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BOAKAI MURPHY DORLEY

The Impact of Microfinance on Poverty Reduction in Montserrado County: A case study of Access Bank Liberia Limited, 2009-2012

O Impacto da Microfinança na Redução da Pobreza em Montserrado County: Um estudo de caso do Access Bank Liberia Limited, 2009-2012

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Profa. Dra. Simone Silva de Deos – Orientadora

Dissertação de Mestrado apresentada ao Programa de Pós-Graduação em Desenvolvimento Econômico, área de concentração: Economia Social e do Trabalho do Instituto de Economia da Universidade Estadual de Campinas para obtenção do título de Mestre em Desenvolvimento Econômico, área de concentração: Economia Social e do Trabalho.

Master's dissertation submitted to the Institute of Economics of University of Campinas in order to obtain the Master's degree in Economic Development in the Social Economy and Labour Area.

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DISSERTAÇÃO DE MESTRADO

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Candidate's Declaration

I hereby declare that this researches "The Impact of Microfinance on Montserrado County", A Case Study of Access Bank Liberia Limited is my own work and all materials used have been indicated and acknowledged with complete references. This research has been done independently with the guidance and support of the researcher advisor.

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Resumo

Microfinanças constituem a prestação de uma vasta gama de serviços financeiros que incluem depósitos, empréstimos, poupanças, transferências de dinheiro e seguro para as famílias pobres e de baixa renda e seus microempreendimentos. No paradigma do desenvolvimento, as microfinanças têm se mostrado cada vez mais necessárias – estratégia utilizada para atender aos grupos negligenciados da sociedade, especialmente mulheres, pessoas de baixa renda, comunidades rurais e a população carente. O objetivo dessa pesquisa é contribuir para a compreensão do impacto das microfinanças no alívio da pobreza em Montserrado County, usando o Access Bank Liberia Limited para o estudo de caso. Essa pesquisa cobriu o período de 2009 a 2012. Os resultados indicaram que as microfinanças tiveram um impacto positivo no alívio da pobreza dos destituídos de Montserrado County, particularmente liberianos sem acesso às instituições financeiras formais. Os resultados revelaram que as microoperações financeiras do Access Bank Liberia tiveram um impacto positivo na criação de empregos, renda dos clientes e poupanças. Além disso, as evidências sugerem que o acesso à assistência financeira como o crédito para pessoas de baixa renda é capaz de estimular a geração de microempreendimentos que permitem a essa parcela da população sair da armadilha da pobreza. Portanto, microfinanças são uma das mais eficientes intervenções para melhorar as condições econômicas dos destituídos, além de ser um instrumento de proteção social, principalmente para mulheres.

Palavras chaves: microfinança – pobreza – Libéria

Abstract

Microfinance is the delivery of a broad range of financial services which includes deposits, loans, payment services, savings, money transfer, and insurance to the poor and low-income households and their micro-enterprises. In the development paradigm, microfinance has evolved as a need –based strategy and program to cater to the neglected groups of society particularly women, poor, rural, deprived population. The objective of this research is to contribute to the understanding of the Microfinance impact on poverty alleviation in Montserrado County, using Access Bank Liberia Limited as a case study. This research covered the period 2009-2012. The researcher's findings indicated that microfinance has a positive impact on poverty alleviation on the destitute poor of Montserrado County, particularly Liberian who lacks access to formal financial institutions. The findings revealed that Access Bank Liberia microfinance operations have a positive impact on job creation, clients' income and savings. Moreover, the evidence suggests that if the poor or low income earners are provided access to financial assistance, such as credit, they are capable to start a micro-enterprise that will allow them to break out of the poverty trap. Therefore, microfinance has become one of the most effective interventions for economic empowerment tool for the destitute poor as well as social protection mainly for women.

Key words: microfinance – poverty – Liberia

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List of Acronyms and Abbreviations

ABLL	Access Bank Liberia Limited
ACS	American Colonization Society
ADB	Asia Development Bank
AFB	Afriland First Bank
AfDB	African Development Bank
BLMCL	Brac Liberia Microfinance Company Limited
CBL	Central Bank of Liberia
CEAL	Combined Efforts to Aid Liberian
CGAP	Consultative Group to Assist the Poor
CIA	Central Intelligence Agency
CLAP	Community Livelihood Assistance Program
CU	Credit Union
CWIQ	Core Welfare Indictors Questionnaire
EAD	Exposure at Default
EIB	European Investment Bank
FDI	Foreign Direct Investment
FFWL	Foundation for Women in Liberia
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Country
IFC	International Financial Corporation

IMF	International Monetary Fund
IPRS	Interim Poverty Reduction Strategy
LACE	Liberia Agency for Community Empowerment
LBDI	Liberia Bank for Development Investment
LCUNA	Liberia National Credit Unions
LEAD	Liberia Entrepreneurial and Asset Development
LEAF	Loan Extension and Availability Facility
LEAP	Local Enterprises Assistance Program
LF	Liberty Finance
LFS	Labor Force Survey
LIBA	Liberia Business Association
LISGIS	Liberia Institute of Statistics and Geo-Information Services
MDGs	Millennium Development Goals
MFI	Microfinance Institution
MOA	Ministry of Agriculture
MOCI	Ministry of Commerce Industry
MOF	Ministry of Finance
NGOs	Non-Governmental Organizations
NPHC	National Population Housing Census
PD	Probability of Default
PRS	Poverty Reduction Strategy
ROSACA	Rotating Savings and Credit Associations

SAP	Structural Adjustment Program
SDR	Special Drawing Right
SLA	Savings and Loan Associations
SME	Small and Medium Enterprise
UNCFD	United Nations Capital Fund Development
UNDP	United Nations Development Program
VSLAS	Village Savings and Loans Associations
WB	World Bank

INTRODUCTION

In most peripheral countries like Liberia, the formal financial institutions serve approximately less than twenty percent of the population (Berenbach & Churchill, 1997; Robinson; 2001). The rest of the population typically low income households, historically, has not had access to formal financial services. Innovative financial institutions such as microfinance institutions have emerged to cater for this sector. Providing microfinance services, primarily micro credit, is seen as a method to generate self-employment opportunities for the poor who are excluded from obtaining loans from conventional financial institutions. At the current threshold of US$1.25 a day, the World Bank estimates that around 25% of the population in developing countries lives below the poverty line (UN, 2009). This figure represents 1.3 billion people living in poverty, or approximately 20% of the global population (World Bank Group, 2010). Considering the United Nations Millennium Development Goals for reducing global poverty in half by 2015, as stipulated in its development agenda, microfinance programs have become an increasingly important component in reducing poverty and a much favored interventionist strategy amongst international development agencies for the alleviation of poverty on a wider scale (Wright, 1999).

Liberia has been no exception to this tendency. It is one of the poorest post-conflict countries in Sub-Sahara Africa, like Sierra Leone or Congo, whose population has been subjected to extreme poverty which has degenerated due to a civil war that lasted for fourteen years and destroyed the physical infrastructures and manpower resource of the country. The majority of the low income earners, engaged in subsistence farming or retail businesses as a means to survive have been constrained by the lack of finance; as a result, they resort to alternative resources of credit. In this context, getting out of the poverty trap requires outside intervention.

With the increased interest in microfinance as a poverty alleviation tool, the government of Liberia through its Poverty Reduction Strategy (PRS), and the Central Bank of Liberia in collaboration with the United Nations Development Program (UNDP), established a Microfinance Department at the Central Bank in 2005. The purpose of this initiative was to ensure the provision of financial services to the economically active poor population through financing sustainable institutions on a massive scale; promoting microfinance and improving performance; protecting depositors where microfinance institutions accept deposits; and ensuring financial system stability to avoid the failure of one institution which may disrupt the financial sector of the country.

Liberia, four decades ago, was one of the most prosperous countries in Sub-Sahara Africa with a Gross Domestic Product Per capita in 760 United States dollars in the 1960s (WB, 1974). Currently, it ranks 174 out of 187 countries in the world, according to the world Human Development Index, being one of the least developed countries in the world (UNDP, 2013). The Gross Domestic Product (GDP) Per capita is 422 United Sates dollar. According to the Core Welfare Indicators Questionnaire (CWIQ, 2010), the proportion of the population living below the poverty line has declined from 63.8% in 2007 to 56% in 2010 (World Bank 2010).

From the perspective of a nation emerging from a devastating civil war, the resurgence of aggregate and per capita Gross Domestic Product (GDP) is encouraging. However, within the context of human development, the current growth trend has not made an appreciable impact on the lives of most of the population. A measurement of human development, the Human Development Index (HDI) for Liberia is 0.276 out of a maximum of 1.000. This level ranks Liberia 174 in the world. This means that over half of the Liberian population have a low standard of living. One of the main challenges for poverty reduction in Liberia is how best the government can create an enabling environment that will provide the poor with opportunities to earn a sustainable income that will translate into a decent standard of living. Furthermore, providing access to better health care system, education, as well as public and personal safety for all citizens.

The main objective of this research was to examine the impact of Access Bank Liberia microfinance operations on poverty reduction in Montserrado County. In order to reach such proposal, the researcher looks at the income trends of the clients, the savings pattern, and job creation at the micro level, as well as the social and economic change created by microfinance among the poor population within Montserrado County, using Access Bank Liberia Limited as a Case Study from 2009-20012. The research further delves into the situation of the client's perspective, in order to understand how the clients perceive the impact of Access Bank microfinance credit and determines its impacts on their economics status.

This research focuses on Montserrado County, which represents the oldest county in Liberia, where the first settlers settled in 1821. Presently, the county hosts approximately 1, 118, 24 million people, which constitute almost half of Liberia's entire population, of 3.5 million people, making it one of the most important counties in terms of population and also the county that hosts the political capital of Liberia. Out of the stipulated population, about 70% lives in the city of Monrovia, attracted by urban life, commercial businesses and government jobs, as well Non-Governmental Organizations (NGOs) (LFS,2010).

Access Bank Liberia Limited is the only microfinance bank operating in Liberia that accepts deposit from its clients. The bank was established in 2009 by four reputable financial institutions: Access Microfinance Holding AG; International Financial Corporation (IFC), African Development Bank (AfDB); and the European Investment Bank (EIB). The bank was established to meet the needs of the low and middle income strata of the Liberian population particularly access to savings and credit services as poverty alleviation strategy.

The researcher looks at microfinance from a broader viewpoint using a theoretical perspective as well as comparative analysis from Latin America, Asia and Sub- Sahara Africa experiences. This is especially important considering the diversity of microfinance institutions, which range from non- governmental organizations (NGOs) to member based financial institutions which include Credit Unions (CUs), cooperatives and commercial banks. This is also essential when making recommendations for appraising the microfinance sectors on the need for more robust criteria that incorporate strategies that enable us to understand the challenges faced by microfinance institutions (MFIs) and to make the appropriate recommendations that will enable it meeting its core objectives.

The hypothesis of this dissertation is that microfinance as a poverty alleviation tool can help to reduce poverty and increase living standards of the poor population of Montserrado County, as well as sustain the source of some basic social services in a society that has been experiencing poverty for more than a century.

The main questions of this research are: Can Access Bank Liberia Limited microfinance operations contribute to poverty reduction in Montserrado County? Have Access Bank microcredit operations been able to provide jobs for its clients? Have Access Bank microfinance loan schemes been able to start small scale businesses for Montserrado County entrepreneurial?

There were several challenges encountered during the study, especially gathering financial information from microfinance's clients who do not keep track of their financial transactions. Some of the research constraints were: inadequate resource materials, challenges in getting clients performance report, challenges in getting client loan application form to verify client duration with the institution.

With the proliferation of microfinance institutions in Liberia since the end of the crisis, this research could have covered all microfinance institutions and banking institutions that providing microfinance services to some of their clients in Liberia. But due to time constraints, it was not possible to accumulate all microfinance institutions data.

Due to these constraints, the research was limited to Access Bank Liberia which constitutes a reliable framework for microfinance data in Montserrado County focusing on three main aspects of poverty, which include: job creation, income, and savings of participating clients.

This thesis is organized into three chapters. Chapter one discusses the economy of Liberia from a broad perspective. It further gives an historical overview of Liberia since its independence and political conflict. Additionally, the chapter looks at some basic characteristics of the Liberian economy, such as: the economic sector's contributions to Gross Domestic Product (GDP), the labor market; the demographic structures of Liberia; as well as some factors that have led to an increased poverty in Liberia. The current analysis of this research is going to focus on the period 2009 to 2012 since it corresponds with the most recent economic growth cycle in Liberia.

Chapter two of this research discusses the theoretical aspect of microfinance beginning with the definition of microfinance and microcredit from a general perception. This chapter further looks at the importance of finance for economic growth and job creation from a Keynesian perspective. It also discusses the conceptual and historical aspects of microfinance, which includes microfinance lending approach and microfinance as a financial system approach. For comparative analysis, this section further discusses microfinance from a global perspective, considering its impacts on Latin America, Asia and Sub-Sahara Africa.

Chapter three sets the scene for the research. It begins with a discussion of the historical background of microfinance in Liberia, the kinds of microfinance institutions in Liberia, the Central Bank of Liberia contributions to the microfinance sectors and the characteristics of microfinance in Liberia, including the role of non-governmental organization in supporting the sector. It further discusses Access Bank Liberia as a case study covering the period 2009 to 2012 in depth, in order to understand the main objectives of this microfinance institution in Liberia. This includes analyzing its credit methodology, credit approval process, credit decision and information and then credit evaluations and scoring process for the Small and Medium Enterprise (SME) Sector. The chapter also discusses prudential regulations for microfinance lending in Liberia and loan classification nomenclature. The research concludes with analysis of Access Bank microfinance operations on job creation, income and savings in Montserrado County, Liberia.

The final discussion will analyze the impact of Access Bank Microfinance operations on clients' economics status, income trend, savings and job creation in relations to poverty reduction in Montserrado County, Liberia. This researcher also uses the correlation assessment model which has to do with "before – after" scenarios examination of microfinance borrowers, a technique that looks at the borrowers growth pattern (Hossain, Develtere & Hambrecht's, 2002, Hulme and Mosely, 1996). The researcher used the purposive sampling technique in selecting microfinance clients. Seven hundred and fifteen questionnaires were distributed to Access Bank Liberia microfinance beneficiaries, but only five hundred and fifty returned with some of them incomplete. In particular, the question relating to microfinance clients daily revenue was poorly responded to. This situation may have been due to clients not tracking business activities on a daily basis. In order to select the five hundred fifty persons, we used the clusters sampling[1] of market places along with the purposive sampling technique[2] in Montserrado County. All of the five hundred fifty persons interviewed, all were beneficiaries of Access Bank microfinance programs. Data collected from the survey respondents represented their perceptions regarding the impact of the Access Bank Microfinance loan on their economic status.

This research made use of both primary and secondary types of data. The primary source data were obtained from the sample population survey. The secondary data was collected from the internet, microfinance books, microfinance journals, newspaper, publications of various microfinance institutions, Access Bank Liberia website, and literature on microcredit services.

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[1] www.stats.gla.ac.uk defines cluster sampling as "cluster sampling is a sampling technique where the entire population is divided into groups, or clusters and a random sample of these clusters are selected".

[2] www.dissertationlaerd.com defines purposive sampling technique as "purposive sampling represents a group of different non-probability sampling techniques. Babbie (2004) defines Purposive sampling technique as "a type of non-probability sampling in which you select the units to be observed on the basis of your own judgment about which one will be the most useful" (Henry, 1990, Michael, 2011 & http://www.kenpro.org/sampling-procedures/).

CHAPTER 1: LIBERIA ECONOMY AND SOME ASPECTS OF POVERTY

Introduction

This section discusses some historical and economic aspects of Liberia and its economic status since independence in 1847. It further argues the political conflict and its impact on the economy, some characteristics of the economy, including the demography aspects, labor market indicators and macroeconomic issues as well as the share of different economic sectors to Gross Domestic Product (GDP).

1.1. An Historical Overview of Liberia

The Republic of Liberia, means “land of the freed”, was founded by the freed African-Americans and freed slaves from the United States in 1820. An initial group of eighty six immigrants, who came to be called Americo - Liberians, established a settlement in Christopolis (now Monrovia, the political capital city of Liberia which was named in honor of the late President of the United States of America, James Monroe) on February 6, 1820.

The Republic of Liberia is located on the West Coast of Africa. The country shares its western border with the Republic of Sierra Leone, a northern border with Guinea, eastern border with the Republic of Ivory Coast and on the South with the great Atlantic Ocean. Liberia has fifteen political sub-divisions and each has a historical claim to it by an ethnic group(s).

What is now known as the Liberian State was itself a unique experiment in many ways in terms of its founding. Started as a settler colony by the American Colonization Society (ACS) a philanthropic organization established in the United States in the early 19th century to repatriate freed black back to Africa. It never experienced colonization by Western powers as many contemporary African States, which had to fight out potential European colonizers through persuasion, coercion and several wars. Amid threats to the survival fledgling state, it declared independence on July 26, 1847 from the American Colonization Society (ACS) an organization of white clergymen, abolitionists, and slave owners founded in 1816 by Robert Finely, a Presbyterian minister of the gospel.

The constitution of the Republic of Liberia was modeled on that of the United States of America. However, the indigenous peoples were not granted formal citizenship until 1904. They were not granted even a limited franchise until 1946, and effective voting rights for the indigenous peoples were not in force before the 1985 elections, the rigging of which rendered the right to vote in them nugatory. Formal citizenship for the indigenous peoples was accompanied by the inauguration of a policy of ‘indirect rule’ by the Americo elites, superseded by a policy of ‘unification’ in 1944, at the start of the Tubman presidency. The unification policy, continued as the ‘policy of integration’ from 1964, deprecated the divisions between the Americo and the indigenous, proclaiming an ambition to integrate the indigenous legally, politically, socially and economically. The commitment of the Americo regime to unification and integration was doubtful; certain; its project was substantially incomplete by 1980. In its internal political, social and economic structures and relationships, the Americo – Liberian regime was, despite its formal position, a settler colony. The Americo – Liberian rule came to an end when the late President William R. Tolbert was ousted by a military coup led by the late President, Samuel K. Doe in 1980, after a period of hundred thirty years of Americo-Liberian rule.

After a long period of relative stability and tranquility, the country entered into a brutal and rebellious civil war from December 1989 to August 2003. It was one of the most brutal civil conflict in Sub-Sahara Africa, which claimed the lives of approximately two hundred fifty thousand Liberians and destroyed almost every fabric of the society. With the coming in of the United Nations peacekeeping troops in August 2003, Liberia had her first post conflict elections in 2005. Ellen Johnson Sirleaf was elected president, becoming the first female head of state in Africa, (Outram 1999).

1.2. An Overview of the Liberian Economy

Historically, Liberia is predominately an agricultural base economy and had relied heavily on its natural resources such as iron ore, rubber and timber which accounted for more than half of the country revenue. Alluvial diamond and gold mining activities also account for some economic activities. During the early 1950s and the late 1960s, the Liberian economy grew at a rate almost unparalleled anywhere else in the world (outstripped, in fact, only by Japan), (Clower al et, 1966). This growth, however, did not lead to development, that is, to structure, economic change, absorbing large numbers of Liberians in new productive activities and with more advanced training and skills. On the contrary, the returns from Liberia’s economic growth, insofar as they accrued to Liberians, went almost exclusively to the small ruling minority of Americo-Liberians, thus reinforcing power and the economic and social divisions between them and the country's tribal majority. During this period, iron ore mining was the most spectacular feature of Liberia's economic growth. Up to 1950, no iron ore was produced in Liberia. By 1965, Liberia was one of the world's largest producers of iron ore. The Liberian Mining Company (originally established by an American Colonel Christie), the first four concessions in this field, was the largest taxpayer in the country. Under current conditions, the returns of iron ore mining accrue chiefly to the foreign holders of the concessions and the Liberian government, and because of high capital intensity, iron ore mining provides employment for relatively few Liberians. (Clower, al et, 1966; MOF, 2012).

According to the Ministry of Finance, currently, available information on the post-war economy of Liberia indicates that the country has witnessed one of its longest (2005-2013) periodical of macroeconomic stability in its recent economic history. In 2010, Liberia was granted debt relief by the World Bank (WB) and the International Monetary Fund (IMF) in the tone of 4.6 Billion United States dollars after reaching its Heavily Indebted Poor (HIPC) Country requirements. This was an initiative launched by the international financial institutions to create a framework in which all creditors, including multilateral creditors, can provide debt relief to the world poorest countries like Liberia to ensure debt sustainability, and thereby reduce the constraints on economic growth and poverty reduction. The size of the Liberian's economy is small and its Real Gross Domestic product grew by US$891.8 million in 2013 while its Nominal Gross Domestic Product was reported at US$1,945.8 million (CBL 2013).

According to the International Monetary Fund (2012) report, Liberia has achieved high economic performance and continues to maintain its rate of inflation in single digit for the past eight consecutive years beginning 2005-2012. The report further stated that, despite the impressive economic stability, the economy is vulnerable to external shocks associated with the price volatility of its major export such as iron ore and rubber on the world market which the country depends on for source revenue particularly in support of its dollarized economy.

1.2.1. The Political Conflict and its Impact on the Liberian's Economy

The fourteen years (1989-2003) civil unrest that emerged in Liberia can be traced to the political, economic exclusion of large segments of the society that have characterized the country for most of its existence. The Republic of Liberia founding constitution was premeditated for the needs of the free slaves from the United States, but subjugated the indigenous Liberian for more than one hundred and thirty years. The issue of land and property rights of the majority of Liberian was severely limited. The country political power was concentrated essentially in the capital city of Liberia, Monrovia and primarily at the presidency, with few checks and balances and little accountability. The majority of the infrastructure and basic social services were concentrated in Monrovia and a few other cities, fuelling uneven development, a dual economy (an economy where both technically advanced and technically primitive sector exist), and a major dichotomy between urban and rural areas. The economic and politic elite controlled the county's resources caused a wide gap in the distributions of the country's wealth and fuelled ethnic and class animosities and rivalries which caused the country to be divided.

During the end 1970s, the economy began to disentangle with the combination of sharp increase in the price of petroleum on the world market, followed by a decrease in the prices of Liberia key export commodities such as iron ore, timber, and rubber. During the latter part of the decade, these indicators pointed to a looming political instability. These factors led to unemployment, as well as prices increasing of basic commodities, particularly (Rice, Liberian staple food), as well as some other essential goods. The amalgamation of the deteriorating economy, followed by a long-standing political and economic repression, social exclusion and widespread corruption propagated the civil conflict that destroyed lives and proprieties.

By mid-1980, the late Master Sergeant Samuel Doe of the Armed Forces of Liberia staged a military coup d'état overthrowing the late President William R. Tolbert , a member of the elite class of Liberia who has ruled the country for more than a century. After the military coup and a subsequent execution of the thirteen government officials from the Tolbert's administration, on the claim of corruptions, gave birth to the civil unrest and 14 years of chaos, plunder, and violence, mostly under government led by the former rebel leader Charles G. Taylor, who later became President of Liberia in 1997. However, the conflict did not end until international peacekeepers finally ousted Taylor on August 2003, establishing the basis for stability, peaceful elections, and the beginning of retrieval.

During the fourteen years civil unrest, the entire economy collapsed. The country's Gross Domestic Product (GDP) began to decline after the 1980 coup, and collapsed outright at the beginning of the war in 1989. Gross Domestic Product (GDP) fell a stunning 90% between 1987 and 1995. The economy initially began to rebound after the violence subsided in 1996 and elections were held in 1997. Nevertheless, the war re-ignited, and the violence reached extreme levels in 2002 and 2003 until the peacekeepers arrived in mid-2003. (lowtax.net; Atkinson, 1997).

1.2.2. Some Characteristics of Liberia's Economy

Agriculture and fisheries sector remains an integrate part of the Liberian economy. According to the 2008 National Population and Housing Census (NPHC), about 60 percent of the population depends on agriculture for their livelihood. Agriculture's share of the total economy has also been substantial –contributed about half of nominal GDP in 2008 (over US$ 550 million), and more than 40 per cent of nominal GDP covering 2008-2011 (MOF, 2011).

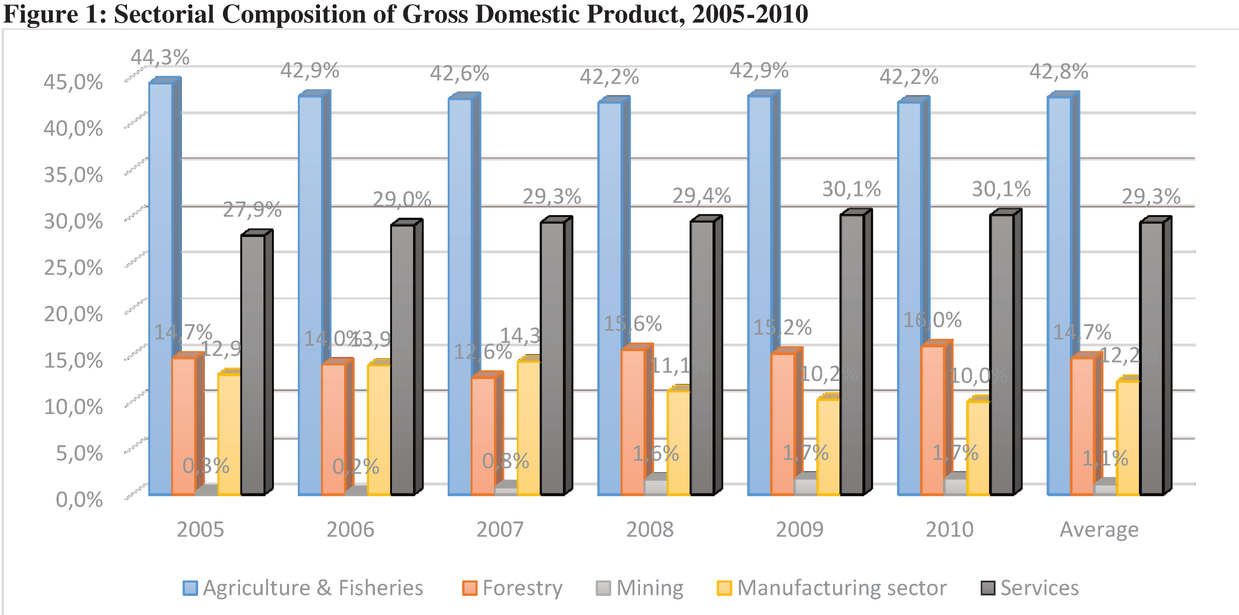
Though the cash –crop sectors have made steady gains over the period, the outputs of the country's staple food, rice and cassava, have been much poorer. In 2011, the output of rice dropped slightly after a minimal increase in the previous year, while the output of cassava has fallen consistently over the past years. In 2010, Liberia demand for rice was 465,276 metric tons, but the domestic supply only amounted to 296, 090. This implies that the country depends heavily on the importation of rice to compensate for the shortfall (MOA, 2011).

