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Reaching the poor with micro-credit: the CRAN project in Ghana

by

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Abstract

The government of Ghana has focused on poverty reduction as the core of its development strategy and launched the first version of Ghana's "Vision 2020" in 1995 aimed at achieving middle income status by the year 2020. One major tool to reach this goal is the supply of micro-credit to the poor, particularly to poor peasants. This effort has been complemented by many national and international non-governmental organization's (NGOs), through the provision of informal or semiformal micro-credit programs to the poor as the poor are not reached by formal channels. Though there have been many success stories of rural microfinance institutions (RMFIs), donors would still like to know how and to what extent such programs have contributed to the reduction of poverty. The liberalization of financial policies in Ghana has resulted in a wide range of RMFIs. However, majority of these RMFIs have failed to achieve the expected outreach, especially to the rural poor, and remain burdened by a number of weak units. This study was carried out to examine the poverty impact and outreach of micro-credit programs with special reference to the program of Christian Rural Aid Network (CRAN) in Ghana. Data was collected through the administration of a standardized questionnaire to a sample of program clients and non-clients on selected indicators. The generated data was analyzed using descriptive statistics to compare significant differences between clients and non-clients of important indicators, like clothing and footwear expenditure, frequency of food intake (luxury and inferior), ownership of assets and condition of dwelling among others. The Principal Component Analysis (PCA) was used to measure the relative poverty of program clients in relation to non-clients to determine the outreach of the CRAN program. The results indicate that, clients households seems to have improved their living condition with the CRAN micro-credit program. Though the program was found not to be reaching the poorest segment of the study area, analyses of old and new clients points to the fact that the high representation of the clients in the highest less poor poverty category could be that the clients were ones in the poorest category and have improved their status with the CRAN project. Clients responded that CRAN program offers a flexible savings and credit schedule but the repayment schedule makes it look like more for household engaged in an economic activity which brings quick returns on capital. The program is not attractive to rural elites who might require bigger loans for their businesses due to the small size of loans which has maximum value that can be given out. The findings suggest that, the CRAN micro-credit program seem to have proved to be a good tool for successfully promoting positive economic effects upon borrower households and contributes to a sustainable path of human and social capital development. However, it should be redesign to attract other society members whose major economic activity is farming and other seasonal ventures.