



ID GHANA
Satisfaction Survey
May 2005

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Annexes

I- Introduction

A- Survey Background

This survey was conducted in Accra from 25th February 2005 to 19th April 2005.

Two social workers, Judith Marmah and Godknows Kporha, working for ID Youth Program were responsible for conducting the survey in the 7 ID's areas of activity: Agbobloshie (AG), Chorkhor (CH), Nima East (NE), New Town (NT), Zabrama Line (ZL), Zongo (ZO) and Russia (RU).

The main objectives of the survey are the followings:

- Design a clear presentation of ID's partner and classify them into different poverty levels.
- Determine their needs in terms of financial and non-financial services and whether ID is meeting their demand
- Assess the impact of ID's credit on their daily life
- Evaluate ID partner's knowledge of competitors
- Understand ID's strengths and weaknesses according to the partners
- Analyze the feasibility of developing ID services in other areas or on other products.

The questionnaires consist of 6 parts:

- A- Living conditions : poverty level assesement
- B- Description of the activity
- C- Credit needs
- D- Savings needs
- E- Training needs
- F- Main objectives in life: how do you foresee the future?

B- Methodology of the survey

Each interview submitted on the field lasts from 45 minutes to one hour on a face to face basis. Most of the time, the questionnaire submission does not interfere with the business activity since it is taking place in the partner's house or on business sites, thus interviewees can keep on carrying their activities. According to the interviewers, some participants are quite reluctant to spend such a long time answering our questions.

Non-clients do not always understand why they should give us details either of their private life (do you own a TV? A fridge?...), or of their financial position (Do you save money? How much did you save so far?...). Some of them refused to answer part of the questionnaire; we did not take their contribution into account.

Former clients have, for most of them (75%), dropped out the credit scheme involuntarily; thus their speeches are sometimes full of bitterness. Because some also want to be part of ID Credit scheme again, this may have influenced their answers and has been taken into consideration in the comments.

ID's clients are sometimes annoyed to have to answer questions they have already been asked many times by ID's officer (what is your weekly sales? How many children do you have?...). Because Judith and

Godknows are working on the youth program in Sukura, a large number of people in Russia and Zabrama Line already know them. This may have biased the answers to the questionnaire in some ways, but has also established a relaxed atmosphere which enables good communication. Those interviewees were really respectful and happy to help ID.

Each promoter of each branch has been asked to help the 2 social workers in identifying different partners and former partners, in order to cover the entire branch's area of operations. The non-partners have been chosen randomly among the inhabitants of the area, because their business is located beside the one of ID's clients.

II- Sample Analysis

100% of the people interviewed are women. All the clients or former clients have or had individual loans with ID.

209 persons have been interviewed in ID's areas of activity:

- 110 Clients (53%),
- 20 Former Clients (10 %),
- 79 Non-clients (38%).

They have been chosen randomly among the population of the different branches, according to their availability and willingness to answer our questionnaire. All non-clients have been selected in the area of activity of ID's clients.

The sample consists of:

	Clients	Former Clients	Non-clients	Total	%
AG	17	5	10	32	<i>15%</i>
CH	18	4	10	32	<i>15%</i>
NE	15	2	18	35	<i>17%</i>
NT	14	0	11	25	<i>12%</i>
RU	12	1	10	23	<i>11%</i>
ZL	17	5	9	31	<i>15%</i>
ZO	17	3	11	31	<i>15%</i>
Total	110	20	79	209	<i>100%</i>
<i>%</i>	<i>53%</i>	<i>10%</i>	<i>38%</i>	<i>100%</i>	

*NT being a new branch, there is no Former clients in this area.

Picturing the population interviewed

All the non-clients interviewed belong to ID's target population: they are petty traders on markets situated in ID's areas of activity.

The average age of an interviewee is 37.7 years old.

83% of interviewees did not attend secondary school.

66% of them are married: 54% of the married women have their husband working permanently in the informal sector. On average, women have 2 children going to school, one above 18 years, one between 4 and 18. The household is composed of 4 persons on average.

50% of the households having faced sickness recently had access to the hospital.

On average, they live in a single room with porch house, have running water OR electricity facilities.

The Average monthly food budget per person is 182,000 cedis.

39% of them own their housing premises.

They spend on average 9,5 years in the business, 90% of them have only one income generating activity.

III- Social Indicator – poverty index

A- Indicators used to compute poverty index in the survey

The indicators poverty tool chosen in the analysis of the survey’s results is the one developed by CGAP and IFPRI.

In order to categorize the families according to their social level, a global mark = poverty index, has been attributed to each family, taking into account the partner’s level of education (10%), the ratio of children of schooling age genuinely attending classes (12%), the marital status of the interviewee (5%), , the number of children per women – taking into account their age- (8%), the husband’s occupation (7%), the ownership of the dwelling (7%), the number of people per room in the household (6%), utilities of the dwelling (4%), quality of the housing (7%), the possession of different assets (6%), the average monthly food budget per person (8%), the access to health (12%), the enrolment with National Health Insurance (8%).

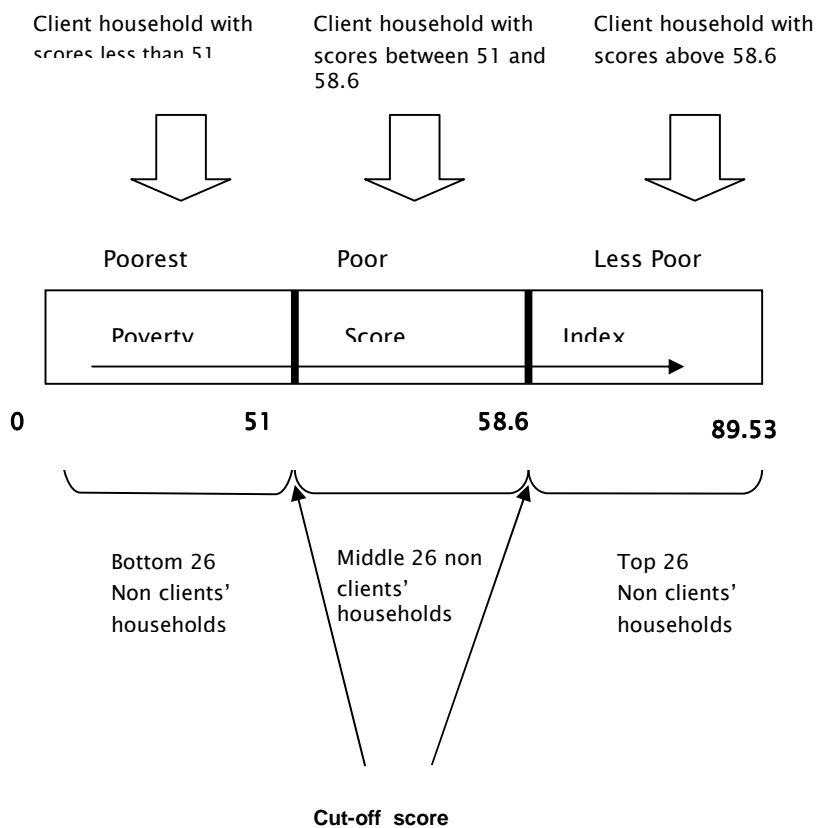
POVERTY INDICATOR	#
Human resources	42
1. Partner’s level of education	10
2. Children of schooling age genuinely at school	12
3. Marital status of the partner	5
4. # of children according to the mother’s age	8
5. The husband’s occupation	7
Dwelling	30
1. Partner owner of the house	7
2. # of room per person	6
3. Access to water and electricity	4
4. Structure of the house	7
5. Assets	6
Food security & vulnerability	28
1. Monthly food budget per person	8
2. Access to health	12
3. Health insurance	8

The sum of all criteria equals 100.

In order to use the poverty index for making comparisons, the non-client sample is first sorted in an ascending order according to its index score. Once sorted, non-client households are divided in terciles based on their index score: the top third of the non-client households are grouped in the “less poor” group, the middle third grouped in the “poor” group and the bottom third in the “poorest” group (Figure 3). Since there are 79 non-clients each group contains 26 or 27 households each. The cut-off scores for

each terciles define the limits of each poverty group. Client households are then categorized into the three groups based on their household scores.