Table 1: Liberia Economic Sector Contribution to Gross Domestic Products from, 2005-2010

Economic Sectors	2005	2006	2007	2008	2009	2010	Average
Agriculture & Fisheries	44.3%	42.9%	42.6%	42.2%	42.9%	42.2%	42.8%
Forestry	14.7%	14%	12.6%	15.6%	15.2%	16%	14.7%
Mining	0.3%	0.2%	0.8%	1.6%	1.7%	1.7%	1.1%
Manufacturing Sector	12.9%	13.9%	14.3%	11.1%	10.2%	10%	12.2%
Services	27.9%	29%	29.3%	29.4%	30.1%	30.1%	29.3%

Source: Micro Fiscal Analysis Unit and IMF Estimate 2010

Figure 1: Sectorial Composition of Gross Domestic Product, 2005-2010



Source IMF, 2013

1.2.3. Overview of Macroeconomic Aspects

Since the inception of a democratically elected government of Liberia in 2006, the Liberian economy has experienced strong economic growth in eight consecutive years. According to the International Monetary Fund (IMF) estimates report of 2013, Liberia has the highest Gross Domestic Product (GDP) growth rate in the sub-region as well as keeping inflation in single digit, despite a continued weakness in the global economy.

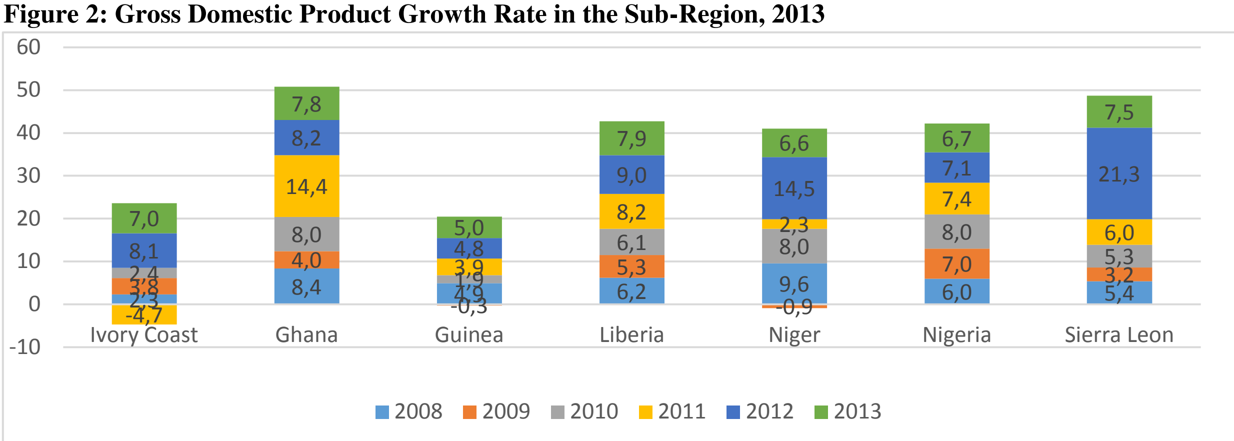
The below table gives a detailed analysis of the growth trend of Liberia GDP from 2008 -2013 in comparison of the other countries in the sub-region.

Table 2: Comparison of GDP Growth Rate in the Sub-Region of Africa, 2013

Country	2008	2009	2010	2011	2012	2013
Ivory Coast	2.3	3.8	2.4	-4.7	8.1	7.0
Ghana	8.4	4.0	8.0	14.4	8.2	7.8
Guinea	4.9	-0.3	1.9	3.9	4.8	5.0
Liberia	**6.2**	**5.3**	**6.1**	**8.2**	**9.0**	**7.9**
Niger	9.6	-0.9	8.0	2.3	14.5	6.6
Nigeria	6.0	7.0	8.0	7.4	7.1	6.7
Sierra Leon	5.4	3.2	5.3	6.0	21.3	7.5

Source: IMF, 2013

Figure 2: Gross Domestic Product Growth Rate in the Sub-Region, 2013



Source:IMF,2013

1.2.4. Fiscal Policy

From the inception of the government in 2006, revealed by the Ministry of Finance annual report dating from 2007 to 2012 showed that public revenue and expenditure have grown considerably. In 2010, the Liberian Government was qualified through the Highly Indebted Poor Country (HIPC) program launched by the International Financial Institutions which includes the World Bank; International Monetary Fund; and the Africa Development Bank clears Liberia debt in the tone of US$4.5 billion. Through the HIPC initiative, the government revenues and grants increased to 36.9% of Gross Domestic Product (GDP) in the Fiscal year 2010/2011 and 2012/2013 respectively. The report further shows that the increase in government revenue was largely due to withholding tax payments from employees.

However, since the completion point of the HIPC program in 2010, the government has embarked on an expansionary fiscal policy by reducing withholding tax as a means to boom the economy and increase the consumption level of the domestic economy. However, revealed by the government 2011/2012 fiscal budget indicates that government continues to rely on donor grant to supplement its budget, which represents approximately 10% of the total projected budget (MOF, 2012; African Economic Outlook, 2012).

According to the Ministry of Finance annual report of 2012, it indicates that since 2008 fiscal budget year, the key objectives of the Poverty Reduction Strategy (PRS) have been articulated in the budget as part of its fiscal policy objective in supporting each pillar of the PRS. The report further shows that the basic objective of the budget is centered around the government's dedication to the eradication of poverty and increasing the provision of basic social services such as water, sanitation, education, infrastructure development, roads and health care to all its citizens. These services are important components of the Millennium Development Goals (MDG).

1.2.5. Monetary Policy

The focus of the monetary policy of the Central Bank of Liberia is to maintain broad exchange rate as the intermediate target and price stability as the ultimate target in order to achieve low inflation in the economy. Amongst several monetary policy tools of central banks around the world, the monetary armed of Liberia has persistently relied on the weekly sale of foreign exchange auction through its reserve requirement as the only available instrument to influence domestic monetary conditions under a flexible exchange rate regime. In highly dollarized economies like Liberia, monetary policymakers rely on the use of foreign exchange reserves to stabilize the exchange rate in order to achieve their objective of price stability.

However, one of the major challenges of the Liberia Central Bank is the failure to address the issue of a dual currency regime. Liberia economy is highly dollarized and approximately 60 % of all transactions is made in United States dollars. Therefore, the presence of the United States dollars in the economy poses a significant task to the monetary authority's ability to effectively manage liquidity in the economy.

1.2.6. Exchange Rate Policy

Liberia has a de-facto dollarized economy and a flexible exchange rate regime where the interaction between the demand and supply of the United States dollars and the Liberian dollars depicts the market value of most commodities on the local market. Because of the dollarization policy, over the years the Liberian dollar has seen some gradual depreciation driven by high growth in imports and paltry of foreign exchange reserves. The level of depreciation is clearly reflected in the current account deficit of Liberia. (CBL, 2012).

As a result of the dual currency regime and a very open economy with excess Liberian dollars in circulation, the exchange rate becomes the main transmission mechanism through which monetary policy affects domestic prices. Consequently, the CBL targets relative nominal exchange rate stability by means of a weekly foreign exchange auction. The exchange policy of CBL aims to increase the stability of the Liberian dollars, by reducing fluctuation in the price and ensuring predictability in the prices of goods (CBL, 2012).

1.3. An overview of Liberia Economic Sectors

1.3.1. Agricultural Sector

Traditionally, the agricultural sector has been the major contributor to the Liberia Gross Domestic Product (GDP). Before the outbreak of the civil war in 1989, agriculture contributed approximately 77% of the country Gross Domestic Products (CIA, 2000). According to the Ministry of Agriculture, more than two-thirds of Liberians dependent on agriculture for their livelihood. The sector is characterized by low productivity, inefficient management, and low –level technology. The absence of agricultural markets combined with poor rural-urban linkage results in a severely depressed rural economy, (MOA, 2011). Historically, the agriculture sector has been a dominant contributor to export trade and earnings and a source of livelihood for a greater number than other sectors. The sector is dominated by traditional subsistence farming systems. In 2008, the agricultural sector contributed 42.2% to the country national GDP. (CBL, 2009).

Amongst these agricultural products, three crops, especially rubber, cocoa and coffee make an important contribution to the economy, accounting for 34% of the agricultural GDP in 2008 (CBL, 2009). Rubber is the most important cash crop and revenue from rubber export increased from US$ 150 million (95% of the total export revenue) in 2006 to US$ 206 million or 86% of the total export earnings in 2008 (CBL,2009).

Over the years, the country cash –crop sectors have made steady gains, but some key areas have been faced with some challenges, among them are the country staple food rice and cassava production have been much poorer. The production of rice dropped slightly in 2011, after a minimal increase in the previous year, while the output cassava fell consistently over the last four years. The demand for rice on the Liberian market exceeds domestic supply. This indicates that the nation depends heavily on the importation of rice to compensate for the shortfall in its demand.

1.3.2. Forestry Sector

West Africa is blessed with some of the richest tropical rain forest in the world. This sector (forest) is also the base of Liberia's timber industry. According to the Forestry Development Authority of Liberia, presently, Liberia holds over 40% of the remaining upper Guinea Forest Ecosystem and the country is mount the thirty five international biological hotspot. In terms of tropical rain forest it covered approximately 4.38 million hectares.

In the 1980s, the industry expanded, producing almost three million cubic meters a year. But the industry was stagnated during the civil war of the 1990s. However, in 2012, the Government of Liberia had issued about 80 forest resource licenses. In 2010, the forestry sector contributed approximately 16.0% to the national Gross Domestic Product (GDP), as well as from 2005 to 2010 on the average this sector has contributed a total of 14.7% to GDP (MOF, 2011).

1.3.3. Commerce and Industry

Since the end of the civil war, commercial and industrial activities in Liberia have seen considerable improvements, and the level of improvements in these sectors has been reflected by a growing number of businesses and substantial rise in the number of light manufacturing industries owned and operated by Liberians entrepreneurs. According to the 2013 aggregate ranking on the Ease of Doing Business in the World Report, Liberia is ranked as 149 amongst 185 countries in the world. (Doing Business Database, 2013, WB, 2013). Most of Liberian entrepreneurs, businesses are concentrated in the area of processing and bottling water, woodwork, and printing. All of these outputs are mostly domestic market oriented. There are some number firms engaged in light manufacturing activities such as paint and rubber industries. Due to the limited number and underdevelopment of the industrial sectors, it employs approximately eight per cent of the labor force which account for 29.3% of Gross Domestic Products on the average from 2005 to 2010 respectively (MOCI, 2011).

1.3.4. Mining Sector

Before the civil crisis, the mining sector of Liberia contributed greater than 65% of export earnings and approximately 25% of GDP. However, during the civil crisis that ensued the contribution was reduced to negligible levels for almost 15 years. All major mines were closed, leading to job losses and reduced government and foreign exchange earnings. However, since the inception of democratically elected government in 2006, the Liberian Government has attracted significant investment in the mining sector. The government has also granted mining concessions to five iron ore mining sector; and signed offshore oil exploration agreements with ten companies in the petroleum sector.

The mining sector therefore remains one of the growing sources of export earnings and government revenue in the economy, with the contribution from iron ore growing the most rapidly (Ministry of Lands, mines and energy, 2010.p.6.). The mining sector contribution to Gross Domestic Product in 2010, represented 0.9%. The mineral commodities produced in Liberia include cement, diamond, and gold. During the same period of 2010, the Liberian Government signed mineral development agreements (MDAs) with private companies to develop and operate diamond and gold mines (MLNE, 2010, p.7; CBL, 2011, p.23-24).

1.3.5. Service sector

The services sector has become one of the booming sectors of the economy, representing around 30.1% of GDP in 2010. This sector is dominated by government services, wholesale and retail trade, real estate, hotels and catering, banks, transport and communication, and contribution (2013, African Economic Outlook). The sector is largely supported by the expatriate community.

In spite of the strong macroeconomic performance over the last eight years, growth continues to be constrained by poor infrastructure, including lack of paved roads, inadequate port facilities, and electricity. And furthermore, the government is yet to translate economic growth into decent job opportunities, improving service delivery and minimizing income inequalities as well as gender and spatial inequalities. These factors affect the distribution of the benefits of growth, since labor – intensive industries such as forestry rely more heavily on road, electricity and port infrastructures. Broad – based growth is also constrained by a severely limited skills base, with an overall literacy rate of 57%. The educational systems of Liberia were largely non-functional and much of the formal private sector was disrupted, while most of the skilled workers were forced to emigrate during the crisis. The war generation had little opportunity to develop productive skills, and this situation is now exacerbated by the lack of training provided by the informal sector workers.

1.4. An Overview of Liberia Labor Market

The Liberian civil crisis affected every fabric of the society as successive waves of fighting throughout the country from 1989 to 2003 created serious socioeconomic and political challenges for policymakers to provide sustainable and decent job for its citizenry. In spite of the high economic growth of Liberia within eight consecutive years from 2005 to 2012, the level of unemployment and underemployment among the youthful population continued to play a major challenge for the country. The majority of the economically active workforce of Liberia is in their productive ages of 15-35, and make up thirty five percent of Liberia's population. According to the most recent national housing and population census report of 2010, two-third of the country's economically active labor force work within the informal sector and approximately 15% of the workforce is employed in the formal sector. Therefore, the integration of young people into the labor market is critical for the overall economic development and security stability of post-conflict Liberia (LFS, 2010).

In 1980, the late President Samuel Doe staged a military coup which subsequently brought him into power. After the coup, within four consecutive years (1980-1985), the International Monetary Fund (IMF) introduced the neoliberal economic reforms in Liberia as part of the Structural Adjustment Program (SAP), approving no less than five stand – by agreements with the Doe's dictatorship the then Liberian government. As a result of these agreements, outstanding credit (excluding Trust Fund Loans) of the IMF to Liberia increased from Special Drawing Right (SDR) of 30 million in 1979, to a peak of about SDR 121 million by the end of 1984. These loans provided by the IMF were short-term on non-concessional terms. This initiative by the IMF as a mean for revamping the economic growth of Liberia with the provision of jobs within the public sector was never realized due to the number of policies constraints been associated with the Structural Adjustment Program (SAP). Key amongst these challenges, where trade and financial market liberalization which was part of the (SAP). During this period, the informal sector of the economy constituted approximately 20% of the total labor force while the public sector employed about 75% of the working population. The result of the SAP initiative was a huge deduction of employment opportunities within the public sectors (Jones, 1988).

According to the most recent report from the Liberia Institute of Statistics and Geo-Information Services (LISGIS, 2010), it was estimated that the size of the formal sector of Liberia stands at 15% and the informal sector 68.0% in terms of its share of the total employment status of Liberia. The huge percentage point of the workforce being concentrated in the informal sector can also be attributed to the civil conflict. The report indicated further that, more than half of all Liberian adults are self-employed or own- account workers. Furthermore, those who are in wage employment, the majority of them do not have formal employer –employee relationship, making it extremely difficult for them to obtain any form of social and legal protection. Other features of the Liberian Labor market are the low levels of wages (nominal income) an income that does not factor in the cost of inflation.

Table 3: Liberia Market Indicator- Absolute Number (Persons Aged 15 and Over)

	Eligible population	**Labor force**	**Inactive Population**	**Employed population**	**Unemployed persons**
Liberia	1,804,000	1,133,000	671,000	1,091,000	42,000
Urban Areas	932,000	512,000	420,000	484,000	28,000
Rural Areas	873,000	621,000	251,000	607,000	14,000
Male	849,000	561,000	288,000	542,000	19,000
Female	956,000	573,000	383,000	549,000	23,000
Greater Monrovia	569,000	301,000	269,000	281,000	20,000

Source: LFS, 2010

According to the Liberia Labor Force Survey definition, "a person is currently considered as employed if he or she has done any work at all (paid or unpaid) during a short reference period (previous week). A person doing as little as one hour work, therefore counts as being employed. This definition was used as a means of including all work activity that could be measured. Since it contributes to the general productivity of the nation". The total working population of Liberia constitutes 1,133,000 labor force. Out of this number, 671,000 are either employed or unemployed and are called the inactive population representing 37.19% of the eligible working population. The employed population of 1,091,000 constitutes about 60% of the eligible population, whereas the unemployed persons comprised of 2.3% of the eligible population.

Table 4: Liberia Market Indicators, 2010

	Labor Force participation rate (%)	Inactivity rate (%)	Employment-to-population ratio (%)	Unemployment rate (%)	Vulnerable employment rate (%)	Informal employment rate (%)
Liberia	**62.8**	**37.2**	**60.5**	**3.7**	**77.9**	**68**
Urban areas	54.9	45.1	52.0	5.5	67.5	59.3
Rural areas	71.2	28.8	69.6	2.3	86.1	75.0
Male	66.1	33.9	63.8	3.4	68.3	61.3
Female	59.9	40.1	57.5	4.1	87.3	74.7
Greater Monrovia	52.8	47.2	49.3	6.5	63.2	56.6

Source: Liberia LFS 2010

From the above table, one can notice that the unemployment rate is not the most relevant indicator to consider. The most relevant indicators are the 'vulnerable employment rate' mentioned above, and the 'informal employment rate' shown in this table. In the entire country (including the agricultural sector), 68% of all employed persons work in the informal sector. The rate of informal employment is much higher in rural area than urban areas, much higher for female than males (LFS, 2010).

1.4.1. Employment Status by Age Group

According to the Labor Force Survey of Liberia 2010, "employed" referred to all persons who did any work for salary, wage or profit for either family or employer during the reference period of the survey, in spite of the number of hours the person has worked. Based on this definition, the economically active population aged 15 and over of Liberia constitutes approximately 1.1 million persons with a closed comparison of 600,000 males and 500,000 females' rural areas and urban areas respectively. This level of employed persons can be divided into three distinct categories: employed (a person who is wage or salary earners), self-employment; and contributing family workers, (as known as unpaid family workers).

Just over 70% of the employed population is in the key working ages of 25 to 54. The main difference between the urban and rural areas is that in the urban areas a higher proportion of the employed population is in the key productive sectors of the economy, whereas the rural areas have a relatively greater proportion of the working population is either very young or elderly within the informal sector.

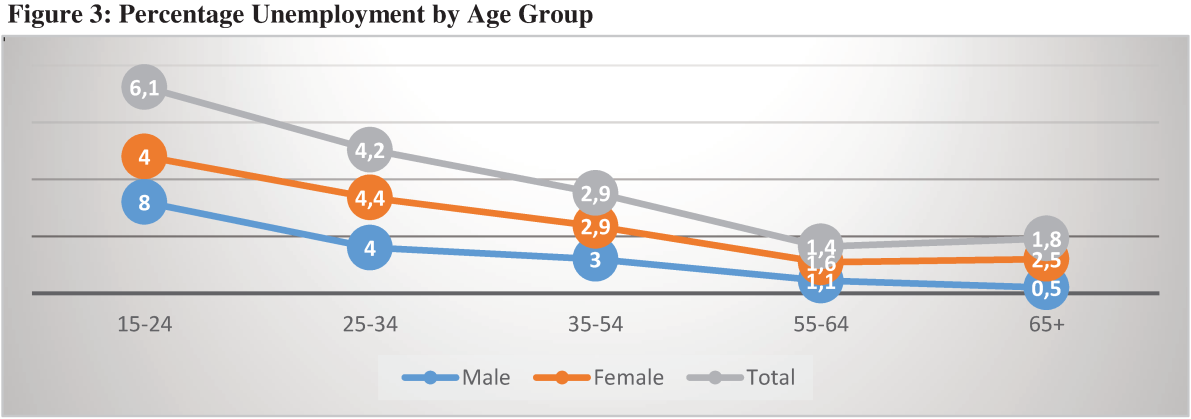
As indicated in the table 1.4, the employed population or workforce falls in the range between the age group 15 to 24 years, constituting approximately 60%, while the main age group (35 to 54 years), constitutes 80%. Even among the elderly (65 years and above) as many as a half are still employed, with a higher ratio of males to females in all areas of work. (LFS 2010).

Table 5: Liberia Employed Population aged 15 and above by Sex and Location

	Urban			Rural			Liberia		
Age group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
15-24	36,000	38,000	74,000	55,000	59,000	113,000	90,000	97,000	187,000
25-34	65,000	82,000	147,000	75,000	92,000	168,000	140,000	174,000	314,000
35-54	111,000	105,000	217,000	126,000	122,000	248,000	238,000	227,000	465,000
55-64	17,000	13,000	31,000	24,000	20,000	44,000	41,000	33,000	75,000
65+	10,000	6,000	16,000	22,000	12,000	34,000	32,000	18,000	51,000
Total	240,000	244,000	484,000	302,000	305,000	607,000	542,000	549,000	1,091,000

Source: LFS, 2010

Figure 3: Percentage Unemployment by Age Group



Source: LFS, 2010

1.4.2. Demographic Aspects of Liberia

Liberia's population is divided into two major categories, indigenous Liberians and Americo- Liberians. The Indigenous Liberians are referred as the descendants of African ethnic groups who already inhabited the land before the arrival of African American Settlers from the United States of America, making up to 95% of the country's population. The Americo-Liberians are African American descent. The Americo –Liberian immigrated to Liberia in the 1800s and they constitute 5% of the total population. (Nelson, D. Harold, Sept. 1984) handbook Series p.92.

In 1962, Liberia conducted its first National Housing, Population Census (NHPC) followed by another in 1974. In 1984, Population and Housing Census reports were never published due to political instability. According to the United Nations prescription, Liberia should have had two censuses in 1994 and 2004 but, it was disrupted due to the civil war.

Liberia's population in 1984 was approximately 2,101,628 million with its annual growth rate at 3.4%. During this period, the population was concentrated within the rural areas due to Liberia huge Foreign Direct Investment within the agriculture (rubber) and mining (iron) sectors. After 24 years (1984-2008), Liberia conducted its first post war National Population and Housing Census (NPHC) on March 21, 2008, with a total population of 3,658,460.00 million. The census reports indicated that a total of 1,458,262.16 million of the population is rural dwellers, whereas 2,200,197.84 million resides within urban communities, with an annual growth rate of 5.8%.

Table 6: Census Distribution of Population by Age Group, 2008

Age	Both Sexes Population	Male Population	Female Population	Percent Both Sexes	Percent Male	Percent Female
Total	3440	1717	1724	100	100	100
0-14	1510	755	755	43.9	44	43.8
15-64	1834	913	921	53.3	53.2	53.4
65+	96	49	47	2.8	2.9	2.7

Source: www.census.gov/population/international/data/idb

Table 7: Liberia Demographic Indicators, 2008

Indicator	Value	Unit
Total Households	670,295	Number
Average Household size	5.1	Number
Dependency Ratio	83	Per 1,000 population
Total Fertility rate	5.8	per woman
Infant mortality rate	78	per 1,000 live birth
Under 5 mortality rate	119	Per 1,000 live birth
Child mortality	41	Per 1,000 live birth

Source: LISGIS, 2008

From the above 2008 demographic indicators, the size and distribution of Liberia's population have experienced substantially changed in the urban and rural areas within the last 25 years. During the 1984 National Housing and Population census, there were approximately 4,602 enumeration centers in the entire country. Out of this number, 1,115 presented the urban areas and the 3,447 constituted the rural areas. (2008, NPHC). However, the 2010 population survey accounted for 6,934 enumeration centers around the country, 3,174 representing the urban areas and 3,760 presenting the rural areas. According to LISGIS's definition, any settlement that constitutes 2,000 and above is an urban settlement (LISGIS, 2008).

