

**MICROFINANCE LOAN DISBURSEMENT AND POVERTY
ALLEVIATION IN TOGO: AN EMPIRICAL INVESTIGATION OF
RURAL WOMEN**

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ABSTRACT

This research seeks to investigate the empirical relationship between microfinance loan disbursement and rural women poverty alleviation. Descriptive statistics surveys methods are tested by employing chi-square test, F-test and T-test to find the effect of microfinance loan disbursement on rural women poverty alleviation. Findings suggest that the sample survey research design employed in this study is revealed. Then, the research testing of hypotheses and interpretation of results revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. Poor rural women have access to microfinance funds and loans for the development of micro enterprises as expected. Microfinance prospects and circumstances can promote empowerment of rural women and help the poor out of poverty. There is a significant effect of microfinance loan disbursement on rural women poverty alleviation. In conclusion, this research requires more future research that must be focused on a deeper understanding of the effect of microfinance loan disbursement on rural women empowerment and poverty alleviation.

Key words: *Microfinance, loan disbursement, rural women empowerment, poverty alleviation, Togo.*

1. Introduction

Across the world almost every country has to face the poverty. Poverty is the condition in which low-income people cannot meet the basic needs of life. This situation leads to many fold difficulties like decreased health facilities, high illiteracy rate, decreased quality of life etc... These difficulties motivate human beings to commit heinous crimes and times suicide. Poverty is a broad, multifaceted and multidimensional concept that involves the economical, social, political and environmental well-being of the people (WB, 2002). It is difficult to provide a single absolute and standardized definition of poverty rather than defining it in relative terms. The concept of poverty is defined by several authors as it is the situation of having no enough money to meet the basic need of human beings. But the widely used definition of poverty is indicated in the World Bank Development Report (1990) as follows:

“An inability to attain a minimum standard of living, poverty means a shortage of having enough to eat, a low life expectancy, a higher rate of infant mortality, low educational standard, enrollment and opportunities, poor drinking water, inadequate health care, unfit housing conditions and lack of active participation in decision making process”

Poverty remains a global problem of huge proportions, which needs a great attention and haunts the lives of billions of people around the world. Like other Sub-Saharan Africa countries, the socio-economic condition of the country is characterized by low growth rate of income, saving, investment, inadequate social services, high population growth and high unemployment rate. Unbalanced growth rate of population with economic growth is both the causes and consequences of poverty in Togo. This population growth also causes the natural resource degradation of the country. The country's economy is unable to create employment opportunities for the fast growing labor force (Tsehay and Mengistu, 2002). Poverty in Togo is also caused by various factors such as high population growth, high unemployment, low level of literacy, environmental degradation, drought, limited access to resources, health and education services and others (Wolday, 2003). Lack of access to financial services is also among the causes of poverty in Togo.

Various researches seeking to investigate the impact of micro finance on poverty alleviation have been carried out in different locations across the world. But the most notable thing is the fact that there seems to be no consensus on the research findings. Therefore, this research seeks to find out the impact of micro finance on rural women poverty alleviation in Togo. Governments, donor agencies, and private investors are funding an increasing number of microfinance programs in low-income countries. This enabled the researcher to give adequate attention to each return received from the respondents in order to enhance accuracy.

1.1 Objectives of the study

The general objective of this study is to investigate the empirical relationship between microfinance loan disbursement and rural women poverty alleviation in Togo. The specific objectives are to:

- Examine the roles of microfinance institution in reducing poverty;
- Investigate the prospects and circumstances under which microfinance can promote empowerment of rural women and help the poor out of their poverty situation.
- Explore an effect of microfinance intervention on rural women poverty alleviation.

1.2 Research questions

In order to achieve the above stated objectives, the following research questions are advanced:

- Is there a difference between rural women who use microfinance institution and those who do not in Togo?
- Do poor rural women have access to microfinance funds and loans for the development of micro enterprises in Togo as expected?
- What are the prospects and under what circumstances can microfinance promote empowerment and help the poor rural women out of poverty in Togo?
- Is there an effect of microfinance loan disbursement on rural women poverty alleviation?