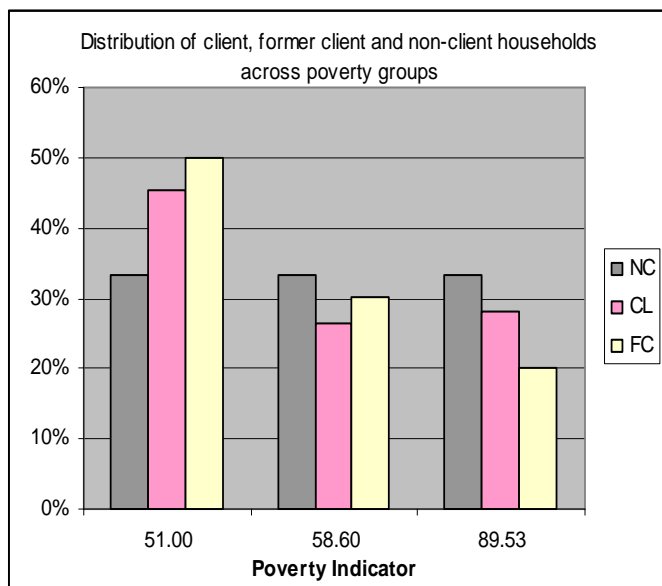
Figure 3. Constructing poverty groups



If the pattern of client households' poverty matches that of the non-client households, client households would divide equally among the three poverty groupings just as the non-client households, with 33% falling in each group. Hence any deviation from this equal proportion signals a difference between the client and the non-client population.

B- Indicator applied to the sample

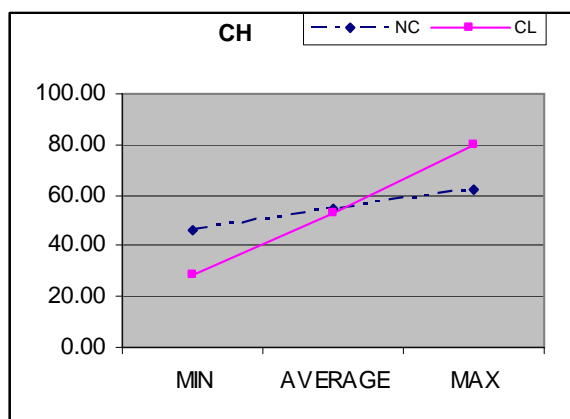
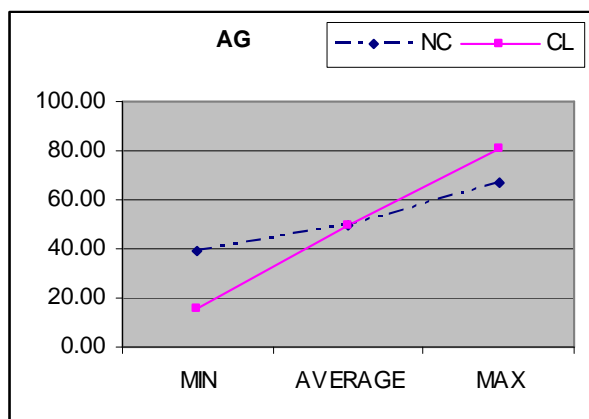
When applied to the result given by the survey, it appears that ID Ghana works for 46 % with people belonging to the poorest of the target population, for 26 % with the poor and 28 % with the less poor.

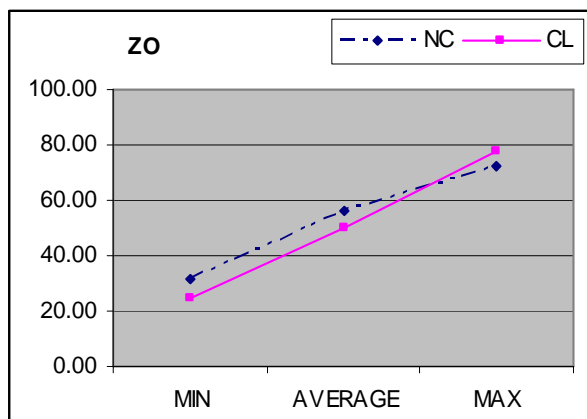
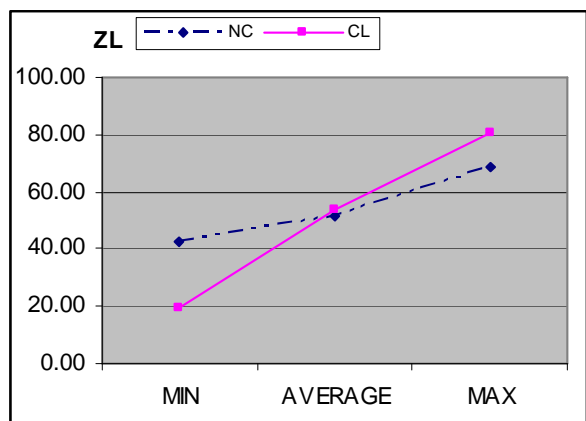
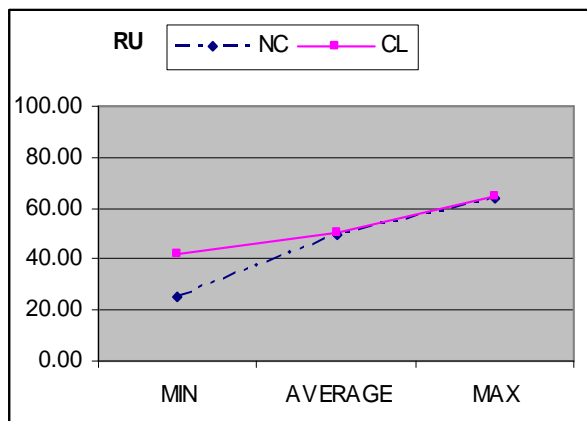
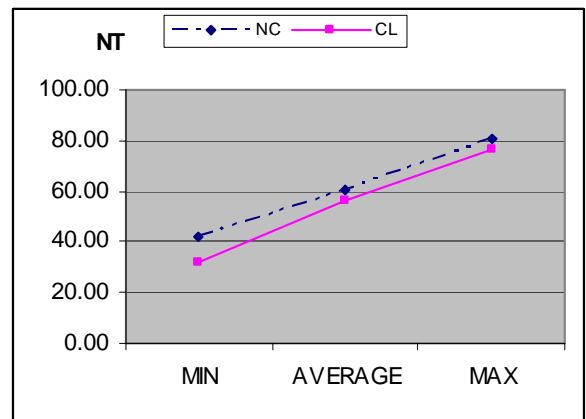
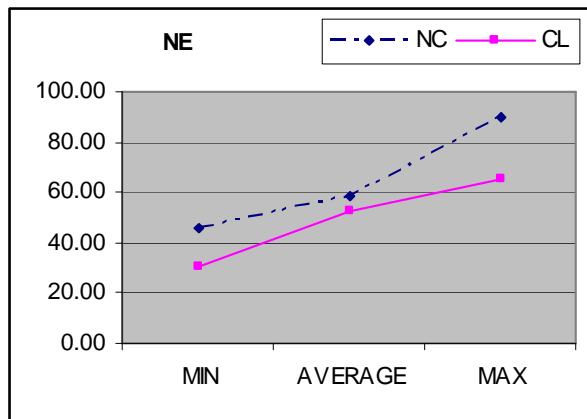


	% Client households	% Non-client households
Poorest	46	33
Poor	26	33
Less Poor	28	33

The proportion of “poorest people” (46%) within the community in ID’s portfolio is greater than any other category.

In each areas of activity, ID is willing to reach the most deprived. The sample has been divided according to the different areas. Minimum, average and maximum poverty index have been compared between non-clients and clients. The following charts show the targeting policy of ID: the main part of the clients belongs to the poorest of the area: (See Annex1, Chart 6).





As long as ID's clients' poverty index is below non-clients' index, it means that ID works with the poorest people in the community.

All branches have a well-balanced portfolio, with majority of the poorest and part of the less poor: only Nima East and New Town branches work **only** with the poorest. It can also be noticed that ID's clients sample is more diversified than non-clients sample (ID's clients' maximum poverty index is always higher than non-clients' - apart from NT and NE): this can be explained by the way non-clients have been

chosen. Actually, interviewers were told to interview non-clients (part of ID's target – hence the poorest) present on market places in the areas of ID's activity. Therefore, some of the less poor may not have been reached.

The case of Russia Branch is worrying since ID seems to neglect the poorest of the areas. When looking closer to the results (comparison of the medians), it appears that 50% of ID's poorest clients in Russia have a poverty indicator higher than 50% of the poorest non-clients.

Median and average are quite similar for all branches, which comes down to say that poverty index all equally distributed among the sample.

- In global, ID Ghana is focusing on the poorest people among the community of petty traders in Accra.
- For all branches, ID's target is mainly the poorest among one community, apart from Russia branch.