Table 8: Liberia Population Distribution by Age, 2008

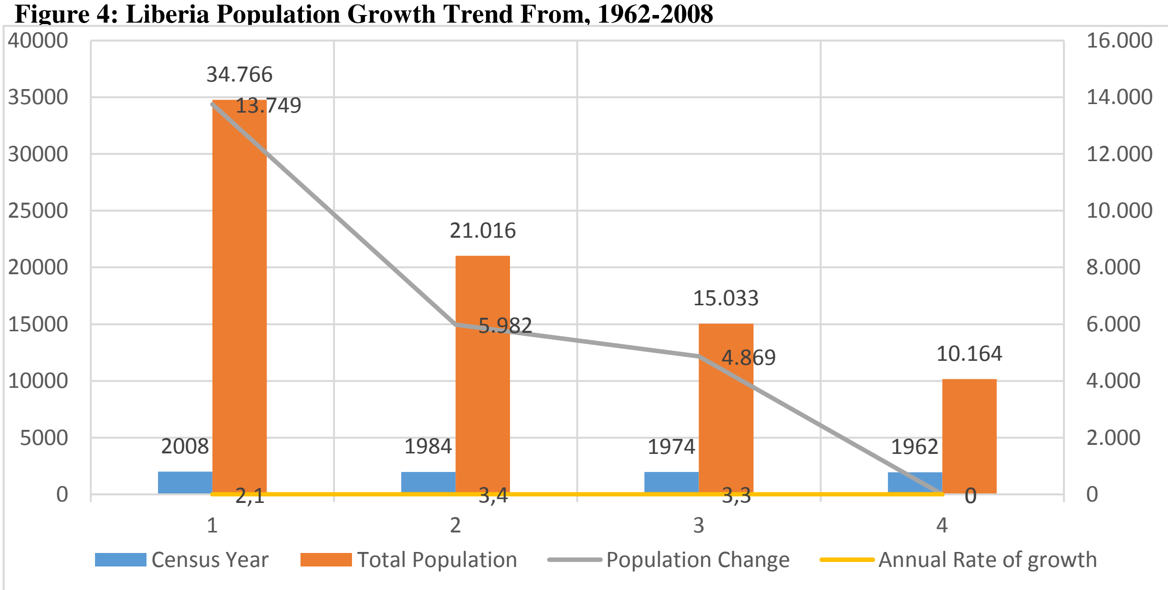
Age Group	Male	% of Male Population	Female	% of Female Population	Total	% of Total Population
0-19	926,241	53.2	907,526	52.3	1,833,767	52.7
20-39	509,419	29.3	548,537	31.5	1,057,956	30.4
40-59	221,342	12.7	192,602	11.1	413,944	11.9
60-79	68,646	3.9	72,650	4.2	141,296	4.1
80+	14,297	0.8	15,348	0.9	29,645	0.9
Total	1,739,945	$100.0	1,736,663	100.0	3,476,608	100.0

Source: LISGIS 2008 NPHC/www.undp.org/liberia/unfpa

The United Nations Development Program Human Development Report (UNDP/HDR, 2007/2008) stated that "Liberia population was estimated as 3,442,000". In comparison to

1984 population, that was about 2,101,628, it shows that there was an increase of 1,387,444 people, indicating that this trend in the population growth started since 1962 (2008, NPHC). The population trend tells that the population annual increase rose between the year 1974 and 1984, however by 2008 it declined slightly.

Figure 4: Liberia Population Growth Trend From, 1962-2008



Source: LISGIS, 2008

1.4.3. Historical Overview of Poverty in Liberia

Historically, poverty can be traced for centuries. Despite its historical trend, the world is yet to establish an internationally acceptable definition for poverty or the measurement for the word poverty. According to the theory of Moral Sentiments by the classical economist Adam Smith, he argued that all of us want others to pay attention to us and treat us with respect. And "it is chiefly from this regard to the sentiments of mankind that we pursue riches and avoid poverty" (The Theory of Moral Sentiments, 1759).

The term poverty which is a global issue (also referred to as penury) is the deprivation of those basic human needs that determine the quality of life that each and every human should have, such as food, clothing, shelter and safe drinking water. However, some of these needs are "intangibles" which include access to education, and to enjoy the respect of your fellow human being as well as equality. Global debates about the causes of poverty, its effects and premium ways to quantify it has influenced the implementations of poverty reduction programs and therefore pertinent to study of international development as one of the key principle objectives in achieving the millennium development goals. (Amarty, 1997; Fraser Institute, 1992). Furthermore, poverty can also be linked to human "well-being" mostly the command over commodities, so the poor are those who do not have sufficient income or consumption mainly in monetary terms. Poverty can also be knotted to a particular type of human consumption, such as poor household or poor health. Therefore, from these analysis poverty can also be evaluated by directly measuring the population malnutrition trends or its literacy rate.

Poverty as a social problem in Liberia is deeply embedded and permeates in every dimensions of the Liberian culture and society. Poverty which includes continued low levels of income, lack of education, markets, health care, lack of decision making ability, and lack of basic human facilities like water, sanitation, roads, transportation, and communication have infused in the Liberia's society for more than a century giving rise to the fourteen (1989-2003) years civil war. Poverty also has negative impacts on human capital and infrastructure investment, both of which had been prevalent (Amarty, 1997).

The history of poverty reduction in Liberia can be traced between 1847- 1970, characterized by long eras of hegemony, misappropriation of public funds, and weak inward looking economic policies. It was a period being referred to in history as "growth without development" (Clower et al, 1966). Government macroeconomic policies excluded conscious strategy to ensure that dividend from economic growth alleviated poverty. From 1960-1980, Liberia experienced modest growth and would-be democracy. In the mid-1970s, government economic policy changed, resulting in the first stage of economic liberalization and imposed some levels of fiscal constraints, resulting in the establishment of scale of banking systems, rural agricultural projects, and increased in the country staple food rice. Furthermore, the government embarked on the construction of public schools around the country and the training of teachers to work in the rural and urban areas.

From 1972-1980, the people benefited tremendously from the expansion of primary education, this period was marked by high enrollments of rural and urban students in colleges and universities. A government initiative to invest in education closed the disparities between males and females during this era. During the mid-1970s, government allotment to public health infrastructure and staffing of hospitals and clinics increased tremendously staffing with trained nurse-midwives.

Despite the level of achievements made from 1960 -1970s, the early 1980s up to the 1990s and throughout the civil crisis, strides made were eroded by economic mismanagement under preceding authoritarian regimes. The macro-economy development was shared with a greater segment in the entire country, particularly with those in the rural areas including poor communities. Instead, the development process was intensely politicized followed by investments in education, health and family policy and the construction of roads and infrastructure to enable the poor to connect to the growth process was the model of perilous degenerative consequences of intentionally fostering social segregation, militarization and poor governance. (www.theliberianjournal.com).

According to the Core Welfare Questionnaire Indicators Survey (CWIQ, 2007), the key result reveals that two-third of Liberia's population were living below the poverty line and almost half living in extreme poverty. The report further revealed that approximately 64 % or 1.7 million people were out of this number, poverty within the rural areas was about 68 % as compared to the urban area which constituted about 55% of the poor population. According to the below table, the South Eastern part of Liberia constituted more than three-quarters of the population that are poor, which presents one-tenth of the national poverty in Liberia.

The report also showed that poverty in the rural areas is higher than poverty in the urban areas due to the deplorable state of the rural infrastructure, poor living conditions, limited access to quality education, road networks are impassable and high child labor are key drivers of rural poverty in Liberia. Other contributions factors include poor health care system, corruption and mismanagement of public resources.

Table 9: Poverty in Liberia

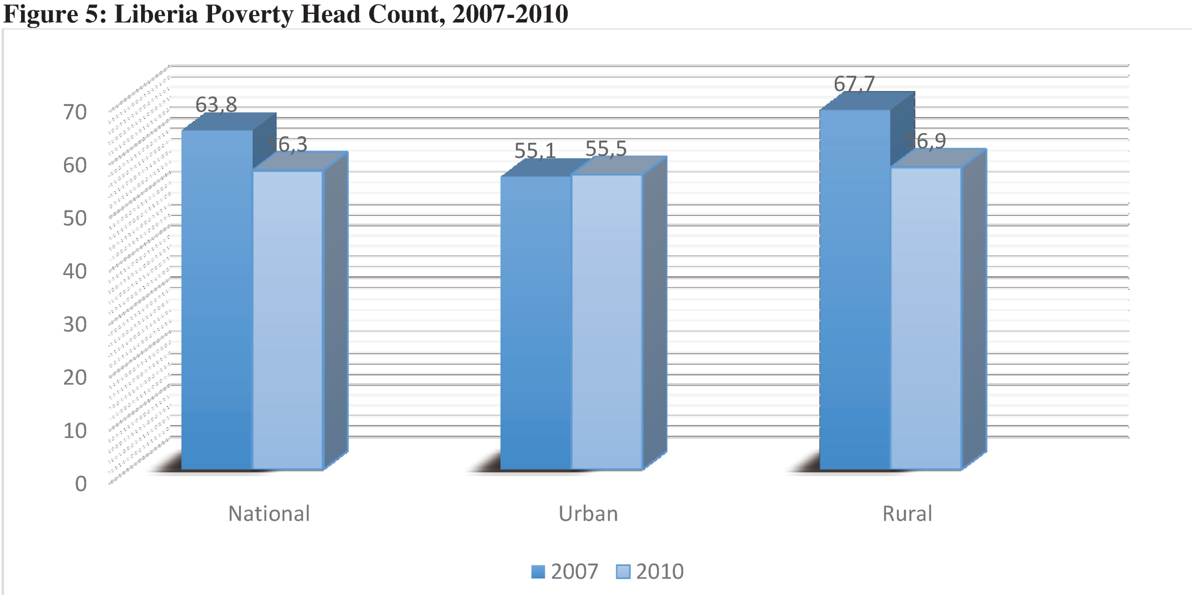
Year 2007	Poverty headcount	Share of Population	Number of poor	Contribution to poverty
National	63.8	100	1,725,806	100
Area of residence				
Urban	55.1	30.9	459,570	26.6
Rural	67.7	69.1	1,266,236	73.4
Region				
Greater Monrovia	48.5	22.0	288,695	16.7
North Central	68.1	35.8	660,129	38.3
North Western	76.3	10.0	206,547	12.0

South Central	58.9	16.5	262,678	15.2
South Eastern A	76.7	8.8	181,713	10.5
South Eastern B	67.2	6.9	126,044	7.3

Source: CWIQ, 2007

However, based on data from CWIQ, 2010 poverty is estimated to have fallen from 64% in 2007 to 56% in 2010 on the national level. The most dramatic change was in rural areas with little fall in poverty levels in urban areas. Based on the data from the CWIQ, the population, poverty gap was estimated at 24.4% and the household poverty gap was estimated at 21.5% in 2007. The report also revealed that the poverty gap is much wider for rural dwellers as compared to urban dwellers. According to Liberia Poverty Note Report No. 69979-LR, “The overall drop in poverty has been largely a result of economic growth, averaging 7% over the period a sharp falloff in inflation, particularly since 2008; and steps taken by the Government”. The report further stated that, “a sharp falloff in inflation, particularly since 2008; and steps taken by the government to target the agriculture sector under its Poverty Reduction Strategy (PRS); and provide income support to the poor and vulnerable through the Liberia Agency for Community Empowerment (LACE)”. The below table gives an illustrative view of poverty in Liberia using the Core Welfare Indicator Questionnaires (CWIQs, 2007 & 2010).

Figure 5: Liberia Poverty Head Count, 2007-2010



Source: CWIQs, 2007 & 2010

Considering the level of economic growth that Liberia has been experiencing and continues to experience for the past eight consecutive years (2005-2012), there exist a positive relationship between growth and poverty reduction. This positive trend is well established in countries in Africa like Botswana and Sierra Leone, and there is no evidence to suggest that Liberia is an outlier in this regard. A researched carried on by Dollar and Kraay (2000) revealed that economic growth has the propensity to reduce poverty as well as Ravallion and Chen (2007), also suggest an affirmative correlation on poverty reduction. Historically, Liberia has a history of resource –driven growth characterized by low levels of employment and consequently high levels of poverty. This trend of growth, sometimes called," growth without development" (Clover et al 1966) in the context of Liberia, this trend was seen in a huge foreign direct investment (FDI) followed by a large export of Liberia natural resources which led the economy to be vulnerable to external shocks.

According to the International Monetary Fund most recent report No.12/45 2012, "Summarizes the findings across the pillars and major sectors. Sector by sector the outcomes are mixed, but the aggregate measures of economic performance are good for economic growth and better macroeconomic stability and poverty reduction". The below table indicates the first Poverty Reduction Strategy report outcomes covering the period 2009 to 2011, indicating the level of achievements made towards peace and poverty reduction in Liberia.

Table 10: Liberia Poverty Reduction Strategy (PRS) Final Report, 2012

Pillar/Sector	Percent of Deliverables Completed	Outcomes	Perceptions (CWIQ ,Stakeholder Survey)
Peace and Security	67%	No outbreak of major violence. Mixed evidence of actual crime	Crime rates for the last quarter. Trust in police little change
Economic Revitalization	69%	Favorable in aggregate, but some sectors lagging. GDP growth, positive in all year, projected to recover to 7% in 2011. Poverty declined from 64% in 2007 to 56% in 2011 of the population with less than $ 1 per day	Perceptions of the general economy improved and of being poor declined from 61% households in 2007 to 46% in 2010

Macroeconomic stability and financial management	88%	Good, low inflation and fiscal deficit (after grants. Improved financial management	
Banking and financial sector	100%	Banking sector expanded and capital base stronger	
Business & private sector	53%	Strong growth in number of firm registrations, employment, and foreign direct investment	Evenly mixed
Environment & Labor protection	59%	Country policy and institutional assessment indicate modest progress from a low base for both environment and protection	
Infrastructure & Basic Services	57%	Mixed	
Transport-Roads	64%	Lots of laterite roads, some done directly by donors. Little progress on paved except near Monrovia	Regional mixed perception of government's improvement to roads
Water and Sanitation	31%	Substantial progress in urban access to clean water and in improved sanitation also in some rural areas	
Education	68%	Gross enrollment increased somewhat, more for girls. Net enrollment rates remain very low and declined in some areas	

Source: IMF 2012

Table 1.10 depicts the achievements from Liberia first PRS in terms of deliverables in each sector. The table shows positive trends which include: macroeconomic stability, with an improvement within the financial sector; followed by a revitalization of Liberia's economic policy and peaceful environment since 2005, all of which are vital to poverty reduction in a post war country like Liberia. However, in spite of these achievements made by the government's PRS some areas such as: access to safe drinking water and sanitation, infrastructures and some other basic social services as well as education were marginally positive, despite the majority of deliverables being complete. Therefore, there still exist a need for more attention and perhaps some rethinking of strategy for continuation.

1.4.4. Liberia Poverty Reduction Strategy

According to the road map of the Liberia's Poverty Reduction Strategy (PRS), it articulates the Government all overall visions and major strategies for moving toward rapid, inclusive and sustainable growth and development under the following pillars: (i) Consolidating peace and security; (ii) Revitalizing the economy; (iii) Strengthening governance and the role of law and Rehabilitating infrastructures and delivering basic services.

The first PRS was launched in three consecutive years (2009-2011), this marked a critical important as Liberia shifts from post-conflict stabilization to laying the foundation for inclusive and sustainable growth, poverty reduction, and progressive toward the United Nations Millennium Development Goals (MDGS) agenda. The PRS builds on the government's first Interim Poverty Reduction Strategy (IPRS), was formulated through broad-based consultation with Liberian citizens in cities, towns, and villages throughout the country. Members of the business community, civil society groups, the Legislature, and International partner organizations were involved in formulating the road map.

The Government Poverty Reduction Strategy was also formulated to meet the objective of the United Nations Millennium Development Goals (MDGs) by reducing absolute poverty by 4%, reduce and extreme poverty by 4% by 2015(PRS, 2008). According to the World Bank (2012), Liberia has reduced child mortality, and has made strategically strive in reducing maternal mortality, which encompasses the fourth agenda of the MDGs and a significant progress in reducing under nutrition. Additionally, the report revealed that Liberia will likely meet the following MDGs: eradicating hunger which is one of the primary goals and the first goal of the MDGs, two in promoting gender equality and empowering women (MGD3); and the developing a global partnership for development. The remaining five objectives or goals of the MDGs that have to do with human capacity building are unlikely to be achieved by 2015.

The government poverty reduction strategy pillars impact of microfinance institutions in Liberia can be achieved provided that the government succeeds in meeting the full objectives of the some key factors of the PRS. These factors, which are very essential to a post conflict microfinance environment include: Political constancy; a stable economic environment that is capable to have access to credit services, and microfinance clients as well as its providers must be comparatively stable.

Access Bank Liberia Limited microfinance's operations for the past few years have been making some progress in providing financial services to the poor of the poorest population of Montserrado County. However, this goal can only be sustained in the long run provider that the government provides a reasonable degree of security and safety to all potential microfinance institutions including the beneficiaries of the Access Bank Liberia Limited microfinance loan. Clients must have access to an environment that is safe in order to carry out business trade freely as well as the MFIs operations, which should operate without being inconsistent with danger to their staff, and institutions assets.

A stable economic environment as well as easy access to credit and high economic growth is very essential factors for microfinance in a post conflict nation like Liberia. Easy access to microfinance loan works in an economy where clients are economically active, and have access to economic opportunities that would provide credit to all potential clients who will in return repay its obligations as per the credit agreement. Even though debt is not the only medium or tool through which poverty can be alleviated, an economy with high economic growth serves as a vital indicator in this drive as in the case of Liberia.

The stability of all clients involved in microfinance operations such as the creditors and debtors should have a comparatively stable population. Studies have shown that in order for any microfinance institutions to be successful in its operations there are financial matrix indicators that must be satisfied which include low portfolio in arrears and low default rates are very essential to the sustainability of the institution (PRS, 2008, UNCDF Microfinance Unit, 2004).

CHAPTER 2: LITERATURE REVIEW OF MICROFINANCE

Introduction

This chapter seeks to discuss the theoretical aspect of the microfinance impact on poverty on the global scene, beginning with the definition of microfinance and microcredit from a general perception. It also discusses the conceptual and historical aspects of microfinance in its chronological order which include microfinance lending approach and microfinance as financial system approach. Chapter two also looks at the importance of finance for economic growth and poverty reduction from a Keynesian perspective for comparative analysis. This section further discusses microfinance from a global perspective, considering its impact on Latin America, Asia and Sub-Sahara Africa.

2.1. Definition of Microfinance

Microfinance as defined by Otero (1999, p.8) is "the provision of financial services to low –income poor and very poor self- employed people". These financial services to the low income earners or those who are excluded from the formal financial institutions include: credit, payment facilities, remittances as well as insurance payments (Lidgerwood; Wright 1999c). Therefore, the provision of microfinance to those who are not eligible to access financial services from the conventional financial institutions includes: micro insurance, micro saving, microcredit and other microfinance services for the formal and informal sectors, (Seibel, 2000). Other authors have defined microfinance as they perceived its developmental impact on the lives of those who are excluded from accessing financial services from the conventional banking institutions. Colombet and Schreiner, (2001) defined microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks".

2.2. The Meaning of Microcredit

Recently, researchers have shown an increase interest in the study of microfinance as a comparatively new term in the field of development, first coming to prominence in the 1970s, according to Robinson (2001). However, for the past three decades, some researchers have been using the term microfinance and microcredit interchangeably. This practice, although often done out of expedience or done unthinkingly, is not just erroneous, it's damaging to the notion of what microfinance actually stands for. Simply put, microcredit refers to small loans. Therefore, the term "microcredit" is a component of microfinance in that it involves providing credit to the poor without collateral, especially for unsalaried borrowers or members of cooperatives who otherwise cannot get access to credit from a formal financial institutions, whereas microfinance involves additional non-credit financial services such as savings, insurance, pensions, and payment services, (Okiocredit, 2005; Sinha, 1998; CGAP 2010; Hossain 2002:79). Access to finance like any other person else is very essential, low income earners need an array of financial services in order to deal with a several needs such as consumption needs, and the ups and downs of income and expenses, the opportunities for financial services are capable to cope with the vulnerabilities and emergency situations that may exist. (Martin et al. 1999).

2.3. The Historical Aspects of Microfinance

Even though most researchers referred to microfinance as relatively new terms in the field of development, the concept of microfinance is not a new phenomenon. This informal institution of savings and credit groups has operated for centuries across the developing and developed world (Siebel, 2005; Hollis and Sweetman, 1998; Guinnane, 2011; Perilleux). Despite the term 'microfinance' is new in the study of development, its concept is not new, but rather can be traced back to the 1700s in Europe when Jonathan Swift initiates the Irish Loan Fund System. This initiative provided small loans to the poor farmers who could not afford collateral. The loan was given at 20% annually to Irish households. In 1462, an Italian monk created the first official Pawn Shop to counter usury practices. And by 1515 Pope Leon X authorized Pawn Shops to charge interest in order to cover operating expenses. The Pawn broking is also known to have existed in early ancient Roman and Grecian civilizations. Due to years of financial uncertainty and economic depressions, pawn shops became a necessity throughout Europe during the Middle Age. (gncpawn.com). During the 1800s, Friedrich W. Raiffeisen established the first financial cooperative in Germany after whom several credit union institutions and cooperative banks in Germany and the world as large have been named after Raiffeisen who pioneered rural credit unions. These credit methodologies began to spread in parts of Africa and Latin America from the early 1900s.

From 1950-1979, the provision of financial services to farmers' cooperatives was done either by governments or non-governmental organization through the medium of subsiding or rural credit programs for farmers. However, these initiatives resulted in higher loan defaults, including high uncollected loan, and an inability to reach the targeted poor households of the society for which the program was being organized. Furthermore, one major default of those facilities were the operating costs for those subsidized lending rates could not cover operating costs resulting in massive default (Robinson, 2001; Helms, 2006). According to Robinson, the early 1980s revealed a turning point in the history of microfinance in the global scene, including the Grameen Bank, whose experimental programs that targeted groups of poor women to invest in micro-businesses as well as microcredit originated, was given prominence in the world. It was during this era that it began known that micro credit that insisted on the conventional banking system such as repayment of loans as well as focusing on operation cost could provide large scale outreach profitability to both its clients and providers. This method of financial provision during the 1950s and the 1960s to the rural farmers' cooperative set the scene for distinction between the micro credit and subsidized rural credit programs been initiated by governments and non-governmental organizations.

By the 1980s, microcredit lending programs improved throughout the globe and its original lending methodologies improved. For instance, the Bank Rakayat of Indonesia, disembarked from the conventional lending procedures about financing the poor. Therefore, its operations include cost- recovery interest rate as well as high and constant repayment model which enable them to become sustainable and expanding its client base on a wide range (www.bri.co.id).

According to Robinson, access to finance by the lower income earners during the 1990s " saw accelerated growth in the number of microfinance institutions created and increased emphasis on reaching scale" (Robinson, 2001.p.54). Dichther (1999, p.12) also referred to the 1990s as "the microfinance decade". Robinson (2001), "says, that microfinance had now turned into an industry". The growing trend in the microfinance industry along the growth of microcredit institutions on the global scene enabled the diversification of microfinance to delve into the provision of other financial services such as savings and pensions. This developmental tendency became clear that the poor had a demand for these other financial services (MIX, 2005).

When it comes to the field of development, the prominence of microfinance was reinforced with the launch of the Microcredit summit[3] of 1997. The objectives of the microfinance submit was to target approximately 175 million of the world's poorest families, predominantly the women of

Those families, providing credit for the self-employed and other financial services and business services as well, by the end of 2015 (microcredit summit, 2005). This period was recently declared by the United Nations as the International Year of Microcredit (UN, 2005, UNCDF, 2006).

Microfinance operations gained prominence on the global scene by in 1976 when Microfinance Nobel Prize winner Professor Muhammad Yunus, launched an action research project to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor in Bangladesh in order to reduce poverty and prompt social change amongst the unprivileged. The Grameen Bank project (Grameen means "rural" or "village" in the Bangladesh language. Professor Yunus has stated that the provision of financial services to the poor leads to poverty alleviation through a virtuous circle containing: 'low income, credit, investment, more income, more credit, more investment, more income' (Hulme & Mosley, 1996).

Since the significant of microfinance has been given prominence in the field of development in more recent time, several studies have shown that well-structured and designed financial lending programs have the propensity to improve the living standards of the poor people as well as taking its clients above the poverty lines. Additionally, other studies have proved that the impact of microfinance on a borrower's income is directly linked to the level of income where those who are found in the 'middle' as well as the 'upper' in most cases are more likely to achieve financial independent than those who are in the bracket of the 'core' the poorest of the population. (Hulme & Mosley, 1996, Mosley, 2001).

[3] www.microcreditsummit.org defines microcredit as, "a conference information action plan and reports on the state of microcredit in the world offered as well as campaign newsletter".

2.4. The Importance of Finance for Economic Growth: Keynesian Perspective

As mentioned in Keynes 'Treatise on Money' (1930), Keynes propounded the importance of the banking sector in economic growth and development. According to him, the provision of financial services by banking institutions is critical to sustainable economic growth. He further suggested that financial credit "is the pavement along which production travels to just the extend that is required in order that the productive powers of the community can be employed at their full capacity" (II, p.220). From Hicks posthumous book of "A Market Theory of Money", "Money", "is defined by its functions…. 'Money is what money does' " (Hicks, 19898, p.1). This suggests that money is anything that will settle a legal contractual obligation between two parties in the economy. From a Keynesian macroeconomics standpoint, the liquidity preference of household arises due the necessity of keeping in more suitable position to meet the demand of basic social needs and unforeseen circumstance. In the 'General Theory', Keynes discusses these requirements why people demand money under three distinct objectives: (1) Transaction motive, (2) Precautionary motive and (3) the speculative motive. These motives implied that the demand for money by households arising under these objectives constitute the aggregate demand for money in the economy. Furthermore, after the General Theory, Keynes introduced the fourth motive to demand money, the finance motive which is associated with the acquisition of capital assets for investment purpose which leads to job creation.

From a Keynesian perspective, the availability of finance in any economy has the tendency to increase aggregate demands which stimulates economic activities, thereby providing job opportunities for the poor in the society. This implies that financial services are paramount in promoting economic growth as well as enhancing investment which has the propensity to also provide jobs and to reduce poverty.

In a similar view, Schumpeter (1911), argued that "The banker therefore, is not so much primarily the middleman in the commodity 'purchasing power' as a producer of this commodity ….. He is the ephor of the exchange economy" (p.74). Schumpeter furthers stressed that financial intermediaries play a pivotal role in economic development because banking institutions choose which firms get to use credit. From his perspective, the financial intermediary sector changes the path of economic growth. Schumpeter's view of finance and development highlight the impact of financial intermediaries on productivity growth and technological change. Several development economics research argued that capital accumulation is one of the key factors underlying economic growth. This simply suggests that better financial intermediaries influence growth primarily by providing adequate credit. Therefore, financial system development contributes to poverty reduction, which could be achieved indirectly by stimulating economic growth and directly by easing transactions, thereby allowing poor households to benefit from financial services that would increase their income trend and then further enhance their ability to invest in profitable small scale investment that are less risky.

