

Role of Microfinance Institutions in Poverty Reduction in Upper West Region: A Case Study of The Wa Co – operative Union

Andrews Salakpi

University for Development Studies, Department of Accountancy and Commerce, School of Business and Law, Ghana Email: salakpi@yahoo.com

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Abstract

Poverty reduction and the poor have attracted unprecedented discussions at international summits during the last two decades. Generally, microfinance has proven to be one effective and powerful tool for poverty reduction. However, Microfinance institutions (MFIs) show significant diversities in their ability to reach the poor. In effect, microfinance cannot be an effective poverty reduction approach for every category of poor and/or microfinance institution. The evidence that exists on the place of MFIs in poverty reduction is thus subject to debate about context and methodology. This study adopted a cross-sectional case study design and a mix of qualitative and quantitative tools to examine the role of the Wa Co-operative Credit Union (WACCU) in poverty reduction in the Wa Municipality of the Upper West Region of Ghana. The study identified that although the Credit Union had to some extent empowered its members economically, this was not beyond the ordinary as non-members had very similar socio-economic characteristics. Thus, the study concludes that the outreach and impact of the Credit Union in poverty reduction remained more conventional and less innovative and client-oriented. The study therefore recommends the need for policy regulation to open up Credit Unions as MFIs in ways that allow them provide services that are efficient in poverty reduction and reflect the peculiarities of their target markets.

Key words:

Wa Co-operative Credit Union, Credit Union Association, Africa Confederation of Co-operative Savings and Credit Association, Microfinance Institution, Bank of Ghana

INTRODUCTION

A first step in a poverty reduction agenda is the ability of the poor to borrow a small amount of money to take advantage of a business opportunity, to pay for school fees, or to bridge a cash-flow gap (Littlefield, Murdugh & Hashemi, 2003). In the last decade or so, microfinance

institutions (MFIs) have sprang up across Ghana, many of them professing poverty reduction as part of their vision.

The United Nations (UN, 2005) defines microfinance broadly encompassing the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Microfinance institutions thus engage in such financial products as loans, savings, insurance, transfer services among others. This makes microfinance institutions critical agencies in poverty reduction.

In Ghana, the practice of people saving and/or taking small loans from individuals and groups within the context of self-help is not new. Throughout the ages, Ghanaians have saved with or taken 'soft' loans from individuals or groups in order to engage in small businesses or farming activities. Indeed, the first credit union in Africa was probably established in Jirapa in the Upper West region in 1955 by the Canadian Catholic missionaries. Susu, another form of microfinance schemes is believed to have spread to Ghana from the early 1900s from Nigeria (Asiama and Osei, 2007).

Asiama and Osei (2007) notes that microfinance creates access to productive capital for the poor, which together with human and social capital enables people to move out of poverty. For instance the role of microfinance in the achievement of the Millennium Development Goals (MDGs) as well as the Ghana Poverty Reduction Strategy (GPRS) goals cannot be over emphasized. Quainoo (2009) in support of this stated that microfinance could be used as a strategic tool in poverty reduction, eradication of hunger, universal primary education, promoting gender equality, empowering women, reducing child mortality, improving maternal health and ensuring environmental sustainability if applied effectively.

Microfinance allows poor people to protect, diversify, and increase their sources of income, the essential path out of poverty and hunger (Littlefield et al, 2003). Former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit (2005) confirmed this when he stated that *"...Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs."*

Littlefield et al (2003) posit that poor people in most countries, especially in the developing world have virtually no access to formal financial services. Microfinance institutions thus offer the potential for a self-propelling cycle of sustainable growth, while providing a powerful impact on the lives of the poor. Co-operative Credit Unions as an arm of microfinance in reducing poverty is not an exception. Co-operatives are organization's owned and managed by low income people who are also themselves patrons of the organization. According to Rosner (1983) and Henzler (1962), co-operative institutions are self -managed and democratic organizations; and that all members whatever the level of their skills or contributions to the resources of the organization have an equal right to participate in decision making. As such this would lead to their overall control over the affairs of their organization.

In addition Cooperatives enable people to raise themselves above poverty level and accumulate economic advantages. For instance, Johnston (2003) posits that cooperatives raise whole classes of people out of poverty and prevent them from slipping back into it. According to

Johnston (ibid), cooperatives are designed as tools of poverty reduction by which groups of people can gain economic advantages that they could not achieve individually.

The issue of credit union concept as a strategy for poverty alleviation traces its background to Germany in 1847. According to a write up on the history of Credit Unions in the CUA Biennial Conference (2010), a mayor of a small town in Germany organized the citizens to put their few monies together and gave loans to each other at low interest rates. This benefitted them a lot and led to the formation of more than 425 Credit Unions by the year 1888 and later spread to North America in 1909. As a result of the overwhelmingly increase in number of Credit Unions in 1934, a national union movement was formed to see their viability and sustainability. Chavez (2002) reported that the world has about 27,000 Credit Unions dotted around hundred countries of the world, and that over \$ 6 billion dollars was earned in United States alone. This reflects how Credit Unions are affecting peoples' lives positively across the world.

In spite of the critical role of microfinance in poverty reduction, some schools of thought remain skeptical about its role in development, especially in real poverty reduction. For example, Hulme and Mosley (1996) argued that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off. However, as Quainoo (2009) notes, although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can indeed makes sustainable contributions to the empowerment of people, hence reducing poverty.

Problem Statement

Generally, microfinance institutions contribute to poverty reduction in many ways. Thus, there is no need questioning whether they are relevant in the poverty reduction agenda or not. Indeed an outstanding feature of microfinance programmes is that the end users of the services are by definition the poor, the ones who benefit (Khawari 2004). The challenge lies in the ability of microfinance institutions to find the level of flexibility in their products that could make them match the multiple classes of the low income clients without imposing unbearably high cost upon the clients.

Despite the success of microfinance institutions, only about 2% of world's roughly 500 million small entrepreneurs is estimated to have access to financial services (Barry et al, 1996, cited in Vetrivel & Kumarmangalam, 2010). In Ghana, microfinance institutions like credit unions are playing a vital and vibrant role in economic growth and poverty reduction. They are key agencies in the country's Growth and Poverty Reduction Strategies and the Millennium Development Goals (MDGs).

Asiama and Osei (2007) suggest that the absence of specific policy guidelines and goals for the microfinance sub-sector have led to a slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. Asiama and Osei (ibid) further identified that the microfinance sub-sector is beset with many constraints, including inappropriate institutional arrangements, poor regulatory framework, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital.

Globally, rigorous empirical analysis of the impact of microfinance began in the 1990s. However, the studies so far remain few and the results of these studies are highly provocative. One school of thought questions the relevance of microfinance as a poverty reduction policy in the first place. Adam & Von Pische (1992) argued 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.” In effect, microfinance has made the poor worse off for the fact that their interest rates are very high and government action may be required to protect and assist the poor (World Bank, 2000a).

