty is not purely about material conditions. It also refers to other form of deprivation, and thus looked at the effects of innovative financial services on those who suffer from social inferiority, powerless and isolation. The three groups who are victims of these deprivations and discrimination are women, particularly female-headed households, the very poor, particularly the assetless, the landless and those dependent on agricultural labouring; and the disabled. These variables they indicated are closely interlinked, where the discrimination is dominant against women, the same condition discriminates against access to these other variables.

In case studies in Bangladesh, Indonesia, Malawi, Hulme and Mosley (1996) confirmed that, significant female-male gaps occur, indicating the unequal economic and social relations between women and men. In a much more revealing disclosures, the attention and support of contemporary financial institutions that focus exclusively on women economic activities is beset with a serious challenge that has to be acknowledged. Behind the belief that 'loans for women' will lead to their economic and social advancement are a number of assumptions:

- That these enterprises would be successful:
- That, women will control the profits derived from such enterprises and that greater involvement in economic activities will strengthen the social and political position of women in society.
- That women will use loans for their own enterprises;

The case-study analysis above revealed in practice that, lending to women is much more complex than the assumption chain posits. There was a significant point of success of credits in reducing the isolation of women in Bangladesh with opportunities for regularly meeting and sharing information, discuss ideas and the conduct of their savings and loans activities which was not the case previously.

In terms of empowerment, the study reveals the naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women. The evidence in this issue is mixed and contradictory. Goetz and Gupta's work indicated that some 39% of the loans provided to women by four agencies including Grameen Bank are either fully or significantly controlled by men, while a further 24 per cent are partially controlled by men (that is men controlled the productive process while women provided substantial labour inputs). Where women do fully or significantly control loans, this is most commonly associated with 'traditional' women's activities (particularly livestock and poultry) so it represents the reinforcement of existing conceptions of the economic role of women. Such high levels of male appropriation led Goetz and Gupta to conclude that 'gender relations and the household are in effect absorbing the high enforcement costs of lending to men in Bangladesh's rural credit system because women have taken over the task of securing loan repayments from their male relations. From this perspective credit schemes are doing relatively little to empower women, though one important exception was noted (Goetz and Gupta,).

By contrast, the same study reported that 55% of widowed, separated or divorced women fully control their loans (compared to 18% for women in general) and that only 25% of such loans are fully appropriated by men. Given that such women are usually regarded as the most vulnerable in rural society this suggests a significant advancement in the capacity to engage in economic activity.

Credit delivery processes takes either promotional and/or protectional orientation in responding to rural income creation and poverty reduction. The protection strategy is often directed at poverty reduction or consumption so that extra funds could then be released for investments. The promotional strategy targets the instrumental target groups who have an appreciable minimum economic income levels' and thus could effectively utilize the credit funds for investments which could indirectly enhance the standard of living of the poor target groups. Finance of rural enterprises and smallholder farmers holds sufficient prospects for sustained economic growth and development. The contentious issue is how to minimize the risk and cost involved in the complex rural development landscape to realize the primary objective of rural finance: improvement in the living standards of the rural populations.

The political intervention in the process of rural credit delivery system either through guaranteed funds and regulated interest rates cannot be entirely wished away as not favourable for rural financial intermediation. The delicate nature of making uncollaterised credit available to the poor giving the risk involved, does not make it an attractive field for the private sector. This underscores the state interest in rural financial intermediation notwithstanding its political underpinnings, which appears to constrain its focus. The study by Hulme and Mosley reinforces the fact that the private sector is very reluctant to invest in creating the knowledge that will push forward the frontier of financial intermediation.

The position of the Ohio school for a deregulation and a more liberal and market oriented approach holds some truism, but cannot entirely be dependent upon giving the complexities in the rural development field. What is perhaps required would be a middle-point that would make credit delivery profitable and at the same time meet the needs of the rural poor.

The problem that has to be resolved demands an urgent response to the following question:

- How to ensure that large numbers of poor borrowers can access loans.
- How to provide mechanisms for screening out bad borrowers (in terms of character and capacity) in the absence of written records and business plans:

- How to give borrowers who cannot offer collateral incentive to repay on time.

Empowerment is significantly an integral part of rural financing to negotiate rural environment for micro-entrepreneurship and risk management for rural development. The need for an empowerment strategy was echoed strongly by one of the pioneers of rural financial intervention, Abed in their early research into the political economy of Bangladesh. In particular the Power Structure in ten villages clearly illustrated how various types of local elites from interlocking networks to gain control over local and external resources, wrote in the preface "without the resolution of the problems of power, genuine development in rural Bangladesh will continue to elude us".

The concept of promotion and protection are useful for categorizing the different roles which credit can play as a strategy for poverty reduction. The lessons drawn from the synopsis of rural financial intermediation; the different variables perpetuation poverty, and pre-conditions for credit-assisted graduation holds promise for the direction of intervention initiatives. The promotional and protectional aspect of credit provides a useful perspective for targeting within a particular rural environment and a particular period in order to address the needs of the rural population. This analogy of a safety net is also useful in the hold that it can prevent further decline into vulnerability for some and propel others upward, the mesh, which it weaves, may not be sufficient to catch all people. The risk factor has been the critical challenge in rural financing and the efforts in this area has been the continued search for strategies to reduce risk and cost of financial intermediation to enhance participation by borrowers, lenders and savers from rural economic development.

1.8 Organization of the Study

The research is presented in five chapters each of which addresses a specific theme within the framework of the broader research scope of credit utilization in faith-based organisation with particular reference to the World Vision Ghana in the Atebubu Amanten District in the Brong Ahafo Region. Chapter one deals with the research issues, general overview of the concept in relation to the problem. Chapter two provides the information about the district in question as well as the coverage and beneficiary groups with respect to the credit utilisation as delivered by World Vision International. This is an exploration into rural micro finance interventions, implementation dynamics and project designs. Chapter three critically analyses the theoretical and general overview of faith based organizations as well as exploration of rural characteristics and development, relevant to the study. It also takes a look at the practice of religion and culture and how these affect the ability of the people to utilize credit effectively eventually have a positive impact on their lives. Chapter four conceptualizes the main issues in the research findings vis-à-vis existing practices and provides the analytical framework for the study. Chapters three and four will be the main thrust of the study. The research findings and the recommendations flowing from the findings, conclusions and their implications for implementation constitute Chapter five; it equally sets out an agenda for future research, which concludes the study report.

CHAPTER TWO

GENERAL OVERVIEW AND DESCRIPTION OF FAITH BASED ORGANISATIONS

2.1 Introduction

In chapter one we discussed how Ghana as well as the religious community has suffered repeated setback in her effort to induce a sustained economic development. The orientation of rural financial agencies official pronouncement not witnessed by many changes in terms of facilitating the acceptance of rural people as full partners and/or co-partners instead of beneficiaries in rural development.

Gerrie Per Haar has said that, though most African traders are aware that giving credit and discount to customers, offering good customer service, strategic positioning of their shops ensure good patronage of their goods and services, they are also not oblivious of the fact that, most traditional markets are founded markets at which rituals were performed with the aim of ensuring a successful patronage. Some of the traders also believe that contesting for a share in the market is to be carried out at the spiritual level and because of that, they consult medicine men to give those powers and protection against evil powers and also help them win and maintain customers.

This chapter seeks to explore the following:

- The definition of community based development and the Christian perspective of the subject
- World Vision Ghana Community Based Development Projects and their attitudes regarding self-reliance and sustainability.

- The basis of poor management by the community to sustain the project.
- The need to carry out an in-depth research to discover the inhibiting factors to achieving sustainable community development.

2.2 The Christian Perspective on Business and Development

According to Miller (1984:221) man is given the societal mandate to inhabit the earth. God said to man be fruitful and multiply and fill the earth (Genesis 1:22, NIV). This shows that, the earth is not to be filled with consumers or mouths to be fed, but rather co-creators or those with intellect and passion.

Miller went on further to state that, just as God conceived of the universe and then worked to create it, so man is to transform the world through his work. So the more man applies God's laws and uses the gifts God has given him, the more bountiful production tends to be. But the opposite is also true, that is, the more man follows counterfeit laws and principles and fails to use his heart and mind, the greater the destruction of life and creation. It is disobedience, not a growing population that produces poverty.

Calvin Beisner (1984:48) has said that on the average, people produce more than they consume in their lifetimes. He further said that on the average, every mouth born into this world is attached to two hands and more importantly, to a mind made in the image of God to be creative and productive. That is why wealth is increasing. This means that man is created in the image of God to continue creation in order to make life sustainable.

Christian churches have actively sponsored relief and development projects since their inception and these are expected to be managed efficiently whilst at the same time not compromising accepted management principles that are biblically based. It has been argued that to be able to manage an organisation from a biblical perspective one needs to have a biblical motivation, standard goal, biblical decision making and prospect (Chewing ed 1989:105). He said further that, Christians need to be taught about issues of business in this contemporary world if they are to live out their faith effectively. Brian (1967:67) has said that the God of the New Testament is the God of social problems, politics, economic affairs and of international relations. Social services have also been a special feature of mission in the developing countries since the late nineteenth century. The motives for these efforts were diverse and often mixed. He went on to say that, for others they were a means of contacting potential Christians, with a desire for conversion. In other instances, they were designed to provide special service to Christian workers, and then the larger Christian community.

According to McCormack, Jesus Christ in his mission responded to sickness and diseases. This ministry of Jesus is what faith based organisations generally are expected to embark upon as stated in Luke 4: 18-19. Christians may be the most sensitive to the relatively greater importance of people over things. From the Christian perspective, personal development includes a dimension which is hardly considered by the secular world that is the spiritual dimension. The spiritual effect is as follows:

- Knowledge of moral fundamentals (i.e., "sin, righteousness and judgment to come")

- Attitude of repentance and confession of sin, paving the way for acceptance of forgiveness and re-birth into God's family. This produces a heightened sense of self-worth, and
- Practical changes in personal habits and initiatives which reflect the responsibilities of a new life in Jesus Christ. The new life in Jesus Christ can and should revolutionize the new believer's attitude to his/her environment which God created. (McCormack ed 1963:46)

People who are inwardly so transformed may be at the forefront of community development. They will be busy doing and being like Jesus Christ, living a lovingly careful life (1 John 3:16-18). Because they are so motivated from within, the churches as well as other religious organisations, can draw inspiration and strength from them at the mission field, and profoundly influencing the philosophy and organisation of mission activities (*Oikoumene* 1969:47). It is expected that any development work of the churches as well as any faith based organisation must be seen in the theological and organisational setting of the ecumenical movement, even when not directly connected with that movement.

The ecumenical movement has opened new dimensions of awareness to the fundamental issues of the developing world. It has brought into the discussion of Christian responsibility people with radically different perspectives. It has thrown social issues into a new context and given inescapable immediacy and urgency to the plight of the poorer nations. A second change within the churches is an evolving conception of missions which is clearly inextricable from emerging ecumenical patterns. Today's mission philosophy emphasises serving through a Christian "presence" and lays less emphasis on confrontation for conversion. It has long been contended that it was impossible to separate "mission" from "service". It is now frequently argued that they can hardly be distinguished (*Oikoumene* 1969:57). This means that the struggle is not only between the rich and the poor but rather the forces mobilising for development and the heavy demands of population pressures which threatens to neutralise even the most creative and energetic development efforts.

Looking to the future with hope as an attitude has been given attention by humanist and socialist thought, but it is also rooted in the Christian faith of anticipation and expectation. This is the mood of the young world that is more than 50% of the people and more than 50% of the nations. (*Oikoumene* 1969:102). Shaffer has stated that, as Christians, our motivation coupled with our perspective on people should put us and the Church in the forefront of community development. Symbolically, the local Church was seen as a "basket" woven of reciprocal responsibilities into useful, durable, inspiring and developing community (Shaffer 1993:130).

2.3 What is a Faith Based Organisation?

Developing definitions for the faith-based and community initiative have proven elusive. This means that what works for one community may not work for the other. Preliminary efforts to develop definitions in the 2003 AmeriCorps Guidance also met with difficulty for the same reason. A resolution by the Corperation for National and Community Service (CNCS) Board in their September 2002 meeting also made changes in the term "small" Community Based Organisations (CBOs) was changed to "grass roots". Organisations are encouraged to develop their own working definitions for faith- based organisations and “grass roots community-based organisation” (CBOs)

The 2003 AmeriCorps Guidance provides the following definitions for faith-based organisations.

- A religious congregation (church, mosque, synagogue, or temple)
- An organisation, program, or project sponsored or hosted by a religious congregation (it may be incorporated or not)
- A non-profit organisation founded by a religious congregation or religiously-motivated incorporators and board members that clearly states in its name, incorporation or mission statement that, it is a religiously motivated institution.
- A collaboration of organisations that clearly and explicitly includes organisations from the previously defined categories.

At a minimum, FBOs must be connected with an organised faith community. These connections occur when an FBO is based on a particular religious ideology and draws staff, volunteers, or leadership from a particular religious group. Other characteristics that qualify an organisation as a faith based are religiously oriented mission statement, the receipt of substantial support from a religious organisation or the initiation by a religious institution (Wuthnow, 2000:70)

This most fundamental question does not yet have a clear answer. In fact there does not seem to be generally accepted definition used by governments, academia, the media or even the faith based sector. The ambiguous definition associated with the term “faith based organisation” is due in large part to the broad array of organisations that call themselves “faith based” that is organisations that can vary widely in size, mission, services provided, degree of religiosity and ties to religious institutions (Portes, 1998: 120).

For the purposes of this work, an FBO may be defined as ‘an organisation with or without nonprofit status that provides social services and is either religiously motivated or affiliated.’

Under this definition, there appears to be at least four different types of faith based organisations at the local level that is:

- religious congregations;
- organisations or projects sponsored by congregations,
- incorporated non-profit organisations that are independent or affiliated with a congregation;

With regard to religious congregations although they primarily tend to be houses of worship, they may be classified as “faith based organisations” if they provide social services to their members or to the larger community. In addition each of the three types of faith based organisations will sometimes incorporate to attain nonprofit status.

2.4 Faith Based Organisations and Social Service Delivery

The idea of social and religious based Ministry is not new. Most African Christians as well as religious organisations are products of missionary theological traditions that came to us incorporating a variety of development activities such as education, hospitals and agriculture. Even though these traditions later were largely taken over by governments as our countries won their struggles for political and economic independence, the church often continues to be active in development work, especially in education and health. Historically, religious groups have provided social services and other community development activities which promote community empowerment. Unruh and Sider state that, the initiative by Federal and State organisations participating in the movement to encourage faith based organisations to address community setbacks is popular and widespread (Unruh and Sider, 2005:76).

In the case where power is passed to the people by way of empowering them through the provision of social and financial services, it tends to have a greater impact on the lives of the people in Ghana. This is being manifested in the creation story. God created man with free will, and if we are created in the image of God, then, we should be willing to take some of the same risk he took when He created man. According to Belshaw ed, most of the parables in the Bible presents God as a Father image, a shepherd, a land owner, a master of the minor, or some other authority figure. Systems of government in biblical times were highly authoritarian, and authority figures for God fitted the scene. From the above, I would like to suggest that God can also be envisaged as an entrepreneur because an entrepreneur is a risk taker, and God showed Himself to be the biggest risk taker of all time when he created man with free will and this can be a great mystery. God created the universe, but He gave up power when He created mankind with free will. In Ghana, faith based organisations have contributed a lot in undertaking projects like boreholes, hospitals and educational institutions all over the country with the aim of impacting positively on the citizenry.

This then has been a great opportunity for us to learn to appreciate their contribution towards the development of the country.

2.5 Overview of World Vision Country History and Strategy

World Vision Ghana (WVG) was established in 1981, and has since operated in all the ten regions of the country through community development projects. World Vision Ghana (WVG) is a member of the World Vision International Partnership. It is a Non-Profit Organization (NPO) whose income for all its activities comes from donors through the Support Offices (SO). Donors are both private (individuals) and public and it works with communities mainly in rural areas. This is done through the Area Development Programmes (ADPs), but initially this used to be done through Community Development Project (CDP). The ADPs came in through the expansion of the projects to cover for several communities in an area. These Area Development Programmes (ADPs) have a gestation period or life-span in all the areas or communities, and in order to achieve the goals of these programmes with the planned resources there is need to find a way of how best these can be sustained or managed by the community after the gestation period (phased-out) through making them self-reliant or self dependency.

World Vision Ghana has since facilitated key development initiatives. It is estimated that not less than 2 million people are being positively impacted from its community based development efforts. The focus of the ministry over the years has included interventions in education, water, sanitation, health, agriculture, spiritual nurture, community capacity building as well as microenterprise development" The approach of community projects began to be phased-out to the Area Development Programmes with an effort to make greater impact and the geographical distant between these projects. (WVI National Profile, 2001; 2).

2.5.1 Mission:

(WVI National Profile, 2001; 12). "World Vision is an international partnership of Christians whose mission is to follow our Lord and Saviour Jesus Christ in working with the poor and oppressed to promote human transformation, seek justice, and bear witness to the good news of the Kingdom of God". World Vision Ghana tangibly contributes to wholeness of life amongst the communities where World Vision has a presence.

2.5.2 Vision

"Our Vision for every child, life in all its fullness: Our prayer for every heart, the will to make it so"

2.5.3 Core Values

Their core values are;

- They are Christian
- They are committed to the poor
- They value people
- They are Stewards
- They are Partners
- They are Responsive

2.5.4 Ministry Objective

Their Ministry Objective is as follows;

- It is community based and sustainable, focused especially on the needs of children
- It assists people afflicted by conflicts or natural disasters
- It seeks to change unjust structures affecting the poor among whom we work
- It seeks to contribute to spiritual and social transformation
- That leads to informed understanding, giving, involvement and prayer and
- By life, deed, word and sign that encourages people to respond to the Gospel

Since the inception of World Vision, it has carried out its ministry through the community based development projects affecting more than two million people. The objective of these projects includes the following:

1. To provide transformational development among community through community based and sustainable project that is focused especially on the needs of the children and the community members to have a better quality of life both physically and spiritually.
2. To foster development in the areas of Leadership, Health, and Education, Water and sanitation, Christian Witness, Agriculture (Food security) and child basic sponsorship programs.
3. Emergency relief that assists people affected by conflict or disaster.
4. Promotion of justice that seeks to change unjust structures affecting the poor among whom we work.
5. Strategic initiative that serve the church in the fulfilment of her mission

6. Public awareness that leads to informed understanding giving involvement and prayer
7. Witness to Jesus by life, deed, word and sign that encourage people to respond to the Gospel.

World Vision Ghana has supported community based development projects within a period (gestation period). The objective is to make these projects self-reliant and sustainable or become self-managed by the community after the gestation period. Their community based development projects have attributes regarding self reliance and sustainability.

Literature and field research that have been carried out following the observation made after the phasing out are due to the failure of the communities to manage or sustain the project. This means that there are some gaps left in the lives and development of the area despite the objective of the project of developing the areas by improving the lives of people through working with them hence making them self-reliant or reduce the dependency syndrome and leaving the gaps. Calls for how these projects can be managed or be made sustainable after phasing-out have been emphasized. Various suggestions on making them self-reliant, self-dependent and above all self-sustaining, were made through evaluation reports, senior management and donors that are the Support Offices. (WVI National Profile, 2001: 22).

