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Full Length Research Paper

Spatial and socio-economic dimensions of clients of microfinance institutions in Ghana

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In applying microfinance as a strategy to create wealth and reduce poverty, developing countries have had to contend with individual and spatial dimensions of interventions. This paper contributes to the debate on spatial and socio-economic dimensions by examining the backgrounds of clients and non-clients of microfinance institutions in Ghana. Data were collected from 1,628 client households from 17 microfinance institutions and 1,104 non-client households in the three ecological zones of the country. Using the non-clients as control, the Microfinance Poverty Assessment Tool was adopted to analyze the background of clients and outreach of the selected institutions. Two regions of high well-being are ringed by relatively well-off areas, with the highest levels of poverty found in the northern parts of the country. While at the national level institutions served more poor clients in the less well-off areas, within region comparison showed higher reach of non-poor even in those poor areas. Outreach by gender was minimal, and clients in self- employed agriculture tended to be in the lowest quintiles compared to those in non-farm activities. While targeting less well-off areas at the national level will automatically lead to supporting the poor, it is necessary to address within-area variability. Gender-based strategies are needed to target more females in the lowest quintiles and policies need to focus on clients in agriculture who tend to dominate in the low quintiles. This is particularly important in a country whose economy is agriculture-based.

Key words: Regional variation, clients, poverty, microfinance, Ghana.

INTRODUCTION

In the 1970s non-governmental organizations (NGOs) in Bangladesh, Bolivia and Brazil began an experiment of extending small loans to the under privileged in society as a strategy for creating wealth and reducing poverty among the poor (Zaman, 2004). The concept, now known as microfinance, has been adopted by a number of developing countries. The realization that people who are relatively poor can borrow, use and repay loans has generated a great deal of interest in microfinance among policy makers and development practitioners as strategies for poverty reduction (Consultative Group to Assist the Poor (CGAP), 2005). Recognizing the role microfinance can play in achieving the Millennium Development Goals (MDG), the United Nations declared 2005 as the year of microcredit (United Nations, 2003). Under the theme of "building inclusive financial sectors", the programme for the year had the following objectives:

- Assess and promote the contribution of microfinance and microcredit to the MDGs.
- Increase public awareness and understanding of micro-finance and microcredit as vital parts of the develop-ment equation.
- Promote inclusive financial sectors.
- Support sustainable access to financial services.
- Encourage innovation of new partnerships by promoting and supporting strategic partnerships to build and expand the outreach and success of microredit and microfinance.

The United Nations' Resolution that established the year also called on member countries to "highlight and give

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enhanced recognition to the role of microcredit in the eradication of poverty, its contribution to social development and its positive impact on the lives of people living in poverty" (United Nations Resolution, 1998/28).

Diverse methodologies are used to provide financial services such as savings, credit, and insurance to relatively poor clients, yet they follow the same philosophy of group lending, forced savings, small loan amounts and short repayment periods. The experience that microfinance institutions (MFI) can generate sufficient revenue to cover the relatively high cost and risk involved in small transactions has led to the view that it is possible for microfinance to be carried out sustainably. There is also growing interest in savings, both as a financial service desired by the relatively poor (for investment and/or managing vulnerability) and as a sustainable source of income, for the expanding outreach of MFI.

With the growing interest in microfinance around the world, the strategy has come to signify the future for socio-economic transformation of developing countries. Depending upon the country, a number of institutions have emerged to provide services to the poor. These now include rural banks, postal services, credit unions, financial non-governmental organizations, savings and loans, as well as mutual funds such as *susu* in West Africa (Aryeetey, 1998). National level analysis tends to obscure spatial variations and sectors within countries, arising from scope of service delivery and in-country dynamics. Ganga et al, (2005), in an assessment of microfinance outreach and impact in Sri Lanka, observed that although the wide geographical spread of microfinance institutions is commendable, some institutional types based on legal and ownership structure, are not found in some rural areas. Fouillet and Augsburg (2007) have observed intra-district inequalities in microfinance interventions in India and have attributed the variations to unequal capacities of institutions operating in geographical areas. Similar variations in space in the outreach of microfinance institutions have been observed in Kenya (Osterloh and Barret, 2006) and Mozambique (Pisco and Diaz, 2007). These spatial variations have been attributed to legal and ownership structure, capacity and nature of the operations of institution. These institutional factors may interact with area-specific issues to reinforce spatial variability. The available evidence suggests studies beyond the national level to identify spatial patterns which, in the long run, will contribute to identifying and developing strategies with socio-spatial dimensions.

This paper contributes to the debate on identifying individuals and groups for support by examining the background of clients of microfinance institutions and non-clients in Ghana, the latter serving as a control group. It presents results on the profile of clients of selected MFIs and non-clients in the three ecological zones and by rural-urban residence. The aim is to bring out spatial variability in levels of poverty vis- à-vis the activities of selected microfinance institutions in the country. Understanding the spatial dimensions of the activities of MFI will help to direct resources and attention to areas where they are most needed.

Context of poverty reduction strategies

Since the 1990s the proportion defined to be in extreme poverty worldwide has been declining. However, the decline has been mainly in Asia and Latin America while that of sub-Saharan Africa has continued to increase. For instance, between 1990 and 2001, the population in extreme poverty in China declined from about 375 million to 212 million, but for sub-Saharan Africa the number increased from 227 million in 1990 to 313 million in 2001 (Friedman, 2006). This growth in the population in ex-treme poverty in sub-Saharan Africa constitutes one of the challenges in the international community. MDGs and associated activities such as debt relief for Highly Indebted Poor Countries (HIPC), Education For All (EFA), Poverty Reduction Strategies and International Year of Microcredit have been launched partly in response to the human tragedies associated with poverty and under-development. Therefore, microfinance as a strategy for eradicating poverty is seen as a tool for socio-economic development in countries such as Ghana.

As a service for people who ordinarily do not possess the collateral and other conditionalities demanded by commercial banks due to their socio-economic status (Marr, 1999), one of the challenges in microfinance is also identifying 'the poor' for assistance, especially in countries and areas where the majority are classified as 'poor'. The debate feeds into the general issue of defining who is poor. Ordinarily, poverty has been defined within the context of income, with international organizations using one dollar (US) as a cut-off point. The inadequacy of the income approach has led to the search for other dimensions of poverty (UNDP, 2006). Narayan and others (2000), for instance, have identified poverty to include material well being (food, housing, assets etc), psychological aspects (having a voice, power, etc.), access to infrastructure (roads, schools, water, and health) and other services.