Although the activities of Microfinance institutions have expanded significantly since their inception in Ghana, data on MFIs in the country are not readily available (Khawari 2004). Similarly Asiamah and Osei (2007) submit that there is lack of information on microfinance institutions, their operations and clients in the country. Besides, approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the microfinance sector. Asiamah and Osei (2007) then conclude that this lack of information on microfinance institutions has affected targeting of clients and ultimately, poverty reduction.

The Wa Co-operative Credit Union (WACCU) is known to be among the first ten (10) highly performing Credit Unions in the country in terms of savings mobilization, credit delivery and membership. This is reflective of the Union’s significant phenomenal increase in Savings from GH¢ 945,935.51 (2007) to GH¢ 5,095,782.42 (2012) and total shares issued GH¢ 115,707.79 (2007) to GH¢ 300,788.30 (2012). However, these figures contradict the placement of the Upper West region as the poorest region in Ghana by the Ghana Statistical Service (2008).

Many questions remain unanswered on the true position of microfinance institutions such as WACCU in reducing poverty. Key among them is the extent to which the Union contributes to poverty reduction in its operational area. *Thus, the problem that prompted this study is the lack of empirical information on the extent to which the Wa Co-operative Credit Union contributes to poverty reduction in its operational area.*

Objectives of the Study

The main objective of the study was to establish the extent to which Wa Co-operative Credit Union contributes to poverty reduction in its operational area. Specifically, the study sought:

- To examine the socio-economic characteristics of the members of the Wa Co-operative Union;
- To ascertain the products and services of the Union in relation to the socio-economic characteristics of its members;
- To establish the extent to which people efficiently access micro-credit from the Union;
- To examine the effect the Union has made in empowering its members economically; and

- To ascertain the factors hinder the contribution of the Union to poverty reduction in its operational area.

LITERATUREREVIEW

Microfinance and Microfinance institutions

Globally, researchers have paid attention to microfinance as significant contributors to poverty reduction. For instance, Bakhtiari (2006) concluded that microfinance has received extensive recognition as a strategy for poverty reduction, particularly among rural poor. Mawa (2008) also conducted a research study on microfinance and poverty reduction and concluded that microfinance is an innovative step towards alleviating poverty. The author argued that microfinance facilities helped people to use and develop their skills as well as enable them earn money through micro enterprises. Similarly, Gurses' Turkish study on the topic under review (2009) mentioned that microfinance especially is a powerful tool to reduce poverty (Gurses, 2009). According to Simanowitz and Brody (2004), "microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people."

The United Nations (UN, 2005) defines microfinance as the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Similarly, according to Asiama (2007:3), "Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients".

Microfinance, according to Otero (1999) is the provision of financial services to low-income poor and very poor self-employed people. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payments services. Schreiner and Colombet (2001) define micro finance as the attempt to improve access to small deposits, small loans for poor households neglected by banks

Credit Unions

Local communities have their own local knowledge to identify problems and prospects and set priorities for activities to ensure that these activities are practically implemented in the context of development institutions, especially a co-operative institution which originate in rural areas and has local participation. According to Songsore (1992), local types of co-operatives such as credit unions can be considered as one of the best efforts of development from within. They are not only part of a local initiative to build up a locally based financial institution, they are also characterised by actual community participation which can easily generate self- sustaining development.

Credit Union is defined by Van Den Dries (1980) as a group of people who are united by a common bond, and voluntarily organize themselves into a cooperative society to save their

money together and to give loans to one another at a low interest rate to the benefit of members. Similarly, the Ghana Co-operative Credit Unions Association (CUA) Magazine (1993) defines a Credit Union as a financial Co-operative society organized to promote thrift, encourage savings and create a source of credit for its membership by pooling their savings together to obtain loans at reasonable interest rates.

Darko (2001) also defines a credit union as a group of people with the same interest who agree to save together to create a financial pool out of which they can credit among themselves in time of need for productive or provident purposes.

The above definitions present the Credit Union as a non-banking financial co-operative formed by interested members or a group of people having a common bond of either occupation, profession, clubs and associations, members of a community, among others, who pool their savings together in order to obtain a loan at fair and reasonable rates of interest for worthy, productive and provident purposes (CUA Beacon, 2010).

CUA explains the aim of credit unions to include “to be self-sustainable to be able to facilitate an enabling environment, provide quality financial and technical services to members as well as market the CU concept in order to make “Credit Union” a household word”. Darko’s definition reveals that credit unions exist only to serve its members but not to profit from their needs. The author emphasised that though credit unions must operate on sound business principles to be financially sustainable to serve their members, they are not purposely organized to accumulate money or to make profits.

Credit Unions in Ghana have a clear and insistent desire to reduce poverty. They believe that by developing financially sustainable, well – governed financial institutions in every small community, they can achieve this goal (CUA Biennial Report, 2007). It is therefore pertinent to mention that, it is for the above concepts and values, that the Wa co-operative Credit Union was formed to help reduce poverty and develop the people.

Socio-economic characteristics of the Clients of Microfinance institutions

There is increasing acceptance that traditional Microfinance programmes are not reaching the “poorest of the poor”—indeed they are rarely reaching the bottom 10-15% of the population. This is largely driven by the nature of the financial services provided by the MFIs which force the poorer members of the community to choose not to join, and those who are required to guarantee or follow-up their loans to choose to exclude the poorest (Wright, 2000).

Micro-Save Africa’s study of 13 microfinance institutions in East Africa concluded that most clients of the MFIs studied appear to be non-poor, but not wealthy: they tend to come largely from households that can meet their daily needs, have access to primary education and basic health services, and have accumulated some assets. “This group of clients are in the ‘comfort zone’; they enjoy a relatively stable income source and sufficient livelihood diversification, allowing them to service regular repayments even when faced with small crises” (Micro-Save Africa, 2000). Borrowing patterns and the inclination to save have been found to be similar across MFIs’ clients at different levels of poverty (Zaman, 2000).

An assessment of the portfolios of various MFIs indicates that Financial NGOs target more women than the other groups with women borrowers forming 92% of their active borrowers.

The other groups including rural banks, susu collectors, credit unions and savings and loans institutions target much lower numbers of women with 56%, 54%, 53% and 43% respectively, of their active clients being women.