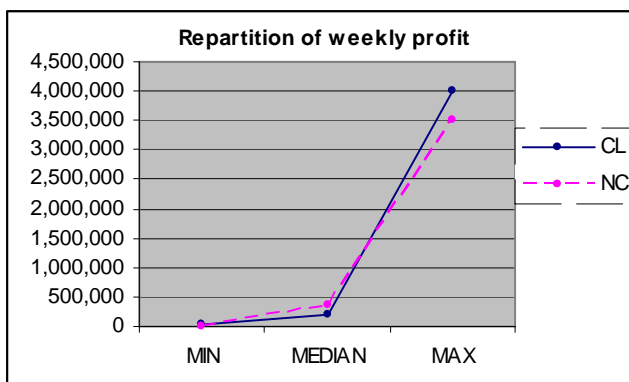
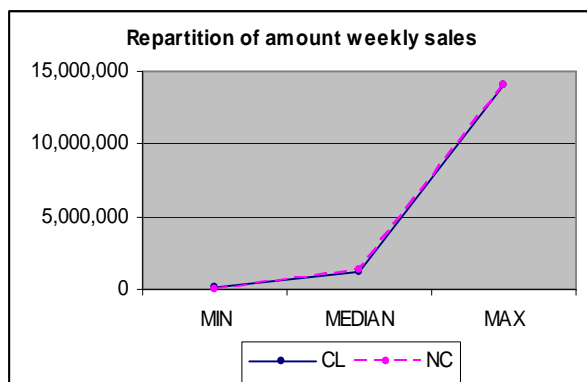
IV- Description of activities

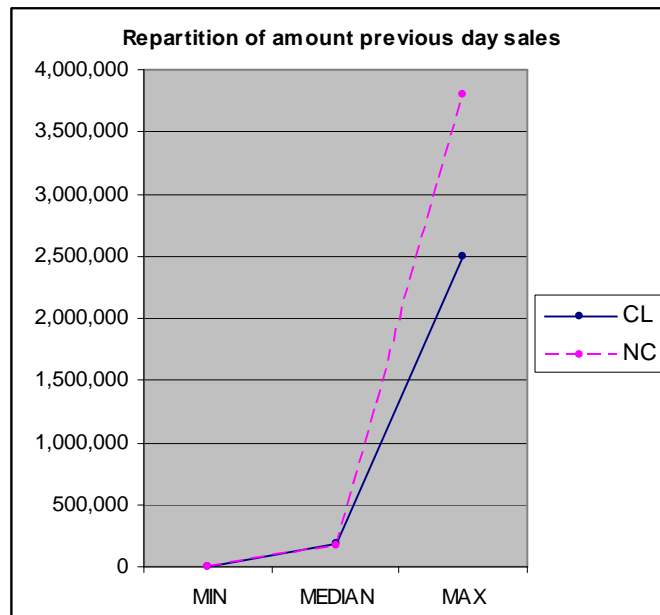
The **main activities** are buy and sell (61%) and Food Processing (27%). The proportion of the different activities is following the same trend for non-clients and clients. (Annex2 Chart 2)

Only 10 % of the women interviewed earn their money from two different business activities. (Annex2. Chart1). The average time spent in the business is 10 years (Annex 2 - Chart 4).

According to the information gathered among the interviewees (Annex 2, Chart3, 4 and 5) the **average amount of the previous day sales** reaches 277,069 cedis for ID's clients and 291,017 for all the interviewees. More surprising are the discrepancies between the previous day sales and the weekly sales: it appears that: "previous day sale" x 6 is most of the time different from the weekly sales figure given by the interviewee. As explained in the introduction, interviewees were not comfortable with answering questions about their amounts of sales and profits. The answers to questions referring to allocation of expenses and resources can not be considered as relevant for the analysis. Only one conclusion can be made: discrepancies are noticed among clients' questionnaire, but also non-clients' and former clients'.

The **size of business** (evaluated by the interviewees) does not differ a lot between clients and non-clients, as shown on the following graphs: (based on annex 2, chart 6)





Thus, non-clients seem to have the same business' size as ID clients. This reveals business opportunity for ID in the areas where it already works.

A discrepancy between non-clients and clients exists in the weekly profit, however it has been noticed that 14% of Non-clients could not calculate their profit and 2% were not willing to disclose it to ID's staff. 9% of ID's clients could not calculate their profit. These questionnaires have not been taken into account to draw the graphs.

- Difficulties to have pertinent figures concerning sales and profit.
- ID's clients' estimations of their business size are comparable to the non clients' estimations: there are opportunities to develop businesses in the area.

V- Needs of financial services

A- Credit Needs

Despite a strong will to register for a subsequent loan – 98% of ID's clients would like to register for a new loan at the end of the running one (Annex 3 Chart 4) – the average time spent with ID credit scheme is 23 months. The average number of loans taken by clients is 3.29.

Interest for a new credit	CL		NC		Total	
Extension of the business	101	94%	34	45%	135	73%
Diversification of the business	3	3%	0	0%	3	2%
Creation of a new business	1	1%	1	1%	2	1%
No interest	3	3%	41	54%	44	24%
Total	108	100%	76	100%	184	100%

54% of Non-clients are not willing to borrow money from an institution like ID Ghana. (Most of them are scared of borrowing money and being defaulters). For 4 of them, their husband has warned them not to get money from anyone outside the family circle.

A major part of the Former Clients is not willing to rejoin ID's credit scheme. Most of them have been ousted from the scheme because they failed in reimbursing installments: they found some money lender lending them bigger amount for a longer length of time.) Sometimes, as explained in introduction, some conflicts occurred with ID staff following their difficulties to repay the loan. It has been difficult to assess their real need of credit. Only 2 of them expressed no need for a new credit as their capital was big enough for their activity.

ID's client satisfaction

39% of the clients interviewed gave no criticism on ID credit scheme (Annex 3 Chart 2).

61% were complaining on various issues:

Mainly, **the amount of the credit** is considered to be too small (for 54% of the clients criticizing the scheme). (Annex 3 Chart 3). Most of them complain they are not given what they ask for, though they are old partners and know properly how to manage their loan.

The process has also been criticized, mainly because it has been considered as time wasting.

"ID's timetable unable me to be at ID office every time, because meetings are always when I am working".

A clear wish has been expressed to optimize the meeting timetable.

Some of the criticisms concern the orientation process: it is often considered that subsequent loans should not require the same time consuming process again. Most of the clients are tired to answer the same question again and again, and do not understand why after several loans, ID is still enquiring on their business, though the promoter knows it very well.

Criticisms also against the **interest rate** have been noticed. However, none of the clients could give their ideal interest rate. They always talk of "reasonable interest rate" without knowing which rate would be optimal for their business.

ID's **strict policies** have also been criticized, namely regarding defaulters. 3 clients complained of a bad behavior from ID's promoter: "*He got angry because I would not repay my loan that week*". Some others (3) complained about the fact that one missed payment has to be repaid the following week: they can not sometimes raise the necessary funds. Others complain regard the meeting time: if late, they can not enter the room, and have to postpone their application. They find it too strict, knowing that they have a business to run and not too much time to waste.

Apart from the 3 clients complaining about their promoter, the relationship between clients and promoters is good. All promoters have been reported to come on regular basis. Despite positive comments on promoter ("he is very regular in his collection and very nice"...), one should notice that only 39 % of the partners declare not to be supported by the promoter in the general management of their business (advises and encouragement). (Annex 3 Chart7)

Last criticisms concern the **repayment frequency**: mainly women with monthly or bi-monthly incomes would like to be able to repay the loan on monthly or bi-monthly basis.

Ideal Credits Facilities:

In order to get Non-clients ideal view of a credit scheme, they have been asked about main criteria they would like to have in their credit scheme.

Being asked about their ideal credit facility, clients often mention bigger amounts of money as a priority whereas they did not formulate such criticism towards ID when asked to. This can be explained by their general satisfaction of ID services and willingness not to disapprove of the scheme in front of one of its employee.

52% of the people asked on their ideal credit facilities are referring to **the amount** which should be greater than what ID's is granting today (Annex 3 Chart 6). 10 Millions cedis and 5 millions cedis have been quoted twice.

21% have **no idea** of what kind of credit facilities they would like. However this figure seems to be underestimated, looking at the numerous women who ask for bigger amounts to be granted without being able to explain either why they needed more money, or how much they needed.

Other ideas concern the **repayment frequency** (16 %) which for some should be bi-weekly or monthly (depending on their activities). For most of the interviewees, the repayment period should be more flexible.

Smaller comments have been made on **interest rate** (4%), **longer grace period** (1%) and **no compulsory savings** (2%). The ideal credit scheme should also adopt a **lighter process**: 6% wishes the meeting will be less numerous and quicker.

Non-clients' credit needs

Non-clients have been asked whether they had met any difficulties in the management of their business since the beginning. The issue was to determine whether an easier access to capital through ID could have helped them.

56% of the interviewees (Annex 3 chart10) declared **no difficulties** in managing their business.

However, 25 % of them expressed a need for a loan.

The major difficulties met are: **poor market** (20%) and **lack of working capital** (14%). (Annex 3 charts 10).

When asked about the strategy passed to counter the poor market, diversification of the activity is the more often quoted (25 %) (Annex 3 Chart 10).

