The Role of Microfinance Institutions in Disaster Management A Case Study of Upper West Region -Ghana

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Abstract
This paper studied the role of Microfinance Institutions in Disaster Management in the Upper West Region of Ghana. The methodology used was both secondary and primary data. Stratified sampling method was also used. The total population was 200 with a sample size of 95 disaster victims and five Microfinance Institutions. The main objective of the study was to find out how Microfinance Institutions assist their clients in times of disaster. The study found that 40% of the victims received reliefs from some Microfinance Institutions, just as 30% received relief items from other organizations. It indicated that female forms the largest percentage of victims during disaster constituting 65% whiles their male's counterparts constitutes 35%. The study also established that Moslem victims formed the majority of disaster victims with 67% whiles Christians constitutes 33% of the victims. The research revealed that 5% of the victims received support from family and friends whiles 25% of the victims did not received any assistance at all. The study further shown that, 90% of those victims who accessed the loan facility have paid back with the required interest. Based on the above findings the paper recommended that stakeholders in disaster management should ensure that all disaster victims benefits from the relief items. Microfinance Institutions should endeavor to develop special loan products for disaster victims.
Keywords: Disaster management, microfinance, beneficiaries, Ghana

INTRODUCTION

Disaster management is critical to the welfare of society and it is complemented by the support of microfinance institutions to eliminate poverty in the society (Little Field, Hashemi and Morduch, 2003). They also stressed that financial support during disaster period no matter how minute it is, will always make a difference.Disaster no matter its nature will always unsettled its victims and as such these victims will always appreciate any help no matter the quantum. Thus disaster management organizations are always looked up-to for a better response to the needed communities affected by the disaster. Society is always restored back to normal if they have access to micro-credit (Tighe, 2005).Any small support during disaster is mostly appreciated and help to improve business opportunities (Craig, 2002). According to (Shoji,2009)the impact of disaster mostly on females than men as a result loan rescheduling will favor female demanded repayment system.

Generally, disaster has a huge negative impact on society and as such affected communities will need to be assisted to become self-reliant in order to improve their economic activities. According to (Craig,2002) poor people need access to a wide range of financial services in order to seize business opportunities, to invest in home improvement, to meet seasonal expenses and life cycle events and most importantly to cope with emergencies. If disaster victims could get a bit of financial support, their life style could change.

Microfinance Institution's programs have played very important role during disaster period towards the economic self – reliance of refugees, and some other humanitarian agencies have also been changing their policies to redefine what emergency relief is forlong-term development plans (Caraglieri, 2003).

Disaster planning is an important tool since Natural Disaster affects the social and economic welfare of the people, government and all stakeholders need to have policies in place that can integrate and combat any disaster. The National Disaster Monitory Unit should be in readiness to respond to disaster that may occur and put in place emergency response mechanisms to forestall any possible disaster from occurring. In relations to this, (Vakis, 2006) indicated that disaster management strategy needs a careful assessments and planning before, during and after the disaster had occurred. He further said that natural disaster affects the poor heavily who have little access to risk management instruments. The main focus of disaster management is to support the survivals, assist in recovery, help in rehabilitation and follow up with development as highlighted by (Tighe, 2005). He established that supporting Microfinance Institutions would be able to offer cash-rich solutions, loan advances and emergency loans in the event of disaster.

Therefore, this paper empirically studied how disaster management strategy can assist in reducing poverty in disaster communities through Microfinance Institutions.

LITERATURE REVIEW

The conceptual framework makes use of the concepts of Natural disasters, vulnerabilities and livelihood outcomes. A growing body of evidence points to the role of risks, shocks and vulnerability in perpetuating poverty (Morduch, 1990); the damage caused by natural disasters consequently makes the poor more vulnerable because the livelihood of the poor are adversely affected. To mitigate the situation, they adapt coping strategies and later recovery measures leading to empowerment. The aftermath of disasters like floods, storms and fire outbreaks is the destruction of capital assets such as; houses, stores, vehicles and agricultural products.All these destructions have negative impact on the livelihood and assets of the poor thus making them more venerable.