2.4.1. Microfinance Lending Approach

The lending approach of microfinance institution is defined as all credit facilities extended by commercial, Islamic, and microfinance banks, granted to natural persons-individually or as a member of a group whose income depends on his or her own business or economic activity, under the following conditions: a) the loan is unsecured or secured by non-traditional collateral and b) in some instances, the loan is secured by group lending methodologies where a member of a group default becomes the responsibility of the entire group. The client lacks formal financial statements and other accounting and operational records (Aprado, 2009).

Although microfinance lenders are quite frequently characterized as institutions that do function under a different logic compared to commercial banks, it has to be remembered that they in the end are basically also financial intermediaries, using deposits and borrowings to allocate those funds to a very specific market segment. Henceforth, they are subject to the same risks as all other financial intermediaries, including credit risk, market, interest rate risk, liquidity risk, operational risk, legal risk and business or strategic risk.

Research from international studies have shown that microfinance lending can be very profitable when under proper policies, procedures, internal control and incentives; otherwise it is extraordinarily risky and many institutions around the world –including commercial banks have experienced significant losses when trying to serve this market without the proper know- how and managerial ability (Yunus,1997). One of the principle objectives behind the development of the microfinance industry is that the poor people in any society have the capacity to generate income from other economic activities within both the formal and informal sectors of the economy. Microfinance programs over the past few decades have contributed tremendously in empowering the poor to increase their access to education, health care system and nutrition (Wright, 2000). Despite the innovation from the poor to generate income, they lack the source for capital due to underdevelopment of financial sector, as well as the unwillingness of the traditional financial institutions to lend to the poor or the informal sectors in order to break away from the poverty trap.

2.4.2. Microfinance as a Financial System Approach

Microfinance has been considered as one of the effective tools of poverty alleviation which is built on providing financial services to the poor through the medium of credit. Nevertheless, some researchers and authors have argued that microfinance as a financial system approach can only meet its core objective, if only these microfinance institutions are capable to meet the test of financial sustainability essentially, meaning that, the MFIs are able to cover its operational costs, even if this means that the very poorest of the population remains under-served. Against this backdrop, the financial system lending approach emphasizes the importance of outreach, especially to the very poorest borrowers, as a poverty-fighting approach. (Morduch, 2005; Robinson, 2001). Globally, it's estimated that MFIs were servicing approximately eight to ten million households, and some practitioner has advocated this outreach to expand to 100 million poor households. (Morduch, 1999).

However, Meehan and Gibbons (2002), argued that the possibility for MFIs to serve approximately 100 million households globally is approximately USD 1 billion. Therefore, this amount cannot be achieved only by governments and donors subsides, but rather contributions from the private sectors is essential to the direct beneficiaries of microfinance programs. Even though there are some authors who have argued that the sustainability approach of some MFIs have contradicted the core objective of the microfinance as a powerful instrument against poverty has been 'commercialization of microfinance lending' methodologies (Rhyne & Drake, 2002). According to Meehan and Gibbons (2000), an institution, financial sustainability or financial self-sufficiency can be well-defined as "the ability of a Microfinance Institution to cover all actual operating expenses, as well as adjustments for inflation and subsidies, with adjusted income generated through financial services operations". Even though some microfinance institutions are capable to sustain their operational costs in order to service its clients, but subsides from the Non-

Governmental Organizations, Charitable institutions as well as governments have paid a vital role in reaching the destitute poorest of the population in many parts of the globe. During the 1997, Microcredit Summit, some high profile consortium of policy makers, charitable foundations and practitioners started a drive to raise approximately US$ 20 billion for microfinance starts –ups for a ten years duration (Microfinance Bulletin 1998). According to Robinson (2001), microcredit has two dimensions in reaching the poor or servicing its principal objectives, "the 'poverty approach' which promotes donor-funded credit for the poor, especially the poorest of the poor, and the 'financial systems approach' which advocates commercial microfinance for the economically active poor and other, subsidized and charitable nonfinancial methods of reducing poverty and creating jobs for the extremely poor". Therefore, large microfinance institutions, financial viability can be achieved only with the financial system approach (Robinson, 2001 p.2).

However, according to Sweetman and Hollis (1998), there is a debate within the academia arena as to whether microfinance self-sustainability is an attainable objective or function of MFIs, considering its core objective of poverty reduction. Yet, a study conducted on microfinance institutions by Hulme and Mosely in Bangladesh (1998) revealed that there was a balance between the purpose of poverty alleviation as well as the ability to sustain its operations. Additionally, some researchers have proven that in the expedition of seeking financial sustainability microfinance, institutions are no longer performing its social objective of serving the underprivileged (Helms, 2006). Despite these arguments about the microfinance, financial sustainability, some authors supports the Financial System Approach of microfinance lending because it helps to strengthen the capacity of the institution and endure financial difficulties in time of recession.

According to Sweetman and Hollis (1998), if microfinance institutions are interested in sustaining their operations, they should expand and upsurge their sources of finance. The study further revealed that most MFIs that depended on the trend of the conventional banking system of accepting deposits to sustain its operations were more successful and capable to remain functional for a longer period of time as compared to those institutions that were being subsidized by either government or non-governmental institutions.

2.4.3. The Impact of Microfinance on Poverty Alleviation

Over the past three decades, many researchers have highlighted the significance of microfinance on poverty alleviation. Fighting poverty requires various techniques and policies, including policy makers. Therefore, the intervention of microfinance as one of the strategies mechanics of poverty alleviation has many evidences, microfinance can help to lift families out of poverty and play a significant role in achieving six goals out of the eight principle objectives of the Millennium Development Goals. Several researchers, including microfinance activists have revealed that the availability of financial services to the poor population and microenterprises can help to reduce poverty in various capacities (Littlefield et al, 2003).

The 'poor of the poorest' having access to financial services such as credit, insurance and pension play a verifiable role in smoothing the income of the poor population and if these services are provided in such manner, microfinance clients wouldn't have to reduce their limited working capital to meet household consumption expenditure or other emergencies that may arise. Therefore, microfinance programs that service its clients in this capacity will enable them to reduce their vulnerability to financial and uncertainty or economic shock. Microfinance programs are also capable to enhance risk management, permit initiative development and for better money management. All of these factors are essential components of building a viable community as well as contributing to the maintainable live hood strategies of the poor families. (ADB, 2007).

According to Wright (2000), microfinance programs have several advantages of the poor because microfinance funds are recycled and reused simultaneously as compare to other poverty alleviations tools or strategies. A researched conducted by Mead and Lied hold on small enterprises twelve countries around the world (1995), revealed three key factors of poverty – oriented microfinance program. The study showed that microfinance benefit is mainly an income-supplementing approach and not a full employment opportunity for a client over a long period of time. Secondly, access to small loan and regular repayments are very important for the development of a microenterprise development. Third, poverty- oriented microfinance institution has been successful in meeting the demand of the poor population particularly women who prefer solidarity borrowing. Researched has shown that microfinance programs work better for women as compare to men, in that women having access to financial services translates into several benefits for the family, such as better nutrition, improved health outcomes, as well as higher immunization rates of children which subsequently spill over to education. It further strengthen the capacity of women and reduce their marginalization in the society as well as economic dimension.

2.5. The Difficulties Measuring Microfinance Impact on Poverty

Hypothetically, microfinance programs and institutions have become an increasing important component of strategies to reduce the effect of poverty, especially on women, and increase their economic sustainability. Conventional measures of poverty relate households' per capita income. However, efforts to evaluate the impact of microfinance operations with any degree of accuracy are partials and contested. Primarily, when one tries to evaluate the potential impact of microfinance on poverty alleviation, it raises a series of questions about the methodologies of measuring poverty such as; what percentage of the population constitute the poor? How are they determined to be poor? These questions have raised serious concern in the study of measuring the effectiveness of microfinance in the field of development. According to Bartholomew and Adams (2010), the accuracy of microfinance effectiveness seems less attractive than the principle of alleviating poverty.

Another difficulty in measuring microfinance impact on poverty is associated with clients entrepreneurial skills, perseverance in pursuing entrepreneur goal and institutional capability are factors that are not easily measurable because of its abstract nature. The ability to measure microfinance impact on its clients quantitatively necessitates separating its effect of the simultaneous impacts of all these abstract attributes. Furthermore, the poor of the poorest sources of income have several channels that are not easily measured.

Amongst the several challenges being faced with measuring microfinance impact on poverty, one of the major challenges is associated with the process of clients' selection. Several studies have shown that partiality happens because some clients feel more secure in meeting up with credit obligation when it falls due as compare to other clients. According to Morduch and Armendariz de Aghion, (2005) the diversity of microfinance operations indicates that it is characteristically difficult to assign a given quantity impact in terms of financial elements in microfinance operations. Wright, (2000) also argued that in the process of evaluating the impact of microfinance clients may give information that may be inconsistent with its objective for which the loan was given to the clients.

However, there is yet a study to receive general consensus as to what would have happened if the intervention of microfinance had not taken place around the world for those who are excluded from the conventional banking system (Roth, 2002).

Over the past decades, considerable debate remains about the effectiveness of microfinance program as a tool for directly reducing poverty and about the characteristics of people it benefits (Chowdhury, Mosely and Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programs on poverty. This argument is based on the fact that money is fungible[4] and therefore it is difficult to isolate the credit impact, but also because the definition of 'poverty' how is it measured and who constitutes the 'poor', "are the fiercely contested issues" (Sinha, 1998.p.3).

In the quest of answering the above questions about the efficacy of microfinance on poverty alleviation, brings about another question as to whether poverty is associated with material needs, such as car, clothes, mobile phone etc. Or from a broader sense that promotes the living standard of an individual. However, some authors have contended in the approach of accessing the impact of microfinance on poverty alleviation using the income approach, indicating an increase in income per capita of the low income earners will necessarily result in reduction of poverty ((Holcombe, 1995; Hossain, 1988; Otero and Rhyne, 1994; Mosely and Hulme,1997).

2.6. Microfinance Operations from a Worldwide Perspective

Since microfinance gained prominence in the 1990s, it has become a worldwide campaign. Microfinance revelation has grown over time with more and different types of actors getting involved in its expansion with new concepts and technologies and with different types of products and services. From the past few decades, there have been varied in its funding sources and tools and also slow shift towards commercialization of microfinance institutions. The number of microfinance institutions have increased globally and there is barely any country in the world that has no microfinance institution or program at all. The global trend within the microfinance industry has revealed how significantly it is against poverty alleviation on the global scene.

In this regard, with the expansion of MFIs on the global scene as a tool for economic development and poverty reduction, the World Bank conducted a survey of all MFIs as a means

[4] http://www.investorwords.com defines Fungible as, "Interchangeable". The term is often used to apply to financial instruments which is identical in specifications.

of dissemination of basic information and contacts with international organizations, researchers, field programs and as well as institutions. However, due to multiplicity of microfinance institutions globally, it has been difficult in compiling a comprehensive international census on its operations. Even though, the World Bank has taken the inventiveness together a full scope survey about microfinance institutions from a global perspective this initiative still remains a major challenge. Despite the challenges being faced by the World Bank in gathering a comprehensive report on all MFIs on the global, the report overall trends and average draw some inferences from the data being analyzed leading to interesting results, that is beneficial for further studies(WB,1996).

In 1996, the World Bank was interested in knowing the quantities and qualities of microfinance institutions operating on the global scene. In order to gather such an important information about MFIs globally, the project covered 101 countries and 900 MFIs were involved in the survey containing a series of questionnaires being sent to each institution. However, out of the 900 institutions that were selected for the study, one fourth of the 900 institutions were able to respond to the questionnaire which indicated that 206 microfinance institutions reported about clients receiving microfinance services from their institutions. The 206 microfinance institutions that responded to these questionnaires revealed an outstanding loan of approximately US$ 7 billion as of September 1995 from 14,000,000 loans to individuals and groups. The report further revealed that in 1994 alone, 33,000,000 new loans were issued to clients of the sampled institutions.

By the end of 1994, the surveyed institutions stated that over UD$ 5 billion in loans were outstanding, indicating a thirty one percent increase over the previous year-end total. The growth in the loan portfolio between 1993 and 1994 reflects a vast increase in Microfinance activity worldwide. According to the survey report, the growth of MFIs around the world has been supported by donor organization and Non-Governmental Organizations (NGOs) embracing microfinance as the latest tool in development and poverty reduction.

Microfinance globally has gained prevalent since the 1970s for reaching most destitute population in the world particularly Asia. The interest in microfinance with enthusiasts advocating its adoption as a tool in the alleviation of poverty has shown positive impact and has opened a world of opportunity previously closed by the conventional banking institutions. The provision of microcredit globally has enable low-income families to use credit and savings to tap into the future income, helping them to both take advantage of immediate opportunities to plan for unforeseen circumstances (accion.org).

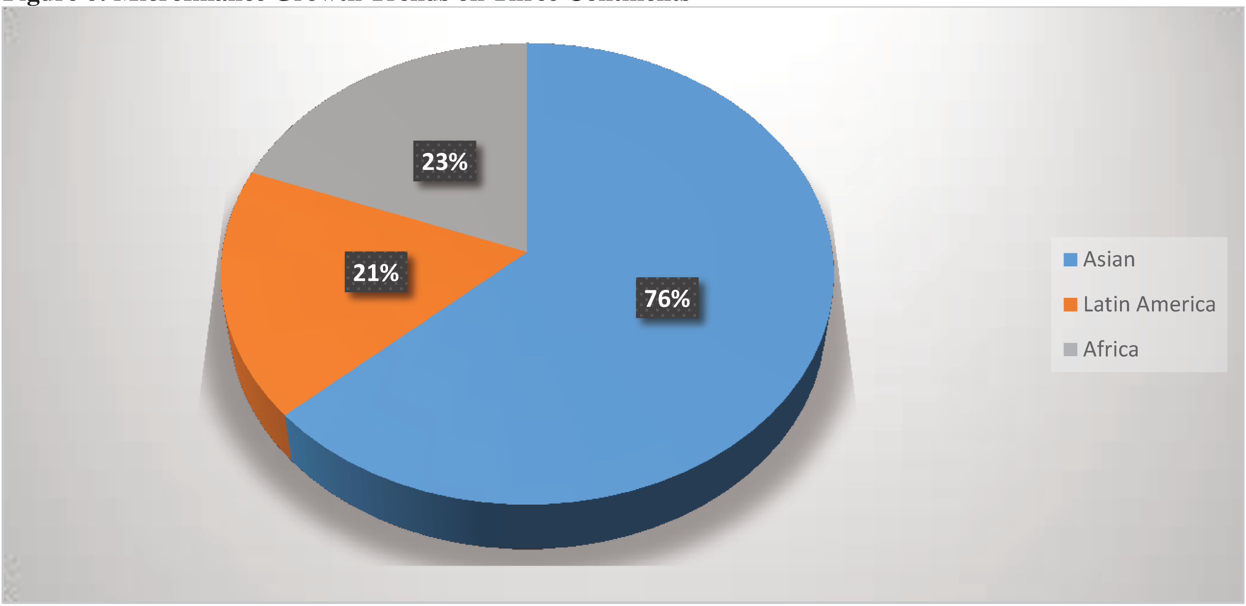
Table 11: A Worldwide Inventory of Microfinance Institutions and its Growth Patterns

	Banking Institutions	Credit Union Institutions	Saving Institutions	Non-Governmental Organizations
		Loan Trends		
Outstanding loan balance	68%	13%	15%	4%
Number of loans outstanding	78%	11%	2%	9%
		Deposit Trends		
Deposit volumes	32%	9%	59%	0%
Number of accounts	42%	4%	51%	3%
		Sources of Findings		
Deposits	46%	16%	78%	9%
Commercial loans	20%	71%	10%	69%
Funds from Donor	17%	8%	2%	7%
Funds from other	17%	5%	10%	15%

Source: WB 1996

According to the World Bank report, there were more than 46,000,000 active deposit accounts and 14,000,000 active loans were recorded during its September 1995 evaluations of microfinance institutions. The aforementioned table shows that the microfinance banking institutions accounted for 78% of the total number of outstanding loans while 11 percent, 9 % and 2% represents credit unions, NGOs and savings banks of the 206 MFIs been involved in the survey respectively. According to the below graph, Asia constitutes about seven out of the eight "giants" microfinance institutions in the world, which represents approximately 76% of the sample survey conducted. Microfinance Institutions in Asia focus on nutrition, health, and literacy as compare to any other continents in the world. While Africa and Latin America represent 23% and 21% respectively.

Figure 6: Microfinance Growth Trends on Three Continents



Source, World Bank,1996

2.7. Microfinance Experience in Latin America

The history of microfinance in Latin America developed under quite different conditions as compared to other continents. For instance, in Bolivia, when the populist regime collapsed, resulting in massive unemployment was addressed by one of the pioneering microfinance institution in Latin America called Banco Sol by providing financial credit to the cash strapped informal sector (ABD, 2005). Historically, microfinance institutions in Latin America were designed to provide employment opportunity, established free enterprise as well as providing credit opportunities for the 'poorest of the working poor', unlike the 'poorest of the poor' in the society who are actually the target group of microfinance institutions (Christen,2001).

According to Microfinance Bulletin (2001; 2003), microfinance institutions in Latin America have the lengthiest practice of commercially sustainable microfinance institutions in the world, because the majority of its source of funding were private driven (income from households) instead of donors funding programs or government subsidies. The report also revealed that Latin American MFIs shows a higher return on loans than any other continent. In Latin America, microfinance institutions are playing a vital role as financial providers of micro-enterprise especially within Bolivia and Central America. However, within Brazil, Mexico and

Argentina which are the largest countries in Latin America, this trend has been largely insignificant (Rutherford, 2003).

Microfinance institutions within Latin America have shown strong financial performance this trend of performance is directly linked to the commercialization of microfinance in the region. The first regulated microfinance institution in the region, Banco Sol, in 1992 gives a practical example of a Non-Governmental Organization (NGO) becoming a commercial bank. Banco Sol becoming a deposit and saving microfinance institution enable it to be one of the most profitable MFIs in Latin America as well becoming the first institution to access international capital market for its operations (ABD, 2005).

Microfinance institutions in Latin America have made tremendous effort in reducing poverty. According to a study conducted by Hulme and Mosely (1996) in Bolivia, growth of incomes of borrowers always exceeds that of non-participating group. Absolute increase in borrower's income larger for successful borrowers. This further implies that as borrowers are performing on the installment payment of their loans, as a result of such timely repayment trends, the MFIs may consider increasing the loanable funds to its clients who may acquire more capital assets and at this point in time, borrowers may hire labor and make purchase of fixed assets such as vehicles and electrical equipment. These fixed assets have a higher rate of return as compared to consumption or purchases of working capital. The impact of microfinance in Latin America has shown a positive trend, especially for those the 'poorest of the poor' micro-enterprises of participants in Peru. Mibanco are found to have considerable increases in net income, assets as well as employment opportunity relative to those of non-participants. Microfinance in Latin America has shown that positive influence on poverty reduction with incomes in participating households rising relative to the control group. However, poor participants are more likely to sell assets in the face of a shock than better up households (Dunn and Arbuckle (2001a, 2001b).

Microfinance institutions in Latin America are grouped into three main broad spectrum which include Non- Governmental Organization institutions, whose operations have been transformed into financial institutions and have been recognized by the country central bank in which it operates. It is assumed that these NGOs, financial institutions serve approximately 12 % of the total microfinance clients in Latin America, especially for those living in Bolivia, Peru, El Salvador and Argentina as well as Brazil. The next group of MFIs is comprised of microfinance institutions that are licensed and regulated by the central bank and serves about 19 percent of microfinance clients in the regions. Finally, the third category consists of the largest, this group takes in to account conventional banking institutions that are involved in providing Microfinance services to the poor because of its high rate of return on its banking operations. (Christen, 2001).

2.8. Performance of Microfinance in Asia

Traditionally, the development of the microfinance industry in Asia was associated with a robust social pattern routed firmly in its cultural system. According to Asia microfinance history, early MFIs in Asia targeted the poor women in the rural areas and urban communities as well. Majority of the Asian MFIs is financially viable and deposit takers as well, as opposed to most Latin America MFIs whose sources of funding are based on government subsidies and donor funds (ABD, 2000; Micro Banking Bulletin, 2002).

Furthermore, a study conducted by Lapeneu and Zeller (2001), revealed that Asia has the most developed microfinance institutions globally in terms of capacity as well as its activities or outreach. This analysis was based on a survey conducted in the 1990s 1,500 microfinance institutions from 85 developing countries using Asia, Latin America and Africa for comparative analysis in achieving this objective. The research revealed that during the 1990s, the continent of Asia accounted for the majority of microfinance institutions in the world as well as the continent with the highest volume of savings and credit, and provide financial services to more clients than other microfinance institutions in the world and average size of loans granted as well as deposits are often taken as simple proxy of depth of outreach. By this criteria, Asian microfinance has among the lowest loan and savings balance per borrower, even after adjusting for Gross National Per capita, suggesting that they are effectively reaching the poor and account for the largest number of borrowers. It constitutes approximately 70% of women and second only to African microfinance institutions in terms of the number of voluntary savers. In terms of impact, size of loans and deposits are often taken as a simple indicator of impact on the people, the report asserted.

According to Chowdhury, Ghosh and Wright (2005), it is assumed that about 550 million microfinance clients have been served within Asia during the 1990s. However, the two most populous countries in the continent of Asia, which include India and the People Republic of China, have low microfinance outreach, despite its high poverty rate on the continent. The microfinance institutions within these two countries are very stagnate in the urban communities or environments, therefore the targeted clients within these regions are not being reached.

A continental comparison of MFIs further indicated that MFIs in Asia has succeeded or flourished in terms of sustainability and reaching its clients. Furthermore, the macroeconomic climate of Asia over the past one decade and the half had shown a positive trend which has made a significant impact on the microfinance industry. The below table gives a vivid analysis of what is transpiring in the three continents been used for comparative analysis.

Table 12: Microfinance Outreach Indicators by Region

Continent	Number of Active Borrowers	Average Loan Balance per Borrower(USD)	Number of Voluntary Saver	Average Saving Balance per (USD)
Africa	21,974	228	27,082	105
Asia	32,915	195	18,374	39
Central Asia	6,040	590	0	N/A
Latin America	13,463	286	0	N/A

Source: Micro banking Bulletin issue #39 July 2003

Microfinance impact on poverty alleviation in Asia has shown positive impact as compared to any other continent. For instance, the Gramen Bank has risen to become the institutional star praised by advocates of microfinance. Currently, providing financial services as well as micro savings, and micro-insurance services to its clients. Therefore, based on the positive impact of microfinance operations in Asia, the microfinance model has been used in Asia can be viewed as a sole tool for poverty alleviation in that it is based on the supposition that the business initiative of the poor population can be inspired and used for creative activities in other continents in the world. Furthermore, when the ‘poorest of the poorest’ population have adequate access to credit as well as insurance and savings facilities might subsequently lead to an increase in the clients’ disposable income, which could in return have a positive multiplier effect in terms of growth in investment and development.

2.9. Microfinance in Africa

For the past two decades the continent of Africa has been experiencing favorable economic growth as a result of some changes within its macroeconomic policies such as governance and management as well as a conducive atmosphere for investment within the private sector.

However, in spite of these positive economic trajectories in its performance the prevalence of poverty remains a dangerous issue in the majority of the Africa countries, creating a dark cloud over the continent in reaching the United Nations Millennium Development Goals in 2015, which core objective is to reduce poverty by half. The availability of credit to microfinance clients or the 'poorest of the poorest' population continues to pose a serious threat to the human development of Africa, (IMF, 2012).

The development of microfinance in Africa is as diverse as the continent itself. Various methodologies of approaches have been used in Africa when it comes to its microfinance operations, which includes old-style kinship networks[5], saving club or revolving savings club and credit association. However, microfinance development in Africa remains underdeveloped couples with challenges originating from high rates of poverty, poor health and education, high population growth rates, and political and economic instability These factors have impaired the development growth rate of MFIs in Africa(WB,1997).

However, despite microfinance institutions in Africa, the continent has been struggling to couple with the difficulties in the region as well as the profitable service delivery of its operations. MFIs in Africa were able to reach approximately 5.2 million borrowers and 9 million savers in 2007(CGAP, 2008). During the same period, a total of 160 MFIs in Africa outstanding loan portfolio was about USD 2.5 billion while its deposits exceeded 2.1 billion USD. Furthermore, in 2007 the entire continent was able to achieve financial self –sufficiency[6] for the very first time in its history, in spite of the challenges in operational costs as compared to other regions worldwide (MIX and CGAP, 2008). Microfinance institutions out reaches in Africa can

[5] Old style kinship networks, according to Kinna & Townsend, 2010, "are reallocating bank lending to those who need credit but cannot borrow from the bank due to paperwork or distance".

[6] Financial self-sufficiency- is an important measure of sustainability of the lending operations. Financial self-sufficiency can be expressed as, operating income (Loans plus investments) divided by operating costs plus loan loss provisions plus financing costs plus adjusted cost of capital.

be separated into three distinct which includes Credit Unions (CUs), credit –only institution, and NGOs microfinance institutions.

The credit union institutions have been one of the oldest form of traditional credit on the continent of Africa and play a predominant role in terms of its membership strengthen. This institution is built particularly for those who are in the informal sector and is normally associated with what is known in Africa as 'SUSU', is an indigenous money savings scheme where individuals collect money over a specified period of time and give to each member of the group in a circular form. Additionally, cooperatives are believed to be one of the oldest existing organized credit institutions in Africa that focuses on the credit to the agricultural sectors within the rural areas (Ouattara, 2003).