Table 1: Clients (By Gender) of Microfinance Credit

Category of RMFI	Male Borrowers		Female Borrowers		Total No. of Borrowers	
	No. of Males	% of Males	No. of Females	% of Females	Males	Females
Rural Banks	17,748	44.2%	22,392	55.8%	17,748	22,392
Financial NGOs	4,122	8.03%	47,209	91.97%	4,122	47,209
Savings and Loans	98	56.98%	74	43.02%	98	74
Credit Unions	136	46.89%	154	53.10%	136	154
Susu Collectors	6	46.15%	7	53.85%	6	7

Source: AWC Field survey data, 2004

As part of the poverty reduction strategy of the government of Ghana, the microfinance department of the credit union Association (CUA) limited has since February, 2007 disbursed a total loan amount of six billion and thirty four Million, five hundred thousand Cedis (¢6.034,500.000.00) or GH¢ 603,450.00 to forty eight regions/chapters throughout the country under its pilot project. The initial seed fund for commencement of the programme was provided by the Micro-Finance and Small loan Center (MASLOC) under the poverty reduction strategy on the government of Ghana and the Central Finance Facility (CFF) department of CUA respectively. The coverage of the programme has been extensive and details are shown below:

Table 2: Category of beneficiaries

Category of Beneficiary	Total Number
Total number of beneficiary Credit Unions	48
Total number of groups	538
Total number male beneficiaries	1361
Total number female beneficiary	3065

Source: Author's Construct, 2014

The data above is indicative of the fact that the programme has benefited a good number of clients to improve their lot with women being the highest beneficiaries in the category of gender. Besides, individual beneficiaries were also more than group beneficiaries though the number for group composition did not reflect. As a way of relieving members of the groups from sticky loans arising out of the death and /or permanent disability a micro insurance policy has been introduced to cover such risk (CUA Beacon, 2008).

Factors that hinder the contribution of microfinance institutions in poverty reduction in their operational areas

The effectiveness of microfinance programmes as tools for poverty reduction depends, among other things, on whether and how successfully they address the real constraints faced by the poor. These constraints and factors vary. The amounts and or quality of assets of the poor may be adequate. Opportunities to generate welfare from assets may be constrained. Qualitative factors such as vulnerability and powerlessness may prevail. Furthermore, poverty by nature is contextual: manifestations of poverty and processes leading to or intensifying poverty vary in time and location (Gulli, 1998).

Accordingly, the economic environment within which an MFI operates is critical to its success. Without the infrastructure and access to markets to allow the households financed by the MFIs to sell the goods and services they produce and offer, there is little scope for microenterprise development, and thus poverty alleviation (Hulme and Mosley, 1997).

One of the key challenges of the Credit Union Movement in Ghana, and for that matter Wa Co-operative Credit Union, is keen competition. It is often assumed that accessing a credit facility from the traditional banks is very cumbersome and prohibitive. Now it is becoming easier to access a credit facility at the traditional banks so the belief that it is easier to access a credit facility at the credit union than at the traditional banks does not hold true anymore (Agyemang, 1999).

Darko (2010) notes that Credit Unions should be in a position to provide products such as lines of auditor personal loans, master cards, investment option loans and other services such as local and international money transfer, automated money transfer schemes (ATM), swift transfers and other related services. One of the challenges of Credit Unions is how to design products and services that can meet and even exceed the expectation of their valued members. Credit Unions are challenged in developing products and services that will be demanded by its members. For an organization to continue to provide services to its loyal members, it must be able to adopt a proactive approach that can identify the needs and aspirations of its members.

According to Abaluk (2012), since the beginning of government involvement in microfinance in the 1950s, the sub-sector has operated without specific policy guidelines and goals. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector. Among the constraints are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Thus, better coordination and collaboration among

key stakeholders including the development partners, government and other agencies, could help to better integrate microfinance with the development agenda, especially poverty reduction (Asiama, 2007).

Methodology

Research design

The path of every research is defined by the study design. Similarly, the methods and techniques employed by a researcher depend to a large extent on the research design. According to Kumar (1999), the most commonly used research design in the social science is the cross-sectional research design. The cross-sectional design is best suited for studies aimed at finding out the prevalence of a phenomenon, or situation by taking a cross-section of the population. It also gives the overall picture of the phenomenon as it stands at the time of the study. The use of the cross sectional research enables the researcher to bring to light the extent to which WACCU is helping to reduce poverty in the Wa municipality as a whole. It therefore looks at how the activities of the credit Union affect all inhabitants of the municipality as a whole and not just the staff and customers of the union. The design therefore ensures that the population of the study area is duly and appropriately represented.

Table 3: Projected Target Populations 2012

Sub Municipal	Total	< 1 year (4.0%)	6-11 months (2.0%)	6-59 months (16.5%)	12-59 months (14.5%)	WIFA (24.0%)	Expected deliveries (4.0%)	Expected pregnancies (4.0%)
Bamahu	9,563	383	191	1,578	1,387	2,295	383	383
Busa	8,604	344	172	1,420	1,248	2,065	344	344
Charia	8,917	357	178	1,471	1,293	2,140	357	357
Charingu	10,466	419	209	1,727	1,518	2,512	419	419
Kambali	14,809	592	296	2,444	2,147	3,554	592	592
Wa Central	58,968	2,359	1,179	9,730	8,550	14,152	2,359	2,359
Wa Municipal	111,327	4,453	2,227	18,369	16,142	26,719	4,453	4,453

Source: Wa Municipal Health Directorate Statistical Data

With the exception of Wa, the remaining settlements are predominantly rural, 80% of the people are engaged in subsistence farming and little scale livestock and poultry rearing. Agricultural production is mainly rain fed during a short spell of rainy season (May – October) followed by a prolonged dry season.

Commercial activities like Shea butter extraction, local soap manufacturing, pito brewing, weaving, dress/smock making, carpentry, masonry etc. are on small scale and mainly done around Wa. The formal sector offers employment for public/civil servants, teachers, nurses etc. The unemployment rate especially among the youth is unacceptably high and this accounts for a lot of out migration to the commercial towns in the south.

There is high poverty rate in the municipality, at the individual, household and community levels. There is empirical evidence that the Upper West Region has a high incidence of poverty as 86% of the population fall below the U.N accepted poverty line (Municipal Assembly). There is low job market, employable skills, and income ventures.

Wa and some of the communities are connected to the National Electricity grid. Telephone facility is very good including four mobile network systems. On transportation, the Municipality has good road network and virtually all the Wa town roads have been tarred. There is a central transport station in the Wa Town but the vehicles that convey goods and services are old. Internal movement is mainly by motorbikes, bicycles, private saloon cars and a few commercial taxis. The Municipality has three FM radio stations that broadcast in English and two local languages (Wali/Dagaare and Sissali); one serves mainly the university population.

It is estimated that only about 15% of the adult population of the municipality are literate. There are a total of 110 primary, junior and secondary/technical schools and 3 higher institutions; University for Development Studies (UDS), N. J. Ahmediyyal Teacher Training College and the Wa Polytechnic as well a Nursing Training School. These have great impact on the burden of health service delivery when they are on campus.

The highest political authority is the Municipal Assembly headed by the Municipal Chief Executive (MCE) who is appointed by the president. The Municipal Assembly has the responsibility of formulating and executing programmes and projects. It is also entrusted with the responsibility of formulating strategies for effective and sustainable development of the people within its jurisdiction.