Concerning the lack of working capital, building its own savings is quoted 5 times (45%).

25% of the interviewees having met difficulties do not have any strategy to counter it. (Annex 3 Chart 11).

Former Clients Credit Needs

90 % of former clients have left ID credit scheme involuntarily (Annex 3 Chart 12). The remaining 10 % have left ID Ghana because the amount granted was too small. In spite of their need for a loan, 80% of them did not subscribe to a new loan with other financial institution or individuals. Only 10% appealed to Money lenders, and 10% to family or friends. (Annex 3 Chart 13).

This can be explained by the fact that some of them are scared of borrowing, and that their experience with ID was not very encouraging.

The main criteria for choosing money lenders or family/ friends, is the amount granted and the absence of compulsory savings.

- ID's clients are mainly satisfied with ID credit scheme
- Criticisms concern the amount of the loans (too low), and the process (too slow)
- Ideal credit facilities are : significant amount and flexibility in the repayment frequency
- 54% of non-clients are not willing to join a credit scheme, mainly for fear of borrowing money.

Group Activity and interest in Group Loans

In the view of evaluating the potentiality of developing ID group loans, interviewees have been asked whether they belong to any association, and whether they would be interested to subscribe to a group loan.

It appears clearly that a large part of the interviewees do not belong to any group (47% according to annex 3 Chart7). Main reasons for no group activities are the lack of interest (90%). Others reasons are the lack of time (5%) or the lack of group activity in the area (3%). Only 2 interviewees answered they do not have any group activity because they are afraid or because the husband would not allow it.

Most of the clients, former clients and non-clients are not interested in group loans: Only 14% have shown their interest (Annex 3 Chart 7).

Interest in Group Loans	CL		NC		FC		Total	
no	56	51%	30	38%	12	60%	98	47%
yes, with any group	21.00	19%	4.00	5%	1	5%	26	13%
yes, with this group	2.00	2%	0.00	0%	0	0%	2	1%
No answer	30	28%	45	57%	7	35%	82	39%
Total	109	100%	79	100%	20	100%	208	100%

The main reason for not being interested in group loan is the solidarity principle. Women interviewed fear to have to pay for defaulters they hardly know.

“If one person defaults it will affect others, so I am not interested” ; “I can't tell if all members will pay the loan back” ; “Normally, groups programs always generate confusion” ; “I don't know their repayment ability”.

Whenever interested by group loans, women are asking for some guarantees like ID's supervision.

“Any group that will be around Nima with the same operation than ID”; “with any group but it should be from ID”

- 47% of interviewees do not belong to a group
- Only 14% of the interviewees wishing to get a loan are interested by a group loan
- The main reason for no interest in group loans is the solidarity principle.

B-Savings Needs

Most of the women interviewed (68%) are “doing Susu”, meaning they are being collected money daily by a Susu Collector. When they want to get their Susu savings back the collector is remunerating himself the amount of one installment.

During the survey, some women explained they had to do Susu in order to pay the rent at the end of the month, to pay school fees or important expenses. This Susu practice shows the difficulties these women have to save money (only few – 5%) by holding cash.

Other means of savings CL			Other means of savings FC		Other means of savings NC		Global	
Cash	5	5%	1	6%	3	5%	9	5%
Bank	8	8%	2	13%	4	6%	14	8%
No	27	26%	3	19%	5	8%	35	19%
Susu	64	62%	10	63%	50	81%	124	68%
Total	104	100%	16	100%	62	100%	182	100%

There is a need for efficient and free saving system, where women could deposit their money safely and collect their saving at any time. The main motivations for saving is safety and prevision (39%), and investment in the business (Annex 4 Chart 2).

ID’s clients’ satisfaction regarding SAVINGS

73 % of ID clients made no criticism about ID savings scheme. The main criticisms concern the absence of interest rate (7%) and the compulsory aspect of the savings (3%): *“The proportion of savings compare to the loan is too high, we should be free to decide how much we want to save”*.

Savings Capacity

Clients, former clients and non-clients saving besides ID savings scheme, save on average 10,000 cedis weekly through Susu Collection. (Annex 4 Chart 4). Susu Collector is often well known, when not a friend, of the women. Women prefer to pay Susu collector for his daily collection rather than depositing the additional savings capacity with ID and having their money immobilized during the length of the loan. (See Annex on Ghanaian Microfinance regulation)

- There is a high saving capacity in Accra, handled today by Susu collectors
- Saving with Susu is costly, but has the advantage of letting the money available at any moment.

VI- Non Financial Services

It appears from the survey that **trainings are useful** and well appreciated by women: only 2% of the clients declared they do not need any training (See Annex 5 Chart 1).

30% of the women would like to receive more training to make their business evolve though they do not know on which subject they should be trained.

33% of the women are pointing precise training needs (Batik Tie and dye – 3.4%; Business management: 14.4 %...).

A strong **interest in free trainings** has been noticed among clients and former clients, whereas non-clients seem to be less interested: 42% of them claim no need for training.

However, most of them never received any training, and considering the interviews, their disinterest can be explained by their will to show that their business is doing well.

Most of the interviewees have learnt to manage their business with their family or friends (See Annex 5 chart 2). Only 13% of them attended professional trainings.

Trainings seem to be efficient and appreciated. For most of ID's clients it has helped them to

- learn the importance of saving money
- how to separate profit and capital
- how to take care of clients
- how to buy only necessary goods for the business
- how to deal with the daily accounting
- how to be regular in the loan repayment.

Only 5 of them do not know how it helped them in managing their business: they do not remember the training topic. Otherwise, ID's clients remember well the training and the example used during the session.

During interviews, it seems that an important amount of interviewees did not know a lot concerning training : most of them have no ideas of what kind of training they would need, and often rely on ID's intervention : *"I would like to receive any good training from ID to make my business grow"*.

- Training is useful, considered as added value for non-clients and well appreciated by ID's clients.

VII – Main objectives in life

The result of the survey concerning the clients, non-clients and former clients' expectations of the future has to be handled with care. The women have actually been asked questions about their business for more than thirty minutes; it is not surprising that the answers concerning expected improvement mostly concern business issues.

Moreover, women at the end of the questionnaires sometimes begin to get tired and want to answer quickly to the last questions. It has been noticed for some interviews, that women were more looking for the "right answer" to give rather than their real opinion.

Thus, one can not draw conclusions on women expectation of the future only on this survey; however Annex 6 should be helpful to have a first general view.

From Annex 6–Chart1, it can be noticed that **building a house** or **buying a land** together with **improving the business** is the major objective for our interviewees. Concerning the main objectives for the family members, it is obviously oriented to the **children education** (62% – Annex 5 chart2).

Not surprisingly, all interviewees tend to have the same priority on such issues.

For 42% of the interviewees (Annex 5, chart 3), **no improvement have been noticed lately**. The main improvement expected (Annex 5 Chart 4) concern business activities. In order to achieve their objectives, 40% of the interviewees want to **build their own capital** by increasing their savings. 33% of them need financial support, either from family, friends, ID Ghana or any other credit institution.

27 women did not give any answer, mainly because their expected improvement concerns family issues (getting married or have children, travel, health...), for which no concrete solution can be quoted.

It appears clearly in this study that the main concern for women is **the housing** and **the education** for the family. They seem to be willing to reach a level of activity that helps them making more profit, in order to save money to fulfill their objectives.

Majority of the women –40%– are willing to build their own capital by saving money (Annex 5 Chart5). Only 30% required the financial support of ID or relatives.

- Main objectives is to own a land or build a house, and to give a good education to children
- Means used to reach the objectives are: building a capital through savings and ask for financial support from family, or financial institutions.

VIII– Market Analysis

A– Awareness of women

According to Annex 7–Chart 1&2, ID's clients seem to be ignorant (91%) of any others credit suppliers. The most frequently quoted are Sikaman (12%), family and friends (6%), and Sinapi Aba Trust (5%) or money lenders (5%).

No others NGOs have been quoted apart from Women World Banking which has been quoted twice by clients from Agbobloshie and Zongo.

Often, interviewees know that there are some money lenders or NGO or S&Ls lending money around, but they do not know their name or any details on their activity.

It seems obvious that women in such deprived areas in Accra do not have access to the information concerning credit suppliers. As shown on Annex7– Chart3, 62% of non–clients know ID.

Most of the time (63%) non–clients had no other experience with credit suppliers (Annex 7– Chart2). If they had any, it is mostly with informal suppliers (money lenders or individual from family.)

B– Business Opportunity:

When looking at the interest for a new loan (with any credit suppliers), it should be noticed that 51% of non–clients are not interested. 48% would like a loan to extend their current business. (Annex 7 Chart3).

71% of Non–clients (knowing ID Ghana) have not applied to ID (Annex7–Chart 3).