The pre-occupation was on the continuity of the community failure to manage or sustain the project when it phases-out. This was also seen in the way the community treats the project with the will to continue but, because of the Memorandum of

Understanding (MoU) with the donors which is part of the World Vision International policy, it has become a limitation. Though many suggestions have been made, there seem to be no clear factors and a gap to consider how management and sustainability of these community development projects can be done.

Originally, Community Development Projects (CDPs) were formed and eventually bigger projects came into being as the community based development projects were phased out. These bigger projects are called Area Development Programs (ADPs). The difference between the two is that the Area Development Projects (ADPs) cover a bigger area of operation or catchment area. This was done in an effort to make greater impact than was being achieved through the community projects.

2.6 World Vision in Ghana today

World Vision is committed to partnering with the people of Ghana to enhance their lives today and to help enact sustainable solutions for the future of their communities, families, and children. Currently, 72,261 children are registered in the World Vision sponsorship program. Several times this number of children and other family members benefit from World Vision activities. Of these registered children, many have World Vision sponsors in other countries. U.S. donors sponsor more than 28,800 girls and boys. In addition, World Vision operates 34 development programs, 15 of which are supported by U.S. donors. Highlights of these efforts include the following:

- **The West Africa Water Initiative (WAWI)** has helped improve the lives of rural Africans for the past six years. The primary goal of this project is to improve access to clean, safe water that will prevent the spread of waterborne diseases such as guinea worm and trachoma. This partnership is active in Ghana, Mali, and Niger. The Ghana Rural Water Project became a part of WAWI in 2003. By October 2008, 480 new wells had been drilled, providing safe water to 192,000 Ghanaians.

- **The Ghana Marginalized Women Project** addresses the needs of women falsely accused of witchcraft. These women, cast out of their villages, have been banished to the Kpatinga (the name means "witch") community in northeastern Ghana. The project's goal is to help the 45 women and 15 girls in this community to financially sustain themselves by harvesting the ingredients to produce shea butter and then marketing their product. Other project activities include installing a borehole, constructing a corn mill house, enrolling children in school, and replanting trees that once covered the environment.

- **The Orphan Outreach Evangelistic International Mission (OOEIM)**, founded in 1996, is located in the town of Eduagyei in central Ghana. Project leaders seek to care for orphans and vulnerable children by providing food, education, accommodation, clothing, and medical facilities. The mission's staff and children are learning the principles of food production to help improve the facility's financial status and ensure the long-term success and sustainability of OOEIM. There are 26 girls and 37 boys who are benefitting from this project.

2.7 World Vision Ghana and Project Management

Management is crucial to coordinate endeavours, and managers are necessary when people seek to work together to achieve the objectives of the organization. Organizational management differs from community management. Management according to Dale and Michelon "is concerned with planning, organizing, staffing, directing, motivating and control" (Dale and Michelon 1966:10) Management of World Vision Ghana can be shown below as;

1. How organizations plan, organize, lead, and regulate their financial technological and human assets to achieve goals systematically and effectively. And problems, make group and individual plans on how to meet their needs and solve their problems, execute these plans with maximum reliance dependent upon community

resources, and they supplement these resources when necessary with services and materials from governmental and non-governmental agencies" Therefore sustainable community development in this report will be defined as: The process or method of organizing the efforts of the people in a defined area to improve their living condition by utilizing the present resource without tempering with the future generation's resources.

2. Though Community Development Projects appears to be projects for the supporting organization, the objective is that the community should be able to manage it after the organization has stopped supporting the project. In a nut shell the Community Development Project are community projects which are meant for the people in a particular community so that it becomes a self-reliant project. (US. International cooperation Administration, 1956:4).

Community Development Projects, variously examined, may simply be understood as a trinity of economic growth, judicious distribution of benefits and accessibility to improvement opportunities, to fulfill the needs and aspiration of the community, who are heterogeneous and hierarchical in many respects. The idea and philosophy of community development project have been widely accepted. "In some countries it has helped to awaken national leaders to the importance of rural development and social planning." (Whither, 1968:48) Community development projects have spread to many countries throughout the world. Most programmes are in developing countries, Ghana not being an exception, but there are some programmes in technically highly developed countries that are mostly called support offices.

The field of Community Development includes action taken by an organization, and primarily designed to benefit the community. This view makes Community Development only a part of the overall process of the development of communities. (McPherson 1982:49) says that the United Nations uses community development to "connote the processes by which the effort of the people themselves are united with those of the government authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully in national progress".

This definition stresses on the participation of the people themselves in efforts to improve their level of living with as much reliance as possible on their own initiative. The provision of technical and other services may encourage initiative, self-help and mutual help and make them more effective. The definition further encompasses all the stakeholders involved in developmental work, that is, the government, developmental organizations together with the communities themselves. It emphasises integrated approach and cooperation of development organizations and the community. The following are identified in Community development;

1. As a movement, community development is interested in examining the extent to which and the speed by which community developments is accepted in every community.
2. As a process the interest of community development is to identify the stages or steps through which people experience change or improvement over their condition of living.

3. As a method, community development puts much emphasis on knowing the procedures, principles and skills to apply when doing community development projects.
4. As a programme, in this area, community development identifies the various community projects whose activities cause the much needed interaction among community entities, effect relationship among them, and above all, enable them achieve beneficial experience in a form of knowledge and skills or tangible products.

Community development is carried out often, under well established intentions. This is because the activities are governed by certain principles. The first principle is self-help:"Every community development project is based on self-help". (Obbo, 1990; 113) Self-help might not be used interchangeably with lack of integration of efforts. It might be used to refer to a situation whereby the organization encourages or organises the community to do their own work without much dependence from outside. This is part of preparing the community for sustaining the project when the organization stops supporting the project or when the project is phased out. This starts at the beginning of the project.

The community may rely much more on their own resources. In short self help will at the same time mean self-reliance and self-dependence. In this way, self-help does not erode integration but promotes self-control. By providing more resources the community is able to direct and control the course of the project and this equips them with the much knowledge of sustaining the project. Without this, there is a higher possibility of the out force taking over the control of the community project which later creates a problem of sustenance by the community when the project is phased-out. Self-help further encourages innovation and creativity from within the members of the community.

The role of the outsider that is the organization is to offer those resources that are not within and which will facilitate the implementation process. When self-help is observed in community development it leads to self-reliance which is a state of independence or self-sufficiency or self-sustenance in meeting the needs in future without affecting the needs of the present. However, it is somewhat difficult to achieve a satisfactory level of self sufficiency in all the community development projects, say food production.

One other principle of community development is popular participation. "Popular participation deals with broad issues of social development and the creation of opportunities for the involvement of people in political, economic and social life of the nation". (Middler, et al 1986:113). Thus in this way it prepares a way for community participation, a concept "which connotes the direct involvement of ordinary people in local affair such as building of roads, schools, or election of local and civic leaders". (Middler, et al 1986:140). The principles of self-help and self-reliance lead to the bottom-up approach. The latter brings about community participation. The people will participate fully in community development if silence or apathy is not allowed to creep in their midst.

The developmental organizations will actively involve the peoples' pessimism among them is not allowed to take root. Silence and pessimism creep in because the top leadership in any society expresses fear of their people (Hunter, 1953:35). This can be avoided if there is a policy to promote popular participation. In community development people look for new possibilities for solving their problems. The people develop new expectations once the top leadership fails to bring about new possibilities (Medley and Rein, 1975:120).

The community development organization therefore has to understand the community it is serving. This understanding should be done continuously right from the start to the end of the process of the project as this accords the community, the opportunity to learn more skills. The organization may be seen to avail its resources including its policies to give focus content and direction to the process of helping. The organization may also identify and utilize the community as well as any other element that makes a direct or indirect contribution to the activities. The organization may ensure there is a working relationship with all the elements and among the elements themselves. It is through these relationships that community can take their own decision or be engaged to do so and become accountable to them (Smalley, 1967:73) Failure in efforts to achieve SCBD has led to a lot of unanswered questions being asked by a substantial proportion of stakeholders regarding the impeding factors to sustainable community development.

World Vision Ghana (WVG) has had an opportunity in the past to establish more than one hundred community projects Nation-wide. All of these were established under the assumption that the after the period which has been agreed by the Support office and the facilitating partner which is World Vision end the project would become self-supporting after phase-out. “It is World Vision Ghana’s belief that development can happen if opportunities for economic development are available to the poor.

Among examples of unsustainable community based projects are World Bank Sponsored projects, United Nations International Children and Education Fund (UNICEF) and World Vision Ghana phased out projects. These projects still show evidence of lack of sustainability of their project activities and prevalence of acute deprivation and degradation in the communities that benefited. (WVI National Profile, 2001) Therefore, the pertinent question is, 'what are the inhibiting Factors to sustainable community based development projects (SCBD) within the World Vision projects?'

World Vision Ghana has been running Projects called community based development projects which are planned for a certain period of time called gestation period or life-span. After the project life-span, it comes to an end and it is expected that the community continue running the project through self-sustenance. When the project is phased-out, World Vision stops supporting the project because this is an agreement which is made with the Support Office and World Vision and this agreement is made with the community before starting the project. This simply means that the marriage between World Vision Ghana and the community is now a decree nisi. What is important is not the dissolution of the marriage but rather the process leading to it and the way the project is going to be sustained after World Vision has been phased out.

From the above, community development projects are prepared by WVI for this eventuality right from day one so that the partners in development; i.e. the community are prepared for this separation. World Vision Ghana has an obligation to inform its Support Office/donors of the phasing out of any project. Some of World Vision

Ghana's community based development projects have been phased-out and the community have failed to sustain them, hence living a lot of gaps in the lives of the people and the development of the areas as the aim all the project to make the people self-reliant, self dependency as possible as they can be, because of the period given by the organization to run the project. This is evidenced by project evaluation reports, which show a number of projects which have phased-out and the communities have failed to sustain them. This study will look at "Towards establishing the sustainability of community development projects" after phasing-out and issue that can contribute to the sustenance and thereafter make necessary recommendation so as to how the projects can be managed by the community after phasing out. (WVI National Profile 2001).

The entire projects therefore, give emphasis to empowering the communities with socio-economic development programmes. This includes training in better farming methods, irrigation facilities and various income generating activities" The ultimate objective in part, had been to enhance the community to achieve "Self-reliance" as opposed to "Dependency Syndrome" (WVI National Profile 2001).

2.8 Conclusion

This chapter has given a general overview of faith-based organisations and provided a definition of community faith based development organisation and also provided the Christian perspectives on the subject. It has in addition, considered World Vision Ghana as an example of a faith based organisation with its objectives of providing transformational development, giving emergency relief to victims of circumstances, promotion of advocacy and justice that seeks to alter unjust structures affecting the poor and the vulnerable, and witness to Jesus by life, word and signs that challenges people to respond to the Gospel.

It has also sought to establish the working definition of faith based organisation and its organisational service delivery. At a minimum, FBOs must be connected with an organised faith community and these connections occur when an FBO is based on a particular religious ideology and draws staff, volunteers, or leadership from a particular religious group.

CHAPTER THREE

PROFILE OF THE PROJECT IN ATEBUBU AMANTEN DISTRICT

3.1 Introduction

The Atebubu Amanten District is one of the 22 districts in the Brong Ahafo Region of Ghana and has Atebubu as its administrative capital. It is bounded on the north by East Gonja District in the Northern Region and to the south by Ejura Sekyeredumase District in the Ashanti Region. To the East, it shares boundaries with the Sene District and to the West with Kintampo and Nkoransa Districts, all in the Brong Ahafo Region. The district has a total surface area of 1199 square kilometers. The district is basically rural, given the urban threshold population of 5000. The rural nature of the district reflects in its occupational structure. Agriculture is the main source of employment in the district with about 75% of the labour force. The main agricultural activities include maize vegetables, cassava and rice farming.

3.2 Project Profile

The Association of Productive Entrepreneurs Development (APED) is a Micro-Enterprise Initiative affiliated to World Vision Ghana, a Christian relief and development Non-governmental organization which was established in 2000. APED provides micro-enterprise, development services mainly to productive, but economically disadvantaged women found in the areas where WVG works and non WVG operating zones as well. APED supports farm and off-farm businesses by providing working capital and simple equipment to its clients, as well as business counseling services. APED's mission is giving opportunity to each low income micro-entrepreneur in World Vision Ghana programs and other identified non-WVG zones, an intervention for increased incomes, thereby providing a better livelihood for themselves and their families. APED does this through the development of sustainable micro-enterprises owned predominantly by women in addition to promoting justice and proclaims the Kingdom of God.

Objective of APED

The objectives of the fund are as follows;

- To increase clients' business capital and profitability.
- To improve their personal wage and their quality of life.
- To enhance women's empowerment since investment in them is investment in the household and the children.
- To mobilize savings through the loan
- To share business experience

Products and services of APED

The following products are offered by APED.

- Working Capital Loan
- Equipment Loan
- Savings Mobilisation
- Market Linkages
- Business Training
- Skills Development Training
- Business Counseling Services
-

Terms and Conditions

The fund is structured with the following terms and conditions;

- Men and women between the ages of 18 and 60
- Must be resident in the community and have a business in operation for not less than six months
- The enterprise should not have negative impact on human life and environment, eg sale of alcoholic beverage and charcoal.
- The enterprise should be full time business to the client
- Must not be salaried worker
- Must be hard working
- Must have no criminal record
- Must be willing to pre-save 20% of loan
- Must be willing to repay loan with interest.
- Must be willing to save 10% of loan by the end of each loan cycle

Major Targets

APED over the operational period has sixty percent female representation and its operational cost ratio is thirty percent. Since the facility is given within a year and payments are made between two weeks and one month, risk is considered with respect to the payments. This is calculated in thirty days and the ratio is less than four percent. Loans that are not able to be recovered within that period are less than three percent. APED is able to cover seventy seven percent of the rural area.

Sectoral Distribution

The fund is able to cover four sectors of the rural economy

- Commerce 45%
- Service 10%
- Production 15%
- Farming 30%

As table 1 in the appendix indicates, the number of communities that benefited from the project were 14 with 19 community based groups as recipients. The number of groups that defaulted and dropped out of the project were eight (8), twelve (12), and sixteen (16) representing 42.1%, 63.2% and 84.2% of the base year number from the second, third and forth project cycles respectively. The volume of the project loans extended by the project management consequently reduced from GH¢650,000, GH¢600,000 GH¢430,000, GH¢24,000 in the corresponding project cycles.

3.3 Study Sample

The study sampled two hundred and seventy two (272) for interview out of the total beneficiaries of 356 since the inception of the project. Of the 272 respondents captured in the survey, fifty (50) females and twenty two (22) male recipients were randomly selected and interviewed. The study also captured views from two project management staff (programme manager, and the Head of World Vision Ghana in the district) and one field staff. With respect to the number of communities covered in the exercise, twelve (12) out of the total number of fourteen (14) beneficiary communities were surveyed:

3.4 Project Delivery Strategies

The following constituted delivery strategies adopted by the project management to ensure utilization and repayment outcomes:

3.4.1 Collateral Delivery Strategy

- Loans to groups, which are channeled to individual members
- Collective group liability and inter group guarantee of loans granted to individual members

The groups were defined according to the periods of their formation with respect to the project inception. Within this framework two groups were defined, existing and project response. The existing signifies groups which were in existence before the project initiative with those formed in response to the loans as project response groups. The project considered the existing groups as the primary focus of its intervention strategy. The preference for the existing groups was based on the assumption that they have the required experience, the right quality control mechanisms, intra group familiarity, coordination to guarantee effective screening and repayment outcomes to sustain the project.

3.4.2 Target Groups

Two categories of target groups were identified as fundamental to micro finance intervention: Peripheral and Instrumental Target Groups. The instrumental target groups referred to those in the upper echelons of the rural economy who have the requisite threshold minimum income to meet domestic demands and are thus less risk pronged. They may be conveniently referred to as ‘village capitalist’. It is believed that with the threshold income and the requisite capacity, any loan advanced to the group will be utilized for business expansion – promotional delivery strategy.

Peripheral target groups on the other hand constitute those on the periphery of rural economy who are more risk – prone and lack the threshold minimum income required to make possible the utilization of credit for promotional purposes. Peripheral target groups are more risk-prone and would require some level of protection to enable them utilize credit as a promotional instrument. Between the two, the World Vision project beneficiaries fall within the category of peripheral target groups.

3.4.3 Repayment Strategies

The High Mortality Rate of rural financial agencies and the complications of dealing with peripheral target groups have necessitated stringent repayment strategies to induce a high beneficiary repayment discipline. The degree and scope of the risk factor determines these coping strategies. APED made use of both direct and indirect repayment means as its risk coping strategies.

3.4.4 Direct and Indirect Strategies

Direct risk coping strategies are those adopted by Project management in which resources are utilized directly in the form of administrative expenditure on beneficiary screening and monitoring activities with the hope of gaining a more than proportionate reward in the form of a lower default rate. Indirect risk coping strategies on the other hand constitute those strategies where project management provides borrowers with an incentive to take actions, which provide information about the risk of lending to them, thus reducing the risk of default.

The following constituted the project's direct risk strategies to ensure higher repayment outcomes. The project adopted the progressive lending system whereby subsequent loans after the base loan to beneficiaries increased with each repayment cycle. The project started with 30,000 credit size, but reached 100,000 by the end of the fourth cycle. As could be seen in table 1, only two communities, Bomafo and New Kokrompe, were able to maintain consistent repayment records which represent only 15.4% of the base number communities that the project started with by the end of the fourth cycle. Compulsory savings and regular part payment were also enforced with an average monthly installment of (GHC30,000) thirty thousand Ghana cedis.

The indirect risk coping strategies adopted by the project included the following:

- Community Group lending: group lending for onward disbursement to individual members constituted the mainstream project delivery strategy. This was based on the group security concept to ensure repayment with individual mutual guarantee for each other within the broader group.
- Peer-monitoring devices: In this process the group adopted context specific measures to enforce repayment. The strategies ranged from selling defaulters properties to reporting to community chiefs, threat of legal action against defaulters and outright dismissal from group.
- Reputational factors were also utilized to reduce risk of default: In this process, the chiefs of the beneficiary communities were made aware of the beneficiary groups within the communities. The objective was to bring in the traditional

monitoring and entrenched social norms to strengthen project risk coping strategies.

3.5 Training

Training is an integral part of the integrative intervention strategy which was adopted by the project. The project provides training and technical assistance in facilitating group formation, book keeping, group dynamics, loan acquisition, management and repayment.