1.3 Formulation of hypothesis

In order to conduct impact assessment and to address the main objective the following null

hypotheses are proposed and tested in the course of this study.

H1.0: There is no significance difference between rural women who use microfinance institution and those who do not.

H2.0: Poor rural women have not access to microfinance funds and loans for the development of micro enterprises in Togo as expected

H3.0: There are no prospects and no circumstances in which microfinance can promote empowerment of rural women and help the poor out of poverty in Togo

H4.0: There is no significant effect of microfinance loan disbursement on rural women poverty alleviation

2. Literature review

2.1 Theoretical frameworks

This research, provides a capsule summary of the theoretical issues on the relationship between microfinance and poverty. The definition of what is meant by poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question whether poverty is largely about material needs or whether or it is about a much broader set of needs that permit well-being. *According to Sida,*

"Poverty has a multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities" (see, Sida: November 2005:14: ICTs for Poverty Alleviation).

Hulme and Mosley (1996:105) define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered. To resume, poverty is a global phenomenon, which affects continents, nations and peoples differently. It afflicts people in various depths and levels, at different times and phases of existence (Oyeyomi, 2003). The most commonly way to measure poverty is based on income or consumption line. A person is considered poor if his or her consumption level falls below 1USD per day, a level necessary to meet basic needs. This minimum level is called the poverty line (The World Bank, 2002). The West African's Central Bank "BCEAO" (1999) views poverty as "a state where an individual is not able to cater adequately for his or her basic needs of food, clothing and shelter; is unable to meet social and economic obligations, lacks gainful employment, skills, assets and self-esteem; and has limited access to social and economic infrastructure such as education, health, portable water, and sanitation; and consequently, has limited chance of advancing his or her welfare to the limit of his or her capabilities". Narayan et al (2000) systematically defined poverty when he said that "don't ask me what poverty is because you have met it outside my house.

Microfinance is a term used to refer to different methods for giving poor people access to financial services. Irobi (2008) defined microfinance as the provision of financial services such credits (loans), savings, micro-leasing, micro-insurance, and payment transfers to economically active poor and low income household to enable them engage in income generating activities or expand/grow the small businesses. Microfinance is sectionally defined as a financial intervention that focuses on the low-income group of a given society. The intervention primarily involves credit services and may also include savings, insurance on credits and savings. Furthermore, Robinson (2001) defined microfinance as the supply of loans, savings and other basic financial services to the poor. Microfinance evolved as an economic development approach intended to benefit the low-income part of a given society, both men and women (Irobi, 2008). According to World Bank (2007), the term refers to provision of financial services (including saving and credit) to the poor. Micro-finance banks therefore are institutions that are established to provide financial services to the poor. Microfinance institutions can be non-governmental organizations,

savings and loan cooperatives, loan unions, government banks, commercial banks, or non-bank financial institutions (Ledgerwood, 1997). The policy seeks to make financial services available on a sustainable basis to the economically active poor, low-income earners and micro, small and medium enterprises through privately owned enterprises. The objective of microfinance according to Otero (1999) is not providing capital to the poor to combat poverty; it seeks to create an institution that delivers financial services to the poor who are ignored by the formal banking sector.

2.2 Microfinance and poverty alleviation

The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. According to Hulme et al (1996:1) most institutions regard low-income households as “too poor to save”. In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of factors necessary for a successful enterprise¹². Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty.

According to Ismawan (2000:4) the real idea of microfinance is to help the weakest member of civil society who in this case is the poor. However Roth (1997:6) has another view. He argues that microfinance programs often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of microfinance programs as a panacea of poverty ignore the complex matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