The Municipality has good health facilities with the Regional Hospital been used as a referral of complications. The Municipality has the following health facilities, Health Centers 9, Private Clinics 2, Private Maternity Home 1, CHPS Compound 12 and the Regional Hospital.

Wa Municipal is one of the neatest Districts in the region. It has well-constructed drainage system with the following sanitary facilities, Public latrines 19, and Private latrine 4 but most houses in the Municipality have in-build toilet facilities. The Municipality has 34 refuse containers located around the communities in the Municipality.

The Wa Municipal is noted for its perennial water shortage. Access to potable water is therefore irregular and seasonal in nature. During the dry season, the wells and streams dry up and water supply becomes a problem. Potable water coverage is about 80%. This is in the form of the following, pipe born water, borehole and hand dug wells. The rest of the people depend on the rivers and streams traversing in the Municipality. During the dry season, the situation changes and the coverage of potable water supply drops drastically with perennial water crises occurring.

Research population

The population of the study consists of all residents of the wa municipality. According to the 2010 Population and Housing Census (GSS, 2013), the population of the Wa municipality is 107214. It includes the Board Members of the Wa Cooperative Credit Union, staff members of the Credit Union (CU), all shareholders of the Credit Union and non share holders of the Union who are resident in the Wa municipality. The essence of this structure was to collect detailed and objective information as far as possible from the various groups of people which the activities of WACCU affect both directly and indirectly.

The members of the credit Union are those whose lives are directly affected by the union and who receive certain services from the CU. The staff of the CU was also included in the study because they are the people who render direct services to the members. The choice of the leadership (Board and Committees) is also based on the fact that they determine the products and services offered to members. The selection of the non-members is to investigate their perceptions and attitude towards the CU.

Sample Size Determination

A sample is a segment of the population selected to represent the population as a whole. The sample is normally seen to be representative of the population allowing the researcher to make estimates that reflect the thoughts and behaviour of the larger population. Kumekpor (2002) suggest that the sample size should depend on the time and resources of the individual researcher. Neuman & Kreuger (2003) believes that accuracy is what is imperative in research and not the size of the population. It is further suggested that when the population is large, the sample ratio should be small and when the population is small, the sample ratio should be large. The reason is that, as the size of the population grows, the returns in accuracy for the sample size get smaller. Newman suggests that, for a population less than 1000, a researcher needs a sample ratio of 30 per cent. Based on the views of Kumekpor (2002) and Neuman & Kreuger (2003), the sample size for the study was informed by the time and resource constraints and sample ratio of not 30 percent. The study therefore used 30 percent of the population which gave a figure of 32,162 people. However, due to the time and resources available, the researcher further sampled one percent (1%) of the 30 percent leading to a sample size of 324 people. The population is believed to be homogenous and the responses that will be solicited from the sample is believed will be representative of the whole population. The sample will therefore try to ensure that Board members, staff members, group leaders, members of WACCU and non members will all form part of the sample.

Sampling techniques

The study will use both probability and non-probability sampling methods. The sampling technique is the multi stage one. The study used the purposive sampling technique to select the staff of the credit union. The study will select five (5) members of staff of the Union. This is because these are the people who deal directly with the members of the Credit Union. The sampled staff members will include the Manager of the Credit Union, the Accountant, the Loans and credit officers and one other senior staff member that will be available.

There are certain groups which also operate as members of the Wa Cooperative Credit Union. The study intends to select about 16 of the groups. The researcher will get the list of such groups from the management of the credit Union and the groups randomly selected from the list. However, the respondents from each group selected will be purposively selected to either include the group Secretary or the group leader. This is because the researcher believes that as leaders of the groups, they will have a better knowledge of the relationship that exists between their groups and the Credit union.

The members of the Credit Union will be selected based on the accidental sampling. The researcher will go to the premises of the Credit Union and any member that comes there will be given a questionnaire to answer. It will however ensure that no member is given more than one questionnaire to answer. The researcher will continue until the sample of 194 members is met.

Finally, the study will use cluster sampling to put the Wa Municipality into clusters of four (4). This will ensure that people living in the north, east, west and south of Wa township are all included. Each cluster will further be kept into strata. It will have those in the formal sector and those in the informal sector. From each stratum, it will further be divided into male and female to also ensure that both sexes are duly represented. These strata will therefore be given a proportion of 50% each. Making them equal. Simple random sampling will then be used to select the respondents who are not members of the credit union.

Data sources

Primary data

Primary data was collected using a combination of tools. These tools included administering questionnaires and personal interviews. The essence of this was to help collect first hand information from the respondents.

Secondary data

Data from secondary sources was obtained from books, journals, reports, internet and research works relating to the subject matter. Data was gathered from Government Agencies, Ghana Co-operative Credit Unions Association (CUA) and Upper West Chapter of CUA office. Data was also collected from the WACCU office. The Data collected provided a framework that guided the study.

Data collection method

Two different tools will be employed to obtain the needed data and to address the research questions. This included the use of questionnaire and personal interview together. They provided a rich source of detailed information and ensured validation of the findings through triangulation.

The questionnaire and personal interview guides were developed by the researcher adopting some items used in related studies by Yehuala (2008). The researcher constructed four sets of questionnaires. One set was for the Members who are expected to benefit from the Union. The second set was for the Staff. The third set of questionnaires was for Board and Committee members of the Union and the fourth targets the non members of the Credit union.

Survey questionnaire

The questionnaires were constructed and piloted in order to detect any ambiguities or inherent problems. From the comments and remarks from the pilot questionnaire respondents, the entire questionnaire was revamped and improved upon. While some questions were open-ended items (where respondents provided their own responses), a few were close-ended items (where respondents were offered options from which they were to select those that they deemed appropriate).

The questionnaire was designed to capture detailed profile of the respondents in addition to assessing factors that attract people to join the Union; identifying the products and services members patronize most from the CU; which category of members are benefitting more from the CU; ascertain how people in the area perceive the services rendered by the Union; and what prevents people from becoming members of the Union.

Personal interviews

In order to complement the responses from the questionnaires, the researcher also conducted face-to-face interviews with some other WACCU stakeholders, largely CUA officials and some opinion leaders who are non-members of the Union. As was the case with the questionnaires, the interviews were basically focused on the unique role Credit Unions are playing in poverty reduction in the country and yet Upper West still top on the list of poverty.