3.6 Intervention Approaches

The category of target group determines the adoption of project intervention strategies. Thus depending on the project target group an integrative or minimalist strategy is adopted. The determinant factor in the two strategies is the degree. The scope of intervention services is much more intense in the integrative than the minimalist. The Minimalist approach is more associated with instrumental target groups giving their threshold collateral capacity, whilst the integrative approach is adopted to build the threshold collateral capacity of the peripheral target to achieve optimal outcomes. Since the project had peripheral target groups as its focus, an integrative approach was the logical delivery strategy. This was adopted as the project intervention, approach. The project did not adhere strictly to the promotional and protectionist dichotomy in its delivery strategies. Thus, although the peripheral group constituted the project target, it delivery strategies were largely promotional with integrative features. The target groups were farmers and few traders. Even though its target was defined in a gender-neutral sense, its beneficiaries were predominantly women. The main thrust of the project was to initiate process to empower target groups within the largely non-monetized rural economy to play a significant role in wealth creation and poverty reduction in the district.

3.7 Conclusion

This chapter has taken a closer look at the project profile, noting the five objectives of APED together with its products and services which include provision of working capital loans, savings mobilization, market linkages, business training and skills development training. Also considered were their terms and conditions, major target groups as well as their various strategies and interventions approaches.

Given this purpose, the focus and scope of the initiative cannot be separated from building risk coping capacity of target groups to ensure effective and efficient credit utilization. The efficacy of its delivery strategies both in terms of content and methodology is supposed to impact positively on utilization efficiency of credit and higher repayment discipline. The efficacy of the project delivery process would thus constitute the main thrust of the analysis to appreciate the utilization dynamics of the project delivery strategies in the district from the communal perspective.

CHAPTER FOUR

RESEARCH INVESTIGATIONS, FINDINGS AND ANALYSIS

4.1 Introduction

In the previous chapter we discussed the project profile including the objective of the benefactors with their target groups. In this chapter the study is to explore utilization process mechanism of rural financial intermediation. The primary objective of rural finance is to improve the standard of living of the poor and this can be done through facilitating the capacity of rural people to create wealth and ensure self-reliance as the cornerstone of sustainable development. The complex and risky nature of rural finance have dawned on practitioners in this field. This study views credit utilization within the broader perspective of resource utilization as the principal stage of the rural credit processes, if sustainability is anything to go by. In this perspective the spatial context and the wider rural environment must be explored for effective rural financial intermediation.

4.2 Research Design

The philosophy takes its departure from the view that rural development is not just about financial flows into the rural economy but also a significant flow of funds that is informed or backed by an initiative that is context dependent. As Levitt 1990, (quoted in Brohman, 1996) remarked "development cannot be imposed from without in a top-down manner, and is not (simply) about financial flows and other macro-economic considerations but fundamentally concerns the capacity of a society to tap the root of popular creativity, to free up and empower people to exercise their intelligence and collective wisdom". The socio-economic conditions in any particular rural community offer opportunities for some and exclusion for others in the process of development. Any intervention in this direction which is not informed by these determinants would be anything but sustainable.

The Association of Productive Entrepreneurs Development (APED) is an initiative by World Vision Ghana as its rural micro finance programme. Atebubu Amanten District in the Brong Ahafo Region of Ghana was selected as one of the implementing areas of the initiative. The project started in year 2001 and is currently in its seventh year. The Micro finance office is at Atebubu, the district capital, is coordinating the project. The project has repayment duration of twelve (12) months with an interest rate of 48% per annum (See Appendix Table1 for Coverage and beneficiary groups)

4.3 Coverage and Beneficiary Group

The study sampled two hundred and seventy two (272) respondents out of the total beneficiaries of 356 since the inception of the project for interview. Within the 272 respondents captured in the survey, fifty (50) females and twenty two (22) male recipients were randomly selected and interviewed. In addition a total of 72 were interviewed because of their literacy level. The study also captured views from two project management staff in the district. With respect to the number of communities covered in the exercise, twelve (12) out of the total number of fourteen (14) beneficiary communities were surveyed

4.4 Determinants of Credit Utilization

This section explores analyses and discusses the key variables that determine credit utilization in the district within the scope of the study and the extent to which these variables reflect in utilization and repayment rates of credit. The literacy level of credit recipients is considered an enabling factor in enhancing effective management of micro enterprise and repayment. It is thus important to appraise the extent to which beneficiary literacy level has impacted on credit utilization in the project case. The project beneficiary literacy level is as presented in table 2

The table 2 indicates that, the greater proportion of the project beneficiaries (66.7%) have attained basic education. This includes those who have completed either the traditional middle school education system or JHS, with 30.5% responding to not having attained any formal education. The (66.7%) basic education level is appreciable enough to facilitate understanding and appreciation of management training to beneficiaries, given the integrative approach adopted by the project to build beneficiary capacities in credit utilization management.

The literacy factor as indicated in the forgoing analysis has an important role in enhancing beneficiary credit utilization. However, the extent to which this factor enhances management is supposed to reflect in key management indicators of which book/record keeping is a key in streamlining expenditure processes. With 66.7% of beneficiaries having attained basic formal educational levels and a further 2.8% of tertiary educational status, it was expected that the level of education would have a significant bearing on the degree and scope of record keeping in contributing to credit management and utilization. Given that 44 out of the 72 sampled population constituting 61.1% as shown in table 6.3 have defaulted in loan repayment, this indicates that the educational factor has not played any significant role in bridging the level of beneficiary education and probability of default arising out of utilization difficulties.

In response to the record keeping attitudes of beneficiaries, 95.8% of those with formal basic education admitted not observing any form of records keeping, with a paltry proportion of 4.2% responding to keeping basic records of activities. This signals a weak causality between formal basic education and basic record keeping of beneficiary economic activities. However, the high default rate cannot be largely attributed to the record-keeping backlog alone, given the multiplicity of contextual constraining variable and institutional bottlenecks, which together constrained utilization and consequently repayment.

- **Gender Defaults Rate**

Given the dominant gender focus of the credit delivery towards women as has graphically depicted in table 3, the gender perspective of the repayment defaults important and particularly significant to this study to improve appreciation of the gender factor in credit utilization and repayment. In table 3, below, showing the gender default rate the males split was 31.8% with the female divide being 66.7%. The percentage of the male indicates an edge of repayment performance over their female counterparts. It is thus difficult to establish causalities in terms of female performance as against the male beneficiaries to merit the market difference in female credit support by the project. Even though sampling shortcoming could impinge on the sample spread, other variables however needed to be explored to put this in a more perspective to appreciate the gender dynamics in the credit delivery system.

- **Marital Factor and Credit Utilization**

In the gender default rate established in table 3, the apparent favourable male repayment performance against the basis of the credit skewness in favour of women, women marital status and the implication for credit utilization would add further perspective on the gender recipient rate. The marital status of beneficiaries considered from the perspective of repayment default in table 4, revealed that 80% of the female defaulters were married with 20% being single. Within the single marital group, 10% were widows, with the remaining being divorced, separated or single. The male counterparts were all within the married category.

The table 4 gives the breakdown of defaulters in terms of marital positions. The research covered six widows/single beneficiaries as displayed in the table. Incidentally all of the widows defaulted in repayment. It is thus important to examine the marital implications as a factor in loan utilization and repayment outcomes. The marital factor was looked at in terms of the degree to which the spouses of married beneficiaries influenced their credit utilization decisions. The marital factor and the degree of spousal influence in credit utilization are as shown in table 5, the extent of spousal involvement in credit utilization by married recipient of credit. The study captured 14.2% of married women claiming sole discretion in the utilization decision of the credit advanced to them as against 79.2% by the men. The immediate implication is that there is a high propensity for husbands' involvement in utilization decision when loans are extended to women than men. In looking at the situation where married couples jointly participate in the utilization process of credit, 69.1% of married women recipient claimed joint utilization decision with husbands but maintains a dominant role in the shared participatory process. In the same breath only 20.8% of the men recipients claimed dominant role but admitted joint participation with their wives. In bizarre revelation 4.8% of married women recipients claimed their husbands were solely responsible for decision regarding credit utilization without their participation.

The foregoing gives an empirical indication or married women position in the utilization decision of credits advanced to them. There is a higher propensity for married couples' mutual inputs in utilization decision of credits where credits were given to women than men. There is a further implication of joint liability given the high propensity for women to share credit utilization decision with their husbands as illustrated by 69.1% of women recipient as compared with 20.8% of the men allowing wives shared participation. With the 4.8% of married women recipients claiming husbands' sole discretion in credit utilization decision with 11.9% of women recipients claiming male dominance in the shared utilization decision with their husbands, a fundamental feature is emerging for a critical look at the marital factor in credit delivery intervention especially to women in the district.

- **Women Empowerment in Household Structure**

The women's groups we visited gave a varied picture of their control over decision making, loan use, marketing and profit. At one end of the spectrum, one group reported that all the members passed on full amount of their loans directly to their husbands, sons or sons-in-law. At the other end of the spectrum was a group of female trainee poultry extension workers with a minimum of basic education. This group reflected a far more complex picture of female and joint female-male decision making and control of loans, with majority members reporting that they kept some income from the loan. The remaining women received only loan repayments from their husbands, with no access to any income generated. Some women reported that they had given part of their loans to male family members and kept the remainder for their own business. One reported that she gave her first two loans to her husband; she had kept the third loan for her own business because she had not got any benefit from the first two.

The issue of control over loan use and its relationship to empowerment is highly complex, with different researchers giving varying emphasis to the critical questions noted above on decision making, loan management, marketing, and control over income. For example, Goetz and Sen Gupta (1998:48) distinguish between full control over every aspect of the productive process, significant control and no involvement whatsoever. Kabeer (1998:32) distinguishes between women as marginal, joint or primary decision makers, using a matrix which considers women's role in decision making regarding the use of the loan, participation in running the business, and the use of profits.

It is important to acknowledge this complexity in household gender relations, and to reflect on the mix of structural, individual and programme factors which influence the degree of control women are able to take over their loan. We found that few development agencies, including many key NGO staff at field level, are equipped to ask or answer questions related to male, female and joint control of credit. Our findings and other research (Goetz and Sen Gupta 1996, Mayoux 1998) also indicate that many fieldworkers may be over-estimating the extent to which women control their credit. Only one of the groups we visited could validate their estimates on the extent of female control.

Drawing from the foregoing scenario of shared credit utilization decision, and implication of loans extended to female beneficiaries, a significant favourable inference is the greater scope for women decision making within the overall household livelihood activity. This equally implies a tendency for joint liability and loan pooling by married couples for common business undertaking and other household activities. A female member of the *Awurade Nsa Wom*, a maize farming group in New Kokrompe made the following remark "my husband normally gets the children prepared to go to school especially during the peak activity period" – the very woman confirmed her husband contributed to her loan repayment. The 6.4% of beneficiaries who cited their husbands' contributions to their loan repayment underscores the foregoing causality and the possibility of joint liability in common business pursuit. These give a striking indication of how the phenomenon of joint sharing of utilization decision can bring about in terms of promoting married couples household cooperation.

There is thus enough ground for one to establish that women borrowing stimulates family joint liability and enhances women position within the household decision making, a, significant women empowerment process. There was an empirically ease in New Kokrompe, where the chairman of *Awurade nsa wom kuo* involved her wife in the questionnaire responses exemplifies this emerging joint feature. The consequence of this joint undertaking is the possibility of loan pooling and promotion of intra household financial transfers for economic activities. The following statement by a member of the *Fa wo ho bo bi* group in the Akokoa community captured in the course of the study vividly illustrates this intra household loan transfer possibilities:

'I always give the money to my wife to trade till such a time that it would be needed for my farming activities, by

that time she would have made some profit on the loan'

A similar scenario was captured in Sanwakyi, where the men redirected their loans to their wives. In Fanfour community, a member of the Nyame Adom group had this to say

'I gave part of my loan to my daughter to trade '

The rate of transfers from men to women, daughters and wives illustrated by the *fa wo ho bo bi* group and Akokoa cases captured in the study apart from recognizing women potential role in the household this feature is equally re-patterning gender cash holding practices in the largely non-monetized rural economy. In the case of the *Fa wo ho bo bi* group, giving the wholesale transfer of loans to wives and women members, they acknowledged the capacity of women to effectively utilize smaller loans. In the statement of one of the male members,

'We spend a lot on drinks daily, and knowing very well that the dominant farming activity is maize cultivation, the women are favorably placed to ensure effective management of the loans. The women are also very helpful when it comes to caring for the children'.

This denotes a clearer perception of woman cash holding capacity, higher rates of credit utilization efficiency and household livelihood role. The gender cash holding balance holds significant implication for the intra-domestic distribution of power and consequently micro finance role in rural gender empowerment. Against the backdrop that women's conventional roles and responsibilities are led to a far greater extent in the non-monetized sector in a conflictual, status conscious and highly stratified rural environment, women access, utilization and generation of income and household role has been a significant development in the project intervention.

4.5 Project Delivery Strategies

The following constituted delivery strategies adopted by the project management to ensure utilization and repayment outcomes:

- **Collateral Delivery Strategy**

The following constitutes the process through which project loans are made available to beneficiaries:

1. Loans to groups, which are channeled to individual members.
2. Collective group liability and inter group guarantee of loans granted to individual members.

The groups were defined according to the periods of their formation with respect to the project inception. Within this framework two groups were defined: existing and project response. The existing signifying groups which were in existence before the project initiative, with those formed in response to the loans as project response groups. The project considered the existing groups as the primary focus of its intervention strategy. The preference for the existing groups was based on the assumption that they have the required experience, and the right quality control mechanisms, intra group familiarity and coordination to guarantee effective screening and repayment outcomes to sustain the project.

- **Target Groups**

Two categories of target groups were identified in the literature review as fundamental to micro finance intervention: Peripheral and Instrumental Target Groups. The instrumental target groups referred to those in the upper echelons of the rural economy who have the requisite threshold minimum income to meet domestic demands and are thus less risk pronged. They are conveniently referred to as 'village capitalist'. It is believed that with the threshold income and the requisite capacity, any loan advanced to the group will be utilized for business expansion – promotional delivery strategy.

Peripheral target groups on the other hand constitute those on the periphery of rural economy who are more risk – prone and lack the threshold minimum income required to make possible the utilization of credit for promotional purposes. Peripheral target groups are more risk-prone and would thus demand some level of protection to enable them utilize credit as a promotional instrument. Within this conceptual framework the promotional and protectional delivery strategies constituted the mainstream intervention approaches to respond to target groups' differential risk absorbing capacities: promotional for instrumental target groups and protectionist in response to the peripheral target groups.

- **Repayment Strategies**

The High Mortality Rate of rural financial agencies and the complications of dealing with peripheral target groups have necessitated stringent repayment strategies to induce a high beneficiary repayment discipline. The degree and scope of the risk factor determines these coping strategies. The project made use of both direct and indirect repayment strategies as its risk coping strategies.

- **Direct and Indirect Strategies**

Direct risk coping strategies are those adopted by Project management in which resources are utilized directly in the form of administrative expenditure on beneficiary screening and monitoring activities with the hoop of gaining a more than proportionate reward in the form of a lower default rate. Indirect risk coping strategies on the other hand constitute those strategies where project management provides borrowers with an incentive to take actions, which provide information about the risk of lending to them, thus reducing the risk of default.

The following constituted the project's direct risk strategies to ensure higher repayment outcomes. The project adopted the progressive lending system whereby subsequent loans after the base loan to beneficiaries increased with each repayment cycle. The project started with 30,000 credit size, but reached 100,000 by the end of the fourth cycle. As could be seen in table 1, only two communities, Bomafo and New Kokrompe, were able to maintain consistent repayment records which represent only 15.4% of the base number communities that the project started with by the end of the fourth cycle. Compulsory savings and regular part payment were also enforced with an average monthly installment of 3,000.

The indirect risk coping strategies adopted by the project included the following:

- Community Group lending: group lending for onward disbursement to individual members constituted the mainstream project delivery strategy. This was based on the group security concept to ensure repayment with individual mutual guarantee for each other within the broader group.
- Peer-monitoring devices: In this process the group adopted context specific measures to enforce repayment. The strategies ranged from selling defaulters properties to reporting to community chiefs, threat of legal actions against defaulters and outright dismissal from group.
- Reputational factors were also utilized to reduce risk of default: In this process, the chiefs of the beneficiary communities were made aware of the beneficiary groups within the communities. The objective was to bring in the traditional monitoring and entrenched social norms to strengthen project risk coping strategies.

4.6 Training and Intervention Approaches

Training is an integral part of the integrative intervention strategy which was adopted by the project. The project provide training and technical assistance in facilitating group formation, book keeping, group dynamics, loan acquisition, management and repayment. The category of target group determines the adoption of project intervention strategies. Thus depending on the project target group an integrative or minimalist strategy is adopted. The determinant factor in the two strategies is the degree and scope of intervention services is much more intense in the integrative than the minimalist strategy. Minimalist approach is thus more associated with instrumental target groups giving their threshold collateral capacity, whilst the integrative approach is adopted to build the threshold collateral capacity of the peripheral target to achieve optimal outcomes.

Since the project had peripheral target groups as its focus, an integrative approach was the logical delivery strategy; an integrative approach was thus adopted as the project intervention approach. As illustrated in fig.6.1 the logical sequence of target group vis-à-vis intervention strategies. The figure underscores the foregoing analysis and provides a consistent process of the group determinant factor in micro finance intervention strategies.

The project did not adhere strictly to the promotional and protectionist dichotomy in its delivery strategies. Although the peripheral group constituted the project target, its delivery strategies were largely promotional with integrative features. The target groups were farmers and few traders. Even though its target was defined in a gender-neutral sense, its beneficiaries were predominantly women.

The project was to initiate process to empower target groups within the largely non-monetized rural economy to play a significant role in wealth creation and poverty reduction in the district.

The church can address this by providing material technical assistance or needed social amenities like schools clinics, water and toilets as it has done over the centuries. On the other hand, venture with others by way of setting up farms, businesses and others can create jobs, increase income levels and produce goods as well.

Given this purpose, the focus and scope of the initiative cannot be separated from building risk coping capacity of target groups to ensure effective and efficient credit utilization. The efficiency of its delivery strategies both in terms of content and methodology is supposed to impact positively on utilization efficiency of credit and higher repayment discipline.

The efficacy of the project delivery process would thus constitute the main thrust of the analysis to appreciate the utilization dynamics of the project delivery strategies in the district from the communal perspective.

Financial agencies such as Banks, NGOs; government agencies intervenes in the rural financial development through programmes and projects. Within this spectrum the existing conceptual process has two important stages – Access and Repayment as the important stages in rural financial intermediation and the evaluation of success flow from the two stages. In this approach, utilization is not given a primary focus. In this process repayment becomes the mainstream determinant of rural micro finance strategies. Where the wider rural context is considered, it is often weighed in terms of its influence in ensuring effective repayment strategy. In such a situation where the social penalty of default is higher than the financial penalty of default, financial agencies resort to reputational strategies as the Grameen Bank in Bangladesh resorted to through effecting payment at public meetings for weekly savings and peer group monitoring. Where there is a supplementary service, it is often done within the spirit of enhancing the repayment rate.

There are linkage effects which could be explored to reduce cost and risks, but the process signaled by the existing two-pronged process succeeds in evolving strategies outside the linkage effects that shifts the risks and cost to borrowers. This state places limits to the services of the financial agencies and stifles participation by the three key stakeholders: borrowers, savers and financial agencies. In this approach, the central thrust is no repayment; any strategy irrespective of its implications for rural entrepreneurial development becomes appealing so long as it contributes to considerable repayment levels.