2.3 Microfinance and women empowerment

Earlier studies about micro-financing have evaluated whether micro-credit programs such as popular in Togo reach the relatively poor rural women and vulnerable in their operations. Micro

finance is the mean for income generation and the way for permanent reduction of poverty through the provision of health services, education, housing, sanitation water supply and adequate nutrition. In many instances, a great potential exist for micro finance in the country. The issue of women's empowerment has been at the centre of discussions on planned interventions for poverty alleviation. Microfinance programs mobilize and organize women at the grassroots levels. It is generally argued that micro-credit plays a vital role in bringing about changes in the rural women's standard of living. It is widely believed that an empowered woman would be one who is self-confident, who critically analyses her environment and who exercises control over decisions that affect her. Many women's organizations in developing countries have included credit and savings, both as a way of increasing women's incomes and bring women together to address wider gender issues. Women empowerment in developing countries like Togo is understood in a context where women take control and ownership of their lives. These are the three core elements of empowerment. The first one is agency or ability to define ones goals and act upon them. However, evidence from participatory studies shows that although the affirmative action policy that government is pursuing is showing some positive results. The second is gender awareness which means that women should be aware of the forces and structures working against them. The third is self-esteem and self confidence. Women are a vulnerable group, subordinated and subject to different kinds of oppression which makes them see their own powerlessness as natural or justified.

2.4. Effect of microfinance on poverty reduction

The study of poverty and its alleviation are not. Several empirical studies have been conducted to ascertain the impact of microfinance on poverty alleviation worldwide. However, no consensus has emerged on the impact of microfinance on poverty reduction. Some studies found that micro credit positively impacted poverty (Goldberg 2005, Khander 2003); while some others reported no positive effect (Mayoux 2001, Duong and Izumida, 2002, Hulme and Mosley 1996).

Study by Asemelash (2003) for Ethiopia showed that microfinance had positive impact on the poor. Specifically, the results showed that microfinance led to increased income for the poor. Asides, it helped to increase poor people access to better schools and medical facilities. In the

same way, study by Alemu (2006) reported positive impact of microfinance on the poor in five different zones of the Amhara region. In particular, the results reported that microfinance helped the poor to smooth their income in the study area. All the same, the study reported cases of loan diversion. Some clients were found to have used their loans for unintended purposes.

The study by Rajendran and Raya (2010) for India showed that microfinance had positive impact on poverty reduction, women empowerment and environmental sustainability. Imai, et al. (2010) reported similar findings as Rajendran and Raya's for India. Littlefield et al. (2003) found that micro finance allowed poor people to protect, diversify and increase their sources of income, the essential path out of poverty and hunger.

In the case of Togo, few recent studies conducted on the subject matter have shown that microfinance impacted positively on poverty. For example, study by Bertrand Adjolla et al. (2009) showed that microfinance as an effective instrument for lifting the poor above the level of poverty working through increased self employment opportunities and improved credit worthiness. Similarly, they found that microfinance played a significant role in poverty alleviation through provision of financial services to the active poor, creation of self employment opportunities and provision of small loans to small businesses. In the same way, study conducted by Nouheilatah Alidou, et al. (2010) revealed significant positive relationship between microfinance and poverty reduction. However, the study found that microfinance would require the existence of basic infrastructure such good roads, steady power supply, and good transport system to play a more effective role of poverty alleviation.

3. Methodology

The method employed in this study is the descriptive survey method. The method is ideal because the study involved collecting data from rural women communities with a view to determine whether or not microfinance contribute to poverty reduction by increasing their income and welfare. The population comprised all rural women in kara town. A preliminary investigation was carried out to determine the relationship between poverty (dependent variable)

and microfinance (independent variable). For effective coverage and lower cost, purposeful sampling technique was used to select a sample of 200 rural women that constituted our sample size. The major tool of this study was a questionnaire titled “Strategic Microfinance loan disbursement and rural women poverty alleviation in Togo.” The terms and statements embodied in the questionnaire were related to the objectives and hypothesis of the study. The questionnaire used in this study measured the perception of respondent on effectiveness of microfinance loan disbursement and rural women poverty alleviation in Togo, rating Strongly Agree 4; Agree 3; Disagree 2; Strongly Disagree 1.

A reliability test methods was carried out and the scores obtained from the administration of the questionnaire were corrected, using Pearson product moment correlation coefficient was 0.78. Out of the 150 copies the questionnaire administered, 100 were returned and used for analysis. Data collected from questionnaire were analyzed using SPSS. Summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage.