The below table gives a general growth trend analysis of MFIs in Africa from a survey covering 111 microfinance institutions. The table reveals a growth in borrowers 25% (providing financial services to 4.7 million clients), which supersedes 5% higher than the global average growth in borrowers of 20 %, and an even larger growth in saver at 31 percent getting up to 7.2 million savers in 2007. Total loan portfolio during the period grew at 69 %, representing an increase of one billion dollar.

Table 13: Africa Microfinance Analysis and Benchmarking Report, 2008

		Borrowers(Thousands)	**Savers Thousands**	**Loan Portfolio(USD M)**	**Savings(USD M)**
Africa	**2006**	3,785	5,473	1,320	1,148
	2007	4,731	7,177	2,236	1,839
	% increase	25%	31%	69%	60%
Central Region	**2006**	219	350	97	135
	2007	213	455	142	232
	% increase	-3%	30%	46%	72%
Eastern Region	**2006**	2,061	2,241	554	472
	2007	2,628	3,172	1,025	799
	% increase	28%	42%	85%	69%
Southern Region	**2006**	519	694	188	144
	2007	767	993	417	254
	% increase	48%	43%	121%	76%

	2006	986	2,189	481	396
Western Region	**2007**	1,123	2,557	652	553
	% increase	14%	17%	36%	40%

Source: Africa Microfinance Analysis and Benchmarking Report, 2008

The year 2007, microfinance in Africa experienced a substantial growth, especially within the West, where the average microfinance institution really reached profitability. This positive trend was due to factors such as reduction in personnel expenses, staff productivity increased with borrowers per loan officer increasing from 209 in 2006 to 251 in 2007.

CHAPTER 3: THE IMPACT OF MICROFINANCE ON POVERTY REDUCTION: A CASE STUDY OF ACCESS BANK LIBERIA

Introduction

This chapter sets the scene for the research, discussion beginning with an overview of the Liberian Banking Sectors. And delves into the discussion of the historical background of Microfinance in Liberia; the kinds of microfinance institutions in Liberia, the Central Bank of Liberia contributions to the Microfinance sectors and the characteristics of Microfinance in Liberia, including the roles of non-governmental organizations in supporting the sector. It further discusses Access Bank Liberia as a Case Study covering the period 2009 to 2012 in depth, in order to understand the main objectives of this microfinance institution in Liberia. This includes analyzing Access Bank operations, credit methodology, credit approval process, credit decision and information and then credit evaluations and scoring process for the Small Medium Enterprise (SME) Sector. This chapter also discusses prudential regulations for microfinance lending in Liberia and loan classification nomenclature.

3.1. Overview of Liberia Banking Sector

The fourteen years (1989-2003) civil conflict coupled with the economic collapse weakened the Liberia's banks and the financial sector in general, leading to financial institutions undercapitalized and burdened with huge non-performing assets. The country's security situation also meant that banks were exposed to sudden and large withdrawals of deposits, thereby forcing them to commit huge resources in cash to meet potential withdrawals. Thus, banks became reluctant to extend credit not only because of default on risk generated by the security and economic situation, but also because of the need to be liquid in order to meet infrequent withdrawals anytime the security situation worsened (CBL,2000).As a result of the political conflict, Liberia adopted de-facto dollarization policy [7] for the Liberian economy during the 1990s and most banks were forced to tie up more resources in foreign currency reserve, especially the United States dollars. Section 19.2 of the Central Bank of Liberia Act of 1999

[7] De- facto dollarization policy represents the situation of a foreign currency being used alongside the domestic currency as a means of exchange (for transaction purposes, for instance, currency substitution) Bailino et al 1999. Furthermore, (Bailino, 1999:5) argued "In general terms, dollarization is a response to economic instability and high inflation. In conditions of hyperinflation, dollarization is typically quite widespread because the public seeks protection from the cost of holding assets denominated in domestic currency".

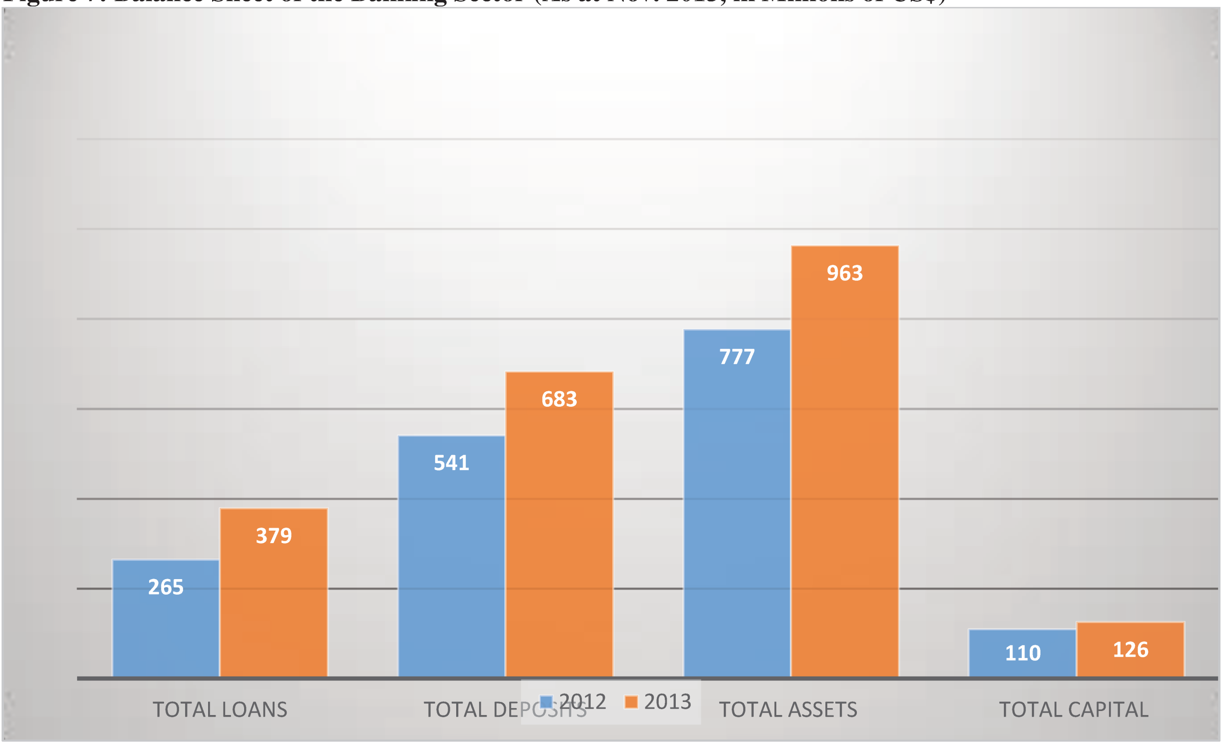
states that the currency of the United States of America is a legal tender in Liberia. Furthermore, the absence of local government debt market due to the vast dollarization of the economy and huge non-performing loans held by the state translated into a lack of local alternative avenues for applying resources to the banking industry. Therefore, applying resources and interest income for banks were paltry for many years. Due to these factors, non-funded income has become the main source of income for banks in Liberia, especially from fees charged on remittances mainly through Western Union and MoneyGram franchise. This income generating trend has not been sufficient to cover the operational cost of most banks resulting in poor performance of the banking sector.

However, since the country returned to a democratically elected government in 2006, there has been a gradual improvement in the security sector followed by the recapitalization of the nine commercial banks. Since then, the banking sector has made some progress towards stabilization and growth.

According to the Central Bank of Liberia (2013) annual report, the level of development within the banking sector continues to show strong performance. Credit to the economy at the end of the year increased by 42.5 % of US$ 8.65 million as compared to previous years. While the number of licensed and operating banks in the Liberian banking sector stood at nine, the same as in 2012. The report also indicated that banking industry also witnessed strong growth in its key balance sheet items in 2013. Total assets rose by 23.7 % compared with 10.6 % in 2012. Total capital also grew by 14.2 % when matched against the 5.8 % recorded in 2012. Similarly, the report revealed that deposit trend grew by 26 %, up from 7.5 % in 2012. Total loans in the industry growth rate stands at 42.5 % compared with 16.5 % in 2012. Furthermore, the capital position of the industry remained strong during the year with a 33.6 % liquidity ratio[8], 18.6 % above the 15 % minimum requirement. However, profitability still remains a challenge to the banking sector due to poor quality of loans associated by inadequate credit risk management and poor credit culture (CBL2013).

[8] Liquidity ratios, are used to determine a company's ability to meet its short-term debt obligation. It also expresses a banking institution ability to repay short-term creditors out of its total cash. (www.aaii.com)

Figure 7: Balance Sheet of the Banking Sector (As at Nov. 2013, in Millions of US$)



Source: CBL, 2013
Note: Figures are rounded to the nearest whole number
See Figure 3.1 Appendix A.1 for details analysis.

3.1.1. Structure of the Banking Sector

Prior to the civil war 1989, there were 15 active commercial banks operating in Liberia. Since the crisis came to an end in 2003, the number of financial institutions remained below its pre-war status. Between 2005 and 2012, the number of financial institutions in the country increased to nine commercial banks. In early 2009, two commercial banks, Access Bank and Guaranty Trust Bank, were issued provisional licenses by the Central Bank of Liberia and began commercial activities in January and April respectively. Access Bank offers microfinance services. Currently, the number of banking institutions in Liberia remained 9 as was the case in 2012. However, the CBL (2013) annual report indicated that a commercial bank branch network around the country rose by 3, from 79 in 2012, to 82 in 2013 (CBL,2009& 2013).

Table 14: Commercial Banks, Loans by Economic Sectors (2010-Nov, 2012 in Millions US$)

Sector	Dec.2010	Share of Total	Dec.2011	Share of Total	Nove.2012	Share of Total	Percentage changed in 2011-Nov-2012
Agriculture	5.57	3.2	10.36	4.6	11.30	4.3	9.1
Mining & Quarrying	0.029	0.0	1.93	0.8	14.21	5.4	636.3
Manufacturing	2.27	1.3	4.49	2.0	2.26	0.9	-98.7
Construction	17.02	9.6	18.26	8.2	18.25	7.0	0.1
Trans.Storage & Comm.	39.54	22.4	18.71	8.4	18.24	7.0	2.5
Trade, Hotel & Restaurant	55.71	31.5	92.24	41.2	110.85	42.4	20.1
Others	56.63	32.0	77.88	34.8	86.45	33.0	11.0
Total	176.77	100	223.87	100.0	261.55	100.0	16.8

Source: CBL 2012

According to the above mentioned table, aggregate loans to the economy revealed that Trade, Hotel and Restaurant accounted for 42.4% of the total loans, meaning that there are more economic activities within this sector leading to high concentration of commercial activities. Construction sector, 7.0%; Transportation, storage and communication 7.0%; mining and quarrying; 5.4%; Agriculture, 4.3%; and manufacturing sector 0.9%. While the other sector which comprises loans to individuals and public institutions accounted for 33.0% of the total loans for the period under consideration. See Appendix Table 3.1 for detailed analysis.

In terms of comparison between private sector credit to deposit money bank and Gross Domestic Product, the banking sector continues to expand its loan portfolio. According to the World Bank Financial Development and Structure Dataset, Liberia private credit to GDP shows 13.77% for 2009; 16.62% for 2010 and 18.96% respectively, (www.worldbank.org). Considering the level of growth, and from a macro prudential perspective, private credit growth to GDP has a strong statistical link to long-term economic growth and has the propensity to reduce poverty and increase investment thereby creating job. As depicted in table 3.1, the growth of commercial banks loan to each of the economic sector can be attributed to the US$ 16 billion received from Foreign Direct Investment made since the inception of a democratically elected government in

2006. Furthermore, the growth rate of commercial banks loans to the aforementioned economic sectors can be attributed to the high economic growth of Liberia during the past eight years.

3.2. Historical overview of Microfinance in Liberia

Global experience has demonstrated that microfinance can be applied effectively in post-conflict environments like Liberia. Therefore, considering Liberia high economic growth for the past eight consecutive years is certainly an integrated transmission mechanism to accelerate the attainment of pro-poor growth through increased production for job recreation with sustainable macroeconomic policy. Consequently, the dormant capacity of low income earner, or the poor entrepreneurship, would be meaningfully enhanced through the provision of microfinance services to enable them engage in economic activities and be more self- reliant; in returns will provide employment opportunities; enhanced household income, as well as creates wealth for the poor population (UNCFD,2007).

Historically, in Liberia, the formal financial institutions provide financial services for a small fraction of the economically active population, while a significant portion of the population is excluded from financial services. Therefore, those who are denied access to financial services are served by the informal financial sector, through Non-Governmental Organizations (NGOs), microfinance institutions, money lenders, rotating savings clubs, friends, relatives, and credit unions.

Traditionally, the development of microfinance institutions in Liberia can be traced back from the eighteen century. Microfinance development in Liberia started from two indigenous financial mechanisms that provide access to credit. Firstly, what is known in Liberia as well as other African countries called “Susu” or Rotating Savings and Credit Associations (ROSACAs), are common throughout Liberia and serve as a mechanism for people to save for emergencies, medical expenses, social obligations, school fees or businesses. This informal sector methodology of providing financial services to its clients is self-guarded by its own credit discipline in that, repayment of loan is enforced by group members. The lack of formal banking services for the poor has given rise to “Susu” and “Savings club” in the informal sector. (UNCDF, 2004). For instance, most Susu usually consist of a group of people who know and trust each other and put money in a pool to be withdrawn by each person at the end of an agreed cycle. Within the urban communities, especially in Monrovia, there is a daily/weekly/monthly Susu and what most Liberians referred to as the Nigerian Susu.

In the case of the daily/weekly/monthly or monthly Susu, each member is obligated to contribute the same amount being agreed upon by the group and takes turns withdrawing the total pool amount. As the Nigeria Susu, members can contribute any amount and their withdrawal is calculated based on the amount they have invested.

However, given the low –income based on its members the amount of resources mobilized by ROSACAS, is actually not sufficient to sustain its operations. In additional to this, the lending interest rate is approximately 20-25% per month on a flat basis. Therefore, the intervention of outside institution, like microfinance institution, plays a vital role in achieving its core objective.

Since the end of the civil war in 2003, microfinance has contributed to the economy of Liberia. A wide range of institutions offers microfinance services to the low-income earners as well as those who are above the poverty line. These institutions include commercial banks, private microfinance institutions, NGOs, credit unions, rotating savings and credit institutions, and other informal credit providers such as money changers and the Central Bank of Liberia through commercial banks and Village Credit Associations. According to a 2004 United Nations Capital Development Fund report (UNCDF), on the microfinance development in Liberia, the demand for credit from micro and small enterprises ranges between 62,000 and 82,000 customers with a combined loan volume ranging from US$ 14 to 19 million. However, the supply of microcredit reaches less than 82,000 customers with a combined loan portfolio less than US$ 250,000.

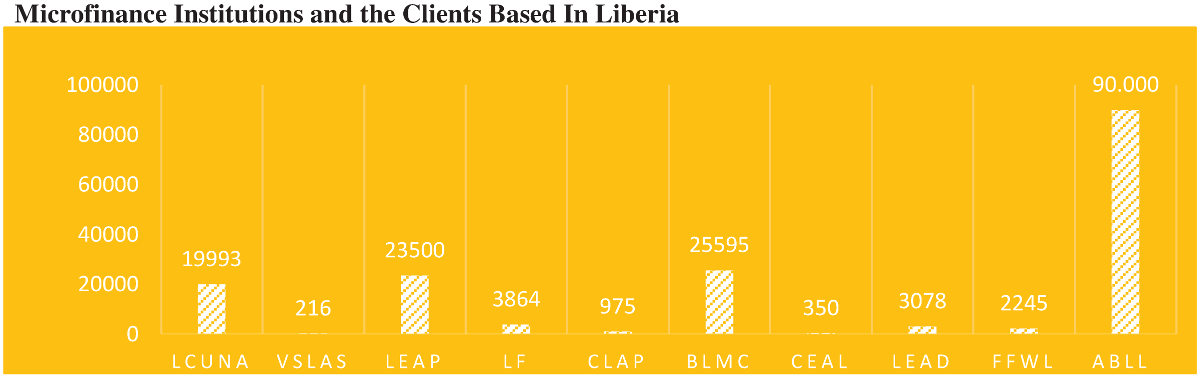
According to the United Nations Capital Development Fund report (UNCDF, 2004), the absence of government microfinance policy was a major obstacle for the development of the microfinance sector in Liberia. As a result of this assessment report, in 2008, the Central Bank of Liberia, in collaboration with UNCDF and other international partners finalized the National Strategy for Financial inclusion for a period of five consecutive years (2008-2012). This framework laid out the foundation of the microfinance industry in Liberia. This nascent state of microfinance in Liberia makes it imperative for one to evaluate its impact on the beneficiaries since its inception, in 2005.

3.2.1. Kinds of Microfinance Institutions in Liberia

There are several informal financial institutions providing financial services to the poor or low-income earners in Liberia, but obtaining a comprehensive report about their full activities had been a major challenge for researchers as well as the Central Bank of Liberia. Therefore, in order to solve the problem of asymmetric information concerning microfinance institutions in Liberia and reducing poverty, the Central Bank of Liberia developed a strategy for "Financial Inclusion" in Liberia from the perspective of developing microfinance sector through the provision of financial support and as well as engagement with the microfinance institutions. The CBL 'Financial Inclusion" initiative fall under the second pillar of the government's Poverty Reduction Strategy, (CBL, 2012).

According to the Central Bank of Liberia Financial Bulletin report (2011), there are approximately 70,870 microfinance clients in Liberia. Some of the clients of Liberia MFIs are subdivided amongst the following institutions: Liberia National Credit Unions (LCUNA), Liberty Finance (LF), Community Livelihood Assistance Program (CLAP), Brac Liberia Microfinance Company Limited (BLMCL) established in 2008, Combined Efforts to Aid Liberian Microfinance (CEAL), Liberia Entrepreneurial and Asset Development (LEAD), Foundation for Women in Liberia (FFWL), Village Savings and Loans Associations (VSLAS), Local Enterprises Assistance Program (LEAP), while Access Bank Liberia constitutes 90,000 clients according to its 2012 annual report. The report further states that microfinance institutions that are licensed by the CBL Microfinance Department constitute a substantial amount of the microfinance clients as it is shown in the figure 3.2 below.

Figure 8: Kinds of Microfinance Institutions and the Clients based in LibariaFigure 3.2 Kinds of Microfinance Institutions and the Clients Based In Liberia



Source: CBL, 2013, Fieldwork, 2013; allafrica.com, September 4, 2013

In spite of the expansion of MFIs in Liberia, there exist major challenges in its outreach. Currently, the operations of the MFIs in Liberia have reached the fifteen counties in Liberia or political subdivisions, but infrastructure, road network, staff capacity remained some of the foremost challenges being experienced by those in the sector (CBL, 2012).

Amongst the several microfinance institutions operating in Liberia, only 19 of these institutions are registered and certificated by the Central Bank of Liberia, amongst these microfinance institutions operating are: 350 are members of the Liberia National Credit Unions, and 400 Village Savings and Loans Associations in the country. However, some commercial banks are engaged in providing microfinance services to their clients on a lower scale basis. One of these institutions is Eco Bank Liberia Limited. Local Enterprise Assistance Program (LEAP), Liberty Finance (LF); Bangladesh Rural Advancement Committee (BRAC); are all microfinance institutions providing microfinance services to their clients without accepting deposits. However, Access Bank Liberia Limited (ABLL) is the only Microfinance Bank of Liberia that is deposit taking. Although some other fledgling MFIs are springing up around the country, mostly through the initiative of Non-Governmental Organizations (NGOs). The Local Enterprises Assistance Program (LEAP) operating mainly in Montserrado County is an Associate of the Evangelicals of Liberia, established in 1994. The LEAP main objective is empowering and providing access to microcredit and financial services to economically disadvantaged people, especially women. The Liberty Finance microfinance institution was established as an institution that would specialize in the provision of financial services to the poor and avoid being perceived as a relief organization. BRAC, a microfinance institution, emerged as one of the forerunners in the field of development cooperation after the liberation war of Bangladesh in 1972. It began operations in Liberia in 2008, to provide microfinance services, in the area of health, agriculture, livestock and poultry (CBL 2013, Liberia Constraints Analysis, 2013; MIX Market.org).

3.2.2. The Central Bank of Liberia Contributions to Microfinance Institutions in Liberia

Following a prolonged civil crisis that damaged life and property in Liberia which incapacitated the ability of the poor population to participate in the recovery and transformation process of Liberia has accentuated the nature and the extent of poverty in Liberia. Therefore, the quest for a strategic plan for development has remained a major challenge for policy makers in

Liberia, including the monetary authority. One of these challenges has to do with the exclusion of a large number of Liberians from the traditional banking sector who lack access to credit and financial services. This trajectory has continued to impair the connection of the potential productive sector within the informal economy to adequately contributes to the economic development of the state, especially when borrowing cost is prohibitively high, some as high as 18% and the minimum being 12% per annual.

Thus, the principle objective of the central bank is to attain economic stability within the economy, yet the bank can also design an appropriate mechanism that will empower all sectors of the economy, such as the micro enterprises, small and medium size institutions, rural development, commerce and trade, to have access to financial resources that would contribute hugely to poverty reduction, and the development of the country.

Based upon the aforementioned challenges within the informal sector in Liberia, in 2008 the CBL through the government Poverty Reduction Strategy roadmap and its financial inclusion program were organized to support Liberia owned businesses as a means of tackling absolute poverty particularly women and youth within the rural areas who are unprivileged in the society. The CBL, in collaboration with the government of Liberia launched "Inclusive Financial Sector Program of Liberia". The primary objective of this initiative is to contribute to the achievement of the United Nations Millennium Development Goals by cutting absolute poverty by half in 2015. This initiative is structured to increase sustainable access to financial services for poor and low income people in Liberia. The initiative is organized into two basic pillars, with the provision of small loans for grassroots businesses and the revision of the current rules and regulations governing the banking sector on the policy level.

Subsequently, on March 10, 2005, the microfinance project document was officially signed by the Liberian government and its partners, and in May of the same year, the United Nations Development Program signed an agreement with the Dutch Non-governmental Organization (NGO), Cordaid. Included in the microfinance initiative is the establishment of the national Microfinance institutions, credit unions and international organizations. Its membership comprises the Ministry of Planning and Economic Affairs, Ministry of Finance, the Central Bank of Liberia, the Liberian Bank for Development and Investment (LBDI), the Liberia Credit Union National Association (LCUNA), the Local Enterprise Assistance Program (LEAP), and the UNDP Liberia/ United Nations Capital Development Fund (UNCDF).

This is also an approach of advancing financial inclusion in Liberia through the support and engagement of microfinance institutions, community credit unions and village savings and loan associations. This initiative by the CBL, if properly tailored and managed, has the propensity to reduce poverty and enhance growth and economic development as well as transform the living standard of its beneficiaries.

Historically, Liberian-owned businesses were not championing the private sector growth and development in Liberia due to several factors. Inadequate financing opportunities might be one of the contributing factors leading to the underdevelopment of the private sector in Liberia. A review of CBL (2010) economic bulletin indicated that commercial bank loans as of August 2010, was 36.74% maturing beyond one year, and while 12.44% of all commercial banks' total exposure to the economy was maturing three years. Based on these challenges, the CBL microfinance program was launched in 2008 to provide financial services in order to accomplish the following objectives: (1) increase access to medium term financing; (2) create an environment for private sector job creation; (3) improve and empower the Liberia-owned business segment of the economy;(4) provide needed financing to rehabilitate the agricultural sector; (5) address microloans portfolio needs; (6) and reach out to help Liberians at the bottom of the financial pyramid especially petty traders the report revealed.

Since the launched of the "Financial Inclusion Program" by the CBL several microfinance institutions have received funds such institutions are: Liberia Business Association, Inc. (LIBA), Small and Medium Size Enterprises (SMEs); The Loan Extension and Availability Facility (LEAF); The Central Bank Agricultural Stimulus Initiative; CBL Mortgage Stimulus Initiative and the CBL small credit stimulus initiative program through the commercial banks as a distributing arm. The CBL contributions to the informal financial sector indicates that many vulnerable medium small, enterprises shall have the opportunity to seek a loan with flexible repayment duration and stumpy interest rate of three years and three percent annum respectively. In terms of comparison in the sub region, such a low cost for credit policy, if properly managed, will significantly transform the lives of the poor population (Daily Observer Vol.18.879).

Liberia Business Association (LIBA) is an institution established in 1991 by an act of the Liberian Legislature with the primary objective of "advocating for Liberian-owned businesses to create an enabling environment and provide incentives that would promote and develop the Liberia business community". This institution has been dormant or lost its capacity to effectively deliver on its responsibilities due to the prolonged civil war. However, the report states that, following an engagements of commercial banks, CBL used LIBA as the medium through which a placement in the amount of US$ 4,000,000.00 (Four million United States Dollars) and additional US$ 1,035,714.28(One million thirty five thousand seven hundred fourteen United States Dollars and twenty eight cent) at the end of the same period of 2012, were placed with various commercial banks for on-lending to LIBA's members at the rate of interest –including commissions and fees not exceeding 8% for three years.