The need to explore linkage effects of the contexts as a hedge against the cost and risks of rural finance is often considered under the following assumptions:

- Credit would be effectively utilized once interest rate is reduced to an appreciable level.
- Repayment would be achieved once credit is given on favourable economic terms.
- The poor would embark on activities to solve their social problems on their own
- Internal constraints would take care of themselves once support is given in purely economic terms.
- The environment is just and offers equal opportunities for all categories of target groups within the target population, gender, class and other forms of social relations.

4.7 Implication of assumptions for planning purposes

- Success is judged in the Access and Repayment states;
- Planning is done more at the access and repayment states;

- The constraints that affect utilization and target groups-gender, class etc is not given enough focus in terms of planning and strategies.

In the process transaction, cost often represent a greater proportion of borrowing costs on small loans since the creditor is interested in applications, which increases the ability of the borrower to repay loan, or at least do not decrease it. In the event desperate recovery techniques are sometimes employed to exact repayment either by agencies or peer group members without considering the implications for rural entrepreneurial development.

Figure 5.1.signifies the conceptual state of credit-based strategies in rural development and the centrality of the utilization state in sustaining rural financial processes. This stage is informed more by the reduction of risk and cost factors to ensure effective utilitsation of credit for rural economic activities. Given this mediating condition repayment would flow from the proceeds of prudent credit utilization, repayment would flow the mix of resources.

The thrust of this process is to explore the contextual variables impinging on utilization for effective planning of financial intervention programmes within the rural environment; the skewness of power relationship between the sexes could be a significant factor impeding the participation of the weaker class in effective resource utilization.

The environment defines and regulates the terms under which the different segments of the rural population can participate in the credit utilization process. In this process financial mediators whether exogenous are perceived as partners in the local development process, playing supportive and catalytic but not substitutive roles. The explication of these variables, the strength of relationships and interactions among the determinants can better be appreciated if the dynamics of each component is analysed and understood in its own context.

4.8 Definitions of Key Elements in the Model

The credit model has the following basic stages as shown in Figure 6, Access, Utilization**,** Repayment**,** with participation as a strategic secondary stage. A detailed description of the key elements is quite important to appreciate their individual content and direction in the general conceptual outlook.

- **Access**

Access to resources to undertake economic activity is the entry point from which the process of utilization, repayment and participation takes its departure. Access to credit could be activated by Local/non-local forces. The credit extension policy determines the critical aspect of participation and utilization by target groups. A whole range of socio-economic, political and cultural factors influence access to credit/resources for economic activities. The following constitutes some of the critical factors that impinge on access to credits.

- Credit requirement process
- Credit application process
- Target group and needs orientation
- Size of loan
- Transaction/borrowing cost
- Potential Investment return

- Duration and terms of repayment
- Penalty for default
- Supplementary services

The requirement process could serve both as a barrier and bridge to access by target groups. There are agencies, which create such barriers through the design of projects, the behavior of their employees and prescribed minimum sums for loans. Extremely complicated processes and rigid formal requirements by agencies limit its access by target groups. Financial institutions that are closer to target groups of small farmers, share croppers, rural craftsmen and even the landless, appreciating their living conditions and problems makes them accessible for the target groups and even enables them to activate their credit demand. There are examples of credit programmes and financial institutions, which actually go to the target groups instead of waiting for them to cross the threshold of the agencies offices. The best known example of this sort is the Grameen Bank in Bangladesh (RDS, 1987).

The problem of access to the target groups and of their access to credit is to a greater extent determined by the type of financial agency and its policy. Even agencies that are oriented to the target groups are faced with practical problems related to access to target groups. These problems can be addressed on a case-by-case basis. The socio-economic and cultural parameters often determine which solutions are possible. For example in Indonesia and Thailand Micro credit interventions have worked successfully on individual basis instead of group based guaranteed credit as has been the case of Bangladesh financial agencies (Hulme and Mosley, 1996).

Inaccessibility for the target groups often results from a product design that is not tailored to the needs of the poor and the difficulty in the estimation of the risk and cost. This type of access barrier is quite challenging, since it is not even clear at a conceptual level how loans can be tailored to suit the needs of such borrowers. This again can be looked at on a case-by-case basis, whether the most urgent financial need in rural areas is for long-term investment credit or for short-term working capital crop loan.

The crisis factors or contingencies reflect in the design of loans for the poor. At times, it is the need to get around this problem which normally brings in the protectional (consumption) and promotional strategies (investment) and these consideration at many times informs their targeting either directly or indirectly through instrumental target groups hoping that it would end up justifying the same goal of rural credit intervention to improve the standard of living of the poor.

- **Utilization**

The issue of credit utilization is part of the broader concern of rural resource utilization. This stage is the process through which resources are processed into valued outputs. The theme implies using credit in ways which promote development by creating jobs, stimulating production or improving the local supply of goods and services needed by the target groups. This constitute the decisive process that sets in motion a sustainable creation of income flows that gives meaning to rural private sector development. It is the planning stage for the client and demand analytical process that would explore the dynamics of resource utilization for productive investment.

The utilization process in a particular rural environment is influenced by:

- Capacity of client
- Traditional/Domestic Political Structures
- Social Hierarchies
- Level of risk aversion
- Norms/values
- Sex-specific roles
- Geographical factors

These factors influence mode of lending and repayment strategies. These indicators must inform the strategies of the target-group-oriented financial agencies.

The problem in this process mostly results from the fact that borrowers do not always utilize funds in ways, which promote development: creating jobs, stimulating production and /or improving local supply of goods needed by the target groups. If it is the utilization stage that creates employment and produces goods needed by the target groups, then it is the most strategic stage of rural financial intermediation. The indirect targeting in only reinforces the utilization capacity of the instrumental target groups to create new jobs, involve the very small-scale enterprises of the target groups as sub-contractors, and improve the local provision of goods. It underscores the utilization process as the basis of wealth creation mechanism to support target groups through support to instrumental target groups proposed previously and, strategies that would build target groups capacity to utilize credit effectively is a primary substitute. This constitute the decisive process that sets in motion a sustainable creation of income flows that gives meaning to rural private sector development. This the planning stage for the client and demand analytical process that would explore the dynamics of resource utilization for productive investment. The multiplicity of factors significant to promoting credit utilization within the specific contexts demands through exploration to comprehensively strategies in this core stage of micro rural finance intermediation.

These factors are economic, political, socio-cultural and spatial factors that show the relationships which provide opportunities and problems for credit utilization. The spatial context is the strategic link in providing enabling environment for domestic investment through credit utilization. Brohman (1996) emphasized that current development thinking must aim at three key themes to achieve sustainable development: pragmatism, flexibility and contextuality of development.

The achievement of development whose appropriateness is context dependent is the challenge of contemporary efforts at sustainable development. Contextual factors create linkages that originate from the family, the group, the clan or similar social and economic units and expand and merge into higher forms of social organization. The implication for gender roles is pronounced and the exclusion it creates for some segment of the population ultimately affects resource utilization. Through socio-cultural linkages flow various variables (value system, religion, language, ethnicity etc).

These variables that have been acknowledged have sustaining roles. In the Grameen Bank case, there was a religious movement – Jamaal Islami which frowned upon charging interest on loans as a practice that goes against their religion (Hulme and Mosley, 1996) and the economic roles of women which they perceived has been influenced was a case in point reinforcing the contending issue. The revelation again that 39% of the loans granted to the women membership were fully and significantly utilized by their men counterpart again reinforces the importance of these factors in resource utilization.

The socio-cultural factors and the linkages through which they flow could be influenced when believed to be desirable – empowerment. Socio-cultural linkages are what Esman calls normative linkages, enabling the tapping of 'sources of legitimacy and values of the organisation' (cited in Brinkerhoff 1986:17). Historical linkages among communities are also of equal relevance especially when the design of projects is based on the explicit or implicit assumptions that cooperative among diverse ethnic, linguistic or religious communities will be ensured (Wubalem 1994:12). The risk factor within the economic sphere is important here. The potential investment returns and opportunities influence the domestic investment and activating the demand for credit. The land tenure system has significantly impacted on rural private sector development. These factors however have different weights within different contexts for micro finance orientation.

- **Repayment**

The viability of a credit programme and financial agencies in some cases, even the security of the depositors and the prospects of future borrowers receiving credit, depend on the solution of the repayment problem. The consistent observance of disciplined repayment is also necessary in order to avoid a misallocation of scarce funds and protect borrowers from imprudent decision (RDS, 1987).

A good extension policy which was emphasized in the literature is the important determinant of repayment. The theme of the study endorses the policy of credit extension given the fact that repayment is at the third stage of the credit process. It is envisaged that a strategic focus on the utilization and the appropriation of the socio-cultural, economic and political factors would improve credit investment; effective utilization and consequently repayment. This is based on the ground that an efficient and profitable utilization of credit would resolved significantly the repayment problem and reduce administrate cost. However, the repayment stage, much as it is influenced by the access and utilization stage in the absence of this process, repayment has to be dependent on factors referred to as repayment strategies, which are currently used as mechanisms against loan default. The following constitutes the existing repayment strategies and the rationale for the choice of each strategy.

These factors depend mostly on the context to which they are applied. However, thuggish technique mostly resorted to in ensuring repayment could have a negative effect on cost and risk, affecting participation and domestic investment. Repayment strategies could represent a barrier to rural development according as they affect utilization of credit. In the ideal sense and in line with the thrust of this study repayment strategies should be measured against their impact on effective credit utilization.

4.9 Risk Coping Strategies

The major thrust of rural financial intervention is to provide credit but also to use credit as an instrument in building the collateral capacity of target groups as a graduation process into the formal economy. Generally rural finance can be conveniently conceptualized as a risk reduction and collateral promotion strategy. The two are mutually reinforcing: a process of risk reduction and simultaneously promotes collateral growth. The two key themes would thus underpin the subject of this section and their varied implications on credit utilisation.

- **Group Collateral Security**

The community based group credit delivery system was the main collateral strategy adopted by the project. The group operation philosophy was twofold:

1. Loans to groups, which were channeled to individual members
2. Collective group liability for loans granted to individual members

The groups were classified along existing and project response with a favoured orientation towards the former than the latter in its delivery strategy. It was assumed that the project response groups have a relatively weak capacity in terms of quality control mechanisms co-ordination and supervision to guarantee the required security against ineffective utilization and repayment difficulties.

It was equally presumed that the pre-existing groups have less of these weaknesses and therefore a better edge in terms of capacity to effectively utilize and repays these loans. The survey results on the existing-project response group divide found a dominant focus on the existing groups, with 69.4% of respondents claiming their group existed before the project. 30.6% claimed to have formed their response to the project. In terms of group dynamics defined to include regular and rate of meeting attendance was given an important premium at the project level. The table 10 shown in the appendix depicts result captured in terms of the average percentage of members meeting attendance rates, any time they were called upon to attend meetings.

In the table, the least meeting attendance rate among the existing groups was only three members out of the fifty respondents, whist eight out of the twenty two respondents in the case of the project response groups claimed meeting attendance rate between 10% and 20%. In the existing group's attendance rate, the highest average attendance occurred between 70%-80% and second higher attendance being 90-100%. In comparison the project response group's highest average attendance was between 10-20% and 70-80% in the case of existing groups.

The Meeting Attendance Rates displayed in the table 6.5 only reinforced the pre-project held opinions of better pre-existing group dynamics than the project response groups. There is thus a greater correlation between Meeting Attendance Rate and the nature of group within the existing or project response spectrum. A much more vivid picture of the output of the group dynamics factor which is supposed to reflect on effective repayment discipline would be reinforced by the repayment default shown in table 11.

In the table 58% of the members belonging to the existing group category defaulted in repayment as compared to 68.2% in the project response category. The results indicate a higher default rate at the project response than the existing group level. However, the difference is not sufficiently remarkable to establish effective correlation been category of group and rate of default. The existing group preference is based on the familiarity among members as social screening enhancing factor.

However, some of the existing groups considered for credit extension were more of social groupings than economic thus exhibited weak social capital factor in existing group orientation.

In the forgoing analysis, it is presumed that in the closed rural society members are well disposed to appraise each other's capacity to utilize and repay loans based on more moral than economic ground, and that this moral capacity appraisal is more manifest in existing groups which had greater appraisal capacity than the entire community. This largely informed the preference for the existing groups in the project delivery strategy.

According to the Senior Credit officer of the project. "The screening of beneficiaries was left to the group leadership after the selection of the group with a further individual mutual guarantee was adopted as a further complement to the leadership screening". The perceived weaknesses of this screening factor at the project response group level was captured in the statement of a 62 year oil palm farmer at New Kokrompe community that, "Some collected the loans to repay other debts and after the loans were given we could not organize any effective meeting again and this largely accounted for New Kokrompe community's inability to pay the loan and even ensure effective meeting attendance which deprived the community from the subsequent cycles of the loans".

The realties are less satisfactory enough to establish a definite causality between the existing groups and repayment discipline. This is against the background that the 58% repayment deficits in the existing groups cannot be very much appreciated beyond its relative significance; it is substantially high to sustain the revolving concept of the project intervention. The existing group preference in terms of repayment capacity discipline to the fourth year of the project cycle, the Maize Growers Association in New Kokrompe, falls within the project response category. This scenario underscores the fact that there are more compelling factors determining repayment capacity in the district and particularly the two communities.

- **Mode of repayment enforcement**

The use of peer pressure as an enforcement strategy impinges on credit utilization and repayment capacities. In this delivery strategy the mode of peer pressure strategy was more group and community-specific than a uniform strategy, reinforcing group ownership of the screening and enforcement processes. However, some of the groups adopted more than a single in enforcement processes. The general mode of peer pressure measures captured in the study is as outlined in table 12.

The dominant threat against defaulters running through the groups' mode of repayment enforcement involves disposing off defaulting members' property. Group members also contribute in repayment to secure group position and then lay hold on members' property. However, the enforcement of these measures largely remained on paper. The group members contended in a lot of cases that the deficit causing factors are sometimes such that it becomes very difficult to carry through these threats.

A clear ease in point is the Amanten community, where the group was formed from the church, the only peer repayment enforcement measure they sited was reporting to the church pastor which reflected in the 5.1% response in table 12 as shown in the appendix. These measures remained threats as none of them have ever instituted any legal action or reported to police, which make up 21.6% of the responses.

The implication of enforcing these 'draconian' measures also constituted a major problem to group leadership. The social consequences of such enforcement measures could be appreciated in the statement of the 62 year old maize farmer at Old Kokrompe community in the following remarks' "I will not go for the loans again, I paid mine in order to avoid embarrassment whilst others collected theirs to settle debt, Yet the officials came to the community and exposed all of us as debtors to the hearing of the entire community; this has really affected our reputation in the community." This event was only peculiar to Old Kokrompe community, an indication that the reactions that followed this strategy at Old Kokrompe might have influenced the abandonment of this social strategy in the other communities. If recipients could contract loans to repay other loans, then repayment cannot be relied upon as a sufficient proxy for credit utilization to measure micro finance interventions. The foregoing thus measures the strength of social variables in repayment discipline.

- **Beneficiary Drop-Out Rate.**

The rate at which beneficiary communities and groups dropped out of the project measured the repayment problems encountered by the beneficiaries and the intervention success of the entire project. The project started with 14 communities but ended up with two communities in the fourth year. The beneficiary dropout rate of the entire project as a proportion of the base population is 56.6%, 38.9%, 10.1%**,** for cycles 2,3and 4 respectively. As the rate of deficit reduces the capacity to inject more finances into the project, the credit volume equally reduced simultaneously from GH¢650,000, GH¢600,000, GH ¢430,000 and GH ¢240,000 for years 1, 2, 3 and 4 respectively as shown in table 6.1. much as climatic failures was sited among others as a deficit-causing factor the high beneficiary dropout rate measures the efficacy of the project delivery strategies to the district collateral growth.

- **The peculiar case of the two forth cycle surviving communities**

The favourable community recipient and repayment ratio within the two communities of Bomafo and New Kokrompe have significant lessons and experiences for the entire project given the apparent success of the intervention in the two communities. The apparent success of these two communities can only be appreciated within the contextual delivery strategies evolved to attain this outcome.

A further interesting development significant to this appraisal is the fact that one of the groups in the Atebubu community falls within the project response category with its perceived screening and enforcement weaknesses. Repayment as has been established cannot sufficiently substitute for effective credit utilization without further appraisal of the repayment strategies and their mode of enforcement. The high repayment Ratio has incidentally occurred in the two communities where agencies have been established with the group leaders of the Atebubu communities working as community welfare officers for World Vision Ghana. The Vegetable Growers Association at New Kokrompe has the unit committee chairman, an opinion leader of the community and a welfare officer of World Vision Ghana zonal office as the group leader. This factor to a greater extent played a role in the success of the project in Atebubu community.

The presence of the agencies and the fact that their staffs are within arm's reach in the communities had a psychological enforcement implications for the beneficiary groups and leadership. In the rank of problems confronting beneficiaries most of the participants appreciated the frequent visits of the field officers as important in keeping them informed of developments and their responsibilities. In the problem ranking from beneficiary communities, 5.4% responded to poor official visits, even though field officers visits have generally been commendable, the rare 5.4% poor visiting rate response came from communities, which are a bit remote from the agency's office. The nearness of the communities to both the district capital and the agency's offices facilitates supervision of loan utilization.

4.10 Collateral Factors

This segment explores the extent of utilization of collateral factors vis à vis repayment outcomes.

- **The time periodicity in loan extension**

The period of loan extension impacts on credit utilization and repayment. When loans meant for beneficiaries do not synchronize with period of intensity of beneficiary activities, referred to as peak activity period, effective utilization becomes difficult to ensure. In dealing with less resourced, less connected, and less endowed target groups who are not by training entrepreneurs in a seasonal rural economy, one needs to appreciate the complexities involved in ensuring effective credit utilization of credit extended to beneficiaries.

If credit diversion and utilization inefficiencies were to be minimized, seasonal periodicity would to be given the utmost priority in the project delivery strategies. Beneficiary economic activities are driven by periods of peak and low activity seasons. The peak and low activity seasonal factors are thus critical in ensuring effective utilization and repayment outcomes. The inappropriateness of the period of loan extension was the cross running issue ranking second with 39.5% in the response to problems beneficiaries' encountered with the project loans.

The problem was the synchronicity between loan extension and beneficiary activities peak periods, which ideally is the most appropriate periodic need of loans for beneficiary activities. There has not been a definite delivery strategy to synchronies credit extension with peak activity period of beneficiary activities. In response to the seasonal periodicity factor, 91.7% claimed o have received credits outside the peak activity period. This appears to be a fundamental project design flaw on the part of the credit extension agency. The loans were not even extended to meet the peak activity of the districts propelling economic activity, oil processing, which has 59.7% of the beneficiaries. Only 8.3% of beneficiaries indicated they received their loans during their peak activity period.