23% of them told they were to apply very soon and 20% were not interested in borrowing:

"I don't want anybody to be chasing my business and money"; "I do not believe in such institutions"

The main reason for not applying then is the refusal from the husband or the fear of borrowing. 5% complain about ID's process:

"I have heard it takes sometimes to get the money that is why I have not been there";

"I understand the procedure is difficult and time wasting".

ID Ghana seems to be known in its areas of activity, and to have a good image. However the population of these areas is not well aware of its financial services and may be scared of approaching ID.

C- Credit Suppliers in Accra

For three months, meetings have been conducted to meet ID's main competitors in Accra. The issue at stake here was to analyze their activity in Accra, understand their development strategy and determine their target population to assess to what extent their activity is competing with ID's.

Meetings have also been organized with apex bodies representing the authority for each type of institution: (Meetings have been organized with the institutions followed by *)

Institution	Status
Apex Bank	Apex
Assoc of NBFI (Non-banking financial institutions) *	Apex
Assoc of rural Bank *	Apex
Credit Union Association *	Apex
Ghana Coop Susu Collectors Association *	Apex

Based on the list of GHAMFIN members we identified the following competitors to ID:

Institution	Status
Nnobia Credit Union	Credit Union
ADB / Microfinance Prg *	MFI
ADRA / Ghana *	NGO
Assemblies of God dev. & Relief Serv.	NGO
Assoc. of Productive Entr. Dev. (World Vision) *	NGO
Care Int / Ghana *	NGO
Christian Mother Ass	NGO
Circle of blessing origin *	NGO
Development Action Association	NGO
Dignity Cooperative	NGO
Empretec Ghana Foundation *	NGO
Enowid *	NGO
Fellows Microfinance Co Ltd *	NGO
Geclof	NGO
Iffesh	NGO
Kraban supporty Foundation *	NGO
Kuapa Koto Ltd	NGO
Murag	NGO
Sustainable Rural Initiatives	NGO
Youth and social enterprise	NGO
Citi Savings and Loans	S&L
Sinapi Aba Trust *	NGO
Johnson's S&Ls	S&L
Sikaman *	S&L
WWB *	S&L

Assoc. of Advanced Susu Clubs	Susu
Microfinance Susu Collectors	Susu

Credit suppliers are numerous in Accra, but only few target the same population as ID. Among them, the most direct competitors are **Susu collectors**, who collect savings in every ID's areas of activity.

Sinapi and Sikaman (and others savings and Loans to some extent) are also threats to ID in Zabrama Line, Russia, New Town, Nima East, and Agbobloshie. These two organizations are supported by international funding and their business development capacity is greater than ID's. They benefit from well trained staff and financial sustainability. Though they do not target only ID's clients, they reach the well off among them.

Smaller sized NGOs like Circle of blessing Origins, Kraban Foundation or Enowid are more similar to ID. However, their targeted population is not situated in the same areas as ID's: they do not represent a threat for ID; they could even be allies to empower ID's capacity building.

Potential development areas for ID:

Madina seems to be an area where already many NGOs and S&L are present : APED (Funded by World Vision Ghana), Agricultural Development Bank, Woman World Bank, Enowid, Adra, Sinapi and many credit unions..

Smaller organizations, targeting exactly the same population as ID, have already settled in Ashaiman area: Circle of Blessing Origins, Fellowship microfinance. Their impact is smaller than Sinapi's or Sikaman, but they have been there for at least 5-6 years.

Conclusions to these meetings are reported in the Comparative Chart on Annex 8.

D- ID's position on the market

ID is the only **individual loans** provider for the poorest in Accra. Most of the competitors offer individual loans to their clients once they have proved of their capacity to repay their loan regularly. The individual loans are then bigger amount than group loans.

On the contrary, ID offers as a first step, small individual loan for people having no group solidarity around them. In areas such as Agbobloshie or New Town, which are mainly business areas with big markets, people do not stay for very long and hardly form a community within the area: hence the inability to form groups with a strong solidarity within those areas. The case of Agbobloshie is very peculiar since a large portion of the population is composed of squatters: they are likely to move or be moved at any moment.

However, those inhabitants remain business actors in the market for who credit needs have to be fulfilled.

In term of processing fees and interest rate, ID Ghana proposes more or less the same kind of products: ID Ghana offers **competitive financial services**. For more details, see Annex 8.

Amount of loans seems to be too small for ID's clients, as showed in the survey. As for today, **Small Loans** have been launched since 01 March 2005 and were not taken into account in this study. It seems that ID manages to create a new service to answer its clients' needs. Among ID's competitors, loans are often of higher amount. One should also consider that for the majority of them, facilities delivered are group loans, where the guarantees are stronger.

Apart from Credit Union and Susu Collectors, all ID's competitors offer **non financial services**. Some bigger organizations as APED work with NGOs specialized in professional trainings, capacity building or business management. Sinapi has developed a training in which it includes older clients and Sinapi staff. Some others NGOs, as Circle of Blessings Origins, have settled a system of **social fund** to support family in needs.

Micro Insurance scheme are also developing, for instance Fellowship Microfinance Ltd have created a partnership with the Insurance Company Donewell to propose life insurance to its clients. This is only the beginning of the process, but the alliance between the two bodies seems to work smoothly.

ID GHANA – SWOT ANALYSIS

Strengths	Weaknesses	Opportunity	Threats
<ul style="list-style-type: none"> - work in the most deprived areas - the only NGO to work with individual loans for the poorest - staff well trained, having a personal relationship with each clients - has been working for a long time in areas where competition is weak (Sukura, Zongo, Chorkhor) - ID is a small sized organization, which can adapt easily to the demand. 	<ul style="list-style-type: none"> - individual loans to the poorest are costly - High staff over partners ratio - lack of promotional work in the areas of activity - not well known outside of its areas of activity - no long term view because of lack of sustainable funding - its legal status prevents ID from collecting legally savings. 	<ul style="list-style-type: none"> - ID has still a lot of potential clients in its areas of activities (where ID is highly appreciated) - interested in taking a loan. - Needs of savings system is high: no others simple savings systems exist apart from Susu. - Develop a group loans responding to the lack of group solidarity in Accra. 	<ul style="list-style-type: none"> - Big Savings and Loans, or Long Term funded NGOs are growing faster than ID and willing to develop in some areas where ID could develop (Madina, Ashaiman...) - Susu Collectors are getting organized (GCSCA) and their savings system is well integrated in the community habits - Lack of stability of the clients in some areas (Agbobloshie, New Town) represent a threat for individual loans.

IX- Conclusion

Survey Results:

The sample chosen for this survey belongs to ID's targeted population. All the women are petty traders on markets or in commercial areas, they are willing to develop their business but have no access to formal banking sector.

ID's clients have been part of the credit scheme on average 23 months and have been subscribing to 3 loans. Most of them are satisfied with ID credit scheme and save money through Susu in addition to ID savings scheme.

Criticisms towards ID concern mostly the amount of loan and the very time consuming process of granting. ID's image among the communities is good, in particular in Chorkor, Sukura and Zongo. Clients seem to be happy of ID's services, and have not been inquiring about other credit suppliers in the area. It appears that women are not well aware of the supply of financial services in Accra. The promoter has to come to them and do deep promotional work among communities.

The **needs of financial services** are high, though women are often scared of borrowing money. It appears that women were willing to save money through Susu: to them this methodology is safe, convenient because one can withdraw one's savings at any time. They do not mention the cost of such a service as a drawback. A promotional work with oldest client could be made as to attract reticent women.

The needs of non financial services as trainings center, social services or employment center are also high. As for professional training, interviewees asked for more training to enhance their business. Concerning services lacking in their areas of living, it mostly concerns hygienic condition (Gutter, public toilets...), security (Police station) and leisure (playground for kids, library, garden...). Most of the young people (18-25 years old) are still at school or work with the mother or as an apprentice (87%). For most of them, they would like to study further but financial support is needed. Research can be done on new services as Micro Insurance (Housing, Life, and Health), Micro Student Loan or Micro Social funds...

ID's competitors are many, but only few have the same mission as ID. Being deeply integrated in the community, ID Ghana benefits from the trust clients have put in it. ID is close to the poorest and offers them unique services as individual loan to enable them developing their business. ID should concentrate on all the needs of its clients in the current areas of activity (small loans, safe savings, trainings session...). New products can be created to counterbalance the lack of solidarity among the groups in urban areas, or the needs of safe and free trainings. In order to grow, ID has to acquire a legal status permitting collection of savings.

An important promotional work should be done in the community were ID already operates: ID has to communicate with its potential clients.