In 1990 when the Human Development Index was first introduced, Ghana ranked 121st among more than 160 countries for which data were available (UNDP, 1990). In 1996, Ghana slipped to 174th out of nearly 200 countries and ranked 129th in 2003 out of 179 countries (UNDP, 1997; 2000a; 2003). Although the position of Ghana declined within the period due to the increase in the number of countries covered in the last decade, the information reflect the general trend of low wellbeing in the country. As with a number of African countries in the 1980s and early 1990s, Ghana has become an aid-dependent country due to decline in income from primary commodities which form the bulk of the country's export. There has also been less investment in human capital compared to other countries at the same level of socio-economic development in the 1980s. In general about 32% of the adult population have never been to school whilst another 25% had been to school but failed to obtain any certificate (Ghana Statistical Service, 2002; Oduro, 2001; World Bank, 2000).

Overview of economy of Ghana

In the 1970s and early 1980s, Ghana experienced a sharp decline in its macroeconomic performance and the period has been described as the most turbulent for the economy since independence: Real gross domestic product grew at -1.5% per annum in 1978-1983, and inflation hit 116% in 1977 and 123% in 1983 (Sowa, 2002). There was shortage of almost every conceivable item: food, raw materials and even water. Then in 1983, in the midst of drought and bush-fires, nearly a million Ghanaians were expelled from Nigeria. To re-invigorate the economy, the then government adopted an Economic Recovery Programme (ERP) in 1983 with the aim of freeing the economy from its downturns, and the Structural Adjustment Programme (SAP) of 1986 which, among other things, sought to introduce a liberalized trade and investment regime, pursue an export-led economic growth strategy and consolidate the turn-around achieved through ERP. Although these programmes succeeded in halting the decline in the economy, the state of wellbeing for the majority of people rarely improved. This led to the Programme of Action to Mitigate the Social Cost Adjustment (PAMSCAD) which was intended to compensate for some of the negative outturns associated with liberalization and divestiture of most state owned enterprises. The net effect on the livelihoods of Ghanaians was generally negative as results from the 1991/1992 living standards survey indicated: 52% were classified as poor (living on C900,000 per annum), with 37% of that population, living in extreme poverty (less than C700, 000(As at the time of the survey, $1 = ¢2700. Thus the amount translates to $259 per annum).

Between 1991/1992 and 1998/1999, there appeared to be some improvements in the state of wellbeing. For instance, the national incidence of poverty among the extreme poor (living on less than ¢700,000 a year) declined from 52 to 40% and the incidence among the poor (those living on less than ¢900,000) declined from 37 to 27% (Ghana Statistical Service, 2000). While there was an overall decline in the incidence of poverty between 1991/92 and 1998/99, the three northern regions – Upper East, Upper West and Northern – recorded poverty rates of 70% or higher (88, 84, and 69% respectively), (Ghana Statistical Service, 2000). Three regions, Central, Northern and Upper East, also experienced increase in poverty in the 1990s. The Central Region, a coastal area where tourism has been promoted since 1989, experienced an increase in the proportion classified as poor. The Greater Accra Region recorded the lowest index of poverty of just about 5%.

People employed in non-export agricultural produce were also among the poorest in the country. Finally females were worse off than males on incidence of poverty (Ghana Statistical Service, 2000).

Given the existing situation in the country, one can expect spatial variations as well as socio-demographic differences in the background of clients of microfinance institutions. All things being equal, MFI clients in the three northern regions, where poverty is highest, will be in the low wealth categories. That is, the expectation is that overall there will be more MFI clients in the low socio-economic groups in the poor areas, and MFI clients in the relatively well-off areas are more likely to be in the above average wealth quintiles. It is also expected that given the gender variations in poverty, more females than males will be targeted for support. Thirdly, the prevailing variation in poverty among economic groups will be reflected in the background of clients: people in (small scale) agriculture will dominate in the lowest wealth categories among the clients.

As with other countries that subscribe to MDGs, Ghana has developed two Poverty Reduction Strategies (GPRS I and II) since 2000. The first GPRS consisted of polices, strategies, programmes and projects to support growth and poverty reduction over a three year period (2003-2005). With a subtitle of ‘An Agenda for Growth and Prosperity’, “The Government of Ghana aims to create wealth by transforming the nature of the economy to achieve growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment” (Government of Ghana, 2003a). The emphasis during this period was to stabilize the economy, and lay the foundation for a “sustainable, accelerated and job creating agro-based industrial growth” (Government of Ghana, 2003a). Following the lessons learnt from the first phase, the Government launched GPRS II for 2006 - 2009. GPRS II, operating under subtitle ‘Growth and Poverty Reduction Strategy’, covers three broad areas namely Human Resource Development, Private Sector Competitiveness and Good Governance. Strategies to achieve these objectives are, to a large extent, reflected in the 2007 Annual Budget. For instance, the government increased the allocation of expenditure for health and education by 18 and 37% respectively between 2006 and 2007.

Microfinance for poverty reduction in Ghana

To directly use microfinance for poverty reduction as envisaged in its programme, the government launched the Microfinance and Small Loans Center (MASLOC) in 2006. The main objectives of MASLOC are to:

- Administer Government’s microfinance and loan’s scheme.

- Facilitate co-ordination and capacity building of the sub-sector.

- Enhance collaboration, and develop monitoring and reporting mechanism for the sub-sector.
- Advocate for and advise Government on policies to enhance development of a decentralized microfinance system that is integrated with or linked to the formal financial system.

MASLOC has been established to provide a one- stop shop for all activities on microfinance in the country, and it is expected to co-ordinate microfinance activities of Government which are currently being implemented from various ministries, departments and agencies. In the long run, the Centre will provide policy direction, support services and capacity building and co- ordination with the view to strengthening the sector and ensuring sustainability.