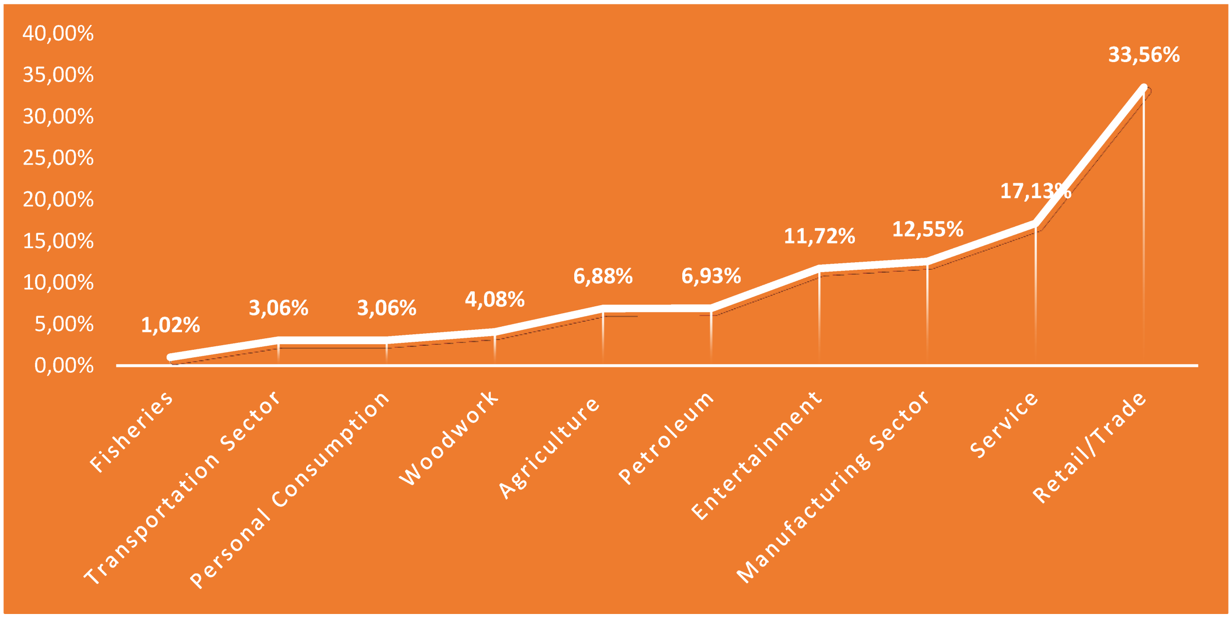
The Central Bank Small and Medium Enterprise Stimulus Initiative is also a policy interference intended to widen access to finance, predominantly for Liberian own businesses, with affordable interest rates of 3% annually, with a maturity period ranging from 18-36 months, while participating commercial bank onward lend at 6% or 8% to the clients . According to the CBL of 2012 report, this initiative is meant for specific sectors of the economy which include manufacturing, agriculture, and fisheries sector. Each banking institution participating in this initiative signed agreement with the CBL to serve as a financial intermediation through solely making medium –term loans to Liberians –owned small and medium enterprises for domestic investment. The SMEs stimulus is particularly for businesses such as: transportation; retail; service; oil & gas; microfinance; manufacturing; cosmetology; entertainment and agriculture sectors (CBL, 2012 & Fieldwork, 2012).

Table 15:CBL SME Credit Stimulus Placement at Various Commercial Banks, 2012

Bank	Number of Businesses	Placement (US$)	Loan Disbursed (US$)	Interest Rate
International Bank Liberia Limited	13	750,000.00	750,000.00	6%
Liberia Bank for Development & Investment	8	1,000,000.00	999,192.52	8%
First International Bank Liberia Limited	12	1,000,000.00	695,000.00	8%
Global Bank Liberia Limited	16	750,000.00	311,500.00	8%
Guarantee Bank Liberia Limited	2	750,000.00	100,000.00	6%
United Bank of Africa Liberia Limited	11	750,000.00	505,000.00	8%
TOTAL	62	5,000,000.00	3,360,692.52	N/A

Source: CBL, 2011; & Fieldwork, 2013

Figure 9: CBL Percentage of Total Loan Per Economic Sector, 2012



Source: CBL, 2012 & Fieldwork, 2103

According to CBL (2012) annual report, LEAF program was launched in January 2011 to facilitate credit to low income-earners in each sectors of the economy. The report shows that during the same year of 2011, the CBL provided 2,857,142.9 United States Dollars to all microfinance institutions, credit unions, and village savings and loan associations across the country at 3% annum over a stipulated period of three years. The majority of the MFIs is domiciled within Montserrado County, precisely the political capital of Liberia, where the majority of the country economically activities is held.

The below table gives a detailed trend of the loan extension and availability facility program.

Table 16: Loan Extension and Availability Facility (LEAF)

Sources of Funds	United States Dollars
Total amount allotted from CBL	US$ 2,857,142.85
Total amount allotted from other sources	*US$ 40,000
Total	US$ 2,897,142.857

Source: CBL, 2012, www.frontpageafrica.com, March 19, 2014 edition
*Grant to LEAF from UN Women for Village Savings and Loan Associations

Table 17: Beneficiaries Institutions of LEAF Program

Category of Financial Institution Approved	Number of Loans Approved	United States Dollars
Microfinance Institutions	9	US$ 648,571.428
Credit Unions	109	US$ 1,373,428.57
Village Savings and Loan Associations	246	US$ 856,830.285
Total	364	US$. 2,878,830.283

Source: CBL.2012 & allafrica.com

3.2.3. The Central Bank of Liberia Agricultural Stimulus Initiative for the microfinance sector

The Agricultural Sector continues to play a vital role in the economy of Liberia, particularly for the rural dwellers whose major source of income is predominantly based on the agricultural sector. Considering the importance of the agricultural sector in Liberia, the Central of Liberia through its agricultural stimulus initiative provided 7.5 Million United States Dollars through Afriland First Bank (AFB), one of the commercial banks in Liberia that specializes in Agricultural Banking, as a means to enhance growth and economic development for rural dwellers who are engaged in the agricultural sectors (CBL, 2012, allafrica.com, liberiaobserver.com).

Developmental initiatives by the monetary authority suggests that further increase the agriculture sectors and economic growth, concerted measures and commitment must be ensured to address many of the major constraints which hamper progress. Some of these restraints are low investment, antiquated technology, the lack of other modern agricultural inputs, and skillful labor within the agricultural sector. Considering the vast potential of the agricultural sector to the Liberia economy, to increase growth, employment and human development in general, it would be prudent for policymakers to place high emphasis on the development of the agricultural sector and also formulate macroeconomic policies to be built on the productive use of the poor assets of the poor population, thereby giving them access to market within the economy.

3.2.4. The Impact of Central Bank of Liberia Intervention on the Microfinance Sectors

According to CBL's report, the agricultural stimulus initiative provided 1,931 jobs in 2012, while the small and medium enterprises provided 2,812 jobs during the same year through the microfinance sectors around the country. The report indicated that the scenario of providing employment opportunities within these sectors has shown a positive impact and represents 0.170% for the agricultural sectors and 2.481% for the small and medium enterprises sectors of the total working population of Liberia in 2012 respectively.

Despite CBL's efforts in its outreached intervention on the microfinance sectors, or the informal sectors of Liberia, and adopting flexible measures and policies for MFIs , especially rural dwellers within the agricultural sector still faced some major constraints such as low investment, obsolete-agriculture technology, the lack of modern agriculture inputs, physical labor constraints and particularly farm to market road has been one of the greatest challenges for the poor who livelihood depends on the agricultural sector. The absence of farm to market road impaired rural dwellers to sell their products thereby incapacitating their labor. Added to these concerns is the absence of commercial bank in most parts of the rural areas.

3.2.5. Characteristics of Microfinance Lending Methodologies in Liberia

In Liberia, microfinance lending can be divided into two major categories: first is the Solidarity Groups, which are molded after the Grameen Bank; as well as some MFIs in Latin America; and the second is Community- Based organization. The methodology of the lending process in Liberia, both in the urban and rural communities involved not only the borrowing and lending of finance, but it also contributes to the development of the communities as well as social integration. For instance, the solidarity group lending program promotes social cohesion, which embraces regular group-member meetings that make the entire group process very productive.

The majority of the microfinance institutions in Liberia used the solidarity group lending approach as a methodology to reach the poorest of the poorest in society. Under this system of lending, group participants mutually guarantee each other's loans, therefore, the group members are held lawfully responsible in case of nonpayment by other members in the group. This lending methodology implies that a group access to finance depends on the ability of each member to repay his or her loan as stipulated in the loan agreement as per the installment schedule.

Solidarity lending is exclusively based on client's character because it does not require any collateral in lending. Under the group lending process, community members come together with the primary objective of reinforcing their credit worthiness and the inducement for each member is based on peer pressure. This lending practice also helps to reduce operational cost for the MFIs because borrowers range is narrowed as well as debt collection cost (ACCION, 1994).

Research has also shown that successful micro-financing institutions have well-tested lending and internal control methodologies, which are capable of handling a loan portfolio composed of thousands of small and largely unsecured loans to clients of the informal sector, while still maintaining high repayment rates. Though conventional banking institutions often base their lending on formal financial information and registered assets as collateral or guarantee to secure repayments, microfinance institutions in Liberia relied on the evaluation of the character of the client, the family, business cash flows and the business net worth. These information are collected by the institution loan officers through standardized procedures, including timely and client-oriented service in order to reinforce the willingness of their clients to repay (Aprado, 2009).

One major characteristic of the Liberia microfinance lending is that, MFIs usually grants small loans to new clients, and successively larger ones to those who have shown good repayment records or behaviors over a specific period of time.

The clients' motivation to repay, and the institution's ability to reach economies of scale, lies to a large extent in the establishment of this long-term relationship in which the client recognizes that future loans are not only dependable but also quick (Yunus,1996).

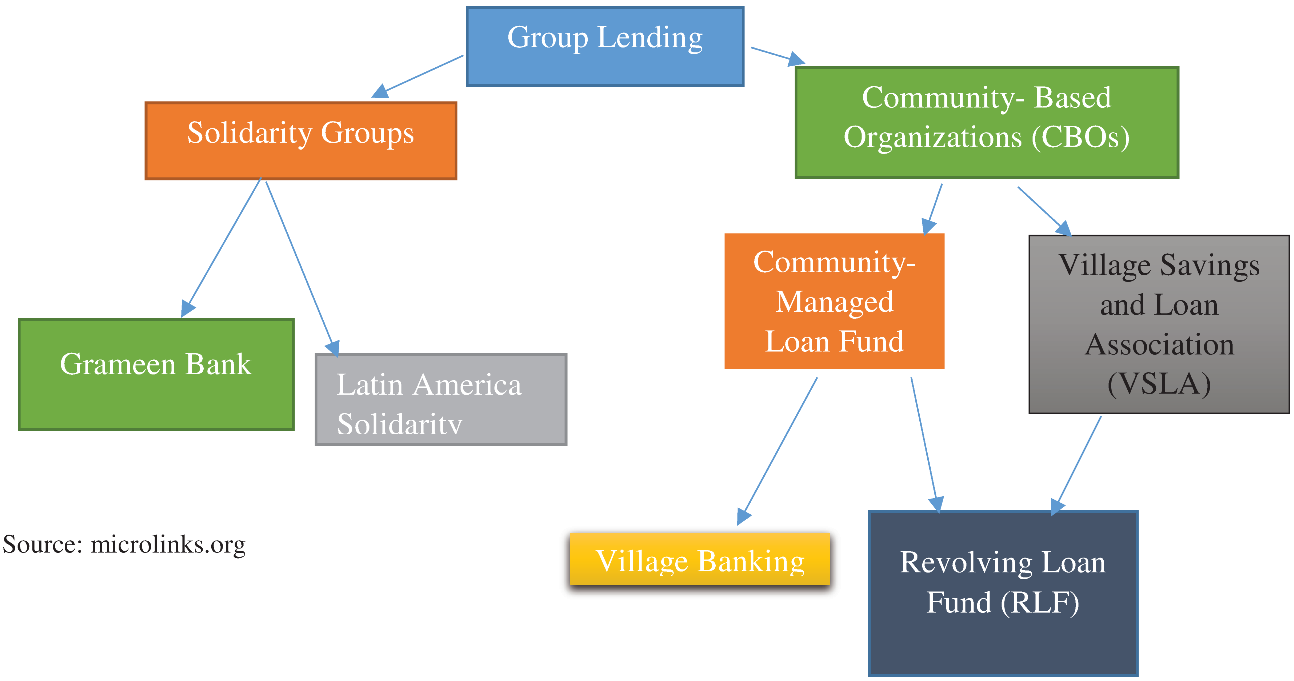
In some cases, the microfinance institution uses persuasion methods to motivate client to live up to his or her obligation to avoid late payments. Despite these initiatives, the tendency for a client to default for 20-30 days in payment is not impossible in the lending process. However, if such situation occurred, where client default on payment, the client becomes ineligible to receive any loan from the institution. In order to avoid such situation, some microfinance institutions within Montserrado County and its environs have training sessions for new clients to educate clients about their low tolerance policies for late or non-performance and to underscore the expectation of timely repayment.

Timely and efficient service to small clients requires a significant degree of decentralization in credit decisions and portfolio management, including daily information on payment performance by clients. Some basic characteristics of a successful MFIs entail timeliness and accuracy of the information systems which becomes paramount importance to the efficient administration of the institution, as well as for the practice of internal control of its management team. Hence, compulsory credit check of new and old clients by all microfinance lenders in a reputable credit reference or a central bank credit registry plays a key role in the sound growth of the market lending system (Yunus, 1996). These prudential lending methodologies are aimed to disperse the risk of loss, automatically compared microfinance institutions to focus on less risky clients with more lawfully reliable agreements (Bedecarrats and Marconi, 2009).

The second lending methodology being used in Liberia is Community –Based Organization, which is associated with the Savings and Loan Associations (SLAs). This lending methodology is exclusively based on participant savings and equity contributions as a basis of funding its operations. Therefore, some of the SLAs institutions in Liberia are financially sustainable, while the other depends on grants from government institutions, including non-governmental institutions, to fund its operations. Liberia, Savings and Loan Associations are organized through the identification of several villages, including towns, with strong social unity and clear desire to set up a village banking institution to meet the financial needs of its community. Under its structure, the participants have the legal obligation to determine the rules and regulations governing the village bank. The bank membership encompasses of 40 -100 memberships of which management and credit officers are inclusive. These officials are elected by its members whose operations are highly decentralized.

Some basic characteristics of the Savings and Loans Associations in Liberia include savings, current accounts and term deposits from its members or communities. Financial services granted to its clients are normally based on a short-term, working capital loans. The cost of obtaining the loan is established by the participating villages, however, one disadvantage of the SLAs is that the more inaccessible the area of a client the higher the cost to obtain a loan. Even though the SLAs customers are people, mostly from the rural areas with low to medium incomes as well as saving capacity.

Figure 10: Organizational Chart of microfinance Lending Group Methodologies



Source: microlinks.org

3.3. Historical Overview of Access Bank Liberia Limited

Access Bank Liberia Limited (ABLL) is a corporate body established under the laws of the Republic of Liberia and is the country's first licensed microfinance service provider. The institution received its preliminary banking license on July18, 2008, but started operations after it was granted a formal banking license by the Central Bank of Liberia, on January 20, 2009 (CBL, 2008).

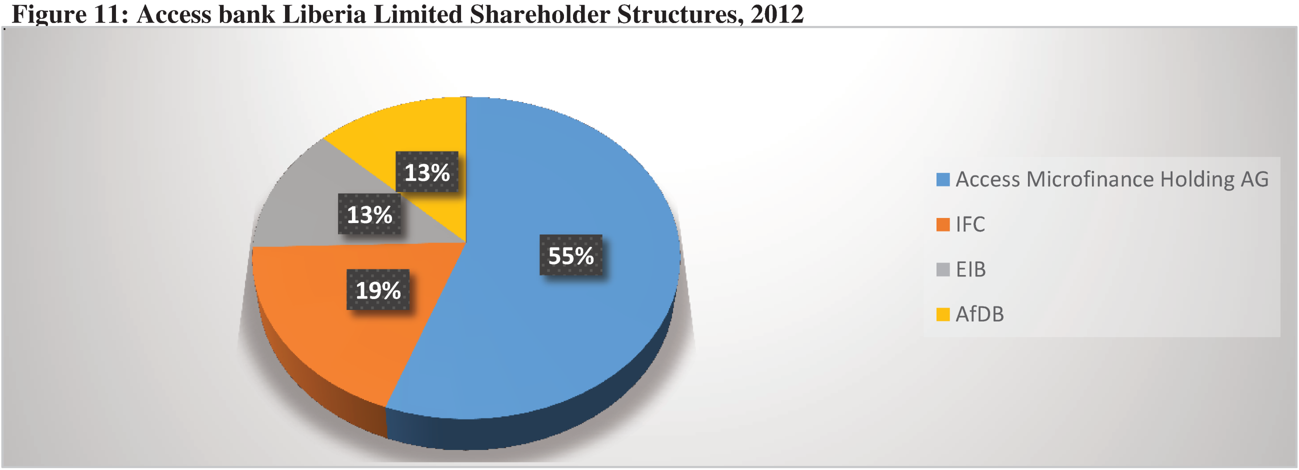
In 2008, the International Financial Corporation (IFC), a partner of the World Bank Group, reported that Access Bank Liberia Limited received a preliminary license from the CBL. Access Bank hired and trained loan officers, tailored all its savings and credit products to cater to the demands of the Liberian market and ensured compliance with all its banking regulations. According to Access Bank Liberia Limited its vision is that, "Access Bank Liberia's mission is to become the bank of choice for the low and middle income strata of the Liberian population, and the country's leading provider of financial services to micro, small and medium enterprises". By the end of the fourth year of operations, the Bank has signed up more than 90,000 clients, demonstrating that its product offering of loans and deposit services has reached the majority of its target clientele within its Montserrado County (ABLL, 2012). Access Bank microfinance loan is a productive loan given to individual(s) for the establishment of small enterprises of commercial and industrial activities, services, simple production and crafts as well as other petty trade activities that provide income for low income earners. Unlike consumer loan which is given to an individual or a family for personal consumption.

Access Bank Liberia Limited was founded by four reputable international shareholders, which include: (1) Access Holding AG[9], a Berlin based commercial microfinance holding company; (2) the African Development Bank(AfDB), a regional multilateral development finance institution of African countries that are institutions' Regional member countries, (3) the International Financial Corporation (IFC), a member of the World Bank Group, whose primary objective is to create opportunities for people to escape poverty and improve their lives and;(4) the European Investment Bank (EIB) was founded by the Treaty of Rome in 1958, and is it a long-term lending bank of the European Union.

In 2012, the bank grew its loan portfolio by 57% and its deposits to loan ratio exceeds 100%. The institution provides micro; Small and Medium Enterprise (SME) loans to eligible business owners and petty traders including the agriculture sector.

The shareholder's total paid –up capital was US$11.783 million, in December, 2012. The below table gives a detailed analysis of ABLL shareholder's percentage amongst its founders.

Figure 11: Access bank Liberia Limited Shareholder Structures, 2012



Source: accessbank.com/lr

[9] http://www.accessholding.com. LFS financial systems GMbH (LFS), which has founded Access Holding in August 2006 and which is also the technical partner and manager of the company as well as its investees. LFS is an advisory and management firm based in Berlin, specializing in banking and financial sector projects in developing and transition countries with focus on micro, small and medium enterprise (MSME) finance.

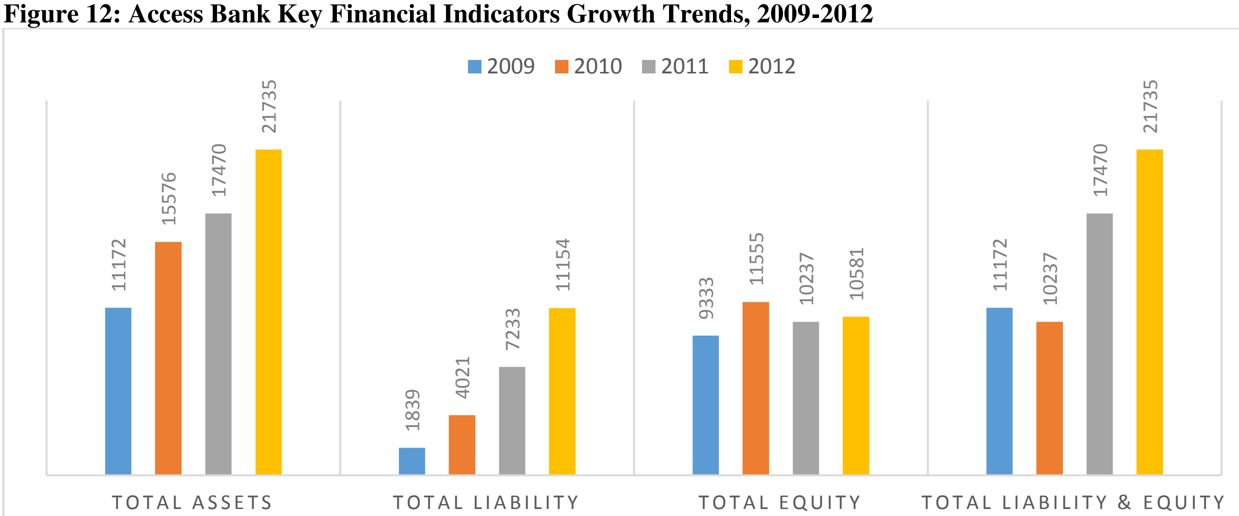
Access Holding, is the primary shareholder of ABLL, was established in August 2006 in Berlin, with the purpose of investing in microfinance institutions (MFIs) and developing these investments through a combination of equity finance, holding service, and management services rendered by its technical partners, LFS financial Systems. LFS is a Berlin based management and consultancy firm specialized in financial sector projects in developing and transition countries, like Liberia. In additional to Access Bank Liberia, Access Holding has an investment in four other microfinance banks; the Access Banque Madagascar, Access bank Azerbaijan, AB Microfinance Bank Nigeria and Access Bank Tanzania.

Currently, Access Bank Liberia Limited has six (6) branches in Liberia, including head office branch and one (1) central credit office, situated in Monrovia. Other branches are in Buchanan, Grand Bassa County one of the political subdivisions of Liberia. Since the establishment of Access Bank Liberia its main operations have been concentrated within Montserrado County. Since its inception in 2009, the institution's paramount objective has been to deliver a microfinance loan to its customers between US$ 100 to US$ 7,000.00. According to the bank, this product aims to support the growth ambitions of micro entrepreneurs whose businesses are yet to reach scale. The bank also provides Current Account, Savings Accounts; Time Deposit; Payment order or transfer payable as well as lending or credit. Micro Loan, Small and Medium Enterprise Loan and Interbank loans receivable. These financial services are serviced to all its potential customers, including other financial institutions in accordance with rules and regulations governing the financial sector of Liberia.

These financial services being provided by Access Bank are particularly aimed for its clients as a means of increasing sustainable access to financial services for the poor and low income people in Montserrado County, who is excluded from the conventional banking activities www.accessbank.com/lr.

The Liberian civil crisis collapsed the entire economy and increased the unemployment rate of Liberia to 85% from 1989 to 2008, since the end of the civil war, and the coming in of ABLL as well as other microfinance institutions have contributed in reducing the high unemployment rate to 3.7%. Access Bank Liberia microfinance impact on job creation can be linked to one of the most successful microfinance institutions in Latin America called Banco Sol whose microfinance credit was able to provide jobs for Bolivian after the populist regime collapsed in 1952. The funding and sustainability of Access Bank Liberia operations can also be compared to some microfinance institutions in Asia whose operations have shown positive trend in terms of poverty reduction. According to micro banking bulletin 2003, microfinance institutions in India and China over the years have improved the lives of its clients.

Figure 12: Access Bank Key Financial Indicators Growth Trends, 2009-2012



Source: www.accessbank.com/lr/annual report 2012; www.dailyobserver.com

3.3.1. Analysis of Access Bank Financial Indicators 2009-2012

Since the beginning of Access Bank Microfinance Operations in 2009, the institution functional line of operations has been the low and middle income strata of Montserrado County, whose population is largely engaged in the informal sector. The Bank Annual Report (2012), revealed that from 2009 to 2012 the bank has grown its loan portfolio by 57 % to 5.0 million United States dollars and its deposits to loans ratio exceeds 100%. The annual report further indicated that since the bank began operations in Montserrado County in 2009 it has signed up more than 90,000 clients. In terms of its clients reached within Montserrado County, in comparison with the total population of the county, the bank has reached 8.1 % of the total population of the county in 2012. According to Liberia Labor Survey Report (2010), it states that Montserrado County constitutes approximately 1,118,241 million of Liberia total population in (2010) which also represents one third of Liberia total population of 3.5 million.

The bank total assets continue to increase proportional to its client base. Between 2011 and 2012, the total equity of the bank increased by US$ 344 thousand representing a growth of

3.4%. Due to the performance in the banking industry of Liberia, and having to be Liberia only microfinance institution that accepts deposits from its clients , the institution profitability trends have grown in the past four years, this is also a contributing factors to its increased in assets as well as owner' equity. Analysis of the bank, financial indicators revealed that the bank total assets increased by US$ 4,265 thousand which indicates a percentage growth of 24.4% from 2011 to 2012 respectively.

The bank gross loan between 2011 and 2012 increased by 1.8 Million United States dollars representing 36.4 % growth. This analysis further makes the fieldwork data clearly in terms of loan disbursement to clients. The bank loan portfolio continues to grow at a symmetrical rate in proportion to its clients based. These key financial indicators which also present the balance sheet of the institution summarizes the bank's assets, liabilities and shareholders' equity at a specific point in time which gives the most important information regarding the soundness of the institution. And also give investors an idea as to what the bank owns and owes, as well as the amount invested by shareholders. (ABLL, 2012, daily observer newspaper May 15, 2011).

3.3.2. Access Bank Credit Methodology

In any financial institution Credit methodology lies at the heart of the formal and as well as the informal institutions and its quality is one of the most determinant factors for the efficiency, impact and profitability of the institutions. Therefore, credit methodology is very essential to the sustainability of any financial institutions, particularly microfinance institutions. Access Bank Liberia credit methodology is comprised of a series of activities involved in lending which includes: sales, client selection and screening process, the application and approval process, repayment monitoring, and delinquency and portfolio management. The institution's credit methodology also links to the institutional structure and human resource policies such as hiring, training and compensating staff. Getting the credit methodology and product mix right is therefore one of the most important factors for any institution as well as rewarding challenges of any microfinance institutions or conventional banking institutions (LPM,1998).