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ANNEXURE 1 Sample Analysis

CHART 1

Number of questionnaire per areas of activity and per type of clients

# of questionnaires					
	CL	FC	NC	Total	%
AG	17	5	10	32	15%
CH	18	4	10	32	15%
NE	15	2	18	35	17%
NT	14	0	11	25	12%
RU	12	1	10	23	11%
ZL	17	5	9	31	15%
ZO	17	3	11	31	15%
Total	110	20	79	209	100%
%	53%	10%	38%	100%	

CHART 2

CLIENTS			
	Average Stay in the community(years)	% people Living & Working in the community	Clients since (average in month)
AG	7	29%	19
CH	29	94%	24
NE	18	93%	17
NT	12	64%	10
RU	14	83%	31
ZL	16	100%	26
ZO	23	82%	22
Total	17	78%	21

CHART 3 : GLOBAL

	Average Stay in the community	% people Living & Working in the community
AG	6	50%
CH	27	97%
NE	19	71%
NT	13	44%
RU	14	87%
ZL	18	97%
ZO	22	90%
Average	17	77%

CHART 4

OWNERSHIP OF THE DWELLING

Percentage of owner per type of client and per areas

	CL	FC	NC	Average
AG	29%	20%	0%	16%
CH	78%	75%	70%	74%
NE	27%	50%	39%	39%
NT	50%	0%	27%	26%
RU	8%	100%	20%	43%
ZL	35%	60%	56%	50%
ZO	35%	0%	36%	24%
Average	38%	44%	35%	

CHART 5

Level of Schooling and literacy level

LEVEL OF SCHOOLING	Global	Clients	Former Clients	Non Clients
Less than primary	18%	26%	25%	6%
Attended primary	8%	8%	15%	6%
Completed primary	17%	15%	10%	22%
Attended JJSC or Middle School	23%	17%	20%	32%
Completed JJSC or Middle School	17%	18%	5%	19%
Attended secondary	10%	11%	15%	6%
Completed secondary	7%	6%	10%	9%
Attended college or university	0%	0%	0%	0%
LITERACY	Global	Clients	Former Clients	Non Clients
Nothing	25%	33%	30%	14%
Read only	11%	12%	5%	11%
Read and write name only	25%	19%	20%	34%
Read and write anything	38%	36%	45%	41%

CHART 6

Poverty Index

		MIN	AVERAGE	MAX
AG	NC	39.51	49.95	67.20
	CL	15.48	49.94	81.27
CH	NC	46.02	54.94	62.50
	CL	28.24	53.13	79.60
NE	NC	45.81	58.22	89.53
	CL	30.54	52.19	65.45
NT	NC	42.37	60.78	80.40
	CL	32.04	56.51	76.20
RU	NC	24.95	49.46	64.09
	CL	42.05	50.27	64.50
ZL	NC	42.27	51.86	68.82
	CL	19.76	53.79	80.55
ZO	NC	31.61	56.04	72.05
	CL	24.95	50.27	77.56

ANNEXURE 2

Description of the activity

CHART 1**Number of business activity per women**

#	CL	NC	FC	Global
1 activity	96	75	18	189
2 activities	14	4	2	20
% of women with 2 activities	13%	5%	10%	10%
Total	110	79	20	209

CHART 2**Main Activity**

	CL		FC		NC		Total	
Buy and Sell	75	68%	10	50%	43	54%	128	61%
Food Processing	25	23%	8	40%	24	30%	57	27%
Manufacturing	0	0%	0	0%	0	0%	0	0%
Artisan	0	0%	0	0%	3	4%	3	1%
Service	10	9%	2	10%	9	11%	21	10%
Other	0	0%	0	0%	0	0%	0	0%
Total	110	100%	20	100%	79	100%	209	100%

CHART 3

CLIENTS				
Branch	Average time spend in the business (Years)	Average amount previous day sale (cedis)	Average weekly sale (cedis)	Average weekly profit (cedis)
AG	8	495,333	2,464,118	386,875
CH	12	247,313	1,781,765	265,938
NE	8	224,333	1,760,000	426,923
NT	10	376,071	2,785,714	174,615
RU	10	249,091	2,042,500	425,909
ZL	7	160,353	1,206,471	231,429
ZO	10	208,259	1,030,000	467,333
Total	9	277,069	1,843,333	338,776

CHART 4

GLOBAL:

Branch	Average time spent in the business (Years)	Average amount previous day sale (Cedis)	Average weekly sale (cedis)	Average weekly profit (cedis)
AG	7	462,586	2,189,063	475,000
CH	12	242,667	1,654,067	310,231
NE	10	219,874	1,731,471	373,214
NT	11	477,400	2,820,833	342,045
RU	8	201,494	1,616,957	354,000
ZL	10	218,742	1,456,935	366,926
ZO	9	214,360	1,146,167	440,000
Total	10	291,017	1,802,213	380,202

CHART 5

	Average time spend in the business (Years)	Average amount previous day sale (Cedis)	Average weekly sale (cedis)	Average weekly profit
CL	9.4	277,069	1,843,333	338,776
NC	8.6	282,115	1,794,423	461,667
FC	13.9	399,190	1,329,833	322,000
Global	9.5	288,365	1,779,324	384,326

CHART 6

SIZE OF BUSINESS	previous day sale	weekly sales	weekly profit
CLIENT			
Minimum	0	120,000	20,000
Median	180,000	1,260,000	210,000
Maximum	2,500,000	14,000,000	4,000,000
NON CLIENT			
Minimum	0	0	0
Median	175,000	1,400,000	350,000
Maximum	3,800,000	14,000,000	3,500,000

ANNEXURE 3 DEMAND OF CREDIT

CHART 1

For ID's clients only: "If any difficulties of repayment, what was the reason?"

No Repayment difficulties	99	92%
Decrease of income	5	5%
Sickness	3	3%
Exceptional charges	1	1%
Total	108	100%

CHART 2

Number of clients complaining about ID:

No Critics	43	39%
Critics	66	61%

CHART 3

Main critics concerning ID Ghana

Amount granted too small	51	54%
Process	17	18%
Interest rate too high	12	13%
Too strict policies	9	9%
Frequency of repayment too short	6	6%

CHART 4

Need of credit

Interest for a new credit	CL		NC		Total	
Extension of the business	101	94%	34	45%	135	73%
Diversification of the business	3	3%	0	0%	3	2%
Creation of a new business	1	1%	1	1%	2	1%
No interest	3	3%	41	54%	44	24%
Total	108	100%	76	100%	184	100%

CHART 5

Reasons for no interest

Reason for no interest	CL		NC		Total	
Unsatisfied with Credit suppliers	2	67%	1	5%	3	13%
Scared of borrowing money	0	0%	9	43%	9	38%
No need	1	33%	11	52%	12	50%
Total	3		21		24	

23 Non clients showing no interest to credit scheme did not give any reasons.

CHART 6

Ideal Credit

	NC	CL	Total
Bigger Amount	38%	58%	52%
Not Known	35%	16%	21%
Frequency of repayment	23%	13%	16%
Interest rate	4%	4%	4%
No compulsory savings	0%	3%	2%
Longer grace period	0%	2%	1%
Process quicker	0%	4%	3%
Total	100%	100%	100%

CHART 7

Relation with ID promoter

	No support and advises		Support and advise on the business		Total	
AG	11	65%	6	35%	17	16%
CH	7	41%	10	59%	17	16%
NE	11	73%	4	27%	15	14%
NT	9	64%	5	36%	14	13%
RU	5	42%	7	58%	12	11%
ZL	11	65%	6	35%	17	16%
ZO	13	76%	4	24%	17	16%
Total	67	61%	42	39%	109	100%

CHART 8

Group activities

	Group activity CL		Group activity FC		Group activity NC		Total	
Social Group	16	15%	2	10%	9	13%	27	14%
Rosca	1	1%	0	0%	0	0%	1	1%
Professional	7	7%	4	20%	11	15%	22	11%
Church	28	26%	3	15%	16	22%	47	24%
No group activity	55	51%	11	55%	36	50%	102	51%
Total	107	100%	20	100%	72	100%	199	100%

CHART 9

Interest for Group Loans

Interest in Group Loans	CL		NC		FC		Total	
no	56	51%	30	38%	12	60%	98	47%
yes, with any group	21.00	19%	4.00	5%	1	5%	26	13%
yes, with this group	2.00	2%	0.00	0%	0	0%	2	1%
No answer	30	28%	45	57%	7	35%	82	39%
Total	109	100%	79	100%	20	100%	208	100%

CHART 10

Main difficulties encounter to manage the business (NC only)

	# of NC	%
no	45	56%
Poor Market	16	20%
Working Capital	11	14%
Others	4	5%
Competition	4	5%
Difficulty to combine economic and household activities	1	1%
Total	81	100%

CHART 11

Answers to lack of capital and Poor market

Answer "Lack of working capital"		
Loan from family	4	36%
Loan from institution	1	9%
Own Savings	5	45%
No strategy	1	10%
Answer "Poor Market"		
Change activity	1	6%
Move to another place	1	6%
Diversify the activity	4	25%
Reduce prices	5	31%
Other	1	6%
No strategy	4	30%