Data collection procedure

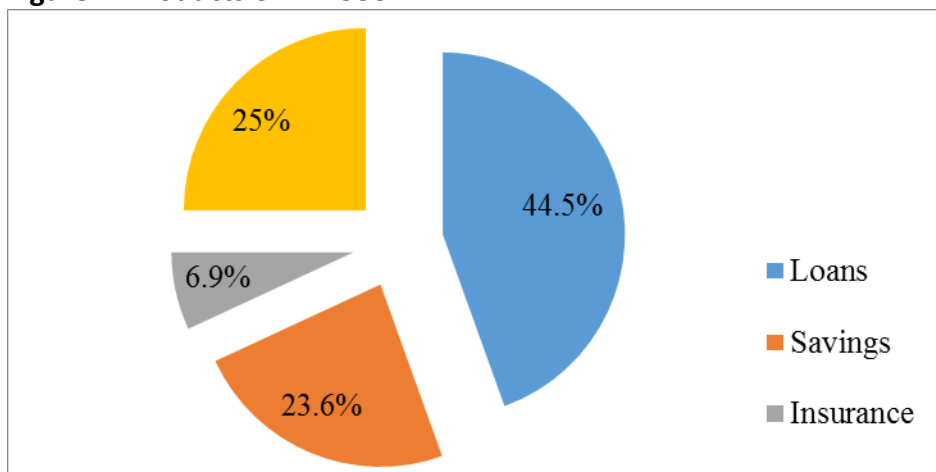
The questionnaires were administered by the researcher to respondents in their various workplaces and at the Credit Union's office. The researcher gave out the questionnaires and explained each item on the questionnaires to respondents. The respondents were then allowed to respond to the items on the questionnaire. The respondents were informed that the completed questionnaires would be collected back in one week time. This was to give them enough time to respond to all the items on the questionnaire since they were many. The researcher also conducted a face-to-face interview with some illiterate members who could not answer the questionnaire and opinion leaders who are non-members.

Empirical Data

Members' Awareness of the Products and Services of the Credit Union

The study went further and tried to see if respondents were aware of the products and services of the credit union which they could assess to improve their lives. It came out that 80.6% of the members of WACCU said they were aware of the products of the Credit Union whilst 19.4% said they did not have good knowledge of the products of the Union. When probed further, the respondents mentioned four products that they were aware of. Paramount amongst them is loans which 44.5% of the respondents said they were aware of.

Figure 1: Products of WACCU

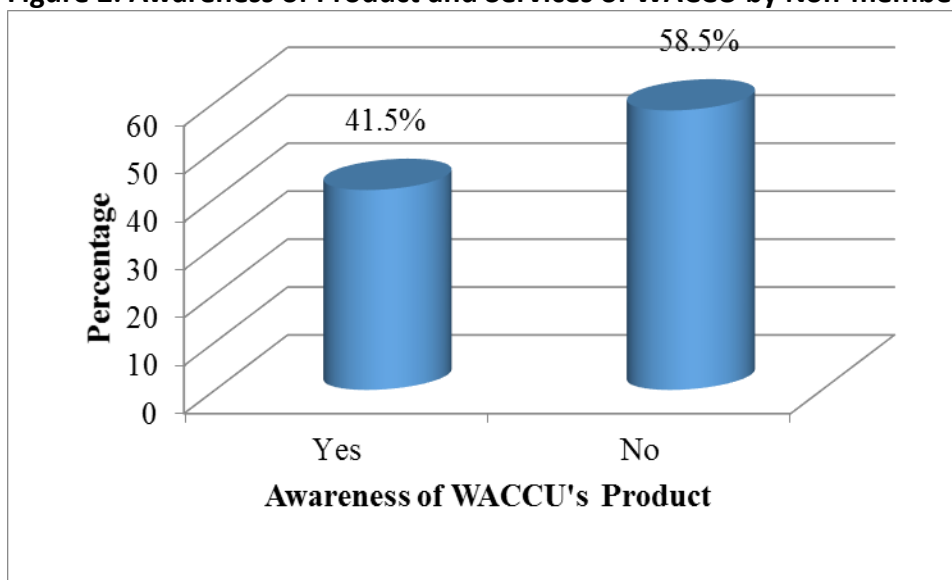


Source: Author's Field Survey, July 2014

About 23% of the members said they were aware of the fact that they could save their monies with the Credit Union whilst only 6.9% of respondents said they were aware that they could do some kind of financial insurance with the credit union. The rest of 25% said they knew the credit union sometimes advises members on how to invest their monies. This is shown in Figure 1.

Although the non-member respondents do not deal directly with WACCU, they study sought their knowledge of the Union's products and services. Questions were basically on their awareness of WACCU's products and services, and the extent to which these products and services were beneficial to members. As shown in Figure 1, 41.5% of respondents had knowledge of WACCU's products while 58.5% had no idea of the Union's products and services. This is indicative of the office-centered approach of the Union in serving its market.

Figure 2: Awareness of Product and Services of WACCU by Non-members



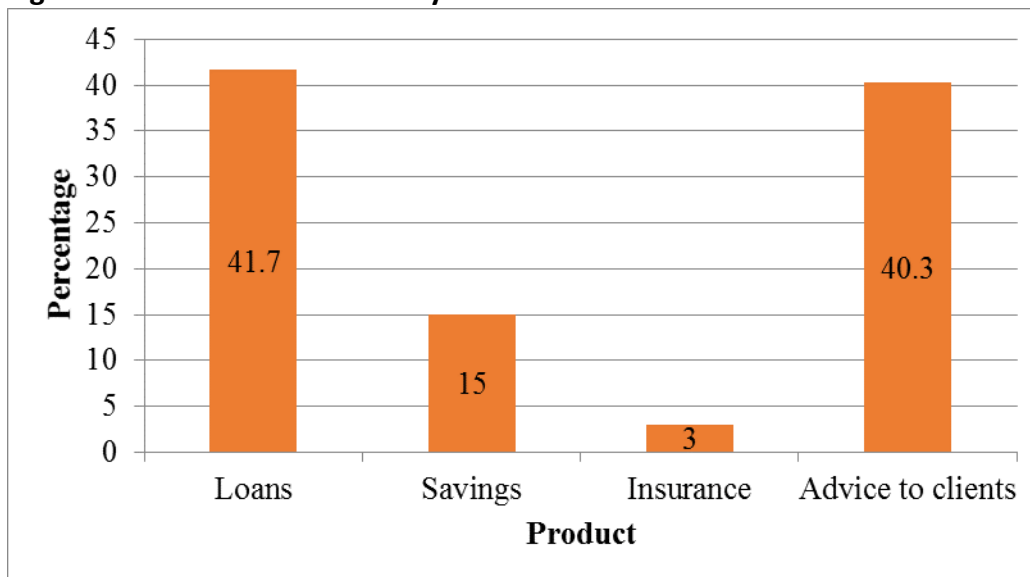
Source: Author's Field Survey, July 2014

Of the 54 respondents (41.5%) who had knowledge of WACCU's products, eight (representing 15%) knew of only the Union's susu facility while the remaining 85% indicated they knew of WACCU's susu and loan facilities. In terms of whether WACCU's products were beneficial to members, 85% of non-member respondents stated yes while 15% were not sure if this were the case. The 85% who indicated the Union's products were beneficial identified that both susu and loans were very crucial in empowering members economically. It can therefore be inferred from the responses of both members and non-members that the WACCU has similar product (savings and loans) as those that other microfinance institutions offer to their customers (CUA Biennial Report, 2007). Hence the credit union can be said to be giving assistance to members who so desire such services from them.