The shaded columns in fig 13 in the appendix representing months, indicates the peak activity period for the various economic activities captured in the study. Figure 14 at the appendix shows a model illustration of the loan extension-repayment ideological spectrum and the position of the current project. The model gives a conceptual illustration of the seasonal periodicity in credit extension in a highly seasonal economy. In the model, two stages A and B show the interplay of activity and loan extension periodicity. In stage A there is no synchrony between the peak activity and the loan extension periods. In stage B**,** the ideal state where the arrows are pointing towards synchronizes well with the loan extension period. When this happens there is always a greater propensity to utilize loans for the credit support activity. The 91.7% of recipient who responded to receiving credits outside the peak seasons of their activities could be placed in stage **A** of the model.

- **Peak Activity Loan extension Period(PAP&LEP)**

The responses indicated that the activity period factor was not primarily considered within the LEP-PAP dichotomy has different implications for credit utilization and repayment in the highly seasonal rural economy. The lack of synchrony between the peak activity and the loan extension period in the current process has to a greater extent undermined effective Beneficiary Credit utilization and consequently credit investment rate of return. The gap between the loan extension and the peak activity period holds manifold implications for credit utilization and constitute a strategic challenge to rural micro financing.

It is therefore instructive to assess the coping strategies beneficiaries adapt to bridge the low activity-loan extension gap and credit utilization and repayment implications. The immediate response by beneficiaries to the periodic constrain is to divert loans for other activities which have a comparative viability at the particular time period or to meet domestic exigencies and other needs. The programme officer aptly captured this sentiment when she said most of them do not utilize the loan for the intended purposes. She mentioned in particular the tendency for women to use loans as a supplement to housekeeping money. This was more forcibly brought home in the words of the member of the Bomafo Rice Growers Association that:

> I always give the money to my wife to trade till such a time that it would be needed for my farming activities, by that time she would have made some profit on the loan"

The intra household transfer of loans witnessed in the Asomdwoe Kuo case could represent a coping strategy in this challenge. There is a higher propensity to utilize loans for credit support activities during peak activity periods. There is appositive synergy when loans coincide with peak activity periods, given that during such periods there is very limited option to divert loans for other activities. The converse holds true for poor credit utilization and a greater probability for loans to be diverted for other purposes.

This diversion should not always be construed as a deliberate attempt by beneficiaries to utilise the credits for other purposes apart the credit support activity, but significantly represents a coping strategy against the low activity period to support alternative businesses or meet other needs. Given that 94.4% claimed to have alternative activities. The 56.9% of beneficiaries who responded to having shared their loans between their alternative and credit support businesses gives the nature and level of the coping strategy in this perspective. The 56.9% of the respondents claiming to have shared their loan among their businesses is very striking given the fact that 58% of beneficiaries indicated the inadequacy of loans as a major problem. Within this context, the loan would certainly not be sufficient enough to share among the businesses. The most realistic inference that could be drawn from this scenario is:

the small size of the loan and the fact that the loans were not coincide with the peak activity period, there is a higher propensity to divert loan to other uses as a stop gap measure. These conditions only vindicate the inappropriateness of loan extension periodicity which impairs effective utilisation of loans and the consequent impact on repayment.

- **Time Periodicity in Loan Repayment**

The period of repayment has implications on beneficiary's capacity to repay. The different economic activities have their varied periods of high and low incomes. The beneficiary's ability to repay is greatly determined by the seasonal income trend. The peak income periods are shown in figure 13. The shaded columns give the peak income period for the various beneficiary activities. In the survey it emerged that loan repayment was not tied to the differential income periods of beneficiary activities. Their periodic repayment capacities did not factor prominently in the current design.

- **Peak Income and Loan Repayment Periods (PIP&LRP)**

The study evidence indicates poor consideration of the PIP-LRP dichotomy in enforcing repayments. This was given further credence by the fact that loans were given uniformly to all the differential economic groupings to repay at a definite date without recourse to their differential income periods. The six-month loan repayment period could fall within some activities income or low-income periods. Given the response by 95.8% of beneficiaries that the period of repayment did not coincide with the peak income periods of their activities, the gap has significant implication for beneficiary coping strategies.

In the Atebubu community case where others collected loans to repay their debts is a striking coping strategy. If this coping strategy is not appropriately considered given the growth in the density of financial services in the districts as two new micro finance interventions have been initiated in the district, repayment process could take the form where one advances loan from one agency to settle loan in another micro finance programme. When this becomes the case repayment as an indicator cannot be relied upon as following from effective credit utilisation. The coping strategies and sources of loan repayment to some extent signifies this anomaly given that only 10.3% responded to repaying loans from purely the credit support businesses, with an overwhelming majority of 83.3% responding to repaying from credit support and alternative businesses. The spousal support in repayment constituting 6.4% cannot be said to measure repayment arising from utilization efficiency.

- **Peak Expenditure period and repayment**

The peak income period equally implies peak expenditure period for beneficiaries. This trend could be inferred from fig 6.7. Where the peak income periods of the major economic activities correlates with the trading peak income and activity periods. This indicates that trading activities pick up during the income period of the major activities. The trend of expenditure rises with festivities especially during Christmas and Easter.

In the community which witnessed a dramatic transfer of loans from the male recipients to women members/spouses, the loan extension period coincided with the Christmas period, and this could be a coping strategy adopted by the males to escape

Christmas expenditure implications. Given the low basic record keeping rate of 4.2% among beneficiaries, it constraints their capacity to track expenditure implications during such peak expenditure periods, and consequently the capacity to repay loans. The capacity to repay loans during such peak income period is constrained by the peak expenditure period. Advancing loans to beneficiaries during such festive periods could easily be used to meet such periodic needs.

- **Training**

The project has a training component as its capacity building tool to promote utilization efficiency. The output of the training was supposed to build the capacity of beneficiaries to achieve optimum efficiency in credit utilization. If the current level and rate of record keeping captured in the study were anything to go by, then the content and methodology of the training orientation would have to be reviewed. Given basic literacy rate of 66.7% among the beneficiaries with 2.8% of tertiary education, then a more proportionate beneficiary threshold literacy level exist for effective assimilation of training lessons particularly basic record keeping.

Given that out of 44 beneficiaries with loan defaults, 97.7% of respondents are within the non-record keeping category, the finding is very striking. Though the problem is multifaceted in determining this level of deficit, the record-keeping factor is significant in this perspective. If expenditure is not well-streamlined beneficiary savings capacity will equally be constrained since it is strategic in monitoring activities/expenditures. If the forgoing analysis measures the content, focus and methodology of the training orientation, the sordid revelation of the capacity backlog indicates the content and methodology was not the sufficiently informed by thorough baseline information.

4.11 Determinants of beneficiary loan size

The ideal basis for determining credit size of beneficiaries is the size of beneficiary's business. In this context, it is expected that beneficiary business expenditure is an effective proxy for business size and a determinant of loan size to beneficiaries.

- **Operational expenditure – size of credit equation**

Ideally beneficiary loan is supposed to equal the current level of operational expenditure or at least close to the operational expenditure size to serve as an effective recapitalization input. The table 17 as shown in the appendix gives the Operational expenditure – size of credit gap of the project. The proportions of loan size to business expenditures represented by annual average operational expenditures are also shown in the table.

Given the current average loan size, the proportions to annual operational business expenditure is substantially low, the loan is thus not likely to make any significant difference in the beneficiary business activity. The loan represents different proportions to different beneficiaries depending on their business sizes, but as the proportion to the business size increase its impact will be significant to the utilization of the credit. Given an infinitesimal proportion of 5% of the propelling sector beneficiary loans to the operational expenditure, it impact will not be adequately felt especially in ensuring utilization effectiveness for a favourable Investment rate of return.

There is therefore much logical merit that small size of loan ranked first with 58% in the problems enumerated by beneficiaries. This invariably impacts on utilization effectiveness and repayment. The oil-processing sector with 5% of loan business proportion had 72.1% of sector beneficiary repayment default population, with 10.4% of loan business proportion with default rate of 41.6% in the cocoa-farming sector. The relatively higher loan business proportion is 18.6% in the oil palm farming sector, having the lower sector beneficiary default rate of 16.7%. There is essentially an appreciable strength of correlation between Expenditure – credit gap and sector beneficiary default rate. Given this constraining factor of credit to size of businesses coupled with the fact that 59.6% of beneficiaries responded to having shared loan among their businesses, this loan business-sharing phenomenon can only be appreciated as a coping strategy against the inappropriateness of loan extension period to beneficiary peak activity period.

The across-the-board loan size given to beneficiaries within the different sectoral activities is an indication that the project did not factor beneficiary sizes of businesses in terms of annual operational expenditure in determining loan sizes to beneficiaries. The average activity annual expenditures displayed in table 6.8 thus gives the ideal average loan sizes required in the various sectors to equalize the business

- **Beneficiary Savings capacity**

Micro finance is supposed to whip up beneficiary savings interest as part of improving the pecuniary effects of the local economy, and equally its financial density. The level and location of savings to a significant extend determines the sustainability of investment loans as it improves the capacity of the local banks to extend credit to target groups. Encouraging savings guarantees indigenous resource mobilization. The savings are basically in two categories

1. The compulsory savings as part of project conditions
2. Domestic beneficiary savings

The interest of this section is on the latter as it represents more of beneficiary decision to save which has a greater tendency to be sustained than the compulsory one. The thrust of this section is to assess the number of beneficiary savers as against the total borrowers within the project. The beneficiary net saving rate is also considered along gender and location of savings. The location of savings is to appreciate the extent to which savings are made available to banks to mobilize domestic savings to place these rural banks to sustainably support micro finance activities in the district. The savings could also be ploughed back to support beneficiary businesses. It also represents a process towards building the minimum threshold income required to meet household expenditure as a credit protection or crisis coping capacity strategy. This will enable beneficiaries to utilize credit loans for business promotion. Given the fact that 88.6% of beneficiaries interviewed relied on income generated from their credit support and alternative businesses for household expenditure, savings is strategic as an extra income for crisis coping means.

There is beneficiary saving rate of 76.4% represented the 55 absolute number of savings out of the total beneficiary respondents as indicated in table 18. The Bank-Home split of 56.4%: 43.6% (see appendix) in favour of the bank is not remarkable enough. The female beneficiary saving rate of 64.5% is higher than the male counterpart of 35.5%, but the home-bank split tilts in favour of the men as only 20.8%

save at home as against 79.2% of their female counterparts, it presupposes that men have a higher propensity to save at the bank than women beneficiaries. If the bank savings location is a critical factor in rural banks for more sustainable indigenous micro finance intermediation. The fact that the project would phase out provides enough interests in beneficiary bank saving rate. Given that 88.9% of beneficiaries depended on personal savings as the source of business start up funds, it could be established that my initiative that encourages savings will be building a capital base for recycling into beneficiary activities.

4.12 Risk Management Delivery Strategies

Dealing with target groups in the largely non-monetized rural economy involves difficult challenges due mainly to the manifold problems, which impedes effective credit intervention. However, a realistic evaluation of the intervention challenge reveals the 'risk factor' as the major problem constraining target groups' access to credits. The two-fold risk phenomenon as depicted in table 19 is the project management risk in extending loans to target groups and the risk aversion of target groups in the utilization of credit facilities and the consequences of default.

The target groups risk translates into management, which is the central concern of their operations in the rural economy as could be inferred from the conceptual construct, the risk factor is the intervening variable for collaboration between target groups and the project management. The degree and scope of risk confronting the two key actors holds significant implications for Project management design strategies and target groups' credit utilisation. The degree risk factor and risk coping strategies would be looked at two levels:

- Beneficiary level
- Project management level

- **Beneficiary Risk Disposition**

The beneficiary risk aversion disposition could be assessed by the beneficiary's previous credit demand attitudes, sources of funds for business start up, and whether beneficiaries have been able to apply to other institutions for credits, especially given the number of financial services in the district.

In the table 19 only 10.4% of the female beneficiary recipients ever applied for credits outside the project loans, and out of these applicants 8.3% received credits. In the male category, 33.3% of the male respondents applied for credits from another institution, with 20.8% receiving credits. The Applicant-Recipient Ratio is 10.4%:8.3% and 33.3%:20.8% for female and male respondents respectively. This implies a greater potential recipient rate with any application. Given the high recipient rate with any application, the low application rate reflects the level of risk aversion of the project beneficiaries. The gender split in favour of the male target group in both absolute and relative terms indicate a relatively low risk disposition on the part of the male beneficiaries.

The following constitutes the three major risk factors identified as constraining effective micro finance intervention with peripheral target groups in the reviewed literature.

1. Structural factors within the economy, particularly demand for labour, demand for the product and services of the poor people.

2. Crisis factors, such as household contingencies or natural disasters.
3. Life-cycle factors.

Given these factors one is placed in a constraining environment to ever anticipate making effective utilization and repayment of credit. An integrative Supply driven credit intermediation becomes a process towards building the capacity of target groups to cope with crisis of credit utilization. However, apart from the three major risk factors, lessons from this study reveal a forth level of crisis caused by poor project design and risk management strategies.

The following are some of the factors that impinge on risk and utilization efficiency stemming largely from the inefficacies of risk management design.

- Loan extension not matching peak activity periods
- Expenditure-credit ratio
- Weak methodology and content of capacity building programs
- Instrument of repayment enforcement
- Excessive focus on repayment strategies to utilization
- Loan repayment not coinciding with peak income period

This thus represent another stage of risk to groups, but when they get immersed in this process differential risk coping strategies are adopted to manage the credit in the face of these constraints which could have been minimized through effective project design.

4.13 Conclusion

The foregoing analysis represents an in-depth exploration and analysis of the dynamics of credit utilization within the study area from the perspective of the World

Vision district wide project initiative. The gender perspective, the risk element and collateral factors and their interlinked dynamics in the project delivery strategies have been given a considerable scope in the study. It has been observed that delivery strategies to a significant extent determine project effectiveness. The efficacy of the project in stimulating the right environment for effective micro finance intermediation has been largely looked at in terms of:

- Determination of delivery strategies
- Cost of delivery strategies
- Counterproductive elements in strategies
- Viability and sustainability of delivery strategies
- Risk reduction response of delivery strategies.

Cost of credit delivery in the perspective of break-even interest is fundamental to the viability and sustainability of the project in the district. The level of operation required to break–even by the agency could be looked at in terms of interest rate per unit of borrowed principal, administrative cost per unit of funds loaned out, and the default rate.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

As an antipoverty intervention, microcredit has played a positive role by creating employment and generating income among the poor especially women. Again it has proved to be an effective tool for facilitating transformation among the poor and empowering them to influence their own destinies. Since the objective of the study is to attain screening extension, utilization and repayment efficiencies to ensure a pragmatic process of attaining micro finance goal of improving the standard of living of rural target groups. The stage to attaining this goal by the study's proposition is the utilisation stage which is the core emphasis and without which micro finance would be ineffective as instrument for rural development. The utilisation dynamics is to improve project designs that make significant provision for utilisation management to meet local needs, preferences and contextual conditions.

In chapter one it was stated among the objectives that, the role of religion and culture in the socioeconomic lives of the people may affect their effective use of credit. Against this background, this study examined the issue of utilisation of credit among the individual economic units and the rural economy as a whole. This includes the analysis of utilisation and linkage effects in the overall micro finance intervention.

5.2 Summary of findings

The major findings within the study's scope are presented in a logical sequence according to the structural composition of the study.

5.2.1 Project Delivery Strategy

In chapter two, the study established two categories of target groups in rural micro finance intervention: peripheral and instrumental target groups. The target group orientation to a greater extent determines project delivery strategies. The peripheral group requires a protective means to enable credit delivery to be utilized for promotional purposes, thus an integrative approach, which encompasses technical training and other allied services as a protective device which can be adopted in this process.

The instrumental group on the other hand assumes a minimum threshold capacity to utilize loan for promotional purposes and would require a minimal delivery strategy. The study projects peripheral target groups as their focus of intervention. Given this focus the logical delivery strategies would revolve around a comprehensive integrative approach. APED adopted a minimalist delivery strategy, which was inconsistent with its group focus. There was a relative degree of peripheral group delivery strategy, which was inconsistent with its group focus. There was a relative degree of peripheral group delivery strategy in the project delivery.

5.2.2 Degree of Official Supervision

There was no record of official visits to beneficiaries as an evaluation strategy by the management of the APED Project. The poor group supervision at both the official and the group level was due mainly to the scattered nature of group membership across various communities. The above shows that there should have been planned visits to the beneficiaries by the benefactors to ascertain their performance level and also to give technical advice, something that would have justified the payment of the interest charged on loans since it was a donation from their sponsors abroad.

The benefactors would have been justified in taking small interest in the facility given to the people had they performed their supervisory roles and also guided the poor rural folks as to how to effectively utilise their credit. The benefactors in this sense could be likened to the shepherds of Israel who were only interested in what they could get from the sheep and were not in any way willing or prepared to contribute to the upkeep of the sheep. The Prophet Ezekiel laments 'woe to the shepherds of Israel who only take care of themselves you eat the curds, clothe yourselves with the wool and slaughter the choice animals, but you do not strengthen the weak or healed the sick or bound up the injured. You have not brought back the strays or searched for the lost. Ezekiel 34:2-4 (NIV). It means that they might be only interested in taking their allowances rather than taking good care of the beneficiaries or building them up to be self-sustained in order to wean them out of the project and that has been a bane of the whole project.

5.3 Repayment Enforcement Strategies

Repayment strategy was enforced at the group level through peer pressure conventional collateral strategy in the World Vision project. The project level repayment enforcement strategy was the progressive lending system where subsequent loan extensions upon repayment were increased as a repayment stimulating strategy. The case of New Kokrompe and Akokoa communities exemplified this orientation, they started with GHC 30,000, GH¢50, 000,GH ¢70,000 and GH¢100,000 Ghana cedis by the forth cycle of the project.

However, the peer pressure instrument as a strategy could not be sufficiently enforced given the social repercussions of enforcing such measures on both defaulters. These measures remained largely on paper. Repayment strategy was enforced at the project level in the project through weekly installments with zero group enforcement roles. From the discussions, it can be seen clearly that the benefactors were in fact exploiting the beneficiaries and making their yokes heavier against Jesus' invitation to the weary and heavy laden to come to Him for rest.(Matthew 11:28)

5.3.1 Training

Training was not sufficiently need-based in the APED integrative initiative. The training input did not make any significant impact on beneficiaries' utilization management capacity giving that 95.8% of recipients did not observe any form of basic record keeping, which is a primary requirement for basic business management. The APED project did not include any training programme as part of its delivery strategy and this contributed to a higher number of beneficiaries non- record keeping rate. In this case, the benefactors might be interested in their training allowances rather than the content of the training modules which could have increased their clients understanding of utilising the credit effectively. The benefactors were in this case behaving like the Israel shepherds who were one time grabbing whatever comes their way instead of helping others to stand on their feet to be able to move on in life. They were rather pushing them to sink further into poverty. This was also put forward similarly in Amos chapter two verses six to eight 'This is what the Lord says;

they sell the righteous for silver, and the needy for a pair of sandals. They trample on the heads of the poor as upon the dust of the ground and deny justice to the oppressed. They lie down besides every altar on garments taken in pledge. In the house of their god, they drink wines taken as fines.