During disaster, recovery and responsiveness measures are needed through Microfinance Institutions to offer disaster recovery products such as emergency loan, rescheduling repayment, reducing interest rates, revisiting lending methodology and ensuring payment of insurance benefits (Mathison, 2003). As a result, disaster – victims are able to reconstruct their dwelling places and purchase income generating stocks and assets.

The Ghana Microfinance Institutions Network (GHAMFIN) is one of the policy advocacy organizations with the prime objective of performance monitoring and bench marking.

Microfinance Institutions (MFIs) is a financial institutions specializing in banking services for Low-income groups or individuals. These institutions provide account services to small balance accounts holders that would not normally be accepted by traditional banks, and offer transactions or services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions (Investor word, 2012a). The Consultative Group Against Poverty (CGAP) conducted a survey that observed that the level of industrialization of countries, population density, and the flow of foreign support significantly influenced the spread of MFI (Preprah,2009).The use of MFI services the selection and their behavior will result in different outcomes and impacts on their lives (Craig, 2002). To him the realization that MFIs have not met the larger demand for financial services, combined with poor client retention rates and competition in some markets has led donors and practitioners to concentrate on developing new products that are less supply – driven and more responsive to client needs. The view of (Craig, 2002) that business products are designed to satisfy customers' needs rather than produce to supply the market is confirmed by (Kiva, 2012) who said that the extremely poor who are overlooked in their communities and excluded from financial services have special financial needs.

2.1 MICRO CREDIT

Microcredit is the lending side of microfinance (Adjei, 2010). He defined microcredit to embody giving small loans to poor people, usually without collateral. Microfinance Institutions has stepped in to provide loans because traditional banks are usually unwilling to serve the market of the poor. He argues that lending to the poor can be profitable to both the borrower and the lender.

In the view of (Rosenberg, 2010), MFIs' loan size policies are not well matched with client needs and repayment capacity.

According to virtual conference (2012) hosted by Consultative Group against Poverty (CGAP) and micro save, participants agreed that multiple borrowing is not a problem parse. Some studies have shown that there are positive benefits of multiple borrowing on the part of clients as they use it as a type of risk mitigation strategy. Also there was no consensus that multiple borrowing is not synonymous with over – indebtedness. Neither does it necessarily lead to over – indebtedness. Many clientshave manage loans from multiple lenders without significant problems, while others can get debt troubles with a single MFIs loan.

2.2 Micro – savings

There cannot be any economic growth without saving as itsthrough savings that someone else would also be granted a loan facility (Lindvert, 2006). Empirical evidence suggests that the poor would deposit if appropriate financial institutions and savings facilities are available to them.

(Adjei, 2010), however, recognized that savings mobilization by microfinance institutions does not only provide an important service to the poor but act as a vital source of loadable funds for financial intermediation by these institutions. Data gathered by (Adjei, 2010) from Bank of Ghana revealed that most of the microfinance institutions are in a position to mobilized cheaper funds from the public to support their operations without necessarily relying on subsidies or grant from government and development partners in terms of saving mobilization. He added that both rural and community banks and savings and loans companies which are regulated by bank of Ghana, made a total of 70% out of the total savings portfolio of Us $ 2.65 million compare to 15% and 13% by credit unions and Susu clubs respectively in 2004.

2.3 Micro Insurance

Micro-insurance is the protection of low-income people against specific risks in exchange for premiums proportionate to the likelihood and cost of the hazards involved. Investor word (2012) says micro insurance is a type of insurance that is characterized by low premiums and low coverage that is typically provided to individuals that cannot afford for other insurance plans. (Ghate, 2006) strongly synergies between micro insurance, microcredit and micro savings. He says insurance offers protection to assets created under credit programs, and protects savings from being wined out by shocks arising out of sickness, death, accidents or asset loss caused by fire, drought, floods and riots. Recent findings suggest that micro insurance has positive impact on poor households in the society.