In addition to MASLOC, there is the Ghana Microfinance Institutions Network (GHAMFIN) which is the umbrella body for all microfinance institutions and their governing bodies (Apex Bodies). Established in 1996 as the Micro Finance Action Research Network (MFARN), it changed its name to GHAMFIN two years later. The network consists of the Association of Rural Banks (ARB), the Credit Union Association (CUA), Association of Financial non-Governmental Organizations (FNGO) and the Ghana Co-operative Susu Collectors Association (GCSCA) (Jones et. al., 2000). The latter believed to have originated from Nigeria is a traditional system of pulling resources to create a revolving fund for its members (Aryeetey, 1998). The objectives of GHAMFIN, among others, are to promote and undertake advocacy on behalf of its members, facilitate capacity building for member institutions, serve as clearing house on information about members, including best practices, and faciliate the development of performance monitoring and benchmarking for member institutions. The Bank of Ghana is responsible for all financial aspects of the subsector, including the development of regulatory mechanisms appropriate for different segments of the sub-sector as part of its mandate to regulate the financial sector.

Part of the challenge will be the targeting of potential clients in order to achieve the objective of poverty reduction and wealth creation. The extent to which MASLOC will succeed will depend upon the types of people it is able to target for support. This paper contributes to the search for such strategies in the microfinance industry in Ghana.

Sources of data and sampling

Data for the study is based on a survey of selected households of clients of microfinance institutions and non- clients (Rural Financial Service Project, Bank of Ghana, 2004). For the survey, the country was divided into three ecological zones as used by the Ghana Statistical Service. These are the northern zone, consisting of the Upper West, Upper East and Northern Regions, the middle zone made up of the Brong Ahafo, Ashanti and Eastern Regions Western Regions.

Selection of microfinance institutions and client

Microfinance institutions in Ghana consist of community/rural banks (C/RB), credit union associations (CUA), savings and loans (S&L), financial non-non- governmental organizations (FNGO) and *susu* companies. While the first three types of institutions are fairly regulated and have a relative stable number operating at a point in time, the last two are unregulated and are characterized by high degree of variability in numbers and operational characteristics. At the time of the survey, there were 121 rural banks, 29 FNGOs, 273 credit union associations, 12 savings and loans companies and 1016 *susu* collectors and associations (Jean et al, 2006). The numbers with respect to the last four institutions especially *susu* collectors and FNGOs were really a suspect as the rate of survival for some of them is very low. These characteristics of the various institutions informed the choice of sampling procedure.

Through a consultative meeting with the Association of Rural Banks (ARB) Apex Bank, Credit Union Association (CUA) and GHAMFIN a number of institutions were purposively selected. The approach was to identify institution with a certain number of clients, up-to-date records, and the possibility of being able to locate the institutions and their clients. Based on an assessment, 16 microfinance institutions were selected from the three zones. In addition, one company using *Susu* methodology to mobilize funds was selected, bringing the total to 17 institutions. For the study, four Rural Banks, one Savings and Loans Company, one Credit Union, three Financial Non-Governmental Organizations (FNGOs) and one using a *susu* methodology were selected from the coastal zone; two Rural Banks, one Credit Union, and one FNGO were picked in the middle zone (One of the selected FNGOs operated in two of the zones.); and three Rural Banks and one FNGO were selected in the northern zone. The distribution was informed by the number of institutions in each zone. Funds from the 17 institutions were from their own resources, the government through either a district assembly (the lowest administrative structure in the country) or a Ministry and donor sources such as International Fund for Agricultural Development (IFAD), the World Bank and other bilateral agencies.

Based on sampling from the Ghana Statistical Service of non-client households (see below), 1,800 clients of the selected institutions were targeted and their households served as unit of data collection and analysis. The client households were allocated in proportion to the three ecological zones and the number of institutions in each region. For each institution the number allocated was proportional to size and selected through random sampling. Where an institution had less than 30 clients, all of them were interviewed. Out of the 1,800 targeted, 1,628 were interviewed, indicating a response rate of 90.4%

Selection of non-client sample

As a control group for the depth of outreach of MFI, a sample of non-client households was also selected from the three zones. With the assistance of the Ghana Statistical Service, and using the 2000 Population and Housing Census as frame, 70 enumeration areas (EAs) were randomly selected from the three ecological zones. The number of EAs was allocated proportional to the number in each zone and region. The breakdown at the EA and regional level is as follows; Northern Zone: (12) (Northern: 7; Upper West: 2; Upper East: 3); Middle Zone: (29): (Ashanti: 12; Brong. Ahafo: 7; Eastern: 10); Coastal Zone: (29): (Greater Accra: 10;
Volta: 6; Central: 6; Western: 7).Each selected EA consisted of 17 or 18 households, giving a potential sample size of between 1,190 and 1260 households. Of the target, 1,104 non-client households were successfully interviewed.

Table 1. Variables used in constructing poverty index.

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

Source: Field work, 2004

Data analysis

The data were analyzed using the Microfinance Poverty Assessment Tool (MPAT) developed by the Consultative Group to Assist the Poor (CGAP). The approach, based on the Principal Component Analysis (PCA), combines various welfare variables including housing conditions and characteristics, food security and vulnerability, livestock, education and consumption assets to calculate a household relative poverty index (Table 1). These variables are used as benchmark due to their acceptability globally as indicators of poverty (Henry et al., 2003; Rutstein and Johnson, 2004). The MPAT approach, as a measure of relative poverty, has the advantage of collecting cross-sectional data which can be used to construct a multi-dimensional poverty index. Due to its multi-dimensional nature, the approach is very sensitive in discriminating among different levels of poverty (Henry et. al., 2003).

Attempts at classifying levels of well-being within countries have led to the development of relative measures such as wealth terciles and quintiles (Henry et al., 2003; Rutstein and Johnson, 2004). Used to measure the relative distribution of income, wealth or well-being in society, it has been adopted in the recent demographic and health survey reports. Computed household poverty score normally ranges between $\pm$ 3 (World Bank 2003b). For our study, the computed household poverty score for the non-client household ranged between -3.05 and +2.65, and were subsequently divided into quintiles. A score of zero denotes an average level of poverty, with scores above zero and those below zero connoting relatively less poor (relatively high well-being) and extreme poor conditions respectively. The quintiles for the non-client households (the control group) are used to compare the profiles of client households: any deviation in the pattern of distribution shows difference between client and the non-client households.