5.3.2 Marital Factor and Credit Utilisation

The gender default rate had a relatively higher proportion of female beneficiaries than the male counterparts in the APED initiative. According to an official of the APED, this was reinforced by the all-female case of the previous initiatives, which registered 100% default rate. The general preference for women support by the two projects against the background of a higher default propensity among the women only measures the current goodwill for women economic empowerment and the key role of women in the districts economy.

Marital factor and the implication for credit utilization and repayment defaults could add further perspective on the gender recipient rate. The research established that Muslim as well as the Christian woman is taught to be submissive to her husband. However, most husbands were found to be rather interested in controlling the purse of their wives than helping with the production process. Some of the men had also shirk their responsibilities as husbands, leaving their wives to maintain the homes, payment of hospital bills as well as the payment of rent. Aside these, the phenomenon of consulting Islamic spiritualists and Malays with the view to improving their lots were also rampant though it was at a fee.

The marital status repayment default profile reveals that 80% of the female default members were married with the remaining 20% being single in the APED category. In the Credit utilization by women recipients, husbands played a dominant role in the participatory credit utilization decision in loans extended to married women. Women however did not participate or play minimal role in credits extended to men. This gives credence to the assertion in chapter three that religion and culture could relegate women to the background even though they bear the burden of the maintenance of most homes.

In table 5 showing the degree of spousal influence in credit utilization of the APED project, 4.8% of married women claimed husbands' sole role in credit utilization decisions, with 69.1% of married women claiming dominance in the participatory utilization decision of credits. The startling scenario is quite revealing in the previous case where 85.7% of members claimed husbands dominant role in the joint credit utilisation decision-making. Giving the dominant role of husbands in utilization decision for loans specifically given to support women economic activities, a logical case is being established for the integration of the marital factor in gender-specific micro-finance intervention delivery system

5.3.3 Beneficiary Savings Rate

The savings factor measure the efficacy of micro finance interventions as basis of activating rural resource mobilization. Given that 88.9% of the APED beneficiaries claimed to have started their businesses through personal savings coupled with the 77.8% of the other project beneficiaries claiming similar sources for their business startup funds, the indication is that personal savings had played a key start up role in beneficiary activities. Within this context the prospects for savings being utilized in a promotional purpose is equally high.

However the locations of these savings within the Bank-Home dichotomy are decisive under this measure. The bank savings especially among the women beneficiaries who constituted the bulk of the interventions target was very dismal during the interaction. There was a generally low propensity among women recipients to save at the bank during the study. It presupposes that men have a higher propensity to save at the bank than their female counterparts.

5.3.4 Seasonal periodicity and project delivery strategy

The periodic factor in terms of synchronising loan extension and repayment with peak activity period and peak income of beneficiaries respectively was fundamental in the highly seasonal nature of the APED beneficiaries' economic activities. In response to the seasonal factor 91.7% of beneficiaries of the others responded to not receiving credits at their peak activity periods. However, given the all-seasonal nature of the activities of the other beneficiaries who were predominantly traders, the only challenge was the periodic nature of the market where beneficiaries have only two within a week to trade. This factor significantly affected the capacity of beneficiaries to effectively utilized credit against the background of the weekly installments commitments. This factor was not considered in the project design.

Ideally the loan extension to beneficiaries was supposed to have synchronized with Beneficiary peak activity periods. The absence of this seasonal input posed a utilization challenge to beneficiaries. The state left beneficiaries with very limited options than to divert loans to alternative activities, there were instances especially in the Akokoa case where others received loans to repay debts. Given that 94.4% of beneficiaries responded to having alternative economic activities, there is higher propensity to divert loan to comparative seasonal alternative activities. The 56.9% of beneficiaries who responded to having shared their loans among their alternative and credit support businesses only signals the risk coping strategies following the limited seasonal provision in the project design.

5.4 Determinants of Credit Utilisation

5.4.1 Beneficiary Literacy Levels

The beneficiary literacy rate was encouraging, as a greater majority of beneficiaries could read and write. The project had 66.7% of beneficiaries' basic literacy rate defined to include JSS and middle school graduates with 2.8% tertiary level beneficiaries. On the other hand it had 44.4% of recipients attaining secondary level of formal education with 33.3% basic literacy rate. This literacy level was expected to have an effective correlation to the extent of credit utilisation and repayment outcomes. This could not be translated as such but rather the opposite was what the result was.

5.4.2 Beneficiary Drop Out Rate

The Beneficiary Drop Out Rate of the entire project as a proportion of the base population was 56.6%, 38.9%, 10.1% for cycles 2, 3 and 4 respectively, with the corresponding project credit volume reducing from GHC650,000, GHC600,000, GHC430,000 and GHC240,000 Ghana cedis for year 1, 2, 3 and 4 respectively in the APED project. The volume of credit reduced simultaneously with beneficiary dropout rate, as default reduces the base credit volume for subsequent extension cycles were also affected. The performance rate is desperately dismal in the case where the project did not travel beyond the first cycle giving the wholesale default rate of members. It was realized that the religion and cultural background of the people especially the Muslim community had some level of influence in their utilization of the credit delivered to them.

One of the pillars in the Islamic religion is the performance of prayers which is mandatory for all true Muslim's. This practice enjoins all true Muslims to pray five times a day. It is good because it allows one to communicate with ones' object of worship and thereby have access to the divine directions, opportunities and strength to carry out one's mandate. Unfortunately, some of the clients who were Muslims could not plan their activities well such that this divine mandate greatly interfered with their economic activities and negatively affected their abilities to effectively utilize the credit they received. Some abandoned their economic activities at the most crucial periods to pray at the detriment of their business. There were some who left their doors closed on Fridays at Amanten to go to the mosque for several hours and others also left them in the care of their competitors. Worse still, others turned their shops into mosques where they spread their mats to observe the prayers and during these periods customers who came might have to wait for them to finish or had to leave for other shops.

5.4.3 Gender Default Rate

The gender default rate is much more pronounced at the female level than the male beneficiaries in the project.

5.4.4 Community Repayment Ratio

The High Repayment Ratio from the two most successful communities which are New Kokrompe and Bomafo sustained repayment discipline throughout the project cycles occurred in the two communities where APED has its zonal offices. The group leaders of the New Kokrompe community were actively working as community welfare officers for APED Zonal offices. The repayment performance cannot be sufficiently established as stemming from effective credit utilisation without further appraisal of the impact of the zonal offices within the communities and the repayment strategies adopted. The apparent success of these two communities can only be appreciated within the contextual delivery strategies evolved to attain this outcome. An interesting development significant to this appraisal is the fact that one of the groups in the New Kokrompe community falls within the project response category with its perceived coordination and enforcement weaknesses.

5.4.5 Intra Household Transfer of Credits

There were significant cases of intra household transfer from particularly men recipients to women in the gender-neutral project case of APED. The emerging phenomenon was part of the increasing participatory utilisation feature of credit support in the district micro finance interventions. There were cases of credit transfers husbands to wives in Abamba, New Kokrompe, and Nyomasi for the non-seasonal trading activities. Whilst the following illustrations could be counted as loan diversion as claimed by the programme officer of APED, it was more of a risk coping strategy by the recipients. The revelation is also fundamental in one respect: a redefinition of the household structure and women participation in decision making via household livelihood in the economy. Given that women empowerment is an integral part of rural micro finance intermediation, this revelation presents an interesting development.

The loans have to a greater extent enhanced women centrality within the overall household livelihood strategies. The rate of intra household transfer from men to women illustrated by the New Kokrompe community Asomdwekuo and cases captured in the study are equally re-patterning gender cash holding practices in the largely non-monetised rural district economy. In the case of the Asomdwekuo group, the men conceded women edge in the management of smaller loans. This denotes a clearer perception of women cash holding capacity, higher rate of credit utilization efficiency and central role in intra-household livelihood outlook. Women in this case are seen as equal partners in development as given in the creation story where the man- in this case humanity- was given the mandate to manage the created order. Genesis 1:26

5.4.6 Family Loan Pooling-Joint Liability

Women borrowing largely activated the unfolding development of shared mutual responsibility in loan utilisation that is gradually becoming a feature of micro finance activities in the study cases. This development is also establishing a new process of participatory credit utilization and joint liability underscored by the 6.4% husbands support in loan repayment by women in the APED case. Given that 69.1% of married women beneficiaries claimed sharing utilization decisions with their husbands as against 20.8% by the men, there is a higher propensity for domestic power distribution and the possibility of shared liability when credits are advanced to women than their men counterparts in the districts micro finance intervention.

5.5 The Seasonal Periodicity in Repayment

In the current process, loan repayment period did not synchronize with the peak income periods of beneficiary activities. The seasonal income dynamics in repayment enforcement did not factor prominently in the current repayment strategy of the APED project.

5.5.1 Peak Expenditure Period and Repayment

Expenditure by beneficiaries rises rapidly during festivities. The peak income period equally implies peak expenditure period of beneficiaries. Given the low basic record keeping rate of 4.2% among the beneficiaries in the APED case, it constraints their capacity to track expenditure implications during such peak expenditure periods, and consequently the capacity to repay loans. The capacity to repay loans during such peak income periods is constrained by the peak expenditure periods. This implies that advancing loans to beneficiaries during such festive periods could be detrimental to them because it does not take cognizance of the biblical injunction in Ecclesiastes chapter three verse one to eight, which states among other things that there is time for everything under the sun.

5.5.2 Operational Expenditure – Size of Credit

The Size of loans to beneficiaries did not take beneficiary business size into consideration in the APED case. The proportions of loan size to business expenditures represented by annual average operational expenditures against the average loan size of GHC49.90 represented an insignificant proportion of 5% of the oil processing activity which constitutes the propelling sector of the districts economy.

5.5.3 Beneficiary Risk Disposition

The beneficiary risk aversion could be assessed by credit demand attitudes before and upon the receipt of the project loans. In the APED case only 18.1% of beneficiaries ever applied for loan and out of this the female applicants constituted 6.9% with the males constituting 11.1%. The recipient rate of the applicants was 12.5% of the number ever applied implying a grater propensity to receive loans upon each application. Within this context the low application rate of 18.9% is below appreciation and measures the high-risk aversion of the project beneficiaries. The gender split in favour of the male beneficiaries in both absolute and relative terms indicates a relatively low risk disposition on the part of the project male beneficiaries.

5.6 Risk Coping Delivery Strategy

The most comprehensive risk factors identified in the literature review was the work of Rahman and Hossain (1992) who proposed that the vulnerability of the poor cloud be understood in terms of a set of 'downward mobility pressures'. This downward mobility pressure concept comprises three factors:

- Structural factors within the economy, particularly demand for labour, demand for the product and services of the poor people.
- Crisis factors, such as household contingencies or natural disasters.
- Life-cycle factors, particularly the proportion of economically active and dependent persons in a household.

However this study has revealed a forth risk factor which is the design of delivery strategies which fail to consider the contextual risks constraining effective credit utilization. These determinants include

- Loan repayment not matching peak income period
- Loan extension not matching peak activity periods
- Business size –credit proportion.
- Weak methodology and content of capacity building programmes
- Mode of repayment enforcement
- Excessive focus on repayment strategies that defeats utilization

These obviously represent another stage of risk to target groups which could have been minimized. In this process two levels of risks have been identified by this study. Design risk and contextual risk, where the contextual risk could be classified under the downward mobility pressures, whilst design risk constitute project designs that fails to factor in the contextual risk.

5.6.1 Non-Cyclical Design Mechanism

Project designs were not conceived as a cyclical process even though the intervention was conceived as a revolving fund. The cyclical process is to feed back implementation lessons for project re-planning which could have identified and taken care of the constraints emerging out of this study. The project only revoked groups and communities membership from the project without recourse to the dysfunctional process mechanisms that was creating utilization and repayment constraints confronting beneficiaries and the communities.

5.6.2 Utilization Delivery Strategies

The lesson emerging from these findings are indicative that repayment is not necessarily guarantee by stringent measure instituted to ensure repayment without looking at the utilization factors and the contextual constraints, which are fundamental to the success of both repayment and utilization. The utilization process constitutes the wealth creation core of rural finance initiative. If such stringent repayment delivery strategies reflect in higher repayment at the expense of utilization, repayment would not be said to be an effective indicator for micro finance success if utilization management remains poor.

Project designs should be conceived to reduce risk and cost of credit extension to allow for effective utilization as well as improve collateral growth factors for peripheral target groups to create the 'soft' minimum threshold income required to give credit a promotional orientation. There is therefore a greater focus for delivery strategies, which must be well grounded in utilization determinants and differential capacities and behavioural patterns to inform an integrative micro finance trajectory. Weak utilization delivery inputs in project designs remains. These weaknesses reflect in the:

- Content and methodology of training
- Excessive instructional nature of staff-target groups interface
- The lack of comprehensive baseline survey to underline integrative delivery strategies
- The limited feedback of implementation lessons to give a cyclical orientation to micro finance interventions
- Limited revealed appreciation of risk factors in delivery strategies
- Pursuing risk free strategy in a risk-landed environment

These deficit factors impair the full realization of the benefits of rural finance intervention. A lot depends on the delivery strategies that centers on utilization to measure how utilization determinant factors stimulates participation and access for both Micro Finance Institutions and target groups. The study have shown that where there is an excessive repayment delivery strategies, without provision for contextual utilization determinants, the success of rural finance would be wrongly assessed as repayment cannot be sufficient proxy for effective credit utilization If wealth creation and improving standard of living remains the goal of rural finance, the utilization aspect of rural finance cannot be passively considered.

5.6.3 Emerging Problems and Challenges

The findings and lessons from this study suggest the failure of the study projects to largely the poor utilization delivery strategies to build the needed threshold capacity for credit to play a promotional role. These constitute the major setbacks to the effectiveness of micro finance intervention which emanates from the failure of focus on utilization delivery strategies. The utilization process is the strategic stage in the whole micro finance intervention process.

The failure of project management to examine the utilization management of micro finance delivery strategies is evidenced by the following factors concerning micro finance interventions:

- Success is judged more by the Access and Repayment indicators
- Planning is done more at the access and repayment stages
- Excessive interest in applications which increase the ability of the borrower to repay the loan, or at least do not decrease it.

5.7 Recommendations

Detailed analysis of the project studied has been presented dealing with the case reports. In this section recommendations dealing with specific observations made in the project, which demands measures in relation to the study objectives and findings are presented. Given the limited input of the seasonal factor in the project design in relation to its target groups whose activities are highly seasonal, the fundamental challenge is the periodic input mainstreaming in the project design. The following key periodic issues must underline the project design.

- The peak activity and loan extension period
- The peak income and loan repayment period
- Peak expenditure and low expenditure period

The inappropriateness of loan extension period which ranked second in the beneficiary problem list and the diversion of loans and even in cases like Bomafo where some beneficiaries received loans to repay other loans gives a clear indication that the loans were not need based in terms of the timing for economic activities. Secondly, there was the case of New Kokrompe where loans extended coincided with the peak expenditure period of December. The tendency for diversion was very rife impacting on utilisation and consequently repayment. Figure 13 gives a graphic depiction of the peak activity periods of beneficiary economic activities for loan extension.

It is therefore proposed that the period of loan extension must be strategised to synchronise with the differential periods indicated by the shaded portions under the respective months. The loans should not be made available to all beneficiaries across the various economic activities at the same time, as is currently the case. Within each year, target groups would be given loans in accordance with their peak periods of activities. The groups should be constituted along line-economic activities to facilitate loan extension to economic groups in their various activity periods. Additionally, where peak activity period happens to fall within the peak expenditure period, it must be a significant period for loan extension delivery with no additional penalties.

The Bible reveals that God cares for the poor in a special way. He demanded justice for the poor therefore, He sets up various laws in the Old Testament to see to it that they were cared for and protected.

5.7.1 Loan Repayment Period

Loan repayment period also came out prominently in the study as a deficit causing factor. Its enforcement is effectively facilitated during periods where beneficiaries have the capacity to pay. The differential economic activities have their peak income periods as depicted in the figure 15.

In the case of the traders who seem to have an all – seasonal activities with relatively peak seasons reaching a crescendo in Easter, Christmas festivities and the cocoa season, Monthly instalments as a process towards repayment could be designed for the traders. The general proposal based on the foregoing is for duration of credit extended to beneficiaries to be determined by the peak income periods of beneficiaries, which in all cases falls within a year. The implication is that beneficiaries' peak income periods would now determine the credit duration for repayment.

5.7.2 Marital Factor in Credit Utilization

Within the married-single implication for credit utilization, the survey captured only 14.2% of married women claiming complete autonomy in credit utilization decision. In the married couples participatory responsibility in utilization decision, 69.1% of married women claimed a greater role in the shared utilization decision process. This reinforces the biblical assertion that women are co-partners in development. With 4.8% of married women, their husband's complete autonomy in credit utilization extended to them. Given this state, the marital factor could be integrated into a project design in credits extended to women. In this process loan extension to women must a conscious effort to involve husbands to facilitate their understanding and supportive roles in order to achieve synergy in effective credit utilization. Training orientation for husbands of women beneficiaries after a baseline survey to determine the content and direction of the spousal in the utilization process is fundamental.

5.7.3 Beneficiary Alternative Economic Activities

The study captured 94.4% of beneficiaries claiming to have alternative support economic activities. Within this context there is a higher propensity to divert loans for alternative activities. The beneficiary alternative businesses shore up their income as those with farms depends on the foodstuffs. In the constrictive loan extension period onto tailored to meet peak activity periods, the alternative businesses especially trading become an alternative for loan investment. Since this factor has significant implications for beneficiary income, beneficiary alternative economic activities may be considered in the process to determine the extent to which its utilization could augment beneficiary income as a risk coping strategy. Where the alternative activity has a higher turnover potential rate, loan size could be increased to make provision for the alternative activity to complement family budget, and to source effective collaboration between married couples given the increasingly joint role in credit utilization to improve the prospects of utilization and repayment.

5.7.4 Monitoring and Evaluation

The communal based group delivery strategy adopted by the project served both a screening and enforcement role given the multiple guaranteed better group assessment by project management and this paid off reflecting in an appreciable meeting attendance rates. The outstanding performance of the New Kokrompe and Bomafo centered on the supervision arising out of presence of the World Vision zonal offices in the two communities. However, some of the community-based groups were more of social than economic groups and thus lacked the intra group economic performance basis to guarantee effective screening of beneficiaries. The Akokoa case where the group was constituted from the church is a case in point.

The preference for existing groups by management must be re-considered as an existing social group might have similar problems as the project response ones. In the Bomafo case, the success factor that made the difference in their repayment consistency was not necessarily due to the existing-project response dichotomy as one of the group, the Cocoa Grower Association was formed in response to the project. The project did not make provision for feedback of implementation bottlenecks to inform the replanning of the project. This was a major flaw in the project design as monitoring and evaluation was not given any significant focus. The project was designed to be a revolving fund implying a cyclical process, but the project planning process was not equally made cyclical. The credit system must have a cyclical planning process as graphically depicted in fig 20 at the appendix). The cycle has become necessary because the constraints, which stalled the revolving nature of the process, could have been resolved through replanning. This is to drive home the need for monitoring the utilization management of the loans to consistently learn lessons for feedback to render the process more time-tested and responsive to utilization challenges.