2.4 Capacity Building and Training Services
The International Training Centre of the International Labour Organization (ITCILO) (2012), emphasized that skills development is a key factor in the employability of workers, the sustainability of workers and the sustainability of enterprises.
According to (Bhukan, 2007) cited by (Pathak, 1992) reported that SHCs get empowered to solve most of their problems of non-financial nature like raw materials, input, supply, marketing better adoption of technology through education and training for them to realize their potential for development. Small and micro entrepreneurs will need basic skills in credit, financial records keeping and reporting for proper management of their business. Planning and managing a business is for oneto know how to manage a business how to mobilize resources and knowing people first before staff (Bartle, 2011).It is clear that most MFIs provides business advisory services to their clients on very important areas to enhance their market accessibility, quality products, business management, business development, and business registration and tax payments.

2.5 Microfinance Delivering Mechanism
According to (Craig, 2002) money lenders charge exorbitant interest rates on loans. He added that buying inputs on credit is far more expensive than buying in cash. Local rotating savings and credit circles allow deposits and loans only at very specific time intervals and in strict amounts.

2.6 Group-based Lending
Most MFIs before granting loans always require some collateral securities and usually the poor cannot provide this so these institutions have resorted to group lending facilities which can be made up of 5 to 10 members (Lindvert, 2006). Many problems are solved by organizing people in groups within a community. Group-based lending was the key innovation method adopted by the Grameen Bank in its early formation, which enable it to grow rapidly from over one million borrowers in 1991 to 2.4 million in 2002.

2.7. Natural Disasters
A disaster is a sudden, calamitous event that seriously disrupts the functioning of a community or society and causes human, material, and economic or environmental losses that exceed the community or society's ability to cope using its own resources. The mix of hazards, vulnerability and inability to reduce the potential negative consequences of risk results in disaster (International Federation of Red Cross, IFRC, 2012). As emphasized by (Mathison, 2003), it is important to note an indication of the severity of a natural event but also the severity of its impact on the people and the environment. According to (Musah,2012), natural disasters take place as a result of action of the natural forces and tend to be accepted as unfortunate but inevitable natural disaster occur due to forces of climate and geology.

International Disaster Database (EM-DAT) (2009) indicated that out of 8,933 disasters that took place between 1970 and 2009 worldwide, 6,482 occurred in developing countries and only 2,451 occurred in developed countries, with sub-Saharan Africa suffered not less than 1000 disasters, with 300 disasters in the last five years alone. Since then, more than 330 million people were affected by droughts, floods, cyclones, earthquakes and volcanoes in Africa (Dingel, 2010).

Research Methodology
The researchers used both primary and secondary data. Questionnaires and interviews were also used to gather the data from credit officers, MFIs and beneficiaries. The units of analysis were the clients of the MFIs under study at the time of natural disaster and officers involved in theloan processes. The secondary data was obtained from the branch manager and the relationship officer. The questionnaires were designed to find out how MFIs assist disaster – victims who are also their clients to cope with natural disasters.

This study also looked atthe ability of MFIs in assisting victims during and after the calamities, how victims are able to repay the microcredit facilities and how disaster management strategies are put in place to mitigate client's sufferings. Five MFIs located in WA in the Upper West Region of Ghana were purposefully selected because of their strategic location to the disaster areas. The study also used simple random sampling to select the 95 disaster victims for them to answer the questionnaire.