The most Important Product to Members

The study also tried to know which of the products or services that members of the Wa Cooperative Credit Union like most and it was discovered that most of the members (41.7%) preferred the loans from the credit union to any other product.

Figure 3: Product valued most by members



Source: Author's Field Survey, July 2014

Also, 15.0% said they valued the fact that they are able to save their money with the credit union more than any other product offered by the credit union whilst 3.0% of them preferred the insurance and the other 40.3% said they like the financial advice they receive from the credit union. This is illustrated in Figure 3.

It can be seen from the study that just as members of Credit Unions give their monies to the credit union for safe keeping, they might be doing so because they know eventually they will be permitted to collect a certain amount of loan from them. Most members of the credit union

therefore have accounts with the union because they want to eventually get a loan which they can use to either start or expand their businesses since the study shows that loans are the most valued services that members want from the union.

Reasons for Non-membership of WACCU

The study also sought from non-members the reasons why they had not joined WACCU. Of the 108 (83.1%) participants who responded to the question on why they were not members of WACCU, various reasons were given. Two reasons: difficulty of accessing WACCU's staff (26.9%) and non-visitation of the Union staff to customers or potential members (18.5%) reveal that, perhaps the Union provides more of desk (office) services. However, with the recent proliferation of MFIs in the Wa Municipality, desk services are not competitive; particularly that 18.5% of respondents already deal with other MFIs. Other reasons given by respondents for their non-membership of WACCU were inadequate information about the operations of the Union (representing 14.6%) and long distance of the Union's office premises from respondents (representing). The reason of long distance should not be a barrier if the Union is able to provide mobile services.

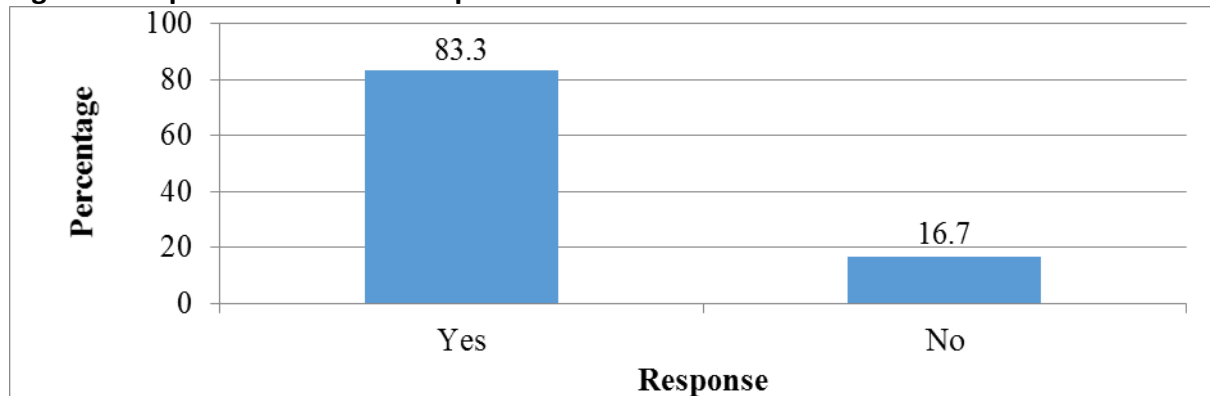
Table 4: Respondents' Reasons for Non-membership of WACCU

Response	Frequency	Percent
Difficult to see their agent	35	26.9
Save with another institution	24	18.5
Not much information about them	19	14.6
No agent has visited my workplace	24	18.5
Long distance	6	4.6
No Applicable	22	16.9
Total	130	100.0

Source: Author's Field Survey, July 2014

As presented in Figure 4, 83.3% of the non-member respondents are clients of other MFIs or schemes in the municipality. The study revealed that the Union is in competition with Dalex Financial Services, Multi-Credit, Future Leaders Microfinance, First National Bank, Nandom Rural Bank, Ghana Commercial Bank and DKM Microfinance. Thus, WACCU would only be able to attract these non-member respondents by creating a niche for itself.

Figure 4 Respondents Membership of other MFIs



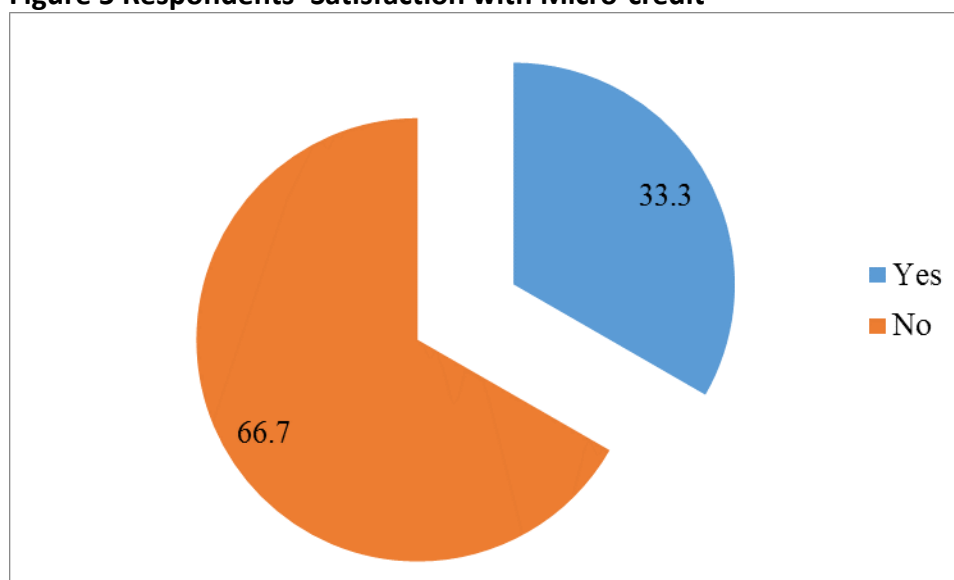
Source: Author's Field Survey, July 2014

Extent to which Clients Effectively Access Micro-credit from the Credit Union Microcredit

History of Respondents

Microcredit is often justified by notions of equity or fairness: everyone should have clean water and health care, and everyone should have the right to exploit their talent. For that, access to credit is crucial (Economist, 2005). Abaluk (2012) also notes that access to financial services in any form is imperative for the development of the informal sector and also helps to mop up excess liquidity either as surplus or investment capital for national development. The study revealed that 57.9% of members and 33.3% of non-members have ever accessed microcredit as against 42.1% of members and 66.7% of non-members who have never accessed microcredit. This confirms the assertion by former United Nations Secretary General, Kofi Annan that *"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. [Thus] the great challenge before us is to address the constraints that exclude people from full participation in the financial sector"*.