5.7.5 Capacity Building

The training orientation was an integral part of the APED project delivery strategy. Given the category of beneficiaries that constituted the focus of the project, if they were to assume a more direct and substantive roles, might need training on credit utilization management. With the weak basic bookkeeping capacity captured in the survey, this pre supposes that orientations were not sufficiently need – based to address the book-keeping record backlog which is fundamental in business management to reflect in utilization efficacy. It is recommended that a comprehensive capacity assessment baseline survey to determine the content and methodology of capacity building exercise for beneficiaries be undertaken.

Again, what FBO's must be doing differently is to lead the crusade to teach the lazy poor biblical work ethics which states among other things that, people must learn to mind their own business lead a quite life, work hard to get something to support the weak and vulnerable in the society and also to be independent because one is enslaved by ones creditors. Additionally, they must also teach the hardworking poor how to take advantage of situational resources to improve their living standard.

5.7.6 Resource allocation

Sustaining the credit initiative in the district after the phasing out of the project would largely depend on the way the current project simulates savings especially at the banks, since that is currently the condition for extending loans to clients by the main rural bank. This was underscored by the project manager's assertion that the goal is to build their capacity to be able to advance credit especially from the bank. In view of this the current bank saving rate of 56.4% and particularly among the largely women beneficiaries is not very encouraging enough. The bank saving interest must be stimulated as part of the project responsibility.

5.7.7 Credit Size and Business Operation

Given the current average loan size which represents just an infinitesimal proportion of 5% of the districts propelling sector, oil processing, average annual expenditure, the loan size would not be significantly felt as a recapitalization instrument. The loans were given across board as shown in table 1, which gives the indication that none of beneficiary business sizes and capacity to pay was considered by the project. There was sufficient logic that small size of loan ranked first with 58% in the problems enumerated by beneficiaries. The across-the-board loan size given to beneficiaries across the different sectors of activities was an indication of the absence of the business-loan size factor in terms of annual operational expenditure in determining loan sizes to beneficiaries. The business operational expenditure must be considered in the current loan system.

The trading sector which was the focus of the project has a relatively all – year round activity season reaching its peak period in the cocoa Peak income season of October, the Easter and Christmas periods which are seasons of peak expenditures in the district. The fact that the inappropriateness of loan extension period which was a major problem in the project did not feature among the problems encountered by the recipients attest to the seasonal nature of the project beneficiaries economic activities.

The two periodic factors in the micro finance intervention are the extension and repayment periods.

In the project, the periodic problem was more on repayment than extension. The problematic periodic factor was the weekly repayment installments strategy adopted by project management against the backdrop that the beneficiaries has only two market days within a week to trade. The average weekly installment of GHC11.00 was quite exacting to permit a consistent repayment. The installment period would have to be extended or the current installment amount reduced to an appreciable level-taking cognizance of the two market days and the challenging implications for beneficiaries' repayment capacity within the installment period.

5.8 Marital Factor in Credit Utilization

The table 7.4 gives the marital factor and its implication in credit utilization decision. The table indicates that 85.7% of beneficiaries claimed husbands role in the process of credit utilisation decision-making with actually 57.2% claiming husbands' dominant role in the shared utilisation process. The scenario gives a clear indication that men have become de facto recipients of loans extended to their wives. The foregoing gives a valid basis for spousal integration in micro finance delivery directed towards supporting women activities. In this process loan extension to married women must be driven by a strategy to solicit husbands support in order to achieve synergy in credit utilisation. Training orientation should be organized for recipients' husbands after a baseline survey to determine the content and direction of their support.

5.9 Collateral Security

The project had a single group with a cross section of members across the six communities. This strategy made coordination and meetings difficult. Secondly, the closed nature of the communities and the reputational social factors, which serves both screening and repayment enforcement purposes, was absent in the others. Individual accounts were opened for members at the bank to receive weekly installments and to promote bank-recipient interactions as the main quality control mechanism. Based on the findings, it is proposed that the community-based approach should be adopted with group guarantees and a greater role for group enforcement with regular reports by group leadership.

Sustaining the credit initiative in the district would largely depend on the way the current project encourage savings at the bank, this would facilitate the mobilization of financial resources to sustain the intervention. The savings interest if enhanced will have mutual beneficial impact: the bank would expand its client base and also improve economic activities by beneficiaries in the district. The opening of individual accounts for individual beneficiaries was a step in the right direction if the constraining factors and group security were well planned.

The loan size was not uniform, an indication that beneficiary business sizes to some extent were considered. This factor was not well studied and streamlined to bring synchronicity to bear on the business sizes for effective utilization. The annual operational expenditure must be used as a surrogate of business sizes to determine loan sizes to beneficiaries. Even though loan sizes were relatively high, it was not enough to ensure effective capitalization given that it constituted only 7.7% of loan operational expenditures. The project was designed to be a revolving fund implying a cyclical process, but the project planning process was not made cyclical. The credit system must have a cyclical planning process as graphically depicted in figure 9.1.

5.10 Priorities

Priorities have to be adhered to, that is, peace, security, more open and honest administration of resources have to be done. This implies decentralizing economic and political power, moving beyond participation to community driven development, and treating people as subjects rather than objects of development. Again, the priority of releasing and using the capacities already latent in the society may be considered. Under this priority, opening more space for private and community initiatives, allowing members of the community to share their knowledge and experience more successfully, getting children back to school and keeping them healthy and challenged while there, and harnessing their potentials in other fields that may be beneficial to them and the community.

One most important priority that may be considered is the fight against diseases like HIV/AIDS. There is nothing in our various communities that condemns us to silence and fatalism about this. This can be stopped before it deprives us of our wealth, not just the material progress that some Africans are beginning to experience but also the social and cultural fabric that makes our continent strong.

5.11 Conclusion

The work sought out to investigate how the variables affect participation and utilisation of credit, discover the gender differential access, utilization and repayment of rural credit and finally assess the role of the practice of religion and culture in the socio-economic lives of the people and how it affects their ability to utilise credit. These have been dealt with adequately given the array of facts presented in the report. The work has established that credit was readily available but there were problems with their utilisation which affected its repayment. It was also established that women contributed greatly to the participation and utilisation of credit though the menfolk dominated the utilisation process. In addition, the work has proved beyond all reasonable doubts that the practice of religion and culture can affect people's ability to utilise credit effectively. Both positive and negative impact is evident from the study. The jury is still out on whether microcredit has generated significant economic stability, women empowerment or gender equity. Moreover, microcredit is diverse, complex and context specific.

In a nut shell the study purports to critically examine the multiplicity of factors that determines credit utilisation process and the prospects of such project designs to achieve effective outcomes in improving the living conditions of rural target groups is significant. Based on the findings of this work, the stage is now set for further research to explore specific district experiences, processes and impacts from which lessons could be drawn. In this direction, two areas are recommended for further inquiry;

First is a replication of the study in other districts especially where credit is being delivered by faith based organisations with micro finance interventions to draw lessons and to identify fundamental cross-cutting and district specific determinants to govern micro finance initiatives in the country. The second area would be exploring indicators of districts living standards in order to examine how micro finance interventions promote these indicators as a basis to measure the success of interventions away from the current repayment stigma. Given that the ultimate goal is to improve the standards of living of the rural people, such study would provide a better perspective of micro finance measurement in districts development.

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Ernestina Armah	ADP Manager,WVG,Atebubu	16 —12----2010
Mawunwo Sevor	APED Manager, Atebubu	8----12----2009
Thomas Saavuur-Anii	Credit Officer, Atebubu	8----12----2009

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APPENDIX A

PROJECT MANAGEMENT QUESTIONNAIRES

WORLD VISION GHANA/APED(Atebubu AmantenMicro Finance Study)

Name and position of interviewee--

Date of interview/---

Name of institution/Agency: --

Location of Office: --

Name of Project: --Year started: ---Coverage: ---

External agencies supporting project: ---

Major areas of Operations: ---

Part A: Management questionnaires

<u>Access</u>

A-1 What are the objectives of the agency/project --

A – 2a Who constitutes your target group(s) --

A-2b why did you consider them as your Target group(s---------------------------------

----

A-3 How do you organize your target groups for credit support --------------------------

----

A-4a Do you have any special provision for female clients? Yes [ ] No [ ]

A-4b if yes specify provision and reasons why it is deemed necessary?

A-4c What are the requirements for target groups to quality for credit?

A-5 Do you operate through field officers? Yes /No

If no why --

If yes what do they do on the field? ---

A-6 how many communities /people have benefited from your loans [at least from the past 3 years]

INDIVIDUAL LOAN

YEAR	No. Applied		Total	No. Granted		Total	Amount disbursed		Amount repaid		Outstanding loans	
	M	F		M	F		M	F	M	F	M	F
2007 2008 2009 2010												

GROUP LOAN

YEAR	No. Applied		Total	No. Granted		Total	Amount disbursed		Amount repaid		Outstanding loans	
	M	F		M	F		M	F	M	F	M	F
2007 2008 2009 2010												

Repayment

A-7a What measures have you instituted to ensure repayment? ---------------------------

----

A-7b What is the role of the field officers in ensuring loan repayment?

A-7c What has been the effectiveness of these measures?

A-7d What has been the cost of instituting these measures to the project operations?

A-8a what has been the drop out rate of the target groups benefiting from the loans? High [ ] Low [ ]

A-8b what is the interest rate between the gender groups? M ------------- F -----------

A-8c what accounts for the high drop out rate? --

A-8d what account for the low drop out rate?

A-9. What are the terms of repayment? --

A-10 Why these terms? ---

A-11 what is the duration for loan repayment? ---

---A-12

How do you give the loans to clients? Groups [ ] individuals [ ] both [ ] give reasons in either case ---

----

A-13 What type of loans do you grant to target groups? [i.e. loans for specific uses]

Utilisation

B-1 What is the average size of loan given to target groups? ------------------------------

B-2 What is used in determining loan size for clients?

--B-3

Are the loans granted always applied to the uses for which they were given? Yes/No/ others

(specify) --

B-3b If no why? --

B-4 How do you monitor the use of these loans?

---B-5

What is the major problem /cost you face in monitoring the use of these loans?

---B-6

What are some of the factors militating against the effective use of the loans you extend to the target groups? ---

----

---B-7a

What is the level of savings of target groups? High [ ] Low [ ]

B-7b What accounts for this state?

---B-8

In relation to the loan, do you have any of the following schemes?

1. Training
2. Technical assistance

3. Compulsory savings
4. Voluntary savings
5. Others

B-8b If others specify: --

--B-9

If you have savings linked to the loans what is the current value of these savings?

--B-10

What has been the trend of savings over the past 3 years? Increasing [ ] declining [ ]

B-10b In either case what accounts for the trend?

--B-

11a Will client forever depend on the Benefactor or there is time lag when a client can be self supporting?

B-11b What plans does WVI have for exit?

<u>General issues</u>

C-1 What are some of the major problems affecting your operations?

---C-2

How do these problems affect your operation?

C-3 How is the collaboration with your sponsors affecting your operations?

---C-4

What is your institutional structure like? Specify

C-5 How is the current structure facilitating the achievement of your objectives?

APPENDIX B

FIELD STAFF QUESTIONAIRE

Atebubu Amanten District Micro Finance Study

Name of Interviewer: ---

Name and position of interviewee --

Date of Interview/time of interview---

Name of Agency:---

Date/Time of Interview: --

<u>**Access**</u>

B-1 What is your role as a field officer? ---

B-2 Who constitutes your target groups?

B-3 How do you select target groups, to benefit from loans?

B-4 What category of target groups [occupation, sex etc] do you find difficult in dealing with?

B-4b What are some of the difficulties you encounter in dealing with these groups?

B-5 What is the drop out rate of beneficiaries especially after accessing the first loan and repaying? [Specify in percentages] ---

B-5b What is the drop out rate between the sexes? M ------------ F ----------------

B-5c What accounts for this state? ---

B-6 What is the proportion that continues to access subsequent loans after the initial loan [specify in Percentages] ---

----

B-7 What are the requirement criteria that target groups would have to meet to qualify for loans?

B-8 How do you give the loans to target groups? --

Individual [ ] Groups [ ] Both [ ]

B-8b If both what is the proportion for each category?

%

Individual [ ]

Groups [ ]

B-9 How are the groups formed? ---

B-10 How do you select the groups? ---

B-11 What are some of the problems you encounter in dealing with the groups?

B-12 What is the average size of loan given to beneficiaries?

B-13 How do you determine the amount, to be given to each beneficiary?

Utilization

B-14 Do you monitor the use of these loans? Yes [ ] No [ ] not quite often [ ]

B-14b If yes, how do you supervise the use of the loans? ----------------------------------

----

B-14c If no why are you not supervising? --

B-15 [If B-14b] what are some of the major problems associated with the use of the loans:

B-16 What additional services do you provide for beneficiaries?

1. Training
2. Technical assistance
3. Compulsory savings
4. Voluntary savings
5. Others

Repayment

B-17 What is the repayment period? Annual [ ] or others [specify] ----------------------

----

B-18 What is the state of loan repayment? High [ ] Low [ ] encouraging [ ]

B-18b What accounts for that? ---

B-19 What strategies do you adopt in ensuring repayment by target groups?

B-20 How effective have these strategies been in ensuring prompt repayment?

B-21 In the failure of these strategies what do you resort to in enforcing repayment?

B-22 Do you enforce repayment by instalments? Yes [ ] No [ ]

B-22b What is the regularity of installment due [-------] times per week?

Or [-------] times per month or others ---------------------------

B -22c Amount due at each installment ---

B-23 Are there arrears [i.e. beneficiaries behind in loan repayments? Yes [ ] No [ ]

B-23b What is the rate of arrears? [Specify in Percentages]? -------------------------------

B-23c What is the gender proportion of this rate M [ ] F [ ]

B-24 What explains this gender differentials in the rate of areas? -------------------------

----

--B-B-

25 What are some of the possible reasons for the arrears? ----------------------------

APENDIX C

BENEFICIARY QUESTIONAIRE

Atebubu Amanten District Micro Finance Study

Name of Interviewer: --

Name and position of interviewee--

Date of interview/time of interview---

Community: [--]

Population Size [------------------------]

PERSONAL PROFILE

Name --

Age-- Sex Male[ ] Female [ ]

Education Primary [ ] Secondary [ ] Tertiary [ ] others [specify] -------------------------- ----Marital status: Married [ ] Single [ ] Divorced [ ] Separated [ ] widowed/widower [ ]

Household size [------------------------------]

No. of dependants [------------------------]

Religion [ ] Christian [ ]Moslem [ ] Traditional religion [ ] others -------------

Place of Origin: from community [ ] outside community [ ]

Kind of activity supported by credit --

Start of business [year] ---

Credit support agency: ---

<u>**Access**</u>

A-1 Do you have other income generating activities besides the assisted enterprise?

Yes [ ] No [ ]

A-1b If yes, what are these activities? --

A-2 Why did you go for the loan? --

A-3 How did you get to know the existence of the loan facility?

A-4 What was the procedure that you went through before getting the loan?

A-5 How many times have you received loan from the institution?

A-6 What is the requirement for getting a loan? ---

A-7 Have you borrowed / received credit from another financial agency? Yes [ ] No [ ]

A-8 What was the main source of your start-up funds?

- Project loan [ ]
- Other loan [ ]
- Household savings [ ]

- Personal savings [   ]
- Others ---

A-9 Has a financial agency every refused you a loan application? Yes [   ]

No [   ] never applied [   ]

A-9b If yes what accounted for that? --

A-10 How long did it take between applying for the loan and receiving it:

Number of weeks [--------]

Number of months [------------]

A-11 What time did you devote to obtaining the loan [specify time in hours and days]

- Travelling [-------------]
- Meeting officials [--------------]
- Waiting/idle time [-------------]
- Form filling [------------------]
- Looking for a guarantor [-------------]
- Others [specify] ---

Total estimate ---

A-12 What is the size of the loan given? ------------------------------..-----------------------

A-11 What is the interest rate? ---

<u>Group credit</u>

B-1 Are you a member of a borrower group? Yes [   ] No [   ]

B-2 Is the group entirely females [   ] male [   ] both [   ]

B-3 Was the group formed in response to the project or it was in existence before the project?

B-4 How did you join the groups? --

B-5 How does the group organize and supervise the use of the loan?

B-6 How helpful has the group been to you?

B-7 How many members does this group have? [----------] Females [ ] Males [ ]

B-8 For how many years and months have you been a member of this group? Years [-----] months [-----]

B-9 Since you joined the group, has the membership changed? Yes [ ] No [ ]

B-10 How many members have left the group? [ ] Female [ ] Male [ ]

B-11 If there is a high drop out rate what accounts for that?

B-12 How many members have joined the group for the past three years? [ ] Females

[ ] Males [ ]

B-13 How often does the group meet? ---

B-14 How long does the meeting last, no. of hours [------------] or specify ---------------

B-15 Does every member attend each meeting [% of attendance] and why?

B-16 What action is taken by the group when a member default in payment?

B-17 How is the group leadership selected? --

B-18 If you are in a group, what are some of the measures that the group adopts to ensure repayment by members? --

----

B-19 Does your group have a savings scheme? Yes [ ] No [ ]

B-19b If yes specify type(s) of scheme

- Compulsory [ ]
- Voluntary [ ]

- Others [specify] --

B-20 What are the strategies adopted to ensure that members save?

B-21 How are those savings used? --

B-22 Besides dealing with loans and savings, does your group have any other activities?

--B-23

What don't you like about group activities? --

Utilization

C – 1 What is the ownership 'structure' of the enterprise?

- Sole proprietor
- Family partnership [ ]
- Cooperative /group [ ]
- Others ---

C-1 What is the average hours of your operations? Hours per day [ ] days per week [ ]

C-3 Who takes major decision in the use of the loan?

- Financial agency [ ]
- Spouse [ ]
- Own [ ]

- Others ---

C-4 What is the role of your spouse in the use of the loan? ---------------------------------

----

C-5To what extent do you keep records of your business/observe the records

- None [ ]
- Basic[ ]
- Good[ ]

C-6 Is your enterprise seasonal? Yes [ ] no[ ]

C-6b If yes what are the seasons of high and low activities

Low activity [--] months,

High activity [--] months,

C-7 What are the reasons for these state of activities? i.e. (low, high) --------------------

----

C-8 Do you yourself yes [ ] no[ ]

C-8b In either case give reasons?---

APENDIX D

EXPENDITURE

1.1 Business Operations

ITEM	(AMOUNT)				SOURCE OF INCOME (Amount)
	Per day	Per week	Per month	Per year	
1					
2					
3					
4					
5					
6					
7					
8					

1.2 Household expenditure

ITEM	(AMOUNT)				SOURCE OF INCOME (Amount)
	Per day	Per week	Per month	Per year	
1					
2					
3					
4					
5					
6					
7					
8					

G Repayment

D-1 What is the repayment period…………………………………………………?