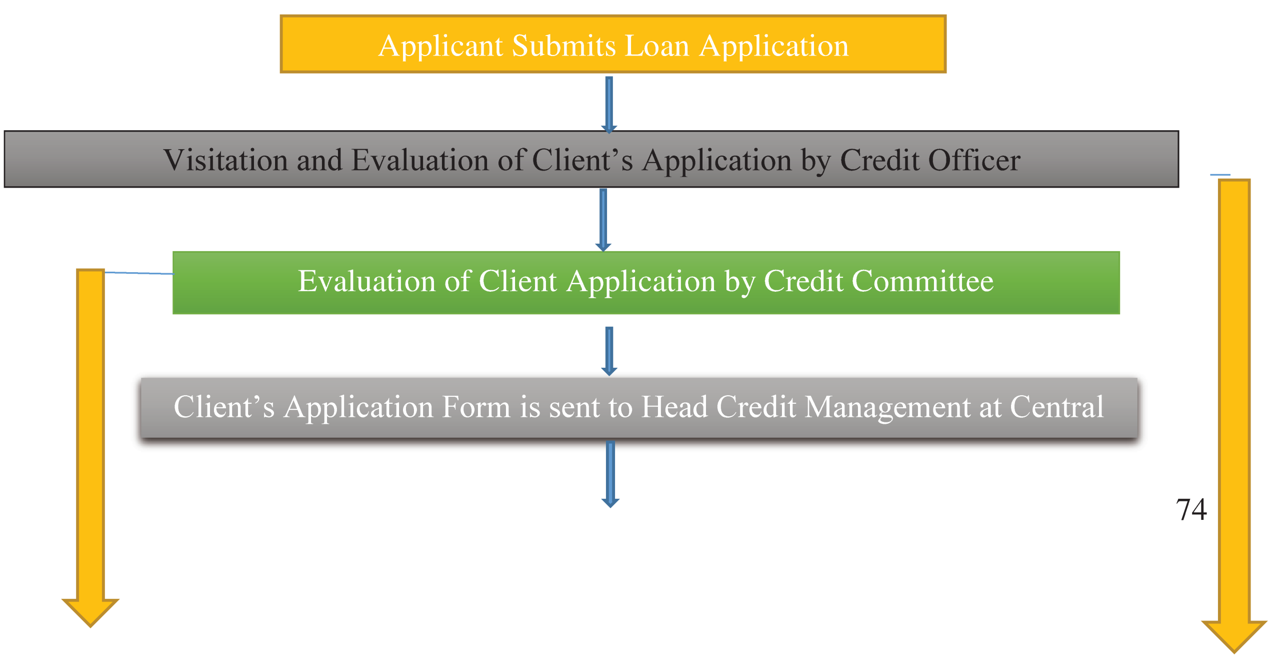
The credit methodologies used by Access Bank as a basis for granting micro loans are sometimes based on several requirements such as character, repayment capacity, and business capital, including the location or current wealth, as well as other sources of the owner, which include the business cash flows. These factors are essential in managing risk associated with credit, since loan is the largest and most obvious source of credit risk.

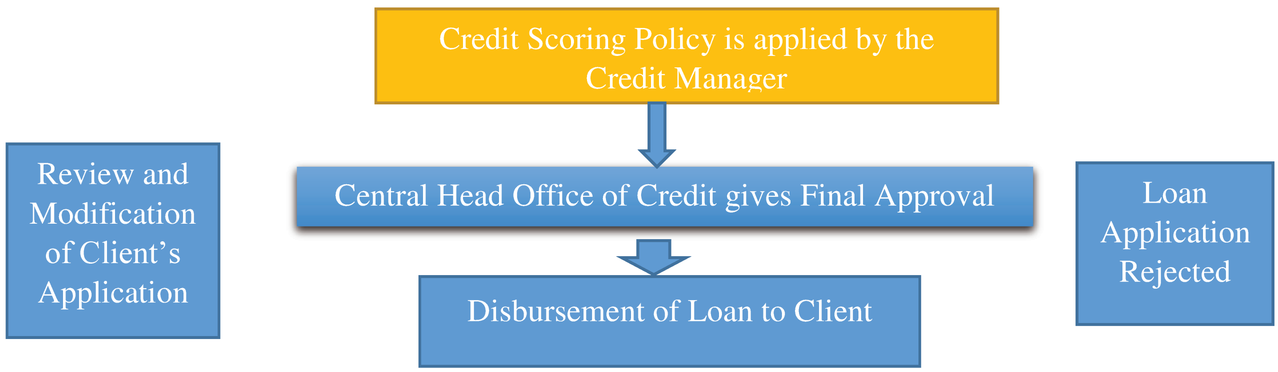
3.3.3. Client Credit Approval Process

Access Bank has separate phases, in its credit endorsement process and their implementations have a considerable impact on the risks associated with the credit approval. According to Access Bank credit risk manual, the quality of credit approval processes depends on two strategic factors, for instance, a transparent and comprehensive presentation of the risks when granting the loan on the one hand, and an adequate assessment of these risks on the other. Additionally, the level of efficiency of the credit approval processes is an important rating element. Due to the substantial modifications in the nature of various borrowers and assets to be financed, as well as the large number of products and their complexity, there cannot be a uniform process to determine the credit risks of any client because credit assessment methodology is based on probability (ABCM, 2011).

According to Oesterreichische National Bank Guideline on Credit Management (2000), the quality of the credit approval process from a risk viewpoint is determined by the best possible documentation and assessment of the credit resulting from a possible exposure. Considering the essential role of the credit approval process of any financial institutions, of which Access Bank is no exception can be categorically divided into four main components: The probability of default (PD); Loss given default (LGD); Exposure at default (EAD); and Maturity (M).

Figure 13: Access Bank Liberia Credit Administration Procedures





Source: Fieldwork, 2013

3.4. Regulations Concerning Microfinance Lending in Liberia

Access Bank microfinance loan is given to low and middle income earners and is considered an unsecured loan in the range of US$100 to UD$7,000. The stipulated amount falls in the range of microloan given to households, small holder farmers, small and micro enterprises in rural and urban communities and lower income earners; and using the security of non-traditional, unregistered collaterals. Loan in the above category amount or below, but fully secured by formal collateral, shall not qualify as microfinance loan (CBL/SD, 2008).

Access Bank Microfinance lending, which is quite different from the conventional banking lending methodology is classified on a daily basis, with a computerized loan tracking system capable of daily monitoring of the status of loan disbursement, collection and outstanding balances. The system is also capable to track income accruals, restructuring or refinancing, monitoring nonperforming loans, loan portfolio at-risk on a timely basis at the institution head branch.

Adequate provision of microfinance institution that is deposited taker is essential to its financial viability, which falls under the jurisdiction of the institution Board of Directors. It is the responsibility of the Board of Directors to determine and approve the amount of specific provisions for loan losses to be established for the microcredit portfolio, taking into consideration the recommendations from the Credit Managers and the internal and independent auditors. Based on the endorsements from the any of the committee, provisions shall be taken on loan that falls in any of the below categories: Normal risk 2%; Specially mentioned 5%; Substandard 20% and Doubtful 50%; Loss 100%.

According to the Central Bank of Liberia prudential regulations on microfinance loan, cash collaterals may be netted when establishing provisions for credit, which is classified as specially mentioned, substandard, doubtful, and loss (CBL/SB, 2008).

3.5. Access Bank Liberia Limited Operations and its Impact on Poverty

This section seeks to address the research objective by assessing the potential impact of ABLL's operations on the microfinance clients in Montserrado County. It further discusses the research fieldwork in depth. The research methodology uses the descriptive survey method and purposive research technique. These methodologies described the ways in which structured questionnaires were given to a sample population of the research, and comments were made possible to obtain specific information. The research method provided reliable, valid, theoretical and meaningful information from the sample size of the population. Data obtained from the fieldwork were analyzed quantitatively; percentages were used. The "before and after" method also used at the conclusion from the information contained from a sample population. (Hulme and Mosley, 1996).

The population of the research was gathered from Access Bank microfinance's clients within Montserrado County. The total sample population considered in this research was 715 but the total respondents were 550 persons between the age group of 15 to 54 and above. As specified in the limitations of the research, it was very difficult to reach out to the entire population involved in this research. Therefore, the research was limited to Access Bank Liberia which constitutes a reliable framework for microfinance data in Montserrado County concentrating on three main aspects of poverty which include job creation, income and savings of Access Bank Microfinance Clients.

Table 18: Sample of Total Respondents Per Economic Sectors "Before 2009 and 2012 After" Obtaining a Loan

Economic Sectors	Age Group of Respondent	Number of Unemployed Respondents (2008)	Percent of Unemployment in each sector (2008)	Number of Respondents Employed (2012)	Percentage of Respondents Employed (2012)	Percentage Changed in Employment Status
Part Time Laborer		129	23.5	0	0	100%
Service Sector	15-34	1	0	2	0.4	0.2%
Trade Sector	15-34	308	56	398	72.4	16.4%
Agricultural Sector	15-34	2	0	6	1.1	0.7%
Service Sector	35-44	5	1	8	1.5	0.5%
Trade Sector	35-44	105	19	125	22.5	3.6%
Agricultural Sector	35-44	0	0	7	1.3	1.3%
Service Sector	54 and above	0	0	1	0.2	0.2%
Trade Sector	54 and above	0	0	2	0.4	0.4%
Agricultural Sector	54 and above	0	0	1	0.2	0.2%
Total Respondents		550	100.0	550	100.0	123.5%

Fieldwork, 2013
Note: out of the total respondents interviewed, 129 of them were engaged in part time labor.

According to the above table, it shows out of five hundred fifty (550) respondents, four hundred twenty one (421) respondents were unemployed in 2008 before obtaining a loan. While one hundred twenty nine (129) were part time laborers before receiving a microfinance loan from Access Bank in 2009. The researcher distributed seven hundred fifteen questionnaires using the purposive sampling technique to reach ABLL microfinance clients. Out of the seven hundred fifteen questionnaires five hundred fifty (550) responded.

As the data exemplify all clients who were unemployed began self-employed after obtaining a loan. Respondents said, "Access to financial services from Access Bank Microfinance Operations, it yields greater returns and benefits to the institutions and the microfinance clients as well". The respondents' data show that, 16.4 % between the age group of fifteen to thirty four in the trade sector (15-34) constitutes the most important group in terms of economic activities. While between the age group of thirty five to forty four (35-44); forty four and above show 3.6% and 0.4% changed in economic status after receiving the loan. According to the respondents, "Access to financial services, creates opportunity for doing business; solve financial problems and also increase business size, especially for those who had spent more than three years doing business with the bank". Therefore, this is an indication that several benefits have been received by clients for being a customer of the Access Bank Microfinance Program.

The overall survey of the respondents' employment status before obtaining a loan suggests that each of the clients' economic status has improved. Consequently, it is prudent for one to ascertain that some of the constraints being faced by the respondents before obtaining a loan have been solved in terms of seeking medication, having an access to dwelling place, was well as increasing consumption level.

In the case of Liberia, high economic growth can contributes to poverty reduction in terms of job creation from the microfinance sector and can be stimulated as small businesses develop. The provision of financial services for the informal sector can help to generate a new cycle of growth, which in return can contribute to higher levels of effective demand in the economy. From this point of view, microfinance is unique amongst several developmental tools against poverty alleviation. Littlefield et al (2003) argued that "it can deliver these social benefits on an ongoing permanent basis and on a large scale". The authors further revealed that "many well-managed microfinance institutions throughout the world provide financial services in a sustainable way free of donor support" like in the case of Access Bank Liberia (www.cgap.org).

According to the aforementioned table, the trade sector in Montserrado County continues to dominate the various economic sectors. The table further indicates that the trade sector is mainly being occupied by the female population between the age group of 15 to 34 whose economic activities are market based and petty trade activities constituting the higher percentage point of the unskilled labor force of Liberia due to the crisis and low educational standard. It also reveals that the high growth within the trade sector indicates that the importance of marketing and petty trade for women is especially relevant for whom it is the main income activity followed by small-scale trade.

Table 19: Access Bank's Respondents' Income Status "Before and After" Obtaining a Loan in terms of Percentage Growth

Economic Sectors	Age Group of Respondent	Number of Respondents	Respondents' Duration with ABLL	Respondents' Income Growth Rate
Service Sector	15-34	45	1	88.42%
Trade Sector	15-34	272	4	93.16%
Agricultural Sector	15-34	10	1	32.75%
Total		327		

Source: Fieldwork, 2013

According to the above table, it reveals that the total income of all respondents in the three economic sectors between the age group 15-34 before obtaining a loan sum up 27.35 United States Dollars. In terms of changes in income status after a loan, the total income in the three sectors increased to 46.02 United States Dollars per month. This analysis further implies that the trade sector constitutes the highest percentage growth of 93.16% in terms of income in the three sectors. The overall growth rate in income for the three economic sectors represents 68.2 %, for detailed analysis, (see Appendix A. Table 3.7).

This aforementioned table additionally suggests that in the context of economic theory, an increase in an individual income shows a positive impact on the living standard and help to reduce poverty, because there is a direct relationship between income and the quantity of goods and services demanded as well as the individual consumption pattern. Several researches revealed that the population who are below the poverty threshold tend to use their income for consumption as compared to those above the poverty line (Gulli, 1998). Considering an average income growth of 71.44% per month for the above table indicates positive income trend for all clients in meeting their daily needs which also contributes to poverty reduction.

Table 20: Access Bank's Respondents' Income Status "Before and After" Obtaining a Loan in Terms of Percentage Growth

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Respondents' Income Growth Rate
Service Sector	35-44	40	2	61.90%
Trade Sector	35-44	135	3	51.25%
Agricultural Sector	35-44	7	1	81.25%
Total		182		

Source: Fieldwork, 2013

According to the above table which constitutes a total of one hundred eighty two respondents between the age group of (35-44) from the sample population, shows that the total income of respondents was 12.5 United States Dollars before loan and 20.07 United States Dollars after loan. The total income growth rate before and after loan indicates 60.56% increment. Therefore, a growth in income for a microfinance client is relevant to poverty reduction not just for the recipients, but rather the community as well as the entire country. According to a research conducted by Khandker (2006) in Bangladesh, shows that the provision of microfinance services for the poor is pertinent to income growth and poverty reduction, especially for the female population. Furthermore, Morduch (1999), argued that, "Even in the best of circumstances, credit for microfinance programs helps fund self-employment activities that most often supplement income for the borrowers rather than drive fundamental shifts in employment pattern" (See Appendix Table B 3.8).

Table 21: Access Bank's Respondents' Income Status "Before and After" Obtaining a Loan in Terms of Percentage Growth

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Respondents' Income Growth Rate
Service Sector	45 and above	10	2	21.17%
Trade Sector	45 and above	27	2	16.19%
Agricultural Sector	45 and above	4	1	37.68%
Total		41		

Source: Fieldwork, 2013

From the aforementioned table, the total income of all respondents is 7.5 United States Dollars before a loan and 8.71 United States Dollars after loan representing a total growth rate of 16% per month (See Appendix C Table 3.9).

Table 22: Respondents Saving capacity "Before and After" Obtaining a Loan in Terms of Percentage Growth

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Respondents' Income Growth Rate
Service Sector	15-34	60	2	10.98%
Trade Sector	15-34	307	4	70.04%
Agricultural Sector	15-34	5	1	12.5%
Total		372	2825	

Source: Fieldwork, 2013

Table 3.10 reveals that before obtaining a loan, clients' saving capacity was constraints due to insufficient income which was 40.35 United States Dollars before a loan and 53.44 United States Dollars after receiving a loan this change represents an increment of 13.09 United States Dollars. This amount also represents a total growth rate of 32.44% for all respondents in the three economic sectors (See Appendix D. Table 3.10).

Table 23: Respondents Saving Capacity "Before and After" Obtaining a Loan

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Percentage Growth in Saving
Service Sector	35-44	25	2	39.11
Trade Sector	35-44	85	4	48.88
Agricultural Sector	35-44	5	1	50.00
Total		115		

Source: Fieldwork, 2013

According to the respondents under each economic sector, the data gathered indicate that out of a sample population of one hundred fifteen respondents from the above table total saving for the three economic sectors presents 16.71 United States Dollars before a loan and 53.44 United States Dollars after loan. Indicating a growth rate of 219.8% (See Appendix E Table 3.11).

Table 24: Respondents Saving Capacity "Before and After" Obtaining a Loan

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Respondents' Income Growth Rate
Service Sector	45 and above	17	2	19.18%
Trade Sector	45 and above	44	2	32.60%
Agricultural Sector	45 and above	2	1	31.13%
Total		63		

Source: Fieldwork, 2013

According to the aforementioned table, respondents total saving was 36.0 United States Dollars before loan and 45.75 United States Dollars after receiving a loan. After receiving a loan, respondents' income increased to 9.75 United States Dollars. This savings growth represents a total amount of 27.1% for the three sectors. This implies that access to microfinance services is very important as such microfinance programs must be able to meet the needs of more clients, especially the very poor, which would enable them to save against unforeseen circumstances such as illness, houses and other basic social needs (See Appendix F Table 3.12).

Table 25: Analysis of Male and Female Respondents Per Age Group

Economic Sector	Age Group	Male	Male Percent	Female	Female Percent
Service Sector	15-34	15	2.7	25	4.5
Trade Sector	15-34	40	7.3	189	34.4
Agricultural Sector	15-34	3	0.5	15	2.7
Service Sector	35-44	5	0.9	14	2.5
Trade Sector	35-44	25	4.5	140	25.5
Agricultural Sector	35-44	5	0.9	7	1.3
Service Sector	45 and above	9	1.6	15	2.7
Trade Sector	45 and above	8	1.5	28	5.1
Agricultural Sector	45 and above	2	0.4	5	0.9
Total		112	20.4	438	79.6
Total Respondents from each table		112+ 438=550			

Source: Fieldwork, 2013

According to table's analysis, women dominant Access Bank credit portfolio of the three economic sectors, predominantly within the trade sector between the age group of 15-34 representing 43.4% of females as compared to 7.3% of males respectively. This implies that women have low default rates in terms of loan payments. Furthermore, it is prudent to suggest that since the inception and dominance of microfinance in the early 1990s, several academic discourses have suggested that the women's default rate is lower than the default of men, which indicates that most women used the loan for the principle objective for which the loan was obtained, as compared the their male counterpart. The overwhelmingly representation of female participation in the microfinance industry since the early 1990s has been one of the utmost characteristic features of the microfinance industry indicating that women have been very successful in the microfinance sector globally (Sundaresan, 2008).

According to Karlan and Appel (2011), they argued that females surpassed their male counterpart when it comes to repayment of loans and the usage of loan returns for the benefits of the families which subsequently lead to an increase in the household spending on food and education.

Even though the conventional banking system considers unsecured loan as one the perilous lending methodologies, especially to the “poor of the poorest” in society. This ideology does not work in microfinance lending. But rather microfinance has become the core player in filling this gap when it comes to lending to the poor. Research has also shown that one of the solutions to keep microfinance institutions viable and self-driven is to keep the default rate as low as possible and most MFIs claimed that women perform better in this endeavor than males. Therefore, microfinance institutions focus on the average in terms of lending has been women driven and one of the main components of microfinance institutions globally. Despite these claims that women perform better in meeting up their credit obligations and are reliable in meeting up with credit repayment when fall due, there is little or no empirical evidence of this actually being factual according to Bhatt and Thang (2002).

Investigation performed on the above data showed greater percentage points for female participation in Access Bank’s Microfinance Operations as compared to the males’ percentage points. On the overall average of respondents’ participants, females’ participants’ rate is as twice as compared to the males. Even though the researcher did not consider educational levels of participating clients in the survey to reveal if educational standard serves as a contributing factor for male low participation rate. Yet some researchers like Bhatta and Thang (2002) as well as Olomola and Niser (2000) have argued that the educational level of microfinance clients plays a vital role in client performance in terms of avoiding a default status.

The data also revealed that most of Access Bank microfinance clients are female entrepreneurs, constituting 438 females and 112 males respectively. This analysis further shows that ABLL loan portfolio is concentrated on the female population in terms of empowerment, access to credit, and women entrepreneurship. Most of the women interviewed were found in the trade sector between the age group of 15-34 of the economy who is engaged in the sale of imported goods. The number of women within this age represents the highest constituting, 43.4 percent of all respondents, and 0.63% of 68% of the total percentage points of the informal sector of the Liberia. Predominately, all MFIs in Liberia have their target group as women who were the main prey of the civil crisis. Therefore, according to the researcher respondents, improving the economic situation of women is key to peace –building efforts and combating poverty for the underprivileged women in society. This further implies that microfinance investment in women pays off, particularly for women, as the data shows the payoff exponentially increases with more years, in turn improving the women's financial independence as well as their personal business ventures. Therefore, the long term rewards of ABLL microfinance operation would be immeasurable as women continue to play an important and a recognizable role in the economic recovery process of the country.

Microfinance institutions in Liberia targeting females have the tendency to reduce gender inequality and reduce poverty because women are the main prey of poverty in Liberia largely due to the civil crisis. One study that experimentally examined the positive impact of women having access to finance as well as being educated was conducted by Thomas in Brazil (1997), the findings of the research indicated that extra income in the hands of women results in a greater share of the family budget which is keen to education; health and nutrition related expenses.

3.5.1. Discussion of the Research Findings

The findings of the study were guided by the following questions: Can Access Bank Liberia Limited microfinance operations contribute to poverty reduction in Montserrado County? Have Access Bank microcredit operations been able to provide jobs for its clients? Finally, Have Access Bank micro loan schemes been able to start small scale businesses for Montserrado entrepreneurial? Based upon these principle questions, the research shows that out of the 550 respondents who were unemployed before receiving a loan from Access Bank were self-employed by engaging themselves in some economic activities for sustainability after receiving a loan. Even though the researcher observed that Access Bank microfinance programs in Liberia is comparatively at its nascent state as compared to other countries in the sub-region, analysis of data shows that its operations have made positive impact on its clients.

As the data exemplified all beneficiaries of the Access Bank microfinance loan were self-employed after receiving the loan. Respondents said, "Access to financial services from ABLL microfinance operations, has yielded greater returns and benefits for them to have easy access to loan, which has created an opportunity for doing business; solve financial problems and also increased business size especially for those who had spent more than three years with the institution". Therefore, it is prudent for one to ascertain that some of the constraints being faced by the respondents before obtaining loan have solved in terms of the provision of some basic social needs such as medication, dwelling place, and increasing consumption level particularly for the female population.

According to the International Labor Organization (ILO, GB.283/ESP/6,283 Session, 2002), the philosophy and the importance of microfinance on job creation has three key socioeconomic benefits for its beneficiaries. The report argued that the socioeconomic benefit of microfinance can be categorized into threefold: Job creation which enable clients facilitate small investment in fixed assets and working capital. Reduce poverty by decreasing the vulnerability of people living near the subsistence level and employment which enable microfinance's clients to develop a sense of responsibility, and strengthen social capital.

The study findings also show that job creation for microfinance clients in Liberia are served from a various spectrum of institutions ranging from "Susu Club", Cooperative, Credit Union, Village and Savings Loan Association(VSLAs), Liberty Finance, Liberia Enterprise Assistance Program and Access Bank Liberia Limited etc. Most of these informal institutions were established by donors and developmental organizations. Though, the operations of the informal financial sector are small when compared to the conventional banking sector and the majority of their activities are based in the urban counties or cities and almost all their financial services are concentrated in the area of microcredit. These informal financial institutions are providing huge employment opportunities for the informal sector of Liberia which constitutes approximately 68% of Liberia total labor force (LFS, 2010).

Furthermore, the provision of microfinance services from Access Bank Microfinance operations for those who are found in the pyramid of the poverty trap has the tendency to fill in the gap of unemployment situation as well as the gap being created by the conventional banking institutions. Since the establishment of ABLL in 2009, its operations have been centralized in Montserrado County, the capital of Liberia, where the majority of the economic activities of Liberia is based. The institution functional line of business in terms of job provisions are mainly in the area of petty trading as indicated from the data. Therefore, these statistics indicate the positive impact of Access Bank microfinance operation in terms of job creation for low income earners and the youth of Liberia, who was affected by the civil conflict.

According to Liberia Labor Force Survey (2010), Montserrado County, of which this study is focused, constitutes 6% of unemployed persons. The report indicates that the total unemployed persons in Montserrado County are 21,000 persons which constitutes 8,000 males and 13,000 females representing 6 % unemployment rate for the survey area respectively. Therefore, in terms of ABLL impact on job creation, from the 550 participating respondents, its operations have reduced the 6% unemployment by 2.6% which represent 0.533% for males and 2.085 for females based on the data analysis.

3.5.2. Impact on Clients' Income after obtaining a loan

The debate on poverty reduction in Liberia can be sustained when the unprivileged in society are capable of generating income for themselves through employment opportunities and safety net through government intervention. According to the data analysis, it reveals that the longer the customer remains in business or stays with the institution, the higher the income. Clients within the age group of 15 to 34 who have spent approximately four years with Access Bank and have the highest percentage of 33.8% in terms of income generation. This is because most of Access Bank microfinance loan operation is concentrated within the market based income generating activities and the petty business sector, which constitutes a vast percentage of the youthful population of Liberia labor force. This trend is also associated with the loan portfolio of the client as well as the length of attachment with the bank.

Furthermore, the data analysis of male and female participation rate reveals that the female population dominates every sectors of the economy, especially within the market based income activities which involves products such as food ingredients, running of small shop within the community, and operating food and drinking bars or entertainment center. This sector is mainly being occupied by females' traders in Liberia as the data revealed. Income generating activities from microcredit plays a vital role in the lives of microfinance clients. Even though these income generating activities involved huge labor intensive, the majority of females engages in them because they have traditional skills which involved low-capital requirement in terms of investment. Income generated from these economic activities may be small, but it plays a vital role in meeting the demand for food and other basics social needs of the family and also empower women to be financially self-sustainable and meet the households' needs in time of emergency.