Figure 5 Respondents' Satisfaction with Micro-credit



Source: Author's Field Survey, July 2014

Interestingly, an average of 75% of both categories of respondents indicated that the credit accessed was insufficient for their intended purposes. The rest, constituting 25% were however satisfied with the amounts accessed.

How Credit was assessed from the union

Most microfinance companies exist to offer financial support to individuals and small business. However, it is contentious whether all these microfinance companies are able to meet the exact needs of their clients and members. This study therefore sought to find out how the Wa Cooperative Credit Union is able to meet the micro credit needs of their members. Basically, members said they were able to access micro finance in cash from the credit union. About 80% of the respondents represented by 156 members said they were able to access microfinance from the credit union in the form of cash. The remaining 38 (19.7%) of the respondents said they were able to access microfinance from the credit union through certain services they provided them. This is shown in Table 5.

Table 5: How Microfinance was accessed

Form of Microfinance	Frequency	Percentage
Cash	156	80.3
Services	38	19.7
Total	194	100

Source: Author's Field Survey, July 2014

The credit union which is a non-bank financial institution deals in cash as it receives and gives out cash to members. It also gives other non-monetary services to people but not on the scale that cash is given. From the study, it can be seen that the credit union has given more cash support to their members than non-monetary support.

Terms of Accessing Credit from Microfinance Institutions

Imran, Hulme and Rutherford (undated) have noted that the depth in outreach of a microcredit product depends on its content, flexibility, terms and conditions. In other words, the degree to which the products offered meets poor people's special needs by tailoring the characteristics of the products to them.

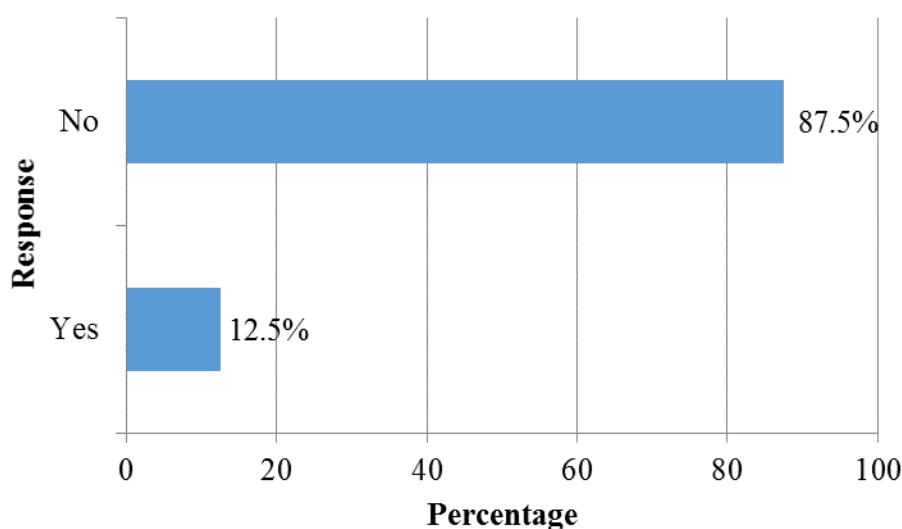
As to whether non-member respondents thought that the terms of accessing credit from other MFIs were better than the terms within WACCU, respondents were equally divided (50:50) in responding 'yes' and 'no'.

The study identified that the maximum amount of credit that MFIs are willing to give to their clients depended on various factors such as purpose of loan (31.3%), amount of clients' savings

(43.8%) and number of years client has been with the institution (6.3%). However, 18.8% did not know of any factors that determined the amount of credit clients could access.

The duration for repayment of microcredit ranged from less than one year to two years. As shown in Figure 4.11, 87.5% of respondents who have ever accessed credit from MFIs think that the time allowed them for repayment of the loan is inadequate. They gave reasons such as low sales and profit, affecting their ability to pay back within the stipulated period. This result confirms the assertion that time allowed by MFIs for repayment of microcredit is sufficient to enable additional loans (in new microcredit programs) (Dunford, 2001). It also affirms Perry's conclusion that the terms of loans offered by MFIs are generally ill-suited for emergency/consumption purposes (Perry, 2002).

Figure 6: Do MFIs give Clients Adequate Time to Repay Micro-credit?



Source: Author's Field Survey, July 2014

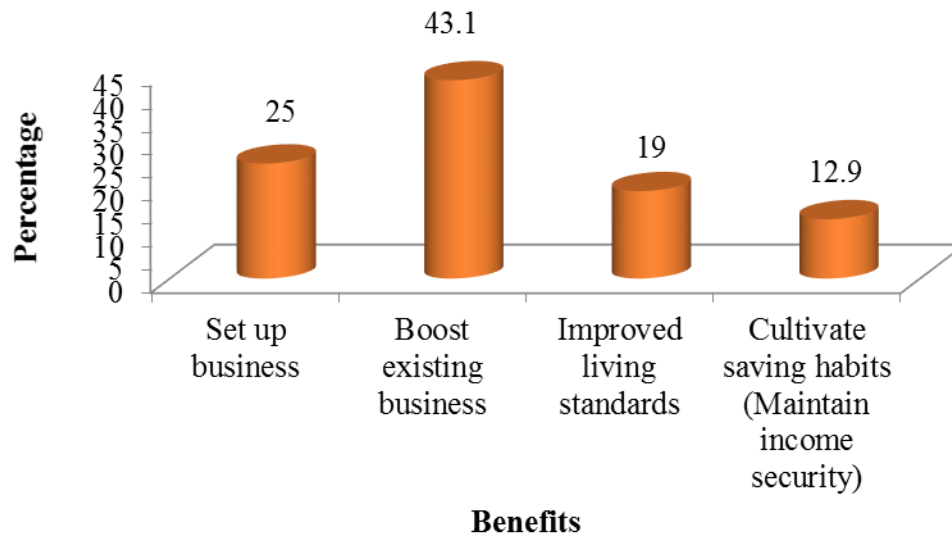
Extent to which the Union has Empowered its Members Economically Generally, literature on the extent to which MFIs have empowered their members or clients is mixed. Just as there is extensive literature advocating the positives of MFIs, there is equally a great amount of criticism of the failure of MFIs to empower their clients economically. This section of the study presents results on the extent to which WACCU has empowered its members economically.

Benefits of the Credit Union

To know how beneficial the credit union has been to members, the study found that the credit union has helped more than 25% of the respondents who said the credit union has helped them to set up businesses through the loans that they received from the union. Another 43.1% said the credit union has helped them to boost their business in one way or the other and about 19% of the respondents also said joining the credit union has helped them to improve their

living standards. The remaining 12.9% of the respondents said their membership of the credit union has made them maintain income security through their savings, thus also gaining the respect of their peers when it comes to certain decision making processes.