D-2 Do you pay by installments? Yes [   ] no [   ]

D-2b If yes

Amount	Times Of Payment			Payment Place	Transport Cost
	Per Week	Per month	Others		

D-3 Do you have outstanding loans to pay? Yes[   ] no[   ]

D-4 If yes what accounted for these arrears? --

D-5b When they come what do they do ---

D-6 do you save, yes[   ] no[   ]

D-7 If yes, where do you save?

At Home [ ]Bank [ ]

Others (specify)---

D-8 What is the main purpose of these savings

D-9 If no, why are you not saving

D-10 what is/are your source(s) of income for loan repayments?

General Issues

D-11 what critical problems would you like the financial agency to address?

APPENDIX E

Table 1 Project coverage and Beneficiary Profile

Community	Recipient Groups	No		Credit Tranches ( )			
		F	M	Year 1 (2007)	Year 2 (2008)	Year 3 (2009)	Year 4 (2010)
Amanten Town	Okro growers Assoc.	10	10	30,000	*	*	*
	Rice growers Assoc.	6	9	30,000	50,000	*	*
Nyomasi	BaakoNdidi	6	18	30,000	50,000	70,000	*
	Nyame Nnae	16	4	30,000	50,000	*	*
Bomafo	Fa wo ho bo bi	8	8	30,000	50,000	50,000	70,000
	Vegetable growers	4	4	30,000	50,000	50,000	70,000
New Kokrompe	Onuado	11	1	30,000	50,000	70,000	100,000
	Nyonkodo	7	15	30,000	50,000	70,000	*
Sanwakyi	Adom oil	17	16	30,000	50,000	50,000	*
Old Kokrompe	Odonti	16	10	30,000	50,000	*	*
Mem	Traders Assoc.	13	11	30,000	50,000	70,000	*
Akokoa	Adom coop.	8	7	30,000	*	*	*
Famfour	Mokwa traders	15	5	30,000	50,000	*	*
Abamba	Awurade nsa wom	1	3	30,000	50,000	*	*
Garadema	Nyame Adom	8	3	30,000	*	*	*
	Emmanuel traders	13	3	50,000	*	*	*
Duaboni No 1	Batik tie/dyemakers	7	3	50,000	*	*	*
	Asomdwe kuo	15	5	50,000	*	*	*
DuaboniNo. 2	Awerekyekye re kuo	14	7	50,000	*	*	*
14	19	214 59.9%	142 39.8%	650,000	600,000	430,000	240,000
		356					

SOURCE: , Atebubu Amanten District, 2010.

Table 2 Showing Beneficiary Educational Levels

Description	Basic	Secondary	Tertiary	None	Total
M	20		2	2	24
F	28	-	-	20	48
Sub total	48	-	2	22	72
Proportion of total	66.7%	-	2.8%	30.5%	100%

Source: field survey, 2007, Atebubu Amanten District

Table 3: Showing Gender Split of Loan Defaulters

Description	Beneficiary default	% of total	Total beneficiary	Defaulters Proportion of total sample
M	14	31.8	24	33.3%
F	30	68.2	48	66.7
	44	100	72	100

Source: field survey, 2010, Atebubu Amanten District

Table 4. Marital Status of Defaulters

Marital Status	**M**	**%**	**F**	**%**
Married	14	100	24	80
Single			1	3.33
Divorced			1	3.33
Separated			1	3.33
Widowed			3	10
Total	14	100	30	100

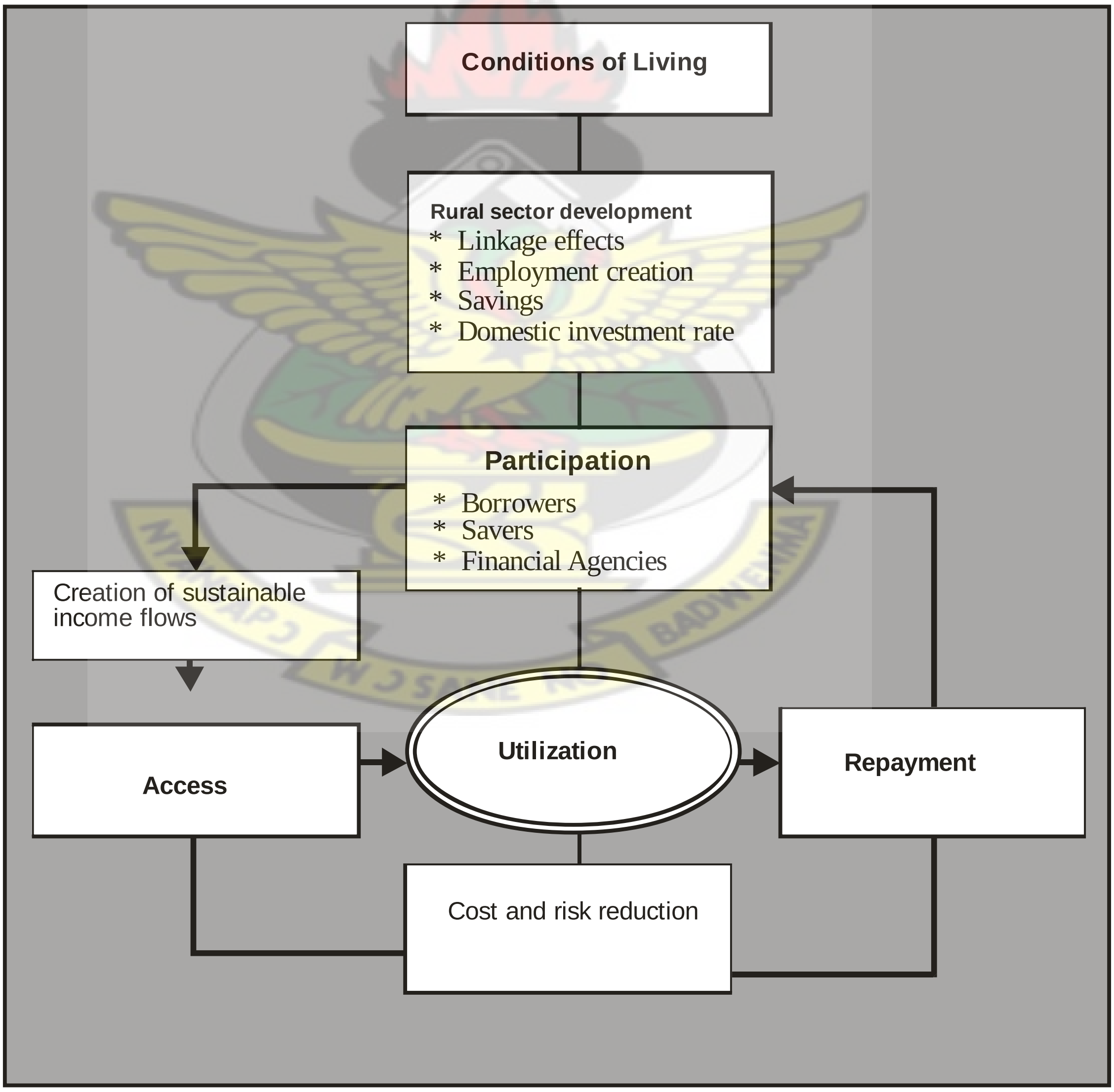
Source: field survey, 2010, Atebubu Amanten District

Table 5. Showing the Degree of Spousal Influence in Credit Utilization

Description	M	%	F		
			Married	%	Single/ Widowed
Sole recipient decision in loan utilization	19	79.2	6	14.2	6
Sole Spousal decision in loan utilization			2	4.8	
Recipient dominance but joint utilization decision	5	20.8	29	69.1	
Spousal dominance but joint utilization decision			5	11.9	
	24	**100**	**42**	**100**	**6**

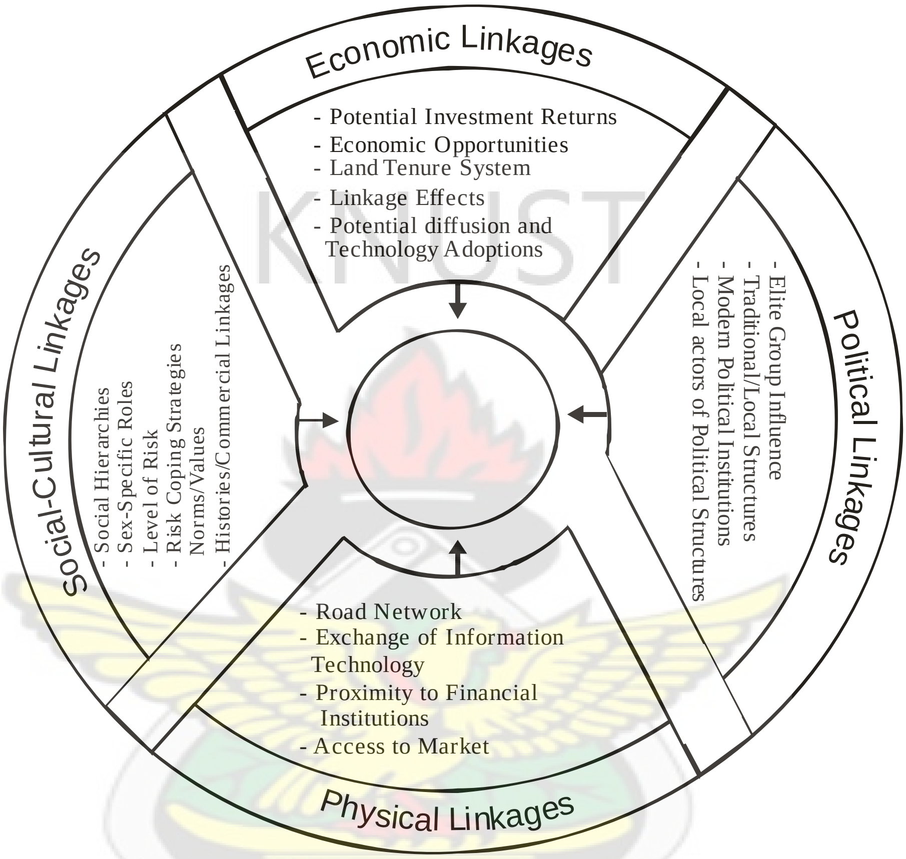
Source: field survey, 2010, Atebubu Amanten District

Fig 6. Micro Finance Conceptual Framework



Source: Authors Construct, 2010

Figure 8. Resource **(Credit) Utilization and Linkage Parameters**



Source:WVG Atebubu Amanten District

Figure 9. Showing Repayment Strategies

Stage	*criteria for choice*

1 Intensity of loan collection labour cost; seasonality of income stream

2 Repayment incentives Responsiveness of staff and borrowers to incentives;

[a] Performance-related willingness of staff to be ‘loyal’ rather than to ‘exit’ in

[b] Progressive lending the fact of income risks; expected project rates of

[c] Prompt repayment discount return in relation to

[or] interest rates Late payment penalties]

3 Savings and insurance size of insurable risks to borrower’s rate of return; Arrangements availability of reinsurance

Table 10.Groups Meeting Attendance Rates

Members Meeting Response (%)	Existing	Project response
10-20		8
30-40	3	4
50-60	8	5
70-80	25	3
90-100	14	2
Total	50	22

Source: field survey, 2010 Atebubu Amanten District

Table 11.Category of group and loan defaulters

Description	Respondents	No of defaulters	Defaulters % of Respondents
Existing groups	**50**	**29**	**58**
Projects response Groups	**22**	**15**	**68.2**
Total	**72**	**44**	

Source: field survey, 2010,Atebubu Amanten District

Table 12. Mode of repayment enforcement

Description	Responses	% of responses
Sell property to settle loans	23	29.5
Dismissal from group	16	20.5
Report to police	4	5.1
Court action	12	16.5
Deductions from savings	5	4.6
Group shared cost And lay hold on property	12	16.5
Harassment	2	2.6
Report to Pastor	4	5.1
	78	100

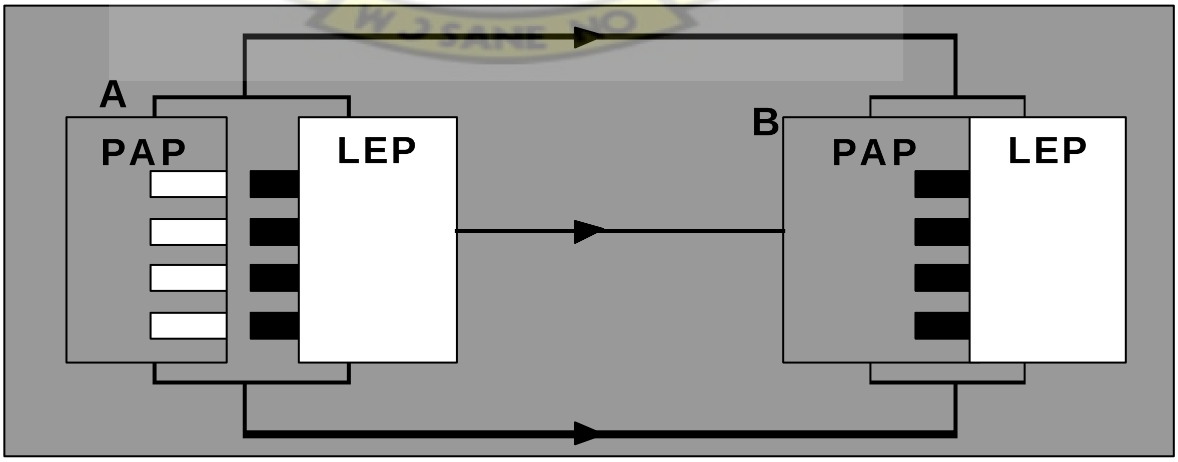
Source: field survey, 2010 Atebubu Amanten District.

Fig 13.Peak beneficiary Economic activity periods

Types of business	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maize farming												
Okro farming												
Pepper farming												
Trading												
Garden Eggs Farming												

Source: field survey, 2010, Atebubu Amanten District

Fig 14 Activity-Credit Extension Periodic Concept Model



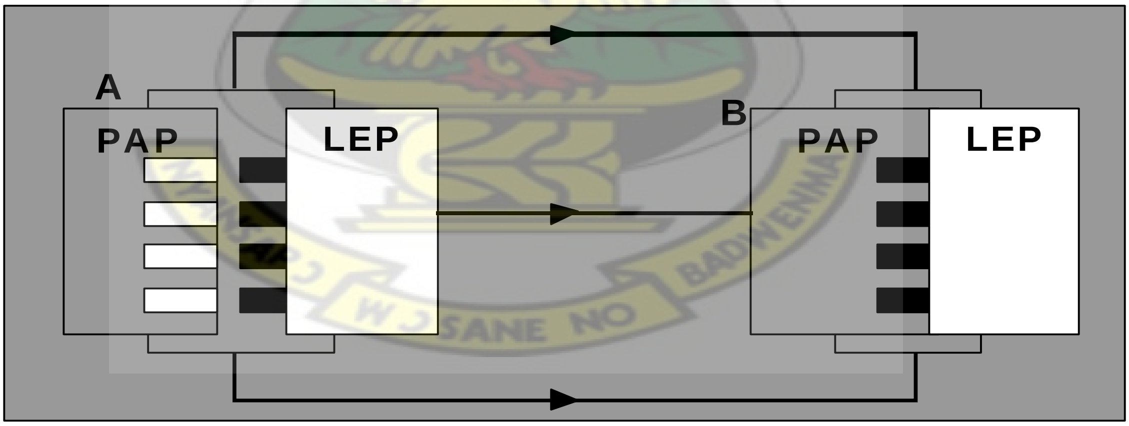
Source: Authors Construct

Figure 15. Peak beneficiary income periods &Economic activities

Types of business	High income periods											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maize farming												
Trading												
Okro farming												
Pepper farming												
Rice farming												

Source: field survey, 2010,Atebubu Amanten District

Figure 16 Income-Credit Repayments Periodic Concept Model



Source: Authors Construct

Table 17. Beneficiary Annual Business Expenditure-Loan Sizes in Beneficiary Activities

Description	Maize Farming	Oil Processing	Okro Farming	Pepper Farming	Trading
Average Expenditure	¢9,784,091	¢4,707,143	¢2,633,333	¢4,450,000	¢12,450,000
Loan proportion of business size	5%	10.4%	18.6%	11.0%	3.9%
Beneficiary number	43	12	6	4	3
Proportion on default	31	5	1	4	2

Source: field survey, 2010, Atebubu Amanten District

Table 18. Location and Rate of Savings

Description	Gender Bank – Home Saving Split				
	BANK	%	HOME	%	Total
M	11	35.5	5	20.8	16
F	20	64.5	19	79.2	39
Total	31	100	24	100	55

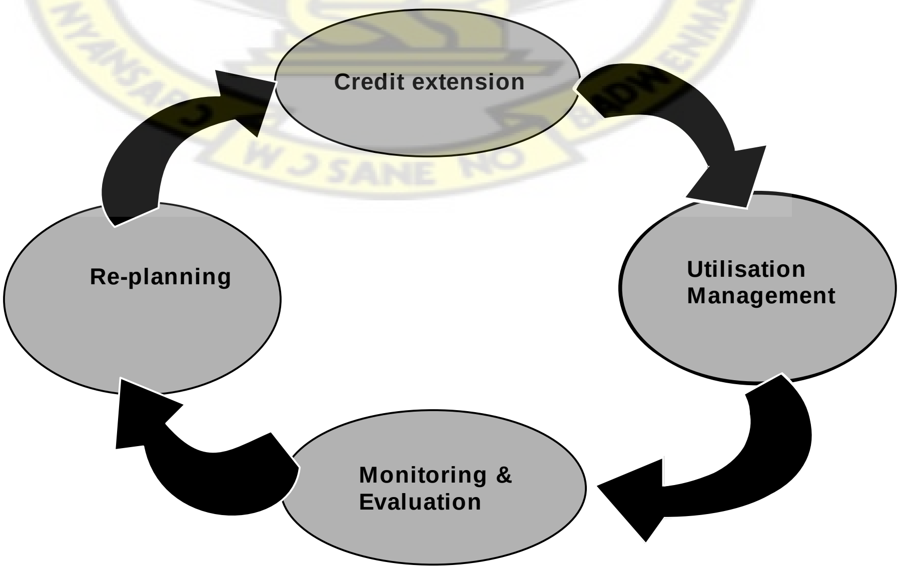
Source: field survey, 2007, Atebubu Amanten District

Table 19.Ever received credit from another agency before

Description						
	M	%	Proportion of beneficiaries population	F	%	Proportion of beneficiary population
Ever applied	8	61.5	33.3%	5	55.6	10.4%
Ever received	5	38.5	20.8%	4	44.4	8.3%
Total	13	100	54.1%	9	100	18.7%

Source: field survey, 2010, Atebubu Amanten District

Fig 20.Cyclical planning process: Revolving process of credit conception



Researcher interviewing Beneficiaries at New Kokrompeh

Researcher interviewing Beneficiaries at New Kokrompeh

Group Leaders met with Researcher

Some of the Beneficiaries