Beyond Health Care: the effects of social policies on health

HUMBIO 122 – FALL 2018

POLICY BRIEF

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The Promise of Microfinance on Poverty Alleviation and Health Improvement in Ghana.

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Introduction

Access to health care continues to be an issue that plagues several Low and Middle Income (LAMI) countries. In many African countries, some of the factors that contribute to this issue include the cost associated with accessing health care services and the lack of infrastructure necessary to provide these services. Within most of these countries, the cycle of poverty and poor health outcomes persists such that poverty leads to poor health which in turn leads to poverty [1]. It is currently known that people living in poverty have poor diet options and lifestyle habits that adversely affect their health, are more likely to live in crowded environments with frequent exposure to pollutants and environmental toxins, are more likely work in stressful environments with unhealthy workplace cultures and the list goes on. We also know that people living in poverty are less likely to visit the doctor and use other health related resources mostly because they simply cannot afford to do so.

This topic is important because without a proper look at alternative measures of healthcare financing especially for the poor, these poor health outcomes will persist and the vicious cycle will continue. Promising in breaking this cycle of poverty and poor health is the Microfinance or Microcredit model. Microfinance refers to a banking system through which low income people, mostly the unemployed, get access to loans at low interest rates to start or create their own business enterprises [1]. This system takes advantage of the fact that even the poor are bankable and capable of generating income to fend for themselves. The beneficiaries are empowered to not only provide for themselves but also, in most cases, provide jobs for other poor people potentially within their social networks. With this increase in financial freedom, they can exert some agency in their own health outcomes as they can now afford the health services needed for improved health.

This policy memo will look at how microfinance institutions can be beneficial in the Ghanaian context at eradicating poverty whiles improving health outcomes.

Background & Research Findings

It is worthy acknowledging the various efforts Ghana has made in breaking this vicious cycle of poverty and poor health outcomes. Per a report issued by the World Bank in 2015, Ghana's strong economic growth in the last two decades has cut the country's poverty rate in half, from 52.6% to 21.4% [2]. In a bid to replace the "Cash and Carry" model of health delivery where a fee is charged at the point of service, the government of Ghana introduced the National Health Insurance Scheme (NHIS) to provide universal healthcare coverage to its population. Although the NHIS has had crucial impact on expanding access to health especially for the poor and thus, improving overall health outcomes, a systematic review of the Scheme by Alhassan et al. in 2016 revealed that although the scheme has been moderately successful, "stagnating active membership, reports of poor quality health care rendered to clients insured under the act and the high costs of running the program raised concerns about the operational and financial sustainability of the scheme" [3].

Microfinance institutions provide a unique opportunity to not only eliminate poverty by creating jobs and providing a source of steady income to people living in poverty but also an avenue to deliver health-related

services to those that need it most [1][4]. This model involves workers going around the communities almost every day to offer microfinance services often to groups on a regular basis to either repay loans or to deposit savings. They offer their services to people who would otherwise not obtain banking services from regular banks. Such people make up the informal sector of the economy who form the bulk of the labour force. Through unconventional methods like daily savings collections, and micro-loan group circles, microfinance institutions are not only offering a chance at financial liberation but also cultivating fiscally beneficial behavioural patterns and changes [1] [4]. In some parts of Latin America, Africa and Asia, microfinance institutions have already began offering health related services such as health care financing and education. And multiple studies show that these do in fact have promising impact.

In 2005, the World Bank sponsored a study by Shahidur Khandker that examined the impact that microfinance institutions have on poverty reduction at both the individual and aggregate levels using panel data in rural communities in Bangladesh. The article published in 2005 revealed that the microfinance services contributed to overall poverty reduction at the village level especially for female participants. Even non-participants benefited indirectly from the services microfinance institutions rendered through increases in local income for the entire community [5]. This study provides crucial evidence that microfinance institutions increases the chances of escaping poverty for even some of the poorest.

Microfinance institutions, like previously mentioned, sometimes provide health related services along with their financial services to their beneficiaries. There are several studies that have looked at the effects of these combined health related services on health outcomes and two examples from Ghana and Uganda will be discussed below.

In December 2009, De La Cruz et al. published their findings on a community randomized trial in which rural banks in Ghana offering microfinance services to their clients incorporated malaria education as part of the services they rendered. The goal of the study was to compare the differences between the different intervention groups as well as highlight the within group differences before and after the intervention. Their findings revealed that compared to the client group that received the diarrhoea education intervention and a second non-client control group with no health related educational intervention, the client group that received the Malaria education intervention had statistically significant knowledge of Malaria. These clients were also more likely to acknowledge the protective features of insecticide treated nets as well as encourage pregnant women to sleep under one. Overall the researchers concluded that the malaria education program provided by microfinance institutions can effectively contribute to community and national malaria initiatives [6].

Another research study in Uganda sponsored by the United States Agency for International Development (USAID) and conducted by Barnes et al. revealed that almost twice the percentage (32%) of women receiving education about HIV/AIDS prevention through their microcredit groups tried at least one HIV/AIDS prevention practice, compared to 18% of non-clients [7].

These striking examples indicate the direct effect microfinance institutions can have on health outcomes when they incorporate health related services to their business modules.

Policy implications and recommendations.

The evidence in favour of microfinance are abundant and compelling and present such a timely opportunity that governments of low and middle income countries can and should fully take advantage of.

We recommend that the government of Ghana incorporate the microfinance model as parts of the efforts to deliver universal healthcare to Ghana. Potentially usurping it under the National Health Insurance Scheme would both bolster the success of the scheme as well as provide some funding for implementing the models. The government should encourage the creation of more microfinance institutions and encourage even the existing ones within the private sector to take up social impact health initiatives. They could incentivize through tax reductions and waivers, land permits, or even through government start-up grants.

The government of Ghana should seriously consider creating a string of government owned microfinance companies on a national scale especially in the rural areas. The government could incorporate this as part of the agenda to increase the number of small and medium scale (SMS) businesses and in the long run contribute to improvement in health outcomes.

While we anticipate some financial and cultural challenges in implementing a policy of this scale and magnitude, we believe a policy that adopts the Microfinance model as a complementary to the NHIS is sure to produce expected results and have profound quantifiable impact.

Further Resources

1. https://www.investopedia.com/terms/m/microfinance.asp
2. https://seepnetwork.org/Blog-Post/Healthy-Wealthy-and-Wise-How-MFIs-Can-Track-the-Health-of-Clients

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