CHART 12

Former Clients reasons for dropping out

Amount granted too small	2	10%
Conflict with ID staff	1	5%
Failed in reimbursing the loan	12	60%
Personal reason	1	5%
Compulsory savings	1	5%
Temporary stop in the activity	3	15%
Total	20	100%

CHART 13

Subscription to a new loan since former client left ID:

No	16	80%
family and friends	2	10%
money lenders	2	10%
Total	20	100%

ANNEXURE 4

Saving Needs

CHART 1

Means of savings used by clients, non clients and former clients

Other means of savings CL			Other means of savings FC		Other means of savings NC		Global	
Cash	5	5%	1	6%	3	5%	9	5%
Bank	8	8%	2	13%	4	6%	14	8%
No	27	26%	3	19%	5	8%	35	19%
Susu	64	62%	10	63%	50	81%	124	68%
Total	104	100%	16	100%	62	100%	182	100%

CHART 2

Motivation for saving for clients, former clients, and non clients

Motivations for savings	CL		FC		NC		Global	
	To pay school fees	2	2%	0	0%	0	0%	2
To top up her capital	14	11%	1	5%	3	3%	18	7%
To invest in the business	23	18%	4	20%	30	29%	57	22%
Safety and prevision	44	34%	15	75%	42	40%	101	39%
No Answer	48	37%	4	20%	30	29%	82	32%
Total	131	100%	20	100%	105	100%	256	100%

CHART 3

Critics on ID's Savings

No critics	80	73%
No answer	17	15%
No remuneration	8	7%
Compulsory	3	3%
Immobilization of the money	2	2%
Total	110	100%

CHART 4

Monthly Savings Capacity (cedis)

Quartile	0-25%	25%-50%	50%-75%	75%-100%
Clients	20,000	35,000	70,000	360,000
Former clients	35,000	70,000	70,000	70,000
Non Clients	35,000	70,000	70,000	200,000
Global	20,000	60,000	70,000	360,000

ANNEXURE 5

Training Needs

CHART 1

Training Needs	CL		NC		FC		Global	
Accounting	1	1%	1	1%	0	0%	2	1.0%
Savings	1	1%	0	0%	1	5%	2	1.0%
Separate profit from capital	0	0%	0	0%	1	5%	1	0.5%
Too old to learn again	0	0%	1	1%	0	0%	1	0.5%
Batik tie and Dye	0	0%	6	8%	1	5%	7	3.4%
Business Development	3	3%	0	0%	0	0%	3	1.4%
Business Management	13	12%	11	14%	6	30%	30	14.4%
Customer Care	6	6%	0	0%	0	0%	6	2.9%
Dressmaking	0	0%	1	1%	0	0%	1	0.5%
Fashion Designing	0	0%	1	1%	0	0%	1	0.5%
First Aid treatment	1	1%	0	0%	0	0%	1	0.5%
Hairdressing	0	0%	1	1%	0	0%	1	0.5%
How to calculate profit	1	1%	0	0%	0	0%	1	0.5%
Insurance/import /export	1	1%	0	0%	0	0%	1	0.5%
Keep the children away from financial activity	1	1%	0	0%	0	0%	1	0.5%
Manage credit selling	2	2%	4	5%	1	5%	7	3.4%
Manage the Capital	3	3%	0	0%	0	0%	3	1.4%
More trainings	54	50%	7	9%	2	10%	63	30.3%
NC	2	2%	9	11%	3	15%	14	6.7%
NK	18	17%	4	5%	1	5%	23	11.1%
No need	2	2%	33	42%	4	20%	39	18.8%
Total	109	100%	79	100%	20	100%	208	100%

CHART 2

Sources of business knowledge

	CL		NC		FC		Global	
Family training	45	41%	28	49%	14	70%	87	47%
Professional training	11	10%	8	14%	5	25%	24	13%
On her own	53	49%	21	37%	1	5%	75	40%
Total	109	100%	57	100%	20	100%	186	100%

ANNEXURE 6

Main objectives in life

What is your main objective in life (For Yourself)?

	CL		NC		FC		Total	
Buy Land/House	42	39%	22	28%	9	45%	73	35%
Business enlargement	45	41%	44	56%	7	35%	96	46%
Support her own retirement	1	1%	0	0%	0	0%	1	0%
Earn more money	6	6%	1	1%	0	0%	7	3%
Religious	2	2%	2	3%	0	0%	4	2%
Health condition	3	3%	3	4%	1	5%	7	3%
Move from present place	2	2%	1	1%	0	0%	3	1%
Drive her own car	0	0%	1	1%	0	0%	1	0%
NK	5	5%	1	1%	0	0%	6	3%
NC	3	3%	4	5%	3	15%	10	5%
Total	109	100%	79	100%	20	100%	208	100%

CHART 2

What is your main objective in life (for your family members)?

	CL		NC		FC		Total	
Good education/jobs for children	72	66%	44	56%	12	60.0%	128	62%
To live abroad	3	3%	1	1%	0	0.0%	4	2%
Children self dependant	8	7%	5	6%	4	20.0%	17	8%
Family Health	3	3%	0	0%	1	5.0%	4	2%
House them well	3	3%	1	1%	0	0.0%	4	2%
Children/husband job	3	3%	4	5%	0	0.0%	7	3%
Get married/children	2	2%	5	6%	1	5.0%	8	4%
Family Wealth	6	6%	6	8%	0	0.0%	12	6%
NK	4	4%	5	6%	0	0.0%	9	4%
NC	5	5%	8	10%	2	10.0%	15	7%
Total	109	100%	79	100%	20	100%	208	100%

CHART 3

In which field did you improve lately?

	CL		NC		FC		Total	
Children Education	12	11%	6	8%	3	15%	21	10%
Business	26	24%	26	33%	4	20%	56	27%
House/Building	6	6%	2	3%	0	0%	8	4%
Family Health	1	1%	5	6%	3	15%	9	4%
Children/Husband Work	4	4%	3	4%	1	5%	8	4%
House Comfort	6	6%	3	4%	1	5%	10	5%
Additional work	0	0%	0	0%	1	5%	1	0%
Stop buying on credit	0	0%	1	1%	0	0%	1	0%
Got married	0	0%	0	0%	1	5%	1	0%

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None	51	47%	31	39%	5	25%	87	42%
NC	3	3%	2	3%	1	5%	6	3%
Total	109	100%	79	100%	20	100%	208	100%

CHART 4

In which field would you like to improve in the coming years?

	CL		NC		FC		Total	
Children Education	3	3%	0	0%	0	0%	3	1%
Business improvement	56	51%	50	63%	8	40%	114	55%
Own land or house	28	26%	14	18%	2	10%	44	21%
Family Health	3	3%	1	1%	1	5%	5	2%
Children/Husband Work	6	6%	2	3%	2	10%	10	5%
House Comfort	1	1%	0	0%	1	5%	2	1%
Home improvement	2	2%	1	1%	0	0%	3	1%
Stop buying on credit	0	0%	0	0%	0	0%	0	0%
Marry/get children	3	3%	1	1%	3	15%	7	3%
Save money	3	3%	5	6%	1	5%	9	4%
Travel outside Ghana	0	0%	1	1%	0	0%	1	0%
Drive a car	0	0%	1	1%	0	0%	1	0%
None	0	0%	0	0%	0	0%	0	0%
Do not know	3	3%	1	1%	0	0%	4	2%
NC	1	1%	2	3%	2	10%	5	2%
Total	109	100%	79	100%	20	100%	208	100%

CHART 5

In order to achieve your objectives, what mans will you use? What kind of support do you need?

	CL		NC		FC		Total	
Building her own capital	39	36%	39	49%	5	25%	83	40%
Financial support	30	28%	15	19%	4	20%	49	24%
With the help of God	3	3%	0	0%	0	0%	3	1%
Increase ID loan amount	13	12%	0	0%	0	0%	13	6%
Working hard	9	8%	8	10%	4	20%	21	10%
Supporting her	2	2%	2	3%	2	10%	6	3%
Depending on family	0	0%	1	1%	0	0%	1	0%
Cutting down our expenses	0	0%	1	1%	0	0%	1	0%
Working small	0	0%	1	1%	0	0%	1	0%
NK	1	1%	2	3%	0	0%	3	1%
NC	12	11%	10	13%	5	25%	27	13%
Total	109	100%	79	100%	20	100%	208	100%

ANNEXURE 7 Competitors study

CHART 1

Interviewees' awareness of competitors

	Clients		Former Clients		Non Clients	
	Count	Percentage	Count	Percentage	Count	Percentage
None	100	91%	15	83%	19	30%
Individual (Family, friends)	7	6%	0	0%	7	11%
Money Lender	6	5%	0	0%	3	5%
ID					39	62%
Sikaman	13	12%	3	17%	2	3%
Sinapi	6	5%	0	0%	2	3%
WWB	2	2%	0	0%	0	0%

The global percentage does not equal 100%, because some interviewees knew several competitors at the same time.