RESULTS

Background characteristics of household heads

Of the 1,628 client households interviewed, 64% were clients of rural banks and 28% were clients of financial non-governmental organizations. Thus, the two institutions accounted for over 90% of client households interviewed. Two per cent of the respondents were in institutions using the *Susu* methodology. In the coastal and middle belts, about 70% of the respondents were in peri-urban and urban areas and in the northern zone, over 90% of the respondents were in rural areas [defined as any settlement with population of 5,000 or more (Ghana Statistical Service, 2002)]. In terms of this statistical definition, the 'rural banks' in the middle and coastal zones are technically not located in rural areas since the settlements with rural banks have populations of more than 5,000 people. This then explains the high proportion of peri-urban and urban client respondents in the two zones.

Regional distribution of respondents and by institution is shown in Table 2. The highest percentage of respondents (32%) was in the Central Region, with the next highest being in the Brong Ahafo Region (15%). The lowest proportions of 2.5% were in the Greater Accra and Ashanti Regions. When aggregated by zone, 47% of those interviewed were in the coastal zone, 28% in the middle zone and the rest (24%) in the northern zone.

Female heads accounted for 24% of the 1,628 MFI client households and 28% of the 1,104 non-client households. Among the heads of the client households, a third was aged 40 - 49 years compared to a quarter for the control group. Female heads among both groups tended to be older than the male heads, with slightly more than 22% of females compared to 18% of males aged 60 years or more. Nearly 46% of the client households were in rural districts compared to about 62% of the control group. The slightly lower proportion of the client sample in rural areas than in the non-client household is due to the fact that a substantial number of MFIs deal with urban and peri-urban clients.

Levels of formal education among the two groups were low: in both cases about a third of the heads of households had never attended school. Only about five per cent of the female heads in client households and house-

Table 2. Distribution of clients by microfinance institution and regional.

Region	Rural Banks	Credit Unions	FNGO	Susu	Savings & Loans	Total	Number
Western	9.7	0.0	0.2	0.0	0.0	6.3	102
Central	28.3	41.7	36.5	100.0	0.0	31.8	517
Greater Accra	0.0	0.0	0.2	0.0	100.0	2.5	41
Volta	5.8	0.0	8.9	0.0	0.0	6.1	100
Eastern	9.5	0.0	17.9	0.0	0.0	11.0	179
Ashanti	0.0	0.0	8.9	0.0	0.0	2.5	40
Brong Ahafo	15.3	58.3	8.5	0.0	0.0	14.7	239
Northern	9.6	0.0	18.8	0.0	0.0	11.3	184
Upper East	12.1	0.0	0.0	0.0	0.0	7.7	126
Upper West	9.6	0.0	0.0	0.0	0.0	6.1	100
% of Total	6.3.8	4.4	27.5	1.8	2.5	100.0	
Number	1,039	72	447	30	40		1,628

Source: Field work, 2004

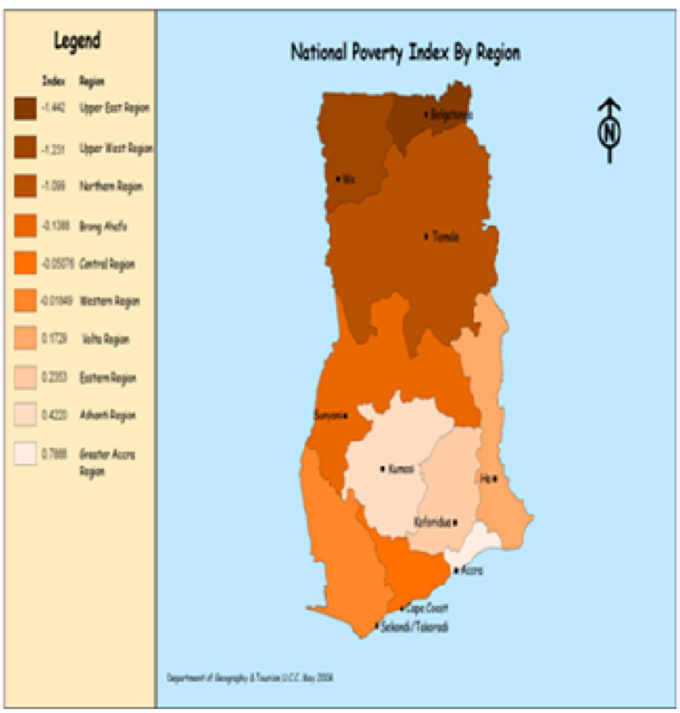

Figure 1. National poverty by region.

about nine percent of the male heads had attained post-secondary education. The differences by sex in educational attainment reflect the trend in the country (Ghana Statistical Service, 2002). Thirty-seven per cent of heads of MFIs client households were in self-employed agriculture, 40% were self-employed in non-farm enterprises and about 15% were employed in the public service. Only four per cent were in domestic/casual work and ano-ther 4 per cent were students and unemployed. About 90 and 81% respectively of the male heads in client and non-client households were living with their spouses compared to only 13% of the female-headed client households and nine per cent of the non-client households. The pattern also shows higher marital residence in rural than urban areas. The proportion widowed, divorced or separated was also higher among non-client than the client households in both the rural and urban areas.

Spatial patterns of poverty among respondents

Poverty profile by region of client and non-client households

Regional pattern of poverty for the control group, (Figure 1) shows a core area of high well being in the Greater Accra, Eastern and Ashanti Regions, which is ringed by relatively better-off areas consisting of Volta, Brong Ahafo, Western and Central Regions. In the second group, respondents in the Central region reported the lowest level of well-being. The third area is the three northern regions which show very high levels of poverty, with the Upper East Region, reporting the highest. The results from the control group, similar to observed patterns from the Ghana Living Standard Surveys (GLSS 2 and 4) (Ghana Statistical Service, 2000), forms the basis for assessing the background of households of clients and the outreach of the micro-financing institutions surveyed.