Figure 7: Benefit of the Credit Union to members



Source: Author's Field Survey, July 2014.

From the study it can be seen that most members who go for assistance from the credit union uses it to boost their business. This it is believed is what has trickle down effects on the other aspects of the lives of the members. As their businesses improve, so will their finances improve and hence their general outlook on life will also improve.

Non WACCU member respondents' opinions were sought on their perception of extent to which WACCU had empowered its members. Of the 54 respondents who responded to the question of how WACCU had economically empowered its members, 26 (48.1%) of them think the Union help its members with funding to establish small businesses. Other opinions of empowerment are presented in Table 6. Those who did not respond to the question did not have any idea as to how the Union empowers its members economically.

Table 6: Non-members' Opinions on how the Credit Union Empower its Members Economically

Empowerment	Frequency	Percentage
Set up business	26	48.1
Boost existing business	10	18.5
Improved living standards	8	14.8
Cultivate saving habits (Maintain income security)	10	18.5
Total	54	100.0

Source: Author's Field Survey, July 2014.

The respondents noted that the Union needed to do more to empower its members economically. They proposed such measures as training of members on how to manage credit / funds, training on how to manage their businesses as well as financial and technical advice.

Challenges that the Wa Cooperative Credit Union faces in its poverty reduction efforts

The study revealed that some of the challenges that the Credit Union faces include unfavorable policies that the Bank of Ghana gives to them, such as how their operations should be carried out. More than 11% of the respondents said a major challenge to the credit union was unfavorable policies by the Central Bank. A large share of the respondents also saw the interest rate to be very high and hence causing a challenge to the poverty reduction efforts of the credit union. The remaining 23.2% of respondents said that defaults in loan repayment is another challenge they believe might be hampering the work of the credit union as presented in Table 7.

Table 7: Challenges of WACCU Identified by Members

Challenge	Frequency	Percentage
Unfavorable Policies	22	11.3
High Interest Rates	127	65.5
Loans Default	45	23.2
Total	324	100

Source: Author's Field Survey, July 2014.

Members of the credit union said the interest rates charged by the credit union are quite low compared to other microfinance institutions. However, they believed that this rate would have been lower had the Bank of Ghana not imposed some very high rates for the Credit union.

A significant 58% of non-member respondents identified default in credit repayment as the major challenge facing the poverty reduction efforts of WACCU. This confirms the assertion that MFIs providing both social services and microfinance have typically shown themselves to be inept at financial management, unable to manage loan delinquency (Marguerite, 2001). It also follows the conclusion that microcredit is at the risk high defaults and subsequent programme termination (Albee, 1996). The rest (i.e. 47) had no idea of the factors constraining the Union's poverty reduction efforts. The respondent noted that default reduces the Union's ability to grant more credit to other members.

Table 8, contains non-members' proposed innovations that can be adopted by WACCU to improve its poverty reduction efforts.

Table 8: Ways by which WACCU can improve upon its Poverty Reduction Efforts

Proposition	Frequency	Percent
Increased the loan amount	38	29.2
Reduced interest rate	8	6.3
Skill development of members	70	54.2
N/A	14	10.4
Total	130	100.0

Source: Author's Field Survey, July 2014.

These propositions by respondents reflect recommendations by researchers that if MFIs must operate efficiently, they need to maintain competitive interest rates, and provide services that their clients consider attractive compared to those of other MFIs (Gibbons and Meehan, 2000; Dunford and Denman, 2000). These Market mechanisms enable MFIs to efficiently operate and achieve financial sustainability. They also make MFIs more attractive and client-centered.

Conclusions

From the study, it is clear that the credit union is a financial institution which deals with all manner of persons in society, particularly the poor. They receive savings from their members and also give out loans to their members. In addition, they provide some form of advisory services to members. Members are generally in the working class and are in one business or the other. All members of the union also own a mobile phone which they use for both personal and business purposes. These characteristics of the members were however not seen to be

different from non-member citizens of the Wa Municipality. Thus, WACCU in practice has not enhanced the socio-economic characteristics of its members beyond the ordinary.

It can also be concluded from the study that in spite of the other products or services of the credit union, loans are the major reason why members join the union. This is because the credit union does not give loans to non-members, hence people who need loans from them first have to open accounts with them before they can access them. Basically, the microcredit that they give to their members is normally in cash but they also give other forms of microfinance to their members that might not necessarily be in the form of cash. However, the Credit Union's products remain largely traditional with little innovations to suit the peculiarities of members. The Union's products also remain largely unknown among non-members, thus limiting the access needs of other poor members of society.

With the assistance they members receive from the credit union they are able to support their families better. They normally use the finance from the credit union to ensure their businesses grow and they also directly use the finances to take care of their responsibilities such as educating their children. The extent to which these benefits empower members is generally limited as terms of access such as time for repayment of loans and interest rates were unfavorable to most members.

Recommendations

Although the credit unions are effectively operating as microfinance institutions which are helping in reducing poverty among their members, there is still more that needs to be done to make them better institutions for their members and the state as a whole.

Policy makers should ensure the regulations that they give to the credit unions are things that will rather encourage more people to join the union. This it is believed will ensure the poor who feel they cannot be members of the formal banking sector joins. When such people are able to identify themselves with the credit union, it will not only give them a place where they can keep their money for safe keeping but also one where they can easily draw more financial help from. Such finances they can eventually use to start some forms of business or if they were already in a business, they could use that finance to expand the business. Also, they will be able to benefit from the financial advice that the credit unions offer their members. The bank of Ghana should also reduce the interest rates given to the Credit Unions so that more people can access financial support from them since the poor people are likely not to spend their finances on ostentatious goods but on necessities. This will likely improve the general economic situation of the nation.

The Management of the Credit Union Association (CUA) of Ghana should introduce mobile phone banking into their unions since most of their members own mobile phones. This will ensure members are aware of transactions from their accounts even on the go. The researcher has also observed that the credit union is not using other electronic systems such as the ATMs machines yet. If they could introduce such at their various branches, it could help members from other branches that travel to other areas be able to access their own finance. Some members also join the formal banks just because they may not have access to their finances when they travel out of town.

The credit union should also organize regular trainings and seminars for their members. For instance when the credit union organizes a training program on “growing your business” for members, it will help members learn how to grow their business, give them some important business contacts and eventually help their businesses to prosper. As their businesses prosper, so the financial strength of the union will also grow. Most of the Non members of the credit union attributed their non membership of the credit union to the fact that no one come around to collect monies from them. Hence the union should also introduce mobile bankers into the system to go around and collect monies from members who might be too busy to always send their money to the credit union premises to save. This will help to grow the membership strength of the union.

Future researchers should send an introductory letter and intent to the Board of Directors (BOD) very early so that they can be given approval by the BOD to either administer questionnaire to staff or for the management to grant them interviews.

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