Chi-square was used to measure the discrepancies existing between the observed and expected frequency and to proof the level of significance in testing stated hypotheses. Chi-square allows testing the statistical significance of differences in a classification system (one-way classification) or the relationship between two classification systems (two-way). To perform this chi-square test, one must already have the data classified in a frequency table (this test is not performed on the raw data). A frequency table shows the number of cases that belong simultaneously to two or more distinct categories as presented under “N” column.

Regression analysis and Analysis of variance (ANOVA) were computed with the help of statistical package for social science (SPSS). First the 'simple R' column is the correlation between the actually observed independent variables and the predicted dependent variable (i.e., predicted by the regression equation). Second, R square' is the square of R and is also known as the 'coefficient of determination'. It states the proportion (percentage) of the (sample) variation in

the dependent variable that can be attributed to the independent variable(s). Finally the trend, and pattern and relationship among data were identifies and interpreted.

4. Testing of hypotheses and Interpretation of Results

Three hypotheses were raised for the study is tested at 0.05 significant levels.

H01: There is no significant difference in the number of rural women who used microfinance institutions and those who do not.

Table 1: X^2 summary

Variable	N	Df	X^2	P-Vaalue
Adoption of microfinance institution	80	1	0.5117	< 0.05
Adoption of microfinance institution	20			

Source: field survey, 2013.

The chi-square test shows that adoption and non-adoption of microfinance institutions classification of participants revealed a significant difference among the rural women who used microfinance and those who do not use microfinance at Chi-square (X^2) = 0.5117 with 1 degree of freedom and 0.05 significant level. It implies that most rural women chose microfinance institutions (80) 80% and non-adoption of microfinance institutions (20) 20 %. Hypothesis one (**H01**) which stated that “There is no significant difference in the number of rural women who used microfinance institutions and those who do not” is rejected. This explained that there is a significant difference in the number of rural women who used microfinance institutions and those who do not. Thus, there are remarkable changes in the situation of rural women accruing to microfinance intervention. Rural women who used microfinance institutions have had their voices strengthened, they have managed to set up their businesses and run them, they are no longer dependents on their husbands and their leadership as their business skills have been enhanced. They have gained more confidence that can enable them to stand in public and speak.

Ho2: Poor rural women have not access to microfinance funds and loans for the development of micro enterprises in Togo as expected

Table 2: Model Summary of this Simple Regression

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	Results
1	0.772**	0.518	0.399	0.1744	Ho2 Rejected

Predictors (Constant), microfinance funds and loans access

ANOVA(b)

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.0762	1	0.0762	1.383	.005 ^a
	Residual	0.1946	3	0.098		
	Total	0.2708	4			

a. Predictors: (Constant), microfinance funds and loans access

b. Dependent Variable: rural women poverty alleviation

Source: field survey, 2013

The model summary table provides useful information about the regression analysis. To test the second hypothesis, simple regression analysis was used to regress the independent variable against dependent variable used in determining dependent variable. Table 2 above indicates the model summary of the simple regression equation that predicted poverty alleviation. It shows that R square (0,518) 51.8% tells us how microfinance funds and loans access and rural women

poverty alleviation are related. The adjusted R square (R^2) refers to the best estimate of R square for the population from which the sample was drawn. Finally, the ‘standard error of estimate’ indicates that, on average, observed entrepreneurial productivity deviate from the predicted regression line by a score of 0.1744. The hypothesis two (**H₀₂**) which stated that “Poor rural women have not access to microfinance funds and loans for the development of micro enterprises in Togo as expected” was rejected at $R = 0.772$, $R^2 = 0.518$, $F = 1.383$; $p < .05$. This implies that poor rural women have access to microfinance funds and loans for the development of micro enterprises in Togo as expected.

H₀₃: There are no prospects and no circumstances in which microfinance can promote empowerment of rural women and help the poor out of poverty in Togo

Table 3: Model Summary of this Simple Regression

Model	R	R Square	Adjusted Rsquare	Std. Error of the Estimate	Results
1	0.812 **	0.69	0.57	0.1574	Ho2 Rejected

(a) Predictors (constant), microfinance prospects and circumstances

ANOVA(b)

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.0762	1	0.0762	0.2834	.004 ^a
	Residual	0.1946	3	.098		
	Total	0.2708	4			

- a. Predictors: (Constant), microfinance prospects and circumstances
- b. Dependent Variable: rural women empowerment and poverty alleviation

Source: Field Survey, 2013.