Given the PCA model, 20% of the population is expected to be in each quintile. To achieve a complete matching of the backgrounds of client and non-client households, 20% of the MFI client households should also be in each of the quintiles. As shown in Figure 2, although clients of MFI are found in all the quintiles, the graph is slightly skewed towards the higher quintiles, implying more relatively non-poor population among clients of MFIs than the non-client population. For instance, 31% of MFI clients

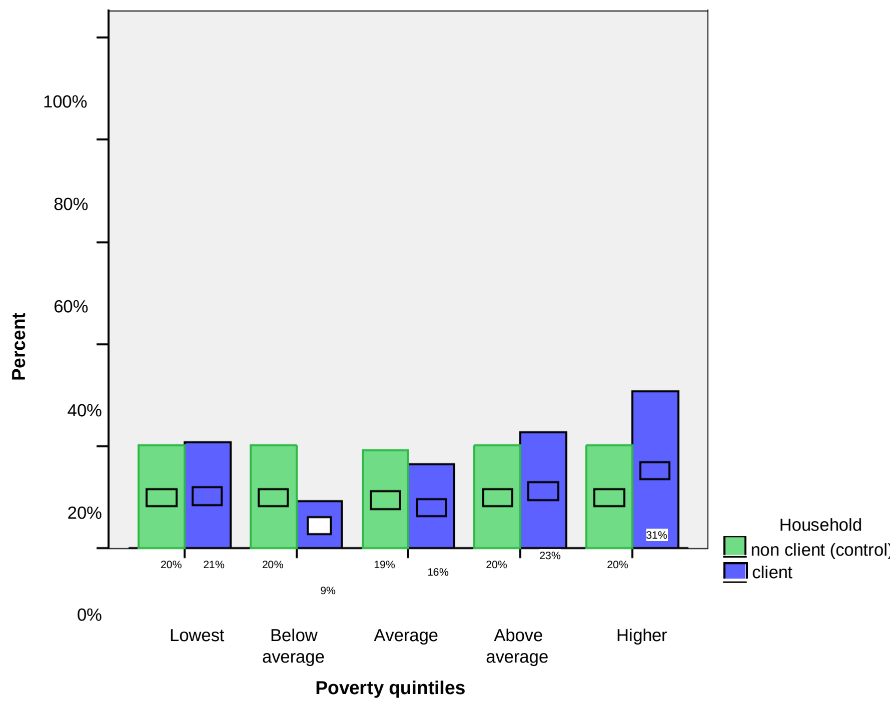

Figure 2. Poverty pattern of client and non-client.

Table 3. Indices of poverty by region.

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

Source: Field work, 2004

are in the highest quintile followed by 23% in the above average quintile (Figure 2), totaling 54% in the two highest quintiles (compared to the expected 40%). The proportion in the lowest two quintiles is 30%, but with 21% in the lowest quintile. What emerges is more MFI clients in the higher ends of the wealth quintiles than non-client households.

Indices of poverty from the PCA by region for heads of both client and non-client households are shown in Table 3. With zero as the average, any index below zero (negative) indicate low poverty scores while those above zero (positive) connote relatively high well being. For Greater Accra, Ashanti, Volta and Eastern Regions the indices for both the clients and the non-clients are positive, indicating that they are within the same non-poor categories. In the case of the three northern regions - Northern, Upper East, Upper West – the indices for the clients and the non-clients are below zero (high levels of poverty). Thus for these two groups, the signs are the same for client and non-client households, implying similar backgrounds. For the other three regions, there is a mis -match between the poverty profiles of non-clients and clients: in the Western, Central and Brong Ahafo Regions the indices for respondents in the control group are below zero (relatively poor), but the clients of MFI are in the average to above average quintiles. For instance, in the Brong Ahafo Region the index for the control group is -0.139, indicating high level of poverty compared to an index of 0.725 for clients, which is in the above average category. The mis-match could be due to sampling issues or the nature of outreach among MFI in these three regions, the latter implying that the MFI institutions reach relatively high economic groups than the general population or both. The results indicate three general patterns: MFIs in relatively well-off areas reach those who are also well-off, in the relatively poor areas clients also tend to be poor but in areas which are in between the two, clients tend to be in either the poor or non-poor category, compared to the general population.

To further explore the spatial variations, the national average of the background for the control group was compared with the backgrounds of clients in the coastal and the northern zones (Figures 3a and 3b); and then the background for the control group for a zone was compared to the clients in the zone - within zone comparisons (Figures 3c and 3d). [The patterns for the middle and the coastal regions were found to be similar and so the coas-

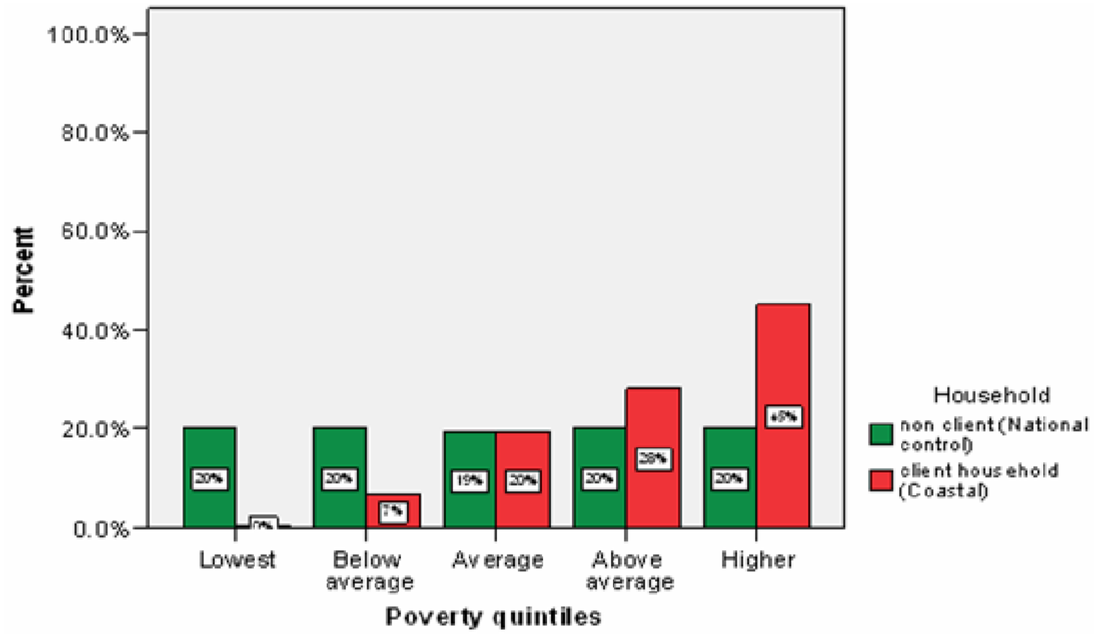

Figure 3a. Poverty profile of clients in coastal zone compared to national control group