Analysis
The result of the analysis indicates the basic demographic information in MFI and disaster victims. The result shows that female victims form the largest percentage as they constitute 65% whiles the males constitutes 35%. And among this group 67% are Muslim and 33% Christmas. It is clear that support to victims were in these

categories. 40% of the victimsreceived reliefs from some Microfinance Institutions, 30% received relief items from other organizations and 5% received support from friends and family. As high as 25% of the victims, did not receive any assistance. The analysis also shows that 90% of those victims who accessed the loan facility have paid back.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

This paper studied the role of Microfinance Institutions in Disaster Management in the Upper West Region of Ghana. The methodology used was both secondary and primary data. Sample random sampling technique was also used. The sample size was 200. The main objective of the study was to find out how Microfinance Institutions assist their clients in times of disaster.

The study found that female forms the largest percentage of victims during disaster constituting 65% whiles their male's counterparts constitutes 35%. The study also established that Moslem victims are made up of 67% whiles the Christians constitute 33% of the disaster victims. The study shows that 40% of the victims received reliefs from some Microfinance Institutions, just as 30% received relief items from other organizations. The research revealed that 5% of the victims received support from family and friends whiles 25% of the victims did not received any assistance at all. The study further shows that 90% of those victims who accessed the loan facility have paid back with the required interest.

Based on the above findings the paper recommended that stakeholders in disaster management should always ensure that all disaster victims benefits from the relief items. This will go a long way to ameliorate the sufferings of the victims and also to ensure that no victim is left uncovered. We also recommend that Microfinance Institutions should endeavor to develop special loan products for disaster victims. This will serve as a promotion strategy for them in order to expand their loan portfolio. It further recommends those policy makers, development planners, development partners and the private sector to put in place corrective measures that will assist Micro-finance beneficiaries in times of natural disasters.

In conclusion, disaster is an unplanned event which can befall any person at any point in time. As such, one cannot completely avoid it nor tell when it will occur. As a result, there is the need for a comprehensive disaster response plan to be developed by all the stakeholders to enable them respond to disaster rapidly.The results of this research is therefore clear that Microfinance Institutions do play an important role in Disaster Management in the Upper West Region of Ghana.

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Appendix 2
Microfinance Delivery
Questionnaire about microfinance delivery to disaster client victims
Please choose the appropriate answer by cycling.

1. How did you use the loan you borrow?
   (a) Intended purpose (b) Intended purpose (b) Feeding (c) School fees (d) Naming Ceremony
2. How long did it take you to repay?
   (a) 2 months (b) 3 months (c) 6 months (d) 12 months
3. What is your opinion about the size of the loan?
4. What is your opinion about the interest rate charge?
   (a) Adequate (b) too little (c) too much
5. How was your loan condition established?
   (a) Fixed by lender (b) Negotiated between lender and client
6. What are the conditions to qualify for a loan?
   (a) Regular Meetings (b) Group member (c) collateral (d) Economic activity
7. What are the repayment schedules? (a) Daily (b) weekly (c) monthly
8. Are you happy with the schedule? (a) very happy (b) average happy (c) not happy
9. Did you have any difficulty paying loan? a) Yes (b) No
10. If yes what is the cause: ……………………………………………………………………
11. Do you save with your lenders or elsewhere? (a) Yes (b) No

DISASTER MANAGEMENT

12. Have you ever experienced any natural disaster between 2010 and 2012 that affected your income or destroyed your assets? (a) Yes (b) No
13. If yes which of these did you suffer? (a) flood (b) storm (c)No
14. How did it affect you? (a) Loss of lives (b) loss of income (c) loss of crops (d) loss of capital asset.
15. What emergency relief services were rendered by the organization?
    (a) Food (b) cloths (c) Health care (d) shelter
16. How was your loan repayment rescheduled due to the disaster?
    (a) 1 month grace period (b) 2 moths grace period (c) 6 months grace period
17. Where you given additional loan to rejuvenate your business? (a) Yes (b) No
18. If yes, how much was it? GH¢ ……………………….
19. Where you given education on early warning signs of disaster by the institution?
    (a) Yes (b) No
20. Has your business or loan been insured against any disaster? (a) Yes (b) No

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