The model summary table provides useful information about the regression analysis.

In this study, R square ($R^2 = 0.69$) 69% tells us how microfinance prospects and circumstances is related to rural women empowerment and poverty alleviation. The adjusted R square (R^2) refers to the best estimate of R square for the population from which the sample was drawn. Finally, the 'standard error of estimate' indicates that, on average, observed rural women empowerment and poverty alleviation deviate from the predicted regression line by a score of 0.1574. The hypothesis three (**H₀₃**) which stated that "There are no prospects and no circumstances in which microfinance can promote empowerment of rural women and help the poor out of poverty in Togo" was rejected at $R = 0.812$, $R^2 = 0.69$, $F = 0.2834$; $p < .05$. This implies that there are prospects and circumstances in which microfinance can promote empowerment of rural women and help the poor out of poverty. These prospects and circumstances include not only help to promote rural women entrepreneurial skills in business management, and elementary book-keeping, but also to ensure efficient functioning of financial markets since they play an important role in the economy and rural development. Otherwise there is need for access to markets for their local products and other infrastructure like good feeder roads to transport the merchandise and institutions for example to deal with legal matters to promote empowerment of rural women and help the poor out of poverty. The majority of women felt that their position in the family had been strengthened, set up businesses and run them, could occupy a political office at local levels and had attained a real change in their lives and self-esteem when they compare themselves to that period before the program. Many felt that they can look after their children, educate them, afford a nutritious diet to the household and are no longer dependents on their husbands.

H₀₄: There is no significant effect of microfinance loan disbursement on rural women poverty alleviation

Table 4: Model Summary of this Simple Regression

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	Results
1	0.875**	0.702	0.649	0.4327	Ho2 Rejected

(a) Predictors (Constant), microfinance loan disbursement

ANOVA(b)

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.4281	1	0.4281	6.383	.002 ^a
	Residual	0.2842	3	0.1198		
	Total	0.7123	4			

a. Predictors: (Constant), microfinance loan disbursement

b. Dependent Variable: rural women poverty alleviation

Source: Field Survey, 2013.

In this study, R square ($R^2 = 0.69$) 69% tells us how microfinance loan disbursement is related to rural women poverty alleviation. The adjusted R square (R^2) refers to the best estimate of R square for the population from which the sample was drawn. Finally, the 'standard error of estimate' indicates that, on average, observed rural women poverty alleviation deviate from the predicted regression line by a score of 0.1574. The hypothesis three (**H04**) which stated that." was rejected at $R = 0.8756$, $R^2 = 0.875$, $F = 6.383$; $p < .05$. This implies that there is a strong

significant effect of microfinance loan disbursement on rural women poverty alleviation. That is microfinance loan disbursement help rural women to increase their incomes and to solve some problems of poverty like isolation, physical weaknesses and they can afford a good diet, can deal with vulnerability as they can save and now able to deal with crises, has the capacity to send their children to school and to pay for their health which is critical for their continued wellbeing and as a consequence break the poverty trap.

5. Conclusion and recommendations

In conclusion, this study shows that there are remarkable changes in the situation of rural women accruing to microfinance intervention. Rural women who used microfinance institutions have had their voices strengthened, they have managed to set up their businesses and run them, their leadership as their business skills have been enhanced. Poor rural women have access to microfinance funds and loans for the development of micro enterprises in Togo as expected. Microfinance loan disbursement promotes rural women empowerment and helps the poor out of poverty. It has the potential to alleviate rural women poverty especially in increasing level of income and reducing vulnerability. Based on the findings of this study the following recommendations are made possible. Microfinance can be more viable strategy for sustainable poverty alleviation if more is to be done on program outreach and depth. The program needs to accommodate the poor in the country. Additionally, government should arrange enabling environment for the microfinance program by ensuring political instability, a stable macro-economic environment and low inflation rates. In order to have a sustainable microfinance intervention, the government should also keep infrastructures in place that link. This research requires more future research that must be focused on a deeper understanding of poverty alleviation since microfinance is only treating the symptoms than attacking the real causes.

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