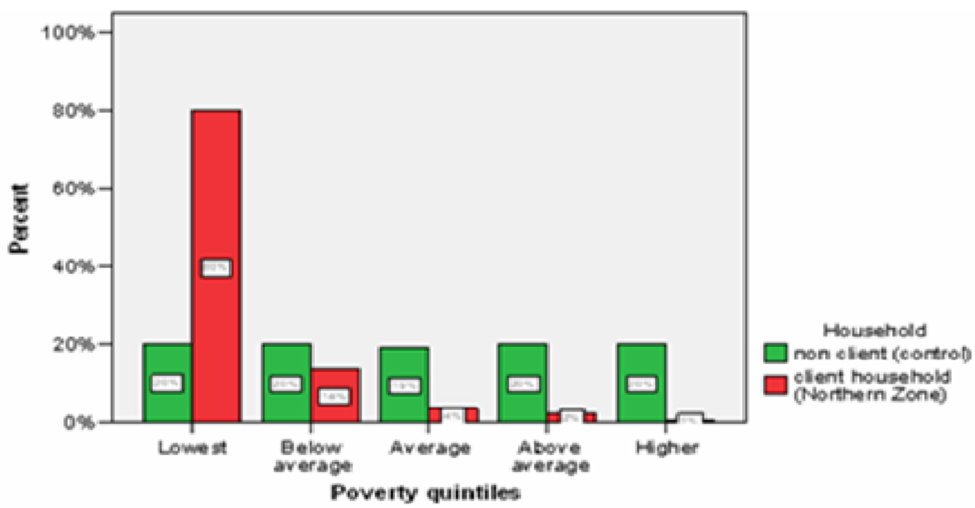

Figure 3b. Poverty profile clients in northern zone compared to national control group

tal zone was chosen for comparison with the northern zone.] Using the national average of the control group for comparison, 73% of the clients in the coastal zone were located in the two highest quintiles and only one per cent was in the two lowest quintiles. For the northern zone, only two per cent of the clients were in the highest two quintiles but 80% were in the lowest quintiles (Figures 3a and 3b). Based on the national average, the results indicate sharp difference in the background of MFI clients for the two zones: the majority of the clients of MFIs in the northern zone were in the lowest quintile (80%), but the majority in the coastal zone were in the highest quintile (73%), reflecting the high levels of poverty in the three northern regions (Figure 1).

Figures 3c and 3d compare the economic profile of MFI client households with that of non-client households within the same zone; that is the clients of the northern zone with the non-clients of the zone and the same for those of the coastal zone. Based on the control population within the zone, 59% of clients in the coastal zone could be found in the two highest quintiles and 16% in the two lowest quintiles. For the northern zone, 71% of client households were in the two highest quintiles and only 11% in the two lowest quintiles. The results indicate that

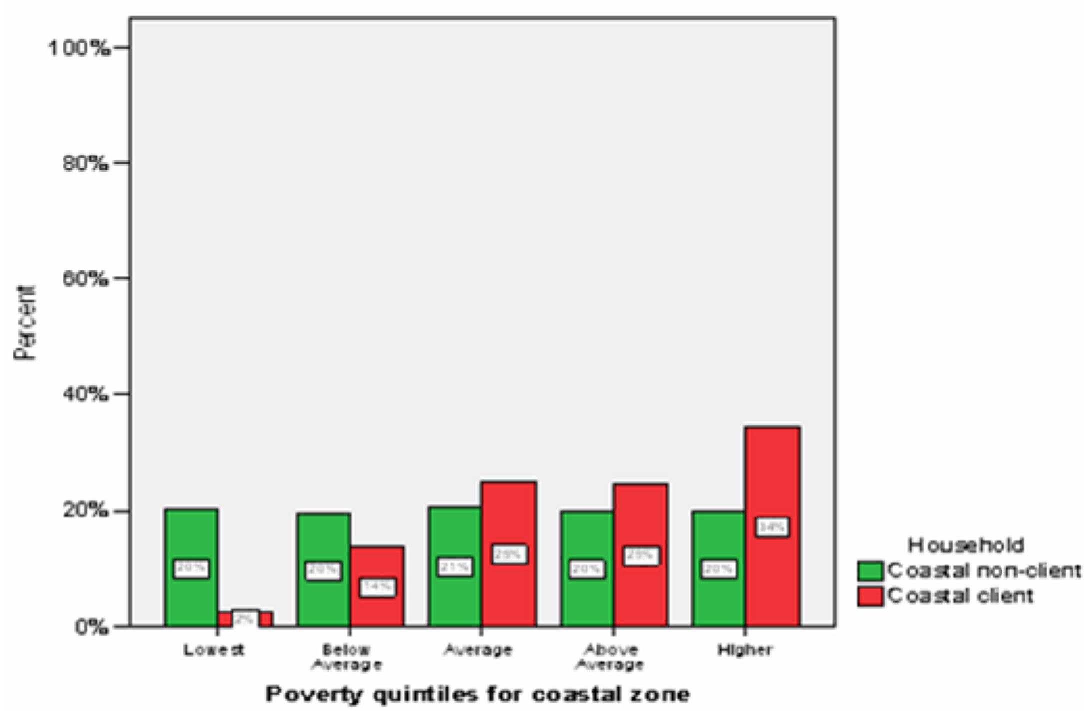

Figure 3c. Poverty profile of clients in coastal zone compared to coastal control group