CHART 2

Non-Clients' previous experience with competitor

None	40	63%
Money Lender	1	2%
Family	20	32%
Sinapi	1	2%
Sikaman	1	2%

CHART 3

Business Opportunity among Non Clients:

Do not know ID	17	27%
No Application to ID	44	71%
No Answer from ID	1	2%

Reasons for no application:

No Interest in borrowing	9	20%
Yet to apply	10	23%
Could not go to meeting	2	5%
Process	2	5%
Amount granted is too small	2	5%
My husband will not allow it	5	11%
Scared of borrowing	4	9%
No guarantors	1	2%
No Need	3	7%
NC	6	14%
Total	44	100%

CHART 4

If you were proposed to be granted a loan for your business, would you apply for it?

NO	36	51%
Yes, to extend my business	34	48%
Yes, to create a new business	1	1%
Total	71	100%

ANNEXURE 9 Ghanaian Micro Finance Regulation

I- Existing law

(See the World Bank Study: Rural and Micro Finance Regulation in Ghana: Implications for Development and performance of the Industry.

The financial sector in Ghana consists of the following formal, semiformal and informal institutions:

- **The Bank of Ghana (BoG)**, which regulates and supervises the commercial banks and the Non-bank Financial Institutions
- 17 **commercial banks** operating with 304 branches, including the Ghanaian Agricultural Development Bank and 112 Rural and Community Banks which operate under Banking Law 116 (as at the end of 2001) (RBs)
- **Non-bank Financial Institutions (NBFIs)**, comprising 8 different types of NBFIs amounting to 36 institutions, e.g. the Savings & Loans Companies, the Credit Union Association (CUA), and Building Societies.
- **NGOs and MFIs**: these are mainly credit-granting NGOs which are not liable to central bank or other prudential supervision, together with informal operators such as Susu collectors and Susu groups, as well as some donor programs engaged in small and medium enterprise finance.

These and other regulatory requirements are prescribed in the 1989 Banking Law, which applies to commercial banks and the Financial Institutions (Non-Banking) Law of 1993, which again applies to NBFIs. Compliance with these BoG regulations is mainly supervised by the Central Bank, although some supervisory power is delegated to second-tier institutions such as the CUA, which supervises their affiliated Credit Unions.

An apex bank has been established for the RBs, which will also carry out certain functions of the BoG.

NBFI Regulation

NBFIs are regulated by **The Financial Institutions (Non-Banking) Law**, (PNDCL, 328), 1993 and by the **NBFI Business Rules** (Bank of Ghana), 2000.

The Financial Institutions Law requires an NBFI to be incorporated and licensed by the Bank of Ghana, and to have a minimum paid-up capital of 1 billion cedis (approximately U.S. \$140,000) – recently increased to 15 billion cedis (approximately U.S. \$2.1 million) for new entrants (For rural banks, the minimum is \$20,000).

Experts suggest that, while these requirements may be appropriate to large thrifts and finance companies, they are too stringent and, among other things, will make NGO conversion into licensed MFIs impossible (Gallardo). NBFIs must maintain a minimum capital adequacy ratio of ten percent, and to limit advances to any one client to no more than 15 percent of net worth if secured, and 10 percent if unsecured.

The Non-Bank Financial Institutions Rules specify three kinds of NBFi license – for institutions taking retail, wholesale, and no deposits. Both depository and credit-only institutions are regulated, although more stringent prudential standards apply to deposit taking NBFIs. Credit-only NBFIs may apply for special permission from the BOG to accept term deposits from the public. Loan procedures and documentation are specified. Supervision methods include annual outside audits and quarterly returns.

The rules provide three provisioning schedules, in rising order of rapidity: for business finance, hire-purchase, and micro/small business loans. A phase-in of general reserves is provided for and liquidity requirements of 10% (primary) and 15% (secondary) of total deposits are required. The rules applicable to non-depository NBFIs are the same in many respects, but with some important differences. The main differences are:

- Lower minimum capital (500 million cedis or \$70,000 for existing institutions, 10 billion cedis or \$1.4 million for new ones) instead of the depository capital adequacy ratio, a ratio of liabilities to
- No required liquidity ratio
- No special provisioning rules for small and micro business loans.

Banking Law

The rural banks are treated as a sub-category of bank, with their own prudential rules. They are quasi-cooperative institutions, owned by all members of a community.

Single shares held by residents are valued at less than one U.S. cent (50 cedis or U.S. \$0.007), thus dispersing ownership and undermining capable management and sustainability. In order to shore up the rural banking sector after years of weak performance, the Bank of Ghana closed several institutions and set a required secondary liquidity reserve of 52 percent.

Moreover, the government has established an apex bank to channel funds to the rural banks (and therefore to provide another layer of oversight).

NGOs and MFIs

On the other hand, NGOs as such are left unregulated, and while this enables useful experimentation, NGO-MFIs could theoretically grow to significant proportions with no Bank of Ghana oversight. Where NGOs want to transform into regulated institutions, the 30-fold increase in NBFi minimum capital (from 500 million to 15 billion cedis) over the last 2 years is making this difficult if not impossible. Moreover while informals are not included in the law or regulation, they are also not explicitly excluded. GHAMFIN works with MFIs, NGOs and formal

organization (S&Ls, Credit Unions...), and BOG on the development of performance standards and monitoring systems.

Credit union Regulation

Prior to the coming of the non-banking law, there was no confusion as who regulated the credit union as the Department of Cooperatives was licensing them as cooperative societies. The Financial Institutions (Non Banking) Law of 1993 placed the regulation of the Credit Unions under the Bank of Ghana. However, BoG did not have the capacity to undertake such an assignment, nor were most Credit Unions in a position to comply. Meanwhile the Ghana Credit Union association (CUA) has been self regulating the member societies because the department of Cooperatives did not have the capacity to regulate effectively.

Today the Credit Union Association is drafting a "Credit Union Act", to be use as a bill especially for Credit Unions of Ghana. This Act should be accepted by bank of Ghana and Government of Ghana. It is written by some Credit Unions, the Credit Union Association and the CUA's donors (Canadian agency).

Susu collector Regulation

The Susu collector are not licensed or regulated (until the formation of GCSCA). They collect savings from the public and instead of paying interest they charge commission on the savings mobilized. These peculiarities go against the norms of regulated financial institutions. But the practices have been in existence long before banking system started. The self-regulation offered by GCSCA is limited: only 30% (900) of the Susu collectors are registered with the Association, since registration is voluntary. Susu system as a traditional system is recognized by BoG as such.

The one type of susu institution that has come under formal regulation was the Susu Companies, whose guarantees of loans of double the amounts saved, combined with mismanagement of funds, made them unsustainable.

Passage of the NBFi law essentially terminated this practice as a "semi-formal" financial activity carried out by registered businesses, and required that they raise sufficient minimum capital and become registered as S&L (which WWB-Ghana did for its Susu Scheme).

II- Potential evolution for ID Ghana

As ID Ghana is willing to develop its saving scheme, its legal status should be adapted to collection of savings.

In order to collect savings legally, ID Ghana could evolve to a saving institution status (S&L) or ask for a specific deposit-taking authorization (cf rule 3 of NBFi Business Rules (BoG), 2000)

- **Evolve to a saving institution status**

Savings institutions are NBFIs licensed to mobilize retail savings from the public (or members, in case of co-operative/mutual organizations) by offering savings accounts and time deposit products and for providing credit to small business segment and target groups, (and members, respectively) – linked to their savings or otherwise.

- **A specific deposit-taking authorization**

Rule 3:

Deposit-taking authorization has to be specifically obtained by Type III license holders

(1) Notwithstanding the general permission provided in Section 11[1] of the Law, licensed institutions other than Savings institutions desiring to solicit and take public deposits, shall seek and obtain specific deposit-taking authorization [DTA] – additional to the business license, from Bank of Ghana.

(2) Those not issued such authorization shall not take deposits from the public.

Rule 3 A Deposit-Taking authorizations accorded, in specific cases, permits acceptance of only term deposits from the public]

(1) On an application made by a Type III license holder institution, Bank of Ghana may, on being satisfied about with the financial soundness and the operational needs/financing strategy of the applicant (company), accord Restricted deposit-taking authorization, namely, to accept [only] term deposits from the public.

(2) An institution accorded specific authorization to take public deposits shall be governed by the Rules relating to minimum capital, solvency standard and Liquidity as applicable to Deposit taking institutions, Type 1 license (viz Rules 6, 9 and 11).

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