Equally so, income growth is directly proportional to the individual duration in the business as well as the prevailing economic condition.

According to Guhu- Khasnobis and Hazarika (2007), they argued that the ability of female to generate income is very essential because women are believed to be more considerate of household or child's needs as compared to males. The study further indicated that the greater income generating activities female engages in, the greater bargaining control of household resources which then result in the accumulation of the tangible advantages of children since one of the primary objectives of women are weighted towards helping their children.

3.5.3. Impact on Clients' Saving Capacity after Obtaining a Loan

The study shows that after obtaining loan, 100% of all clients were savings. This suggests that while microfinance clients take out loans, savings is sustained as a means of a safety net. For micro entrepreneurs, savings help them endure through financial crises or take advantage of business opportunities. One strategic point to note here is that, even though the savings capacity of the clients is still at the minimum stage, the data reveals a positive trend for clients, particularly for those who have been accessing funds from ABLL for three to four years. Savings serve as a major cushion for microfinance clients in times of difficulties and help in expanding their businesses, and it also helps to build self-assurance for the clients because clients do not have access to safety nets in terms of unforeseen circumstances or external economic shocks which are inevitable in any economy.

According to the respondents, Access Bank microfinance operations have a huge influence on clients' saving capacity, which is one of the prerequisite after obtaining a loan. This implies that clients have been encouraged to repay their loan through their current account which also serves as a savings account. This compulsory savings scheme helps client's operation for financial services and improve productive economic activities which then lead to increase in income. In additional to client benefits of saving as a means to repay loan, client's savings become interest bearing. This means that microfinance clients' savings get incentives for savings out of their current account in order to strengthen clients' saving capacity to reinvestment in the future.

According to respondents from each economic sector and age group, data gathered indicated that out of the sample of a population of five hundred fifty respondents no one would save at least one United Stated Dollars per month before obtaining a loan from Access Bank. Based on data findings, it suggests that an increment in credit amount will enable the poor households to undertake more productive activities which will yield to increase in income. This ideology is economically proven that income is a function of savings. According to Alamgir, (1997), he claimed that an easy access to microcredit would provide incentive for the poor household to increase their efforts at generating savings on their own accounts to participate in income generating activities and savings to reduce poverty.

3.5.4. Male and Female Clients Analysis

From the data gathered from respondents, it is essential to note that the highest numbers of respondents were women who dominate all age groups (from 15 to 54) and above indicating that women constitute a huge percentage point of the informal sector of the Liberian economy. Most of those that were interviewed asserted that they appreciated ABLL micro credits because the majority of the poor women are generally excluded from the conventional banking institutions in Liberia. Therefore, ABLL microfinance operation has emerged to address this financial gap. According to data collected from respondents, there were four hundred thirty eight (438) respondents females, representing seventy nine point six percent (79.6%) of the total sample population of five hundred fifty persons. This level of percentage of females in the three informal sectors constitutes 1.3 percentages point of the total percentage of the Liberia informal sector, which is 68% according to the Liberia Labor Survey (2010).

Even though the researcher analysis did not take into consideration any significant difference in poverty rates between males and female respondents, but studied have proven that women tend to have unequal access to employment and other economic opportunities as compared to their male counterpart. Based on these factors, the majority of microfinance institutions globally have given preference to more women participants. In additional to these factors, women intend to invest in less risky business venture and use more of their income on their family which has a greater impact on reducing poverty.

According to Mosely (2000), microfinance research conducted on six microfinance institutions in Africa and Asia displayed qualitative proof that microfinance program that focused on women, particularly improves the living standards of the family by increasing the consumption level, education and health standards of its beneficiaries. Several research has shown that women are the main target of most microfinance institutions globally. The majority of microfinance institutions in villages target females largely, according to a study conducted by Holt (1994, p.158) "the model anticipates that female participation in village banks will enhance the social status and intra household bargaining power". According to the microcredit summit campaign summit campaign report (2007), it revealed that by the end of 2006 microfinance services had reached over 79 million of the poorest women in the world.

Microfinance institutions globally target women because they are excluded from the conventional banking system for different reasons such as cultural bias against women and literacy requirements have barred some illiterate women from obtaining formal financial services. In addition, the majority of the poorest people in developing countries are women, and their microenterprises and petty trade are too small scale to interest formal financial intermediaries. Therefore, microfinance has emerged to fill in the gap because of their exclusion from formal banking institution and women are spend a greater percentage of their share on households needs (Hopkins, Levin, and Haddad, 1994).

CONCLUSIONS AND RECOMMENDATIONS

Analysis of the research findings indicates that Access Bank Liberia microfinance operations have a positive impact on poverty reduction in Montserrado County. The research data shows that respondents who were unemployed in 2008 began self-employed after obtaining a loan from Access Bank from 2009 to 2012. This implies that the poor having access to financial services has the tendency to create jobs and also promote pro poor economic growth. Data analysis of respondents' income status after obtaining a loan revealed that the total income for the age group from 15-34 grew by 71.44%. This group constitutes the most important group in terms of economic activities in Montserrado County. While between the age group of 35-44 and 45 and above, there was an income growth of 64.8% and 25.01% respectively. This further suggests that the provision of financial services to the poor population has the tendency to create jobs and reduce poverty.

Liberia, one of the peripheral countries in the world, the provision of financial services to the poor has remained a major challenge, which further poses a threat to their survival and livelihood of the poor, particularly for those within the informal sector. As a result of this financial gap, innovative institutions like microfinance have emerged over the years to provide financial services for the low income earners in Montserrado County. The discussion on the research was to assess the impact of Access Bank Liberia Limited microfinance operations on poverty reduction in Montserrado County, specifically on job creation and generation of income and savings for its clients within Montserrado County from 2009 -2012. The research identified that Access Bank Liberia microfinance operations in Montserrado County have helped to reduce poverty by providing finance for low income earners. Considering the country strong economic growth for the past eight successive years, the transformation of the informal sector cannot be achieved without formulating policies which would empower the poor through the provision of financial services. The living standard of the poor would be significantly enhanced through the provision of microfinance services which will enable them to engage in economic activities that would translate into self-reliant; empowerment; enhanced household income, and create prosperity especially for the women and children who are the main victim of poverty.

The research covered three fundamental aspects of poverty reduction in Montserrado County considering job creation, income and savings for microfinance clients. These three points were analyzed using various statistical methodologies: correlation assessment model, which has to do with clients economic status “before and after” obtaining a loan, and the purposive sampling technique in selecting microfinance clients. Analysis based on the research findings, revealed positive impact which implies that Access Bank Liberia microfinance operations can help to reduce poverty in Montserrado County as well as the Liberian Poverty Reduction Strategy through the Central Bank of Liberia to some extent, through its ability to include the poor in its ‘financial inclusion initiative’. Based on these findings, the researcher refers to the ability of mobilizing financial resources to be channeled to the poor through loan schemes in which they can be financially independent and economically empower.

However, the conventional banking institutions in Liberia are not willing to lend to this sector, which is economically vital for the development of a pro poor growth of Liberia. Therefore, if absolute poverty in Montserrado County must be reduced in half as well as the entire country before the targeted period of the United Nations Millennium Development Goals (MDGs) which is to be achieved by 2015, policymakers should prioritize economic policies in compliance with the financial inclusion program for every sector of the economy especially the agricultural sector of Liberia where approximately 70% of the rural work force are concentrated. Financial inclusion program for the poor in the Liberian’ society is very essential for a post-conflict nation. In the case of other economies, it is the aggregate of these smaller households, which can have a profound and positive impact on the economy.

The research further sought to determine the definition of microfinance in the Liberian context, giving the historical background and how it works in Liberia. From the definition of microfinance as well as the global and Liberian perspective, the researcher observed that microfinance is predominantly associated with the provision of microcredit, characterized by frequent loan repayments to small enterprises and low income households in a society. However, despite the positive impact Access Bank Liberia Limited microfinance operations have made on the lives of the inhabitants of Montserrado County as well as the Central Bank of Liberia financial Inclusion program. The research identified a number of constraints being faced by the microfinance sectors in Montserrado County both the micro and macro levels. Some of these constraints comprised the lack of capital; poor infrastructure; poor road network to connect farm to market road for those who are predominately involved within the agricultural sector as well as obsolete technology equipment for the sector.

Although the current research study is based on a small sample of microfinance clients within Montserrado County the findings suggest that Access Bank microfinance operations have contributed to poverty reduction in Montserrado County. The findings further revealed that within the three economic sectors been analyzed in the research, women participation rate within the trade sector dominated indicating that microfinance targets women as women seem to be more reliable than men when it comes to repayment of the loan on a timely basis. Therefore, the development of a vibrant microfinance industry in Montserrado County, dependents on a number of factors such as prudent macroeconomic policy that would provide stable economic condition on the aggregate; modern infrastructure; peace and security and also opportunities for income generating activities for the poor to sustain themselves.

Based on the research findings, this research has highlighted a number of challenges being faced by the microfinance sector in Liberia. Due to these constraints, the following are recommendations which would be beneficial for the microfinance sector as follow:

1. Government should diversify its financial inclusion programs by setting up savings groups at the village level using new financial technologies, like mobile money. Each of these approaches would encourage young people, pulling them into financial markets which would empower them economically.
2. Access Bank Liberia Limited should extend its microfinance operations in every political subdivisions within Liberia in order to widen its primary objective of providing credit for the poor. And provide micro training for those within the agricultural sector to reduce rural poverty.
3. Government should build farm to market road making it accessible to microfinance institutions, which would enable agricultural products from microfinance's clients to be sold easily thereby helping to reduce poverty.
4. Government should enact a poverty alleviation mechanism that reflects it costs todays' family to make ends meet. Thereby factoring current medical cost, transportation, child, housing, and utilities cost into a program like what most countries in Latin America have done over the years to reduce poverty.
5. That Access Bank should increase its minimum credit amount of US$100 to US$200 for beginner.

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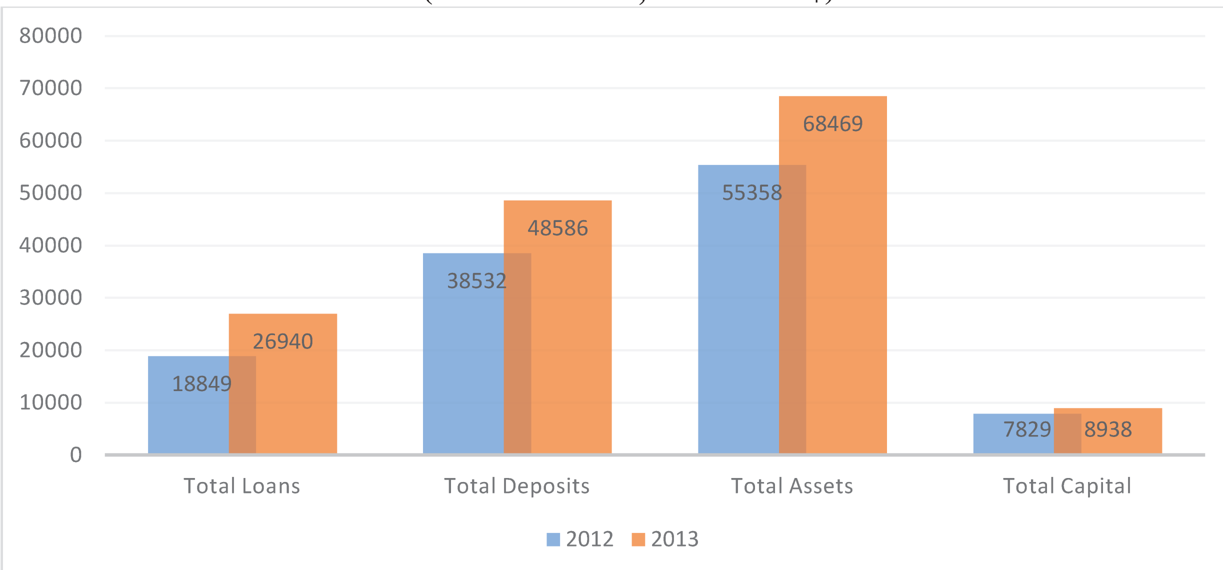
DATA AND STATISTICAL APPENDIX A

Appendix A. Figure: 3.1: Balance Sheet of the Banking Sector (As at Nov.2013, in Billion L$)



Source: CBL, 2013

Note: According to the Financial Institution Act of 1999 section 2.9, it states that both the United States Dollars and the Liberian Dollars (L$) are legal tender notes in Liberia. Therefore, this research uses the United States Dollars by converting all Liberian Dollars to United States Dollars using the Central Bank of Liberia exchange rate as of the date of the financial report.

The exchange rate as of November 30, 2012 stands at 1 USD to 71.25 L$ and the exchange rate as of November 30, 2013 was 1 USD to 71.10 L$.

Source: CBL 2012/2013

Appendix: A Table 3.5 Access Bank Liberia Key Financial Indicators in thousands of Liberian dollars, 2009-2012

Financial Indicators	2009	2010	2011	2012
Total assets	673309	978347	1240304	1564907
Total Liability	110840	252543	513509	803118
Total equity	562469	725804	726795	761789
Total Liability & Equity	673309	978347	1240304	1564907

Source: www.accessbank.com/lr/annual report 2012; www.dailyobserver.com

The above table represents Access Bank of Liberia key financial indicators or the statement of financial position from 2009-2012. Banking institutions in Liberia are required to prepare all financial statements in Liberian dollars in accordance with International Financial Reporting Standards (IFRS), and the requirements of the New Financial Institution Act (FIA) of 1999 as well as the Prudential Regulations of the Central Bank of Liberia. Access Bank's financial statements are presented in Liberian dollars. Transactions in foreign currencies are initially recorded at the functional currency of exchange ruling at the date of the transaction. Therefore, the above table figures have been converted to United States dollars using the following rates given by the Central Bank of Liberia:

The exchange rate used as at December 31,2009 for translation of United States dollars accounts to Liberia dollars was US$ 1: L$60.27; December 31, 2010; US$ 1: L$ 62.81; December 31, 2011 US$1 71 and December 31, 2012, US$1: L$72 (CBL, 2009; 2010; 2012 and 2012).

Appendix A. Table 3.1 Commercial Banks, Loans by Economic Sectors (2010- Nov.2012, in million L$)

Agriculture	398.3	3.2	748.3	4.6	830.4	4.3	11.0
Mining & Quarrying	2.1	0	139.6	0.9	1,044.40	5.4	648.1
Manufacturing	162.7	1.3	324.1	2	166.5	0.9	-48.6
Construction	1,215.40	9.6	1,319	8.2	1,341.30	7.0	1.7
Trans.Storage & Comm.	2,823.60	22.4	1,351.60	8.4	1,340.50	7.0	-0.8
Trade, Hotel & Restaurant	3,977.70	31.5	6,662.20	41.2	8,148.50	42.4	22.3
Others	4,043.70	32	5,625.60	34.8	6,355.30	33.0	13.0
Total	12,623.50	100	16,170.40	100	19,226.80	100.0	18.9

Source CBL 2012

Note: the above table figures are quoted in Liberian Dollars the reporting currency of Liberia been converted to United States Dollar using the average exchange rate for each year (December 31, 2010 exchange rate, L$ 71.40 to USD 1; December 31, 2011 exchange rate, L$ 72.23 to 1USD; and December 31, 2012 exchange rate, L$ 73.51 to USD 1 (source: world Bank .org/official exchange rate, LCU per US$, period average).

Appendix A. Table 3.1 Commercial Banks, Loans by Economic Sectors (2010- Nov.2012, in million USD)

Sector	Dec.2010	Share of Total	Dec.2011	Share of Total	Nove.2012	Share of Total	Percentage changed in 2011-Nov-2012
Agriculture	5.57	3.2	10.36	4.6	11.30	4.3	9.1
Mining & Quarrying	0.029	0.0	1.93	0.8	14.21	5.4	636.3
Manufacturing	2.27	1.3	4.49	2.0	2.26	0.9	-98.7
Construction	17.02	9.6	18.26	8.2	18.25	7.0	0.1
Trans.Storage & Comm.	39.54	22.4	18.71	8.4	18.24	7.0	2.5
Trade, Hotel & Restaurant	55.71	31.5	92.24	41.2	110.85	42.4	20.1
Others	56.63	32.0	77.88	34.8	86.45	33.0	11.0
Total	176.77	100	223.87	100.0	261.55	100.0	16.8

Source: CBL 2012

Note: the above table figures are quoted in Liberian Dollars the reporting currency of Liberia been converted to United States Dollar using the average exchange rate for each year (December 31, 2010 exchange rate, L$ 71.40 to USD 1; December 31, 2011 exchange rate, L$ 72.23 to 1USD; and December 31, 2012 exchange rate, L$ 73.51 to USD 1 (source: world Bank .org/official exchange rate, LCU per US$, period average).

Appendix A Table 3.7 Access Bank's Respondents' Income Status "Before and After" Obtaining Loan (All figures in Liberian Dollars)

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	Clients' Income Status Before Obtaining a Loan In Liberian Dollars*	*Clients' Income Status after Obtaining a Loan	Changed in clients' Income	Respondents' Income Growth Rate	USD Equivalent of Clients' income after loan
Service Sector	15-34	45	1	L$.570	1074	504	88.42	USD 15.34
Trade Sector	15-34	272	4	L$.600	1159	559	93.16	USD 16.55
Agricultural Sector	15-34	10	1	L$.745	989	244	32.75	USD 14.12
Total		327		L$.1915	L$.3222	L$.1307	214.33	USD.46.01

Source: Fieldwork, 2013

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

Respondents' total income before a loan represents 27.35 United States Dollars and 46.02 after obtaining a loan this trend indicates a growth rate of 68.26% for all sectors in Table 3.7.

Appendix B Table 3.8 Access Bank's Respondents' Income Status "Before and After" Obtaining Loan (All figures in Liberian Dollars)

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	*Clients' Income Status Before Obtaining a Loan	*Clients' Income Status after Obtaining a Loan	Changed in clients' Income	Respondents' Income Growth Rate	USD Equivalent of Clients' income after loan
Service Sector	35-44	40	2	315	510	195	61.90	USD 7.28
Trade Sector	35-44	135	3	400	605	205	51.25	USD8.64
Agricultural Sector	35-44	7	1	160	290	130	81.25	USD4.14
Total		182		875	1405	530	194.4	USD20.06

Source: Fieldwork, 2013

Respondents' total income before a loan represents 12.5 United States Dollars and 20.07 after obtaining a loan this trend indicates a growth rate of 60.56% for all sectors in Table 3.8.

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

Appendix C Table 3.9 Access Bank's Respondents 'Income Status "Before and After" Obtaining a Loan (All Figures in Liberian Dollars)

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	*Clients' Income Status Before Obtaining a Loan	*Clients' Income Status after Obtaining a Loan	Changed in clients' Income	Respondents' Income Growth Rate	USD Equivalent of Clients' income after loan
Service Sector	45 and above	10	2	425	515	90	21.17	7.35
Trade Sector	45 and above	27	2	525	610	85	16.19	8.71
Agricultural Sector	45 and above	4	1	345	475	130	37.68	6.78
Total		41		1295	1600	305	75.04	22.84

Source: Fieldwork, 2013

Respondents' total income before a loan represents 7.5 United States Dollars and 8.71 after obtaining a loan this trend indicates a growth rate of 16% for all sectors in Table 3.9.

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

Appendix D Table 3.10. Respondents Savings Capacity " Before and After" Obtaining Loan (All figures in Liberian Dollars)

Economic Sectors	Age Group of Respondent	Number of Respondents	Client Duration with ABLL	*Clients' Income Status Before Obtaining a Loan	*Clients' Income Status after Obtaining a Loan	Changed in clients' Income	Respondents' Saving Growth Rate	USD Equivalent of Clients' income after loan
Service Sector	15-34	60	2	1020	1132	112	10.98	USD16.17
Trade Sector	15-34	307	4	1005	1709	704	70.04	USD24.41
Agricultural Sector	15-34	5	1	800	900	100	12.5	USD12.85
Total		372		2825	3741	916	93.52	USD53.43

Source: Fieldwork, 2013

Respondents' total saving before a loan represents 40.35 United States Dollars and 53.44 after obtaining a loan this trend indicates a growth rate of 32.44% for all sectors in Table 3.10.

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

Appendix E Table 3.11 Respondents' Savings "Before and After" Obtaining Loan (All figures in Liberian Dollars).

Economic Sectors	**Age Group of Respondent**	**Number of Respondents**	**Client Duration with ABLL**	**Clients' Income Status Before Obtaining a Loan**	**Clients' Income Status after Obtaining a Loan**	**Changed in clients' Income**	**Respondents' Saving Growth Rate**	**USD Equivalent of Clients' income after loan**
Service Sector	35-44	25	2	345	482	137	39.71	USD6.88
Trade Sector	35-44	85	4	675	1005	330	48.88	USD14.35
Agricultural Sector	35-44	5	1	150	225	75	50.00	USD3.21
Total		115		1170	3741	542	138.59	USD24.44

Source: Fieldwork, 2013

Respondents' total saving before a loan represents 16.71 United States Dollars and 53.44 after obtaining a loan this trend indicates a growth rate of 68.26% for all sectors in Table 3.11.

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

Appendix F Table 3.12 Respondents Savings Capacity "Before and After" Obtaining Loan

Economic Sectors	**Age Group of Respondent**	**Number of Respondents**	**Client Duration with ABLL**	***Clients' Income Status Before Obtaining a Loan**	***Clients' Income Status after Obtaining a Loan**	**Changed in clients' Income**	**Respondents' Saving Growth Rate**	**USD Equivalent of Clients' income after loan**
Service Sector	45 and above	17	2	980	1168	188	19.18	USD16.68
Trade Sector	45 and above	44	2	1055	1399	344	32.60	USD19.98
Agricultural Sector	45 and above	2	1	485	633	151	31.13	USD9.04
Total		63		2520	3203	683	82.91	USD36.7

Source: Fieldwork, 2013

Respondents' total saving before a loan represents 36.0 United States Dollars and 45.75 after obtaining a loan this trend indicates a growth rate of 27.08% for all sectors in Table 3.12.

Note. The income of respondents in each economic sector constitutes the average.

The income status after the loan is expressed in constant prices, taken as reference to the prices of the year when the loan was granted. *The symbol L$ represents Liberian Dollars.

The exchange rate between the United States Dollars and Liberian Dollars as of January 31, 2013 was L$70.00 to USD1.00.

APPENDIX B: QUESTIONNAIRE

SAMPLE OF QUESTIONNAIRE PRESENTED TO ACCESS BANK MICROFINANCE CLINETS: Date__________, 2013

Business Location ____________________

Please State your sex gender Male____________ and Female________

1. What loans products does Access Bank Liberia offer to its clients?

(a) Consumption loans ( )

(b) Manufacturing loans ( )

(c) Trade loans ( )

(d) Other type (please specify) ( )

2. With the exception of granting loan to the informal sector, what other financial services does ABLL provide for its clients?

(a) Insurance ( )

(b) Savings ( )

(c) Money transfers ( )

(d) Sales of foreign currencies ( )

3. Lending methodology

(a) Which lending methodology does ABLL used to grant loan to its clients?

(a) Individual ( )

(b) Group ( )

(c) If ABLL grant loan a group basis what is the average size: ( )

(d) If there are other methods please indicate ( )

1. Age of respondents :(a) 15-34 (b) 35-44 (c) 45 and above

2. Marital status: (a) married (b) single
3. Educational level: (a) never been to school (b) elementary level (C) high school (e) university/ college (d) if other please specify)
4. Type of business: (a) trading or merchandising (b) services (c) manufacturing (d) others specify
5. Length of time during business with ABLL (a) 0-1 (b) 1-2 (c) 2-3 (d) 3-4
6. Have you received any loan from other microfinance institution since joining ABLL? If yes what is the amount and for how long? (a) one year (b) two year (c) three year (d) four year
7. Since joining ABLL what is the amount received below (a) 2,000 (b) 3,000-9,999 (c) 4,000-5,000 (d) 7,000-10,000 (e) 11,000-15,000 (f) above 20,000
8. Do you pay your loan on time? (a) Yes (b) No
9. If yes, do you pay the full amount? (a) Yes (b) No
10. If no, what have been the problem? (a) poor business (b) other reasons________________
11. Do you think default on loan repayment can affect access to additional loan facilities? (a) yes (b) no (c) I really don't know
12. What was the monetary value of your business prior to obtaining loan from ABLL? (a) below 1,000 (b) 2,000-2,500 (c) 3,000-3500 (d) 4,000-4,500 (e) 5,000-5,500 (f) above 7,000
13. What have you acquired since you received the loan from ABLL? (a) a land (b) house(s) (c) transportation facilities (d) generator (f) others please specify
14. How has the bank loan change your economic status? (a) improve income (b) create self-employment (c) good medical care (d) increase consumption level (e) better housing .
15. House much do you take from the business as a monthly income? _______
16. What are other sources of financing do you know about? (a) club (b) Susu (c) money changer loan (d) NGOs (e) government finances, (f) credit union

17. Category of business : (a) Sole proprietorship (b) partnership (c) corporation (d) cooperatives (e) others please specify
18. Since you obtained loan from ABLL, have you been to employ any one? (a) one person, (b) Two persons (c) Three persons (d) Four persons.
19. Does ABLL grant loan to its clients on a collateral basis? (a) Yes (b) No
20. What was your occupational status before obtaining loan from Access Bank? (a) Self-employed (b), employed (c) unemployed (d) part time worker.
21. Since obtaining the loan, have you been able to established a business (a) Yes (b) No
22. Which economic sector are you in? (a) Trade Sector (b) Agriculture Sector (c) Service Sector. If others, please specify.