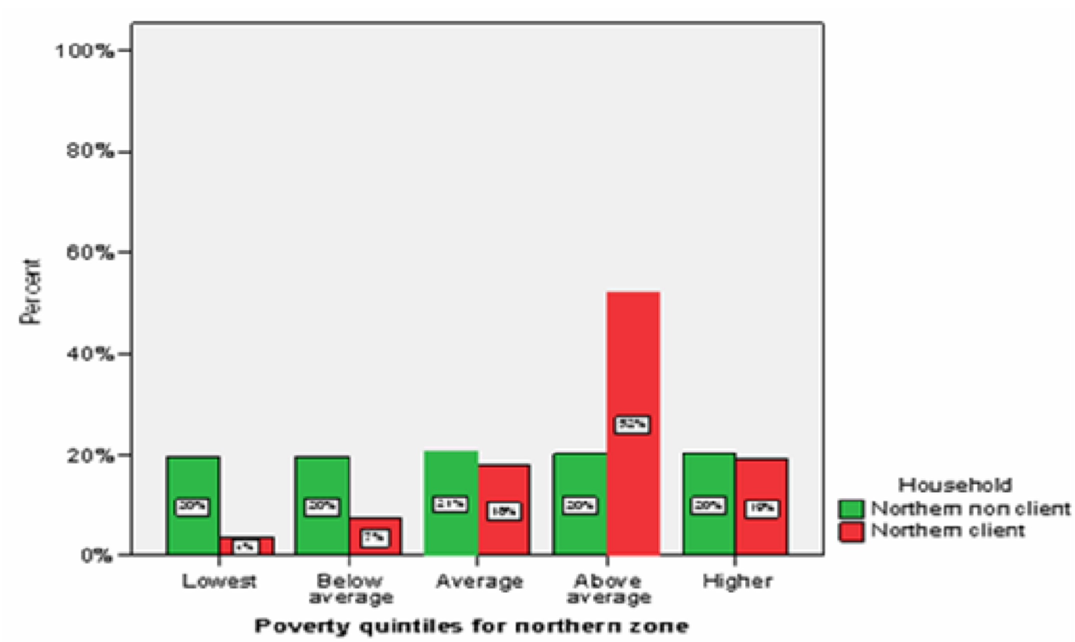

Figure 3d. Poverty profile of clients in Northern zone compared to northern control. group

microfinance institutions in the coastal zone are able to reach more relatively poor people in the zone, using the non-clients within the zone for comparison (73% at the national level but 59% for the within- zone group in the two highest quintiles and two per cent and 16% respectively in the two lowest categories). For the northern zone 71% of the clients were in the above average households (one per cent at the national level) and 11% in the lowest quintiles (80% at the national level), using the zone's control population for comparison. Worth noting is the parti-

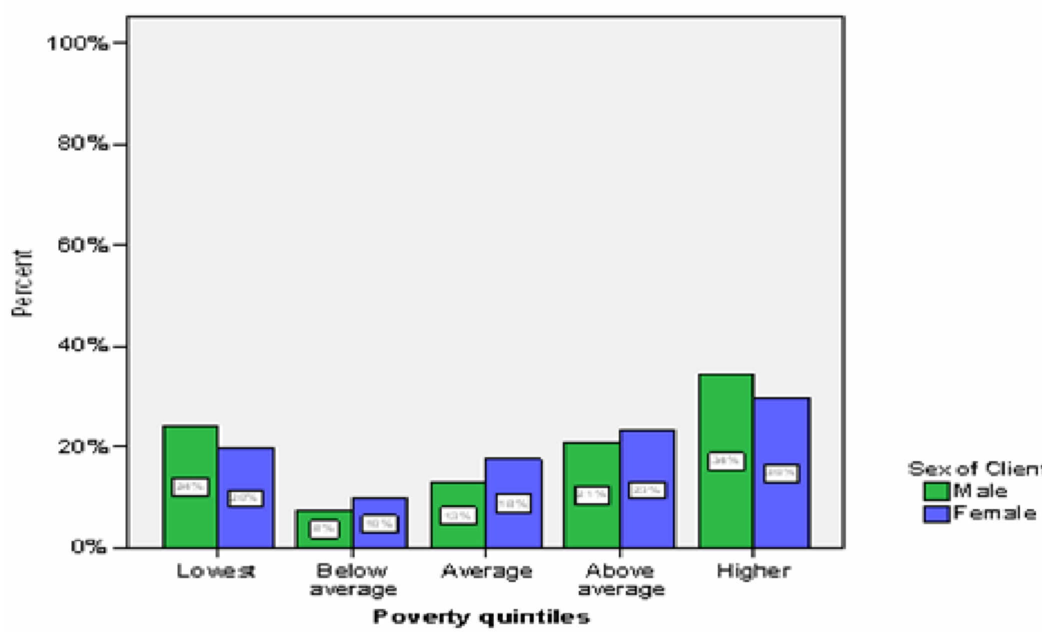

Figure 4. Poverty profile by sex of loan recipient.

particularly pronounced situation in the northern zone where the few relatively non-poor population are clients of microfinance institutions. Thus, at the national level it is relatively easy to reach more poor people in the northern zone due to the high levels of poverty compared to the rest of the country (Figure 1) . But within the zone, clients of MFIs tend to be within therelatively well-off group within the region. Thus, for fair assessment it is useful to use control groups within a region or zone to assess the outreach of institutions in the area and not the national standard.

Poverty profile by socio-demographic background

Poverty profile by sex of clients

Available results indicate that the level of poverty among female- headed households is higher than among male-headed ones due to structural constraints against women (Ghana Statistical Service, 2000; Oduro, 2001). Therefore, the expectation is that there will be more female clients of micro-financing institutions than males and that the female clients will gravitate towards the lower end of the welfare measure.

Among the clients, females accounted for 77% (1,235), (although they accounted for 24% of heads), indicating the preponderance of females among MFI clients. About half of male and female clients were in the two highest quintiles and about a third in the two lowest quintiles (Figure 4). Although in terms of numbers there were more female than male clients, the poverty profiles show that the majority of both male and female clients are in the average to above average wealth quintiles. Thus, based on wealth quintiles of clients the institutions do not appear to target the expected female population in the lower quintiles.

Pattern by occupation

Results from the GLSS indicate that poverty is higher among those employed in agricultural than any other group, given their subsistence existence in a low production system (Ghana Statistical Service, 2000). With the objective of microfinance being to assist the poor to expand their business, one would expect that MFI clients in agriculture will dominate and also be located in the below average quintiles. The economic activities of heads of household of MFI clients, shown in Figure 5, portray three broad features. Firstly, heads in self-employment agriculture are mostly in the lowest quintile, as expected, while those in regular employment and self-employment in non-farm enterprises dominate in the highest quintile. In between these two extremes are clients in households where the head is either in casual/domestic work or not in any employment. In terms of occupational background of clients, therefore, the MFIs reach a wide range of people. But as expected, clients in self-employed agriculture were mostly in the lowest quintile and non-farm workers were mostly in the highest quintile. Very few clients in agriculture were in the highest quintile, an observation consistent with results from the Ghana Living Standards Survey (Ghana Statistical Service, 2000). This is one area that needs to be monitored to track the proportion of agricultural employers who are supported by MFI, the nature of

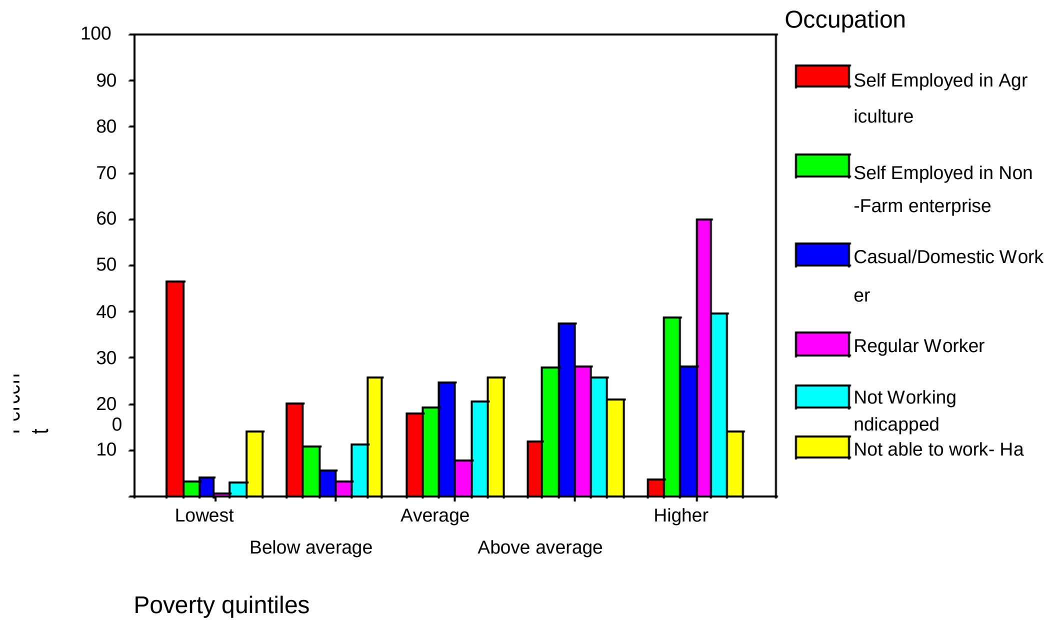

Figure 5. Poverty profile by occupation of client's head of household.

the support and the possible impact.

DISCUSSIONS AND CONCLUSIONS

Results show distinct spatial and socio-demographic variations in the outreach of microfinance institutions (Ganga et. al, 2007; Osterloh and Barret, 2006; Pisco and Dias, 2007). At the national level, the north-south variation in poverty is a reminder of years of unequal development in the country dating back to the colonial period. In the pre-independence period, there was a deliberate attempt to keep the northern third of the country as a reservoir of cheap labour for the mining and the agricultural areas of the south. Although post-independent governments have tried to reduce the inequalities, the general growth pole model of development, which has characterized our development paradigm with the relatively developed south as the growth points, has not helped to bridge the north-south difference in socio-economic development (Dickson, 1969; Dickson and Benneh, 1998; Songsore and Dankabe, 1995). Therefore, at the national level, special attention should continue to be given to the three northern regions in poverty reduction.

While at the national level MFIs appeared to be reaching the very poor in the three northern regions, the within-zone comparison indicate that clients are in the above average quintiles even within the high poverty zone, implying that even within the three northern regions where poverty levels are high, the clients of MFIs are relatively well. Thus, at the national level geographic location is important in identifying people for support. Targeting less well-off geographic areas will automatically lead to the supporting of poor people. The challenge, however, will be targeting people in the below average category in poor geographic areas where the tendency is to support the relatively non-poor within the zone. In such areas those in the below average quintiles are less likely to be clients of institutions, as observed among clients in the northern zone. Similarly, in the areas where the people are within the average categories, the strategy will be to identify poor clients for support. The general ten-dency is to support those in the above average category, leading to the observed situation whereby clients of MFIs tend to be in higher wealth quintiles than the general population.

Although females dominated among clients of institutions their background did not differ markedly from that of males, pointing to the use of common criteria which is not gender- discriminatory. Given the higher proportion of poverty among females than males in the country, one expected the poverty profile of female clients to be towards the below average quintiles, but this is not the case. There is, therefore, the need for gender-discriminatory strategies so that more females in the lower quintiles could be reached.

Respondents in households where the head was engaged in self-employed agriculture were more likely to be in the lowest quintile. This observation is consistent with results from the 1998/99 GLSS. Outreach of MFIs does not follow the pattern of poverty profile of various occupational categories in the country. The breadth of outreach is dominated by self -employed non-farm entrepreneurs who tend to be mainly traders. The policy implication is re-focusing outreach towards poor agricultural farmers who constitute the largest proportion within the economy. Until this re-strategizing takes place, the well intentioned impact of microfinance for wealth creation and poverty reduction may not be achieved. The results also show within zone differences compared to the national pattern, implying that there should be within-zone strategies in order to reach intended objectives. But in general, for each zone females and people in small scale agriculture should be primary targets.

To achieve the intentions of microfinance, stakeholders will need to strategize to address emerging patterns. For instance, the observed patterns of above average wealth quintiles of clients of MFIs compared to that of a control group, present a challenge. The attention of institutions would need to be drawn to this situation otherwise they will be going along the same path as the traditional commercial banks, targeting the relatively rich within the society. Attempts should be made to tilt the base of their clients more to people in the average to the lowest quiniles. Using microfinance to reach those in the lowest quintiles, although challenging, should not be difficult. There is already a tradition of collective capital accumulation and distribution among the poor through the *susu* system. This strategy, with long tradition in the country, can be used to target those in lowest quintiles who are not reached by most of the microfinance products that are available at the moment.

Tracking any intervention is very useful as it serves as a monitoring and planning tool. The results point to a number of dimensions in the operations of microfinance institutions in the country, including spatial variability. There is the need for more studies to identify patterns and trends in the industry in the country.

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